

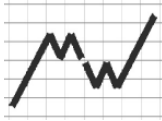
Manfred Werner Foundation
For Security in Democratic Societies



Ukraine at Crossroads

Prospects of Ukraine's
Relations with the European
Union and Hungary

Edited by Péter Balázs, Svitlana Myryayeva, Botond Zákonyi
Budapest - Uzhgorod
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UKRAINE AT CROSSROADS. PROSPECTS OF UKRAINE'S RELATIONS WITH THE EUROPEAN UNION AND HUNGARY

MATERIALS OF THE INTERNATIONAL CONFERENCE

“Where Is Ukraine Headed in the Wake
of the 2012 Parliamentary Elections?”

(November 14, 2012, Budapest)

Budapest – Uzhgorod

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The publication presents the collection of speeches and materials of the participants of the International Conference “Where Is Ukraine Headed in the Wake of the 2012 Parliamentary Elections?” which took place on November 14, 2012 in Budapest. The conference was organized by the Hungarian Institute of International Affairs, the Regional Branch of the National Institute for Strategic Studies in Uzhgorod, the CEU Center for EU Enlargement Studies and was supported by the Manfred Wörner Foundation. The following questions were up for discussion: the position of Ukraine between East and West and the prospects of Hungarian-Ukrainian bilateral relations after the elections. Highly qualified experts from Hungary, Ukraine, Slovakia, Poland and Austria, representatives of state bodies, European Union institutions, diplomatic missions, and mass media took part in the discussion of the above mentioned issues.

The publication is intended for experts of international affairs, representatives of diplomatic missions of EU member countries, representatives of state bodies and local administration institutions, students of international relations faculties, and anyone who is interested in the issues of Ukraine’s relations with the EU and with Hungary in particular.

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Where is Ukraine Headed in the Wake of the 2012 Parliamentary Elections?

Ambassador Jan Tombiński
Head of EU Delegation in Ukraine

Keynote speech presented on November 14, 2012, in Budapest, Hungary

On October 28th, the Ukrainians went to the polls to elect a new Parliament. After the local and regional elections of 2010, these were the second elections that took place under the current Administration and the last ones expected till the next Presidential elections take place in 2015. Participation was high (at 57.98%) and showed that Ukrainian citizens have trust in democracy and want to actively take part in the decision process that will lay the future course of their country. The fact that the voting took place in a peaceful environment is already a good sign, as democracy should never be taken for granted.

The EU had repeatedly stated that this election would be a litmus test of Ukraine's democratic credentials, and therefore an important benchmark for the future of EU-Ukraine relations. As you know, the December 2011 Joint Statement adopted at the EU-Ukraine Summit in Kyiv stressed that "Ukraine's performance, notably in relation to respect for common values and the rule of law, will be of crucial importance for the speed of its political association and economic integration with the EU." In this context, it should be noted that the conduct of free and democratic parliamentary elections is one of the three conditions spelled out by the EU for further steps in the conclusion of the Association Agreement.

At present we already have elements to draw a clear picture of how the election process went, starting with the pre-election campaign and concluding on the 12th of November, when the result was officially announced (with seats vacant in five contested single mandate districts). There were a considerable number of international observers, with a strong OSCE Observation mission that included members of the European Parliament, the OSCE Parliamentary Assembly, the PACE and the NATO Parliamentary Assembly. Two experienced local election watchdogs, Committee of Voters of Ukraine and OPORA Civic Network observed the vote. EU leaders HRVP Ashton and Commissioner Füle made a statement on the day after the election and a second statement was made public by their spokesperson shortly afterwards. An additional statement by Ashton and Füle was released on the 12th of November.

This election was the first one since 2002 in which a mixed system was applied: 225 candidates were elected from party lists in a national proportional circumscription and 225 were elected in single mandate districts in a one-tour majority vote [so far only the election of 220 MPs has been established]. This electoral system was one of the main features of a new Parliamentary Election Law adopted roughly one year ahead of the vote and drafted by a working group chaired by Minister of Justice Lavrynovych. And let me recall that the electoral system was not agreed by the working group: it was imposed by the President as a condition not subject to negotiation. While there is no Venice Commission – ODIHR post-adoption assessment of the Election Law, in their comments to the draft Law both bodies indicated that “the choice of the mixed system, the threshold for gaining mandates and the banning of electoral blocks was made by the majority unilaterally and without consultations with the representatives of the other political parties and civil society.” This finding was confirmed later by the OSCE-ODIHR observation mission, which indicated that the electoral system was adopted “without the required wide consensual discussion and re-introduced deficiencies that were noted when it was previously used.”

The EU Delegation actively monitored the election process and I held myself a high number of meetings with all participants both during the campaign and on the Election Day. But before sharing with you my impressions, let me refer to the OSCE-ODIHR assessment, which the EU backs as an independent and truly reliable reference point for our policy formulation. In two preliminary reports issued before the election day, the OSCE mission, headed by Audrey Glover, noted a number of shortcomings and urged the authorities to address them. These included the flawed implementation of the legal provisions (such as the large-scale replacement of DEC a PEC members by the so-called “technical parties”), and actions of the authorities that prevented equal conditions for all candidates (judicial and administrative pressure against an independent TV channel; unequal access to media; abuse of administrative resources, limited coverage of electoral campaign events in current affairs programs, vote bribery and vote buying schemes).

On the day after the election, the Mission's preliminary report largely confirmed the previous findings, noting that the elections “were characterized by the lack of a level playing field, caused primarily by the abuse of administrative resources, lack of transparency of campaign and party financing, and lack of balanced media coverage”, adding that “certain aspects of the pre-election period constituted a step backwards compared with recent national elections.” The report states that two opposition politicians were unable to stand for election

following trials criticized by the OSCE Parliamentary Assembly, the PACE and the European Parliament as unfair, and indicates that “the fact that they were not able to run as candidates negatively affected the election process.”

Also the vote counting proved to be problematic, in particular in single mandate districts in which the result would be decided by a narrow majority. Delays in the counting, electricity cut-offs, spoiled ballots, pressure on the election committee members by bands of thugs who claimed to be journalists – all these were worrying signs for a country that achieved independence more than 20 years ago and that, most importantly, did manage to hold presidential election up to best international standards in 2010. Also worrying is the general tendency observed during the past years: the local elections in 2010, which were not observed by the OSCE, were criticized by the EU as a step backwards.

The Second OSCE-ODIHR report noted major problems in the tabulation process, as well as “strong indications that some results have been manipulated in favor of certain contestants.” This happened, unsurprisingly, in single mandate districts, which as previously indicated were introduced against ODIHR advice. The report also criticizes that “candidates and proxies used the lacunae in the law regarding establishing results and the court system as a tool to invalidate PEC results or disrupt the tabulation process.”

In a climate of high political tension, pro-government and opposition parties were confronted by disagreements over the results of about 14 contested majority districts. The CEC proposed to call for re-election in 5 electoral districts, an idea that was supported by the majority of the outgoing parliament even though the law does not foresee such a possibility under current circumstances. The opposition was also unsatisfied with this option.

In several districts, where pro-government candidates attempted to reverse election results at the courts, even government officials publicly criticized “absurd” court decisions. In a context in which the electoral, legal and institutional framework did not appear to have solutions for these cases of political confrontations, the President called on the Prosecutor General to initiate investigations against those involved in election violations. However, the problems are deeply rooted: several members of the CEC close to the opposition signed the protocols of the election result with a particular opinion criticizing the scale of the election fraud, which in their opinion goes back to the adoption of the Law on Parliamentary Elections in November 2011.

What are the consequences for the post-electoral political situation and, of most importance for us, for Ukraine’s relations with the EU? Let me share with you a few thoughts.

1. Ukraine was long time considered as a country in the lead in the Eastern Partnership. It now seems that other countries have taken the front-line in the reforms that will bring them closer to the EU, while Ukraine has for the time being lost its initial momentum. For the EaP to be a success, it is essential that Ukraine continues to strive to regain the lead position, and deep democracy is a precondition for reforms to enjoy legitimacy and inclusiveness.

2. The conduct of the election will not facilitate dialogue among political factions and will make it more difficult to find common ground for a continued state policy of approximation to the EU. You may have noted that two main opposition leaders did not participate in the elections, as they were serving prison sentences after trials that the EU considers a case of selective justice, or a politically motivated use of the judiciary.

3. The EU position remains unchanged. We welcome Ukraine's European choice and are ready to actively support its ambitions to come closer to the EU. We have negotiated and initialed with our Ukrainian partners a legally binding tool that should help this objective: an Association Agreement including a Deep and Comprehensive Free Trade Agreement which offers political association and economic integration with the EU. By economic integration we mean full access to an internal market of more than 500 million persons and regulatory approximation through the adoption by Ukraine of the key parts of the EU *acquis*. We are actively working with our Ukrainian partners on the implementation of the Association Agenda, an agreed template for the reform that should pave the way for the implementation of the Association Agreement. But association requires taking up commitments, and the conditions for us to move forward in the conclusion of the new Agreement remain the same as expressed by EU and Ukraine's leaders in 2011.

4. On the 10th of December, the EU Foreign Ministers will hold a discussion on the best way to move forward within these conditions. This may include a more detailed conditionality, but its aim will remain the same: to deepen and strengthen our commitment with common values.

5. As to Ukraine's way forward, Ukrainian politicians at the highest level have stated their intention to turn back to what the EU (together with the ODIHR and the Venice Commission) had consistently been pushing for: an Election Code establishing a stable legislative basis for all elections. A draft code was already prepared and has been positively assessed by the Venice Commission. We reiterate our call for this text to be adopted. An inclusive and transparent constitutional review process in close cooperation with the

Venice Commission is also important to revert from the anomalous constitutional situation created by the 2010 Constitutional Court decision that re-established the 1996 Constitution. A reform of the Judiciary and of the General Prosecutor's Office is long overdue to implement the principle of division of powers. And more transparency in public finance management, including through a revised public procurement legislation and an anti-corruption policy that effectively curbs alarming levels of corruption, is also among the expectations that both the EU and Ukrainian citizens have put on the Ukrainian leadership.

As I start my term as EU Ambassador, I look forward to seeing progress in these domains.

Ukraine after the Parliamentary Elections

Borys Tarasyuk

Member of Parliament, United Opposition, Batkivshchyna

Speech presented on November 14, 2012, in Budapest, Hungary

The chapter of the parliamentary elections of October 28, 2012, is still not closed. Although the results of these elections are known, there are still five seats to be re-voted under no legal grounds. You have heard the comprehensive overview of the elections by EU Ambassador Jan Tombiński, our good friend. Let me deliver another view: the view from the political parties that participated in the elections. I represent the United Opposition, Batkivshchyna.

What can we say about these elections? First, they were neither fair nor democratic. Second, these happened to be the worst elections since 2004 in Ukraine. As many international observers and governments have already pointed out, these elections constituted a significant step-back compared to the previous elections in Ukraine. In Ukrainian elections problems usually do not occur on the day of the vote itself, but before and immediately after the elections, when the tabulation process starts. This tabulation process was the most disgusting part of these elections.

Before coming to the analysis of correlation of forces in the future Ukrainian parliament, let me inform you also that the Leader of the United Opposition, Yulia Tymoshenko, is currently on a hunger strike because of the falsifications that occurred in these elections. Today is the 16th day that she is on a hunger strike endangering not only her health, but also her life.

About the correlation of forces I must say that those in power, the Party of Regions, lost the elections. This was predictable. Considering the half of the elections which is based on the proportional system, one can see easily that the United Democrats gained victory in the correlation of 50 to 43%. Therefore, this is obviously a victory for the democratic forces in Ukraine.

But what did the authorities do a year before the elections? They changed the law from a proportional system, to a mixed, proportional and majoritarian system. They knew in advance that they would not win the elections in a proportional system, and that is why they switched to a mixed one. Now they have legitimized their power. They received 185 seats in the future parliament. The three political forces (Batkivshchyna, UDAR and Svoboda) combined received 178. It means that we have received 7 seats less in the future parliament.

But the question remains: where will the Communists stand? During and after this election campaign, the Communists, who were the allies and collaborators of the Party of Regions, started to criticize them. This probably means that they will formally not join the Party of Regions, but of course, they will vote in principle matters together with the party in power, selling their votes for a considerable amount of money.

The situation of the 43 individually elected self-nominees also poses questions. We understand that this is the reservoir for the Party of Regions to buy out, to corrupt those self-nominated majoritarian candidates in order to create a comfortable majority in the parliament. Just like the way they used to do in the past. Also for the first time in Ukrainian elections, we have a parliament which is going to be an incomplete one. Five seats short: 445 seats, instead of 450.

Now, where may these elections lead? To the West or to the East? In my analysis before the election, I considered an option which may have resulted in the opposition gaining the majority in the parliament, where we would have faced the current President. This might have been a period of confrontation until 2015 or maybe until earlier. But as soon as the government changed the rules of the game, we lost the opportunity to get the majority in the parliament. Now we have other options to consider.

What is currently the situation of the Ukrainian authorities? In short, we hear criticism from the West (the European Union, the OSCE, the Council of Europe, different governments), and at the same time, we face pressure from the East. The pressure manifests at different times, on different occasions, but its major purpose is to get Ukraine join the so-called Customs Union and the so-called Eurasian Union, which would be a considerable geopolitical mistake by the Ukrainian authorities.

What is the reaction of Ukrainian authorities to these signals from the West and from the East? Instead of trying to find a solution to the problems they have created themselves in their relations with the European Union and the United States, the Ukrainian authorities have started to bluff and intimidate both the West and the East. In the West, the authorities say, "Should you push Ukraine away, we would certainly fall into the embrace of Russia. So take us as we are, don't expect us to change." The bluff to Russia is a different one: "If you are not going to reduce the price of gas, we will, of course, go to the European Union. The Association Agreement is ready, so we may make some concessions to the EU and join the European integration."

I consider that this bluffing, for the time being, brings fruits to the Ukrainian authorities. In the European Union – maybe I am wrong – there are two

schools of thought, two mainstreams. One is to sign the Association Agreement and allow it to enter into force, to close the eyes on the violation of values and principles of the European Union by Ukrainian authorities and to take Ukraine as it is in order not to allow Ukraine to get closer to Russia. The other school of thought says that values and principles come first, thus, until Ukraine does not meet them, there is not going to be any improvement in the relations. These two schools of thought are fighting each other, but probably in these coming days there will be a solution put forward in Brussels.

I see it the following way: the EU should put forward kind of benchmarks for the Ukrainian authorities to implement, which would include the well-known European messages, e.g. freedom to Yulia Tymoshenko and Yuriy Lutsenko, the corrections of the violations on the election law. These benchmarks should give a chance to the Ukrainian authorities to correct their policy inside the country and to unblock the relationship between Ukraine and the European Union. If this is not going to happen, I do not see any way out. I cannot imagine that the European Union will compromise at the expense of its values and principles. If the EU did not care about values and principles, that would be a slow process of self-destruction.

Still before “The Choice”: Ukraine after Parliamentary Elections

Arkadiusz Sarna

Research Fellow, Center for Eastern Studies (Poland)

Parliamentary elections in Ukraine took place in the end of October 2012, although their final result may have only a limited effect on the political situation in the country. In the Ukrainian system of power, it is the presidential election, to be held next in 2015, that is crucial for the country. Though, the important question remains open, whether the presidential election has any chance to change the Ukrainian reality. In my opinion, there are several objectives, internal and external factors – historical, mental, economical and geopolitical – which limit positive answers to the question mentioned above.

Historical paradoxes

When analyzing the Ukrainian policy after each presidential election, starting from 1991 until the last one in 2010, we find a lot of paradoxes. In many cases during the modern history of Ukraine, it turned out that Ukrainians always voted for “someone else,” something completely different than what they actually received after the election. In the first election in 1991, the later winner, Leonid Kravchuk, was mostly seen as a representative of the conservative masses of bureaucracy. Especially, when confronted with his then main rival, national-democratic leader Vyacheslav Chornovil. In the next election in 1994, Kravchuk was already the candidate of mostly the nationalistic and Western-oriented voters, and competed with Leonid Kuchma, who was then a main representative of the bureaucracy and to some extent of the so-called “Eastern direction” of the country’s development. Kuchma’s victory brought the first – and interestingly, unexpected – deep market reforms in Ukraine. Eventually, after winning the next presidential election in 1999, Kuchma created a so-called multi-vectoral balancing policy, which meant no clear geopolitical choice: neither Europe and its democratic standards, nor Russia and its post-Soviet reintegration projects.

The period after the Orange Revolution (2004) was a time of huge disappointments and unfulfilled expectations both for the Ukrainian citizens and for the foreign partners of the country. Reforms towards the European integration declared by the then leaders of Ukraine, President Viktor Yushchenko and twice Prime Minister Yulia Tymoshenko, were not supported by any serious

actions – maybe except for the finalization of Ukraine's accession to the World Trade Organization (WTO) and the start of formal negotiations between Ukraine and the European Union on the Association Agreement (AA) and the establishment of a Deep and Comprehensive Free Trade Area (DCFTA) as part of the AA. Paradoxically, the next president Viktor Yanukovich, who was elected in a very tight race in 2010 and is commonly seen as an East-oriented politician, initiated a number of badly needed economic reforms and intensified the EU-Ukraine negotiations on the AA and the DCFTA. The finalization of these agreements, perceived to be a real step towards the European Union, seemed to be at hand...

Bureaucracy instead of elites

The scale of the problems and challenges faced by Ukraine in the first years of its independence was not comparable to the problems of the Central and Eastern European (CEE) countries, such as Poland and Hungary. While the CEE countries had to undergo a long process of transformation, Ukraine had to face the necessity of building a completely new state since the early 1990s rather than transforming the old one.

Key sectors of the economy – heavy industry, machinery and high technology sectors – which had previously functioned in close cooperation with the economies of other republics of the Soviet Union, went bankrupt after the collapse of the USSR. The industries, located mainly in the southeastern part of the country, were integrally linked with the economies of the now independent, new post-Soviet states. Industrial production growth was recorded only in the last years of the 20th century, and economic revival took place mainly in commodity sectors that could provide quick income from exports. Due to the specific structure of the Ukrainian economy and its relations with other former Soviet republics, the collapse of communism resulted in a much more serious socio-economic crisis in Ukraine than in the CEE countries. Chaos in Ukraine in the early 1990s was incomparably deeper than the contemporary problems of the CEE states. Therefore, it is unreasonable to simply compare the failures and successes of reforms in Ukraine with those of the CEE countries. For these reasons, it was also naive to expect that, in such conditions, Ukraine can just copy reforms carried out in Central Europe.

The Ukrainian society was accustomed to the decisive role of the state in the daily life of its citizens. Its main goal was to find a way to survive in conditions of hyperinflation in the early '90s, with no hope for state assistance. The very bad living conditions were, inter alia, one of the causes of the weakness of mass social movements and, especially, the absence of mass political parties in

Ukraine. Despite the gradual improvement of the economic situation, social disparities remain a major problem for the further development of the country. As a result of the ineffective reforms, a significant percentage of the population still feels excluded and cannot find its place in modern realities. According to a sociological survey, twenty-two years after gaining independence almost every tenth citizen of Ukraine still identifies himself as a “citizen of a former Soviet Union nation.”¹

Even before the political change in 1990-1991, the intellectual elite in Poland and other CEE countries was significantly represented and had a big impact on shaping the transition process and the governmental policy aiming towards European integration. Many of these pro-Western intellectuals formed or co-created the governments of the new independent CEE states. Under these conditions and with a strong public support for the idea of “returning to Europe,” CEE leaders were easily able to identify and pursue the main policy goals of the state. The Ukrainian intellectual elite was different from the one in the CEE countries, and was too weak to play a similar role. Therefore, in contrast to the CEE countries, the burden of state building in Ukraine had to be taken up by the post-Soviet administration and bureaucracy that had almost no experience and contact with the West, and also had no clear vision about the direction of the reforms of the state.

The lack of reform vision and state strategy manifested already during the first days of Ukrainian independence. The Act of Declaration of Independence of Ukraine was adopted by the Soviet Ukraine parliament only as late as August 24, 1991. Before this date, a few republics of the USSR had already declared their independence. The Ukrainian authorities – leaders of the Ukrainian Communist Party – were waiting for a long five days for the final result of the so-called Moscow coup, an attempt to restore the totalitarian regime of the USSR and to block the evolutionary way of reforms in the region.

The oligarchs instead of politicians

As a carrier of archaic and conservative ideas, the Ukrainian bureaucracy could not be the main force of transformation for long. This role was then partly taken over by the Ukrainian business circles, which emerged from the chaos of the first years of independence and is commonly referred to as oligarchs.

¹ RESEARCH & BRANDING GROUP (2012): “INTERETHNIC RELATIONS IN UKRAINE”. Press release after conducted the public opinion poll in Ukraine regarding the current state of interethnic relations in Ukraine. Kyiv, 8 October 2012. Available from: <http://www.rb.com.ua/MN_09_2012_engl.pdf>. Last accessed on November 8, 2012.

The oligarchy phenomenon is not an exclusively Ukrainian or Russian experience. As Anders Åslund wrote, oligarchs are typical of most middle-income countries with poor legal systems, large economies of scale, and fast structural changes. Åslund, one of the leading experts on the topic, compares modern Ukrainian and Russian oligarchy with the “robber barons,” who built great industrial and transportation empires in the late 19th century in the U.S. He argues that the emergence of oligarchs was inevitable and is one of the most significant political problems after communism.² What is very specific of Ukraine, though, is the level of the oligarchs' influence on politics.

The influence of businessmen on state policy is so strong that it is reasonable to recognize the interests of the oligarchs as the real mechanism shaping Ukrainian politics.³ Through its representatives both in the parliament and the state administration, the great Ukrainian business strongly influences governmental economic policy. Therefore, even before the start of the privatization process of electricity producers and gas distribution companies (carried out in 2010-2012), the new owners of the assets were already known. Energy assets were privatized by Rinat Akhmetov's holding, and gas companies by business structures that commonly seem to be controlled by Dmytro Firtash, the second most influential businessman closely associated with the ruling Party of Regions.

These businessmen control entire sectors of the Ukrainian economy. For example, System Capital Management (SCM) – the biggest Ukrainian financial and industrial group – had about 7% share in the Ukrainian GDP already in 2010.⁴ SCM is now on the straight way to reach a dominant, almost a monopoly position in the extraction of iron ore and coal, in steel production and conventional electricity generation. This financial and industrial group belongs to Rinat Akhmetov, who has just been listed as the wealthiest businessmen from the CIS countries in Bloomberg's ‘The World's 200 Richest People’ ranking. With a net worth of \$18.9 billion, he has the 38th place among the world's

² ÅSLUND, A. (2005): *Comparative Oligarchy: Russia, Ukraine and the United States*, Warsaw, April 2005, Studies & Analyses, Center for Social and Economic Research. Available from: <http://www.case-research.eu/upload/publikacja_plik/4931074_SA%20296last.pdf>. Last accessed on November 9, 2012.

³ MATUSZAK S. (2012): *The oligarchic democracy. The influence of business groups on Ukrainian politics*, Warsaw, September 2012, OSW Studies 42, Centre for Eastern Studies (OSW), Available from: <http://www.osw.waw.pl/sites/default/files/Prace_42_EN.pdf>. Last accessed on November 8, 2012.

⁴ ЗАХАРЧЕНКО, А. (2010): СКМ: десятиріччя експансії, ЕКОНОМІЧНА ПРАВДА, 30 ЛИСТОПАДА 2010, Available from: <<http://www.epravda.com.ua/publications/2010/11/30/259641/>>. Last accessed on November 8, 2012.

wealthiest people in the ranking.⁵ He is on the top of the ranking of the Ukrainian tycoons, who surround the ruling party.

Some experts claim that the great Ukrainian business, centered around the current President of Ukraine, is in favor of economic integration with the EU. This point of view is presented, for example, in the report of the Kiev Institute of World Policy published in early 2012, which was based on interviews with representatives of the largest Ukrainian business structures. This thesis is derived from the fact that the major Ukrainian oligarchs control mostly the export-oriented sectors of the Ukrainian economy. Since the European market is almost ten times larger than the CIS market, Ukrainian business circles are naturally interested in the process of finalizing and ratifying the EU DCFTA. However, their support for the Ukrainian – EU Deep and Comprehensive Free Trade Area is apparently based rather on a passive consensus.⁶

For the same business reasons, Ukrainian business circles seem to be against Kiev's accession to projects, like the Customs Union, aiming at the re-integration of the post-Soviet space. While Ukrainian business competes with the Russian in the global steel markets, Ukrainian oligarchs also have extensive economic interests in Russia and the CIS. Guided by their own interests, they are not interested in the deterioration of relations neither with the West nor with Russia. Their crucial influence on the internal economic situation is in contrast with their passive position on the key directions of Kiev's foreign policy, even though it is very important not only for the perspectives of the state, but for the future of their own private interests.

Economic policy: still at the crossroads

In contrary, for example, to Poland, the Ukrainian economy is still heavily dependent on foreign markets. According to some estimates, up to 60% of Ukraine's GDP is generated by the export-oriented sectors. The main supplier of its export is still the steel industry, which makes up about 30-40% of total exports. At the same time, the country remains heavily dependent on energy imports. While the export of goods from Ukraine is relatively diversified and more or less equally oriented towards the CIS markets, the EU and Asian coun-

⁵ MILLER M.G. & NEWCOMB P. (2012): The World's 200 Richest People, Bloomberg Markets Magazine, Available from: <<http://www.bloomberg.com/news/2012-11-01/the-world-s-200-richest-people.html>>. Last accessed on November 8, 2012.

⁶ ZAREMBO K. (2012): EU-Ukraine. DCFTA: What do oligarchs think?, **Policy brief**№1/2012, *Institute of World Policy*, Available from: <<http://iwp.org.ua/eng/public/531.html>>. Last accessed on November 8, 2012.

tries, imports – especially of raw materials – come mainly from the CIS countries, primarily from Russia. The energy prices, which rose significantly in the past two years, made Kiev particularly sensitive to its relations with Moscow. Only the cost of natural gas imports in 2011 accounted for \$ 14 billion, constituting 17% of all imports. Despite a significant drop (to about one third) in the amount of Russian gas imported to Ukraine in the first nine months of 2012, Kiev has already spent more (\$10,4 billion) than it did in the corresponding period of 2011 (\$10.3 billion). Ukraine tries, unsuccessfully, to revise the contract for gas imports from Russia, which requires Kiev to buy too much gas at too high prices. Although Ukraine is currently trying to implement some projects aimed at the diversification of its energy supplies, some of these projects look as if they were only initiated in order to reach a better negotiation position before starting strategic talks with Russia on gas cooperation. These circumstances influence the climate of the Ukrainian-Russian bilateral relations.

Both the EU and Russia remain Ukraine's key political and economic partners. Both the EU and the CIS remain the most important markets for Ukraine. The EU is the main source of imported technology necessary to modernize the Ukrainian economy, and is potentially the largest market for Ukrainian goods. The CIS remains the main source of raw materials and the largest export market for Ukraine. About 27.5% of Ukrainian trade in goods is conducted with the EU, and about 30% is with Russia.⁷ To some extent, this explains the conservative policy of Kiev which is due to the fear that a unilateral course toward either Russia or the EU would result in a crisis in the relations with the other, "rejected" partner.

Geopolitical factors, or what can we expect in the nearest future?

Kiev has been trying to follow its own way for almost 22 years, taking into account the specificity of the Ukrainian politics and economy, relations with its foreign partners, the interests of the oligarchs, etc. The Ukrainian ruling elite has been delaying decisions concerning the strategic direction of reforms in the country. Kiev has been trying to continue its "diversified" foreign and economic policy, based on an open foreign trade market and a partly closed internal one controlled by oligarchs with little competition and limited economic freedom. Some experts insist that the continuation of such a policy is rather unlikely.⁸

⁷ STATE STATISTICS SERVICE OF UKRAINE (2012): Internal trade and commodity markets statistics, State Statistics Service of Ukraine releases in 2012, November 2012. Available from: <<http://www.ukrstat.gov.ua/>>. (in Ukrainian). Last accessed on November 13, 2012.

⁸ SHUMYLO-TAPIOLA O. (2012): Ukraine at the Crossroads: Between the

Continuing such a policy was possible under the conditions of a relatively stable economic growth. Meanwhile, 2012 is bound to bring the worst macroeconomic results since 2009. It closes a period of relative economic stability, which was seen as a significant personal achievement of President Viktor Yanukovich and the ruling Party of Regions. The limited capacity to deal with the growing economic problems may mean that Kiev will need to seek significant financial support from abroad in 2013. Due to the presidential elections, planned to take place in 2015, it is hard to expect serious, socially unpopular reforms that could prevent the re-election of Victor Yanukovich. Thus, the government will try to come out of the recession paying the lowest social and political cost possible.⁹ This requires significant financial resources that will be difficult to collect during a recession. Meanwhile, due to the current economic recession, the deadlock in the relations between Kiev and Brussels and the growing Russian pressure, Ukraine's room for maneuver narrows.

It seems easier to get financial help from Russia, but the price for this help seemed to be too high for Ukrainian political and business elite until now. The current signals about a possible reorientation of foreign policy towards Russia and the Customs Union in exchange for financial help, however, can be a manifestation of the same political game the Ukrainian authorities played over the past two decades. Ukrainian leaders have proved repeatedly that the official policy, including foreign policy, is secondary to their narrowly understood domestic goals to gain or maintain the political and business power in Ukraine.

Balancing between the EU offer (which requires serious changes in both the internal affairs and the economic policy of Ukraine) and between a possible accession to the Customs Union of Russia, Kazakhstan and Belarus (which needs no serious domestic reforms), Ukraine's elites demonstrate their unwillingness to make any serious changes in the country in the nearest future. So, despite new political and economic conditions mentioned above, and due to the factors explained in the text, there are still serious doubts if Ukraine is able to make a conscious choice about the direction of reforms before the next presidential election.

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⁹ SARNA A. (2012): Ukrainian economy on the verge of recession, Warsaw, OSW Commentary No 96, November 2012, Centre for Eastern Studies (OSW), Available from: <<http://www.osw.waw.pl/en/publikacje/OSW-Commentary>>. Last accessed on November 8, 2012.

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The European Union, Energy Security and the Ukrainian October 2012 Election: Just another BRIC in the Wall?

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Abstract

The international political economy of energy is undergoing fundamental change. New actors emerge, the global energy gravity centre is shifting eastwards, the state is back with a vengeance, and national energy companies play an increasingly important role. The BRICs – Brazil, Russia, India and China – are often accredited as important drivers of geopolitical change and the shift of political and economic power away from the OECD countries in general and the EU in particular. The EU has taken a broadly liberal, free trade oriented approach to energy policy in general, and to energy security – the challenge of securing a stable supply of gas at reasonably prices – in particular. The Ukraine's status as a key transit county notwithstanding, there is little reason to expect the 2012 elections to prompt the EU to change its energy policy significantly. Political developments in the Ukraine present a challenge, but this is part of a broader set of developments in the international political economy of energy that the EU is presently dealing with.

Introduction

From an EU perspective – whether that of the European Union as a whole or that of its individual member states – the Ukrainian elections of 28 October 2012 is best understood not as a unique political risk event but as just another significant aspect of the changes in the international political economy of energy that the EU faces. It provides several important challenges to the way the EU thinks about energy security.

EU Energy Policy

The European regulatory state took a 'public turn' in the 1990s, as EU single market rules were extended to sectors that had been dominated by national monopolies. EU energy liberalisation began as an effort to establish uniform,

¹ The author gratefully acknowledges the support of the EU FP7 large-scale integrated research project GR:EEEN – Global Re-ordering: Evolution through European Networks, European Union Project Number: 266809.

single-market rules for the gas and electricity sector, but it has resulted in a heterogeneous picture. Although the 1990s and 2000s saw a series of new initiatives liberalising the sector and establishing regulatory agencies, the overall picture remains a mosaic: a more or less coherent picture made up of separate parts rather than a smooth and uniform picture. Liberalisation has been gradual and uneven, there is considerable variation in terms of the legal remit, and the member states' interpretation of and compliance with directives vary considerably.

Three factors that shape the EU's approach to policy making in general and external relations in particular are particularly pertinent:

1. The EU is a plural policy. It is not simply a pluralist polity (i.e. a polity with an open political system, with several points of access), but also a plural polity in the sense that it brings together 27 member states with different policy preferences, administrative traditions, elections cycles and legal systems.

2. The EU is above all a regulatory state. Its principal tools are regulatory (particularly in the shape of competition policy), its legitimacy is derived partly from its technocratic (consensual, non-majoritarian) policy-making and successful policy output (the Single European Market). It was designed in the 1950s, but it was in the early 1990s that the EU regulatory model was, in a sense, an idea whose time had come. This shapes its external policy.

3. The EU operates in a changing international context. The 1990 was the inverse of a perfect storm: a number of factors combined to make the international context benign for the regulatory state. These factors – which range from the end of the Cold War, the 'unipolar moment', and a market-oriented and democratising Russia to low oil prices and economic prosperity in the 1990s – had all been reversed or changed by 2012.

The current debates and policy agendas on energy security and gas dependence in Europe reflect the tension between the depoliticised market-oriented approach that informs the EU Single Market project and the security imperatives that are characteristic of almost all energy policy. EU energy policy has three core dimensions:

1. As far as energy is concerned, the EU is primarily a liberal Single Market project. Competition policy usually trumps industrial policy, gas markets are in the process of being liberalised (albeit with mixed results), and the role of state-owned companies is significant, but not compared to the pre-SEM era or the EU's eastern and southern neighbours.

2. Since the mid-1980s the environment dimension of EU energy policy has become increasingly important. This has added a non-market dimension to energy security, based on perceptions of gas not simply as a private good, but also as a public good and a private good with strong negative externalities.

3. The debate about security of supply in the 1990s included a strong public service dimension to energy – based on the idea that energy is not just a public good and a private good, but also a strategic good. Failure of supply can be market failure, but it can also be linked to externalities or geopolitics.

In short, the EU's energy and energy security agenda grew complex during the 1990s: from a focus on the Single Market in energy to a broader agenda that includes a strong climate change dimension and a strategic dimension. The question is whether its policy toolbox is adequate for the new challenges of the twenty-first century?

World Energy Markets

The energy world is in a state of radical change. Each of the drivers that shape global energy markets is in the process of radical redefinition – markets, policy agendas, geopolitics, and actors. The consequence of these changes is a new global setting for energy policy, defined by a fundamental tension between globalization and fragmentation.

1. International energy markets are characterised by increasing demand, driven in particular by developments in the BRICs – Brazil, India, Russia and China. However, data on the main emerging consumer – China – are poor, if at all available.

2. Although the Climate Change agenda is shaping energy markets, the global economic crises has imposed limits on what states can afford to do at the moment.

3. The present trend toward electrification of energy systems beyond the OECD reinforces the role that new consumer heavyweights, notably China and India, play in shaping global energy markets.

4. National Oil Companies (NOCs) play an increasingly important role, particularly outside the OECD, but as consumers and producers.

5. Under Putin's leadership Russia has sought to prevent foreign investors from controlling shares of strategic sectors, including energy. Hence the widespread accusations of resource nationalism.

Oil and gas markets are different in two important respects: oil markets are international and fungible, and security of supply in oil markets is therefore a matter of managing price volatility; in the regional and bilateral gas markets characterised by pipeline politics, long-term take-or-pay contracts and destination clauses the main concern is supply risk, i.e. managing or preventing interruptions of supply.

The question is how the EU responds to the failure of its project to extend general trade rules to the energy sector, and what policy tools it has available to address problems of energy security.

Energy Security and EU's Policy Tools

Security of supply in the gas sector as discussed by the EU and its member states can be broken down into three analytically distinct questions.

1. A short-term question that concerns possible threats to interruption of supply. In the oil sector this might include price shocks and supply shocks, and the principal policy tool is oil stocks (and excise taxes that in effect cushion the marginal effect on consumers). In the gas sector it includes network regulation, storage and emergency measures to interconnect markets in the event of local shortages (e.g. reverse pipeline capacity).

2. A number of medium-term questions are shaped by the notion that energy security entails steady supply at acceptable prices. This can be extended to include efficient prices (a public goods aspect of energy); prices that reflect social priorities and concepts of equality (cf. the energy poverty debate); and prices that accommodate dominant distributors' duties to supply (the public service provisions much debated in the 1990s). Again the EU's policy tools are strong: competition policy provides a potent regulatory tool for ensuring the efficient operation of the Single Market (and applies to external actors on that market, as Gazprom is experiencing); whereas industrial policy measures (acceptance of state aid and subsidies, NOCs, mergers and acquisitions) cushion the effects of the single market on the industry.

3. Third, energy security includes a long-term dimensions related to sustainable use of energy and its strategic quality. The environment aspect of sustainable energy use is simply the question of the consequences of using fossil fuels and managing what promises to be (at best) a drawn-out transition process to a low-carbon economy; the strategic aspect concerns the risk that energy may be used as a political weapon in unrelated disputes. The EU's principal policy tools include improving the flow of information in what is a notoriously non-transparent market (contributing to data on supply and demand); regulation of emissions and operating an emissions trading system; promoting (subsidising) renewable energy and compensating the losers in the event of an energy transition. However, the EU is dependent on its member states inasmuch as it lacks the resources to use non-regulatory policy tools.

The Ukraine 2012 Election – just another BRIC in the wall?

The international political economy of energy has been shaped by a handful of fundamental shifts in international oil and gas markets:

1. Until the Tripoli and Tehran agreements of 1971 that nationalised reserves held by international (western) oil companies, the Seven Sisters effectively constituted a consumer cartel that dominated the non-communist market.

2. The following decade saw the OPEC producer cartel dominate markets, and use oil as a political weapon in Middle East conflicts.

3. The combination of non-OPEC production, increased energy efficiency (driven by high oil prices) and the effects of the Iran-Iraq war on OPEC's cohesion and the belligerents' output brought about a liberal age and a buyers' market in oil in the 1980s, which turned into a 'liberal era' in the 1990s after the 1986 'counter-shock' and the collapse of communism.

The question today is how the EU responded to new market developments in what might be labelled a fourth era – with the rapid rise in oil prices, the emergence of 'new consumers', new patterns of international energy trade driven by a combination of mercantilist government policy and the emergence of 'consumer NOCs'.

In this context, the Ukrainian election raises a number of specific questions that, upon close inspection, turn out not so much to be a unique challenge for the EU in terms of energy security as another nail in the coffin of the EU's efforts to extend its rule-based liberal market eastwards and extend it from trade to cover investment and transit.

- To what extent was the election a contest between political alternative that are better described as 'east-of-centre' versus 'west-of-centre' rather than left and right competition affect energy markets? Will the election result enhance Russia's role in Ukrainian energy policy, or in regional energy markets? Or Gazprom's role?

- Will the election result increase/confirm the political dimension of gas markets? Will it make further disputes over pay and transit more likely?

- Will Gazprom re-negotiate its long-term contracts as part of a strategy to secure a dominant position?

- Will the election result make it even more difficult for the EU to pursue its efforts to extend rule-based trade (on terms similar to those that govern its internal market) eastwards?

To the extent that the answers to all these questions are 'yes', the central message in the above analysis is that this is neither unique nor surprising. Markets have become less transparent and predictable over the last decade, and the effect of this is strikingly visible on the EU: it keeps on muddling through, generating policy responses that no longer resonate fully in the new environment. The Ukrainian election result may well make the situation somewhat more challenging for the EU, but to the extent that it does, this is part of a broader trend that the EU has already begun to address.

Conclusions

The EU's approach to the gas sector may be described as 'soft power with a hard edge'. The EU's primary focus is on what Joseph Nye defined as soft power:

the EU establishing itself as an attractive model for integration and trade and exporting both its norms and institutions. Hence the EU's efforts to extend rule-based and supranationally regulated energy regimes eastwards. However, the EU's approach is accompanied by a hard edge, which can be found in policy tools such as its use of competition policy vis-à-vis companies that have a dominant position (most recently including Gazprom) and its political, regulatory and financial support for new pipelines designed to increase diversity in supply lines. If anything, the Ukrainian elections of 2012 look set to reinforce the EU's focus on the policy tools that make up the hard edge of its otherwise soft policy.

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Views from the Opposition after the Parliamentary Elections

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Speech presented on November 14, 2012, in Budapest, Hungary

This is the first time that I speak at a conference having a double role. Right now, I am not only an observer and an expert, but also a participant of the process. I was a candidate in the single mandate district Nr. 214 in Kyiv, and it happened so that I won. I will represent the political party UDAR in the Ukrainian parliament. I want to thank Ambassador Jan Tombiński and Mr. Boris Tarasiuk for their analysis and their assessment of the ongoing political processes and the election in Ukraine. I only have a few more things to add.

In the past ten years, we looked at every Ukrainian election as a historical one: each of them either gives new chances to Ukraine or close the window of opportunity depending on how we use it. The same is the case with the elections in question. Before the vote, we hoped that the prospect of signing the Association Agreement, and hence the DCFTA, would make the Ukrainian government act more responsibly towards the parliamentary elections. We hoped that they would not treat it only as an internal political competition, but also as a tool to create trust on the side of the external partners. I think we still had this chance until the evening of October 28. The procedure of the tabulation and the counting of the votes, however, basically destroyed this chance and destroyed, along with it, the image of the Ukrainian elections. Ambassador Jan Tombiński and Mr. Tarasiuk explained why it has happened so. The Party of Regions did not get the majority in the future parliament as it supposed it would. Because of that, the whole process of the vote count was harmed, as they wanted to falsify the process.

This gives us grounds to make two conclusions. First, internal political competition and gaining control of the country internally is much more important for the Party of Regions than the priorities and the prospect of progress of their foreign policy. Mr. Arkadiusz Sarna described the economic situation of Ukraine very well by saying that Ukrainian oligarchs concentrate not on the prospects and possibilities for external cooperation, but rather on how to divide the internal markets that are not yet divided. As long as we face these two dominating interests, that of the Ukrainian oligarchs and of the politicians, to control the internal market and divide internal resources, internal politics will dominate over foreign policy priorities.

Still, an interesting question was asked. Where is Ukraine headed, to the East or to the West? In my opinion, we now face a situation parallel to the times of the late Kuchma-regime: our foreign policy is at a dead-end. In some statements Prime Minister Mykola Azarov, Deputy Prime Minister Serhii Tihipko and our Ambassador in Russia talk about the possibility to enter the Customs Union, but at the same time our politicians and the oligarchs are afraid of entering a union with Russia. Everyone understands that the goals of Russia used to dominate in these areas both politically and economically, and our politicians also understand that together with losing some of the country's sovereignty, they might lose some property, as well.

And still, we cannot move towards Europe either without changing the internal political regime and the internal political procedures of Ukraine. We understand that European values and European procedures are not just words. Internal changes are needed in Ukraine, but nobody is ready to move in these directions because of the lack of transparency in political relations. These are the reasons which help the politicians that dominate right now in Ukraine to keep their interests. We see very interesting reactions from our politicians and government concerning the criticism they receive about the elections. As if the European Union and external partners tried to intervene in the internal affairs of Ukraine.

What chances do we have then after these elections? I do not think that this situation is hopeless. First, these elections allowed us to get more members of parliament from the opposition's side than we have in the current parliament. Second, we have two new parliamentary parties in opposition, UDAR and Svoboda. Therefore, we may believe that the quality of the opposition will also be different in this new parliament. Third, I think that we all are clever people, capable of learning from our mistakes. Currently, the three opposition parties have very clear plans for their first steps in the future Ukrainian parliament. They are uniting and learning how to speak with one voice, which is very important.

Another reason, why I believe the situation is not that hopeless, is that the internal political situation will change in 2013-14. Everyone understands that the reforms that were discussed by the president and the government are not being implemented. The situation is not getting better as it was promised by the current government, and people are losing the social guarantees they had previously. I do not think that those members of parliament who are self-nominated will be eager to take responsibility for the internal and foreign policy of the current government. Therefore, I think the parliament will regain its role as one of the major players in Ukrainian politics, and we need to work towards this goal.

When we discuss what steps could be taken by external partners to help the Ukrainian opposition changing the political game, in my opinion, there are at least two mechanisms we can discuss. First, we need to be very tough to people who falsified these elections; not only to those who actually performed the falsifications, but also to those politicians who were in favor of these falsifications taking place. These people tried to take office without any right to do so, and anyone inside and outside Ukraine needs to know it. But encouraging people is equally necessary, and I think the visa liberalization process is one of the mechanisms that could encourage Ukrainian people to move towards Europe. This, I believe, is one of the most important steps to take.

Ukraine: Incumbent Political Elite Retains Its Grip

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The parliamentary elections on 28 October 2012 were effectively won by President Yanukovich's Party of Regions, which together with its satellite Communist party should be able to form a majority in the new parliament. Although the three opposition parties combined have received more votes on a proportional basis than the two former parties, their success has been vastly diluted by the newly introduced changes in the electoral system. In line with the latter, half of the parliament is now elected by majority vote in individual constituencies, which has predictably benefited the ruling Party of Regions. All in all, we expect largely a continuation of the political status quo, although the relative success of radical parties – the communists and in particular the far-right nationalistic Svaboda party (which has entered the parliament for the first time) – may potentially become a destabilizing factor in the longer run.

Meanwhile, the economic situation has deteriorated markedly over the past few months. According to very preliminary estimates, in the third quarter of 2012 real GDP fell by 1.3%, after having grown by 2% in the first and by 3% in the second quarter. The slowdown has been partly due to a decline in agricultural output (after a record-high harvest last year), but also to the poor performance of export-oriented industry facing in particular lower steel prices¹ and a weakening demand for machinery imports from Russia. Overall, in the first nine months of 2012 industrial output declined by 1.2%, mostly on account of the sharp drops in August and September.

At the moment, the only source of growth appears to be the booming private consumption fuelled by a strong pick-up in wages and the lasting price stability. In October 2012, consumer prices were stagnant on an annual basis, still benefiting from the depressed food prices owing to last year's plentiful harvest. At the same time, the soaring wages are not backed by improvements in labour productivity and – to the extent that they are not offset by squeezing profit margins – tend to erode export competitiveness. In addition, adherence to the policy of exchange rate peg to the US dollar has led to the hryvnia appre-

¹ Steel prices have declined by up to 20% since their peak in March 2012, not least due to the growth slowdown in China and political instability in a number of Middle East countries.

ciating with respect to the currencies of some of Ukraine's important trading partners such as Russia and (to a lesser extent) the eurozone. As a result, the trade deficit in January-August 2012 widened by about 60%, translating into the current account deficit growing by a similar magnitude. On average, the latter has been comfortably financed by the inflows of FDI and other capital. However, in individual months the National Bank had to intervene heavily to defend the exchange rate peg. These interventions were stepped up markedly in September and even more so in October in the face of mounting expectations of hryvnia devaluation following the parliamentary elections.²

Although the ongoing credit crunch is not helping to revive the economy and inflationary pressures are nearly non-existent, monetary policy remains generally highly restrictive. One reason is that the 'core' CPI inflation – which is more of a guideline to the National Bank and excludes items such as food and energy – is not overly low (1.1% in October 2012 year-on-year). More importantly, any liquidity sporadically injected by the National Bank over the summer months in an attempt to boost lending to the real economy almost invariably ended up in the foreign exchange market, putting the currency under pressure. In these circumstances, any meaningful relaxation of monetary policy would almost certainly require a higher flexibility of the exchange rate, i.e. essentially hryvnia devaluation to a more credible level (by 10-20%, according to our estimates). The latter would be also conducive towards reducing the external imbalances.

Fiscal policy has potentially more room for manoeuvre, but the latter has been already largely exhausted by the socially-oriented additional government expenditures enacted in May 2012. Besides, the yields on government bonds – despite the recent relatively successful placements³ – remain generally high, in the tune of 7-9% p.a. in US dollar terms, and are constraining the scope of government borrowing. The most recent government initiative has been to start selling US dollar-denominated bonds to households in a move to tap their vast foreign-cash holdings, but the yields on them are at over 9% p.a. similarly high.

Given the recent deterioration in economic performance, our GDP growth forecast is revised downwards, to just 1% this year and 3% in 2013. The latter is based on an optimistic scenario of improved global demand (particularly in the steel markets) and the beneficial effect of a moderate currency deprecia-

² In October 2012 alone, the National Bank reportedly lost some USD 2.4 billion (or 8%) of its foreign exchange reserves.

³ After a protracted period of blocked access to external capital markets, the government succeeded in placing USD 2 billion worth of Eurobonds with a yield of 9.25% in July 2012 and secured an even better deal with a USD 600 million placement at a yield of 7.46% in September.

tion, which should improve export performance and constrain the growth of imports so that the trade and current account deficits will decline accordingly. Irrespective of whether the government resumes the long-stalled cooperation with the IMF, it will most probably be faced with little choice but to implement domestic energy tariff hikes for households, in order to reduce the deficit of the state-owned energy monopolist Naftohaz. This – along with other factors such as the resumed food price pressures – should fuel consumer price inflation, which is likely to climb to 4-5% next year on an annual average basis.

Longer-term economic prospects are clouded by the persistent excessive dependence on volatile commodity exports and insufficient export diversification. Ukraine is increasingly less likely to replicate the earlier economic success of several Central European countries whose technological modernization was largely facilitated by massive inflows of FDI from the EU. This is not least because of the 'protectionist' stance of Ukraine's ruling Party of Regions backed by domestic 'oligarchs' who are eager to preserve control over the industrial assets. Although the privatization of state assets has gained momentum since President Yanukovich came to power in early 2010, the privatization deals – such as those of regional energy companies – have been typically favouring domestic 'oligarchs'. The Deep and Comprehensive Free Trade Agreement with the EU (which is part of a broader Association Agreement) was finally initialled in July 2012, but the prospects for its signature remain highly uncertain given the ongoing dispute between Kyiv and the EU over 'values' (largely reflecting the 'Tymoshenko case'). In addition, Ukraine has reportedly requested a large-scale revision of its WTO tariff commitments for over 350 goods affecting up to USD 4.6 billion worth of imports, of which USD 2.6 billion are coming from the EU.⁴

On the positive note, the recent legislation aimed at liberalizing the domestic gas market (in line with Ukraine's commitments within the Energy Community of the EU, of which the country is a member) and the planned construction of an LNG terminal should help reduce the dependence on Russian gas and result in lower gas prices in the medium term. Ironically, the high price Ukraine is currently paying to Russia's Gazprom – in excess of USD 400 per thousand cubic metres – is effectively working to the same end, since it is stimulating the exploration of domestic gas resources, the implementation of energy efficiency measures, and the already advancing substitution of gas in electricity generation by coal and nuclear power.

⁴ See Reuters, 'Ukraine trade demand shocks global partners', <http://af.reuters.com/article/commoditiesNews/idAFL4E8KO58220120924>.

The EU and Russia: Both Important for Ukraine

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The negotiations over a Deep and Comprehensive Free Trade Area (DCFTA) between the EU and Ukraine, which would be part of a broader Association Agreement, have been finalized and are currently pending signature. Meanwhile, Russia has recently made attempts to discourage Ukraine from becoming an associate member of the EU and offered Ukraine to join the newly formed trilateral Russia-Belarus-Kazakhstan Customs Union (CU) instead. In this note, we argue that under the current circumstances, a full membership of Ukraine in the CU (as suggested by Russia) would be incompatible with its free trade regime with the EU. Besides, it would be problematic given Ukraine's WTO membership. However, preserving close trade links with Russia – as well as deepening those with the EU – is essential for Ukraine. In the longer run, Ukraine's membership in a CU with Russia might be feasible and perfectly compatible with a DCFTA with the EU provided that Russia and the EU advance their own integration. This outcome would represent a 'first-best' solution for Ukraine not only in economic, but also in political terms, as it would reduce incentives for the often futile geopolitical competition between Russia and the EU on the post-Soviet space.

The benefits to Ukraine from closer trade integration with the EU are potentially huge. In this respect, the earlier experience of former COMECON countries from Central Europe, but also to some extent Romania and Bulgaria, may provide a useful reference. In these countries, trade integration with the EU was advancing rapidly in the course of the 1990s and became an important – though not the only – factor behind massive inflows of foreign direct investment from the 'old' EU countries, particularly Germany. In many instances, these investments have brought new technologies, higher quality standards, know-how in management and marketing, and – last but not least – were crucial in raising the energy efficiency of the recipient countries' economies (which remains an important challenge for Ukraine). In this way, the former COMECON countries have successfully restructured their industrial sector, which in many cases became competitive on the European scale and has been increasingly gaining market shares.

Although in the case of Ukraine – unlike in the above-mentioned countries – one important factor behind this success story, namely the ‘carrot’ of prospective EU membership, is missing and is unlikely to be in place any time soon, the country could still at least partially replicate these developments via closer EU integration. Ukraine is offering a combination of proximity to EU markets, some of the best soil in the world, a cheap but generally well-educated labour force, and now also a higher degree of political stability. It is also likely to become a more attractive target for foreign direct investment, as producing in the more ‘traditional’ recipient countries of Central Europe will be increasingly expensive.

These developments do not rule out that Ukraine maintains close trade links with Russia, e.g. via a preservation of the current free trade regime (albeit with ‘exemptions and limitations’). On the contrary, Ukraine – where wages are standing at around half of the Russian level – could potentially attract European investments into production destined for the Russian market. The Russian market is important for Ukraine for several reasons. First, Russia is Ukraine’s single most important export destination: its share (~25%) is roughly the same as that of the entire EU. Second, and probably more importantly, Russia is the principal export market for Ukraine’s more sophisticated products such as machinery and equipment, not least thanks to the technological links inherited from the Soviet times and revived following the victory of Mr. Yanukovich in the presidential elections. (In contrast, Ukraine’s exports to the EU are heavily concentrated on raw materials and manufactured goods with low value-added, such as basic metals and fertilizers.) Finally, Russia as an ‘emerging’ economy will in the medium and long run almost certainly post higher growth rates than (at least) the ‘old’ EU countries, and its import demand – including that for Ukrainian products – is likely to rise accordingly.

In this context, if Russia indeed reconsiders the free trade regime with Ukraine – as it has threatened recently, facing the prospects of a DCFTA between Ukraine and the EU – this could be potentially painful for Ukraine. On the other hand, the ‘carrot’ of lower gas prices offered by Russia to Ukraine if it joins the CU should not be over-interpreted.⁵ Even if Ukraine’s import price will indeed be adjusted to the currently low Russian domestic level, this level is unlikely to be sustained, given that domestic gas tariffs in Rus-

⁵ Russian President V. Putin has repeatedly offered to sell gas to Ukraine (in case it joins the Customs Union) at Russian domestic prices, which means that Ukraine could save some USD 9 billion per year thanks to a lower gas import bill (Interestingly enough a similar price discount was abolished for Belarus).

sia are planned to be progressively raised in order to induce energy-saving behaviour and facilitate the implementation of energy-saving technologies. The stated objective of the Russian government, e.g. as reflected in the most recent Energy Strategy, is to ensure in the medium term 'netback parity' between Russian domestic and export gas prices, i.e. the domestic price should equal the export price net of the transport costs and the export duty. This will inevitably imply higher prices for Ukraine, since it is difficult to imagine that Gazprom will be prepared to sell Ukraine gas at prices below what it charges domestic customers.

Gas prices apart, Ukraine's membership in a CU with Russia, Belarus and Kazakhstan is currently rather unlikely for a more important reason: Ukraine's WTO membership since 2008. If Ukraine raises its customs duties for imports from third countries to the current CU level, these countries – most of which are WTO members – would surely demand compensations. Of course, this problem would not arise if the import tariffs of the CU were adjusted to the Ukrainian level (rather than the other way around) – but the latter is highly unlikely to happen. From the point of view of trade integration with the EU, Ukraine's CU membership is even more problematic. It would be problematic even in the latter case, i.e. when Ukraine's duties for imports from third countries do not change and stay at their currently relatively low level, given that the DCFTA with the EU would generally require zero duties. In fact, the preliminary EU-Ukraine DCFTA agreement envisages no import duties on the Ukrainian side, with the exception of the automotive industry (and potentially agricultural products).

However, while under the current circumstances Ukraine's membership in a free trade area with the EU and in a Customs Union with Russia appears to be mutually exclusive, this does not need to be the case forever. Clearly, closer trade integration between Russia and the EU would relieve Ukraine from having to make a difficult choice with respect to the direction of integration. For instance, should Russia and the EU enter a free trade agreement, the possibility of which is envisaged in the current EU-Russia Partnership and Cooperation Agreement (PCA), Ukraine's participation in both DCFTA and CU could become perfectly feasible. However, for that to become possible, a number of difficult problems – including those of political nature – would have to be solved.

Ukraine: Selected Economic Indicators

	2008	2009	2010	2011	2011	2011	2012	2012	2012	2013	2014
					1)	January-June	Forecast	Forecast	Forecast	Forecast	Forecast
Population, th pers., average	46258	46053	45871	45706	45727	45598	45580	45460	45350		
Gross domestic product, UAH bn, nom. 2)	948.1	913.3	1082.6	1316.6	576.5	648.7	1340	1440	1570		
annual change in % (real 2)	2.3	-14.8	4.1	5.2	4.6	2.5	1	3	4		
GDP/capita (EUR at exchange rate)	2700	1800	2200	2600	.	.	.	.	.
GDP/capita (EUR at PPP)	5900	5000	5400	5700	.	.	.	.	.
Consumption of households, UAH bn, nom. 2)	582.5	581.7	686.1	857.3	387.5	448.7	.	.	.		
annual change in % (real 2)	13.1	-14.9	7.1	15.0	14.6	12.2	8	4	5		
Gross fixed capital form., UAH bn, nom. 2)	250.2	167.6	195.9	247.9	88.5	113.5	.	.	.		
annual change in % (real 2)	-1.2	-50.5	3.9	10.1	3.8	12.9	5	6	6		
Gross industrial production											
annual change in % (real)	-5.2	-21.9	11.2	7.6	9.4	0.4	-1	3	5		
Gross agricultural production											
annual change in % (real)	17.1	-1.8	-1.5	17.5	3.2	7.4	.	.	.		
Construction output											
annual change in % (real)	-15.8	-48.2	-5.4	11.0	14.7	-1.9	.	.	.		

Employed persons, LFS, th, average	20972.3	20191.5	20266.0	20324.2	20247.7	20290.6	20350	20350	20400
annual change in %	0.3	-3.7	0.4	0.3	0.2	0.2	0	0	0.2
Unemployed persons, LFS, th, average	1425.1	1958.8	1785.6	1732.7	1810.5	1710.3	.	.	.
Unemployment rate, LFS, in %, average	6.4	8.8	8.1	7.9	8.2	7.8	7.9	7.7	7.5
Unemployment rate, reg., in %, end of period 3)	3.0	1.9	2.0	1.8	1.8	1.6	.	.	.
Average gross monthly wages, UAH 4)	1806.3	1905.9	2239.2	2633.0	2496.7	2918.3	.	.	.
annual change in % (real, gross)	6.8	-9.0	9.7	8.9	8.3	15.5	.	.	.
Consumer prices, % p.a.	25.2	15.9	9.4	8.0	9.2	1.2	0.5	4.5	5
Producer prices in industry, % p.a. 5)	35.5	6.5	20.9	19.0	19.9	6.8	.	.	.
General government budget, nat. def., % GDP									
Revenues	31.4	29.9	29.1	30.3	30.8	32.2	.	.	.
Expenditures	32.8	34.0	35.0	32.0	32.9	33.7	.	.	.
Deficit (-) / surplus (+) 6)	-1.5	-4.1	-6.0	-1.8	-2.0	-1.5	-4	-3	-2.5
Public debt, nat. def., in % of GDP	20.0	34.8	39.1	35.9	36.4	35.8	37	37	35
Central bank policy rate, % p.a., end of period 7)	12.00	10.25	7.75	7.75	7.75	7.50	.	.	.
Current account, EUR mn 8)	-8721	-1242	-2274	-7359	-2356	-4101	-9000	-6800	-9000
Current account in % of GDP	-7.1	-1.5	-2.2	-6.2	-3.3	-5.1	-7.1	-5.3	-6.6
Exports of goods, BOP, EUR mn 8)	46274	28958	39321	49865	23734	26325	53000	58300	67000
annual growth rate in %	27.2	-37.4	35.8	26.8	35.3	10.9	6.3	10	15

Imports of goods, BOP, EUR mn 8)	57270	32046	45641	61540	28330	33244	68500	71900	82700
annual growth rate in %	29.9	-44.0	42.4	34.8	49.1	17.3	11.3	5	15
Exports of services, BOP, EUR mn 8)	12228	9936	12856	13954	6377	7107	14700	16200	17500
annual growth rate in %	18.3	-18.8	29.4	8.5	10.5	11.4	5	10	8
Imports of services, BOP, EUR mn 8)	11039	8248	9538	9576	4398	4964	10100	11500	13300
annual growth rate in %	28.8	-25.3	15.6	0.4	3.9	12.9	5	14	16
FDI inflow, EUR mn 8)	7457	3453	4893	5177	2352	2986	5000	5000	6000
FDI outflow, EUR mn 8)	690	116	555	138	-2	856	.	.	.
Gross reserves of NB excl. gold, EUR mn	21847	17825	25096	23593	25123	22162	.	.	.
Gross external debt, EUR mn	72109	72113	88363	97940	85537	103371	.	.	.
Gross external debt in % of GDP	58.6	85.8	86.0	82.5	72.1	81.0	.	.	.
Exchange rate UAH/EUR, average	7.708	10.868	10.533	11.092	11.163	10.361	10.5	11.3	11.5
Purchasing power parity UAH/EUR, w/iw 9)	3.453	3.962	4.407	5.024	.	.	.	.	.

1) Preliminary. - 2) According to SNA'93 (real growth rates based on previous year prices). - 3) In % of working age population. - 4) Excluding small enterprises. - 5) Domestic output prices. - 6) wiiw projections include transfers to Naftohaz. - 7) Discount rate of NB. - 8) Converted from USD with the average exchange rate. - 9) wiiw estimates based on the 2005 International Comparison Project benchmark. Source: wiiw Database incorporating national statistics. Forecasts by wiiw.

The State and Perspectives of Hungarian-Ukrainian Bilateral Relation

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Speech presented on November 14, 2012, in Budapest, Hungary

Today, before the conference, I met a good, old friend of mine. He is one of the Chairmen of the National Association of Entrepreneurs and Employers. Another Chairman of this association is Mr. Sándor Demján. I asked him whether they were going to be present at this meeting. They said, "Of course not." When I asked them why, they answered, "Because on these meetings nobody says anything concrete, they just talk." So I am going to try to change this tendency by discussing some concrete things.

I would like to begin by saying that the relations between our countries, Ukraine and Hungary, are obviously not living their golden age. I believe that the guilt for this is also mine. I used to be the President of the Hungarian-Ukrainian Inter-Parliamentary Committee in Ukraine a few years ago. During that period, we had a couple projects together, but in the last couple years we have not met once. Hungary had parliamentary elections and afterwards Ukraine had elections, as well. Later I became the Deputy Secretary of the National Security and Defense Council of Ukraine. Some of the projects of this Council were related to Hungary and I was among the leaders of these projects. Again, I have to state with a grief that none of these projects were finished. First, I would like to tell you about some of the projects that were initiated, and then we can think together about the causes and reasons why none of them worked.

I introduce first a project that was the dearest to my heart. Some time ago, I led certain ecological projects of Ukraine, and I received a lot of information about the Tisza River. I visited this river many times; as a student I used to walk on the bank of the Tisza with a backpack and a tent, drinking from the river. Nowadays, if you walk into the water till your knees or your waist, you can lose your skin. The Tisza was once the holy river of the two countries. It was not only a river, but a symbolic historical place, a meeting point of the two nations. Now it is just a huge landfill full of garbage. Therefore, we initiated a project entitled "Clean Tisza", which would have followed a specific roadmap.

The initial step would have been an analysis of the companies that put their waste into the river. Sadly, a lot of Romanian companies disposed of their toxic waste in the river and the damage reached 3-400,000 Euros annually.

Practically, the goal was to get the damage refunded and introduce a system forbidding these companies to deposit their waste in the river. Unfortunately, however, we could not find any politicians, companies or other parties who would have been interested in this initiative. We wanted to involve the youth of the two countries in this project, as well, but sadly, the youth of Ukraine knows much better how the youth of Spain or Portugal lives than how does the youth of Hungary. I am a person of another era, but I still used to work together in construction companies with young Hungarians. We wanted to form a union of Hungarian and Ukrainian students who would monitor and keep the river clean, but this part of the project was not realized either. There was no political will, and none of the institutions helped us.

Another project that I started with some of my Hungarian colleagues was called the "Ukrainian- Hungarian Corruption Monitoring Institution." But the world is built in such a way, in my opinion, that the bad guys ally faster in the globalizing world than the good guys. For example, there are some global corruption schemes connected to gas. Ukrainian, Russian and Hungarian sides are participating in this scheme. With László Kemény, we wanted to create a chain of journalists who would at least follow the processes. And here again: no political will, no institutions and no interest in implementing the proposal.

The third project concerns involvement in Hungarian companies, giving technology and experience in their ecological development. With another colleague of mine, Péter Székely, we wanted to construct hydropower plants on small rivers, wind and solar energy to create a sustainable energy resource. And again there was everything except the political will.

Another interesting project was proposed in order to initiate mutual archeological excavations of the shared Hungarian-Ukrainian heritage. I visited an archeological excavation site last week at the bank of the Yalpug Lake, where, according to the legend, Árpád had crossed the Danube River with his armies. The archeological findings contained a lot of Hungarian cultural artifacts and other heritage. This project started only recently, hence, I do not know yet whether it will be successful, but with my Hungarian colleagues we would like to create a joint multicultural basis here.

And finally, because I could talk endlessly about the common initiatives, I would like to present you a turnkey project I developed with one of my colleagues a few years ago. We discovered that in the past our projects did not work because there was no intellectual platform that would involve professionals, writers, and artists from the two countries, who would make things work. When a project does not work, it is easy to blame everything on the politicians, but maybe the project did not work because it was not developed and presented

well enough, or there were not enough interested participants. The lack of this intellectual package is due to the lack of a common intellectual platform in our countries that would involve all sorts of experts from different fields. For example, I used to participate in developing an annual platform in Yalta that was called “Yes Yalta.” During the years, this platform created a critical mass of various experts, who now meet annually. However, there is no similar place where Hungarian and Ukrainian experts would meet. For this reason, we developed a roadmap for setting up such a platform. Our intention was to base it in the Mukachevo castle, where experts from both sides would meet to discuss the affairs of the countries.

In the end, I would like share this phrase with you: Things often do not work because we do not meet enough. Therefore, I would like to thank the people who just collected us here.

Ukraine – Hungary / The EU: Visa Context of Relations

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Abstract

The article emphasizes that the priority of the foreign policy of Ukraine is European integration and visa-free regime with the EU. It discusses the visa policy and visa practices of Hungary towards Ukraine and its specificity towards the Hungarian minority. It includes data concerning educational and cultural possibilities for the Hungarian minority in the Transcarpathia region. It points out challenges for Ukraine concerning the consolidation of the Ukrainian society.

Introduction

Ukraine implements a new foreign policy, which is based on the concept of national pragmatism. The strategy of European integration of Ukraine remains a fundamental part of this concept. This and the previous year have become crucial for the development of relations between Ukraine and the EU, because of the negotiations on the Association Agreement (AA) including the deep and comprehensive free trade area, which as Ukraine and the EU announced, have been completed on December 19, 2011. In March 2012, the Agreement was initialed.

Political association is based on the rapprochement of the positions between Ukraine and the EU on all international issues, providing direct participation of Ukraine in politics, agencies and programs of the Union. The Association Agreement is an unprecedented document in the contractual practice of Ukraine and the EU because of its content. In this context, the medium term task is the removal of visa barriers between the EU and Ukraine. Recently, Ukraine has made progress in fulfilling the technical criteria arising from the Action Plan on Visa Liberalization outlined in 2010. National reform programs in the field of document security, migration, public order, external relations are underway in Ukraine as part of the implementation of the Action Plan.

As it was mentioned, cooperation with the EU currently remains a priority of the foreign policy of Ukraine.¹ In this context, Ukraine's relations with the countries of Central and Eastern Europe (CEE) are of particular importance. Sharing cultural and historical heritage with the CEE countries, Ukraine is an essential part of this region. It has a common vision on regional issues and on their solutions, and it is interested in deepening regional cooperation.

Partnerships between the states of Central and Eastern Europe on an institutional level provide a background for finding solutions for many issues of regional cooperation. In particular, Ukraine considers the partnership within the platform of the Central European Initiative as an important mechanism for integration into the European economic and political space, as well as a factor of stability and strengthening regional partnerships. One of the most important areas of this priority (foreign policy) is Ukraine's cooperation with neighboring countries, including Hungary.

Background of the cooperation between Ukraine and Hungary

Bilateral relations between Ukraine and Hungary as relations between two independent states are based on the Agreement on Friendship and Cooperation (signed on December 6, 1991, ratified by the Verkhovna Rada of Ukraine on July 1, 1992.).² It serves as an example and model of civilized and pragmatic international cooperation in Central Europe.

Ukrainian-Hungarian cooperation has multiple areas, and after Hungary's accession to the EU (2004), it concerns:

- foreign policy and security;
- socio-economic reforms and development;
- taxes and customs;
- justice, logistics, environment;
- protection of health;
- development of humanitarian cooperation;
- ensuring the rights of national minorities.

¹ Звернення Президента України до Верховної Ради України VII скликання «Про внутрішнє та зовнішнє становище України в 2012 році». National Institute for Strategic Studies, P. 52. [online]. Available from <http://www.niss.gov.ua/public/File/2012_nauk_an_rozrobku/zvernennia-12-18-12.pdf>. Last accessed on January 9, 2013.

² Договір про основи добросусідства та співробітництва між Угорською Республікою і Україною міжнародний документ [signed on 6.12.1991]. [online]. Available from <http://zakon.rada.gov.ua/cgi-bin/laws/main.cgi?nreg=348_004>. Last accessed on January 9, 2013.

The most “sensitive” issue in the international relations between Ukraine and Hungary is the issue of national minorities. However, the Ukrainian-Hungarian cooperation on protecting minority rights at the international level is defined as an example to follow.

Hungarian visa policy and visa practices

Hungarian visa policy and practices towards Ukraine, first of all, should be considered as a part of the EU policy on visa issues.

Hungarian visa policy towards Ukraine is based on the following documents:

- the Schengen acquis;
- the Agreement between the European Community and Ukraine on the facilitation of the issuance of visas, Amendment to the Agreement;³
- the EU Visa Code;
- and the Agreement between Hungary and Ukraine on local border traffic.⁴

The international consortium of expert organizations and think tanks “Europe Without Barriers” (of which the Regional Branch of the NISS in Uzhgorod is a member) monitors the visa policy and practices of the EU countries. Geographically, members of this Consortium are located in Brussels, Warsaw, Kyiv, Odessa, Kharkiv, Donetsk, Lviv, Uzhgorod, and Lutsk. They jointly implement both research and advocacy activities, in particular, the monitoring of the visa issuance for Ukrainian citizens by the EU Member States’ Consulates, the quality of the implementation of the EU-Ukraine Visa Facilitation Agreement, and they also advocate domestic reforms concerning the EU requirements for visa free travel.

The idea of the Consortium is based on the conviction about the necessity of waiving visa barriers within Europe, as they are outdated, archaic, and inefficient tools for migration control. Although visa regimes were initially planned to tackle criminality, criminals successfully overcome them, and eventually such regimes pose obstacles to the law-abiding citizens. Current developments of technologies, including biometric passports, enable efficient migration control at the border of the Schengen zone and other countries of Europe without applying the visa regime.

³ Угода між Україною та Європейським Співтовариством про спрощення оформлення віз [signed on 18.09.2007]. [online]. Available from http://zakon.rada.gov.ua/cgi-bin/laws/main.cgi?nreg=994_850. Last accessed on January 9, 2013.

⁴ Угода між Кабінетом Міністрів України та Урядом Угорської Республіки про правила місцевого прикордонного руху [signed on 18.06.2007]. [online]. Available from http://zakon1.rada.gov.ua/cgi-bin/laws/main.cgi?nreg=348_072. Last accessed on January 9, 2013.

It is obvious that a certain path should be taken in order to reach the abolition of the visa regime. Ukraine, which is outside of Schengen Europe, should demonstrate political will and institutional capacity to fulfill its homework and to meet the standards of security and reliability in order to convince the governments of the EU member states to waive visa obligations. EU member states should assist their neighbors in forming and fulfilling the set tasks, as the final benefit will be mutual. In this context, Ukraine hopes to get assistance from the neighboring Hungary.

Expert circles on both sides of the Schengen border should unite their efforts in order to draw nearer the day when the dream about the free movement of persons within Europe will become reality. Currently, Ukraine and the EU are guided by a 'Balkan model' in the negotiations on visa regime liberalization. In accordance with this model, the EU allows Ukraine, in the case of providing systemic reforms inside the country, to enter the European area of justice and home affairs.

It should be noted that in addition to the main dimension of the visa dialogue between Ukraine and the EU, which is the practical one (implementation of comprehensive reforms in Ukraine), there is also a political dimension. It is associated with a restrained mood on visa free regime in some EU countries which have doubts about Ukraine's ability to comply with EU rules and which experience migration risks brought by the latest wave of EU enlargement.

During the research within the framework of the "Europe Without Barriers" project in June and July 2012, in total 2280 respondents in 36 consulates / visa centers were surveyed including 23 institutions in Kyiv and 13 in different regions of Ukraine⁵ (including also 220 respondents in the Transcarpathian region). The results of monitoring were presented to the experts of the EU-Ukraine Joint Committee, Ministry of the Foreign Affairs of Ukraine, representatives of governments of the EU member countries, embassies and consulates of EU countries in Ukraine and the mass media (the last analytical report was presented in Kyiv on September 24, 2012).

The six stages of the monitoring concerning the previous 5 years (2008-2012) showed the following features of visa practices of Hungary:

- high quality implementation of the Agreement of visa issuance facilitation (Articles 4-7), the EU Visa Code, and the Agreement on local border traffic between Ukraine and Hungary,

⁵ Основні результати громадського моніторингу візової практики країн ЄС та Шенгену в Україні. Підсумки громадського моніторингу. Київ, 2012, р. 212. [online]. Available from <<http://novisa.org.ua/analytic/osnovni-rezultati-gromadskogo-monitoringy-diuchix-norm-ta-pravil-vizovoi-praktiki-krain-es-ta-shengeny-v-ukraini/ua>>. Last accessed on January 9, 2013.

- the best overall results in all components of visa practices,
- leadership by the number of issued multi-entry visas (the validity of 58.1% of the visas is more than six months, including a record 22.5% of visas with a term of 365 days +, mainly 2,3 and 5 years),
- small percentage of visa refusal,
- simplified package of documents for applying for Schengen visas for the members of the Hungarian minority.

Certainly, all positive results of Hungary identified by the monitoring are a result of the country's concern about its own ethnic minority compactly settled in the Transcarpathian region. Record indicators of Hungary were achieved mainly due to the special visa policy in two of its consulates located in Transcarpathia (Uzhgorod, Beregovo).

Figure 1 demonstrates statistics concerning the number of issued Schengen visas during 2009-2011 in Hungarian consulates and Slovak consulate on the territory of the Transcarpathian region.

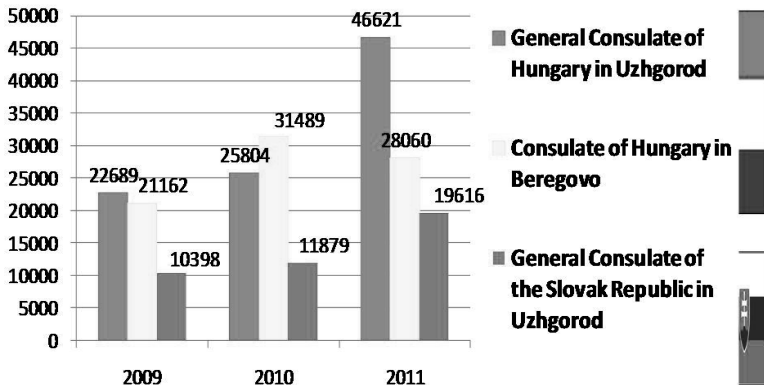


Figure 1: Number of Issued Schengen Visas

Figure 2 demonstrates statistics concerning visa refusals in absolute numbers and visa refusals in percentages of all submitted visa applications in the Hungarian consulates and Slovak consulate on the territory of the Transcarpathian region.

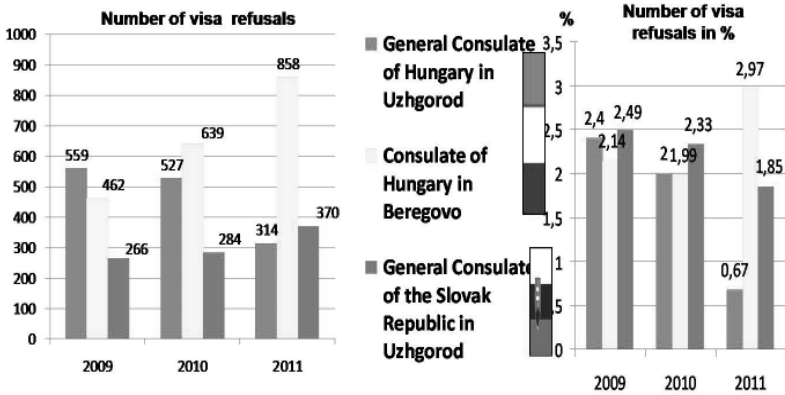


Figure 2: Number of Visa Refusals

The instrument of local border traffic between Ukraine and Hungary provides the best conditions concerning the zone of entering and staying and the waiting period in comparison to the same instruments between Ukraine and Slovakia, or Ukraine and Poland.

Countries	Zone of entering and staying	Permit	Permit's price	Waiting period for a permit	Term of permit's validity	Term of staying
	50 km (244 Hungarian & 384 Ukrainian settlements)		20€ (do not pay disabled, pensioners, children under the age of 16 and under the age of 21)	10 days	1-5 years	not more than 90 days
	30-50 km (299 Slovak & 280 Ukrainian settlements)		free of charge	60-90 days	1-5 years	90 days per one visit (in general – not more than 90 days during 6 month).
	30 km (1822 Poland & 1545 Ukrainian settlements)		20€ (do not pay disabled, pensioners and children under age of 18)	60-90 days	1-5 years	60 days per one visit (in general – not more than 90 days during 6 month).

Table 1: Local Border Traffic: Forms and Conditions

Figure 3 demonstrates statistics concerning the number of issued local border traffic permits during 2009-2011.

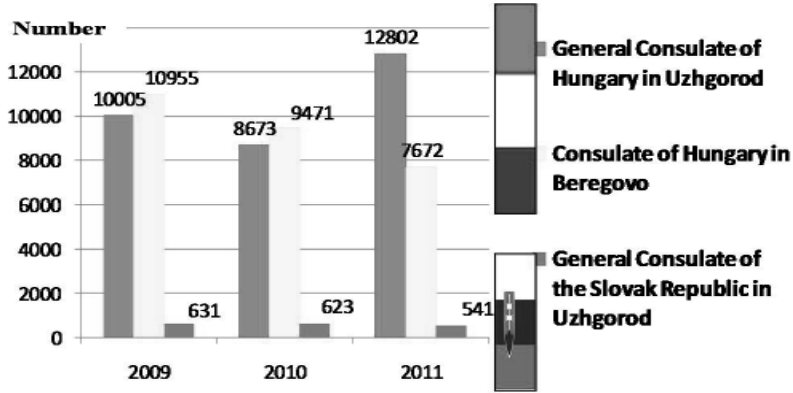


Figure 3: Number of issued local border traffic permits during 2009-2011

Hungarian consulates issue local border traffic permits mainly for 5 years, while the Slovak consulate stopped issuing such permits in September 2011 and restarted only in December 2012. Besides that, the term of validity of the Slovak permits on local border traffic was not longer than one year.

Of course, the number of issued visas influence border crossing. The number of Ukrainian citizens who crossed the Ukrainian-Hungarian border is three times higher than the number of those who crossed the Ukrainian-Slovakian and the Ukrainian-Romanian border (See Map 1).



Map 1: Number of citizens of Ukraine, who crossed the border in 2011 through checkpoints in the Transcarpathian region

So, Hungarian visa practices towards Ukrainians are marked as “friendly” in comparison to other Schengen countries. Because of all the above mentioned features of visa practices, Hungary is on the very top of the rating of Schengen consulates in Ukraine in 2011.

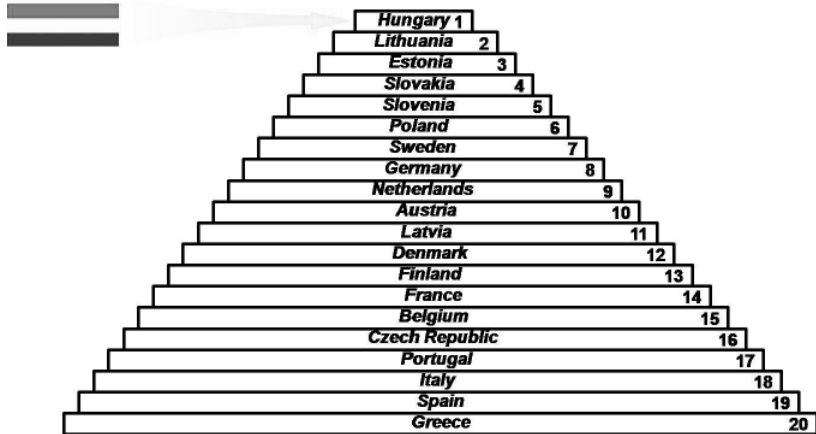


Figure 4: Rating of Schengen Consulates in Ukraine (2011) ⁶

Hungarian national minority in the Transcarpathian region

In general, Ukraine has a multiethnic composition of population. Twenty two percent of the whole population consists of minorities. The number of the representatives of the Hungarian minority in Ukraine is 156.6 thousand, and 151.5 thousand of them live in the Transcarpathian region.

Ukraine provides for the cultural and educational needs of the Hungarian minority in Transcarpathia:

- The three level education system in Hungarian language:
 - o kindergartens (70 units),
 - o primary and secondary schools (97 units),
 - o Hungarian Institute named after Ferenc Rákóczi II (Beregovo),
 - o Department of History of Hungarian and European Integration in the Uzhgorod National University,
 - o Hungarologian Center;
- 74 culture club institutions serve the Hungarian minority (there are

⁶ Шенгенські консульства в оцінках та рейтингах. [online]. Kyiv. Available from <http://www.novisa.org.ua/analitic/?analitic_id=52>. Last accessed on January 9, 2013.

467 culture club institutions in total in Transcarpathian region);

- Mass media in Hungarian (20 units);
 - o Hungarian newspaper “Karpati Igaz Szo” is issued under the support of the regional budget;
- 96 libraries with the book fund of more than 406 thousand books in Hungarian serve the Hungarian population (there are 499 libraries in total in the Transcarpathian region);
- Hungarian Musical Drama Theater in the Transcarpathian region (in Beregovo);
- Hungarian NGOs (13 units);
- Political Parties (2): the head of one represents the Hungarian minority in the Parliament of Ukraine after the 2012 parliamentary elections;
- 12.8 % of the members of the Transcarpathian regional, district and city councils are Hungarians;
- 245 religious organizations of Hungarian national minority (there are 340 religious organizations of national minorities in total in the Transcarpathian region).

This situation in the Transcarpathian region is unique for Europe from the point of view of ensuring the rights of Hungarian national minority.

Concluding remarks – policy recommendations

Challenges for Ukraine:

- Low integration of minorities into the society. The majority of the Hungarian minority in villages do not want to learn and use the Ukrainian language.
- There are intentions to achieve territorial autonomy in the Transcarpathian region.

Historical experience shows that the wish for territorial autonomy of ethnic groups compactly living near the border of the “mother country” could become a basis for irredentism (“ethnic unionism”). Irredentism refers to the striving of an ethnic community to join the neighboring country of their titular nation. Usually, irredentism is caused by the dissatisfaction of an ethnic community with its status (educational, cultural, social, economic, political, etc.) in the state of residence. The impetus for strengthening this movement may be the creation of political parties, social and political movements led by charismatic leaders. In this case of irredentism, the idea of “the Great Hungarian State” is promoted by the part of the political elite which provides information campaigns concerning the “artificiality” of existing borders and the discriminatory position of their ethnic countrymen in neighboring countries.

Of course, this complicates the processes of internal integration and national consolidation in Ukraine. It became a huge challenge for nowadays' Ukraine. However, the agenda of Ukraine's relations with its Central European partners, including Hungary, requires discussions (at the expert level, public dialogue) of the issues relating to:

- The status of "foreign citizens" and dual citizenship;
- Education of ethnic minorities' languages, development of national culture and ethnic civil society structures;
- Labor and illegal migration across the western border of Ukraine / the eastern border of the EU.⁷

Taking into account the Hungarian presidency of the Visegrad Group and of the Central European Initiative in 2013, there is a good opportunity to establish a broad, international discourse on the agenda of the relations of V4+ countries under the new conditions of the transforming EU. This international discourse can be initiated by the National Institute for Strategic Studies (Kyiv), its Regional Branch in Uzhgorod and the Hungarian Institute of International Relations (Budapest). It would be a good "intellectual background" for the Year of Central Europe.

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⁷ Звернення Президента України до Верховної Ради України VII скликання «Про внутрішнє та зовнішнє становище України в 2012 році». National Institute for Strategic Studies, P. 56. [online]. Available from http://www.niss.gov.ua/public/File/2012_nauk_an_rozrobku/zvernennia-12-18-12.pdf. Last accessed on January 9, 2013.

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Language Policy and Minority Rights in Ukraine

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Abstract

Ukraine de jure is a monolingual state, but de facto it is bi- or multilingual. Due to the high ratio of the Russian-speaking people, it is not surprising that the main problem of the ethnic and language policy in Ukraine is the status of the Russian minority and language.

On August 8, 2012, the president of Ukraine, Viktor Yanukovich, signed the Law 5029-VI entitled “The Fundamentals of the State Language Policy”, which offers the opportunity of using the national minority languages in administrative units (counties, districts, etc.) where the number of their speakers reaches or exceeds 10%. The power of the law would comprise the languages of 18 national minorities. Though, in the present political situation, the change of legal language status in the country seems to be impossible.

Ethnic and Linguistic Otherness in Ukraine

Some experts consider that Ukraine’s population is made up of 3 linguistic ethnic groups:¹

- Ukrainian speaking Ukrainians (about 40–45% of the country’s population);
- Russian speaking Ukrainians (about 30–34% of the country’s population);
- Russian speaking Russians (about 20%).²

However, according to the 2001 national census (which focused not only on Ukrainian and Russian speakers, but also on other small linguistic groups), the population of Ukraine can be divided into the following groups on the basis

¹ Arel, Dominique – Khmelko, Valeriy (1996): The Russian Factor and Territorial Polarization in Ukraine. The Harriman Review, Vol. 9/1–2, pp. 81–91.

² Хмелько, Валерій (Khmelko, Valeriy, 2004): Лінгво-етнічна структура України: регіональні особливості й тенденції змін за роки незалежності (Linguo-Ethnic Structure of Ukraine: Regional Features and Tendencies of Changes During the Years of Independence). Наукові записки НАУКМА 32. Соціологічні науки, pp. 3–15.

of people's native language (see Figure 1):

- a) people who speak Ukrainian as their native language, including:
 - Ukrainians (by nationality) whose native language is Ukrainian (85% of those who claimed to be Ukrainians);
 - Russians whose native language is Ukrainian (4% of those who claimed to be Russians)
 - national minorities whose native language is Ukrainian (e. g. 71% of the Poles and 42% of the Slovaks who live in Ukraine);
- b) people who speak Russian as their native language, including:
 - Russians whose native language is Russian (96% of those who claimed to be Russians);
 - Ukrainians whose native language is Russian (15% of those who claimed to be Ukrainians);
 - national minorities whose native language is Russian (e. g. 62% of the Byelorussians);
- c) national minorities whose ethnicity and native language coincide (e. g. 95% of the Hungarians, 92% of the Romanians);
- d) national minorities who speak the native language of another minority group (e. g. 62% of the Romas in Transcarpathia consider Hungarian to be their native language, this group constituting 18% of all Romas in Ukraine).³

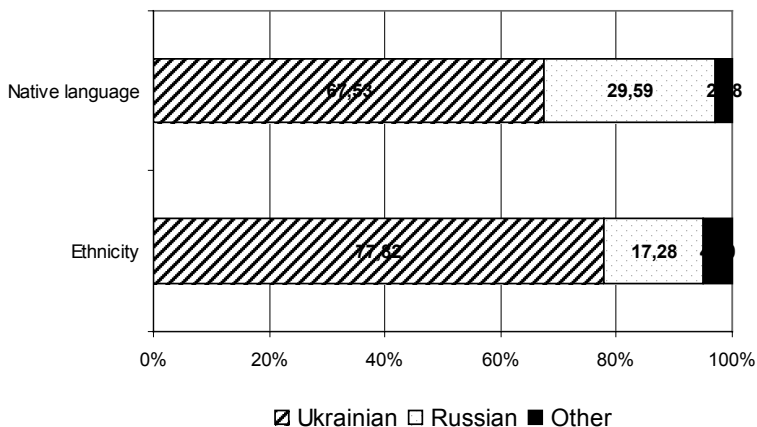


Figure 1. The coincidence of native language and ethnicity in the case of the population of Ukraine (%)

³ Braun, László – Cserniczkó, István – Molnár, József (2010): Magyar anyanyelvű cigányok/ romák Kárpátalján (Hungarian Speaking Gypsies/Romas in Transcarpathia). Ungvár, PoliPrint Kiadó, pp. 24–25.

On the base of the above division and the examination of the census data shown on Figure 1, we can state the following:

- the ratio of people whose ethnicity is Ukrainian is higher than the ratio of people who speak Ukrainian language;
- the ratio of people who speak Russian is higher than the ratio of people who has Russian ethnicity;
- the linguistic variety is not so vivid as the ethnic variety, because a lot of minority groups have begun to speak Russian or (less frequently) Ukrainian.

Near half of the country's population use the Russian language in everyday practice,⁴ 30% of them have Ukrainian as their mother tongue.⁵

Based on sociolinguistic researches,⁶ it is also evident that both Ukrainian and Russian languages are widely used in Ukraine. Significant part of the society uses both languages every day.⁷

On the other hand, it is commonly thought that the census results oversimplify the real linguistic landscape of the country. If we take into account not only the census data, but also the data of a sociolinguistic survey based on a national representative sample, the language make-up of the population will show a very different picture. The sociolinguistic research took place between 1991 and 2003 and examined continuously the usage of languages among the adult population of Ukraine, based on a representative sample from approximately 173 thousand interviews, which were conducted to yield comparable

⁴ Besters-Dilger, Juliane (ed., 2009): *Language Policy and Language Situation in Ukraine: Analysis and Recommendations*. Frankfurt am Main: Peter Lang.

⁵ Майборода, Олександр – Шульга, Микола – Горбатенко, Володимир – Ажнюк, Борис – Нагорна, Лариса – Шаповал, Юрій – Котигоренко, Віктор – Панчук, Май – Перевезій, Віталій (MaYboroda, Oleksandr – Mykola Shulha – VolodYmYr Gorbatenko – Boris Azhniuk – Larysa Nagorna – YuriY Shapoval – Viktor Kotygorenko – May Panchuk – VitaliY PereveziY et al., eds., 2008): *Мовна ситуація в Україні: між конфліктом і консенсусом (Linguistic Situation in Ukraine: Between the Conflict and Consensus)*. Київ: Інститут політичних і етнонаціональних досліджень імені І. Ф. Кураса НАН України, pp. 49–85.

⁶ Залізник, Ганна – Масенко, Лариса (Zalizniak, Hanna – Masenko, Larysa, 2001): *Мовна ситуація Києва: день сьогоднішній та майбутній (The Linguistic Situation in Kiev: the Day We Live and the Day to Come)*. Київ: Виданичий дім „КМ Академія”.

⁷ Алексеев, Владимир (Alekseev, Vladimir, 2008): *Бегом от Европы? Кто и как противодействует в Украине реализации Европейской хартии региональных языков или языков меньшинств? (Running from Europe: Who and How Hinders the Realization of the European Charter for Regional or Minority Languages in Ukraine?)*. Харьков: «Факт».

data.⁸ This study revealed that from the point of view of ethnicity and native language, we can find different language situations in the different regions of Ukraine. In the five large regions identified by the author, the percentage of those who speak Ukrainian or Russian as their native language, or use a contact variety of the two languages (the so called “surzhyk”) is very high (see Figure 2).

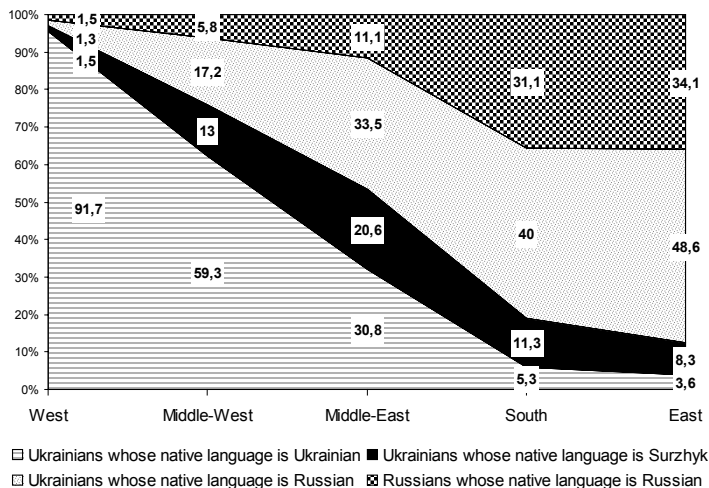


Figure 2. The distribution of the adult population of Ukraine according to their ethnicity and native language in different regions in 2003 (%)

“Surzhyk” (Ukr.: «суржик», originally meaning ‘flour or bread made from mixed grains’, e. g., wheat with rye) is currently the mixed language or sociolect. It is a mixture of Ukrainian substratum with Russian superstratum.

On August 8, 2012, the president of Ukraine, Viktor Yanukovych, signed the Law 5029-VI entitled “The Fundamentals of the State Language Policy”, which offers the opportunity of using the national minority languages in administrative units (counties, districts, cities, towns and villages) where the number of their speakers reaches or exceeds 10%. According to the paragraph 2 of clause 7, the power of the law comprises the languages of the following 18 national minorities: Russians, Byelorussians, Bulgarians, Armenians, Crimean Tartars, Jews, Gagauzes, Moldavians, Germans, Greeks, Poles, Romas, Roma-

⁸ Хмелько, Валерій (Khmelko, Valeriy, 2004): Лінгво-етнічна структура України: регіональні особливості й тенденції змін за роки незалежності (Linguo-Ethnic Structure of Ukraine: Regional Features and Tendencies of Changes During the Years of Independence). Наукові записки НаУКМА 32. Соціологічні науки, pp. 3–15.

nians, Slovaks, Hungarians, Rusyns, Karaims and Krymchaks.⁹ Though, at present the change of legal language status in the country seems to be nearly impossible for the following reasons:

- the draft of the language law was introduced before the October election campaign and almost all political parties have used it in their own interests;
- both the parliamentary opposition and the intellectual elite of the western and central parts of the country had protested against the draft;
- whichever way will the state language policy move in Ukraine (i. e. strengthening the positions of the Ukrainian language or raising the status of the Russian), this provokes the opposition of about one half of the local society.

Minorities and Their Languages in the Ukrainian Legislation

From a linguistic perspective, we can find gaps between the regions of Ukraine.¹⁰ These gaps have political dimensions too. On the occasion of presidential elections in 2004 and 2010 (and on every occasion of country-wide elections) Ukraine practically had split into two parts. In general, the mainly Ukrainian-speaking western, northern and central regions stand for the one, and the Russian-dominant eastern and southern parts stand for the other political power.¹¹

Thus, the political situation in Ukraine is explosive and unstable, governments are changing quickly. In the 450-member Parliament the majority often depends on a few votes. The language question has already been a campaign topic at the very first elections in the history of independent Ukraine and saved its importance until now.¹²

⁹ Fedinec, Csilla – Cserniczkó, István (2012): *Nyelvtörvény saga Ukrajnában: a lezáratlan 2012-es fejezet* (Language Law Saga in Ukraine: the Unclosed 2012 Chapter). Manuscript.

¹⁰ Кулик, Володимир (Kulyk, Volodimir, 2008): Мовна політика та суспільні настанови щодо неї після помаранчевої революції (Language Policy and Its Social Regulation After the Orange Revolution). In: Besters-Dilger, Juliane (ed., 2008): *Мовна політика та мовна ситуація в Україні* (Language Policy and Language Situation in Ukraine), Київ: Видавничий дім „Києво-Могилянська академія”, pp. 11–54.

¹¹ Мельник, Світлана – Черничко, Степан (Melnik, Svitlana – Cserniczkó, István (2010): *Етнічне та мовне розмаїття України. Аналітичний огляд ситуації* (Ethnic and Linguistic Vividness of Ukraine. Analytic Overview of the Situation). Ужгород: ПоліПрінт, pp. 72–78.

¹² Заремба, Олександр – Римаренко, Сергій (Zarembo, Oleksandr – Rymarenko, Serhiy, 2008a): *Механізми політичної мобілізації мовних груп: антрепренери, гасла, заходи* (Mechanisms of Political Mobilization of Linguistic Groups: entrepreneurs, slogans, provisions). In: Mayboroda et al. (eds., 2008): *Мовна ситуація в Україні: між конфліктом і консенсусом* (Linguistic Situation in Ukraine: Between the Conflict

Sociological researches proved that in the western part of the country with evident Ukrainian dominance people are afraid of the possibility of the Russian language becoming the second state language. In their opinion, this would wound up the Ukrainian statehood, and the Ukrainian language and nation would be imperiled. On the other hand, in the almost exclusively Russian-speaking south and east people think, that the Ukrainification policy endangers the Russian language and national identity of the Russians living in Ukraine.¹³ This complex linguistic and political situation has to be handled by the Ukrainian politics. The political powers, whatever position they have during the campaign on the language issue, later try to balance between the linguistically split regions of the country. After winning the elections, they do not stick to realize their promises.¹⁴

These kinds of tactics were followed by the first president of the independent Ukraine, Leonid Kravchuk as well, who successfully managed to preserve his position from the communist system. Kravchuk did not urge Ukrainification, however, gave several positions to the national elite, which resulted in considerable achievements in widening the usage of the Ukrainian language in the public administration. The second president, Leonid Kuchma, was a real master of the same kind of politics during his 10-year mandate. In contrast with Kravchuk, he followed the course of a national rhetoric in the campaign of the presidential elections of 1994, and won the elections with a promise of strengthening connections with Russia and giving official status to the Russian language. On the occasion of the 1999 presidential elections Kuchma had to face the Russophile communist, Petro Simonenko. At that time he proclaimed: "Ukraine should have only one state and official language, the Ukrainian."

and Consensus). Київ: Інститут політичних і етнонаціональних досліджень імені І. Ф. Кураса НАН України, pp. 235–257.

¹³ ЗАРЕМБА, ОЛЕКСАНДР – РИМАРЕНКО, СЕРГІЙ (ZAREMBA, OLEKSANDR – RYMARENKO, SERHIY, 2008b): Роль зовнішніх чинників у політизації мовних проблем (The Role of Exterior Factors in Politization of Linguistic Problems). In: Мауборода et al. (eds., 2008): Мовна ситуація в Україні: між конфліктом і консенсусом (Linguistic Situation in Ukraine: Between the Conflict and Consensus). Київ: Інститут політичних і етнонаціональних досліджень імені І. Ф. Кураса НАН України, 258–280.

¹⁴ КУЛИК, ВОЛОДИМИР (KULYK, VOLODIMIR, 2008): Мовна політика та суспільні настанови щодо неї після помаранчевої революції (Language Policy and Its Social Regulation After the Orange Revolution). In: Besters-Dilger, Juliane (ed., 2008): Мовна політика та мовна ситуація в Україні (Language Policy and Language Situation in Ukraine), Київ: Видавничий дім „Кієво-Могилянська академія”, pp. 53–54.

After the orange revolution (2004), the most important aim of the Ukrainian language policy became to practically enforce the state language status of Ukrainian. However, in the eastern and southern regions of the country (where the Russian language dominates) the national politics have provoked resistance. As a result, on the occasion of the presidential elections in 2010 the 'orange' elite was overthrown. Viktor Yanukovich won the elections, who in his campaign promised to arrange the status of the Russian language. Though, when he came to power, he quickly realized that keeping on strengthening the status of the Russian language will result in confrontation with the western and northern regions. Thus, in a short time he gave up on making the Russian language the second state language in Ukraine.

As it can be seen, the language issue in Ukraine is highly polarized and emotionally loaded. A political power that wants to change the present-day status quo in any case will confront with nearly one half of the country's population. It is not accidental that in Ukraine in the last 15 years no law was accepted that directly focuses on the status of minorities or languages. The ratification of two international documents (the Framework Convention for the Protection of National Minorities and the European Charter for Regional or Minority Languages) was the only exception.

To summarize the situation in language policy in Ukraine, the following statements can be made:

- the codified state language of Ukraine is Ukrainian;
- Russian (according to both the Constitution and the Language Law of Ukraine), compared to other minority languages, is in pole position;
- though the documents do not forbid the use of minority languages, they do not specify explicitly where and under which conditions these languages can be used;
- the definition of some terms used in the wording of laws is often omitted or is not obvious;
- the state does not apply positive discrimination in the case of the minority languages.

Conclusions

On the surface a lot of rights are guaranteed for the minorities, however, only symbolic rights are realized in practice. Ukraine tries to keep its international undertaking of obligations, endeavors to rearrange its own legal system according to the international recommendations and norms. However, the legal harmonization does not go smoothly due to the inner political conflicts and complex linguistic situation. This frequently makes the practi-

cal implementation of the language rights difficult or even impossible. All the more, the political elite of the country does not make genuine efforts to foster the real protection of minority languages, what is radically contrary to the declared intentions and the spirit of international agreements, recommendations.

Thus, basically there are two visions of language policy in the country:

- a) Ukraine could have only one official and state language, the Ukrainian; the positions of the Ukrainian language are threatened by the Russian;
- b) Russian language should get the status of state language (or at least the status of official language).

Behind the two language policy conceptions we can find almost the same extent of political and social power. So, from linguistic and political points of view the country has been torn into two parts.

On this basis, it is evident that the Ukrainian language policy almost exclusively focuses on the Ukrainian–Russian dimension of jockeying for ethnic, linguistic, social and economic positions. The problems of other minorities appear in public discussion only shallowly. The linguistic question has become so strongly politicized that it makes it impossible to adopt the new version of the outdated minority and language law, and to carry out the expert and conformable settling of the situation of ethnic and linguistic minorities.

The Ukrainian political elite is interested in maintaining the social order by preserving the linguistic status quo.

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Minority Issues and Hungarian-Ukrainian Bilateral Relations

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The 2012 parliamentary elections in Ukraine have taken place in a new constitutional and political environment, and minority issues were not articulated as a primary matter in the electoral campaign.¹ In the context of the Hungarian-Ukrainian relations, minority questions have also been losing importance in the past years. The reasons are diverse: minority issues in the Hungarian-Ukrainian bilateral relations have been largely overshadowed by the economic interests between the two countries;² in Ukraine, political relations with Hungary are not on the top of the bilateral agenda; apparently, there is no political will on either side to reform the framework of institutional dialogue established in the early 1990s. In this context, three issues may require more attention: first, Hungary as a kin-state developed a characteristic policy for supporting Hungarian minorities living in neighbouring countries; second, the situation of the Hungarian minority in Ukraine and the situation of the Ukrainian minority in Hungary is largely neglected in Ukrainian political life; and finally, the European aspirations of Ukraine and Russian-Ukrainian relations have been determining the Ukrainian government's approach to minority issues.

Background: Hungarian kin-state policy and Ukraine

The position of the Hungarian government regarding the situation of Hungarian minorities living in neighbouring countries can be summed up in four points:³

a) Since the early 1990s, the respect of the inviolability of its borders has been a cornerstone declaration of Hungary. Foreign policy endeavours of Hungary were continuously scrutinized by neighbouring countries, often un-

¹ BENDRAZSEVSZKI, A. (2012): *Ukrajna: választások 2012*. Budapest: Kitek Kft.

² MAZARAKI, A.A. (2009): *Priority Directions of Bilateral Co-operation between Ukraine and Hungary*. EU Working Papers 2009/1

³ Cf.: BÁRDI, N. (2004): *Tény és való – a budapesti kormányzatok és a határon túli magyarság kapcsolattörténete*. Pozsony [Bratislava]: Kalligram.

der the suspicion that Hungary would either openly or furtively question the legitimacy of the borders under its claims to support the Hungarian minorities. All Hungarian governments recurrently dismissed such allegations, and as a matter of fact never questioned the legitimacy of the existing borders. The Hungarian government, already since signing the first bilateral treaty on good-neighbourly relations after 1989 with Ukraine, has repeatedly stood up for the inviolability of the existing borders. They usually claim that the nature of the borders, rather than the borders themselves, shall be changed. This indicates that Hungary is interested in the permeability of the borders, and it shall support all possible confidence-building measures in Europe which further that goal. Nevertheless, even today any political support of Hungary for the establishment of autonomous arrangements in Sub-Carpathia are seen in the Ukrainian media as a threat to the territorial integrity of Ukraine.⁴

b) Another unanimously agreed point in governmental policies towards Hungarians living abroad is the commitment that Hungarian minorities shall have the right to establish their own cultural-institutional structures in each country where they live. This implies both that the specific minority rights claims of Hungarian minorities are supported by Hungary, and that the Hungarian governments shall provide moral, political and financial support for such cultural, minority institutions and policy goals. The stable financial support provided by Hungary for the II. Ferenc Rákóczi College and for other education and cultural institutions in Ukraine is a good example for that.

The amendment of the Hungarian citizenship law in 2010, which eased the access to citizenship for Hungarians living outside of Hungary, is a new development in this context. Though this move was seen as support for Hungarian minorities, in practice obtaining citizenship can hardly be interpreted as a minority protection measure. It is much more an instrument to create close institutional-political ties with the kin-state. The strong negative reactions in Ukraine are largely driven by such concerns, especially in the broader context of Russia's citizenship policy also affecting Russians living in Ukraine.

However, the regulation of citizenship is considered under international law as an integral part of state sovereignty. Thus, the debate around the application of Hungarian citizenship law in Ukraine could be settled according to existing international standards.⁵

c) A third pillar of this policy is built on improving bilateral relations with neighbouring countries. The implementation of the so-called "basic trea-

⁴ See on this the press reviews of www.karpatalja.ma

⁵ See e.g. European Convention on Nationality, E.T.S. 166.

ties” is supervised by joint-committees, where the parties may discuss actual problems of mutual interest. In this aspect, the Hungarian-Ukrainian joint committee on minority issues was supposed to become a good forum for discussing troubling issues concerning minorities.

d) Finally as a fourth element, there always seemed to be a broad consensus on the strong commitment of Hungarian governments to promote and support the protection of minority rights at all appropriate international fora. While this endeavour may not have immediate relevance for Hungarian minorities, it is usually discussed in this context. The perspective of the European integration is also considered as an effective external pressure for improving minority rights standards in the Central and Eastern European region. As part of the developments in international human rights law in Europe, the ratification of the Council of Europe Framework Convention for the Protection of National Minorities (Framework Convention) and the European Charter for Regional or Minority Languages (Language Charter) is usually seen as an important step ahead in internalising the values of the European integration.⁶ This was also the case with Ukraine, and the recognition of OSCE minority rights standards or the ratification of the Framework Convention and the Language Charter (in 1998 and 2005 respectively) was welcomed by Hungary.

This “European perspective” was also reflected in bilateral relations. The basis of the Hungarian-Ukrainian bilateral relations was the treaty on good neighbourly relations⁷ – one of the first strategic foreign policy actions of the new democratic Hungarian government in 1991. In parallel, the two countries adopted also a joint declaration on the rights of minorities,⁸ which included a number of references to international documents on minority rights standards (mainly OSCE documents).

In the past decades, the main questions in this field emerged in relation to the situation of minority language education and the political rights of the Hungarian minority in Sub-Carpathia region. The basis for managing these problems is the above mentioned 1991 basic treaty and the declaration on minority rights. The latter established a joint committee to discuss arising prob-

⁶ See also VIZI, B. (2008): *Minority Rights in the “New” EU Member States after Enlargement*. In Swoboda, H. – Wiersma, J.M. (eds.): *Democracy, Populism and Minority Rights*. Brussels: PSE/Renner Institut. pp. 77-85.

⁷ Treaty on the Bases of Good-Neighbourhood and Co-operation between the Republic of Hungary and Ukraine (signed in Kiev on 6 December 1991; in Hungary enacted by Law XLV/1995)

⁸ Declaration on the principles of cooperation between the Republic of Hungary and the Ukrainian Soviet Socialist Republic in guaranteeing the rights of national minorities (signed in Budapest, on 31 May 1991)

lems, though its work and its effectiveness is dubious. The work of the joint committee was not able to resolve important problems in bilateral relations. Most recently there have been years when the committee had no meetings at all, and when it had, the most delicate questions remained unresolved.⁹

European integration, minorities and Hungarian – Ukrainian relations

It can be seen that the importance of Hungarian-Ukrainian relations significantly dropped for Ukraine since the end of 1990s, and especially after the 2004 EU enlargement, while Poland was increasingly seen as Ukraine's major partner in the EU. Due to this background, the situation of the Hungarian minority community in Sub-Carpathia is much more dependent on the overall minority policy of Ukraine – usually influenced by the situation of Russians – than on the bilateral relations with Hungary. Moreover, the regional government and political elite in Sub-Carpathia is much more active in this field than the central government. The “negligence” of the central government clearly complicates the situation for the Hungarian government.

For Ukraine, European integration and cross-border arrangements are of primary importance. The stipulation of an Association Agreement (AA) between the EU and Ukraine has never been so close as in 2012, when the initialed the text of the agreement.¹⁰ The planned Association Agreement, however, beside the general commitments to the respect for human and minority rights, did not formulate any specific regulation requirements in this field. The Association Agreement would contain further commitments to ease the visa regulation and mobility between the EU and Ukraine, which is particularly relevant for the Hungarian minority living in the border area.

Today there are tensions between Hungary and Ukraine on the involvement of local partners in the visa issuing process. As a matter of fact, the Hungarian government – for political and moral reasons – does not accept the involvement of the Hungarian Alliance of Ukraine (UMDSZ) in the process, which organisation is a strong political competitor of the Hungarian Cultural Association in Sub-Carpathia (KMKSZ) supported by the Hungarian government. Furthermore, UMDSZ today is a successful partner of the main government party in Ukraine. It can be presumed that following joint commitments

⁹ See e.g. MTI (Hungarian News Agency) (2011): Magyar-ukrán vegyes bizottság: egyeztetés a kisebbségeket érintő kérdésekben. December 21, 2011.

¹⁰ European Union External Action Service (2012): EU-Ukraine Association Agreement – „Guide to the Association Agreement”. Available at <http://eeas.europa.eu/images/top_stories/140912_eu-ukraine-associatin-agreement-quick_guide.pdf> Last accessed on January 10, 2013.

and especially after the ratification of the AA with the EU, these tensions will be dissolved in the medium term.

Problematic issues today – no change in near future...

More recently, the modification of Hungarian citizenship regulation in 2010 provoked fervent reactions in Ukraine and raised tensions between the two countries. The legislation on banning multiple citizenship for Ukrainian nationals – in force since 2001 – was originally targeting the Russian-speaking population living in the country. The fact that already at the time of the modification of the Hungarian citizenship law a restrictive regulation was in force in Ukraine tempered the Hungarian government's criticism, though both sides seem to remain committed to their existing legislations.

At the last session of the Hungarian-Ukrainian joint committee on minority issues¹¹ the parties could not even agree on the text of a joint concluding declaration. Sharp differences remained between the two parties on the question of restoring an electoral district in Sub-Carpathia with Hungarian majority population, on the implementation of the Hungarian citizenship law and on the involvement of the Hungarian Democratic Alliance in Ukraine in issuing Schengen-visa documents.

More recently the legal regulation of language use in Ukraine was an important development affecting the Hungarian minority, as well. In broad lines the Law on the use of languages, adopted in 2012, was designed to please the Russian minority in Ukraine by offering regional official status to minority languages under certain conditions.¹² This law was welcomed by the other minority communities, including Hungarians in Sub-Carpathia, however, its implementation is largely dependent on the political inclinations of local governments. The Hungarian government apparently refrained from taking up a strong position on the issue, especially taking into account the extreme importance of the language law in the election campaign.

The 2012 law on the use of languages was not only a generous move towards the expansion of recognition of minority languages, but it was often seen by the public as a new instrument to reinforce the use of Russian language in large parts of the country. The law prescribes that when the speakers of a minority language reach 10% in any administrative unit, the minority language

¹¹ See above footnote 7.

¹² The original text is available here: Закон України Про засади державної мовної політики. Документ 5029-17. <http://zakon1.rada.gov.ua/laws/show/5029-17> (2012-09-17) I used the Hungarian translation of the law published in: Kárpáti Igaz Szó [Ungvár] on the 8th, 10th and 13th August 2012

may get equal status with Ukrainian in public administration, education, judicial proceedings, etc. However, the detailed regulations on implementation are not clear, the debates concerning the status of Hungarian language in Csap and Beregszász show well the legal uncertainties of the law.¹³ The effective implementation of the law does not depend only on the goodwill of local authorities, but it also reveals broader problems of language use in Ukraine.

In a historical perspective, the recognition of Ukrainian as the official language of the country is a sign of Ukrainian political independence. Following the domination of Russian under the Soviet rule, the position of Ukrainian was expected to be reinforced. The still dominant position of the Russian language in certain areas of Ukraine makes it understandable that there are fears that the equal status of regional minority languages and Ukrainian will not create a multilingual society, but will rather preserve parallel societies in the country. Very similar concerns were formulated by the Venice Commission of the Council of Europe in its 2011 opinion on the first draft of the language law.¹⁴

In this broader context, one of the most serious problems of legislation on language use in Ukraine is that the Ukrainian government tends to consider all minority languages on an equal footing, without any distinction. When Ukraine ratified the European Charter for Regional or Minority Languages in 2005, it took the exact same obligations regarding the use of Russian language as regarding Jewish language. The enormous difference between the number of speakers of these minority languages, the social status of these language communities was totally neglected. The Language Charter (Art. 3.) offers the possibility to the State Parties to differentiate between their obligations regarding the different minority languages. The uniform approach of the Ukrainian ratification may be troublesome, inasmuch, what may seem to be a positive step for the protection of Hungarian language may be much more problematic for the position of the Russian language. This undifferentiated approach provokes harsh political debates and badly influences public opinion on the position of minority languages. This makes also the situation of Hungarian language more difficult, though originally the political debates did not arise around the use of Hungarian.

Final remarks

In sum, minority questions remain a rather problematic, but still marginal issue in bilateral relations between Hungary and Ukraine. This is largely be-

¹³ See MTI (2012): Csapon nem lesz hivatalos a magyar nyelv. October 11, 2012. and MTI (2012): Regionális nyelv lett a magyar Beregszászon. September 7, 2012.

¹⁴ EUROPEAN COMMISSION FOR DEMOCRACY THROUGH LAW, Opinion no. 651/2011, Strasbourg, 19 December 2011.

cause of the significant loss of interest on the Ukrainian side in the past decade, which seems to be independent from the election results. At the same time, the Hungarian government – for economic and political reasons – is apparently not willing to put more emphasis on this issue. Nevertheless, as the cases of the Hungarian citizenship law, the Ukrainian language law and the persistent problems of minority language education in Ukraine show, it will remain on the agenda for a long time as an issue of secondary importance.

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Ukraine and the Eastern Partnership: Views from Brussels and Budapest

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Speech presented on November 14, 2012, in Budapest, Hungary

Let me say a few words in conclusion and recall some personal memories. In my last government job, I had the privilege to visit Kyiv and to meet both presidents. I had the opportunity to have official talks with the former President, Viktor Yushchenko, and several of his office ministers, and I also had a very deep, personal meeting with the current President, Viktor Yanukovich. I could feel the flavor of the two different political drives and I could understand the situation of Ukraine a bit better.

The big question in Kyiv, all across the country and also in other parts of Europe, I think, is where the place of Ukraine is today. This is a big challenge, and of course, it depends on both sides. It depends on the Ukrainian politics and it depends mainly on the EU positions. For the moment, the EU is framing Ukraine into the Eastern Partnership program – a rather easy solution, putting together six countries and applying rather uniform treatment.

We know well that in its close neighborhood the EU likes to deal with regions. These are constructed regions, because without the EU the members are not maintaining the structure. This has always been the case with the Mediterranean area as such, which the EU constructed and keeps together. This is also the case with the Western Balkans, even the name of which has been invented by the EU after the accession of Romania and Bulgaria to the European Union. The intention was to try to keep the countries together, just like in the case of the Eastern Partnership.

I have some reservations concerning the name of the Eastern Partnership, and this is by far not the first time that I am voicing my criticism. We know well that the name comes from the Polish initiative. Poland has an “Eastern policy”, a bit similar to the Ostpolitik of Germany, which is very logical if one is in Warsaw. But if this wonderful name of Eastern Partnership is pronounced in Kyiv, one can test the result. What does the name of Eastern Partnership mean there? For an average, not knowledgeable Ukrainian who is not aware of the official, sophisticated terminology of the European Union, it means relations with Russia. I voiced this criticism in Brussels, as well, and I regret that we did not call this project ‘European Partnership’, with a much better message for the Ukrainian side.

However, this is not the major problem with the program. The major issue is the degree of engagement of the European Union. Somehow the EU is also split, just as Ukraine is split politically and linguistically: the eastern part of the EU understands well the importance of Ukraine, while the western part is much more attracted by the Mediterranean, Latin America and other connections. The enthusiasm is not homogenous in the EU, and this is reflected in the financing of the Eastern Partnership, as well. I think the program is underfunded considering its importance and its weight.

We are in a region where the EU is not the exclusive pole of attraction anymore. This was not the case with Hungary, Poland, Romania or many others that had no other option than Brussels, the headquarters of NATO and the EU, and they did not consider any other relationship. On the periphery of the eligible European states, we have two other poles of attraction that are not simple clients of the EU, but to some extent its competitors. One of them is Russia and the other one is Turkey. Both of them have a growing influence in the peripheral states of EU candidates and potential EU candidates.

In such a situation, there are two potential strategies for the EU: to compete or to cooperate. With the so-called Eastern Partners, the EU has tried both. There were also intentions to cooperate with Russia in this relationship. As one friendly message went, 'why don't we call that area a common neighborhood?' This could have been a good idea and a good starting point, since with a good name, one can already do something. But the Russian side bluntly refused, saying 'no common neighborhood. This is our neighborhood; this is our Near Abroad, not yours.'

Then came the competition and the answer was, with special regard to the Georgian-Russian conflict in 2008/09, establishing the Eastern Partnership based on a Polish-Swedish initiative. Now we have a structure that does not exclude any relations with Russia, but does not include Russia per se either. It is not a very friendly action towards Moscow, but Russia did some things in order to deserve it. In the case of Turkey the EU did not try either to cooperate or to compete. The Union is not taking note of the growing influence of Turkey in Bosnia-Herzegovina, in Macedonia, in Albania or in Azerbaijan and so on.

Ukraine would deserve much more than just being one of the Eastern Partners. Ukraine is by far the biggest among them, it has a strategic importance and it is able to change power relations in the region. There were some important statements in the presentations saying that if Ukraine is with Russia, that creates quite a different situation than Ukraine independently, acting on its own. Additionally, Ukraine could also change power relations inside the EU in the case of a supposed future EU membership. If we compare Turkey to Germany by its size, we can compare Ukraine to France – it would be a 'second

France', which would disturb the existing power relations in the EU.

How does Ukraine look to the EU? Maybe they think it is a crowded organization, more and more divided inside. This may be the impression when looking at the ongoing discussions about the next long term budget, at the Euro crisis and the debates about whether it should be solved by saving money or putting money into growth programs. At the same time, those controversial programs cover more than the next 10 years. We are now discussing a new budget until 2020, and when we are talking about the Euro, the recent 10 year program is going, in principle, until 2022. Turkey has also put a new date on the table, 2023, as its final limit to its patience waiting for EU membership. When considering the prospects of the enlargement, seemingly, the EU is minimizing the risks by negotiating with Iceland and afterwards Montenegro, which has just recently received negotiating status. The two countries together have a population of less than 1 million people. Meanwhile, the two biggest challenges the EU has to handle, Turkey and Ukraine have a population largely beyond 100 million people.

Just a few words about Ukraine and Hungary: Ukraine is by far the biggest neighbor of Hungary with one of the shortest borderlines. A funny situation: a giant standing behind a very small door. As it has been discussed today, it is an important economic partner, an emerging market, an energy transit-land. There is a Hungarian minority beyond the border, which is very small seen from the Ukrainian capital, but which is very important seen from Budapest. Anything happening in that area attracts an immediate echo in Budapest, because it is close to the Hungarian capital. However, it takes time until it reaches Kyiv and people realize over there what the problem is. So, we have a very immediate reaction in our hearts, in our press, in our media, and we have to go to Kyiv to explain what the real problem is.

Finally, there is a challenge, an interesting opportunity. I had the occasion to call the attention of some of the leaders in Ukraine to the fantastic location of Transcarpathia in Europe. Some people believe this is the geometrical center of Europe, and it looks very realistic. But there is also a political and economic importance to that region: this is the western end of Ukraine, which neighbors four NATO and EU members at the same time, Poland, Slovakia, Hungary and Romania. This is a fantastic opportunity. There are two narrow circles in Europe of a diameter of roughly 100 kilometers where five states meet. The other one is around Luxembourg with Germany, France and the Benelux countries bordering each other, which was at the origin of the European integration. This is a similar situation. So why don't we use Transcarpathia as the birthplace of a new extension of the European integration? Let's dream about the future.

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