

V. Novitsky. International security aspects of foreign economic reform in Ukraine

(End-product of the research, brochure of about 70 pages)

The brochure deals with one of the most pressing and complicated problems of post-communist development of Ukraine - international security aspects of the country's foreign economic reform.

The totalitarian regimes' disruption and the former SU economic disintegration have turned the C&EE into an unstable and troublesome region. And Ukraine that provided about 1/4 of the Soviet industrial and military potential and that after its collapse found itself in urgent need of deep and all-round reform can be regarded as one of the key centers of the post-communist development, reflecting all its problems and contradictions.

So, proceeding from the interrelationship between the foreign economic reform and security issues in order to clarify the security and geostrategic dimensions of Ukrainian independent development, the author attempts to solve the theoretical problem by studying Ukrainian policies concerning NATO expansion, the country's perspectives in view of European integration after gaining of the state sovereignty, as well as noting the Western Alliances' priorities in Ukrainian reform and its aftereffects.

This approach gives rise to the problem of the relationship between the national economic and political interests and the international gains of insuring stability in the region of C&EE, as well as better grounds for some of its countries entering NATO.

The brochure contains expanded bibliography and appendixes with the relevant statistic analysis.

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NATO OFFICE OF INFORMATION AND PRESS

FINAL Report

Valery NOVITSKY

**INTERNATIONAL SECURITY ASPECTS
OF FOREIGN ECONOMIC REFORM IN
UKRAINE**

KY-V - 1997

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**NATO RESEARCH FELLOWSHIP PROGRAMME
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INTRODUCTION:

THE CALL FOR THE POST-COMMUNISTIC REFORM: UKRAINIAN PRIORITIES AND GOALS

Ukraine and its people are confronting the threefold task of consolidating statehood, defining priorities of the nations foreign policy, as well as its role in the international community, and cardinal restructuring the economy. It also can be said, that Ukraine -- the country that provided about 1/4 of the former Soviet Union industrial and military potential and that after its collapse found itself to be the World third nuclear power, can be regarded as one of the key centres of post-Communist development, reflecting all its problems and contradictions.

Really, the issue of Ukrainian post-Communist reform exists in a broader international context. One of its signs is the disruption of totalitarian regimes and Warsaw Pact, as well as the Soviet Union economic disintegration and collapse of COMECON -- the former regional co-operation mechanism of the so-called "socialist camp", that have turned the Central and East Europe into an unstable and troublesome region. The dramatic consequences of this fact appeared to be in the focus of international concern for the latest period of time. Some of them acquired the forms of disastrous military conflicts, such as wars in Chechnja and former Yugoslavia. Some others - like those on the Western territories of the former USSR, jeopardise the whole European and even World security framework and lead to economic, social and political uncertainty.

Still, Ukraine is not the only country evidently demonstrating that economic transformation is not a simple linear process of gradual accumulation of positive development results. As it was commented by I.Burakovsky¹, the experience of many post-Communist countries shows that market-oriented transformation begin

¹ Burakovsky I. The crisis of Transformations and the Strategy of Controlled Shock //Political Thought. - No 1, 1995. - P. 132 - 133.

and proceed under the conditions of a large-scale production recession, which reduces drastically the gross domestic product. Really, all the former COMECON member-states faced the slowing-down of their economic growth in the late 1980s, which was accompanied by rising inflation, imbalances of demand and supply, foreign debts, etc. And one of the most influential components of this slump is the loss of traditional sales markets following the collapse of the COMECON and USSR.

But unfortunately it worth saying that after more than five years of Ukrainian independence the country, unlike some of its Western neighbours, has not yet achieved an effective and evident stabilisation of economy, and Ukraine's inability to overcome its deep social, political and economic crisis remains an important destabilising factor for the region of the Central and Eastern Europe (C&EE). Thus, since the beginning of 1990s industrial output in Ukraine has been falling consistently, although the fall rate was considerably reduced in 1995 and 1996.

All these crisis phenomena took place despite this country having been rated very highly by home and foreign experts in terms of its economic and geopolitical prospects at the start, considering rich Ukraine's physical resources². So the algorithm of radical and irreversible solution in all the corresponding spheres must be found. There is also a political, as well as an international self-confirmation practical aspect important for Ukraine as a newly independent state of giving a clear evidence to the international community that the country can manage with the whole scope of its problems.

As it was stressed by Ukrainian President L.Kutchma, unlike most of other Central and East European states this country in its definite strive for integration into European

² In Ukraine there are nearly eight thousand separate deposits, harbouring some 90 different minerals, of which 20 are economically significant (Ukraine. Human Development Report 1995. - Kyїv, Blitz-Inform Press, 1995, p. 6.).

cultural, social, political and economic life should overcome not one, but two artificial obstacles dividing it from the rest of the continent. First - are the vanishing Western borders of the former Warsaw Treaty. The second constitutes Western borders of the CIS, isolating Ukraine, as well as some other former SU states from its nearest Western neighbours. And the task of eliminating these barriers is an integral part of Ukrainian modern state-construction process³.

Another difficulty was of psychological origin. For many Ukrainians, especially those living in the country's Eastern and Southern regions, "not-only-Russian" foreign policy and economic strategy orientation is not something that goes without saying, as it naturally appears for the population of Poland, Hungary, Czechia or Slovakia. Still, L.Kutchma as a true successor of the former Ukrainian President L.Kravtchuk activities towards independent state building "in the end strengthened his ability to lay foundations for Ukraine ... with a foreign policy oriented more towards the West and less towards Russia"⁴.

Certainly, the problem stated in the title of the Report, do not presume the author's ability to give the answers to the whole spectrum of the pressing and burning related questions of nowadays. Still, it constitutes the important element of the complex issue of the post-Cold War international relations. The upgrown attention to Ukraine was reasoned by the more pragmatic evaluation by the West of this country's long-term stabilisatory role fostered by the loss of the Western leaders illusions concerning the democratic reform in Russia, as well as by the definite need of the Central European states in such a natural shield as Ukraine and its political support of their strive for merging into NATO. It worth mentioning also that Ukraine becomes the more and

³ Kutchma L. Ukraine and Europe. From the Speech in Geneva International Conference Centre 21 March 1996. - Urjadovy Kourier, 1 58 - 59, 28 March 1996, p. 3.

⁴ Rupert J. Bloodless Battle. - Business Central Europe, June 1995, p. 20 - 21.

more active part to many of the influential subregional international organisations and bodies like Organisation of Black Sea Economic Co-Operation, or is on its way to the Central European Initiative. It also worth saying that Ukrainian initiative on creating a zone of security and co-operation in Europe contributed the internationally adopted formula the C&EE region security system⁵.

Prima facie the problem of international economic security can be also viewed through the dichotomic “domestic -- foreign” approach. In this case we mean:

- a) internal regulative aspects dealing with the national foreign economic sector and resulting in the political developments of the certain kind, and
- b) foreign economic preconditions of effectiveness and dynamism of the open economy in Ukraine.

The first economic security factor is the resulting function of the social, political and economic reform in this country. The second largely depends on the development of the international division of labour system, correlation between global and CIS economic tendencies. It worth saying that the latter has also another aspect -- practical decision-making process in foreign countries, as well as international groupings, primarily European and G - 7 structures.

It is an evident fact that the market-oriented foreign economic reform is an important pre-condition of the dynamic democratic social transformation and industrial reconstruction. The following question inevitably arises in this attitude: what is the correlation between it and the problem of ensuring international security?

First, successful economic reform itself is an important factor of organic nation’s integration within the international community that can’t but secure stable positive relationships

⁵Brooz V. Ukraine in the United Nations: The Problem of National and International Security//Political Thought. - No 4, 1994. - P. 182.

with other states on the basis of mutual benefit and interdependence.

Second, democratisation of social institutes resulting from establishing more open economic system and freer movement of labour force is the urgent necessity for the internal progressive restructuring of power mechanism, making the country's foreign policy more predictable. This process contributes then to social and political infrastructure unification that can be viewed as the other international security element.

The third security aspect of foreign economic reform, just like the second one, is also of indirect origin. Still it displays its very important role too. Industrial reconstruction and the national economic reform in the whole are another non-alternative factor of the country's stability and security⁶. As the matter of fact, both these characteristics in such a military powerful state as Ukraine, situated in the geographical centre of Europe, but still in its peripheral region, considering the continental centripetal tendencies, are of great importance for the cause of security in World-large scale.

In other words, the security issues of Ukrainian foreign economic reform must be studied considering international partnership dimension, both economic and political, specifically in regard with Partnership for Peace Programme. Thus, the interdisciplinary approach that presumes the synthetic analysis of political and economic aspects is adopted in this project in order to work out the internationally secure criteria of market-oriented foreign economic reform in Ukraine.

⁶ Plotnikov O. NATO Enlargement and Ukrainian Economic Strategies: the Problem of Correlation //Transition to Market. - Ky v, 1995, p. 45.

1.1. Analytical and Synthetic Approaches to the Problem of Regional Development

Starting with the detailed bibliography analysis of the problem, the following important preliminary comment has to be made. The idea of international security in the context of foreign economic developments in Ukraine cannot be made sense of without considering the wider context, specifically the logic of the process of internal socio-economic reform in Ukraine, influenced by the external multisphere developments in World, European and CIS-large scale.

Another reason to draw the wider bibliography spectrum is the evident lack of publications aimed directly at the particular issue integrating foreign economic reforms and security policies in Ukraine. So, the real task of this Chapter is to analyse the methodology of studying the organic components to the problem and then to synthesise them in the next Chapters in order to comprise their layout, as well as the detailed conclusions and other derivations from this piece of research.

The stock of literature devoted to all the aspects mentioned, is very diversified. According to the methodology of this project research the analysis of the literature to the problem must be regarded through the following three principal issues.

The first issue constitutes the appraisals of the security goals and the perspectives of Post-Communist, Post-Soviet development as the specific historic phenomenon radically changing the nature and the character of the global scene and the balance of forces.

The second deals with more detailed study of Ukrainian geopolitical, geoeconomic priorities in the security context, as well as the country's real opportunities to provide for them. It also includes those publications devoted to the

different international security aspects of foreign economic reform in Ukraine proper, including conversion studies. It has also the most practicable economic nature aiming at working out the key criteria of foreign economic reform in accordance with the whole reforming process in the country.

The third comprises the stock of research works studying the foreign prerequisites of the new Ukraine's status as a security factor in the region of East and Central Europe.

1.2. Post-Soviet Studies and the Problem of Ukrainian National Peculiarities

Security studies on post-Communist, post-Soviet development including its economic aspects have obviously become the logical transformation of the former Sovietology during the period of Cold War.

Thus, the leading Sovietologist Zbigniew Brzezinski in his books and numerous articles revealed his vision of a new international security system embracing economic integrative aspects and foreign economic reforms in the Newly Independent States (see Bibliography to the Report).

In his article "The Great Transformation" this author presented a complex approach to the post-Communist transformation process that presumes 3-phase development of political and economic systems in accordance with several "basic types of positive/negative gestations which impact the pace of transformation".

Other aspects of international security problems dealing directly or to a certain extent with economic reforms in Eastern Europe, particularly in the former SU and in Ukraine, were studied in other works of Zbigniew Brzezinski ("The Premature Partnership", "NATO - Expand or Die").

Quite realistic and profound view on the political and economic development of the post-Soviet states was presented by American economist and futurologist A. Toffler in his books ("The Third Wave"; "Wars and Counterwars..."), articles and other publications. For example, A. Toffler in his

interview to “Express” journal⁷ stated that Ukrainian nuclear disarmament and withdrawal of Ukrainian nuclear weapons to Russia could not be regarded as the sufficient guarantee of the continental and global military stability. As to this author the menace of Russian right-wing shift and ultra-nationalism is one of the reasons to consider the wider context, presuming Ukraine’s radical foreign economic and political reorientation to the West instead of aimless reliance on one or another Russian politician’s good will. Still, as Ham P. Van stressed, Western Sovietologists were not necessarily experts in Baltic, Ukrainian or Central Asian affairs, so Western policy towards these regions used to be the object of improvisations⁸.

Many various issues related to the problem were covered by Yuriy Pakhomov (“Ukraine on Its Way to the World”), Ian J.Brzezinski (“From Rapprochement to Integration: The Next Challenge of Ukraine’s Europe Policy”), W.Weidenfeld and M.Huterer (“Eastern Europe: Challenges - Problems - Strategies”), and by many others.

1.3. Controversies Surrounding Ukrainian Independence: Assessments and Prognoses

The security issues as to the process of economic and political reform are mainly developed by “Continental” Ukraine’s or Ukrainian Diaspora’s politologists and economists. It worth saying that foreign economic development from one side, and security, military situation from the other are highly integrative for this country. Thus, two of the main problems discussed for the first period after independence were nuclear disarmament and its economic cost partially paid by the West, and Black-Sea Navy partially

⁷Le choc des guerres du futur// Express: Paris, 31 mars, 194, 1 2229, p. 44 - 47.

⁸Ham P. Van. Ukraine, Russia and European Security: Implication for Western Policy. - P. Institute for security studies of WEU, 1994. - YI.

been sold to Russia. These problems were covered by Ivan Bortko (“Nuclear Disarmament of Ukraine: Financial Dimension”), Dmytro Vydrin (“Ukraine on the Nuclear See-Saw (Yesterday, Today and Tomorrow”).

Ukraine as a new security factor for international politics is viewed differently by the different authors, depending on their attitude to the basic issues of political and economic developments of nowadays, mostly on the very essence of the post-Cold War processes and new Russian-West relationships.

Victor Budkin in his article “Politics and Ideology in External Economic Strategy of the New Independent States” emphasises the necessity of the well-balanced position of Ukraine as of an independent state, constituting the influential factor in World economic system.

There are also authors arguing the idea of non-nuclear status of Ukraine and upholding the idea that the country’s economic situation will gain from a more rigid military policy as a foreign economic reserve for Ukraine. Still, contrary to the inspired by pro-imperialistic Russian ideologists’ stereotype of Ukrainian nuclear monster, there were only few, mainly Communist-orthodox and ultra-right nationalistic UNA-UNSO publications of definitely anti-West orientation.

1.4. Foreign Policies Towards Ukraine: Studies of Shaping Factors

It can be said, that increasing attention to Ukraine in the context of guaranteeing European security and international stability, particularly from the Western countries during the latest years is quite rational and therefore understandable. A very characteristic position towards the problem of shaping western foreign policies towards Ukraine was expressed by Fernandes Garcia in his article “Some Security Aspects in the Relations between Russia and Ukraine together with other Problems within Independent

Ukraine”: It is true, that Ukraine appears to be outside our West European Geographical space but on no account could this be a pretext to ignore its existence for the stability in Europe”⁹. According to many authors in Ukraine and abroad, obvious gaining momentum of Russian nationalism, the syndrome of a “defeated in the Cold War nation” and the aggravating confrontation of that country with the West, can not but bring to Russian imperial revanchism. Its most likely outlet -- the campaign aimed at restoring the control over Ukraine, and the most efficient way of such a campaign is economic pressure.

In this connection Z.Brzezinski wrote in his article “The Cold War and Its Aftermath”¹⁰ that establishing new and effective economic ties with Ukraine, as well as active support for this country’s industrial modernisation is the easiest and the cheapest way for the west to strengthen its security and to prevent another global military challenge from Russia.

Similar ideas were expressed by the participants of the Discussion at the Open Meeting by Kyiv’s International Club “Political thought” Volodymer Brooz (“Departing from the Policy of Neutrality”), Yevgen Kaminsky (“On the American Factor in Ukrainian - Russian Relations”), as well as by Boris Tarasyuk (“Risks and Instabilities in Central and Eastern Europe”) and other authors.

D.Mahncke in his paper “Parameters of European Security”¹¹ stated that uncertainty of Russian future as of a country possessing great nuclear arsenal, is a reason to

⁹ Fernandes Garcia. Some Security Aspects in the Relations between Russia and Ukraine together with other Problems within Independent Ukraine //Le Monde Atlantique, No 60, November 1995, p. 46.

¹⁰Brzezinski Z. The Cold War and Its Aftermath (Conclusion), Polityka i Tchas, no 1, 1993, pp. 48 - 55; no 2, 1993, pp. 43 - 48.

¹¹Mahncke D. Parameters of European Security. - Paris: Institute for security studies of WER, 1993. - V, 41 p. - (Chaillot papers; No 10).

consider the security problem in wider context. The latter embraces not only military defence aspects, but also the wide spectrum of foreign economic issues of the neighbouring countries, including Ukraine, modern development.

The authors of the book "Towards a new Partnership: US-European relations in the Post-Cold War Era"¹² regard the collapse of democratic institutions in Russia as one of the possible scenarios of Russian development. In such a situation, as to them, the internal stability and effectiveness of foreign economic situation for Ukraine and other countries are to be considered as the instruments to make better guarantees from Russian territorial claims.

Among many other published researches, devoted to the problem, we can also mention the following ones: "Ukraine, Russia and European Security: Implications for Western Policy"¹³; "Russia as a factor in Ukrainian Security Concepts"¹⁴; "Russia and Its Southern Flank"¹⁵; "Challenges - Problems - Strategies"¹⁶; "War and Peace: European Conflict Prevention"¹⁷; "The Situation in Central and Southeast European Countries"¹⁸; "Systematic

¹²Towards a new Partnership: US-European relations in the Post-Cold War Era/Ed. by Gants N., Roper J. - Paris: Institute for security studies of WEU, 1993. - IX, 251 p.

¹³Ukraine, Russia and European Security: Implications for Western Policy. Paris: Institute for security studies of WEU, 1994. - YI, 61 p.

¹⁴Russia as a factor in Ukrainian Security Concepts// Aussenpolitik. - Hamburg, 1994. - Vol. 45, 1 1. - P. 68.

¹⁵Russia and Its Southern Flank// Aussenpolitik. - Hamburg, 1994. - Vol. 45, 1 2. - P.156 - 165

¹⁶Challenges - Problems - Strategies. - Gutersloh: Bertelsmann, 1993. - 103 p.

¹⁷War and Peace: European Conflict Prevention. - Paris: Institute for security studies of WEU, 1993. - 58 1. (Chaillot papers; 1 11).

¹⁸The Situation in Central and Southeast European Countries //Aussenpolitik.- Hamburg, 1994. - Vol. 45, 1 2. - P. 134 - 145.

Transformation in the East of Europe: Tasks, Risks and External Aspects”¹⁹.

¹⁹Systematic Transformation in the East of Europe: Tasks, Risks and External Aspects - Koln, 1994. - 36 p.

2.1. Ukrainian Sovereignty: Economic Factors of Regional and International Stability

Ukrainian sovereignty has already become one of the key factors of the post-totalitarian political and military situation in the region of Eastern Europe. In its turn, economic element of this sovereignty can be regarded as the basis and pre-condition for an independent policy and security of Ukraine, the guarantee for the predictable military policy of this country.

After the dissolution of the former USSR, its military machine became the hotbed of instability and threat of conflicts of regional scale displaying the signs of the new Russian - West confrontation. The main reason of this tendency is the extreme national-patriotic and Communist shift in Russia.

Russia was striving for two goals at once. The first was to reserve the control over the maximum of military forces located on the territories of other former Soviet republics (the initial claim towards Ukraine was to pass to Russia at about 70 % of its military forces). The other was to establish the united military command of the CIS under Russian command. (As it was typically stated by one of Russian former officials, "the establishment of combined armed forces as the main and long-term goal of military co-operation within interested CIS member - states"²⁰.)

Ukraine did not support the so called Russian peace-keeping operations (very often these operations can be regarded as empire keeping ones), more then that, this country became the only part to actively resist this strategy in the CIS region. The central ideological claim in this concern from Kyїv was the statement that Ukrainian powerful and effective army is the guarantee for peace and

²⁰ITAR-TASS Foreign Broadcast Information Service, Daily Report for Eurasia, 24 August 1993, p. 1.

stability in the region. Still, the West has had difficulties in coming to terms with very idea of emerging another, different from Russia, powerful state in the region. Thus, US President G. Bush had called just after the adoption of Independence Act in August 1991 on Kyïv to abandon its very aspiration for withdrawal from the USSR.

The Western policy towards Ukraine as a self-contained state was changing slowly, in respect of the realities of the new balance of forces In the region, and the threat of the Communist regime restoration in Russia. The West has realised the geopolitical advantages that it derives from the existence of Ukraine as a friendly centre of power of strategically important location and proceeded to more energetic political exploitation of this situation.

Unfortunately, the economic component to the multiaspect Ukrainian - West co-operation is still lacking behind. As V.Budkin, prominent Ukrainian economist and politologist, wrote, Ukraine have found itself in an extraordinary position in the contemporary political context: the widening of its political relations with other foreign countries has not brought about any notable progress in economic relations for them.²¹

In other words the real jeopardy for the whole process of Ukrainian and NATO military forces' coming together is the fact of extremely tense economic situation in Ukraine. It is quite probable that the shortage of financing Ukrainian armed forces will torpedo this military co-operation and lead to destabilisation in the country. So, proceeding from the tasks and the evolution of the very character of military and foreign economic reform in Ukraine the following two stages in its development can be singled out.

The first one was the gaining the most vital signs and attributes by this country of a sovereign and independent state. From the point of military-building view its maim

²¹Victor S. Budkin, Politics and Ideology in the External Economic Strategy of the New Independent States, Political Thought, No 2, 1994, p. 153.

results were creation of Ukrainian military force, independent from Russian unpredictable and pro-empire strategy-making centres. This gain was made possible due to slow, facing many difficulties, but steady process of economic sovereignisation. The main Ukrainian interest gained, that was fully shared, still not supported during this initial stage by the West, was prevention of united CIS military forces' creation.

Ukraine also "contributed" to the complicity of the post-Soviet military reform. Thus, the suspension by the Supreme Rada (the Parliament) of Ukraine of the ratification Start 1 Treaty and Non-proliferation Treaty had obviously negative effect on economic relations of Ukraine with Western powers. Still, from the other hand, this political action drew Western politics' attention to the fact of insufficiency of their former "mono-successor" approach to the New Independent States considering great international influence and active role of the collapsed Soviet Union.

The second stage is related with the tasks of gaining by Ukraine of its place in the international division of labour system, as well as with radical military reform converting the country's troops into flexible and mobile defence-type armed forces. Ukraine has already reduced the number of men under forces from about 1 million up to the range from 350000 to 400000, targeting in accordance with the Defence Doctrine (adopted in October 1993) to the strength of 250 000 servicemen²² enrolled on the professional base.

Still, the further reduction in the armed forces strength can hardly be completed without the risk of loosing loyalty of the officers staff, suffering from delays in payments and poor housing conditions. And also, as it was completely truly written by V.Krotykov, a noticeable increase of the Army's role in the political life of the post-totalitarian period in the former USSR, its claims to transform itself into an independent political force, even more and more frequent

²² Pikhovshek V. and Pett Ch. Transformation of the Ukrainian armed forces// NATO Review. - October 1994. - 1 5. - P. 23.

attempts by politicians to count on the Army's support in power contests - all these and other factors make it urgent to solve immediately the problem of relationships between the military and civilians and to prevent the Army from becoming directly involved in the political life of Ukrainian society²³

Obviously, the necessity to cope with all the problems being already politically resolved, but still requiring precise control, such as Ukrainian nuclear disarmament, dismantling of rocket launchers and with other security challenges of the second phase of military, call for massive financial investments the national economy, weakened by the deep crises can not afford. Among economic projects are houses construction for officers, sponsored by Germany, establishing of education systems for retraining of retired and discharged army servicemen under conversion process.

Another problem is to optimise the territorial structure of Ukrainian army. The contradictiveness of the situation lies in that though Ukraine has no territorial claims to other states, the first-strike offensive capability is what the states troops were trained when they constitutes part of the Soviet military machine. Another example is the positioning of Ukrainian troops: they are located in the west and south-west of the national territory, that is not adequate to the spectrum of factors threatening Ukrainian sovereignty and territorial integrity. Thus, though there is another one country claiming in this or that form the integrity of Ukrainian territory besides Russia - Romania, proceeding from the political realities as well as from the balance of forces, the situation does not require "Romanian accent" in the defence policy.

Summing up the above it can be said that the radical reform in Ukrainian security policies, though there many obstacles, is slowly going on. The nature of these obstacles are mainly of financial character. The vivid example of this is the development around Black Sea fleet. Ukrainian initial

²³Krotykov V., Ruining the Ukrainian Army: The Road to Losing Independence? In: Does Ukraine Have a Military Elite? The analytical survey, Political Thought, No 1, 1995, p. 127.

positions were quite favourable if compared with Russian chances to gain full control over it. However, Ukrainian economic situation that turned to be much worse than that of Russian and resulted in smaller salaries of Ukrainian servicemen, raised Russian stakes and contributed to the aggravation of the political climate in relationship between the two states²⁴.

Another reason for the remaining uncertainty of Ukrainian geopolitical choice is the semblance of vacuum for this state striving for securing its new and positive role in the international and political and economic communities. Beginning from 1994 the situation has started changing for the better. This fact became more clear after Ukrainian political forces recognised sincere and favourable Western attitude to this country's participation to RFR programme. Another positive sign is the admission of Ukraine in the Council of Europe.

These and some other issues of such a "structural integration" are the point of the further exposition.

2.2. Ukrainian Move Towards Europe and Forming the Country's Foreign Strategy: Synchrostageous Processes

One of the major challenges facing NATO is the Alliance's adapting to the conditions and requirements of the modern development, actively promoting the new economic interrelationships and the division of labour system emerging after the collapse of the Eastern block. In other words, it is really necessary to establish the adequate link between the process of forming the new model of the Alliance's political and military strategies, and the deepening in qualitative economic co-operation forms, and also broadening geographically European centripetal tendencies. That's why

²⁴ Plotnikov O. NATO Enlargement and Ukrainian Economic Strategies: the Problem of Correlation //Transition to Market. - Ky v, 1995, p. 47.

the problem of Ukrainian move towards Europe is an essential part of the East European security studies, not only accounting for the economic benefits for Ukraine, resulting from the better co-operative climate, but also proceeding from the positive role the country can display on the continental military-political scene.

The process of dismantling those negative elements of the post-World War II continental political structure associated with the existence of two separated Germanies, and of countering the West the East-European block, has changed the very notion of the definition "Europe" in its political sense. Speaking about the security issues of its main after-effects such a principle fact can be mentioned as the gradual acquiring by the continent the features of an undivided social and economic unity.

The course of the continental development has evidently shown inadequacy of opposing the EU integration as a "good example" to the national determination and sovereignisation in the region of C&EE. On the contrary, the latter can be regarded as an important prerequisite for the pro-European move of Visegrad group member-states, as well as Ukraine's greater openness to Europe. Instead of this not existing contradiction another one is really arising - the growing opposition between the emerging new Europe and pro-empire (either Communist-type like in Zjuganov or Lukashenko cases or nationalistic-type like in cases of Zhirinovskiy, Primakov or Luzhkov) tendencies on the FSU territory. So this aggravating contradiction fosters Central European states to provide for their security by integration into the former-West-only political, economic and military structures.

Another important political aspect of Euro-integrative issues is connected with the East-European sub-regional developments in the context of wider continental processes. Thus, the inevitability of the future integration of the most C&EE countries within the EU and NATO structures can be regarded as a reason for greater concern of the both

Western communities about the working out the advance pre-integrative strategies in order to develop transport infrastructure, restore on a market basis the regional co-operation in processing industries, provide for the better ecological policies etc. This set of limited in time projects should be oriented at the long-term priorities securing positive results noticeable for a prolonged period of time.

Emerging Ukrainian market system and the country's crucial need in securing its firm basis for the dynamic international co-operation model foster its activities aiming at more close integration within European economic and political structures. The EU constitutes for Ukraine an important and capacious market, as well as the source of long-term investment. It can be said also that establishing closer links with the EU for Ukraine is an essential instrument for securing its independence.

In order to ensure better external guarantees for Ukrainian stable and progressive democratic development and market reforming the following joint effort of Ukraine and the EU in a wide spectrum of their multiaspect co-operation are needed:

- establishing new military-political relationship model and defining Ukraine's place in the European collective security system;
- common action in the conversion process of the post-Soviet military machine inherited by Ukraine, including establishing the system for the retraining of retired and discharged officers, so that these individuals can adopt the requirements of the civilian society²⁵;
- more active Ukraine's participation in the existing continental organisations responsible for the working out of the Community's policies in social, economic and humanitarian fields;

²⁵ Pikhovshek V. and Pett Ch. Transformation of the Ukrainian armed forces// NATO Review. - October 1994. - 1 5. - P. 22.

- harmonising Ukrainian foreign trade regulative procedures, its national system of trading infrastructure, etc. while creation of the market operational mechanism in accordance with the EU practices; bringing Ukrainian foreign trade legislation in conformity with the relevant EU regulations, including the unification of excise procedures, and Ukrainian Commodity Nomenclature for External Economic Relations and the Combined Tariff and Statistical Nomenclature operating in the countries of Western Europe;
- adaptation of the imperfect Ukrainian system of statistical reporting, standardisation and classification in accordance with that used by the EU member-countries, exchange of statistical information, provision of necessary statistical macro and microeconomic information to implement and manage economic reforms, as it was stated in The Agreement on Partnership and Co-Operation between the EU and Ukraine²⁶;
- Ukraine's integration into the continental business information nets in order to provide for better grounds of the national entrepreneurs' co-operation with their EU partners;
- granting favourable treatment for the establishing and operation of Ukrainian and the EU companies on the territory of the EU and Ukraine respectively in accordance with the general provisions of the Agreement mentioned²⁷;
- provision of credit and other forms of financial support to mutual export-import operations, especially for the small and medium business;
- mutual granting tariff preferences and liberalisation and further step-by-step removal of the tariff and non-tariff regulation and import restrictions.

²⁶ The Agreement on Partnership and Co-Operation. The full text of the Agreement signed in Luxemburg on 16 June 1994 between the EU and Ukraine. Ky v, 1994, p. 46.

²⁷ The Agreement on Partnership and Co-Operation, p. 18.

2.3. The Geopolitical Problems of Foreign Trade Reform in Ukraine

Starting with the detailed analysis of Ukrainian geoeconomic perspectives, as well as of principal goals of foreign trade liberalisation in Ukraine, a brief historic outlook on the cardinal aspects of the problem is considered to be appropriate. Specifically, the very evolution of foreign exchange and trade systems is to be studied and assessed.

After the collapse of the former Soviet Union, Ukraine as a successor of the centralised Soviet economy, maintained highly restrictive and complicated set of foreign trade regulations. The starting situation in Ukrainian foreign trade was also characterised by compulsory necessity in signing intergovernmental agreements in order to provide any co-operation process. So only after the national economy's structure was established, and the most vital agreements with other countries (primarily with former Soviet republics), outlining the agreed quantities of goods to be traded in the nearest perspective were signed, the task of foreign trade geopolitical reorientation turned to be one of the most urgent one.

In terms of the development of Ukraine's foreign economic relations the 1991-1995 period may be seen as one of forming commercial and co-operative relations with the world economy. It has been characterised by waffling in foreign economic strategy and sluggishness in carrying out the necessary reforms. Ukraine's dependence on various imported supplies (mainly energy resources and certain raw materials) has appreciably limited its room for geopolitical manoeuvre and hampered its ability to fulfil domestic socio-economic and defence, military tasks. There were also such negative factors as limitations in resources, fall in production, and currency instability that had created less than optimal conditions for expanding exports and countering the growth of imports.

In the foreign trade sphere the years of independence have witnessed a certain rethinking of Ukraine's objectives, perspectives, and priorities in the area of international cooperation. The initial arguments against economic sovereignisation of the "Ukraine-cannot-live-without-Russia"-type were based on the calculations of potential losses Ukraine would suffer from disrupting economic ties with Russia and other CIS countries. As a rule, staggering figures were named, e.g., 75 - 85 % of gross industrial output.

Still, unscrupulous character and biased to a pro-empire political ideology of such claims are undoubted. While speaking about pragmatic economic interests and cooperation goals the methodology of economic blockade and political intimidation were employed. In fact, a full - scale "rupture of ties" did not take place. The real state of affairs is demonstrated by the dynamics of the main indicators of Ukraine's foreign trade with the so-called "near" and "far" abroad. For instance, while in 1991 the share of the former Soviet republics in Ukraine's export was 85.4% vs. 14% for the outside world²⁸, in different month of 1995-1997 the ratio had changed to 40% - 50% against 50%- 60%). As for the so called Far Abroad, the export-increase index for the period of January-August 1996 was 110.3% as compared to the same period of the previous year²⁹.

It might seem that these hard conditions must lead to the restoration of an integrated economic complex, taking into account, above all, low absolute indicators of Ukraine's foreign trade, including exports, and the difficulties of competing with Western producers. But this did not happen. Ukraine has lately been showing increased values of export outside the former USSR. In other words, the ideas of an unconditional imperative for CIS integration and "joint

²⁸Foreign Trade of the Newly Independent States, No. 13 (Washington, 1995), p. 70.

²⁹ Economy of Ukraine in January - August 1996, Urjadovy Kourier, 1 208-209, 1996, p. 6.

resolution” were shown to be groundless, at least in terms of Ukraine’s export strategy. In addition, such phenomena characteristic both of Russia as industrial slump, impoverishment, and abrupt stratification of the population as well as Russia’s simply tragic demographic dynamics are objectively diminishing the importance of that state as an export market regardless of any geopolitical preferences.

The situation with imports somewhat differs from that of exports. The CIS and Baltic states’ share also amounts in different periods of time 50 - 60 % of the total Ukraine’s imports. However, the corresponding goods are mainly energy resources. And it is only due to the really underdeveloped market infrastructure, including transport facilities, that this fact presents a real danger for Ukraine’s economic security and dependence on foreign factors.

In general, it may be said of the CIS that dependence on Russian fuel supplies, and not the necessity of selling manufactured goods constitutes the main argument for economic union of the CIS states. Thus arises the idea of economic union and the dilemma of “multilateral integration within the CIS along with bilateral co-operation” will survive only until individual Commonwealth members find alternative sources of fuel.

Really there are objective reasons why Ukraine is approaching the question of the geopolitical options for its economy from a relatively new viewpoint. Certain purely practical tasks of the foreign economic activity are coming to the fore, e.g., the search for and penetration of markets for export goods without concentrating on any one region of the world as well as the finding of additional sources of energy imports.

The direction of state intervention in foreign trade has also changed. The policy of export regulation, beginning with

severe quota-setting, has been gradually acquiring liberal, more market-type, features³⁰.

And, conversely, the pattern of imports has become far more complex and differentiated; this is clearly associated with protecting individual industries and the balance of payments as a whole. For example, May 1994 saw higher tariffs on a number of industrial goods, foodstuffs, tobacco products, and alcoholic beverages against a background of cancelling tariff restrictions on imports of goods not produced in Ukraine. A positive feature is domination of the tariff methods of import control over non-tariff ones, which brings about better conditions for business and industrial development and for identifying more natural centres of geopolitical gravity.

But Ukraine has made these gains in foreign trade against a background of exceptionally low gross indicators, an utterly inefficient structure of export, and dependence of the consumer market on imports. It is thus too early to speak of the establishment of any firm system of international co-operation. Markets for products in the quantity necessary for full-fledged industrial and agricultural development and for achieving the desired parameters of participation in the international division of labour remain untapped and prospects of capturing them are getting worse due to strong competition.

The slow pace of domestic reforms and absence of purposeful support for technological reconstruction under conditions of import liberalisation undermine many national industries. Amazingly, despite the fact that fuel prices have risen five times the rate of inflation, the share of energy resources in Ukraine's imports has risen also. Energy-intensiveness in industry has also risen.

³⁰ Plotnikov O. NATO Enlargement and Ukrainian Economic Strategies: the Problem of Correlation //Transition to Market. - Ky v, 1995, p. 45.

Opportunities for getting out of this foreign trade crisis reside primarily in Ukraine's own development potential and the improvement of its foreign economic mechanisms. An important component to them is also many-sided geopolitical decision, unlike, say, the Belarusian president's "Drang nach Osten." So, it can be said that the only realistic way out is step-by-step reform providing more liberal and decentralised foreign trade system, as well as better integration within the world market-type economic structures.

CHAPTER 3.

THE NEW GEOPOLITICAL ROLE OF UKRAINE AS THE CHALLENGE FOR ECONOMIC REFORM

3.1. Ukrainian Reform in the Context of NATO Expansion

Ukrainian position towards NATO expansion is rather specific and differs both from Russian uncompromising policy, and from that of East European countries. One of the reasons for such a situation is of foreign economic nature that compels Ukraine to adhere to the idea of balancing its geoeconomic strategies. Obviously, foreign economic prerequisites for Ukrainian policy as to NATO enlargement constitute one of the most important practical application of the problem studied in this report.

In this concern the specific Ukrainian “third way” with reference to the modern European realities is to be mentioned. In other words, the country’s foreign economic priorities of “non-alignment” as to CIS integration are similar to the goals of non-participation within any of Russia-controlled CIS military groupings. From the other hand, remoteness of the perspectives of Ukraine’s active integration within European economic structures is the reason for the fact that the debates in this country about its possible NATO membership status had hardly started when came to a standstill.

Nevertheless, Ukraine, taking into account its geopolitical situation and strategic interests, regards itself both as a participant of new European security architecture and as integral part of the continental social, economic structures. So the country displays favourable attitude to the continental centripetal developments around EU and NATO.

As it was stated by Ukrainian foreign minister H.Udovenko, “Ukraine understands the aspiration of central and Eastern European states to become members of NATO” and that “nobody has the right to veto any country’s inherent right to seek the most effective means of ensuring its

national security, including membership of military and political organisations such as NATO”³¹.

Indeed, the major geopolitical issue around the NATO enlargement process is the contradiction between the right of the Central and Eastern European states to choose freely their security arrangements and alliances and their former “eldest brother’s” policy of the rejected love syndrome. Still, the latter proceeds from a real belief in the possibility to restore the domination in the region, considering the former geoeconomic ties in the region. “The logic of this position, writes Geoffrey L. Williams, is apparently to exclude the countries of central Europe and the Baltic states from NATO”³².

What can be said in this attitude is that this contradiction can be successfully overcome in a non-conflict manner only through the steady creation of the new continental structure, integrating military and geoeconomic elements. No doubt that this idea can not be viewed as an alternative to the military unification but, on the contrary, as its catalyst and organic supplement. In other words, the character of the choice of foreign economic partners and of the division of labour process can facilitate political interaction, and backwards - the latter gives rise to the new forms of allied partnership and promote positive democratic social transformation.

As US senator Lugar wrote, “Membership in NATO is a way to strengthen domestic forces committed to democracy and market economies. Western policy-makers and analysts tend to overlook the link between democracy and security”³³.

³¹NATO Enlargement: Ukraine’s perspective //NATO Review. - 1 6. November 1995. - P. 16.

³² Williams G.L. NATO’s expansion: The Big Debate//NATO Review. - 1 3. May 1995. - P. 11.

³³Richard Lugar, Admit Poland as a NATO member?, The Washington Times, 19 September, 1993.

In conformity with this statement the Communiqué issued by ministerial meeting of the North Atlantic Council, Brussels, 5 December 1995 stated that the members of the NACC reaffirm their “support for an independent democratic and stable Ukraine” and “note with satisfaction Ukraine’s active participation in the Partnership for Peace programme and in the North Atlantic Co-operation Council”³⁴. Then, in September 1995 NATO and Ukraine signed their Joint Statement for Extending Co-operation, providing for the establishing the special relations of Ukraine with NATO, principally differing from that was declared concerning NATO relations with Russia by its “positive partnership”, but not “neutralising opposing part” nature. The negotiations aimed at providing even more close relationships between Ukraine and the Alliance are now been also held.

In conformity with this course of events NATO Defence Ministers at their session within the framework of the North Atlantic Council at 13 June 1996 stated that they attach great importance to the Alliance’s relations with Ukraine, as well as expressed their conviction that an independent, democratic and stable Ukraine has an important part to play in reinforcing European stability, welcoming still closer co-operation³⁵. Ukraine is also the OSCE and CoE member and maintain regular contacts with the WEU structures.

It is also worth mentioning that the declared Ukrainian status as a non-aligned country is subjected to historical and practical overestimating. Thus, Ukrainian politologist Volodymyr Broos asks himself a question, does this mean that marching toward permanent neutrality is the best way to achieve and maintain Ukrainian security?³⁶ To his mind

³⁴ NATO Review. - 1, January 1996. - P. 22 - 23.

³⁵ Meeting of the North Atlantic Council in Defence Ministers session, 13 June 1996, NATO Review. - 5, September 1996. - P. 35.

³⁶ Brooz V. Ukraine in the United Nations: The Problem of National and International Security//Political Thought. - No 4, 1994. - P. 181.

neutrality is dramatically opposed to collective security, for neutrality prohibits participation in the systems of European security and NATO with their motto "one for all and all for one". So neutrality, he thinks, would deprive Ukraine of security while leading the country into strategic military isolation³⁷. According to Z.Brzesinski's prognosis, Ukraine can acquire the NATO full-membership status before the year of 2010, still some other experts consider earlier dates. A characteristic feature is that Ukrainian Security Council G.Gorbulin, who is known as the most trusted by President L.Kutchma politician hardly ever saying a word radically different from the Presidential point of view, expressed his strong hope that the real term will be considerably closer.

But, of course, this optimistic outlook on the matter has nothing to do with idealising the situation. Russian strong objections to its former COMECON satellites' membership in NATO give to understand the possible reaction on the analogous steps of Ukraine. (But it also can be said that though Russian opposition to NATO enlargement seems to be very strong and active, to some extent it is of demonstrative nature. Thus, it is well-known that in 1990 Moscow displayed its not less negative reaction on inclusion of the united Germany in NATO, but was compelled to reconcile itself with this fact in the face of firmness by the Western powers.

Another important point of mutual concern of the Western community and Ukraine is the defeat of Russian democrats and increased unpredictability and harshness of Moscow. It is well-known that Russia in the end of 1990th is unlikely to ratify START-2, wrecking the hopes of the international community for nuclear disarmament. This concern intensified by the decision of Russian State Duma from 15 May, 1996 to renounce Bjelovezch agreements and restore USSR empire rejecting internationally recognised

³⁷ Brooz V. Ukraine in the United Nations: The Problem of National and International Security//Political Thought. - No 4, 1994. - P. 181.

geopolitical realities. No doubt, this Duma's decision reveals uneasiness for Russian military and industrial lobby, as well as for nationalists to reconcile with "geopolitical grip", especially with the loss of Ukraine together with the best tank units and other elite army corps of the former USSR. (On Ukrainian territory there were located 3 of the 16 Military Districts (MDs) - Ky v, Odessa and the Carpatian MDs traditionally considered to be elite ones).

It also can be said that the recent claims of some prominent Russian politicians, as the former Security Council Secretary general A. Lebed, the mayor of Moscow Y. Luzhkov made in January 1997 to Ukrainian sovereignty over Sevastopol, the place of Russian Black Sea fleet basement seem to be natural for people representing such a mentality. In its specific way the latter was typically formulated by the Chairman of the International Affairs Committee of the Russian Duma, former ambassador to the US Vladimir Lukin in February 1996 when he stated that Russia had to preserve the Commonwealth of Independent States and at least some of Eastern European states within its sphere of influence, and somehow to compete with NATO enlargement and the US determination to increase its influence in the region of C&EE.

A characteristic fact is that this Duma's decision was made just after Russian Communist head G. Zjuganov's Western voyage and his and Duma's leaders official visit to Ky v as a demonstration of neglecting international public opinion and their own commitments. L. Kutchma assumed the role of the antiunionistic leader, when the same day in his interview to Russian 1-st TV channel "Ostankino" stressed the irreversibility of the former SU republics' sovereignisation. Still, he rejected the claim that this unfriendly to Ukraine and other former Soviet republics Duma's law would provoke the country's immediate plead for NATO membership.

Nevertheless, this and other pro-empire recurrences in Russia can not but lead to a shift in Ukraine's understanding

of its security issues and perspective military allies. Another and even more significant example of such factors is Black Sea fleet confrontation. As V.Pikhovshek and Ch. Pett wrote, "The Russo - Ukrainian stand-off, which reached a crescendo in May 1994 when conflict was narrowly avoided over the issues of Black Sea Fleet ownership and Crimean sovereignty, has led Ukraine to seek a redefinition of its alliances in Europe and Asia, pointing away from the CIS security structure and towards NATO and also the Visegrad countries"³⁸.

Still, unfortunately Ukraine - NATO ties obviously have restricted nature embodying in military joint manoeuvres, formal and already traditional political documents adoption, and friendly declarations. On the contrary, some very important aspects to the problem are often been omitted. One of them is the perspective of Ukrainian and NATO armaments co-operation.

The analysis of the perspectives of Ukraine - NATO joint move towards each other outlines the reserves of the wider interpretation of the very Concept of NATO Armaments Co-operation. Thus, proceeding from the analysis of Ukrainian military and industrial potential, as well as taking into account long-term perspectives of the country's strategic orientation the following forms of its co-operation with NATO can be pointed out in this concern:

- active working together while reforming, and to some extent building the Armed Forces of Ukraine;
- gradual transformation of Ukrainian military technologies to NATO standards, for the first period based on PFP programmes and than - within unified all-European defence concept;
- NATO countries' participation in the military-industrial conversion process in Ukraine;
- joint working out the certain double-purpose products - cargo aircraft, space satellites and rockets;

³⁸Pikhovshek v. and Pett Ch. Transformation of the Ukrainian armed forces// NATO Review. - 1 5. - P. 22.

- information and military-operational data exchange on a regular basis;
- mutual co-ordination while creating and operating communications systems, etc.

3.2. Ukraine in International Security Policies: The Modern Situation and the Perspectives

Of course, the process of political coming together of NATO and Ukraine will not develop in a vacuum. As F. Leotard wrote, defence has acquired military, cultural, economic and political character³⁹.

Generally speaking, at present the system of international relations reflects the dominance of the following three tendencies:

- interaction of strategies (primarily of security, political and diplomatic origin);
- interaction of interests (primarily of economic);
- integration of social structures⁴⁰.

At least three questions arise in this regard. What are the criteria of economic and political security as the special sign of a modern independent state participating in the contradictory and complicated processes of nowadays? Whether there are sufficient political instruments of providing this phenomena? What is the correlation between the spheres of economic reforming activities in and foreign affairs development?

No doubt, as to Ukraine there can be no one-dimensional answer to all these questions. It is a country on a transitive stage of development going through a process of systemic economic reform. So, the adequate and realistic concept of Ukrainian integration within the international community on the basis of national sovereignty considering post-communist realities of its reforming society, does not

³⁹Leotard F. Une nouvelle culture de la defense//Defense nat. - P., 1993. - Juill. - P. 9 - 19.

⁴⁰War and Peace: European Conflict Prevention. - Paris: Institute for security studies of WEU, 1993.

reflect any “new” state of the “old” role within the division of labour system, as well as in political and military structures. This means that neither the ideology of historical continuity or standardisation of assessments of the regional (primarily CIS) policies, nor those regulative approaches based on the linear schemes of economy macromodels can be regarded as sufficient.

Permanent economic crises can lead to the collapse of the new democratic institutions and, that - to the restoration of autocracy. The same danger is dramatically reproduced by foreign political and foreign economic factors. As Ham P. Van truly wrote in his research paper “Ukraine, Russia and European Security: Implication for the Western Policy”, the complicity of the security guaranteeing for Ukraine mainly proceeds from its geographical position⁴¹.

In the situation of the new East-West confrontation Ukraine will find itself in a rather tough position of a buffer state between the enlarged Western alliance and Russia and possibly Belarus and Khazakhstan because of the following reasons.

First of all, Ukraine is still highly dependent on economic ties within the former USSR and in the case of real confronting these two blocks and economic pressure from either of them its economy can not be effectively balanced. Thus, according to Ukrainian Ministry of Statistics, in 1996 more than 50 % of the national exports and 66 % of exports accounted for the inter-CIS trade. The corresponding Russian share was 41 % and 53 % respectively. Still, a slight increase in exports to the so-called “Far Abroad”, as well as also slight decrease of dependence on the unstable critical industrial imports from the CIS (see Appendixes) indicate a certain improvement in the national foreign economic security situation. But of course, as Paul Hare and Mohammed Ishaq observed, for a relatively large

⁴¹Ham P. Van Ukraine, Russia and European Security: Implication for the Western Policy. Paris - Institute for security studies of WEU, 1994. - YI.

transition economy like Ukrainian, determining the country's future orientation in regard to foreign trade is especially problematic, as many of the larger firms, especially those located in the predominantly Russian-speaking eastern Ukraine, probably favour renewing links with Russia and former partners there⁴²

Nowadays the greatest risks for the most of countries, as well as for Europe in the whole and for other regions results from political and economic disintegration and unpredictiveness rather than from conflict of interests. So the issue of Ukrainian "institutional" integration providing for its long-term strategic orientation on the internationally recognised security criteria can not be overestimated.

After Ukraine achieved its national independence the process of the country's admission to international economic and security institutions has started. Ukraine was already a UN member with a status of a founder of this organisation. Still, this formal for the Soviet period status was to be transformed into the active political strategy in order to provide full-fledged representation of Ukrainian economic and security interests.

As a part of the former USSR Ukraine participated within a framework of OSCE, formerly known as CSCE. Still, the independent country's status made necessary its individual signing of the Helsinki Final Act. This fact made possible more active Ukrainian policy towards the issues of arms control in Europe, human rights, minority rights, conflict prevention, and also economy market reform.

A vivid sign of recognition of Ukrainian economic reform's steady and progressive character was the country's admission into the Council of Europe in 1995. This fact displayed a clear interdependence between the development of foreign economic reform and continental security policies.

Thus, economic aspects of international security can be also regarded proceeding from broader interpretation including protection from terrorism, drug sales, illegal

⁴² Hare P., Ishaq M. The Legacies of Central Planning and the Transition to a Market Economy: Ukrainian Contradictions. - Edinburgh, Heriot-Watt Univ., 1996, p. 9.

immigration, air and water pollution, that, unfortunately accompany countries on the transitive stage of development. In this context Ukrainian participation within CoE can help in solving not only those numerous problems of the country's internal social and economic development, but also in looking for a compromise in NATO extension as to the East-European realities.

Ukraine was the first CIS country-member to sign the Partnership for Peace programme at the beginning of 1994. And it must be said that this fact was not a simple sign of political fashion or, according to the formerly widely-held view, the ingenious political trick of the first Ukrainian President L.Kravtchuk. The dreadful Bosnian scenario of national disintegration and Chechen war evidently shown not only to Kyïv administration, but also to many of Crimean and other pro-Russian nationalistic separatist groupings that wider international security co-operation, particularly PfP project is a viable alternative to military CIS unification. Still, the role of PfP can be described in the terms of internal policies also, for example considering the experience of Western powers' in creating and regulating democratically organised and effectively controlled ministries of defence.

As R.Beard, Assistant of NATO Secretary General, wrote, "Co-operation programmes in the fields of defence procurement, communications and information systems, and air defence represent some of the most practical alliance initiatives to take forward technical co-operation within the NACC framework"⁴³. Still, it should be recognised that Ukraine is yet not ready to adopt all the NATO standards, as well as shoulder the full burden of obligations within the Alliance's programmes. Therefore in the case of Ukraine the co-operative approach should provide for the deeper political participation aiming at the country's full membership status in the NATO political bodies and comparatively restricted, though the more and more active military engagement.

⁴³R.Beard. Defence Procurement Cooperation with Central and Eastern Europe// NATO Review. - 1 4. - August 1994. - P. 20.

In fact, the whole process of “Return to Europe” is of dichotomic nature and provides for foreign economic grounds for co-operation in military and security spheres. Significant reserves of collaborative projects to be mentioned are those of production nature within the Conference of National Armaments Directors and its subordinate groups.

There are also good opportunities of Ukrainian participation within Independent European Programme Group in order to promote creation of a European Defence Equipment Market. Another point is Ukrainian practical joining NATO alliance move towards a Code of Conduct in Defence Trade that would lead to the mutual economic benefit and more guarantees for Ukrainian stable NATO orientation.

CONCLUSIONS:

LESSONS FOR UKRAINE - NEW REALITIES FOR THE INTERNATIONAL COMMUNITY

European security can not be achieved without ensuring internal stability of the states on the continent. In order to create European-scale security system it is necessary to provide its vital pre-condition - gaining the compatibility of interests.

For Ukrainian society, as well as for any other transitive post-totalitarian community, the crucially important factor of such a stability is of foreign economic nature. And the more vivid and aggressive are the signs of Russian communists' and nationalists' claims for dominance over the former Soviet republics, the more energetic is Ukrainian strive for searching economic and political guarantees from the West. Still, as Paul Hare and Mohammed Ishaq observe, Ukrainians, like many East Europeans, still lack the necessary experience and knowledge to make them familiar with the operation of a market system⁴⁴.

Ukrainian security can not, but be regarded as a key geopolitical factor for the stable and continuous growth of East European states that after Ukrainian sovereignisation have no common borders with Russia. These are Slovakia, Romania, Hungary, and to some extent - Poland, now bordering Russian enclave - Kaliningrad region only.

From the other hand, Ukrainian sovereignty is highly dependent on economic ties with these states - the fact, demonstrating the real sign of interdependence in the modern world.

Russian aspirations for more close economic and military integration with Ukraine do not find positive reaction from Ukrainian side, except for a certain part of pro-

⁴⁴ Hare P., Ishaq M. The Legacies of Central Planning and the Transition to a Market Economy: Ukrainian Contradictions. - Edinburgh, Heriot-Watt Univ., 1996, p. 17.

Communist and old nomenclature forces. The vast majority of parties and politicians in Ukraine consider the proposed country's move towards economic unification and military structures within CIS as the main jeopardy for Ukrainian security and long-term economic stability.

Western security policies towards Ukraine have radically been changed for the period after announcement of Ukrainian independence. Initially their spectrum came down to only two principle claims: the denuclearization and the closure of Chernobyl atomic station closure. Still, upon the expiration of time, after the first problem had been politically resolved and Ukraine had fully assumed non-nuclear status⁴⁵, after the second issue had been closely tied with Western financial assistance and compensation, and mainly, after NATO and EU had radically reassessed of the regional correlation of forces and of the long-term trends in political and social reforms, Ukraine was attached the declared status of Western strategic partner and assigned the non-flaunted role of counterbalance to Russia.

Ukraine had realised its European and not-Great-Empire status. So, despite the proclaimed non-alignment policy, Ukraine displays obvious strive to enter all the possible Western institutions. It is not concealed that the principle, though quite remote foreign economic goal in this concern is EU membership. As distinct from this, in security and military sphere, though it is not advertised, more and more Ukrainian politicians nurture the idea of integration within NATO structures. And the latter, in its turn more and more is considered to be the real guarantee for Ukrainian national sovereignty and security. The country's active participation in PFP programme and its growing international

⁴⁵A characteristic fact is that the North Atlantic Council at its special session had "expressed the view that Ukraine's strategic decision to support the indefinite extension of the non-Proliferation Treaty had highlighted the country's stature in the international arena"// NATO Review. - 1995. - 1 6. - P. 17.

prestige and relationship status for the Western partners are its clear evidence.

These two geopolitical vectors are progressively acquiring the dominance over Ukrainian foreign strategies making them an influential factor for regional and international security.

Proceeding from these premises, it can be said that at present there is nothing new to be invented in Ukrainian - West relationships in order to promote the further movement towards the more secure Europe and international peace-keeping efforts. All the need is the gradual mutual economic, military and political co-operation, based on the already adopted in its general terms comprehensive and successive approach aimed at the long-term and well-grounded goals and values of political and socio-economic development.

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APPENDIXES

TABLE 1.
UKRAINIAN FOREIGN TRADE IN 1995 - 1996:
DYNAMICS IN GEOECONOMIC TERMS (*)

	Exports		Imports		Overall Balance, \$min
	\$mln	Dynamics (1996 in % to 1995)	\$mln	Dynamics(1996 in % to 1995)	
Total amount	9280.6	118.5	9865.9	137.4	-585.3
<i>including:</i>					
CIS and Baltic states	5129.2	126.1	6121.6	149.4	-992.4
<i>including:</i>					
Russia	3887.1	121.8	4252.0	138.8	-364.9
Bjelorus	384.2	122.0	248.6	73.7	135.6
Kazakhstan	61.8	103.7	95.7	63.5	-33.9
Turkmenista n	108.0	72.3	466.0	7.4-fold increase (**)	-358.0
Other countries	4151.4	110.3	3685.2	120.4	466.2
Undetermine d state- partner (***)	-	-	59.1	3.1-fold increase	-59.1

* - the comparative data for the period January - August

** - accounting for the new gas imports item

*** - the exporting country was not determined by official bodies

TABLE 2.
FOREIGN TRADE, BALANCE OF PAYMENTS DATA
(Mn US\$, current prices)()*

	<i>Goods</i>			<i>Goods and Services</i>		
	<i>Total Exports</i>	<i>Total Imports</i>	<i>Overall Balance</i>	<i>Total Exports</i>	<i>Total Imports</i>	<i>Overall Balance</i>
1994, 1 st half	6218	8074	-1856	7435	8758	-1323
1994, 2 nd half	7676	8395	-719	9206	9249	-43
1995, 1 st half	6256	7653	-1397	7649	8304	-655
1995, 2 nd half	7988	9293	-1305	9441	9976	-535
1996, 1 st half	7592	9889	-2297	9993	10575	-582

() Ukrainian Economic Trends. Monthly Update. September 1996.
 Kyiv, TACIS, 1996, p. 28.*