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# Foreign Policy Insight

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# Foreign Policy Strategies and Decisions

## CIS summit without Ukraine



**O**n October 10, a CIS summit took place in Minsk. Ukrainian President Petro Poroshenko refused to attend the summit. On the one hand, it is a logical decision, which became the continuation of what was the curtailment of Ukraine's participation in the CIS. It should be noted that Ukraine has never regarded itself as a full CIS member. Following the Euromaidan revolution and Russia's annexation of Crimea, Ukraine decided to withdraw from the CIS. According to the Head of the Press office of the Ministry of Foreign Affairs of Ukraine Yevhen Perebyin, the reason for such a decision was "breaching of the Agreement establishing the CIS by supporting Russian annexation of Crimea by individual CIS countries". It was also pointed out that "Ukraine retained the right to adopt decisions on the appropriateness of Ukraine's membership in the CIS".

**President  
Poroshenko  
refused to attend  
the CIS summit**

At the same time, it comes as a surprise that no clear explanation from Ukrainian authorities, which would clarify Ukraine's stance on the CIS, has been presented that. Just in one interview for a TV channel, Mr Perebyinis stated that this decision was "a signal to the CIS that the CIS countries are making a mistake supporting Russian actions in Ukraine". Mr Perebyinis is rather naive if he thinks that authoritarian regimes of the post-Soviet countries of Central Asia, Caucasus and Belarus, which have been dependent on Kremlin, will support a democratic path of Ukraine's development.

**No clear explanation  
of Ukraine's  
position on the CIS  
has been presented**

But the fact that no document on the termination of Ukraine's participation in the CIS has been adopted since the overthrow of Yanukovych corrupt regime indicates that a final decision on this issue is yet to come. In addition, prior to Minsk summit, in a phone conversation with Belarusian

President Aleksandr Lukashenko, Ukrainian President Petro Poroshenko even apologized for being unable to attend the meeting personally. Instead, the Minister of Foreign Affairs of Ukraine Pavlo Klimkin stated that the participation of the Ukrainian delegation in this event will be ensured by the Ambassador Mykhailo Yezhel, who attended the summit.

Petro Poroshenko  
apologized for his  
inability to attend  
the meeting

Thus, the abstention from participation in this year's CIS summit can be regarded as a light diplomatic démarche rather than a conscious decision aimed at withdrawing from this ineffective organization, which was established in 1991 to solve issues related to the break-up of the Soviet Union and which was not intended to establish cooperation between the newly created states. On October 10, the Verkhovna Rada of Ukraine registered the draft law on the suspension of the Agreement establishing the CIS. The fact that authors of the draft law were only MPs from "Svoboda" party indicates that the chances that the incumbent Parliament

will adopt it are very narrow.

Instead, Ukraine should finally make a decision. The example of Georgia, which after the 2008 events withdrew from the CIS, shows that the withdrawal from the CIS does not bode ill for countries that decided against the CIS. The only thing that needs to be done before the start of legal procedure of Ukraine's withdrawal from the CIS is the inventory of international agreements, which were concluded by Ukraine as a CIS member. Ukraine should announce its legal position on which agreements are to be kept binding upon Ukraine and which should be denounced. It is quite obvious that in view of CIS countries' support for Russian actions, be it direct or latent support, the further format of relations between them and Ukraine should be determined. From now on, the priority should be given to the bilateral format of relationships between Ukraine and CIS countries.

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## Putin puts on hold the "Novorossiya" project ?

Russian President Vladimir Putin ordered to "return 17.6 thousand Russian servicemen to their permanent bases after military exercises in Rostov region". This contradictory decision has been explained in different ways. On the one hand, according to an optimistic version, Putin decided to alter his policy on Ukraine and demonstrate his disposition to replace war with peace. But Russian hawks and opposition leaders consider it to be Russian major military and political defeat and call Russian president almost a traitor. To support their claims, they presented the number of Russian military losses — up to 4 000 dead, great capital outflows worth around USD 100 billion, hyperinflation, political isolation, painful sanctions etc.

At the same time, one should not see things only in white and black. Over the last few years, there have been many official and informal discussions on the appropriateness of Russia's withdrawal not only from G8, which happened almost automatically, but also from G20, the next summit of which

is set to take place in Australia in November. For Russian diplomacy, it is very important to prevent diplomatic failure in this regard. The absence of Vladimir Putin at the summit would mean a total political isolation of Russia. The situation was complicated by the fact that Australian political circles do not stop debating on this issue. Even Australian Prime Minister repeatedly stated in his public comments that Vladimir Putin would take part in the summit solely because the Prime Minister does not have the right to veto his participation.

For this reason, being fully aware that in order to reach some consensus on this issue, it is necessary to make at least a step backward, the Kremlin decided to publicly announce its decision, which may make everyone think that Russia will stop supporting pro-Russian bandit and terrorist groups in Donbas. It seems, perhaps, that this decision opens a window of

Vladimir Putin  
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opportunities for Kyiv as regards the intensification of Ukrainian actions aimed at forcing Russian mercenary soldiers out Ukrainian territory. Until August 24, with a number of glorious victories behind, it seemed that it would take only a few weeks to regain control over the entire Donetsk and Luhansk regions.

However, two factors should be singled out. Firstly, the restoration of legal order in Donbas would become a personal defeat of Vladimir Putin. For this reason, he will not let this happen by any means, at least in the near future. The announced withdrawal of Russian forces does not mean the closure of mercenaries training base in Rostov region, nor does it indicate that the Russian army will not be sent to Ukraine again after the Ukrainian army's new victories. And secondly, Petro Poroshenko's style of state governance and attitude show his intentions to "stabilize" the situation in Donbas. Given the choice between safeguarding Ukraine from further territorial losses and restoring territorial integrity putting everything at stake, Poroshenko voted for the first option.

Thus, Russia is not going to wind up its Novorossiya project. Today, one can see that right after the

G20 summit in Brisban, the Kremlin will be looking for ways to escalate the situation in Ukraine. Alongside its attempts to worsen the situation in Donbas, the Kremlin will try to destabilize southern and eastern regions of Ukraine. With this being taken into account, the unexpected time-out initiated by Vladimir Putin should be used to reinforce the defence in Kharkiv, Odesa and Kherson regions as well as ensure full-scale rearmament of Ukrainian military, improvement of military command and preparation for autumn-winter campaign. In addition, in view of the intensification of Russian diplomatic efforts against Ukrainian lobby groups at the OSCE, Council of Europe and the EU, Ukraine should immediately focus on the renewal of its effective diplomacy aimed at large-scale military and financial cooperation with countries that are supporting Ukraine. American, Canadian and European directions are the key ones.

**Russia is not going to wind up its "Novorossiya" project**

**Ukraine should immediately restore the effectiveness of its diplomacy**

# European focus

## Putin's friends in European Parliament «send regards to Ukraine»



Last week, Committee on International Trade of the European Parliament failed to adopt the decision on prolonging the autonomous trade preferences for Ukraine under fast track procedure. Trade preferences mean the exemption from imports fees for Ukraine. It received only four votes of European MPs — Helmut Scholz (Party of the European left, Germany), representatives of “Europe of freedom and direct democracy” David Borrelli (Italy) and William Dartmouth (Great Britain) as well as French Marine Le Pen, who created a blocking minority and voted against the fast track procedure.

On the one hand, such decision is not a reason for panic, since it is not final. It is not about the refusal to prolong trade preferences. The International Trade Committee cannot bring up the issue under simplified procedure with the 10% votes of a blocking minority. On September 20, a second

meeting of the International Trade Committee is set to take place, at which a standard procedure will be applied. Thus, there are good chances that the green light to this fast track procedure will

**It is not about the refusal to prolong trade preferences**

be given. However, the fact that this issue will be passed to the European Parliament for consideration is somewhat alarming. In case of postponement of the relevant decision, there might be delay in prolonging trade preferences for Ukraine as the previous decision, adopted in May, will be valid only until November 1, 2014.

Thus, no matter where the consideration of this issue may go, there is no doubt that the activities of Putin's friends in the European Parliament have intensified. This is the first alarm signal from Brussels to Kyiv. To avoid further unpleasant surprises, necessary preventive measures should be taken.

Firstly, the contacts with European MPs should be intensified, and not only before or during plenary sessions of the relevant committees, but also on a permanent basis.

It is quite evident that it will take more than just diplomatic efforts by Ukraine's representative in the EU Kostyantyn Yeliseyev and other Ukrainian diplomats in Brussels, no matter how professional they

might be. It is necessary to reinforce Ukrainian embassies in EU countries as well as enhance interparliamentary relations. This is not an easy task to do, given the delay in the appointment of new Ukrainian ambassadors and ongoing electoral campaign. However, recent statements by Petro Poroshenko in France and Poland give hope that at least for the first time this complication will be overcome.

## The Verkhovna Rada of Ukraine should adopt the draft law “On technical regulations and compliance assessment”

The draft law “On technical regulations and compliance assessment” has been submitted to the Verkhovna Rada of Ukraine. The said draft law is one of the key European integration projects. It actually rounds off a series of legal acts, namely the Law of Ukraine “On standardization” and “Metrology and metrology activity, the adoption of which removes technical barriers and legal obstacles in the trade in manufactured products and will facilitate the access of Ukrainian manufactured goods to the EU market as well as markets of other developing countries. This draft law was put on Parliament's agenda on the last session day of the incumbent Ukrainian Parliament — that is October, 14. However, the draft law was not considered by MPs due to early closing of the parliament session because of provocations outside the parliament building. If the draft law is not adopted at a special session, as urged by the Chairman of the Verkhovna Rada of Ukraine Oleksandr Turchynov, the trade in manufactured goods may be impeded for another year.

The objectives of the technical regulations are protection of life and health of people, animals and plants, environmental protection and protection of natural resources, energy efficiency, legal protection of property, national security and prevention of the sale of poor quality products.

In practice, technical regulations are the most serious form of non-tariff regulation. All products manufactured and supplied onto Ukrainian market

(except for some minor exceptions) should meet the requirements of relevant technical regulations. In EU territory, as well as in other countries, these standards are elaborated, adopted and applied based on the principles established by the WOT Agreement on Technical Barriers to Trade, which

**Technical regulations are the most serious form of non-tariff regulation**

were added to the 1994 Marrakech Agreement establishing the WOT and which are legally binding for all WTO members, including Ukraine. Also, the existing Ukrainian legislation, as regards technical standards, does not meet directives of the EU New and Global approach that detail requirements for the elaboration of similar European acts. If the existing technical standards do not meet necessary requirements, the imported products will not be able to enter foreign markets, where these standards are applied, namely the EU market.

Currently, the issue of elaboration, adoption and implementation of regulations and conformity assessment procedures, including mandatory certification is regulated by the Law of Ukraine “On Confirmation of Conformity”, “On Standards, Technical Regulations and Conformity Assessment Procedures” and the Decree of the Cabinet of Ministers of Ukraine “On Standardization and Certification” and a number of other regulations. At the same time, some provisions of these legislative acts are duplicated or not consistent, and some rules do not

cover certain provisions of the WTO Agreement on Technical Barriers to Trade. As a result, the principles of the WTO Agreement on Technical Barriers to Trade as regards their elaboration, adoption and implementation are not applied to the most of the national legislative acts, which are technical regulations in their essence. This, in turn, leads to the non-observance of Ukraine's obligations as a WTO member.

Instead of the laws of Ukraine "On Confirmation of Conformity" and "On Technical Regulations and Conformity Assessment", it is proposed to adopt the Law of Ukraine "On Technical Regulations and Conformity Assessment", which would consolidate legal and organizational principles for elaboration, adoption and implementation of regulations and conformity assessment procedures. It would allow not only to eliminate contradictions, but also enable adaptation of the national legislation to the EU legislation more efficiently.

Thus, the draft law creates a legal framework and mechanisms for adoption of the EU directives that would allow initiating the process of transition to European standards and fulfillment of

### Current legislation does not cover specific rules of the WTO Agreement on Technical Barriers to Trade

### The draft law envisages an establishment of a single national standardization body

all Ukraine's obligations in the industrial sector. Ensuring compliance with mandatory EU technical regulations would stimulate the unhindered turnover of products between Ukraine and the EU. The draft law envisages an establishment of a single national standardization body in accordance with European practice.

Adoption of the abovementioned draft law will positively affect both the Ukrainian producers and consumers. First of all, it will help to open markets of the European Union and developed countries for Ukrainian industrial producers. Therefore, it will help to mitigate the effects of a trade war with Russia and the loss of the Russian market.

Introduction of a new technical regulation system, according to the European standards, will lead not only to an improvement of goods and services safety, but also contribute to a better institutional consumer protection. At the same time, a higher level of industrial products safety means that products, which do not meet safety requirements, but are probably cheaper, will be excluded from the market. It concerns both domestic producers, which will not be able to adapt to new requirements, and less safe import goods. This may adversely affect consumers with lower incomes, but in the long term, the use of safer products will improve health of the population, decrease the instances of injury, etc. Therefore, it may offset the cost of purchasing safer products.

# Regional and global focus: implications for Ukraine

## Russia's economy suffers recession



International sanctions have a significant impact on the economic situation in the Russian Federation. Problems with the ruble exchange rate, state budget deficit, lack of credit resources for large companies, decline in foreign trade activity – all these have already affected the life-styles of ordinary Russians. However, economic trends can be better characterized by key indicators.

**GDP.** In August, Russia's Ministry of Economic Development warned that Russia's economy was balancing between recession and stagnation. The forecast of the Ministry of Economic Development of the Russian Federation provides for GDP growth by 0,5% in 2014. The World Bank forecasts GDP growth in Russia also by 0,5%, in 2014, by 0,3% and 0,4% in 2015 and 2016 respectively. Thus, the greatest economic

The World Bank forecasts GDP growth in Russia by 0,5% in 2014

growth slowdown is forecasted for 2015, which are going to reflect the results of sanctions.

**Budget.** The situation with the budget of the Russian Federation is much worse. The Russia's budget had 138.0 bln rubles deficit in September 2014. It is 2.0% of GDP for that month. Since one of the main indicators to be fixed in the budget is the oil price, the situation with the budget will deteriorate due to decline in world oil prices.

**Ruble exchange rate.** On October 13, Russian ruble exchange rate broke another record against the dollar and the euro, which cost USD 40.46 and RUB 51.20 respectively. The main reasons for ruble drop are the general decline in world oil prices and capital outflows due to Western sanctions. During the last ten days, the Russian central bank spent USD 6 bln to support the ruble. Since the year be-

Russian ruble exchange rate broke another record

ginning, the ruble lost 18 percent of value against the dollar. In general, the problem of the national currency stability is one of the key indicators, as it affects purchasing power of the population, inflation, investment and trading activities.

**Inflation.** According to Rosstat, cumulative inflation in September was 6.5%. It is a maximum since September 2011. For comparison, inflation in the fourth quarter of 2013 was 1.7%. This significant increase in inflation can be observed in the future to be resulted in deterioration of the situation with fixed personal income, reduction of incentives for savings, manufacturers' reorientation to produce low-quality products.

**Capital outflows.** According to the Bank of Russia, from January to September 2014, banks and enterprises have taken out USD 85.2 bln, which is 1.9 times more than the same period last year. However, according to the Ministry of Economic Developments of the Russian Federation, about USD 100 bln are going to be taken out of Russia at the end of 2014. Such a significant capital outflow will deteriorate the economic situation in Russia. As a result, a further tax revenues reduction in the state budget, reduction of foreign exchange reserves and the general stagnation of the economy will be observed.

**Capital outflow has increased by almost half compared to 2013**

**Foreign trade activities.** Russia imports a significant portion of food products from abroad. For instance, in 2013, 40% of imported agricultural products were produced in the EU, 4% - in the United States. Due to the trade embargo and the fact that Russia is not able to fully replace imports, the increase in prices for some food products (meat and dairy product group) by 40% is expected.

**Oil prices.** The rapid decline in oil prices at the world market in a complex with sanctions imposed by the USA, EU and other countries regarding the Russian energy sector significantly affect the monetary and banking system of Russia. The current trend towards a drop in world oil prices, as evidenced by EU tacit consent on sanctions abolition against the Iranian company NITC, will allow the latter to resume cooperation with European partners and get access to previously blocked financial and technological assets.

Strengthening the Iran's position in the global energy market will lead to a weakening of aggressive

Russia's energy policy. In addition, Western sanctions have blocked the possibility for Russia to buy shelf production technologies and production platforms. It stops the development of projects on oil and gas production, deep drilling in the regions of Siberia, as well as slows projects in the Arctic. As a result, Russia has enormous natural resources, but has no technology for their production. And in order to create their own similar capacities, Russia needs time and money.

In addition, complication of the geopolitical situation around Russia and its domestic economic problems are spoiling the Kremlin's ambitious plans to accept oil and gas payments in ruble. At the same time, the Kremlin's hopes for Chinese organizations' activities have not been justified. Currently, official Beijing

**Kremlin's plans to accept oil and gas payments in ruble are being spoiled**

is in no hurry to oppose Western sanctions, far-seeing and analyzing the possible risks from such cooperation. Actually, Chinese banks do not intend to invest in large-scale Russian projects. Investors of the Middle Kingdom have their own interests in other countries. This means that Beijing is aware of the role assigned to it by the Russian partner and do not want to be an instrument of struggle in Moscow-Washington-Brussels confrontation. As a result, the Chinese company CNPC refused to make an advance payment for the construction of gas pipeline "Power of Siberia". "Gazprom" had to delay the launch of the project for two years.

**Beijing does not want to be an instrument of struggle in Moscow-Washington-Brussels confrontation**

Ukraine should use the drop in world oil prices and domestic economic complications as a "trump card" in negotiations with Russia. It is illogical to talk about gas price at USD 385/ thousand cubic meters, while the cost of oil is fixed in the gas pricing formula and Brent oil price has dropped by 12% over the last 3 months.

In general, economic situation in the Russian Federation does not seem to be optimistic due to the imposed sanctions and the drop in world oil prices. Economic deterioration will be observed in the future. In particular, 2015 will be a year of the greatest results reflection of the Russia's military and trade aggression.

# Reformatting the Polish government

**O**n October 1, 2014, the new Polish government, headed by Ewa Kopacz, received a vote of confidence from the Sejm. Government's reformatting has taken place due to the election of Donald Tusk (who led the Polish government since 2007) as the President of the European Council. However, 13 ministers from the former Tusk's government kept their seats, and a new government has got 6 new personalities, including Prime Minister Ewa Kopacz.

A particular interest was caused by the candidacy of the new Minister of Foreign Affairs as regards the consequences of the government's changes in Poland for the entire region. For seven years, Radoslaw Sikorski, which is considered as the "Ukraine's advocate" in the EU, has been occupied the post of Poland's foreign minister. As a MFA head, Radoslaw Sikorski took steadfast position against Russia's ambitions in Eastern Europe. Mr. Sikorski together with the former Minister of Foreign Affairs of Sweden Carl Bildt initiated the EU Eastern partnership program in 2009, which provided for rapprochement of Ukraine, Moldova, Georgia, Azerbaijan, Armenia and Belarus with the member states of the European Union. Under his guidance, Poland has managed to play an important role in imposing EU sanctions against Russia as a result of Russian activities in eastern Ukraine. The new Prime Minister of Poland Ewa Kopacz decided to replace Sikorski in the new government and appointed Grzegorz Schetyna. In turn, Sikorski received a post of the Polish parliament's speaker.

Until the last moment, it was expected that the post of the foreign minister will be given to former Poland's Minister of Finances Jacek Rostowski. However, this candidacy was rejected by Bronislaw Komorowski, who appealed to the lack of Rostowski's diplomatic experience. The candidacy of the new MFA head has received a wave of criticism and surprise, as Grzegorz Schetyna also does not have extensive experience in the diplomatic field. Obviously, he does not enjoy such an authority and does not have such international contacts as his predecessor. In addition, information that

**Grzegorz Schetyna has been appointed as a head of Poland's MFA**

**The new MFA head lacks diplomatic experience**

Schetyna does not even speak English fairly fueled debate among his critics.

G. Schetyna's appointment is considered rather in the context of internal Polish politics and party competitiveness. Leaders of the Poland's ruling party "Civic Platform" are trying to prevent a split in the party. G. Schetyna was considered as Donald Tusk's biggest rival in "Civic Platform", but was subsequently marginalized as a politician. There were concerns inside the party that he or his supporters may form their own group. Thus, G. Schetyna's appointment to the post of the Minister of Foreign Affairs is, in fact, an attempt to "pacify" him before the upcoming parliamentary elections 2015.

**G. Schetyna's appointment should be considered in the context of internal party competition**

Analyzing the first statements of Ewa Kopacz, the newly appointed government of Poland will be focused on its own domestic politics rather than the "Ukrainian issue", taking into account the fact that the parliamentary elections in Poland will be held in autumn of the next year. The new government's head, speaking on "pragmatism of the new Polish government as regards Ukrainian issue", has already hindered that she was not inclined to follow a policy of active support for Ukraine, conducted by the previous government. Such statements of the government's head and change of the foreign minister in times, when European eastern borders are under threat, fairly stirred up society and caused a number of questions concerning Poland's position on the Ukrainian crisis. As regards security policy, Eva Kopacz intends to focus on closer cooperation with the EU and NATO, and not to "brandish the sword around on their own". G. Schetyna, in turn, assured about his intention to follow the Sikorski's policy, albeit with his own corrections, emphasizing the importance of foreign policy inheritance under current challenges.

Obviously, Poland will be supporting Ukraine further, but as part of more powerful Western efforts, and will be playing a less central role in shaping the international response. Even if government's priorities will be changing in the near future, Poland's foreign policy direction is unlikely to be changed.

**The new Polish government will focus on its own domestic politics**

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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