

T RUMAN

INDEX

JANUARY - MARCH / 2019

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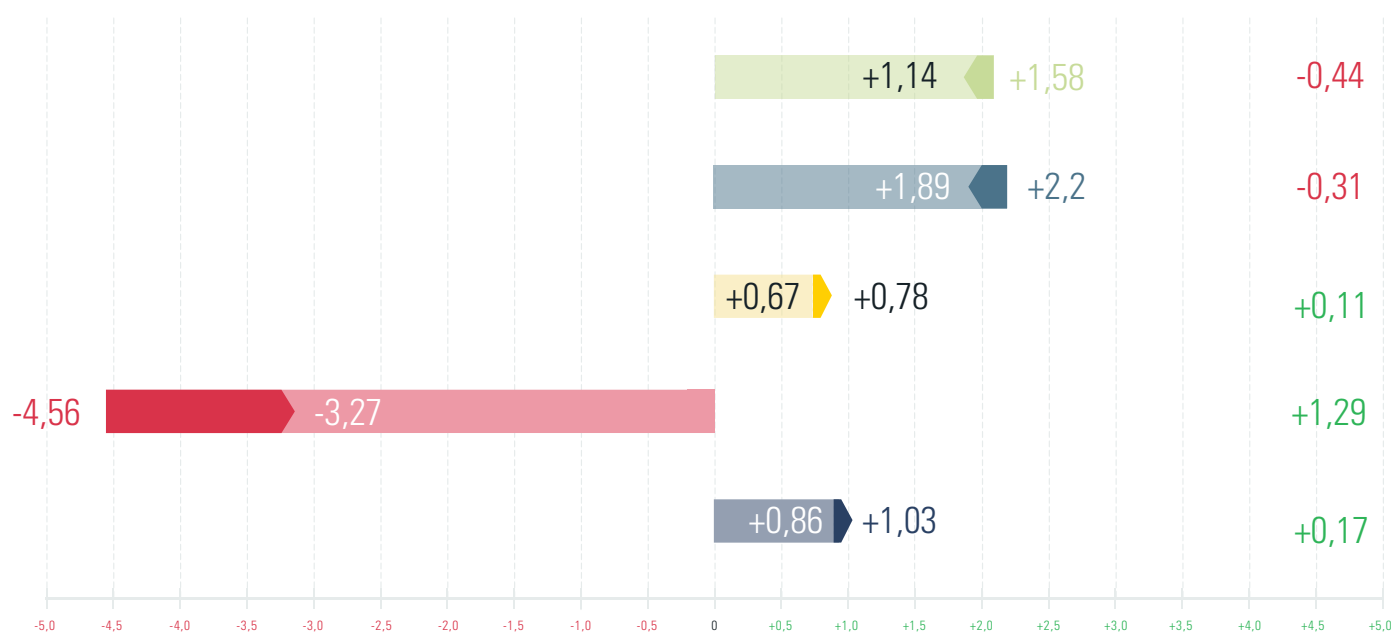
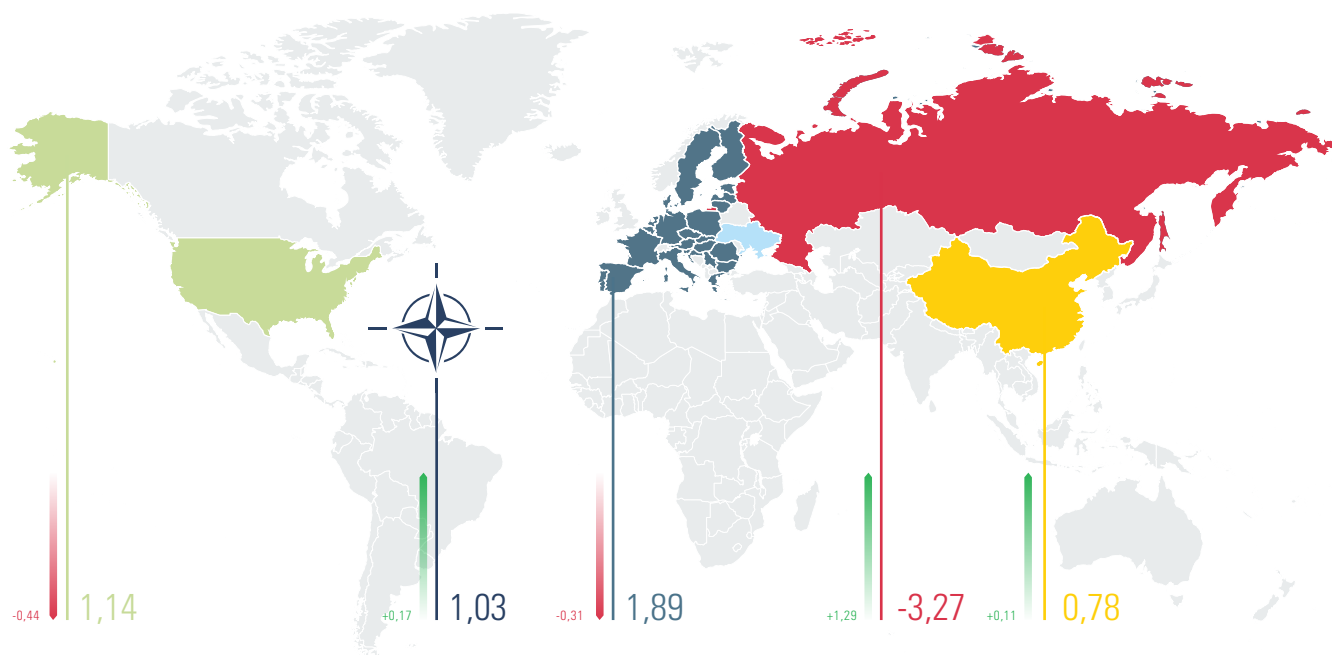


There's not much I can say about the election. I'm just glad that it's taking place. When I walk down the street and see a poster with a soldier saying, "Vote! We've got you covered," no matter how many times I see him, this soldier moves me, over and over again. In 2014, Ukrainians got together and covered their country. Right now, it's hard for us to imagine that Ukraine might not be there, but 5 years ago, this was so obvious, that it got hundreds of thousands of people to go fight, become volunteers and risk their lives, while millions sacrificed money—sometimes their last hryvnia—so that the soldiers could have vehicles, sights, first aid kits, and uniforms. When it turned out that Ukraine had no army, Ukraine itself became the army.

All of this would not have happened without the titanic efforts of hundreds of diplomats, civilian analysts and military specialists, and friends of Ukraine in Canada, the EU, the US and many other countries. The G7 recognizes that Russia's aggression against Ukraine is as serious a problem as the war in Syria and nuclear weapons in North Korea. The US and Europe have broadly worked with Ukraine on all aspects of security, from logistics and training NCOs to cybersecurity. Ukraine's allies continue to support a coordinated sanctions policy with regard to Russia. And the Ukraine-US Strategic Partnership Commission has been re-launched.

Only thanks to these efforts, can we sit in a café and discuss economic growth and attractive interest rates in a country that has lost over 13,000 people due to war—by comparison, the Soviet Union lost 15,000 in Afghanistan. To some, it may seem that reforms have not been deep enough, others are unhappy with the country's social policy, or how the judiciary works. But Ukraine has managed these last five years to protect the right to express this dissatisfaction, along with any other ideas and opinions, not only in social nets but also by coming and casting a ballot. Ukrainians did, indeed, cover their country—and that's something to be proud of.

TRUMAN INDEX



USA OCT – DEC, 2018.

EU OCT – DEC, 2018.

CHINA OCT – DEC, 2018.

RUSSIA OCT – DEC, 2018.

NATO MAR – SEP, 2018.

JAN – MAR, 2019.

JAN – MAR, 2019.

JAN – MAR, 2019.

JAN – MAR, 2019.

OCT, 2018– MAR, 2019.

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 BISS¹ 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

¹ BISS (Belarusian Institute for Strategic Studies / Білоруський інститут стратегічних досліджень). Джерело: <http://belinstitute.eu/ru/tags/индекс>



UKRAINE – US RELATIONS

ALYONA GETMANCHUK

Director of the New
Europe Center

POSITIVE SCORE: +32,5

NEGATIVE SCORE: -4

TOTAL: +28,5

TRUMAN INDEX: +1,14

SUMMARY

In relations between Ukraine and the US, the last three months were mainly significant for the official start of the presidential election campaign in Ukraine and the de facto start of the 2020 election campaign in the United States.

Although President Petro Poroshenko met with US VP Mike Pence in Munich and Deputy SecState for Political Affairs David Hale came to Kyiv for the first time, the emotional background to bilateral relations was primarily shaped by US Ambassador Marie Yovanovitch. For starters, there was her sharp statement on March 5 with a demand to fire the special anti-corruption prosecutor, then scandalous revelations came from Prosecutor General Yuriy Lutsenko accusing Yovanovitch of submitting a list of individuals who were not to be prosecuted, and finally an investigation was opened into interference in the US presidential election on the part of NABU Director Artem Sytnyk. In contrast to the European Union, the US did not let the election campaign get in the way of public statements of concern over the poor progress of anti-corruption reforms.

In the corridors of power in Kyiv, this was seen as a violation of the "gentleman's agreement" with the West about no public attacks on Poroshenko the candidate for president, in order not to give an advantage to other candidates. For possibly the first time, diverging views of how to act during a presidential election campaign emerged in the collective West, that is, the EU and US.

During this period the US formulated a response to Russia's aggression near the Kerch Strait: it was weaker than expected, but stronger than that of the EU.

Altogether, this quarter serves as a good opportunity to draw conclusions about Ukraine-US relations under Petro Poroshenko.

TIMELINE

■ CHALLENGES OF THE POROSHENKO PRESIDENCY

It's hard to say to what extent the presidency of Petro Poroshenko has been a challenge for Washington, but the Obama White House, and even more so the Trump White House, have undoubtedly been a challenge for Kyiv and for Poroshenko personally.

Possibly the main obstacle was the fact that there was a visible

conceptual divergence between Ukraine's desire for a stronger US presence and the US's policy regarding engagement on the international arena. Where Kyiv, especially since the start of Russia's aggressive actions, marched under the banner of "as much America as possible" in Ukraine, Donald Trump's Washington was moving under a new banner, "as little America as possible," or, to be really precise, "less America, more Europe." Hints of this approach were noticeable even back in Obama's first term, while under Trump it has become much more obvious. President Trump's approach often comes down to, not "What can the US do for Ukraine?" but rather "What is Europe doing for

Ukraine?" As informed sources say, Trump asked Ukraine's president directly during talks: "How exactly is Germany helping Ukraine?"

President Poroshenko found himself a witness to the gradual marginalization, at times even demonization, of Europe in US policy under Trump. The concept of a "whole, free and peaceful Europe" on which American policy towards the Old World was based for many decades is falling apart at the seams under the current US president. And along with it, Ukraine's importance as an integral part of this "whole, free and peaceful" Europe. The situation is further complicated by the fact that Poroshenko has sometimes had to balance precariously between the desire to shore up relations with Trump and the desire to not spoil them with Merkel in the process—Poroshenko being the first Ukrainian leader to find a common ground with the German chancellor.

Nevertheless, between two American presidents and right up to the presidential campaign, Poroshenko remained faithful to himself in terms of the US: security was his priority above all other issues. It's evident from a brief list of the requests Kyiv made of Washington under President Poroshenko:

- granting Ukraine status as a major non-NATO ally;
- signing bilateral security agreement similar to those the US has signed with Japan or South Korea;
- supplying Ukraine with lethal weapons;
- engaging the US in the negotiation format to regulate the conflict in Donbas, primarily by expanding the Normandy format;
- reviving the work of the Strategic Partnership Commission between Ukraine and the US;
- expanding and strengthening sanctions against the Putin regime;
- helping stop the construction of the Nord Stream 2 gas pipeline.

What's more, the majority of these requests from Kyiv under Poroshenko were identical under Obama and under Trump. Three of these requests were fulfilled and two of them under President Trump, which is significant: the provision of lethal weapons and the restoration of the US-Ukraine Strategic Partnership Commission.

Other issues, such as major non-NATO ally, either had to be quietly removed from the agenda or the Ukrainian side continues to actively bring them up at talks with their American partners, such as Nord Stream 2. Issues that led to irritation and frank incomprehension under the Obama Administration, such as status as a major non-NATO ally, or a security agreement, Kyiv was trying to get through under President Trump instead. Still, anything that involved providing Ukraine with security guarantees was not accepted under this administration, either.

Nor did the idea of expanding the Normandy format to include the US gain traction. With the coming of Trump, European capitals,

especially Berlin, made it very clear: it would be better to leave a separate negotiations track between the US and RF. As to Nord Stream 2, Ukraine is seeing ever more menacing rhetoric from the US, but not much by way of action. Small wonder that this issue was raised separately, according to inside sources, at the February talks between Poroshenko and US VP Mike Pence in Munich. During this meeting, the Ukrainian leader apparently again asked his US partners to raise sanctions against European companies involved in the pipeline. Present at this discussion was US Ambassador to Germany Richard Grenell, known, among others, for the letters that he sent to German companies threatening them with US sanctions.

For now, Poroshenko's biggest achievement in relation to the US has been the provision of lethal weapons. However, the conditions for this delivery could well be such that Ukraine will never be able to even try out the Javelins it received in 2018 from the US if the situation at the front does not change and there is no new attack. Their arrival in Ukraine has a different important meaning: confirmation that there is at least a certain level of trust on the part of Washington towards Kyiv and its military command. At the same time, this level is fragile, as can be seen from the effective blocking of half of the aid promised for this year until the necessary reforming of Ukroboronprom, the state defense corporation, takes place.

Reforming Ukroboronprom has long been a component of US-Ukraine discussions. The scandal raised by journalists investigating the corporation has only convinced the American side, once again, that it was right in demanding an audit of the defense giant and restructuring its Supervisory Board. Interestingly, at one time Kyiv invited renowned US General John Abizaid, who was also strategic advisor to Defense Minister Gen. Stepan Poltorak, to head the Supervisory Board, but in the end he turned the offer down.

One important event in Ukraine-US relations was Ukraine's decision to purchase weapons from the US. US partners had long expressed the hope that Ukraine would not just get arms for free, but that it would also buy them in the US, which would strengthen arguments in favor of supporting the country. Sources say that Kyiv's willingness to buy arms was one of the main arguments for Trump to give the green light to provide the country with lethal weapons. In this context, the key step on Ukraine's part was the Rada passing of a bill permitting the direct purchase of arms abroad and the president signing it into law. Now, the Defense Ministry may sign an international agreement with the US and buy weapons and military equipment directly.

■ DONALD TRUMP AS PEACEMAKER

The provision of weapons did not foster any resolution to the conflict in Donbas. Even Poroshenko's attempt to interest Trump in playing the role of peacemaker in the Ukraine-Russia conflict did not help. From his very first meeting with the American, Poroshenko tried to

interest his counterpart in such an historical mission that, he said, had been taken on by Reagan by ending the Cold War without a single shot being fired. In Kyiv, they even came up with a special slogan at the talks with Trump: "A great deal for peace, a great deal for success."

In effect, Ukraine was proposing that Trump do what Obama had failed to do: turning a resolution of the conflict with Russia into a foreign policy legacy as US president. All the more so that Trump, in his talks with foreign leaders, confidently announced that he would meet with Putin and put an end to the conflict. Today, it's an open question whether Trump considers resolving this conflict one of the main objectives of his presidential legacy and whether he's prepared to seriously invest his time and energy if and when a window of opportunity opens up.

At this time, it can be confidently stated that, in President Trump, Poroshenko has had a much more comfortable counterpart in the US than in President Obama. Among the significant differences was the appointment of a Special Representative from the State Department for Donbas negotiations and a diplomat with whom both the Ukrainian capital and the Presidential Administration have found common ground. In contrast to Victoria Nuland, who failed to gain the trust of Poroshenko and his circle because they suspected her of being overly accommodating in talks with Putin aide Vladislav Surkov, Kurt Volker has never publicly made any statement about the Donbas that fundamentally contradicted Ukraine's position. Indeed, one Ukrainian diplomat said off the record that the US position on the Donbas was "inspiring."

However, Volker's role as the main American negotiator on the Donbas has shifted over the past year. After the Russian side suspended talks in the Volker-Surkov format at the beginning of 2018, the US Special Representative has essentially taken on the role of a key international communicator on matters related to Russia's aggression in Ukraine. In February, he even launched a website for a foreign audience where he has collected posted all the facts linked to Russia's invasion of Ukraine.

■ TESTING WITH AGGRESSION

The last half-year of Poroshenko's term in office has been particularly notable in the security dimension: because of the attack on Ukrainian naval vessels near the Kerch Strait, the American government, led by Donald Trump, has found opportunities to demonstrate in practice how Washington might react to open aggression against Kyiv. In other words, Trump, who has blamed Obama for the loss of Crimea to Russia, will demonstrate how he differs in action from his predecessor.

This much is already clear: the US reaction proved weaker than

expected, but stronger than the EU, the Ukrainian leadership thinks. In contrast to the Europeans, the Americans added the deputy director of Russia's Border Service, Adm. Ghennadiy Medvediev to its list and introduced sanctions against a Russian shipbuilding companies. The Americans are also more prepared to demonstrative support of Ukraine in the Black Sea: the USS Donald Cook, a guided missile destroyer, entered the Port of Odesa in February. Moreover, the US is prepared to continue to ensure such "visits" in the future as well.

Overall, the most positive signal from sanctions placed by the US, EU and Canada over Russia's aggression in the neighborhood of the Kerch Strait was not so much in their specific content as in their form: in the way the US and EU coordinated their actions. This kind of coordination was typical under Obama, but has nearly turned into a random series of pleasant exceptions under Trump.

The capture of Ukrainian sailors merits special attention. Trump set an unusually high standard when he cancelled a planned meeting with Putin in Argentina over it. Our sources say that, at his meeting with Poroshenko in Munich, VP Pence dedicated some of their discussion to the question of freeing the sailors, demonstrating his personal awareness and involvement on this issue. The Trump Administration has a practical interest in this matter as well: as soon as the sailors are released, Trump will be able to meet with Putin without harming his reputation.

■ SECURITY VS REFORMS

Not everyone in the US agrees with President Poroshenko's vision of bilateral relations, especially the security component. For those American politicians and diplomats who are concerned with Ukraine's development, the question of reform, especially combating corruption, is no less decisive, if not even more so. Some well-known Americans are convinced that if not for corruption, there would never have been a Russian conflict in Ukraine. By contrast, the Ukrainian side and representatives of certain US allies in NATO take the position that, if the conflict leads to the loss of Ukraine's statehood, there won't be anything to reform.

It's no secret that the election of Donald Trump established two different Americas for Kyiv: Trump's America, for whom the main issue in international relations is sales of arms made in America and trade deficits, not the state of the battle against corruption in Ukraine; and the America represented by the US government machine with its institutional memory of the Ukraine question. This includes the commitments that Kyiv has made to reform. President Poroshenko has quite logically placed his bets on the former, most likely anticipating that attitudes towards Ukraine will be decided by the White House.

However, things turned out more complicated than was anticipated in Ukraine's corridors of power: Trump has no interest in the battle with corruption because Ukraine itself doesn't interest him. Taking advantage of the White House's lack of interest in Ukraine, other agencies, including the State Department, have continued the policies that were aimed at reforms through sheer inertia, as these were put in place under the previous administration. Traditionally, the US embassy in Ukraine tended to accentuate this. Still, convinced that Trump is not losing any sleep over the questions of anti-corruption or judicial reform in relations with Ukraine, every strong statement from the embassy on this topic raised the question in Kyiv: is this Washington's position or simply that of the diplomatic mission?

The question of the capacity to combat corruption, and not withstanding Russia's aggression was decisive in the Obama Administration's attitude towards Poroshenko. As an indicator of the effectiveness of Poroshenko the President, this issue was primary for many American stakeholders who are concerned with Ukraine's development as a nation even under President Trump.

■ ELECTIONS AND WHAT COMES AFTER

Poroshenko has actively worked to establish a personal relationship with both American presidents. With Obama, these efforts went for nothing already in the Ukrainian leader's first year, after he ignored the White House's request and addressed the Congress with a call to provide Ukraine with lethal weapons rather than blankets. With Trump, the start was also difficult, because it came against a background of charges that Ukraine had interfered in the US election in support of Hillary Clinton. At that time, Ukraine categorically refuted all such accusations. No one can say how dialog between the two presidents might have gone—if it had happened at all—if not for the Mueller investigation and the toxicity of contacts with Russia that did not take Ukraine's interests into account. In fact, for the first time in the history of bilateral relations, the presidents of both countries were equally interested in each other.

Attempts to establish personal contacts with Trump had several dimensions. Firstly, it was exclusively complimentary statements about him, generously seasoned with flattery, and the development of contacts with his inner circle, especially through regular invitations from Viktor Pinchuk to Newt Gingrich and Rudolph Giuliani to visit Ukraine. This was coupled with maximal distancing from those politicians who raised negative reactions in Trump.

Then there was the buying of support. The Ukrainian president oriented himself fairly quickly: whereas under Obama, Ukraine had to earn US support, under Trump it was possible to buy it. Poroshenko had an opportunity to convince himself, based on his own negotiations, how magically the word "purchase" worked on the American leader. In fact, we found out later, that during talks last year in Brussels, Trump's tone and interest in meeting

changed dramatically the minute Poroshenko used this word. In his typically direct manner, Trump then asked if Ukraine had the money and where from. When this report went to press, Ukrainian and American diplomatic sources said that preparations were underway for Ukraine to buy the next set of Javelins on its own. Our data also says that Ukraine wants to buy an anti-ship version of the Tomahawk cruise missile, but the decision to give or sell them to Ukraine has not been approved in Washington.

Obviously, a statement issued by Prosecutor General Yuriy Lutsenko about the start of an investigation into whether Ukraine interfered in the 2016 US presidential election can also be read as a kind of "gift" to Trump. What Ukraine categorically rejected during Trump's first year in office, the PGO is now apparently preparing to prove. Of course, Lutsenko's statements are specifically about individual officials, such as NABU Director Artem Sytnyk, and not about Ukraine interfering as a government. However, the main political actors in the US are unlikely to bother reading the fine print, fixing in American discourse just the notion "Ukraine's interference on behalf of the Democrats."

At the time of press, diplomatic circles were talking about the fact that confirmation of the idea that it was "Ukraine interfering in the election" was coming in the form of an investigation against the company of an odious Yanukovich-era minister called Mykola Zlochevskiy. The board of directors of Burisma Holdings includes ex-VP Joe Biden's son Hunter. This kind of information could well harm Biden's reputation as one of the potentially most serious rivals to Trump in the 2020 presidential race because of his top ranking among Democrats.

The games played by Ukrainian officials in looking for such topics might, in fact, offer some short-term dividends in the form of a positive reaction from Trump, but they will harm Ukraine and its relations with the US in the long run. Similar action could make Ukraine as toxic for political circles in the US as Russia has become in recent years, thanks to the Mueller investigation. Moreover, this risks costing the country much-needed support in the Democratic Party.

Poroshenko's efforts to establish personal contacts with Trump were aimed at extending the American president's policy of deterring Russia. But in order to restrain Russia, it was firstly important to restrain Trump with regard to Russia. However, it has to be said that the most effective restraint over the last year was Special Prosecutor Robert Mueller's investigation. Buying support proved to have a limited, short-term effect for Ukraine.

Establishing normal relations with the White House was intended to be convenient for Poroshenko during the election campaign as well. It was not for nothing that Kyiv was busy trying to revive the Ukraine-US Strategic Partnership Commission at the level of the Ukrainian President and the USVP, along the lines of the Kuchma-Gore Commission. In the end, the Americans agreed to relaunch it, but only at the level of FMs.

Even as the presidential campaign went into the last stretch, Poroshenko tried in February to arrange a meeting with Trump at the White House during his visit to the UN General Assembly. According to our American sources, the Ukrainians tried until the very end to set up a meeting with Pence in Washington with a quick stop at the Oval Office to see Trump. However, such a meeting could not be guaranteed and the Ukrainians had to be satisfied with meeting Pence in Munich—which ended up lasting twice as long as originally planned.

According to some sources, Mike Pence even indicated that he was ready to come to Kyiv in March. However, the Poroshenko team admitted that such a visit could prove counterproductive because the US VP would probably have met with other candidates as well, which would not necessarily play well for Poroshenko.

Poroshenko's inner circle obviously hoped that the US would adopt a public "non-aggression" position during the election campaign and refrain from making critical statements about the incumbent and his administration, other than in private, in order not to give other candidates trump cards to play with. In fact, one of the reasons why Kyiv tried so hard to relaunch the Strategic Partnership Commission was because it provided a venue for raising the most delicate matters on the bilateral agenda behind closed doors. This was the position that the EU took at the level of the leadership in Brussels and of some of the G7 countries. Possibly for the first time, the West collectively, meaning the EU and US, had different views of how to behave during the presidential race in Ukraine.

But the US was forced to take a different tack, both at the bilateral level and in the G7 context. As proof of this was a statement issued by the G7 about the Constitutional Court's ruling that illicit enrichment was not a crime and Ambassador Yovanovitch's statement asking that the special anti-corruption prosecutor, Nazar Kholodnytskiy, be dismissed and criticizing the lack of progress in anti-corruption and judiciary reforms. Yovanovitch's speech was important not only because it took place three weeks before the election: according to our sources, the Americans were tired of trying to get the Kholodnytskiy matter resolved privately. Moreover, Yovanovitch was the first US official to personally demand the resignation of a Ukrainian official since the Obama era. Of course, it would be much better if the US undertook a policy of institution-building in Ukraine and not one of appointing or dismissing individuals. But since Ukraine's institutions don't work, the Americans are placing their bets on individuals.

It's still not clear whether PG Lutsenko's statements accusing the American ambassador of handing him a list of immune individuals were a direct response to Yovanovitch's speech or just an unfortunate coincidence. In any case, it's not clear why a campaign against the US ambassador was set in motion months before her term comes to an end and calling up, at a minimum, another

round of distrust, at the least, among American diplomats. It's important to keep in mind that the US embassy in recent years has not just engaged in critical comments but has also issued plenty of statements from the State Department in support of Ukraine, including in support of the release of Ukrainians being held in Russia as political prisoners.

In the corridors of Ukrainian power, the ambassador's critical statement was dismissed as caused by a political vacuum at the State Department after Deputy SecState for Europe and Eurasia Wess Mitchell's resignation and the filling of this vacuum with a Ukraine agenda. This was proposed by Mitchell's assistant George Kent, who had been Yovanovitch's second-in-command at the embassy in Kyiv until the previous summer. The history of Ambassador Yovanovitch and the Ukrainian government is not simple: when Trump was elected, Kyiv spent his first year in office preparing for her to be replaced—the names of possible replacements were even floated. But last year, one of the members of Government noted that, in Kyiv's eyes, the ambassador's position in Washington had improved. Many in the Poroshenko Administration and the MFA are open about being impressed with the US's policy of political appointees to ambassadorial posts, such as Richard Grenell in Germany—who came perilously close to bring declared persona non grata by Germans.

However, the reaction in the cabinets of power to the American criticism was so hyper-sensitive because they were convinced that although Washington was doing everything it could to demonstrate its lack of a favorite in the current election, some American partners who are interested in Ukraine privately expressed appreciation for a particular candidate—Anatoliy Hrytsenko. But some vehemently denied such preferences, saying merely that they thought that Hrytsenko would best carry out an anti-corruption agenda in Ukraine. Notably, Poroshenko is a completely acceptable candidate for many in Washington, especially from the point of view of predictability and relative stability.

At the same time, one positive point is that Poroshenko's inner circles are more and more prepared to admit that it's unlikely that the White House has an alternate agenda for Ukraine. Trump's improvisational diplomacy does not include putting together a consistent general approach. The agenda that was announced in the State Department and the embassy is actually the only agenda on Ukraine in the US government. And it is unlikely to change after the election: combat corruption, establish rule of law, and stop the war in Donbas through negotiations. Anyone who thinks this agenda can be dropped through lobbying efforts should know the story with the letter from Trump advisor Rudolph Giuliani, who met with President Poroshenko and PG Lutsenko, in which he criticized the work of Romania's Anti-Corruption Bureau—which was against the US policy in general. In the end, the American policy on combating corruption in Romania, which was determined at State, did not change.

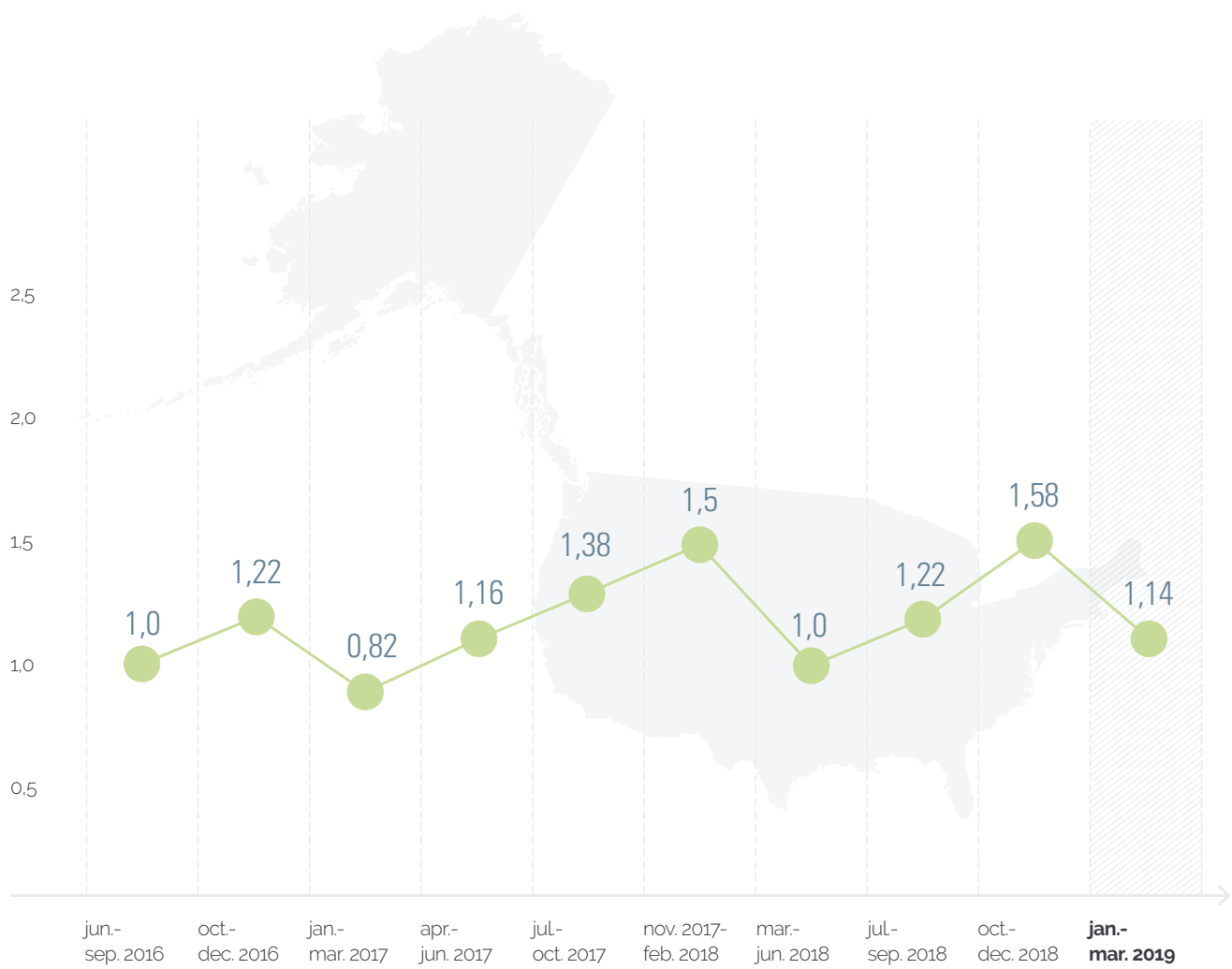
It will take a good deal of effort to get Donald Trump interested in Ukraine as he has never developed any emotional tie to the country. Meanwhile, access to him on the "Ukraine question" through advisors and members of the US government is becoming more and more difficult. Congress obviously will continue to support the country at the bipartisan level by generating important preventions, such as approving legislation to make it impossible to recognize

Crimea as Russian, a bill that passed in the House of Representatives very recently. For many in the Congress, Ukraine remains a double victim: to Putin's aggression and to Trump's unpredictable political improvisations. However, even representatives in the Congress with whom we spoke while preparing this report admit that sanctions against Russia won't make Ukraine a success.

EVENTS IN UKRAINE-US RELATIONS (JANUARY - MARCH 2019). POINT-BASED EVALUATION

DATE	EVENT	SCORE
January 22	US Assistant SecState for European and Eurasian Affairs Wess Mitchell resigns. Mitchell was an important partner of Ukraine in the US government and in the State Department in particular.	-1
January 22	During a telebridge with participants in the World Economic Forum at Davos, US SecState Mike Pompeo notes that the US is waiting for Russia to change its foreign policy, especially towards Ukraine.	+0,5
January 24	A bipartisan resolution backed by nearly 70 senators from the Republican and Democratic parties and calling for stronger defensive assistance to Ukraine, including in the sea, and support for cancelling Nord Stream 2, is presented to the US Senate.	+1
January 31	President Poroshenko signs into law a bill on the procurement of arms abroad without intermediaries. This bill had the support of the Government and Verkhovna Rada and had long been on the US wishlist.	+2
February 2	Deputy Premier for European and Euroatlantic Integration Ivanna Klymush-Tsintsadze announces that Ukraine is interested in starting large-scale purchases of hi-tech defensive weapons from the US, including additional lethal weapons like the Javelin anti-tank missile, during a meeting with the US member of the Group of High-Level Strategic Advisors at Ukraine's Defense Ministry, Lt-Gen. Keith Dayton.	+1
February 11	US SecState Pompeo calls on Hungary to support the sovereignty and territorial integrity of Ukraine in the face of Russian aggression during talks with his Hungarian counterpart Peter Szijarto. "We can't allow Putin to drive wedges between NATO friends," he states at a joint press briefing with the Hungarian FM.	+1
February 13	A bipartisan group of US senators presents a bill on defending US security against Kremlin aggression that proposes, among others, to raise sanctions against more than 20 FSB agents connected to the attack on Ukrainian naval vessels near the Kerch Strait and the capturing of their crews, against Russia's shipbuilding industry should Russia violate international rules on free navigation in the Kerch Strait and anywhere else in the world, against the development of oilfields on Russian Federation territory, and Russia's state energy projects outside the RF.	+2
February 14	A bipartisan group of US senators led by the joint chairs of the Senate Ukraine Caucus Robert Portman and Richard Durbin present Resolution S.Res.74 in honor of the fifth anniversary of the Revolution of Dignity and Russia's illegal annexation of the Autonomous Republic of Crimea.	+1
February 15	The US president signs into law the bill allocating funding to the Department of State, Foreign Operations and Related Programs for the 2019 fiscal year. Funding to support Ukraine through America's foreign policy agency, USAID, totals UIS \$445,7mn, which is US \$25mn more than was allocated in 2018. The total amount allocated to support Ukraine in 2019, including US \$250mn from the Pentagon, is US \$695,7mn, which is US \$75mn more than in 2018.	+3
February 16	President Poroshenko meets with US VP Pence in Munich, who says in an open meeting with the Ukrainian leader: "My message, for you personally and for all Ukrainians, is: we're with you. This is especially important after the incident in the Kerch Strait."	+4
February 19	US Special Representative for Ukraine Kurt Volker presents a site to counter Russian aggression in Ukraine. In his Twitter account, Volker calls this resource "an innovative effort to use satellite images, maps and statistics to detail the impact of Russia's aggression in Ukraine."	+1

DATE	EVENT	SCORE
February 25 – March 3	US Special Representative Volker visits Ukraine.	+1
February 25	The USS Donald Cook, an American missile destroyer, arrives in the Port of Odesa. Previously, the command of the Sixth US Fleet announced that the vessel was heading to the Black Sea "to augment maritime security, help to ensure regional stability and boost the readiness and capability of its Black Sea partners through a multi-national exercise."	+1
February 27	US SecState Pompeo reiterates Washington's unwavering position regarding the return of control over Crimea to Ukraine. This statement appears on the State Department's site on the fifth anniversary of Russia's illegal seizure and occupation of Crimea. The US also confirms its support of Ukraine's sovereignty and territorial integrity and promises to maintain sanctions against Russia.	+2
March 4	US President Trump issues an executive order to extend sanctions against Russia for another 12 months over its aggression in Ukraine. The document states: "As before, the actions and policies mentioned in this order represent an extraordinary threat to the national security and foreign policy of the United States."	+2
March 5	US Ambassador Marie Yovanovitch makes a speech in which she sharply criticizes the progress of anti-corruption reforms in Ukraine and calls for the special anti-corruption prosecutor to be dismissed. She also mentions the need to hold fair and honest elections.	-2
March 5	Commander of the US European Command and Supreme Allied Commander Europe of NATO's Allied Command Operations Curtis Scaparrotti states during a Senate Armed Forces Committee hearing that the US is considering providing additional lethal weapons to Ukraine to withstand Russia's marine aggression after the November incident near the Kerch Strait. The general also says Ukraine's fleet needs to be strengthened.	+0,5
March 6	The US State Department announces that former Deputy Secretary for Europe and Eurasia Wess Mitchell will be replaced by career diplomat Philip Reeker, who until recently was the civilian deputy Commander-in-Chief of the US European Command and political advisor. He will be in an acting capacity at State.	+0,5
March 5-7	US Undersecretary for Political Affairs David Hale visits Ukraine for the first time to repeat US support for Ukraine's sovereignty and territorial integrity and to familiarize himself with the situation prior to the election. Hale also supports Yovanovitch's statement about dismissing Prosecutor Kolodnytskyi.	+2
March 12	The US House of Representatives votes 427 to 1 in favor of approving a bill that prohibits the US government from recognizing Crimea as Russian territory. However, the text states that the president has the power to make an exception should he "decide that it is necessary in the interests of US national security to do so."	+2
March 15	The US, EU and Canada institute a series of coordinated sanctions against individuals linked to the attack on three Ukrainian naval vessels near the Kerch Strait. The US adds 6 new names to its list, while Canada adds 114. The US institutes additional sanctions against 6 Russian defense companies, including shipbuilders, 2 individuals linked to the pseudo-elections in Russian-controlled territory in eastern Ukraine in November, and 2 power and construction companies operating in Crimea.	+2
March 20	Prosecutor General Yuriy Lutsenko in an interview with The Hill accuses US Ambassador Yovanovitch of giving him, at their first meeting, a list of individuals whom she asked not to be investigated. The State Department issues an immediate denial and announces that an investigation will be launched in to Ukrainian interference in the 2016 US presidential election.	-1
March 20	A delegation of 4 senators and 2 representatives arrives in Ukraine, led by Senate Banking and Finance Committee Chair Mike Crapo.	+1
March 22	President Poroshenko expresses his "full support" for US Ambassador Yovanovitch, calling her a friend of Ukraine and his personal friend.	+1
March 29	The US Department of State condemns Russia for arresting 23 residents of Crimea, whom it accuses of being involved in organizing Hizb ut-Tahrir. "We condemn these actions by Russia's occupation government in Crimea," Deputy Press Secretary Robert Palladino tweets. "Armed FSB personnel in masks broke into the homes of Crimean Tatars, terrorizing their families and arresting more than 20 individuals."	+1

TRUMAN Index



UKRAINE – EU RELATIONS

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POSITIVE SCORE: +42

NEGATIVE SCORE: -8

TOTAL: +34

TRUMAN INDEX: +1,89

SUMMARY

EU-Ukraine relations over January-March were not as filled with bilateral events as the previous quarter. Despite attempts to keep the appearances of positive and fruitful cooperation in public discourse, Brussels and Kyiv had a series of bilateral setbacks. In fact, relations between the two have become more complicated, mainly due to several steps taken by Ukraine—the latest being the decriminalization of illicit enrichment—but in part due to different positions when it comes to sanctions against Russia for its aggression in the Azov Sea.

The decriminalization of illicit enrichment was very bad news for the EU, as it will affect the effectiveness of the newly-established anti-corruption court: the court will now have far fewer legal grounds to investigate high-level corruption. The decision also affects the ability of Ukraine's friends in the EU to promote a positive agenda for bilateral relations.

Despite its overall solidarity with Ukraine, the EU did not manage to meet Ukraine's expectations in terms of sanctions for Russian aggression around the Azov Sea. After three months negotiations, the EU decided with great difficulty to impose sanctions against eight Russian individuals. The Ukrainian proposal of an "Azov package" of sanctions failed to gain traction and none of the restrictions demanded by Ukraine were adopted. President Poroshenko tried to mitigate the failure by claiming that the EU had adopted precisely the sanctions Ukraine wanted, but, in fact, they had a largely symbolic impact.

President Poroshenko was more successful with regard to future relations with the EU at the "mini-summit" in Brussels in late March. Most importantly, he managed to agree to fast-track negotiations on ACAA with EU leaders and a possible breakthrough on the question of a digital union. Still, the Ukrainian parliament did not manage to pass the necessary bills to pave the way for ACAA negotiations to start, so there's already a delay in the process.

Even if the majority of EU-Ukraine cooperation has a technical dimension, the upcoming elections have left their footprint on the bilateral agenda. The weak reaction of EU to the decriminalization of illicit enrichment and the waffling of arbitration on the wood export ban showed the EU as a firm supporter of the current administration. Unlike the US, the EU decided not to publicly criticize Ukraine in order to not help populists in the presidential campaign.

TIMELINE

■ UKRAINE-EU POLITICAL DIALOG

President Poroshenko publicly highlighted his role as Ukraine's

main "euro-integrator" by hosting President Donald Tusk in Ukraine, but also by having high-level meetings in Brussels with EC President Jean Claude Juncker, EP President Antonio Tajani and EU Council President Donald Tusk. The meetings with EU leadership were not merely symbolic, as discussions

focused on the future of EU-Ukraine relations and possible new bilateral milestones. As noted by a Ukrainian official, the key practical steps to focus on are the Agreement on Conformity Assessment and Acceptance of Industrial Products or ACAA and the digital union. Despite the president's full support, however, these preliminary agreements need wider backing within the EU. Ukraine was told that it needs to advance on the ACAA and digital union before the new EU leadership is elected, however unlikely this is, emphasizing the point that the current EU leadership broadly supports Ukraine while there is no certainty that the next set of leaders will be as positive towards Ukraine as the current one. During a meeting in Brussels, President Juncker also highlighted positive experience with regard to Ukraine's visa-free regime, noting that Ukrainians seemed quite disciplined and did not noticeably abuse the system.

Aside from open backing for Poroshenko from President Tusk, EU support was also extended via EC VP Valdis Dombrovskis and EU Delegation head Hugues Mingarelli. As one EU diplomat put in, these officials did everything to support President Poroshenko and, indirectly, his bid for second term as president of Ukraine by not criticizing him. However, EU is not really linear. Brussels has both publicly praised Kyiv for key reforms and discreetly criticized it for slipping on other equally important reforms.

EU diplomats note more often that Ukraine now has ever fewer friends in the Union since it has not delivered on its commitments in many areas. The number of people unhappy with Ukraine's backsliding has reached critical mass and is likely really be felt after the elections, especially after the VR elections come fall. The problem is that, due to sweeping promises that were not fulfilled by Ukraine's officials, the leadership is perceived as having what one source called "serious issues with moral integrity."

After the presidential election, quite a few items will be put on hold, no matter who is Ukraine's next president. The EU will have to reconsider its approach, also in relation to the new political context after the EU's own elections. Brussels can be expected to get more critical. For instance, the next report on the visa suspension mechanism will be far more critical than the previous one, with a special focus on fight against corruption. The visa-free regime will be continued and there is no doubt it will work in the short term. However, in the mid- to long-term, the EU could well consider applying the suspension mechanism - or at least threaten to do so.

In the meantime, Ukraine once again was in the negative spotlight with the decriminalization of illicit enrichment and with the SBU-imposed travel ban on Austrian journalist Christian Wehrschütz. The travel ban was initially enforced based on a

"threat he poses to national security" but then re-labeled as a prevention mechanism, because the Austrian journalist had been threatened in Ukraine. This move by Ukraine's security service sparked a wave of criticism from the EU and various Austrian institutions, such as the Ministry of Foreign Affairs. EU diplomats think that it was a poorly thought-out action, given that Wehrschütz has good contacts with Commissioner Hahn's office and that Chancellor Kurz apparently also backed him. Wehrschütz has sued Ukraine and the story continues to evolve. In the meantime, Ukrainian officials have denied claims that the travel ban was meant to silence Wehrschütz. Ukraine's Ambassador to Vienna, Oleksandr Shcherba noted that this case had nothing to do with freedom of speech, saying "[Wehrschütz] did not abide by Ukrainian law."

■ EU/NATO ASPIRATIONS ARE NOW CONSTITUTIONAL

President Poroshenko managed to push for a final vote with 335 of the 300 needed on the amendments that added aspirations to join the EU and NATO to Ukraine's Constitution. The amendments make the president the guarantor that the strategic course of the state to full membership in the European Union and NATO is implemented, while the Cabinet is responsible for the actual implementation.

Although the step is largely symbolic, the vote demonstrated the unity of Ukraine's political class with regard to Euro-Atlantic integration. Previously, such a consensus was manifested either by an inter-party memorandum, or by a "gentlemen's agreement" in Central European countries that joined the Euro-Atlantic community. This step was important to consolidate the country's foreign policy aims and avoid polarization on this issue.

Quite often, however, political processes and the Constitution live in parallel lives in Ukraine. The constitutional amendments symbolize an important step, but alone they do not guarantee any reforms. That was, in fact, the EU's response: it took note of the amendments, and now, "please focus on reforms." That is why, no significant developments should be anticipated until the Association Agreement with the EU and NATO standards are implemented.

From a legal perspective, the new constitutional provision could provide a potential eurointegration tool in the form of contesting any law that might threaten Euro-Atlantic integration, as the Constitutional Court could declare such a law null and void.

But before negotiations on joining the EU can start, Ukraine has to implement the Association Agreement, which is happening at a very slow pace. According to a report from the Government's European integration office, only 52% of the tasks envisaged for

2018 were actually implemented, which is 11% more than in 2017. In 2018, the highest level of implementation was shown by the central executive bodies, 55%, other state institutions were at 47% and the Verkhovna Rada was the lowest, at 40%. At the beginning of 2019, the overall implementation of the AA was 42%.

■ ILLICIT ENRICHMENT, ANOTHER THORN IN EU-UKRAINE COOPERATION

In February 2019, Ukraine's Constitutional Court declared unconstitutional Art. 368-2 of the Criminal Code, which provides for punishment for illicit enrichment. Illicit enrichment had been criminalized in 2015 as part of the EU visa liberalization Action Plan and commitments Ukraine had taken before the IMF. However, in December 2017, a group of 59 MPs asked the Constitutional Court to declare the criminalization of illicit enrichment unconstitutional. The Court ruled that the provisions did not comply with the principles of the rule of law and the presumption of innocence. Above all, according to the plaintiffs, the article on illicit enrichment obliged suspects to prove the legality of their assets, while Ukrainian law puts the burden of proof entirely on the prosecution.

The decision to get eliminate the illicit enrichment clause will have a long-term negative impact on Ukraine. The immediate effect was that more than 60 cases that were in the pipeline on charges of illicit enrichment have now been annulled and the much-praised Anti-Corruption Court has been rendered largely useless. Decriminalization illicit enrichment has weakened Ukraine's entire anti-corruption system, leaving the Anti-Corruption Court with nothing to do, despite having selected judges with high standards of integrity. In fact, the Constitutional Court's ruling is effectively a no-strings-tied amnesty for all crooked officials and a weaker National Anti-Corruption Bureau, which will now have fewer grounds to investigate corruption among high officials.

Despite a strong statement from the US ambassador, the EU decided not to specifically support US or to make a separate statement, but hid behind a G7 statement, once again confirming its policy of not influencing elections by making extraneous statements. In the meantime, President Poroshenko promised to adopt a new law that would recriminalize illicit enrichment. The new law will more likely than not be adopted after the Rada election, provided that the new legislature deems it necessary. It seems that the Rada and Ukraine's judiciary system are determined to resist Ukraine's attempts, supported by international community, to establish a proper, effective legal system that would be able to curb corruption among high officials.

■ SANCTIONS AND SUPPORT FOR THE AZOV SEA REGION

During this quarter, EU sanctions were highlighted in several areas. First of all, the damage of 2018 worldwide sanctions against Russia as well as of trade restrictions were calculated by Russian Ministry of Economic Development to be worth US \$6.3bn, though some diplomats consider this figure a lowball. Overall, 62 countries have imposed 159 restrictive measures and of these EU topped the list, with 25 restrictions, including sanctions, Ukraine is second with 22, India has 16, Belarus 13, Turkey 12, and the US 9. EU restrictions alone were estimated to cause damage of US \$2.4bn and the US sanctions US \$1.1bn.

The EU also extended individual sanctions against Russian companies and persons responsible for undermining of territorial integrity of Ukraine, but the main focus in this quarter was on sanctions related to Russia's aggression around the Azov Sea. In the end, the EU introduced sanctions against 8 Russian individuals on March 15, although the new sanctions need a more detailed analysis.

The debate on possible sanctions for Russia's aggression around the Azov started immediately after the Russian attack back on November 25, 2018. Since then, the EU has been hesitant to sanction Russia, because of its attempts to get Moscow to release the 24 Ukrainian POWs. The idea of no additional sanctions was defended by Germany and backed by France, Italy and other EU members. When the EU finally agreed to raise new sanctions against Russia, its members were willing to introduce fairly nominal sanctions by adding 8 individuals to the existing list. Even adding 8 individuals proved to be a big issue for the EU, involving multi-layered negotiations among EU states. First, as one high-ranked official confessed, Finland blocked the sanctions on 8 additional individuals. The reason was apparently because of the inclusion of Russian Border Guards boss Ghennadiy Medvedev on the initial list. Helsinki was reluctant to endorse this because Medvedev is involved in a Russian-Finnish dialog on border issues. Once Medvedev was replaced by someone else, sanctions were blocked by Italy, but Lithuania lifted Rome's veto by taking in 5 families of Syrians that had arrived in Italy. It was a compromise, because overall Italian PM Giuseppe Conte said his government was keen to get EU sanctions against Russia lifted.

Ukraine had imagined completely different sanctions against Russia for its attack and ongoing aggression on the Azov Sea: multiple sanctions both on individuals but also on Russian ports and Russian ships, and more. Kyiv had even dubbed the upcoming sanctions the "Azov package." But there was no "Azov Package" coming from the EU. The term was coined and used by

Ukraine, based on Kyiv's strong position and high expectations but, aside from a few smaller states and traditional supporters like Lithuania, the only member to raise the issue was the Danish FM, who said it would be discussed at the EU Council. There, too, no support was found and the discussion was dropped.

Ukraine's diplomats kept insisting on a range of serious sanctions against Russia. FM Pavlo Klimkin said that Kyiv conveyed this message to Europeans: "Ukraine does not need nominal sanctions. We do not need to have a short list of those who have led this operation, so that we can then put them under sanctions and claim that these are sanctions against Russia. We need sanctions against Russia to be effective." Once Kyiv understood that EU was not ready to get more serious about Russia, it toned down, saying that various scenarios were being considered. When sanctions were raised against 8 Russian individuals, President Poroshenko declared, "This is exactly the package of sanctions I wanted to see." Not only it is difficult to call the adopted sanctions a "package," but also it is difficult to understand Ukraine's call for new sanctions in retaliation for Russia's aggression around the Azov. If the president claimed that the sanctions adopted by the EU were precisely the ones he had wanted, then why was Ukraine insisting on new sanctions? EU diplomats in Kyiv say that after certain statements by the president, any further requests from Ukraine to expand the "Azov package" are doomed to fail. However, Poroshenko did play an important role in having the personal sanctions available. Getting the sanctions against 8 Russian individuals adopted was very difficult, said a member of the negotiating team, and if not for Poroshenko persistence, it was not certain that even these would have been adopted.

Lithuanian FM Linas Linkevičius correctly noted that EU sanctions around Azov were a case of "too little, too late." Brussels then focused instead on an assistance program directed to Ukraine's Azov region. Primarily it involves monitoring of Kerch Strait, which the German FM proposed, with the agreement of both Kyiv and Moscow. As expected, Russia was against Germany's idea of permanent monitoring, while Ukraine supported it, although it also highlighted several mandatory elements, among which was the requirement that international monitors not visit Ukrainian territories annexed by Russia, as this would give Kremlin the possibility of manipulating the mission and claim that it was legitimized. Ukraine also insisted that the monitoring mechanism be focused on ensuring freedom of navigation. So far, negotiations have not led to any real results.

Unlike the political component, the EU program for the Azov region has progressed nicely. The EU announced the €50mn support program in December 2018 and since then it has

undertaken a fact-finding mission to the region to determine priorities. In short, the EU has made an assistance program to Ukraine its main answer to the Azov crisis. Among others, the EU is considering support for rail and road connections, support for SMEs, and establishing training centers.

The EU special mission to the Azov region led by Peter Wagner and Thomas Mayer-Harting took place at the end of January. In February, foreign ministers approved a 10-project package of assistance for the region during an EU Council of Ministers session. However, these are not necessarily new projects and include funds that were allocated under other EU initiatives.

Aside from the technical aspect, it's important to ensure a permanent presence from Western countries in the region. This should deter Russia from making further aggressive moves. Russian diplomats have already gone into high gear and began to send inquiries to the EU Delegation to find out the role of the EU mission to the Azov region. Clearly, they are worried about the EU plan.

Of course, the initiative would run more smoothly if the EU considered the European Parliament's recommendation to appoint an EU special representative for Ukraine who would have a role to similar to that of US representative Kurt Volker, meaning that it would focus primarily on Crimea and Donbas. The EP resolution calls for the EU Special Representative to also be responsible for monitoring the human rights situation in the occupied territories, the implementation of the Minsk accords, the reduction of tensions in the Azov Sea, and the protection of IDP rights.

Finally, the recommendation was made that western countries be present on military ships that will pass through the Kerch Strait to Azov ports. In private discussions, EU diplomats say that it is highly unlikely that the EU would agree with this proposal. However, they think that NATO might undertake such a role.

■ NORD STREAM II, UKRAINE'S NEVER-ENDING HEADACHE

The Nord Stream II project continued to be discussed among officials in Europe and US. First, new impetus to the debate was given by letters sent from the US Ambassador to Germany to companies involved in the pipeline's construction. In his letters, Richard Grenell warned participating companies about the risk of being sanctioned by the US. Germany's political elite reacted promptly and negatively to the ambassador's missive and stated their hope that US would not make good on its threat, given that any sanctions could also negatively impact the US oil and gas projects, including in the Gulf of Mexico. Some German politicians even called for the US ambassador to be recalled.

Germans have generally been supportive of Nord Stream II. Overall, 73% of Germans are positive about the project and only 16% think Berlin should renounce the project. Interesting, 90% of respondents think that Trump's threats are exclusively related to American economic interests. Defense of the project also continued at the official level. German FM Heiko Maas stated that nobody was able to stop Nord Stream II, even if US imposed sanctions, since Russia would then fund and implement the project alone. He also added that it would also make it difficult to pressure Russia to keep gas flowing through Ukraine. Of course, Germany's position is speculative, since there are no guarantees that gas will continue to transit through Ukraine. Ukraine already saw what happened when Maas was against any sanctions against Russia for the Azov attack because it could block the process of getting the release of the 24 Ukrainian POWs. However, Maas's policy did not work then and in the case of Nord Stream II there were no arguments that would give credence to his policy. On the contrary, EU diplomats in Ukraine expect a gas war after the new year if the project is not delayed. Such a conclusion is easy enough to draw from Russia's supposed position at the negotiations, where it is demanding the unthinkable: forgiving Gazprom's debt to Ukraine, which was determined by decision of the Stockholm arbitration panel.

So far, efforts by Ukraine and some EU countries to stop the project have been futile. A small step forward, however, was taken with the amendment of the EU gas directive. The proposal to amend has been put forward by the Romanian presidency of the EU, which, unlike the Austrian and Bulgarian EU presidencies, did not hesitate to raise this important issue. Germany, supported by Austria, the Netherlands, Belgium, Bulgaria, Slovenia, Czechia, and Hungary, was unhappy with the Romanian initiative but was unable to avoid discussion. By putting pressure on other European capitals, Berlin thought it could block the initiative to regulate Nord Stream II. However, opposition from France challenged Germany's certainty.

After bilateral negotiations between Berlin and Paris, a consensus was found that provides for partial regulation of the project: the application of the rules to the pipeline will be decided by Germany, which may or may not apply a given rule. Ukrainian officials tried to present the amendments to the directive into a positive light, saying that EU rules would be applied to Nord Stream II, but this was not what would give the EU firm influence over the project, since Germany had exclusive rights to manage the pipeline. According to sources in the EU, the new amendments will have more of an impact on Bulgaria, with its new pipeline project with Russia, as, unlike Germany, Bulgaria has little influence over decisions in the EU. Now, the only realistic way to delay the project is a decision by Copenhagen to review the environmental impact of the project,

which is supposed to bypass Danish territorial waters and could take some additional time.

■ ECONOMY AND TRADE: ACAA, TIMBER EXPORT BAN AND MACRO-FINANCIAL AID

In terms of developing bilateral relations with the EU, Ukraine concentrated its efforts on the ACAA, which is also called the "industrial visa-free regime." President Poroshenko declared the ACAA Ukraine's "top priority" in relations with the EU and discussed it at the mini-summit in Brussels on March 20. This agreement would allow Ukrainian producers to label their products with the "CE" mark, entitling them to freely sell their goods on the EU market without additional certification. Preliminary estimates are that the ACAA could cover up to 20% of Ukraine's exports to the EU, with the main impact on machine-building sector.

Ukraine complained for a long time that the EU does not want to discuss ACAA, but when EU indicated it was ready, Kyiv proved unprepared: the two bills that the Rada had to adopt in order to open consultations with the EU on the ACAA had not been passed. Bill #6235 on technical regulation and conformity assessments was submitted to a vote but did not get enough support to pass, blocking the process again and making Ukraine fully responsible for the delay. A Ukrainian official confessed that Bankova appeared upset over the fact that Speaker Andriy Parubiy brought the bill to a vote, knowing that there were not enough MPs in the legislature to pass it. For instance, only 55 of the 135 MPs in the main parliamentary faction voted. Some say that the bill should have been voted on before the "lobbyist" bill increasing taxes on scrap metal exports, which did gather the necessary votes. The bill needed for ACAA consultations to start had lain in the Rada for two years and now it is uncertain when it might be voted on again. Deputy Speaker Iryna Herashchenko registered a new bill and if it is put on a fast track, there is a possibility that the bill will be adopted in this May.

In December 2018, the Ukraine-EU Association Council decided to send an assessment mission to Ukraine that was supposed to draft a plan that would lead to the ACAA being signed. The mission visited Ukraine and made some positive steps towards fast-track negotiations. Instead of two consecutive stages of preparation, legislation and implementation, the EU agreed to move simultaneously on both stages, which should significantly cut the time involved.

Negotiations with the EU on the ban of unprocessed timber also continued. The first round within the arbitration panel has already taken place and, according to one EU diplomat, Ukraine's position was quite weak. It is quite unlikely that Ukraine

will be able to defend its policy and the EU will win this case. What's more, the EU could have done this long ago, but again, the policy of supporting the current administration prevented Brussels from doing so and delayed the process so that the decision will be made public after the presidential election.

On a different note, the second tranche of EU macro-financial assistance worth €500mn was not disbursed to Ukraine, since not all the conditions were met. Unlike the first tranche, the second tranche required Ukraine to adopt several serious reforms: speeding up the process of privatization and selling off at least 200 state enterprises, reforming the management of state enterprises, setting up an independent board at Ukrenergo,

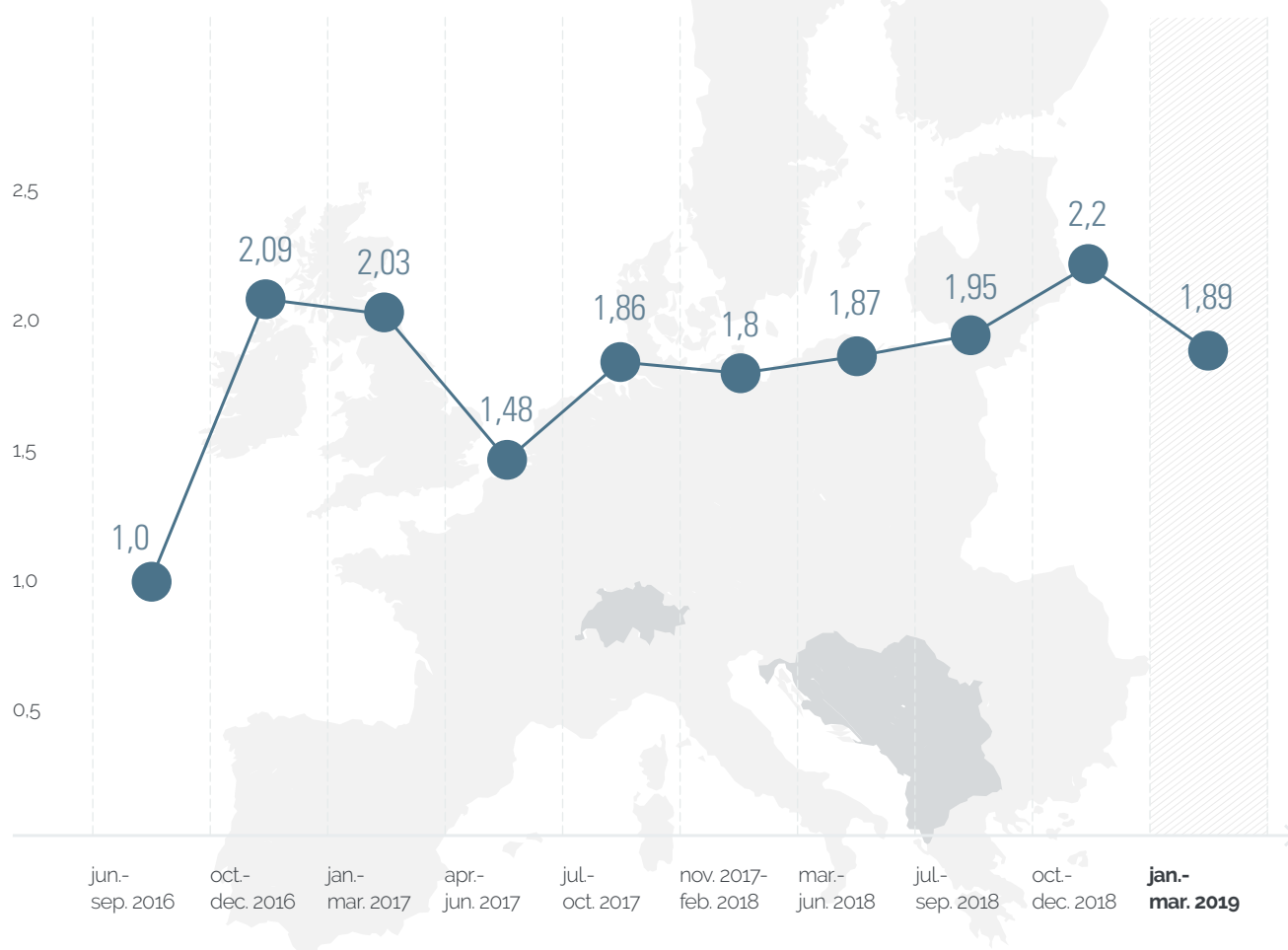
and combating money-laundering. So far, Ukraine managed to implement only a few of the conditions for the second tranche and no disbursement is likely. Some diplomats say that the EU did consider disbursing the tranche between the two rounds of the presidential election in order to boost the incumbent. Other EU sources note that this is unlikely, especially since not all EU officials are as supportive as VP Dombrovskis.

EVENTS IN UKRAINE-EU RELATIONS (JANUARY - MARCH 2019). POINT-BASED EVALUATION

DATE	EVENT	SCORE
January 1	The PanEuroMed Convention goes into force.	+4
January 10	The EU calls on Russia to release illegally detained Ukrainian citizens.	+1
January 16	The EU starts talks with Ukraine on the dispute over the timber ban.	-2
January 28-29	An EU fact-finding mission arrives in Mariupol to assess support needs in regions affected by Russia's aggression.	+2
February 7	The Verkhovna Rada adopts amendments to the Constitution to reflect EU and NATO aspirations.	+3
February 8	Denmark, Sweden and Switzerland provide US \$14 million for social projects in eastern Ukraine.	+4
February 13	Montenegro, Albania, Norway and Ukraine join a decision of the EU Council to impose sanctions against 9 individuals responsible for organizing "elections" in ORDİLO.	+2
February 18-19	EU President Donald Tusk visits Ukraine.	+3
February 18	Foreign Minister Pavlo Klimkin meets EU FM's in the friends of Ukraine format.	+3
February 26	The Constitutional Court rules unconstitutional Article 368-2 of the Criminal Code, decriminalizing illicit enrichment.	-4
February 28	The Rada fails to adopt a new law required for the ACAA agreement with the EU.	-2
February 28	EC VP Valdis Dombrovskis visits Ukraine.	+2
March 15	The EU extends individual sanctions against Russia for another six months.	+4
March 15	The EU adopts sanctions against 8 individuals responsible for Russia's act of aggression against 3 Ukrainian vessels.	+3

DATE	EVENT	SCORE
March 17	The EU issues a statement of support for Ukraine on the 5th anniversary of Russia's annexation of Crimea	+2
March 20	President Poroshenko meets EC President Jean-Claude Juncker, EP President Antonio Tajani, and EU Council President Donald Tusk in Brussels.	+3
March 21-22	The EU summit discusses the situation in Ukraine.	+2
March 28	The EU allocates €104mn for energy efficiency projects in residential buildings in Ukraine.	+4

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UKRAINE-CHINA RELATIONS

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POSITIVE SCORE: +7

NEGATIVE SCORE: 0

TOTAL: +7

TRUMAN INDEX: +0,78

SUMMARY

During the first quarter of the year, significant events took place in the field of economic cooperation between Ukraine and China. In particular, the meeting between the President of Ukraine Petro Poroshenko and the Vice-President of the People's Republic of China Wang Qishan, which took place within the framework of the WEF in Davos, was crucial for bilateral relations. The parties agreed to continue developing bilateral trade, economic and investment cooperation, and for this purpose to hold a 2019 meeting of the Ukrainian-Chinese Intergovernmental Commission on Cooperation. In addition to this, the sides discussed Ukraine's participation in China's "The Belt and Road Initiative". During the meeting, Petro Poroshenko emphasized the traditionally friendly nature of relations between Ukraine and China, based on the principles of mutual respect for the sovereignty and territorial integrity of the two countries. In his turn, the Vice-President of the People's Republic of China confirmed his firm stance on supporting the independence, sovereignty and territorial integrity of Ukraine within its internationally recognized borders. Both parties noted the increase in trust and mutual understanding, laying the groundwork for further strengthening of the strategic partnership between the countries.

On January 20-23, the Deputy Minister of Foreign Affairs of Ukraine Serhii Kyslytsia went on a working trip to the PRC. As the head of the delegation, he co-chaired the Ukrainian-Chinese political consultations at deputy foreign minister level and held a number of bilateral meetings. Political consultations were held at the Foreign Ministry of China under the joint chairmanship of Kyslytsia and the Vice Foreign Minister of China, Zhang Hanhui. The current state and the development priorities for Ukraine and China's strategic relations were considered as well as Ukraine's participation in "The Belt and Road Initiative" and the interaction between the two countries' foreign policy departments. The parties exchanged views on a wide range of global issues and the current situation in different regions of the world. Serhii Kyslytsia also negotiated with Qian Hongshan, the Vice Minister of the International Department of the Central Committee of the Communist Party of China. The discussion revolved around the current state and further development of Ukrainian-Chinese relations, in particular, the expansion of party-to-party and parliamentary contacts, the progress of reforms and the domestic political situation in Ukraine and China. Within the visit's framework, Serhii Kyslytsia, in his capacity as head of the National Commission of Ukraine for UNESCO, met with the head of the National Commission of the People's Republic of China for UNESCO, the Vice Minister of Education of China Tian Xuejun. While negotiating, the parties discussed the state and prospects of Ukrainian-Chinese cooperation within UNESCO as well as the current issues of bilateral cooperation in the field of education. The participants of political consultations and meetings expressed their mutual striving to develop relations of strategic partnership between Ukraine and China as well as the desire to comprehensively deepen cooperation and agreed on measures to enhance information exchange.

TIMELINE

■ BILATERAL RELATIONS WITH UKRAINE

New Year holidays in Ukraine and China, Kyiv's focus on electoral

campaigns, and the Chinese leadership's preoccupation with trade negotiations with the US as well as the Huawei scandal led to a rather limited number of bilateral events in the first three months of 2019. Still, the renewal of contacts at state leadership level in Davos, as well as political consultations at the level of deputy

foreign ministers, allowed to capture politically the mutual desire for developing relations, primarily in the spheres of trade and economy. Last year's \$9 billion trade potential has not been fully uncovered. Also, due to the efforts of the Ukrainian Chamber of Commerce and Industry and the "Silk Link" Association, a series of round tables, presentations, meetings and events involving Chinese and Ukrainian companies and banks were held. The events were aimed at the implementation of promising projects in the spheres of energy production, agriculture, trade and financial services.

Still, measures to promote business contacts cannot replace systematic political level efforts. It is clear that the in-depth study of the possibilities of cooperation with China and visits at the level of the President, the Prime Minister and the Foreign Minister of Ukraine to Beijing should become a priority immediately after the completion of the election campaigns. The example of the leading European countries shows that the aggravation of relations between China and the United States (especially in the context of Huawei case) is not an obstacle for attracting Chinese investments and companies to implement logistics infrastructure and telecommunication projects. It is necessary to practically implement the agreements on financial cooperation concluded between the national banks of the two countries last year. Cooperation in the cultural sphere also has enormous potential: this is corroborated by the fact that the first Ukrainian feature-length animated film premiered in China. Ukraine is the only country apart from Russia with the full cycle of nuclear power engineers' training. Therefore, the initiative of the "Silk Link" Association to develop this area of cooperation with Chinese universities is extremely sound and promising.

It is important to realize the consequences that Ukraine faces as a result of the trade dispute between the United States and China. The US is interested in cutting down opportunities for China's further economic growth. It will exacerbate its pressure on the country, provoking a confrontation in order to impose tough economic constraints. China, requiring time to rebuild its growth model, will try to delay the conflict, smoothen the controversies and find alternatives to the American market.

China now ranks third in terms of bilateral trade with our country, while the United States remains the number one strategic partner in the area of security. The confrontation between these major players puts Ukraine facing an unwelcome dilemma. Given the situation, Ukraine can increase export volumes for agricultural and intermediate products to China, while the position of the US can influence cooperation in high-tech industries. The probable devaluation of the yuan to the dollar will gradually increase the deficit of bilateral trade between China and Ukraine. The general uncertainty and loss of functionality by international institutions caused by Trump's actions will lead to an increase in international monetary and investment risks. These will complicate the attraction

of direct foreign investment to Ukraine from any sources. Under the conditions of a financial balance, Ukraine will experience increased pressure on its domestic gold and currency reserves and the hryvnia to dollar exchange rate.

Meanwhile, as a result of the intensification of the trade war between China and the US, international multilateral trade regulation practices are to be weakened, with preference given to bilateral agreements and regional trade unions. Ukraine's interest lies in preserving the effectiveness of the WTO as an impartial arbitrator in resolving trade disputes, and expanding its functions. Following the trade sphere, changes in the principles of international relations will take place in other areas: economy and investment, exchange rates, political, and ultimately, the military. The EU and other countries will engage in the American practice of screening suspicious Chinese investments, and by turning it into a routine practice, will restrict technology transfer and China's economic growth. The slowing growth of the Chinese economy as well as the spread of international disorientation will increase the likelihood of a global economic crisis. The deterioration of trade relations between the two world leaders creates economic risks for Ukraine. However, the free trade agreement with the EU and the absence of restrictions on trade in Ukrainian commodities with the US create prerequisites for joint finished products enterprises with Chinese partners to be placed on the territory of Ukraine, which should become a priority in the further development of bilateral relations.

A significant breakthrough in Ukrainian-Chinese investment cooperation has been achieved by PJSC "Naftogaz of Ukraine". Over the reporting period, the company engaged in negotiations that resulted in the execution of a Memorandum on April 1, entailing the provision of a \$1 billion insurance quota to Naftogaz Group by the Sinasure Export and Credit Insurance Corporation. This will enable Naftogaz to attract direct foreign investment from China amounting to this figure. According to current plans, Sinasure's coverage will be used to attract around \$160 million to finance current agreements between PJSC "Ukrzagvydobuvannia" with Chinese corporations providing drilling equipment and implementing turnkey drilling projects. Procuring modern drilling equipment and developing new fields will allow to increase domestic gas production.

This event will be reflected in the TRUMAN Index for the following quarter.

■ CHINA IN THE LIMELIGHT IN DAVOS AND MUNICH: TRADE DISPUTES WITH THE US AND HUAWEI

The rise of China's influence was among the most discussed topics at this year's World Economic Forum in Davos. In 2017, the Chinese President Xi Jinping participated in the WEF, which became the central event of the forum, traditionally serving as a platform for meetings

and discussions of the liberal West's representatives. However, it was the leader of communist China who strongly advocated in support of globalization and a global order based on international cooperation and trade. This year, Wang Qishan, the Vice President of the People's Republic of China, made a similar statement. "More and more countries are concentrating on domestic problems, imposing additional barriers to international trade and investment. Unilateralism, protectionism and populism are spreading throughout the world," he claimed, and reaffirmed Beijing's commitment to cooperation and openness.

Numerous notable events have occurred since the PRC proclaimed its intentions to lead the processes of world globalization. The Trump administration has listed China as a "revisionist power" alongside Russia. The United States and China imposed tariffs on hundreds of billions of dollars and thousands of commodity items in mutual trade, and the EU began developing a mechanism for investment screening in order to prevent Chinese investors from buying stocks of high-tech European companies. At the same time, China's consistent efforts to develop "The Belt and Road Initiative" have come to fruition. First of all, China has significantly intensified its relationship with Japan, its main regional competitor, and has taken large-scale measures to develop relations with Africa, Latin America and European countries. That is why this year's Davos forum saw most participants abstain from traditional criticism of China's political course. Instead, they focused on discussing the efforts of the United States and China to lead the world technological revolution in the field of artificial intelligence. In the wake of the WEF, German Chancellor Angela Merkel announced the intention to invest several billion euros in this technology of the future. The growth of the Chinese economy and the threats to the international economic order posed by the trade war between the United States and China have become the centrepiece of backroom discussions. The States' withdrawal from the world arena sets the stage an increase of China's role in global affairs. However, Beijing consistently stresses its reluctance to act as the "global policeman" and rejects accusations of intending to move the United States from the position of the global "hegemon". The is frank in stating its interests in the South China Sea, it insists on the "One China" policy (covering Taiwan, too) and the elimination of the Uyghur issue. Meanwhile, the West criticizes the new social model introduced in the PRC, based on the so-called "social credit system", considering it "authoritarian". China, for its part, consistently rejects attempts of external interference in its domestic political affairs. Instead, it tries to focus on strengthening its role in global processes.

To ensure a consistent interpretation for Chinese policies, Beijing has mobilized lobbying efforts, including publishing articles in leading US and EU media, having Chinese experts participating in international forums and promoting a positive image of China. The main goal is to create a favourable emotional and psychological background for economic expansion. China's economy is export dependent, so maintaining the atmosphere of peace and cooperation is in line with the country's national interests. This explains why the Chinese leadership

focused on trade negotiations with the United States in the first quarter of 2019. The problem was that, according to the agreement between Donald Trump and Xi Jinping, the trade dispute between the countries had to be resolved by March 1, 2019; otherwise, the 10% toll the US apply to 200 billion worth of Chinese import would have increased to 25%. Therefore high-level trade negotiations between the Chinese and the US delegations took place shortly after the New Year in Beijing and Washington. On the United States side, the delegation was headed by the US Trade Representative Robert Lighthizer and the Secretary of the Treasury Steven Mnuchin, while the Chinese party was headed by the Vice Premier Liu He. The importance of the negotiations is evidenced by the level of attention of the countries' leaders: the US delegation in Beijing was received by Xi Jinping, and the delegation of China was received in Washington DC by Donald Trump personally.

Following nearly two months of negotiations, the parties published a joint statement boasting of progress on contentious issues, in particular concerning intellectual property and state subsidies provided by the Chinese Government. At the same time, the Chinese delegation turned down Washington's demands to "revise" the PRC' economic model and to establish a "supervisory" mechanism to oversee the performance of the agreements between the countries. The Chinese party came forward with the proposal to buy \$200 billion worth of American semiconductors over the next six years, which should see the US trade balance improved. The final text of the agreement is currently being finalized. It is expected to be signed at the next meeting of the countries' presidents, scheduled for June this year.

It is worth noting that the China-US trade war was in the limelight of the Munich Security Conference. The introduction of bilateral tolls by the world's largest economies has already caused a 0.2% slowdown in world GDP growth. This is a factor constantly tracked at the global stock markets. In addition, Munich was concerned about the attitude of the Chinese delegation which opposed China's participation in the proposed multilateral agreement on the limitation of intermediate range and shorter-range missile use. Beijing stresses that it is crucial for the Chinese army that the missiles be ground-based (which is forbidden by the previous agreement between the US and the USSR), while for the US and Russia prioritise sea and air-based missiles. China is extremely sensitive when it comes to security issues - trade negotiations with Britain were terminated after the British Secretary of State for Defence threatened to locate Royal Navy ships in China's zone of interest in the Pacific Ocean.

Another issue that caused tension between China, Canada and the US was the arrest in Canada in December 2018 and the following extradition to the United States of Huawei's chief financial officer, Mrs. Meng Wanzhou. Huawei is the world's largest telecom equipment manufacturer, a global company with interest in almost all regions of the world. Mrs. Meng's arrest significantly damaged the reputation of the company through, as she was accused of espionage and financial

malpractice. On January 29, the US Department of Justice issued a press release setting out the nature of the allegations against the company, its divisions in the United States and Iran, and personally against Mrs. Meng. As it turned out, the charges brought before the federal court of Brooklyn, New York, relate exclusively to Huawei's cooperation with Iran. The FBI and the General Prosecutor's Office investigators claim that for five years, Meng had used the US financial system for illegal operations in favour of the Iranian company Skycom Tech Co. Ltd, which is in fact a Huawei subdivision. Hundreds of millions of dollars may have been channelled this way. Allegedly, Meng repeatedly misled the American authorities, claiming that neither Huawei nor she personally had any relationship with Skycom. At the same time, the US Department of Justice report states that all these allegations are currently only indictments that have yet to be proven and held by the court.

The situation surrounding Huawei in the United States unexpectedly found its development in Poland. In January, Polish authorities arrested a citizen of the country, a former counterintelligence officer and Polish adviser on telecommunication, and a Chinese citizen, the former sales director of Huawei. Both of them were charged with espionage in favour of China. At the same time, the Polish authorities did not make allegations against the company itself, but only against these two individuals. Nevertheless, the negativity spread across Europe, where Huawei has considerable interests in the development of 5G networks. Provocative and unconfirmed materials were distributed in the media, reporting taps and software on Huawei devices that seem to automatically redirect sensitive information to China. The United States, Australia, New Zealand and Norway are already taking measures to restrict the penetration of Huawei products into domestic markets. However, it should be noted that there have been no court ruling or cases of espionage confirmed by an independent expert. Such actions, as well as the content of critical publications, suggest non-market methods of regulating market relations are being deployed by Western countries, as well as attempts to block a strong competitor in a very promising sphere of the future economy. Huawei is actively, aggressively perhaps, promoting its products in the EU by sponsoring public events and engaging in charity. The events in Poland can harm Huawei's interests should the court acknowledge unlawful actions by the company itself and not individuals who violated the law. According to some media records, the EU is considering banning Huawei from participating in tender procedures on the development of 5G networks, which is the company's flagship project, referring to the unfounded media statements about "espionage".

The conflict around Huawei is just one instance of the confrontation between the United States and China, which has already become the hallmark of current international relations since Donald Trump's election. Not only has the United States started a trade war and taken steps to discredit Chinese companies, but it has also introduced political pressure on the countries of Central Europe which have joined the 16+1 Initiative. According to some reports, the United States requires

the participating countries to "choose a party" in the confrontation between Washington and Beijing, and Poland is one of the countries that chose to unconditionally support the US. The leaders of the Polish government have stated there was disappointment among the countries of the region in terms of investment and trade growth with China. In addition, the EU is concerned about the Russian-Chinese political alliance, joint military exercises and aligned voting in the UN Security Council. The Europeans see the picture quite simply: whereas Russia is the greatest military threat to Europe, China's expansion is the key economic problem. Together they form an alliance that Europe cannot compete with. Surely, not all countries of the China-CEE Initiative share this apprehension, but discussions revolving around these issues are becoming more frequent and cause considerable damage to Chinese interests.

Meanwhile, statistics released recently in the PRC show that in 2018, China became Germany's main foreign trade partner for the third consecutive year with a turnover of EUR 199.3 billion (for comparison: Germany's trade volume with the USA is EUR 178 billion). This shows that the fears of the EU regarding China's economic expansion do not interfere with the intensification of its bilateral economic cooperation with the leading countries of the European Union. It should be noted that over the past eight years, China's investments into the EU countries have increased 50 (!) times to \$42 billion in 2016, when new investments from China to the EU exceeded investments in the opposite direction fourfold. Over the last 10 years, the total volume of Chinese investment in the EU reached \$348 billion, and Chinese entities bought 350 large European companies. According to Chinese investors, the EU market is divided into three zones: West, South and East, and investment priorities are distributed accordingly. In Western Europe capital investment, technological companies and research projects are prioritized, while in the other regions the main focus is on logistics and infrastructure. Among the countries with the highest level of Chinese investment one should mention Great Britain (70 billion), Italy (31 billion), Germany (20 billion) and France (13 billion). Together, they account for 75% of Chinese investment in the EU in 2017. In Portugal and Greece, billions of dollars are invested in port and transport infrastructure. Similar developments unravel in CEE countries, where the main "consumers" for Chinese loans are Serbia and Hungary. The United States and the European Commission have repeatedly expressed certain concerns about the intention of Chinese banks and companies to invest in the technology industries of western countries. However, this has been met not only with understanding (in Germany and France) but also resistance (in Italy). The Italian Prime Minister recently stated that, despite US insistence, his country would enter "The Belt and Road Initiative" by placing the port of Trieste at the disposal of Chinese companies.

■ A NEW LAW ON FOREIGN INVESTMENT

The second session of the National People's Congress of the 13th

calling was closed on March 15 in Beijing. It saw the approval of the report on the work of the government and the adoption of the new law "On foreign investment". New political mechanisms helping China overcome the current economic downturn and promote reforms and openness will start operating in the nearest future. Following the session, a press conference was held at which Li Keqiang, Premier of the State Council of the PRC, told reporters from China and abroad that, regardless of the future situation, China would strive to maintain economic stability and a positive long-term economic trend. According to him, the Chinese economy will always be an important factor in the stability of the global economy. The new foreign investment law will come into force on January, 1 next year. Li Keqiang emphasized that the new law should provide better legal support for protecting and attracting foreign investments, as well as regulating government activities. "The government now has to adopt a number of regulatory acts and documents that are in line with the spirit of this law to protect the rights and interests of foreign investment. For example, openness, transparency and effectiveness of the grievance mechanism must be ensured. This is important work that China will have to undertake in the next phase. A range of relevant regulations and documents will be issued to ensure the successful implementation of the foreign investment law. We will introduce a management system that connects the national regime with a "negative investment list" at the pre-investment stage. This new list will be shortened, and the scope of access will be expanded".

China's intentions to make decisive steps towards greater openness are evidenced by the announced plans to significantly simplify the participation of foreign investors in oil and gas projects in China, jointly with Chinese corporations. This applies not only to traditional projects, but also to endeavours in the sphere of coalmine methane and shale oil and gas deposits.

■ DEVELOPMENT OF CHINA-EUROPE RELATIONS

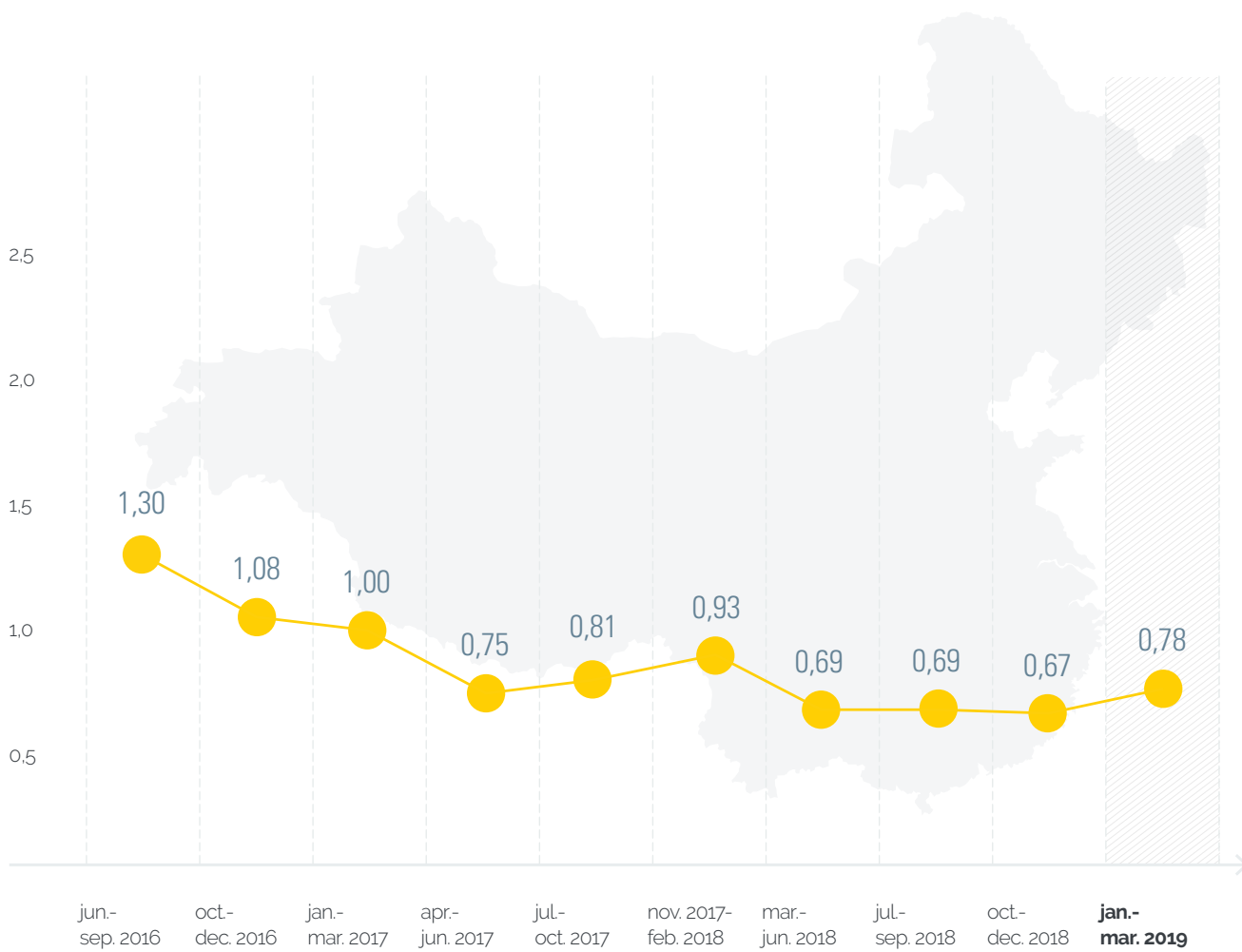
At the invitation of the Presidents of Italy and France, as well as the Prince of Monaco, the Chinese President Xi Jinping visited the three countries as part of an official trip between March 21 and 26. Assessing Xi Jinping's European tour, the member of the State Council of the PRC, Foreign Minister Wang Yi noted that Europe being the destination for the President's first foreign tour in 2019 goes to show the increased attention that China pays to Europe. "The current tour of President Xi Jinping makes a clear statement: regardless of the international context, China sees the EU as an important strategic partner and deems Chinese-European relations to be one of the priorities for Chinese diplomacy," stressed Wang Yi. He added that the visit was the most important event in the diplomatic relations between China and the EU this year.

According to Wang Yi, top-level diplomacy plays a leading strategic role in Chinese-European relations. It is of particular interest that China and Europe are the two largest trading partners globally. In the first

two months of 2019, the total volume of bilateral trade amounted to 737.63 billion yuan, having increased by 8.9%. This accounts for 16.2% of China's total foreign trade. The reason for the increase in trade turnover is that the parties consider mutual benefit and gain as the main goal of cooperation. This year, when the whole world is focused on solving the problems of unilateralism and trade protectionism, populism and terrorism, EU countries will see the European Parliament elections. In this context, the whole world requires solidarity and mutual trust between China and Europe. The purpose of Xi Jinping's European tour is not only to create a platform for the Chinese-European cooperation to implement "The Belt and Road Initiative", but also to promote sustainable growth for the global economy, as well as to strengthen friendly relations and mutually beneficial cooperation among the countries of the region. It is indisputable that China and Europe are still in a competitive relationship in the sphere of trade, although the main strands of their interaction have remained unchanged. According to Wang Yi, the Chinese party hopes that the spring of 2019 will be marked by a "thaw" in Chinese-European relations, and the cooperation between China and Europe will warm up the global situation in 2019. Italy has already joined "The Belt and Road Initiative", despite warnings from Brussels.

EVENTS IN UKRAINE-CHINA RELATIONS (JANUARY - MARCH 2019). POINT-BASED EVALUATION

DATE	EVENT	SCORE
January 17	The Embassy of Ukraine to the People's Republic of China held a meeting with the Director-General of the Foreign Affairs Office of Chongqing Municipal People's Government. The state of bilateral cooperation was discussed. The Ukrainian party was invited to participate in the Western China International Fair for Investment and Trade and the International Exhibition of the Intellectual Industry, which will be held in Chongqing in May and September respectively.	+0,5
January 17	The Ukrainian feature-length animated film "The Stolen Princess" was released in China.	+0,5
January 23	The Cabinet of Ministers of Ukraine approved the Ukrainian-Chinese agreement on receiving technical assistance in the form of 50 special-purpose vehicles for the needs of the State Emergency Service.	+1
January 23	Within the framework of the World Economic Forum in Davos, the delegation of the Ukrainian Chamber of Commerce met with the mayor of the Chinese city of Guangzhou (Guangdong Province) and other representatives of the province. Fruitful negotiations with the leaders of the province's largest industrial corporation, Cedar Holding Group, took place. A Memorandum of Understanding on Cooperation was signed between the Ukrainian Chamber of Commerce and Industry and Cedar Holdings Group Corporation.	+0,5
January 20-23	Deputy Minister for Foreign Affairs of Ukraine Serhii Kyslytsia visited with a working visit to the People's Republic of China. As the head of the Ukrainian delegation, he co-chaired Ukrainian-Chinese political consultations at the level of deputy foreign ministers and held a series of bilateral official meetings.	+1
January 22	Within the framework of the WEF in Davos, a meeting between the President of Ukraine Petro Poroshenko and the Vice-President of the People's Republic of China, Wang Qishan took place. The parties agreed to continue developing bilateral trade and economic as well as investment cooperation. To that end, a meeting of the Ukrainian-Chinese Intergovernmental Commission on Cooperation is to take place in 2019.	+2
January 29	A round table discussion was held on the 27th anniversary of the establishment of diplomatic relations between Ukraine and the People's Republic of China under the title of "Status and prospects of trade and economic relations between Ukraine and the PRC in the context of cooperation of business circles of the countries". It involved the Embassy of the PRC in Ukraine, heads of Chinese companies from the China Trade Association, the Ukrainian Chamber of Commerce and Industry, the Ukrainian part of the Ukrainian-Chinese Business Council, the Chinese Trade Association and the Ukrainian Association of Sinologists.	+0,5
March 4	A large-scale presentation of Ukrainian solar energy projects took place in Beijing. The event organizers included the "Silk Link" management, the Ukrainian House in Beijing, as well as employees and representatives of leading Ukrainian banks working with the industry (UkrGasbank and Industrialbank), investment companies and the MHP Agro-Industrial Group. More than 50 leading Chinese manufacturers of alternative energy equipment, investors, creditors, EPC contractors and business associations have taken part on the Chinese side.	+0,5
March 19	The Silk Road Association of Ukraine "Silk Link" held a roundtable, "Potential of Ukraine's cooperation with Chinese educational institutions and state-owned companies in the field of nuclear power and professional personnel training" in Kyiv. The event was attended by professional experts, representatives of leading enterprises and educational institutions from Ukraine and China, in particular, the "Silk Link" Association, the Ministry of Energy and Coal Industry of Ukraine, the Ministry of Education and Science, the Lviv Polytechnic National University, the Odessa National Polytechnic University, SE NNEGC "Energoatom", the Ihor Sikorsky Kyiv Polytechnic Institute, representatives of the Chinese company CNNC and a delegation from the Tsinghua University.	+0,5

TRUMAN Index



UKRAINE–RUSSIA RELATIONS

SERGIY SOLODKYY

First Deputy Director of
the New Europe Center

POSITIVE SCORE: 0

NEGATIVE SCORE: -49

TOTAL: -49

TRUMAN INDEX: -3,27

SUMMARY

The election in Ukraine was the main subject affecting relations between the two countries this quarter and Moscow simply put all forms of dialog with Kyiv on hold. Its interference in the electoral process was limited to an intense public awareness campaign whose goal was to change the president in Ukraine. Every public statement about the election, whether by Russian politicians, diplomats or pro-Putin journalists, focused on the "impossible to negotiate with" Petro Poroshenko. In Russia, open support for one of the presidential candidates was made quite obvious, but this act of solidarity showed more frustration and insecurity than confidence in a victory. To judge by it all, Russia appeared to have placed its bets on the Verkhvona Rada elections. This suggests that the interference is just in early stages right now and investments are being made that are expected to bring a return only in the fall. Russia's information machine was busy persuading people that the election in Ukraine would be stolen. Given this, Russian politicians were calling for the results not to be recognized, but obviously this was intended only in case Poroshenko won.

Ukraine did as much as possible to ensure against possible interference by Moscow. Thus, Ukrainians were not allowed to vote in Russia for security reasons and Russian citizens were prohibited from being election observers in Ukraine. Western countries trained Ukrainian specialists in how to prevent cyber attacks: worries were particularly focused on cyber attacks on the day of the vote. Because of the election, Russia blocked the resolution of other issues and the announced ceasefire was once again violated the same day. The question of releasing Ukrainian hostages and prisoners of war went into limbo. Expectations that something might change under a new president are largely baseless. The TRUMAN Index for this quarter remains quite low at minus 3,27 points, testimony to continuing tensions and unpredictability in bilateral relations.

TIMELINE

■ A TIGER PREPARING TO POUNCE

"The fact that there are no manifestations or evidence of direct interference by Russia does not mean that Russia has left Ukraine alone," says one western diplomat, unofficially evaluating Moscow's influence over the presidential election campaign. "Russia wasn't prepared to support any one candidate publicly because this would most likely have played against

that candidate. Yuriy Boyko's meetings with Russia's leadership is part of the parliamentary campaign, and not the presidential one." Many in the western diplomatic corps are of a similar thought as they carefully observe domestic shifts of fortune while also paying attention to Moscow's influence over them.

It appears that fears that Russia would turn up the heat substantially during the election campaign were unfounded. Russia effectively put the Ukraine question on hold. The Minsk negotiating process is the best example: Russia has made it clear it's prepared to talk to anyone—except Petro Poroshenko.

However, the absence of sudden moves on the part of Moscow in the last three months in no way compensates for its interference over the last five years, starting with the takeover of Crimea, its ongoing support of the conflict in eastern Ukraine, and its never-ending anti-Ukrainian information campaign. President Poroshenko was the focus of an unusually intense discreditation campaign in Russian media. The list of accusations against him is endless: according to Russian state media, Poroshenko is not interested in ending the war, he and his circle are getting rich on the conflict, he has established a dictatorship, he leads an unhealthy lifestyle, etc., etc.

"Ukraine is an overly complicated country," say EU diplomats by way of an explanation about Russia's actions. "It's quite unpredictable. Perhaps they're beginning to understand this in Russia, too. That's why they've stopped engaging obvious interventions and betting on a specific candidate." Russia really did misunderstand a lot of issues in 2014. Its plans to destabilize the situation in all the southern and eastern oblasts of Ukraine failed: Moscow had not counted on the capacity of Ukraine's leadership to quickly come to an agreement with western governments to provide political, economic and even military support, on one hand, and to punish Russia through sanctions on the other. Of course, western countries can be criticized for not always demonstrating the same level of solidarity with Ukraine, for the occasional rumors about not extending sanctions, and for not always responding in the timeliest manner. However, Russia did not expect any reaction at all from the EU or the US in the spring of 2014, let alone so long-standing.

Obviously, Russia has absorbed a few lessons and is trying to play more subtly while laying the blame for the current conflict on Ukraine. The best example of this is the discussion of Russia's aggression during a session of the UN Security Council on February 12: Russia's representative argued that the terms of the Minsk Accords do not commit Russia to anything, therefore it was inappropriate to expect Russia to fulfill them. Representatives of Germany, the US and France made it absolutely clear to their colleague that twisting things in the manner of Russia's political talk shows in the UN Security Council would not work. "Try to remember who is the aggressor here and who is the victim," was and remains the main message from western observers who have long participated in negotiations with Russia.

It's safe to assume that Russia has chosen a more hybrid way of influencing the election situation in Ukraine now as well. "Anyone but Poroshenko" is an ultimatum from Moscow that can also be seen as direct interference, a verbal means of affecting the electoral mood in Ukraine. While some voters might have interpreted this as a call to support Petro Poroshenko on the principle, "My enemy's enemy is my friend," but for others the Russian threat meant only that Poroshenko would not be able to

come to an agreement with Russia about peace no matter what, leading to the conclusion "Maybe we should support another candidate." It's impossible to evaluate this kind of interference: according to opinion polls, the Russian media enjoys little trust among Ukrainians. However, Russian media is hardly the only media rebroadcasting the Kremlin's messages in Ukraine.

Overall, it's possible to talk about a certain change in Russia's approach to directing its scripts in Ukraine's political space. Earlier, Moscow was not afraid to very clearly state its interest in Ukrainian elections, announcing its support, and actively promoting specific candidates, but these days its traces look a bit different. It's more like Russia's interventionist policies in other countries, especially in the Euroatlantic region. Moscow is not so keen to support individual politicians abroad, as it is to undermine stability in line with its usual agenda.

Russia's relative inaction during the presidential campaign in Ukraine can be explained as Moscow not particularly counting on the victory of an obviously pro-Russian politician. First of all, the annexation of Crimea and the occupation of part of the Donbas removed that part of the electorate that was most likely to vote for politicians with pro-Russian sympathies from the electoral process. Secondly, over the last five years, Russia's policies have repulsed millions of those Ukrainians living in free Ukrainian territory who earlier were inclined to favor it. The main miscalculation could be that, in a parliamentary-presidential republic, Ukraine would be better off focusing on the parliamentary elections. Indeed, Russia's behavior during this election campaign can be equated to that of a tiger that was preparing to pounce. The attack itself will take place during the race for seats in the Rada. Here, the Kremlin has not bothered to hide its bets: Viktor Medvedchuk, Yuriy Boyko, and all those who are working with them.

Boyko and Medvedchuk's meeting in Moscow with Russian PM Dmitry Medvedev March 22 was possibly the most obvious sign of Russia's interference in the electoral process. However, the main goal of such meetings in Moscow was, at the least, to try to add points to the rankings of those representing pro-Russian attitudes in Ukraine. Surely Moscow realizes quite well that this candidate was not popular at all in Ukraine and that even a meeting with Vladimir Putin himself would not have added many votes to his name. And so, some interpret this meeting as Russia being definitely more oriented on the fall VR elections and demonstrating to the main players in Ukraine's political and business circles who its favorites are—an interpretation that seems more logical. In fact, when Russia instituted sanctions at the end of last year, including against openly pro-Russian politicians and business owners, it made it known where it wanted resources to be focused: who espoused the correct pro-Russian positions. Most likely, Russia will try to put more

effort into consolidating the politicians who are loyal to it so that they go into the Rada election as a single bloc. So far, its efforts haven't brought any results. Today, the situation seems even more uncertain when it comes to getting the pro-Russian political camp to join forces.

■ RUSSIA'S PRE-EMPTIVE ULTIMATUM TO THE NEXT PRESIDENT

The government of Ukraine tried by all means to neutralize Russia's influence on the current election. The decision to prevent Russian citizens from being observers at the election in Ukraine was one of them. The only criticism of this decision came from the OSCE's Office for Democratic Institutions and Human Rights (ODIHR). Ukrainian diplomats explained that during informal talks with western politicians, even those who weren't thrilled by Kyiv's decision did not seriously protest it: "They understand perfectly why we did that. We weren't the first ones to violate international law. It's unacceptable for representatives of an aggressor state to evaluate democratic standards anywhere, let alone the country it has attacked." Obviously, the participation of Russians would not likely have influenced the final report on the electoral process in Ukraine: observers have to fill out clearly designed forms where manipulations are effectively impossible. However, from the political aspect, the presence of Russian citizens as observers would have raised quite a few questions among Ukrainian voters.

As a reminder, we have the OSCE's Special Monitoring Mission, which was established in the spring of 2014. The Ukrainian press then intensively made a scandal out of the fact that this mission included Russian citizens and citizens of countries that are among its allies. In time, the OSCE released information about the size of the mission and the country of origin of its observers: Russians and their satellites were in a minority, with 25 Russian observers in the mission in 2015, going up to 40 in 2017, while the total size of the mission was 700. Still, this did not stop numerous scandalous statements by Ukrainian politicians who accused the OSCE SMM of ineffectiveness and blindness because they didn't seem to be noticing violations on Russia's part. Apparently the sharp reaction of ODIHR was not anticipated in Ukraine: the Office noted the unprecedented decision by official Kyiv to prevent another country from sending observers to the election.

The paradox is that Moscow has long demanded that ODIHR significantly alter its working methods to favor authoritarian regimes, of course, if not shut down altogether. In 2008, ODIHR even refused to send an observer mission to the presidential election in Russia because of obstacles set up by Moscow. At the time, Vladimir Putin commented on the requirements of this reputable organization in a particularly rude form: "Let them teach a woman to cook shchi la Russian cabbage soup!" Russia's MFA has been the main voice of

endless criticism against ODIHR observers for all the years Putin has been in power, accusing them of bias, this time issued a statement in support of international observers. Its diplomats promise to "work in close coordination with ODIHR and other executive agencies of OSCE that are supposed to monitor democracy and human rights." Not, of course, in Russia, but in Ukraine. Although Russia always accused ODIHR of double standards and threatened to cut its budget, this time, Ukraine's decision by some miracle led to a united front between the Offices management and the Kremlin.

Russia also tried to promote the idea of significant violations during the election. Moscow emphasized not only the banning of Russian observers, but also the decision of Ukraine's Central Election Commission to close 5 polling stations in Russia where Ukrainian citizens could vote. Ukraine's diplomats explained it as a security decision: Moscow's inability to guarantee the safety of Ukrainians "who, despite administrative and propagandist pressure, would be brave enough to join electoral commissions or simply to show up and vote." Official statements by Moscow throughout the election campaign focused entirely on supposedly numerous violations. "A rough, dirty election campaign is underway in Ukraine to elect a president," Russian PM Medvedev claimed. "In observing it we in Russia don't yet understand with whom we can talk in Ukraine." Perhaps this was Moscow's way of showing a Ukraine that was supposedly violating democratic values and was therefore no better than most post-soviet countries, starting with Russia, from whom Ukrainians were supposedly trying to distance themselves. Other motives might underlie such statements, too. Russian media actively discussed the option of not recognizing the next leader of Ukraine. Of course, this was primarily meant to be with reference to the re-election of Petro Poroshenko.

However, the sword of possible non-recognition will also hang over Poroshenko's rival. Moscow has effectively issued a pre-emptive ultimatum: If someone wants to cut a deal with us, he first has to prove his legitimacy. Earlier, specific concessions were required from Ukraine for this kind of "legitimization," as Moscow reacted exactly the same when the new president was elected in 2010. On March 5, Viktor Yanukovich made his first official visit to Moscow, assuming that Russia would immediately agree to reduce its price for natural gas, because he had already announced that Ukraine would maintain a non-bloc status and promised special status for the Russian language. "This is not a business discussion," is how a Russian diplomat then working in Kyiv unofficially assessed the Ukrainian leader's first visit. "Rejecting NATO and protecting the Russian language is something Yanukovich himself and Ukrainians need, not Russia. This visit was a failure. Yanukovich was absolutely unprepared. He didn't bring along any propositions that might have interested Moscow."

Clearly the Yanukovich team took Moscow's disgruntlement seriously. On April 21, 2010, it became clear what the Russian

diplomat might have had in mind by "business discussion." This was the day the Kharkiv Accords were signed—discounted gas in return for a 25-year extension on the RF Black Sea Fleet's lease on Ukrainian territory. Russia appears to be operating the same way today: the future Ukrainian president is being put in the position of a petitioner.

■ MAIDAN III: WHAT HAS THAT TO DO WITH RUSSIA?

Ukraine's security agencies reported that Russia's main objective in the current year was to "settle the Ukraine question" once and for all. To do this, Moscow was supposedly trying to set up the conditions for both Ukrainians themselves and the international community to not recognize the results of the election. According to this plan, Russia was hoping to foster something along the lines of a third Maidan. Only this time, according to Ukraine's security agencies, Moscow intended to covertly use patriotically oriented Ukrainians and organize a state coup through them. The plan supposedly was to have four phases: first, massive peaceful demonstrations; second, the takeover of state institutions by force; third, a confrontation with the government that turned into an armed clash; and finally, the intervention of the Russian army under the guise of a peacekeeping force. As part of this plan, Russia would supposedly try to activate separatist movements, including in Zakarpattia.

In the public arena, this information was received fairly critically, more as a means for Poroshenko's entourage to frighten Ukrainians, ostensibly to mobilize his voters and warn them against participating in possible protests. Opponents of the government also often called any statements about Russia's preparedness to large-scale aggression "manipulation." Still, Ukraine's General Staff noted that Russia was building up its forces on the border with Ukraine, but critics said that this kind of information was being disseminated to create the impression that Poroshenko was the only one who recognized the level of external threats against Ukraine and only he had what it took to deal with them. True, at the beginning of March, foreign diplomats were informed by General Staff that Russia had finished forming shock units at the border that, together with special divisions would be the main invasion force. Moreover, Ukraine's military did not exclude the possibility of a series of diversions at the front before the election. The foreign diplomats themselves admitted during the informal discussion that they had no information about significant changes in the dynamic of Russia's actions.

Distrust in this kind of information provides a useful field for undermining actions on the part of Russia: the level of distrust Ukrainians feel towards their own institutions is now about the

same as their distrust in the leadership of the country that attacked them. According to a poll taken by the Razumkov Center that measured the level of public trust in social institutions in February 2019, 71% did not trust the president¹. A poll by the KIIS, also taken in February, showed that 69% of Ukrainians feel negative about Russia's leadership².

Still, western diplomats made it clear that they did have concerns about the election process might be disrupted by armed rightwing radical organizations. In mid-March, the ambassadors of the G7 countries sent a list to Interior Minister Arsen Avakov in which they expressed concern over the activities of extremist movements in Ukraine. The diplomats pointed out that such groups "frighten ordinary Ukrainians, they try to usurp the role of the National Police in ensuring the security of the elections, and they harm the national and international reputations of the Ukrainian Government." The first round of the presidential election went smoothly, without any evidence of serious falsifications, activities by radicals, and so on. Now all attention is on the second round.

■ RUSSIA'S TWO WEAPONS: CYBER ATTACKS AND FAKERY

Meanwhile, Ukraine's government prepared itself for two main kinds of interference on the part of Russia. The first was the production and dissemination of fake news, especially through social nets; the second was cyber attacks. Various officials have made announcements about attempted cyber attacks every 40 seconds against the sites of various government agencies. Western diplomats also agreed that there was a very high probability of a cyber attack on the CEC's system, the main purpose being less to support some favored candidate than to undermine trust in the electoral process as such. NATO specialists have been supporting their Ukrainian colleagues, teaching them methods for counteracting outside hacker attacks during the election period.

The SBU reported that it had uncovered and blocked 360 cyber incidents in 2018. A total of 49 administrators of social networks were taken to court for anti-Ukrainian propaganda: 29 individuals were declared suspects and 20 have already been sentenced. General Staff have also reported about more intense activity in the news sphere on the part of Russia, directed at undermining trust in public institutions in Ukraine. Since the beginning of the year, the Security Bureau has regularly reported on the exposure of individuals organizing anti-Ukrainian internet agitation networks. In mid-January, the SBU reported that it had exposed the administrator of an anti-Ukrainian

1. The level of trust towards civic institutions and electoral attitudes among Ukrainians, a nationwide survey by the Razumkov Center February 7-14, 2019. <http://razumkov.org.ua/napiamky/sotsiologichni-doslidzhennia/riven-doviry-do-suspilnykh-institutiv-ta-elektoralni-orientatsii-gromadian-ukrainy>

2. Attitudes in Ukraine towards Russia and attitudes in Russia towards Ukraine, a survey run by the Kyiv International Institute of Sociology February 8-20, 2019. <https://www.kiis.com.ua/?lang=ukr&cat=reports&id=831&page=1>

3. Russki mir and the election in Ukraine: What is being said in vKontakte, a survey carried out on the initiative of the Internews Ukraine CSO over November 1, 2018 through February 14, 2019. <https://internews.ua/opportunity/vk-and-elections?fbclid=IwAR2ZHuFDZ8ro-UEvizELldZRjGILYJwLNOq5JFw14SoOEBu3VsfmgnY5aM>

group in social nets in Zaporizhzhia. A few days earlier that same month, the SBU arrested an anti-Ukrainian internet agitator in Odesa. In early February, a resident of Chernihiv was exposed as engaging in "anti-Ukrainian agitation in social nets on order from Russia's security services." At the end of March, the SBU reported about the exposure of 4 residents of Mykolayiv and 4 Odesites who were allegedly also working for Russian security services. According to the SBU, Russian handlers were making use of more than 50 groups in social nets with an audience of more than 1.5 million users for illegal activities.

Independent observers have, in turn, reported on a storm of tendentious information about the Ukrainian election in vKontakte, the Russian social network. Internews Ukraine, a CSO, analyzed 1 million profiles in the Ukrainian segment of VK and nearly 10 million posts³. The Top 10 sites whose articles were being disseminated in the Ukrainian segment of vKontakte were predominantly pro-Russian or separatist oriented. There was more negative than positive aimed at various candidates in the first round. In the analytical report, Zelenskiy was the only candidate towards whom at least a significant share of positive comments were addressed, 26%, although even he had more negative ones at 32%. President Poroshenko, of course, received the most negative comments, fully 67.5%, while Yulia Tymoshenko did almost as poorly at 56% negatives. The narrative was unchanging: Ukraine as a failed state that will shortly go into collapse. The main conclusion drawn by the study was hopeful but still included some worrisome trends. On one hand, the impact of Russian social nets

weakened substantially after sanctions were introduced two years ago. On the other, pro-Russian rhetoric is evident in the majority of all posts in vKontakte.

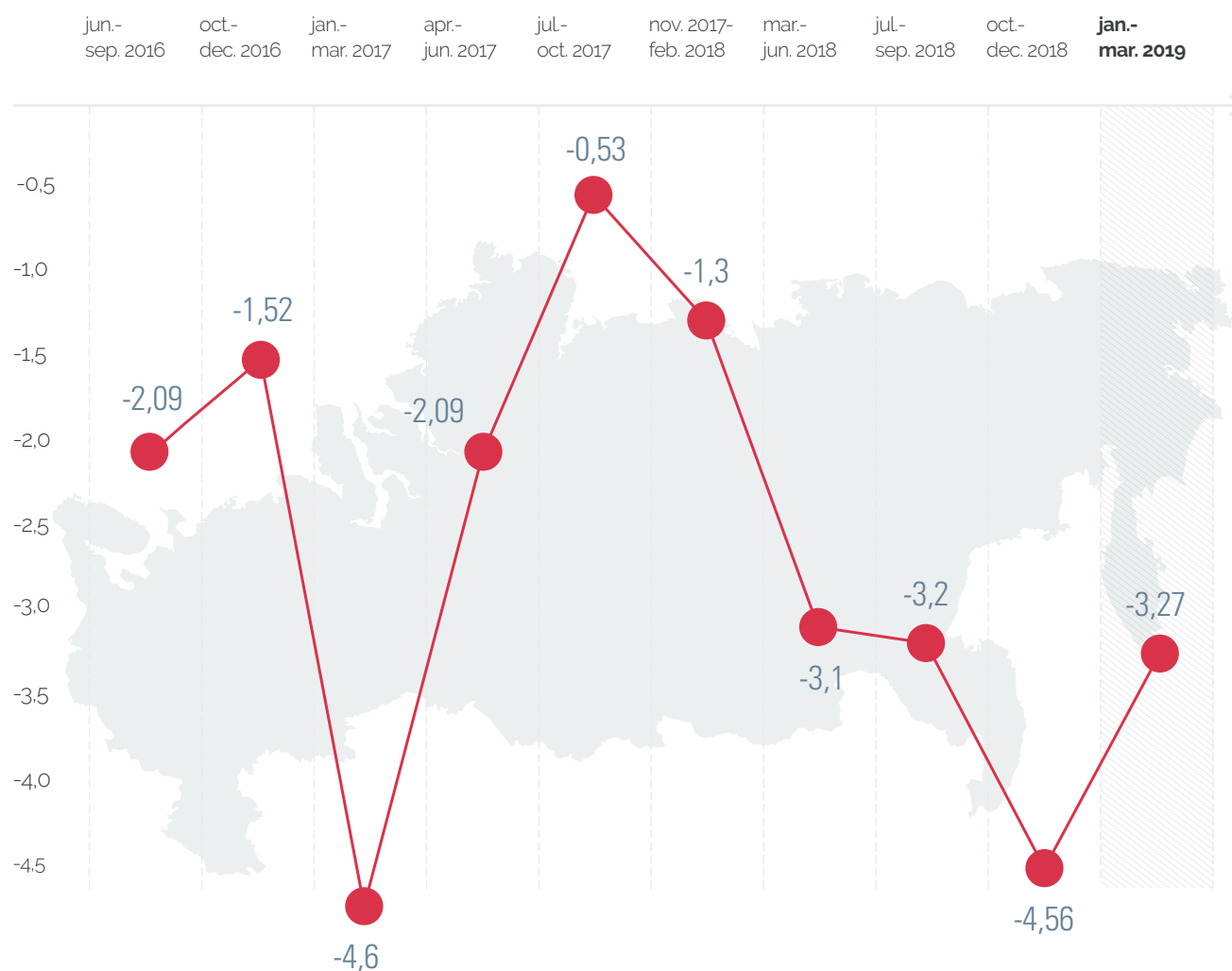
The subject of elections in Ukraine has generally dominated Russian media. Neither Moscow nor Kyiv nor the main world capitals have bothered to discuss the main challenges that have been arisen from the unresolved conflict between Ukraine and Russia. Moscow's excuse is that there's no one to talk to. Kyiv doesn't have much of a choice. And the West is busy observing. "We understand that Putin doesn't want to talk to Poroshenko under any circumstances," is a comment often heard in western circles. "The question is, will he want to talk to any other president? Will he be willing to compromise in the negotiations process? A lot of questions remain unanswered." These diplomats are not comforting themselves with any illusions about likely changes in the Kremlin's attitude. Russia has placed all the blame for the bloodshed in the Donbas entirely on Ukraine, while the subject of Crimea is simply not mentioned in Moscow, even with those whom Russia considers pro-Russian. As to a UN peacekeeping mission, Russia has made it very clear that it won't go for any compromises. The only area where at least some progress might be possible is the release of Ukrainian citizens who are being held in prisons in Russia or in territory it occupies. But prior to the election, Moscow was not even prepared to discuss this much.

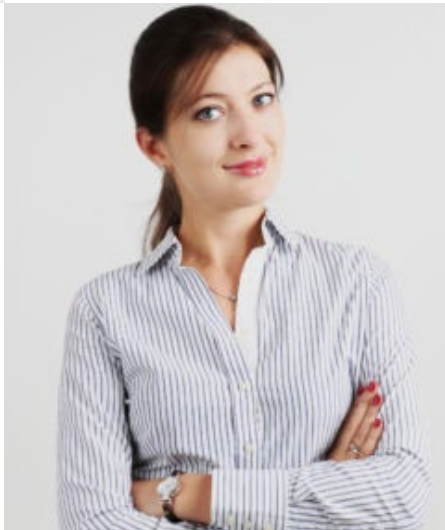
EVENTS IN UKRAINE-RUSSIA RELATIONS (JANUARY - MARCH 2019). POINT-BASED EVALUATION

DATE	EVENT	SCORE
January 8	FM Pavlo Klimkin says a biometric visa regime could be introduced for Russia.	-1
January 18	The SBU reports that, over 2018, 11 Ukrainian citizens were revealed to be engaged in intelligence-gathering and sabotage on behalf of Russia and 157 Russian citizens were banned from entering Ukraine. A total of 15 provocations were uncovered and 70 more based on rallies were prevented, all of them the work of Russia.	-7
January 29	President Poroshenko announces the need for a "Cold Peace" with Russia in order to end the war.	-2
February 12	UN Representative for Ukraine Volodymyr Yelchenko announces that "The only obstacles to a peaceful resolution to the conflict are Russia and its military actions." Russia's representative accused Ukraine of not fulfilling its commitments.	-2
February 12	Poroshenko reports that Ukraine lost 16% of its GDP because of Russia's aggression and the economic blockade.	-2
February 19	FM Klimkin states that the international community needs to fight Russia "from a position of strength and not appeasement."	-1
February 26	A bill banning Russian observers from the elections in Ukraine is passed.	-3
March 8	In response to Russia's withdrawal from the Intermediate Range Nuclear Forces Treaty, Ukraine announces that it retains the right to produce defensive weapons, including missiles.	-1

DATE	EVENT	SCORE
March 8	Ukraine announces an indefinite ceasefire along the entire line of contact but then reports that shooting has resumed from the occupied territories.	-7
March 13	MFA Spokesperson Kateryna Zelenko announces that since the start of the "New Year's ceasefire," 12 Ukrainian soldiers have died and 105 have been wounded.	-7
March 14	Ukraine's representative in the Trilateral Contact Group, Yevhen Marchuk, announces that Russia has refused to discuss the release of the Ukrainian seamen it is holding prisoner.	-2
March 22	Since the start of the March 8 ceasefire announced by Ukraine, the Joint Forces Operation has had 5 soldiers killed and 14 wounded.	-7
March 27	Ukraine announces the deportation of Russian journalist Margarita Bodnar.	-1
March 29	The SBU announces that it has prevented hacker groups under the aegis of Russian security agencies from completing preparations for cyber attacks.	-3
March 29	The SBU announces the exposure of Russian special forces campaigns to recruit Ukrainians for intelligence work.	-3

TRUMAN Index





UKRAINE–NATO RELATIONS

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POSITIVE SCORE: +48.5

NEGATIVE SCORE: -4

TOTAL: +44.5

TRUMAN INDEX: +1.03

SUMMARY

This reporting period in Ukraine-NATO relations, and 2019 overall, has been a period of turbulence and uncertainty. On one hand, this period included events at the highest level: Ukraine amended its Constitution to enshrine its Euroatlantic aspirations as a strategic direction; it approved a new kind of Annual National Program; it received new contact embassies, the UK and Canada, as of January 1, 2019; a slew of high-level meetings were held; and the North Atlantic Council is supposed to visit Kyiv. On the other, Ukraine entered a new election cycle and the results of both the presidential and parliamentary elections will determine whether the country continues its Euroatlantic integration or returns to the familiar old balancing act that has traditionally been called "multivectoral."

TIMELINE

■ IRREVERSIBLE EUROATLANTIC CHOICE: PRETEND OR REAL?

In 2019, a series of symbolic dates come up for the Alliance, starting with its 70th anniversary and 20 years since Poland, Czech Republic and Hungary joined, and for relations between Ukraine and the Alliance. For one thing, 25 years ago, Ukraine joined the Partnership for Peace program, 20 years ago the NATO Liaison Office in Ukraine was opened, and 10 years ago Ukraine acceded to a key instrument for approaching NATO, the Annual National Program. Still, there is an impression that the mood on both sides is not so much celebratory as anticipatory: Ukraine has entered a new election cycle that could lead to changes on nearly all levels of the central government and that could mean Euroatlantic integration at a very different pace, if not a different sort altogether. And so the NATO Representation to Ukraine even decided not to celebrate the 70th anniversary of the Alliance in April, the month in which the official date of establishing NATO falls. Celebrations have been postponed until the end of May, when it will be known who the next president is.

On February 19, 2019, President Petro Poroshenko signed into law amendments to the Constitution that enshrine Ukraine's course towards the European Union and NATO. As experts from the New Europe Center noted, the very fact that a solid majority supported the changes in the Verkhovna Rada testifies to broad political consensus on this issue. Just 15 years ago, supporting Euroatlantic course could have put a dent in the electoral reputation of many an MP, whereas now the opposite tendency can be seen. This is undoubtedly good news for Ukraine's Euroatlantic progress. On the other hand, few in Ukraine believe that enshrining Euroatlantic integration on paper, even in the country's Basic Law can genuinely prevent any reversal in Ukraine's foreign policy, as has happened under nearly every president so far.

The election campaign has already shown this: even those candidates who called themselves pro-European have divergent views of that a Euroatlantic course means for Ukraine. The incumbent, Petro Poroshenko, basically made integration into the EU and NATO part of his election platform. He promises to apply for EU membership and get the MAP from NATO by 2023, although he plans to raise the question of the MAP at the December NATO summit in London. On the other hand, the leader in the first round, Volodymyr Zelenskiy, is restrained in

his references to the Alliance, saying that accession should be preceded by a national referendum. He and members of his team do little to disguise their skepticism about how ready NATO is to grant Ukraine membership. Notably, this position ensured Zelenskiy support, not just in the southern and eastern oblasts of Ukraine, where support for NATO is never as high as in the northern and western regions, but also among some member-countries that are equally skeptical of Ukraine's aspirations, who see the Ze team's position as "realistic."

However, it would be incorrect to state that the West as a whole and NATO in particular have a favorite in the race. NATO is prepared to work with any legitimately elected president of Ukraine. Poroshenko may have the advantage as a known candidate, but this advantage is very nominal: NATO officials understand perfectly well that strong statements and grand amendments to the Constitution are mainly electoral moves, while real actions are typically hampered. Take just the Annual National Program for 2019 as an example: after the Cabinet approved it back on January 20, the president, between visits to the regions and interpretations of what membership in NATO would do to improve local budgets expansion, never actually found the time to sign it.

Meanwhile, the Action Plan for European and Euroatlantic Integration through 2024 is being prepared for publication. It is supposed to establish the milestones of Euroatlantic integration for the next five years. The minimum goal for 2019 is gaining Enhanced Opportunity Partnership for Ukraine. This is an objective that Ukraine set itself last year, but the Alliance decided not to play ball with Ukraine, as it felt this would incorrectly be presented at home as a step towards membership.

It seems that this status really is perceived differently in NATO and in Ukraine. The Alliance sees this format as being for those partners who are members of the Interoperability Initiative and don't necessarily have membership as an ultimate goal, such as Australia, Finland, Jordan and Sweden—Georgia being the exception. Ukraine believes that gaining this status will really bring it closer to membership, as the level of interoperability in Finland and Sweden means that either could join the Alliance tomorrow. Indeed, NATO itself often offers these two countries as an example. Ukraine is hoping to gain the status of an Enhanced Opportunity Partner at this year's NATO summit, which will take place in London in December. The question now is whether it will be a priority for the country's next president. Only time will tell.

■ REFORM PLAN FOR 2019: NEITHER STICK, NOR CARROT

NATO's plans for Ukraine are traditionally more practical. This year, the Alliance has identified five priorities for Ukraine: a new law on the Verkhovna Rada intelligence and security services oversight committee; a law on the State Security Service (SBU) that includes removing the investigation of financial crimes from its remit; a law on intelligence-gathering; a law on managing state secrets and classified information; and reform in the defense sector and the defense procurement system. As a reminder, reforming the SBU has been in the list of priorities that the Alliance holds before Ukraine for several years now. For the first time, a Concept for Reforming the SBU was drafted with the assistance of NATO specialists and an EU Consultative Mission to Ukraine back in 2016, yet in 2018 it was one of the unfulfilled conditions for inviting Ukraine to the NATO summit.

However, it's unlikely that there will be some kind of breakthrough this year, partly because of the election cycle in Ukraine and partly because of the lack of any incentives from NATO that might serve the reputations of Ukraine's decision-makers. Last year, approving the SBU reform concept and a law on national security were the "conditions" for being invited to the NATO summit¹; this year even such symbolic incentives are not working. The NATO summit will be all the way in December, when most of those promoting a pro-NATO policy in Ukraine might well be out of office. Until the changes to Ukraine's leadership are established, which can only be final after the parliamentary elections, it will not be clear whether Ukraine gets invited to the summit or not, who will represent it, and what the shape of relations between it and the Alliance will be at that point.

As to reforming the SBU, the current version of the bill is being again under revision at the Presidential Administration, where it is supposed to be reworked with the help of the International Consultative Group (ICG) on Reforming the SBU—experts who were not involved in its original draft. Sources familiar with the bill confirm that preliminary revisions prepared by the ICG were ignored in the current version. What's more, the SBU's powers have not only not been diminished but have actually been expanded! As in the past, the Ukrainian side points out that even among NATO members, standards are not applied equally. Indeed, the range of powers granted to the SBU is being justified by appealing to French practice, where the security service's remit includes pre-trial investigation, and to Poland, where security agencies are responsible for anti-corruption efforts—among

1. The third point was the resolution of a stand off with Hungary over the Law on education.

others. In NATO, the response is that none of these countries have collected in the portfolios of their security agencies ALL the functions that Ukraine would like to give its service.

As to other bills, work on them continues with greater and lesser progress, but the main challenge remains voting in the Verkhovna Rada. Obviously, after the recent scandal at Ukroboronprom, where journalists published information about corrupt schemes ostensibly involving First Deputy of the National Security Council Secretary Oleh Hladkovskiy and Ukroboronprom General Manager Pavlo Bukin, the question of reforming the defense industry and the defense procurements system will be raised more and more frequently at bilateral meetings. Ironically, Hladkovskiy was the co-chair of the Joint Ukraine-NATO Working Group on defense technical cooperation, so the Alliance is now without its main interlocutor on the Ukrainian side.

Notably, the corruption scandal was no surprise to NATO officials, but rather confirmed what they already knew: the Alliance not only never tired of repeating that the battle against corruption was one of the top priorities for reforming Ukraine's defense system, but also saw with its own eyes the "assets" of Ukraine's top officials. Remarkably, reforming the defense industry and procurements was only put on the Ukraine-NATO agenda after the Strategy for Developing the Defense Industry through 2028 was approved in summer 2018. Off the record, NATO officials explain that, despite offers of assistance from the Alliance, the Ukrainian side decided to do without, presenting the Alliance with a fait accompli: a finalized Strategy that NATO partners say does not meet the necessary standards.

As to the mythical "NATO standards" that Ukraine committed itself to take on by the end of 2020, it looks like the country will not be able to meet the deadline that it set for itself. As before, there are contradictions between the statements of Ukrainian and NATO officials: the Defense Ministry talks about some 220 standards that need to be approved, 196 of which the Ministry claims have already passed, while NATO emphasizes that there are actually more than 1,300 such standards, not all of which apply only to the defense sector. According to the head of the Mission of Ukraine to the NATO, Vadym Prystaiko, trying to implement them by the end of 2020 is completely unrealistic. Off the record, Defense Ministry officials admit that the problem is serious and not just a question of the volume of work. Indeed, there are complaints in the Ministry that military administration agencies are unsystematic and disorganized in instituting NATO standards and that the executors lack not just professional training in standardization but even something as basic as knowledge of the English language. The Alliance is also accused of not being ready to share regulatory documents with restricted access..

■ THE KERCH ATTACK: MARINE AND REPUTATIONAL LOSSES

Over the reporting period, Russia attacked Ukrainian ships near the Kerch Strait. On November 25, 2018, Russia boarded three Ukrainian naval vessels and took their crews, 24 seamen altogether, prisoner. This incident should have reminded the international community that the war in eastern Ukraine continues and is expanding to new territories. On November 27, NATO issued a statement condemning Russia's actions.

However, NATO's attitude towards the incident had shifted significantly in those two days. Initially, Russia's attack on Ukrainian vessels was a "warning bell" for the Alliance regarding the presence of a Russian threat. However, by the next day, Ukraine's president was talking about instituting martial law, which reduced the degree of concern within the Alliance, to be replaced by suspicion and distrust. Within NATO, the thought began to circulate that Ukraine's leadership was intentionally hoping to use martial law to postpone the presidential election. Even though the Verkhovna Rada voted for martial law to be in place for only 30 days on November 26, which would not interfere in the election schedule, a bad taste remained at NATO. Thus, the tone of subsequent rhetoric was softened as NATO referred to the attack more as an "incident" and not an "act of war."

In 2019, NATO increased its presence in the Black Sea at the request of Ukraine. In January, joint exercises took place in the Black Sea involving American and Romanian ships. At the end of February, the USS Donald Cook guided missile destroyer ran joint exercises with Ukraine. On April 1, two more NATO vessels entered the Port of Odesa: the Canadian frigate Toronto and the Spanish frigate Santa Maria. Interestingly, some of Ukraine's more distant partners in the Alliance have put more effort into the Black Sea region than some of its neighbors who share the maritime region directly with Ukraine, such as Bulgaria and Turkey.

■ UKRAINE'S DEAD END WITH HUNGARY

The fact that the work of the Ukraine-NATO Commission at the ministerial level continues to be blocked gradually changed from news to status quo. Today, the Ukraine-Hungary conflict is in a frozen state, with no ministerial meetings of UNC taking place since the fall of 2017. Budapest has made it clear that it is waiting for new leadership in Kyiv. Ukraine has tried not to pay too much attention to the Venetian Commission recommendations, which Kyiv agreed with Budapest to implement but so far has not: extending the transition period for the Law on education and releasing private schools providing teaching in EU languages from Art. 7 of the law, which regulates current language norms.

Both of these provisions are in the Bill "On a complete secondary education," which the Ministry of Education and Science presented and the Cabinet approved, but which has not been submitted to the Rada for consideration. Under this bill, the transitional period is extended from 2020 to 2023, and for linguistic minorities using EU languages studying in both public and private schools, teaching in the Ukrainian language is set at at least 20% starting in Grade 5, rising to 40% in Grade 9. In senior high school, teaching in the Ukrainian language has to be at least 60% of class time. In addition, there are alternate bills, such as #5670-D "On ensuring the functioning of the Ukrainian language as the state language" and #9287 "On amending Section XII, Concluding and Transitional Provisions of the Law of Ukraine 'On education.'" However, as Ukrainian diplomats point out, the Rada is being prevented from voting on these changes supposedly by the Hungarians themselves: every time that Ukraine's MPs were prepared to vote, Hungary would issue yet another aggressive statement.

Meanwhile, both Ukraine and NATO continue to look for workarounds to re-establish contacts at the ministerial level. For instance Defense Minister Gen. Stepan Poltorak sent SecGen Stoltenberg a letter requesting that he be allowed to participate in the ministerial meeting of NATO countries in Brussels that took place in early October 2018. He was turned down. No official reason for the rejection was offered, but unofficially no one in the Alliance tried to hide the fact that, once again, Hungary was against it. When Poltorak finally visited NATO HQ in February in

Brussels, Alliance officials, as with last year's NATO summit, had to be a bit "creative." Poltorak was invited not to the official summit but to the Defense Ministerial Breakfast, the unofficial format of the event. He also came by invitation of the British delegation and not NATO as a whole, and not to the HQ itself. However, the Breakfast included all 29 member countries.

The absence of regular ministerial meetings of the UNC has also partly been compensated by frequent contacts between the Ukrainian president and the deputy premier for European and Euroatlantic integration with NATO officials at all levels, starting with SecGen Stoltenberg, both in Kyiv and in Brussels, and at international events. For instance, one ambassadorial level meeting of UNC was chaired by Stoltenberg and included Klympush-Tsintsadze. Other events were attended by, among others, Deputy FM Olena Zerkal and Minister for the Temporarily Occupied Territories Vadym Chernysh.

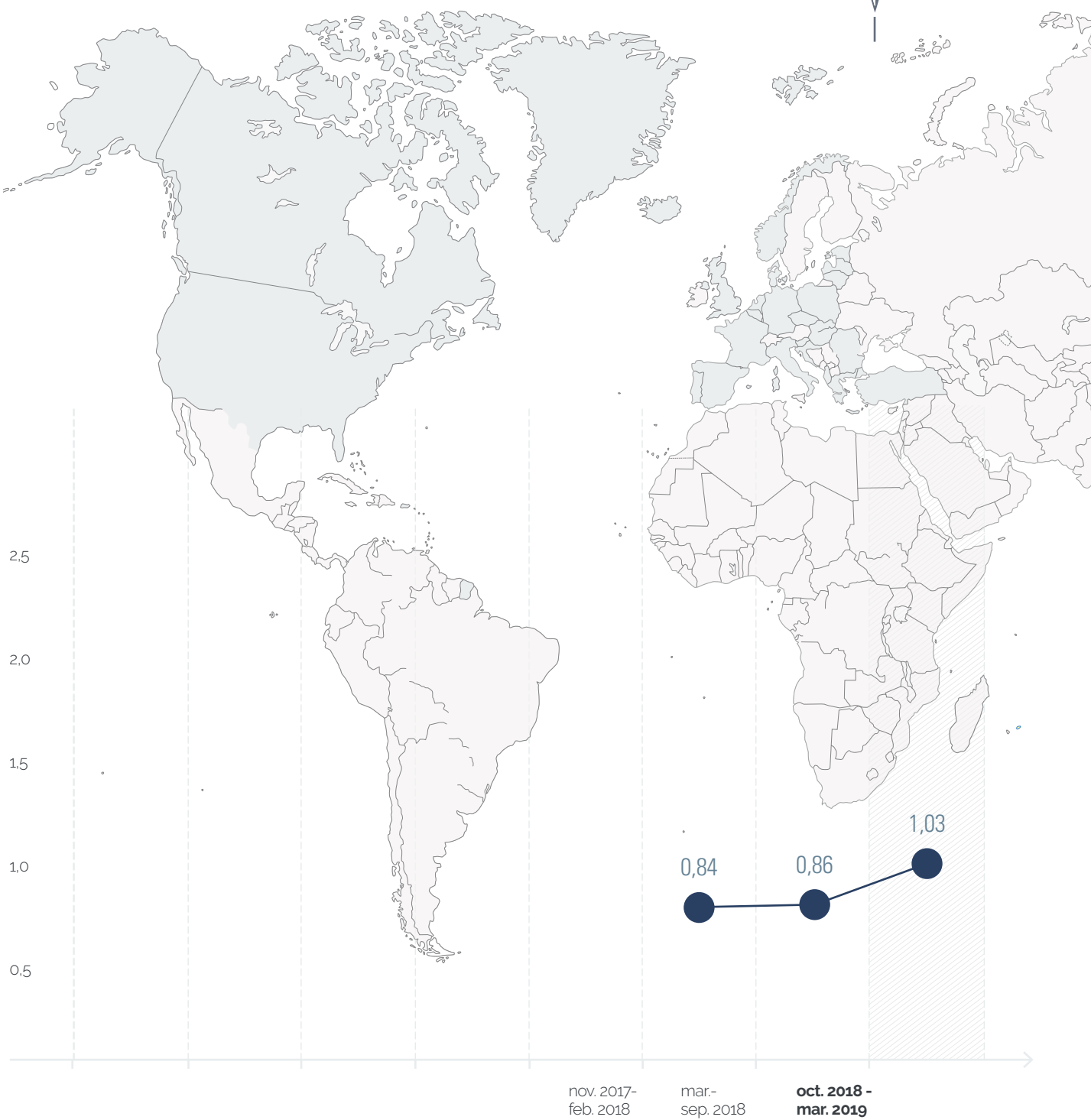
The author expresses gratitude to Marianna Fakhuridinova for her help in preparing this report.

EVENTS IN UKRAINE-NATO RELATIONS (OCTOBER 2018 - MARCH 2019). POINT-BASED EVALUATION

DATE	EVENT	SCORE
2018 October 3-4	Ministerial meeting of NATO members takes place in Brussels. DM Gen. Stepan Poltorak is not present.	-2
October 8-19	The Clear Sky 2018 multinational training involving NATO member countries takes place in Ukraine.	+0,5
October 15	NATO SecGen Jens Stoltenberg meets with FM Pavlo Klimkin.	+2
October 16-17	President of NATO's Parliamentary Assembly Rasa Juknevičienė is in Ukraine for a working visit, during which she meets with President Poroshenko, Verkhovna Rada Speaker Andriy Parubiy, Deputy Premier for European and Euroatlantic Integration Ivanna Klympush-Tsintsadze, and NSC Secretary Oleksandr Turchynov.	+2
October 17	A session of the Ukraine-NATO Commission takes place at NATO headquarters at the level of heads of delegations and missions. Ukraine is represented by the Minister for the Temporarily Occupied Territories and IDPs Vadym Chernysh and the head of the Mission of Ukraine to the NATO, Vadym Prystaiko.	+1

DATE	EVENT	SCORE
October 25–November 7	Trident Juncture 2018, a strategic military exercise of NATO, includes Ukrainian service personnel.	+0,5
November 6	Ukraine's DM Gen. Poltorak meets with high-level strategic advisors from NATO countries, Gen. (ret.) Nick Parker of Great Britain and Ms. Jill Sinclair of Canada.	+0,5
November 7	Minister Klymchuk-Tsintsadze meets with NATO Assistant SecGen for Emerging Security Challenges Antonio Missiroli.	+0,5
November 9	Joint Forces Commander Lt.-Gen. Serhiy Nayev holds a working session with President of the NATO Parliamentary Assembly Juknevičienė and VR Speaker Parubiy.	+1
November 11	President of the NATO Parliamentary Assembly Juknevičienė and Speaker Parubiy visit the Donbas and condemn the fake elections.	+1
November 11	NATO spokesperson announces that NATO does not recognize the elections held in self-proclaimed DNR and LNR.	+0,5
November 19	The Iron Wolf 2018 multinational exercises with Ukraine participating come to an end.	+0,5
November 22	The Verkhovna Rada passes first reading of a bill to amend the Constitution to enshrine the country's strategic course to accede to the EU and NATO.	+0,5
November 26	NATO SecGen speaks over the phone with President Poroshenko regarding the situation in the Azov Sea and Kerch Strait.	+0,5
November 26	An emergency session of the Ukraine-NATO Commission meets at the ambassadorial level to discuss the situation in the Azov Sea and Kerch Strait.	+2
November 26	NATO Spokesperson Oana Lungescu notes support for Ukraine during the incident in the Azov Sea and Kerch Strait.	+1
November 27	NATO SecGen Stoltenberg meets with Speaker Parubiy at NATO headquarters.	+1
November 27	The North Atlantic Council issues a statement on the incident near the Azov Sea.	+1
December 4	NATO FMs meet with FMs from Ukraine and Georgia to discuss the security situation in the Black Sea region and support for the two countries on the part of the Alliance.	+1
December 4	FM Klimkin participates in a session of the North Atlantic Council with Ukraine and Georgia at NATO headquarters in Brussels.	+2
December 13	President Poroshenko is in Brussels on a working visit to meet with NATO SecGen Stoltenberg to discuss events around the Azov Sea.	+2
December 13	An Implementation Agreement is signed between the Cabinet of Ministers and NATO for the support and supply to put together a NATO Trust Fund project for explosive ordnance disposal (EOD) and counter improvised explosive devices (C-IED).	+2
December 18	The Verkhovna Rada passes a bill on NATO military standards called "On amending certain legislation regarding military standards."	+0,5
December 18-20	A Ukrainian delegation is on a working visit at NATO headquarters in Brussels headed by the deputy premier to meet with SecGen Stoltenberg, Assistant SecGen for Public Diplomacy Tacan Ildem, the heads of missions for leading countries in NATO Trust Funds to support Ukraine with the participation of Deputy SecGen Rose Gottemoeller, Assistant SecGen for Emerging Security Challenges Missiroli, Assistant SecGen for Political Affairs and Security Policy Alejandro Alvargonzalez, and SecGen of the NATO Parliamentary Assembly David Hobbs.	+3

DATE	EVENT	SCORE
December 18	The Ukraine-NATO Commission meets at the ambassadorial level to evaluate Ukraine's implementation of Commission's Annual National Program for 2018, chaired by Stoltenberg.	+1
December 18	A delegation at NATO headquarters led by First Deputy Secretary of the NSC Oleh Hladkovskiy participates in the 27th session of the joint Ukraine-NATO working group on defense technical cooperation.	+1
2019 January 10	The Ukraine-NATO Interparliamentary Council meets in Brussels.	+2
January 15-16	A delegation of the Ukrainian Armed Forces headed by Chief of Staff Viktor Muzhenko visits NATO HQ in Brussels, to meet Deputy SecGen Gottemoeller and participate in a session of the NATO Military Committee at the Chiefs-of-Staff level.	+1
January 17	The Verkhovna Rada passes a bill on direct purchases of imported military equipment by government defense buyers.	+0,5
January 30	The Cabinet approves a draft Presidential Decree "On approving the Annual National Program under the aegis of the Ukraine-NATO Commission for 2019."	+0,5
January 30	The Cabinet approves an Action Plan for 2019 to implement the Communications Strategy for European Integration for 2018-2021.	+1
February 1	A NATO Trust Fund project for explosive ordnance disposal (EOD) and counter improvised explosive devices (C-IED) is launched in Ukraine.	+2
February	A Ukraine-NATO Commission meeting at the DM level does not take place.	-2
February 7	The Verkhovna Rada enshrines joining the EU and NATO in the Constitution of Ukraine.	+2
February 9	The 25th anniversary of Ukraine's joining NATO's Partnership For Peace program.	+0,5
February 13	Deputy Eurointegration Minister Olena Zerkal attends a series of events at NATO HQ in Brussels, including participating in a meeting of the Ukraine-NATO Commission.	+1
February 13-14	DM Poltorak visits NATO HQ.	+1
February 15	President Poroshenko meets with NATO SecGen Stoltenberg in Munich.	+2
February 19	The president signs amendments to the Constitution enshrining Ukraine's strategic course to the EU and NATO.	+2
March 6	The Ukraine-NATO Commission meets at the ambassadorial level at NATO HQ to discuss the situation in occupied Crimea.	+1
March 6	The North Atlantic Council issues a statement regarding Crimea.	+1
March 7	On a working visit to Washington, Deputy Premier for Euroatlantic integration Klymush-Tsintsadze meets with Jonathan Parish, NATO Deputy Assistant SecGen for Defense Policy and Planning.	+2
March 19	DM Poltorak meets with a group of strategic advisors from Alliance members including the US, Canada, the UK, Lithuania, Poland, and Germany at the Ministry of Defense.	+0,5



NOTES



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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.



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