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Foreign Policy Insight

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Foreign Policy Strategies and Decisions

Putin's embarrassment in Brisbane



On November 15-16, 2014, Brisbane (Australia) hosted the summit of the Group of Twenty (G20). No doubt, it will go down in history of international relations as the most controversial meeting of the world leaders. Its preparation generated considerable discussions regarding feasibility of the President of the Russian Federation Vladimir Putin's arrival in Australia. The members of the Group of Eight were unanimous in excluding Russia from the forum right after the Crimea annexation by the Kremlin. Yet the G20 scenario was different. World leaders took advantage of the opportunity to confront the Russian leader and demonstrate their unity in an effort to resist his aggression.

Before the summit, Vladimir Putin once again decided to "flex his muscles" and sent his warships to the Australian coast. However, his actions were counterproductive. The forum members had to enforce their rhetoric against Russia instead

Russian warships near Australian coast did not help soften the rhetoric on Putin

of alleviating it. For example, German Chancellor Angela Merkel said that the appearance of the Russian fleet is much less alarming than "the violation of Ukraine's territorial integrity". The US President Barack Obama stressed in his speech that "Russian aggression against Ukraine threatened the world". The stern words of Canadian Prime Minister Stephen Harper addressed to Putin "I guess I will shake your hand but I have only one thing to say to you: you need to get out of Ukraine" were cited by all the world's news agencies.

Meanwhile, traditional partners of Russia, namely members of the BRICS, defiantly took a stand on neutrality, which was the evidence of their unwillingness to confront the US. The latter, as it is obvious from President Obama and other top administration officials' recent statements, finally recognized the necessity to show real leadership in countering Russian aggression.

The US recognized the necessity to show leadership in countering Russian aggression

The fact that Putin was relegated to the very edge of a front row during the traditional ‘family photo’ is a heavy hint about attitude to the Kremlin host. All these factors, as well as the lack of any practical importance of Russian President’s participation in the G20 summit, made his staying in Brisbane unbearable. As a result, quite unexpectedly for most observers, under the pretext of the “need to get home and get some sleep before work”, he had, in fact, to run away before the official communique announcement and scheduled lunch.

During the G20 summit, for the first time at the highest level, the world leading countries achieved unity in opposing Russia’s flagrant violation of international laws and destruction of the world security system that prevailed after the Second World War. At the same time, it should be noted that the world leaders did not enter into any agreements on Russian aggression and that is why the protocol matters of Putin’s

Protocol matters allowed to hide the absence of decisions on thorny issues of Russian aggression

participation became a major topic of media discussion after summit completion.

It is obvious that Putin’s diplomatic embarrassment in Brisbane will have profound consequences. He has two possible alternatives at the moment — either to seek a political way to save face by gradually rolling back his aggression against Ukraine or to provoke a large-scale war in Europe trying to recover from the hours of shame endured in Australia.

The first scenario is more attractive to Ukraine because the other is highly likely to take a heavy toll of tens of thousands soldiers and civilian casualties. Nevertheless, in order to find a political way out of the situation, it is necessary to notch success up by insisting on resuming the Geneva format of talks, justifying this need by a failure of the so-called Minsk agreements due to Russia’s fault. In this context, US Vice President Joseph Biden’s scheduled visit to Ukraine on November 21 may serve a decisive role.

It is necessary for Ukraine to insist on resuming the Geneva format

Restoration of Ukraine’s territorial integrity — what to expect from the coalition?

Early elections to the Verkhovna Rada of Ukraine complied with the third requirement of Maidan, along with the signed EU Association Agreement and the election of a new President. The society, which is becoming increasingly irritated with the new government’s work, keeps abreast of the coalition and public squabbles between politicians, which last already for a month. Moreover, the solutions to some current burning issues have not been put forward yet. One of the most enormous challenges for Ukraine is, undoubtedly, Russian aggression and the restoration of the country’s territorial integrity.

Draft coalition agreement, which was published on the website of “Bloc of Petro Poroshenko” on November 15, 2014, includes as “many” as 10 provisions in section VI “The Reform of National Security and Defence” on the issues of Crimea, Sevastopol and temporarily occupied territories in Donetsk

and Luhansk regions. They mainly focus on mitigation of consequences of Russian aggression. They contain feasible solutions, such as “filing international claims against the Russian Federation”, “legal protection of the legitimate interests of the Crimean Tatars and Ukrainian citizens of other nationalities”, “programs targeted at supporting different age, ethnic, social and other groups”, information policy, the status of displaced people. In addition, a number of provisions are declarative by nature and comprise “combatting occupation authorities of Crimea and Sevastopol, as well as illegal terrorist groups in Donetsk and Luhansk regions”, “ensuring full compliance with international norms and rules as regards the occupied territories”, “measures to stimulate consolida-

The provisions of the coalition agreement on uncontrolled territories are declarative

tion of the population”, “improvement of legislation regulating economy on the temporarily occupied territories” etc.

However, the draft coalition agreement does not contain any steps aimed at restoring the status quo, which existed before the annexation of Crimea, by Russia. Instead, the rhetoric of speakers of political parties, which are extremely likely to form a coalition in the Verkhovna Rada and the Government of Ukraine, differs widely on this issue. The political project of the President of Ukraine Petro Poroshenko adopts the most pacifist position, while the party of Oleh Lyashko defends the most radical one.

In the light of increasing trend towards unification of the world leading countries’ stance against Russia’s aggression and unconditional recognition of the territorial integrity of Ukraine, such a stand of the ruling parties seems at least weird. The results of the Group of Twenty, held on 15-16 November in Australia, as well as mounting public pressure of some EU member states communities, including the Czech Republic and Hungary, on their “pro-Russian” leaders conclusively prove this thesis.

In order to derive unflagging support from the international community, the coordination and implementation of coherent strategy for regaining legitimate control throughout the country should be launched. What is more, millions of

Ukrainian citizens who live in Crimea, Sevastopol and temporarily occupied territories of Donbass expect the central authorities of Ukraine to take decisive practical steps. However, they might be turned away from Kyiv for a long time because of the lack of comprehensive vision of how and when to return territories lost due to Russian aggression, as well as the authorities’ failure to ensure the rights of Ukrainian citizens.

Ukraine needs a strategy on returning the lost territories

Considering this, the revision of coalition agreement should agree on appropriate socio-economic, legal, political, diplomatic, humanitarian, military and other measures aimed at protecting Ukraine from Russian encroachment into its territory, and prerequisites for returning the temporarily occupied districts of Donetsk and Luhansk regions, Crimea and Sevastopol to Ukraine. It is essential to ensure that both the state officials and representatives of parliamentary parties, who will soon form a coalition and the government, are consistent in their public rhetoric. Only such conditions can enlist solid support of the US, EU and other partners of Ukraine, as well as entail an increase in pro-Ukrainian sentiment on the temporarily occupied territories.

European focus

The Council of the European Union calls for reforms in Ukraine



On November 17, 2014 the meeting of EU Foreign Affairs Council took place in Brussels. As expected in Ukrainian expert community, the resolution of its results did not cause a sensation.

Preliminary to the meeting, Ukraine again highlighted the need to impose new sanctions against Russia but it was overlooked. Only 6 states, which are traditionally considered as friends of Ukraine — Poland, Lithuania, Latvia, Estonia, United Kingdom and Sweden, keep insisting on expanding restrictions on Russia.

Before the meeting, the EU High Representative for Foreign Affairs and Security Policy Federica Mogherini claimed that the situation in Ukraine would be the primary focus of the Council meeting. She also said that three complementary ways to address the issue would be discussed. Sanctions (although they are not the main purpose, according to her words), reforms in Ukraine and search for

The EU decides to extend the sanctions list by adding “leaders” of LNR/DNR

new tools in the EU-Russia negotiations were on the list. Nevertheless, the latter was not mentioned in the resolution, which signaled the lack of a common vision of this issue among EU member states.

The final document consists of 11 provisions and deals with the situation settlement in Ukraine. However, the EU resolution implies that further development is possible under two favourable conditions. One of them is a peaceful settlement in the East and the other, not less important, is reform implementation.

Peaceful settlement

The European Union repeatedly stressed its commitment to international law and called on parties of the conflict to strictly adhere to provisions under the Minsk Protocol.

The Council underlined the illegitimacy of “elections” in the so-called Donetsk and Luhansk People’s Republics on 2 November. Besides, the resolution states that all sides should work towards early local elections in accordance with Ukrainian law, as foreseen in the Minsk Protocol.

In this regard, the EU decided to extend the list of people under the sanctions. The Commission and the European External Action Service are obliged to present a proposal for decision before the next meeting of the Council of Ministers.

Such format of sanctions, on the one hand, lets Russia manoeuvre its actions, and, on the other, is aimed at exerting a calming effect on Ukraine, since it is clear that these restrictions will not lead to any severe consequences in practice. However, the resolution directly attributes the blame to Russia for what is happening in eastern Ukraine. In addition, it calls on official Moscow to assume responsibility for solving the conflict.

The foreign ministers of the European Union also urged all parties concerned to intensify the talks in the framework of the Trilateral Contact Group Ukraine-Russia-OSCE and to enable investigations into the cause of the crash of Malaysia aircraft MH17. The violation of the rights of Crimean Tatars is also a matter of considerable concern.

The Council hopes that the formation of a new government will finally offer sustainable solutions to implementing democratic changes in Ukraine, the importance of which EU officials at all levels constantly reiterate. The need for reform implementation is a top priority in most provisions of the resolution:

The EU decides to extend the sanctions list by adding "leaders" of LNR/DNR

- Welcoming the holding of parliamentary elections on October 26, the European Union expects urgent formation of a new Ukrainian government. As the EU believes, a national consensus should be sought in view of intensifying political and economic reforms, including constitutional reform, decentralization, reform of the judiciary, fight against corruption etc.;
- Welcoming the launch of the provisional application of the EU-Ukraine Association agree-

ment, the Council of Ministers recalls on the government of Ukraine to accelerate the implementation of reforms. The EU stands ready to support their adoption financially;

- Despite reaching a positive agreement on the supply of gas from Russia to Ukraine on October 30 2014, as well as reverse gas delivery from EU member states, the Council underlines the need to reform Ukraine's energy sector, by further advancing on the restructuring of the natural gas sector.

On the day of the Council meeting, Foreign Minister of Ukraine Pavlo Klimkin and the EU High Representative for Foreign and Security Policy Federica Mogherini signed an Agreement on the status of the EU advisory mission for civilian security sector reform of Ukraine. According to the Council, the synergy of Ukraine, EU, OSCE and other international partners is essential for its implementation. The last paragraph of the resolution is devoted to this issue, as well as to law enforcement agencies reforms.

In general, the Council decisions can be regarded as neutral with no potential consequences on the situation in the east of Ukraine. Escalating sanctions against so-called "leaders" of LPR/DPR will bring about negligible effect. However, too rigid adherence of Donbas regulation to the Minsk agreements is certainly negative. Obviously, neither the Russian side nor controlled by it militants and terrorists are not going to execute any of the documents signed by their representatives. However, the EU and US divergent views on initiating more efficient format of talks, namely a Geneva one, did not provide breeding ground in Brussel. The adopted resolution is a document, which has to be implemented, but it is obviously interim, unsustainable and insufficient in character.

The Council resolution is an interim, unsustainable and insufficient decision

Regional and global focus: implications for Ukraine

22nd Asia-Pacific Economic Cooperation Summit



On November 10-11, 2014, the 22nd Asia-Pacific Economic Cooperation Summit was held in Beijing. Its key topic was the creation of a free trade in the Asia-Pacific region. Leaders of the APEC member countries supported the idea regarding a new economic space creation, which has been proposed by Beijing, and agreed to organize a two-year project on studying the Chinese initiative.

China has proposed an idea to create FTA in Asia-Pacific region

The idea of the Free Trade Area of the Asia-Pacific (FTAAP) is obviously considered as an alternative to the processes already initiated by the US, Canada and the European Union concerning the

creation of an economic space that would unite the most industrialized countries of the West. For the first time, Beijing announced a possibility of establishing free trade area with industrially developed countries and is ready to start a dialogue on new trade and economic relations not only with the US, but also with Japan, South Korea, and Australia. The negotiations with the latter was successfully held before the G20 summit. At the same time, the US conduct negotiations on creation of a free trade area within the so-called Trans-Pacific Partnership that should include 12 countries. However, neither China, nor Russia is included in this list.

One of the major outcomes of the APEC summit for Russia is the signing of the Memorandum

on energy supplies between the Russian Federation and China to be carried out through the so-called “Western route”: gas transportation from gas fields in Western Siberia to China through the pipeline “Altay”. It is planned to launch direct supplies in 2019.

A similar contract on “Eastern route” was concluded between Russia and China in May 2014. The “Eastern route” provides for supplying 38 bln cubic meters of Russian gas per year through the gas pipeline “Power of Siberia”. However, Russia has miscalculated regarding this issue — Beijing does not agree to its proposals on co-financing the construction of the pipeline estimated at \$ 55 — 70 bln. It was assumed that the Chinese side would allot USD 25 bln for this project implementation. Experts point out that without an advance payment, the construction price can rise and it did not pay while maintaining the prescribed 30% duty. Even despite economically unfavorable conditions (Profitability of the project is very low for Russia), the Russian side is ready to make such concessions.

Russia agreed to conclude economically unfavorable gas contract with China

It is clear that Russia seeks to diversify its gas supply routes reinforcing cooperation with Asia. Being in the economic isolation initiated by the Western countries, Russia tries to get the support of Chinese partners. In addition, the Kremlin considers China as the main investor. Such an interest can be explained using the following arguments: due to the introduction of Western sanctions, the Russian companies “Rosneft” and “Gazprom” announced the need for additional financing, and the imposed restrictions deprived the monopolies of Western concessional lending.

The National Welfare Fund of the Russian Federation (NWF) allocated about USD 43 bln to these companies. At the same time, “Gazprom” needs a positive information sphere to conduct a successful marketing campaign and attract foreign loans. It is also likely that the Russian gas monopolist may request crediting and propose cooperation in the gas sector to companies from India and South Korea.

Moreover, the Russia’s decision to diversify gas supplies is associated with the loss of 35% of the European gas market over the past 10 years. After numerous gas

Russia has lost 35% of the European gas market over the past 10 years

conflicts with Russia, the EU countries have been steadily diversifying streams of natural gas, have successfully implemented energy efficiency programs, which substantially reduced their demand for hydrocarbons, and launched the alternative and renewable energy programs.

Diversification of Russian energy resources export towards Chinese direction will indirectly affect Ukraine — in terms of financial costs for gas transit. Currently, 55% of all “Gazprom” gas exports is carried out through Ukraine. It should be emphasized that current gas export balance can be characterized as follows: gas export to Europe amounts to 79%, to Asian countries — 18%, to North and South America — 3%. Thus, if Russia reduces key gas flows to Europe, diversifying export of hydrocarbons to China, it is expected that Ukraine will suffer financial losses from the reduction of gas volumes, transited through the territory of our country.

The Russian-Chinese gas contract will cause reduction of gas transit through Ukraine

However, it should be taken into account that implementation of the joint Russian-Chinese project will be launched only in 2019. Until that moment, Ukraine has all possibilities to modernize its gas transportation system and propose the creation of a “gas hub” in its territory.

Meeting of the Asia-Pacific Economic Cooperation was full of diplomatic activities. In particular, amid escalation of the situation in Ukraine’s East considerable attention has been paid to the talks between the Russia’s President Vladimir Putin and US President Barack Obama. According to official statements of Washington, no formal meetings between them either in Beijing, or in Brisbane have been planned. However, a few brief conversations between V. Putin and B. Obama were held on the sidelines of the summit, lasted about 20 minutes

APEC Summit in Beijing turned out to be a preamble to G-20 meeting in Brisbane

and covered major issues, which actually caused considerable tension between the US and Russia: the aggression of Russia against Ukraine and Moscow’s support for the Syrian government of Bashar al-Assad. Uneasy relations between the leaders of the two countries could be observed during public events at the summit.

The US position on Ukraine remained the same: blaming the Kremlin for escalating the situation and supporting separatists in eastern Ukraine, the Head of the White House threatens long-term iso-

lation of Russia. Such political tactics may have serious consequences for the Russian President as he seeks to be respected and influential at the geopolitical arena.

Expanding Russian influence in Balkans: Ukrainian lessons for Serbia

European leaders are realizing that Russia's attempts to extend its influence have an active tendency to go beyond the traditional area, which comprises CIS countries, Eastern Partnership countries, including Ukraine, Moldova and Georgia. For the first time, German Chancellor Angela Merkel publicly made a mention of such a threat during her speech at the Lowy Institute for International Policy in Sydney as part of her G20 visit to Australia.

Russia is trying to get its influence within watershed boundaries of Cold War times

Russia's influence beyond the "watershed", which was formed after the Cold War, until recently has aimed at creating divisions within the EU and supporting Russian positions on sensitive issues, including imposition of sanctions. It concerned both current EU member states (Hungary, Bulgaria, Czech Republic, Slovakia, etc.) and candidates for accession — including the Balkan countries to be strengthening pro-Russian positions within the union.

At the same time, due to the situation in Ukraine and in the context of recent disturbing geopolitical trends, the Russian strategy of influence in the Balkans may change and transform from using soft power methods into implementing Ukrainian-like scenarios.

Russian strategy of soft power in Balkans may be changed by implementing the Ukrainian scenario

Such a threat is considered as the most likely scenario for Serbia, which with the deepening crisis between Russia and the West has to balance between its European, Euro-Atlantic aspirations and historically close relations with Russia.

On the one hand, over the last years, Serbia has made a significant progress towards European integration, signed an Association Agreement in 2008

and became a candidate country in 2012. In January 2014, the EU Council approved the start of negotiations on the accession of Serbia to the European Union.

However, the situation regarding Serbia's accession to the EU looks very similar to the Ukrainian situation on signing of the Ukraine-EU Association Agreement observed under Yanukovich — Azarov times. On the one hand, the Prime minister of Serbia Aleksandar Vučić declares the European aspirations of Serbia, but the Serbian government is in no hurry with carrying out reforms required by the EU. Currently, the ruling elite of Serbia is interested in having weak state institutions, politically dependent judicial system and media that ensure their strong power positions. The reforms, implementation of which is a prerequisite for EU membership, may jeopardize continuation of tenure of the current Serbian political actors.

Serbian situation on EU membership looks very similar to the Ukrainian one observed under Yanukovich — Azarov times

Moreover, negotiations on Serbia's EU membership are complicated by Kosovo issue that is extremely sensitive to the Serbs. Although formally Brussels does not require Serbian recognition of Kosovo's independence, the main condition for continuing negotiations on the EU accession of Serbia is establishing dialogue with the Kosovo's authorities.

These trends lead to mutual fatigue for both EU and Serbia and it continues to grow. As an evidence, European leaders, including the new President of the European Commission Jean-Claude Juncker, state that it should not be expected that some of the Western Balkan countries would join the EU over the next five years. On the other hand, the EU is losing its attractiveness to the Serbs. For example, in 2000 the level of support for Serbia's accession to the EU reached 80%, now, for the first time, it is

less than 50%. Anti-European sentiment in Serbia continue to grow that resulted in demonstrations against the country's accession to the EU and for integration with Russia held on November 16, 2014 in Belgrade. Tens of thousands of people participated in the demonstrations. Although, it should be noted that such a number is not critical for this country, where over the past 15-20 years, hundreds of thousands of citizens took to the streets for other reasons.

The level of support for accession of Serbia to the EU fell below 50%

For Russia, Serbia is not just a strategic partner, but probably the only bridgehead for further expansion of its influence in other Balkan countries, including Bosnia and Herzegovina, Macedonia and Montenegro. Therefore, Moscow is consistently trying to deepen its influence using the same tools that were successfully used in Ukraine and other former Soviet republics. It is primarily about economic and energy expansion, as well as implementation of a project on unique Orthodox Slavic civilization, which is opposed to the western one. Serbia remains the only European country outside the CIS that has a free trade zone with Russia, while Germany and Italy are its largest trade partners.

EU relations with the countries that received candidate status comprise the need for conducting the Common Foreign and Security Policy (CFSP). At the same time, there is a unique situation when Serbia allows itself to take its own stand on sanctions against Russia. In negotiations with the EU, Serbia insists on the absence of such a CFSP in the EU referring to different position of EU member states on Kosovo issue. Because most of the EU member states have recognized Kosovo's independence, while Slovakia, Romania, Spain, Greece and Cyprus refrained from such a move.

Serbia insists on the absence of a common EU foreign policy

In negotiations with Brussels, official Belgrade is insisting that its EU integration should not contradict maintaining traditional historical ties with Russia. As an example of this position, Belgrade is trying to use the opportunities received as a result of imposition of Russian food sanctions on EU food products. In this regard, at the end of August 2014, the European Commission issued a recommendation not to increase food supplies to Russia for partner states and candidate countries. In its official state-

ment, Belgrade stated that the Serbian government would not grant subsidies for the export of Serbian products to Russia. However, Serbia is not going to suspend production or export of goods to Russia. At the same time, Serbia is periodically blocking attempts of several European countries to circumvent Russian embargo by supplying goods via Serbian territory. In this regard, Brussels found itself in a rather delicate situation. It is quite difficult to talk about embargo on, say, the export of Serbian strawberry to Russia while the issue of the handover of French helicopter carrier Mistral to Russia has not been settled yet.

Belgrade took advantage of Russian food embargo

Another aspect of the Balkan riddle is that Serbia is an observer state at the Collective Security Treaty Organization (CSTO), which is led by Russia. A year ago, Serbia and Russia signed the Agreement on military cooperation, which set out directions for their collaboration in peacekeeping operations, joint military exercises, exchange visits of military personnel and hardware. Under this agreement, on November 14, 2014, Russia and Serbia conducted joint military exercises, the largest ones for the last 30 years. The military exercises took place 60 km of the border with Croatia, a NATO member state. By doing so, Russia is trying to show the world that it has allies in Europe.

As regards Ukraine, Serbian officials stated that "just as Kosovo should be part of Serbia, so Crimea should be part of Ukraine". At the same time, in March 2014, Serbia did not support the United Nations General Assembly Resolution 68/262 entitled "Territorial integrity of Ukraine", which condemned Russian annexation of Crimea. Instead, Ukraine does not recognize the independence of Kosovo in compliance with the principle of respect for sovereignty and territorial integrity of all states within internationally recognized borders, though Kosovo joined the EU sanctions against Russia.

In August 2014, Prime Minister of Serbia Aleksandar Vučić publicly acknowledged that a few dozens of Serbian citizens were taking part in armed conflict in Eastern Ukraine on the side of the self-proclaimed DNR and LNR. Serbian Prime Minister condemned such actions of his fellow citizens. Serbians volunteers supporting pro-Russian separatists in Ukraine's East represent the Serbian Chetnik nationalist movement. This movement is often

characterized as “Orthodox Taliban”. Also, Chetnik movement proved to be terrorist-like in all armed conflicts and wars in which Serbia was engaged. According to other sources, representatives of this radical movement actively supported Russia during the Crimean crisis. At November 2 pseudo-elections in Eastern Ukraine, there were two “observers” from Serbia, the first one being Vladimir Djukanovic, a member of Serbian parliament from the ruling party.

2015 will be the moment of truth in defining Serbian position on Russian actions in Ukraine, as in 2015 Serbia will take up the presidency in the OSCE. The OSCE is currently playing a crucial key role in the resolution of Ukrainian-Russian conflict. On the hand, presidency in the OSCE may help Serbia on its way toward EU membership. On the other hand, Serbia is not willing to risk its relations with Russia.

During its presidency in the OSCE, Serbia will not be able to risk its relations with Russia

For the EU, Serbian position will be a very important test. On the one hand, Serbia used to be a destabilizing factor for the entire Europe. In this regard, the EU should keep Serbia in check. On the other hand, there are certain common values and single approach to the pressing issues of the present time, which are shared and promoted by the EU.

Now the EU is trying to act toward Serbia in the same manner it acted toward Ukraine when Victor Yanukovich just became the President. The EU calls Serbia the best student in EU integration class and turns a blind eye to multiple cases of violation of the freedom of speech and absence of other democratic standards in Serbia. This shows that Europe treats Serbia not as a subject but rather as an object of international relations. Serbia is not viewed as a separate country, but rather as part of the Balkan region with Belgrade still having a great influence and being essential to stability in the region.

Russia does not officially object to Serbia's membership in the EU. If Serbia becomes an EU member state, then Moscow will have a close partner inside the EU. In addition, Russia expects that Serbian integration into the EU will provide a negative example of EU integration as such that does not bring about expected changes, i.e. democratization and high living standards. In the first place, this may see the EU more tired of the EU enlargement process, and thus postpone Ukraine's integration into the EU.

At the same time, there are certain preconditions, which can force Russia to change its tactics toward Serbia, and shift from the scenario of a soft influence from within the EU to harder destabilization of the situation like Russia did in Ukraine. Russia is trying hard to keep the desire of many Serbians to retaliate for Kosovo alive. The proof of this is public perception shared by many Serbian citizens that “Kosovo is part of Serbia, and Crimea is part of Russia”. There is also the support of Russophile centres for Novorossia's independence from Ukraine, which they view as a precondition for Kosovo's return to Serbia. It leads to the conclusion that Serbian society tends to think of Crimea as the Russian revanche and example to follow for Serbia itself. If such a tendency keeps growing and the Kremlin succeeds in destabilizing the situation to retaliate for the humiliation of Vladimir Putin at the G-20 summit in Australia, the repercussions for the entire region will be hard to predict, while the issue of Ukraine will become a second consideration on the European agenda.

In Serbia, much of its population seeks revenge for Kosovo

In addition, Serbian collective memory still holds the bombing of Belgrade during the presidency of Slobodan Milošević and Moscow's betrayal of their country, when the UN introduced long-standing sanctions against Serbia and when the status of Kosovo was on the table. A top priority task for the EU is counteraction to Russian information propaganda in Serbia as well as full-scale cooperation with civil society and political elite of Serbia, — the Balkan country, which is key to stability in Europe.

For the time being, it is essential for Serbian population and its political elite to realize that their country, just like Ukraine, is being used in a deep geopolitical game of confrontation and concessions between main players, namely the US, the EU, Russia, and China. Ukrainian and Serbian governments seem to underestimate the importance of domestic reforms, which are the only way to strengthen their position and make them into independent players on the international arena, which was the case with Poland or Turkey. At the same time, Serbia is in a much better position, as it has not passed over the point of bifurcation and the case of Ukraine may become a lesson to Serbia.

Reforms are the only way to transform both Serbia and Ukraine into influential players

Russian sanctions against Moldova and their repercussions for Ukraine

On June 27, 2014, Moldova signed the Association Agreement with the EU, which entered into force on September 1, 2014. Russia's reaction was prompt. Russian government cancelled zero export duty on Moldovan products. Shortly afterwards the Ministry of Economic Development of the Russian Federation presented the document, which provided for several scenarios of the restrictions on economic and trade relations with Moldova. As a result of such purposeful pressure, during the introduction of tougher international sanctions against Russia in August-September 2014, Moldovan Prime Minister Iurie Leancă stated that Moldova did not support sanctions imposed on Russia and was willing to continue to cooperate with Russia.

Moldova has opposed the introduction of sanctions against Russia

The ninth parliamentary elections in Moldova are set for November 30, 2014. According to some experts, Moldovan voters favour pro-European politicians. Along with the announcement of the first election ratings of Moldovan political parties, the Kremlin launched concerted media campaign, which made Moldova aware of possible restrictions that would be placed on Moldova in the future if Moldova continued its way toward European integration. First of all, it will affect the banking sector, trade and energy sector.

It should be noted that since 1991 Russia has been an exclusive gas supplier for Moldova and Transnistria. According to "Gazprom", around 1 bln cubic meters of gas is supplied to Moldova annually. Transnistria receives 2 bln cubic meters of gas per year. In 2011, Russian-Moldovan long-term gas agreement expired. Russia laid it as a condition that if Moldovan government wanted to sign another gas agreement with Russia, Moldova should refuse to enter the European Energy Community and join the Third energy package. Since Moldovan government did not yield to Russian demands, a long-term agreement with Russia on gas supply was not signed. Today, gas is supplied to Moldova under the old agreement, which Moldova and Russia prolonged for the next period.

Russian officials stress the financial indebtedness of Transnistria to "Gazprom" for the gas they consumed in an amount of USD 4 bln dollars. They also stress that it is Moldovan government that should pay off Transnistria's gas debt, as Moldova does not recognize the independence of Transnistria and regards it as its own territory. Moreover, Moldovan government itself owes Russian government USD 500 mln in debt.

Transnistria gas debt is to be paid off by Moldovan government

Moldovan attempts to diversify gas supplies through gas reverse supplies from Romania have not yielded expected results. The Ungeny-Yassy gas pipeline, which was launched on August 27, 2014 to link Moldova with Romanian gas transport system, is out of use. The reason for temporary suspension of Ungeny-Yassy gas pipeline is "Moldovan-gas" blocking the signing of additional agreements with Romania. However, even if Moldova receives Romanian reverse gas supplies, it will be able to receive only about 50 mln cubic meters of gas per year, i.e. 5% of the gas volumes it actually needs. According to technical specialists, Moldova has all chances to increase reverse gas supplies up to 50% in its energy balance. At the same time, considerable investments are needed to streamline and modernize Moldovan gas transport infrastructure, which will take around 2-4 years.

Romanian reverse will provide only 5% of the volumes of gas required for Moldova

Therefore, Russian officials are now using gas as an instrument of pressure on Moldovan government in order to change the direction of Moldovan foreign policy. In particular, officials from the Ministry of Energy of the Russian Federation state that they are ready to introduce restrictions on gas supplies to Moldova. In case of the escalation of the situation, Russia can even suspend gas supplies to Moldova altogether. Repercussions of Moldovan-Russian gas conflict may hit Ukraine:

Repercussions of Moldovan-Russian gas conflict may hit Ukraine

- Firstly, Ukraine may not receive profits from gas transit to Moldova. Since around 100% of Russian gas is supplied to Moldova through Ukrainian gas transport system every year (which makes a total of 3 bln cubic meters of gas), this may negatively affect Ukrainian budget revenues;
- Secondly, if during the heating season Russia suspends gas supplies to Moldova, it is likely that Europe will reverse gas to Moldova through Ukrainian gas transport system after certain technical operations have been made. However, it will mean the reduction of European gas reverse supplies to Ukraine, which in the light of the current coal and electricity deficit is of vital importance to Ukraine;
- Thirdly, Russian actions as to gas supplies to Donetsk region in compliance with the Transnistria scenario will become clear when terrorist groups in the self-proclaimed DPR and LPR will receive Russian gas supplies. Ukrainian government will have to pay for that gas. In view of the fact that Donetsk and Luhansk regions consume 20 % of all gas consumed by Ukraine, Ukrainian gas debt may be quite substantial;
- Fourthly, the Kremlin is likely to be considering the simultaneous suspension of gas supplies to Ukraine and Moldova during the heating season with the aim of worsening the humanitarian situation in both countries bordering the EU.

The aim of the publication is to provide analysis of Ukraine's foreign policy in the context of global processes in the region and the world, as well as an overview of major world events that may have an impact on the further development of Ukraine and the region. Special attention is paid to the European integration of Ukraine, in particular implementation of Ukraine–EU Association Agreement.

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