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**ECONOMIC ASPECTS OF UKRAINIAN COOPERATION WITH NATO
COUNTRIES: MODERN STATE AND THE MODELS OF DEVELOPMENT**

FINAL REPORT

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INTRODUCTION

Ukraine, that was established as a sovereign state in accordance with the Independence Act proclaimed on 24 August 1991, has a specific place among the countries of the Eurasian continent. By the territory and the population (50.1 million people as of 1 January 1999) it is comparable with the largest Western European states, like Germany and possessing the second place after Russia among the ex-Soviet states¹. The Constitution of 1996 determines it to be "a democratic, social, law-based state" (article 1), which "maintains peaceful and mutually beneficial cooperation with members of the international community"². "Guidelines of Ukrainian Foreign Policy", adopted by the Verkhovna Rada of Ukraine (The Parliament) on 2 July 1993 are based de facto on the acknowledgement of a multivector geopolitical strategy of the country³. In spite of the increasing criticism of this principle of "pro-Western" (Rukh and other nationalist-democratic parties) as well as "pro-Russian" (Communist, Socialist and other left-leaning parties) supporters, President L. Kuchma and government adhere to a multivector orientation in their practical activities. Ukraine participates in the work of the main bodies of the Commonwealth of Independent States (CIS), but it has refused to sign the Charter of this organisation; its position on a number of issues with regard to practical activities of the CIS differs from those of Russia.

In contrast to their restrained attitude towards the CIS, Ukrainian authorities have rather clearly designated a line on strengthening and expanding cooperation with Western partners. There is a distinctive evolution in the fundamental evaluation of the "Western sector" in the foreign policy of Ukraine - from a simple proclamation of the "important positive changes in relations with Western countries" stated in the first annual Presidential Report to the Verkhovna Rada, made by L. Kuchma, 4 April 1995⁴, to a strategic objective - "full-scale integration into the European and Euro-Atlantic structures and participation in the System of All-European Security as a full rights

¹ Economy of Ukraine in 1998.- Official newspaper "Uryadovy Courier."- 1998, 16 February, No. 29 - P. 8.

² Constitution of Ukraine, Kyiv.- 1996.- P. 3, 5.

³ Guidelines of Ukrainian Foreign Policy. Part II, Paragraph 1, Section III - Official Bulletin of the Verkhovna Rada of Ukraine.- 1993 - No. 37 - P. 937, 938-942.

⁴ President L. Kuchma's Report to the Verkhovna Rada on 4 April 1995 - "Uryadovy Courier" - 1995, 6 April - No. 51-52.

member"⁵ - directly specified in President L. Kuchma's Decree "On State Programs for Cooperation with NATO", adopted on 4 November, 1998.

In contrast to relations within the CIS framework, Ukrainian cooperation with the Western partners during the last four years has been characterised as highly active, especially after the Budapest Summit of 1994. The Charter for a Distinctive Partnership between the North Atlantic Treaty Organisation and Ukraine assesses the Summit decisions as follows: "Ukraine's landmark decision to renounce nuclear weapons and to accede to the NPT as a non-nuclear weapon state greatly contributed to the strengthening of security and stability in Europe and has earned Ukraine a special statute in the world community"⁶.

During this period the positive results were achieved first of all in the sphere of mutual cooperation in politics. Ukraine is a member of OSCE [Organisation for Security and Cooperation in Europe] and the Council of Europe; it established contacts with WEU (Western European Union) and with some other organisations as well. On 16 June 1994 the Agreement on Partnership and Cooperation between Ukraine and the European Union was signed which in addition to relations in economic spheres included political provisions as well (political dialogue problems, the Helsinki Final Act and others in articles 2, 3, 6-9, 41, 51, 85-96)⁷.

Among the CIS countries, Ukraine prior to the Kosovo conflict launched in March 1999, had conducted the most successful policy for development of cooperation with NATO. It is a member of the Euro-Atlantic Partnership Council, it has established the links with the main NATO bodies, participated in the IFOR/SFOR [activity of Peace Force in Bosnia], in joint military manoeuvres and in other activities in the sphere of political and military-political cooperation.

It should be emphasised that there are distinctions in attitude towards the Alliance displayed by the legislative and by the executive bodies of Ukrainian power. President L. Kuchma's Administration, the Ministry of Foreign Affairs headed by G. Udovenko and B. Tarasiuk,

⁵ Presidential Decree "On State Programs for Cooperation between Ukraine and the North Atlantic Treaty Organization (NATO) up to the year 2001". Text of the Program.- Official Bulletin of Ukraine.- Kyiv. Ministry of Justice of Ukraine.- 1998. No 45. P. 6, 7.

⁶ Charter for a Distinctive Partnership between the North Atlantic Treaty Organization and Ukraine. Madrid Summit. Press-Info. 1997. Part II. Foreign adaptation of the Alliance.

⁷ Agreement on Partnership and Cooperation, Kiev, Delegation of the European Commission in Ukraine. 1996.- P. 7, 9-10, 26, 32, 52-56.

the National Security and Defence Council as well as some parties of national-democratic orientation (such as Rukh before its split in February 1999) were the initiators of the practical steps on expansion and intensification of cooperation with NATO. At the same time the left-oriented parties which have the biggest factions in the Parliament (Communists - first, Socialists - one third on number of deputies, and together with other leftist opposition representatives - about 40% of the deputy corps) come out strongly against such cooperation pursuing both internal (preparation for the Presidential elections in the Fall of 1999) and external (re-establishment of the USSR or joining the Russia-Belorus Union) political purposes. These parties participated an "Anti-NATO" block together with Russian and Belorussian parliamentarians, they organised as well mass meetings against the joint military manoeuvres "Sea-Breeze 97" in the Crimea⁸.

With the beginning of NATO operations against Yugoslavia, because of the "Kosovo problem" a special session of the Verkhovna Rada of Ukraine devoted to the relations with NATO took place. The representatives of the left-oriented parties, including the heads of the special Parliament Committees on National Security and Foreign Policy communists V. Kruchkov and B. Oliynik, have proposed in several resolution drafts to recall ambassadors from Alliance countries, cease joint manoeuvres on Ukrainian territory, take aside by the President the State Program for Cooperation with NATO, renounce the non-nuclear status and proposed some other measures towards breaking the relations with NATO. In reports of B. Tarasiuk, the Minister of Foreign Affairs, A. Kuzymuk, the Minister of Defence, V. Gorbulin, the Secretary of Security and Defence Council (their dismissal by the way was required by the deputies-communists) the official position of the executive power was formulated, which on the whole came to necessary of preservation the present status in the relations with NATO under condition of keeping distance from the Alliance attempts to settle the "Kosovo problem" by military means⁹.

⁸ Detailed analysis of various Ukrainian parties' attitudes toward relations with NATO is presented in the article by V. Budkin, E. Parakhonskaya and V. Potekhin, "Foreign Policy Orientations as a Factor of Political Struggle in Ukraine" - Journal "Political Thought" - Kiev, 1997 - No. 3 - P. 95-103. A brief variant of this publication was prepared by the NATO Documentation Centre on issues of European security (Moscow) and was included in materials of Bulletin No 4, published by this Centre: "NATO: Facts and Commentaries (January 1998).

⁹ To characterize the difficulties of the situation we can describe the following fact: Participation of the author of given project in the discussion on the international conference "NATO-50: Prelude to the Washington Summit" and respond on his speech from the side of speaker V. Belashov, head of the Euro-Atlantic Integration Department of MFA in Ukraine (Kyiv. 18 March 1999) initiated the beginning of the publication of the "State Program for Cooperation between Ukraine and the North Atlantic Treaty Organization (NATO) up to the year 2001" in the official government edition "Uryadovy Courier". The first parts of this document appeared in this printing body on 23rd and 24th of March this year. However with the beginning of Alliance military operations

At the end of March 1999 the ministers of Foreign Affairs and Defence visited Belgrade and some other European capitals to lay ground to the idea of an intermediary mission of Ukraine in the conflict. President L. Kuchma on March 30 this year during his official visit to Slovenia, one of the post-Yugoslavia states, confirmed the possibility of Ukrainian participation in this mission.

In spite of a more restrained reaction with regard to the Kosovo conflict in comparison with that from Russian leaders and political forces, attitudes toward NATO military actions are generally negative in Ukraine, especially among the members of the majority parties represented in the Parliament. As it was stressed even in the pro-government official organ "Uryadovy Courier", "a better present for its own enemies the Alliance authority couldn't invent....Nothing could better consolidate the left wing of the Ukrainian Parliament...The advocates of cooperation with this powerful alliance found themselves in an unjustified and humiliating position"¹⁰.

The main provisions of the official attitude of the Ukrainian authorities toward the settlement of the Kosovo problem have been presented by President L.Kuchma during the NATO-Ukraine Summit that was held in the framework of the 50th anniversary of the Alliance in Washington.

For evaluation of the further perspectives on cooperation with NATO the Decree of the Verkhovna Rada "On relations between Ukraine and North Atlantic Treaty Organisation /NATO/", adopted in April 23, 1999, is of special importance. While the formulation of the most difficult projects had been alleviated after five rounds of voting, the decree contained the negative assessments of cooperation with the Alliance and provided for the examination of, for two months together with other state bodies, the question on the character of all complex of Ukraine's relations with NATO¹¹.

The negative attitude towards NATO from numerous political forces may become one of the most serious (together with the difficult economic situation in the country) problems of the Presidential electoral campaign in the Fall of 1999. Under these conditions, some

the publication of this document was exposed to sharp criticism in the Verkhovna Rada and therefore was suspended.

¹⁰ V.Chornyi. War for Peace? Uryadovy Courier.- 1999, March 31, No 59.

¹¹ On relations between Ukraine and the North Atlantic Treaty Organisation /NATO/. Decree of the Verkhovna Rada of Ukraine. "Golos Ukrainy", 1999, April 27, No 76.

more difficulties are likely to arise with regard to further cooperation with the Alliance, particularly in military-political spheres.

I. Basic Concepts for Cooperation between Ukraine and North Atlantic Treaty Organisation

During the nine years of the existence of an independent Ukraine Western researchers devoted many their publications to it. However the number of the publications is many times less in comparison with that of works devoted to Russia, China, Poland and some other states in transition. There are four stages of Western attitudes towards Ukraine according to our view, which seem to determine the position of NATO as well, that can be set apart:

- Stage of practically full lacking the real situation in Ukraine assessment, which in that period was an integral part of the Soviet Union. This was distinctly displayed during the US President George Bush's visit to Kyiv in August 1991 when he opposed the idea of Ukrainian Independence, even though the Declaration of State Independence of Ukraine had been already adopted by the Verkhovna Rada (16 July 1990)¹².

- Stage, starting with Ukrainian separation from the USSR in December 1991 ending with the Budapest Summit of 1994, when the natural aspiration to ensure a non-nuclear status for the fourth largest owner of nuclear weapons in the world at that time had become predominant in the policies of leading countries and international organisations (including NATO and the West European Union) towards Ukraine. Unfortunately this predominant attitude has not been supported by a wider approach towards the development of the whole complex of political, economic and ideological ties with Ukraine (except for the establishment of diplomatic relations with it).

- The period 1994 - 1999 is characterised by some positive shifts in the Western attitude towards Ukraine that resulted in the acknowledgement of its "important role in Europe and in the World in the preservation of stability and security"¹³. In fact practically it was reflected primarily in the expansion of cooperation in political spheres while economic relations were developed more slowly. This thesis was visually confirmed by the successive, phased expansion of relations

¹² The Kiev Principles - The Wall Street Journal - August 2 1991.

¹³ The visit of the Secretary General of NATO, J. Solana - Golos Ukrainy - 17 April 1996.

with NATO (from including Ukraine in the program "Partnership for Peace" to the individual programs of cooperation between Ukraine and NATO) while a little progress was made in economic relations with the European Union countries after The Agreement on Partnership and Cooperation was adopted in 1994 (its ratification by the member-states lasted for four years), and as well as with the USA, Canada, Norway and Turkey which are not the members of the European Union.

Conceptually the evaluation of Ukraine's role in maintaining European and global security is associated with the name of the American political scientist Z. Brzezinski, especially with his article "A Plan For Europe". He stressed in this article that "it is surely in the long-range interest of Ukraine to gradually redefine itself as a Central European state."¹⁴ The second statement of this political scientist is also very important from the conceptual point of view: "Independent and secured Ukraine turns Russia into a post-imperial potentially democratic state which can have productive relations with the West¹⁵." Assessment of the significant importance of Ukraine in Central European and post-Soviet geopolitical spaces will most likely determine the initial position of major Western and Ukrainian researchers.

Among the other aspects of their research works it is necessary to pay attention to the following basic topics. Many researchers deal with the internal political situation in Ukraine. Among their works it is necessary to pay attention to T. Kuzio's publication "Ukraine: The Unfinished Revolution", (London, 1992) in which, side by side with serious analysis of public processes on the eve and at the first onrush after the proclamation of independence, for the first time it was pointed at such important factor of home and foreign-policy dualism as regional differences in the mentality of Eastern and Western Ukraine¹⁶. Since 1992 some information and analytic surveys on Ukraine have been prepared by the Federal Institute of Eastern and International Studies (Koeln, German Federal Republic). Much attention from the side of foreign analysts was put to the results of parliamentary elections held in 29 March 1998 that resulted in the sufficient increasing of Communist, Socialist and other left-oriented parties'

¹⁴ Z. Brzezinski.- A Plan For Europe - Foreign Affairs, January-February 1995 Vol. 75 No. 1 P. 39.

¹⁵ New York Times.- June 29, 1994.

¹⁶ T. Kuzio, Ukraine: The Unfinished Revolution, London. Institute For European Defence and Strategic Studies - 1992, P. 10-12, etc. In 1998 T. Kuzio was, for a short time, a head of the NATO Information and Documentation Centre in Kyiv. Turning back to the problem of regional dualism, underline that the deepest analysis of its impact on "pro-Western" and "pro-Russian" moods in Ukrainian society, and as a consequence on political parties' views are contained in the article by G. Pleines, Die Regionen der Ukraine. Osteuropa. 1998, No. 4. S. 365-372.

power in the Verkhovna Rada. In "Actual analyses" of the above mentioned Federal Institute, the attention was put on reinforcement of Anti-Western moods in the Verkhovna Rada because of lefts victory; and in an article by A. Ott in the magazine "Osteuropa" a conclusion was drawn on "sufficient strengthening of anti-presidential forces in the Parliament that complicated the conducting of reforms in Ukraine."¹⁷

A number of scientific research works are devoted to a critical analysis of economic reforms in Ukraine. Systematic analysis of this problem is carried out by the Ukrainian-European Consulting Centre under the TACIS program of the European Union (that provides monthly publications of the surveys titled "Ukraine Economic Trends"), and also by the World Bank representative office in Ukraine which, in addition to carrying out the analytical surveys, conducts special research projects (the largest among them there was a project on agrarian reforms prepared by American and Ukrainian scientists)¹⁸. Among special works we would like to concentrate attention on the publication "Economic and Political Situation in Ukraine" prepared by collaborators from the Munich East Europe Institute in which hope was expressed "for the first signs of radical turning" in the course of the implementation of President L. Kuchma's economic reform program of 1994¹⁹. However later publications assessed the economic transformation in Ukraine to be unsatisfactory, especially in comparison with that of Central European states²⁰.

In the sphere of economic cooperation the main attention of the researchers was paid to the problem of relations between Ukraine and the European Union. Conceptually the main attention was paid to the possible variations in the development of mutual cooperation in terms of the EU expansion to the East (taking into account the necessity for a deeper analysis of this problem in consequent part of the research, points out only on constant argumentation of the authors of these researches in favour of maximum adaptation of economic and legal

¹⁷ Bundesinstitut für Ostwissenschaftliche und Internationale Studien. Aktuelle Analysen. 1998, No. 16; A. Ott. Parlamentswahlen in der Ukraine. Osteuropa. 1998, No. 10. S. 1007.

¹⁸ Z. Lerman, K. Brooks, C. Csaki. Land Reform and Farm Restructuring in Ukraine. World Bank Discussion Papers. Washington, D.C. No. 270, 1995. (Results of country analysis with team of Ukrainian researchers).

¹⁹ H. Clement, M. Knogler and A. Sekarev. Die Wirtschaftspolitische Lage der Ukraine. Osteuropa Institut Muenchen. Working Papers, No. 189, 1994. See also collective publication by this Institute and five other German research centres "Wirtschaftslage und Reformprozesse in Mittel- und Osteuropa". Sammelband 1995, S. 85-91.

²⁰ See for example, P. Welfens. Systemstrategische und Strukturelle Anpassungsprobleme in Postsozialischen Laendern Osteuropas. Teil I. BIOWIS, Koeln, 1998, No. 11; S. Johnson, G. W. Loverman. Starting Over in Eastern Europe. Harvard Business School Press, 1996. Critical analysis of Ukrainian reforms are also in the publication by Osteuropa Institute "Wirtschaftsentwicklung in Auswaehlten Mittel- und Osteuropaeischen Laendern. Muenchen, 1997, S. 98.

parameters of foreign economic activity in Ukraine as well as in other post-socialist countries according to EU requirements, starting with one of the first publications on this theme by W. Quaisser and ending with the second part of P. Welfens' research)²¹. The publication of "Ukrainian Foreign Trade Policy and Practice. 1992-1996" is a special work devoted to the cooperation of Ukraine with EC and published by the University of Wolverhampton (United Kingdom). It is the result of the EU TACIS project implemented by Ukrainian, British and German researchers, including the author of the present work²². The basic conceptual idea of the research is the necessity of the further liberalisation of Ukrainian economy as a condition for the development of cooperation with the European Union. For a general evaluation of Ukraine-EU relations an interesting conclusion was made by German authors R. Muenz and R. Ohliger, who, after having provided their analysis of sociological researches in Ukraine, confirmed that "positive expectations are distinctly associated with the EU" (authors refer to data from the years 1997 and 1998 provided by Ukrainian and German sociology centres Socis-Gallup and Meier-Dallach which testified that 55% of people polled have a positive attitude toward the EU and 30% toward NATO)²³.

Finally, in some works the separate aspects of relations between Ukraine and the North Atlantic Treaty Organisation are examined. The special part of a collective monograph by American authors, "NATO's Transformation"²⁴ had been devoted to the modern situation and the possible perspectives of these ties. Pointing out that "Ukraine's future orientation will be a key factor affecting the future balance of power in Central Europe" and that this orientation "will have a critical impact upon NATO enlargement", the authors of this part, R. D. Asmus, R.L. Kugler and F.S. Larrabee, examined a number of future Ukrainian security options: "Heavy" (reintegrated with Russia), "Finlandized" (economically stable and militarily neutral), "Light" (economically oriented towards Russia but militarily neutral) and even "Braked" (independent Western Part and reintegrated with Russia Eastern Part) Ukraine. "The West would prefer to have a Finlandized Ukraine -

²¹ W. Quaisser. Der Aussenhandel Mittel- und Osteuropas im Lichte der Osterweiterung der Europaeischen Union, Osteuropa Institut Muenchen. Working Papers, No. 187, 1995; P.Welfens. Op. cit. Teil II. Aktuelle Anpassungsforderungen und Perspektiven der EU-Osterweiterung. BLOWIS. Koeln, 1998, No. 12.

²² Ukrainian Foreign Trade Policy and Practice. 1992-1996. Edited by Neil Malcolm, University of Wolverhampton. 1997, 97 pp. Made in the framework of TACIS Ace Project T94 1053R "Foreign Trade Liberalisation in Ukraine in the Context of European Integration."

²³ R. Muenz, R. Ohliger. Die Ukraine nach der Unabhaengigkeit. BLOWIS, Koeln, 1999, No 5. S. 20-21.

²⁴ "NATO's Transformation." Ed. by Ph.H. Gordon. Rowman and Littlefield Publishers, Inc. 1997, 289 pp. (Part "The Ukrainian Factor" - pp. 112-114).

politically and economically stable and pro-Western but militarily neutral" the authors of this research stress²⁵. The roping of geopolitical and economic aspects of Ukraine's cooperation with the West and with NATO contained in the work mentioned above deserves our special attention.

Most research works on the NATO-Ukraine problem are devoted to the political, military-political and geopolitical aspects of cooperation between them. As a rule they are an integral part of the research works where a wide spectrum of relations between the Alliance and the post-Soviet states are examined. For example, M. Mantzke in the journal "Internationale Politik" assessed the conclusion of the "Charter for a Distinctive Partnership between the North Atlantic Treaty Organisation and Ukraine" in a positive manner²⁶. A similar evaluation of the State Program for Cooperation between Ukraine and NATO was contained in R. Lindner's article in the journal "Osteuropa" which was mainly devoted to the internal situation in Ukraine and military aspects of cooperation²⁷. In this connection it is notable that the Federal Institute of Eastern and International Studies in Koeln issued in 1998 a special research work by A. Grytsenko, the Head of the Department of National Security Council of Ukraine, which was devoted to the reforming of the Ukrainian army²⁸. Examining the problem in the context of analysis of geopolitical triangle "NATO-Russia-Ukraine" is prevalent in research works by Western (as well as Ukrainian) authors²⁹. In this context the scientific report "Security of Central and Eastern Europe after the Expansion of NATO" made by the French researcher G. Lepesant is worthy of attention. He comes to a notable conclusion that "Ukrainian authorities consider NATO as a counterbalance to Russia"³⁰.

²⁵ ibidem, pp. 112-113.

²⁶ M.Mantzke. Preface to "Dokumentation." In: Internationale Politik. Europa-Archiv. Bonn. 1997, No. 9, S. 71.

²⁷ R.Lindner. Kucmas Stuhl Wackelt, Osteuropa. 1998, No. 8-9, S. 935.

²⁸ A. Grytsenko. Ukrainian Army: A Starting Point for the Next Wave of Reforms. BLOWIS, Koeln. 1998, No. 30, 26 pp.

²⁹ If not taking into account communist and other left-oriented parties' newspapers, the main parts of Ukrainian scientific and political publishing institutes before the "Kosovo conflict" in general had a loyal attitudes toward cooperation between Ukraine and NATO. Articles in the newspaper "Uryadovy Courier", in a journal of the Ministry of Foreign Affairs "Politica i Chas", in the independent journals "Political Thought", "Razbudova Derzhavy" and others, naturally, have come from the Ukrainian vision of these relations, but conceptually mostly coincided with the initial positions of Western researches examined above, including the dominant of geopolitical approach toward the given problem and special attention to political relations in the "NATO-Russia-Ukraine" triangle and so on. Some statements from Ukrainian publications, which are closely related with the topic of present research, will be presented in the forthcoming parts of this work.

³⁰ G. Lepesant. Security of Central and Eastern Europe after the Expansion of NATO. CERJ Study, 1997, No. 29, P. 31.

The analysis of the different aspects in evaluation of relations between the West and Ukraine provided above, has several purposes. First of all the point is that the general background of such relations (Ukraine is considered to be a factor of stability in Europe, a bridge or barrier between Europe and Russia, etc.) principally determines the attitude of NATO towards Ukraine as well. From the other side, the analysis provided by Western authors shows some specific peculiarities of Ukraine (dualism in internal and external orientation, including toward NATO, economic reforms, differences in these questions from the side of Parliament and the Presidential Administration together within the government, etc.) without which it is difficult to estimate the realities of the past and the future development of cooperation between Ukraine and NATO member states. The main point is that all the examined approaches and assessments, according to our opinion, testify the insufficient and unjustified limitation of conceptual fundamentals in attitude towards Ukraine by the dominant geopolitic imperative³¹.

The key factor of the stability and security of Ukraine at present (and as a result - maintaining its position in the system of European security) is the economic situation in the country. Difficulties in the economic situation are primarily attributed to the negative results of main political forces activities in the country. However, underestimation of the core importance of economic aspects of cooperation by the West has also played a negative role.

Based on all the points mentioned above, the author of this research in further paragraphs orients on the basic concept of necessity to develop economic cooperation between Ukraine and NATO as an important factor of the economic and political stabilisation in the country and, as a result, the stabilisation of the geopolitic situation in Ukraine. The frame of the issues is laid in the determination of variants and models of optimisation in the development of economic cooperation of Ukraine on three levels:

- the North Atlantic Treaty Organisation as a whole while paying attention to the limitations of its status by political and military-political functions;

³¹ In this context the thesis from the already cited R. Lindner article that "it is in the West's interests to stabilize the political and economic situation in Ukraine and open the way for trade" draws attention to itself. See Osteuropa, 1998, No 8-9. P. 935.

- the EU while paying attention to parallel participation of the most NATO countries in this integration organisation;
- the specific NATO countries, with the determination of the specific peculiarities of mutual potential interests in the strengthening and expanding the economic cooperation.

The hypothesis of this project lies in development and application towards the concrete conditions of these three levels, the different models (militarily-technological, investment, trade, infrastructure and other ones.) of developing and strengthening the economic ties between Ukraine and NATO countries in perspective while being mindful of interests and capabilities of the partners.

In accordance with these tasks the separate parts of this research include evaluation of the current situation in cooperation at each of the levels mentioned, that there is a basic element of the developing of possible options and models of optimisation of economic ties in the future.

II. Political and economic aspects of the main documents on cooperation between Ukraine and NATO

The main documents which determine the basic principles of relations between the North Atlantic Treaty Organisation and Ukraine include: The framework document of Partnership for Peace (PfP) (its signing by A. Zlenko, the Minister of Foreign Affairs of Ukraine on February 8, 1994 was the first such act among post-Soviet states, including Russia), the PfP Individual Partnership Program (adopted on June 10, 1996)³², the Charter for a Distinctive Partnership between NATO and Ukraine (signed on July 9, 1997 in Madrid by L. Kuchma, President of Ukraine and leaders of 16 NATO member states)³³. With the complete and qualitative implementation of the Charter Ukraine has prepared a detailed "State Program for Cooperation between Ukraine and the North Atlantic Treaty Organisation (NATO) up to the year 2001" (approved by Decree by the President of Ukraine, L. Kuchma, on November 4, 1998)³⁴. In NATO's documents this Program has the title "Ukraine's Programme of Cooperation with NATO until 2001.

³² NATO Handbook - edit. "Osnovy", 1997, P. 57, 366.

³³ Uryadovy Courier, 1997, July 12.

³⁴ Official Bulletin of Ukraine (Ofitsyinyi visnik Ukrainy) - 1998, No. 45, P. 6.

Having joined the PfP Program, Ukraine began practical interactions with NATO and EAPC partners. Ukraine has actively taken part in joint military manoeuvres, some of which have taken place on its own territory ("Shield of Peace" manoeuvres in 1995 and 1996, "Sea-breeze 97", "Guards partnership-98" in Kharkivska oblast, "Fall's Allies-95" in Atlanta, USA, etc.). Ukrainian battalions had been included in the IFOR/SFOR that according to the NATO Secretary General, J. Solana, had allowed Ukraine "to play an important role in the attempts of the International Community to ensure peace for a long period of time"³⁵. Based on the Individual Partnership Program, the systematic political consultations between NATO and Ukrainian representatives have begun as well as the studying of NATO members' experience in the sphere of providing democratic control over the armed forces, balancing the military budget, etc. The first Eastern Europe-based NATO Information and Documentation Centre was opened in Kyiv on May 7, 1997.

As a whole, the successful realisation of tasks on the strengthening of mutual cooperation, as outlined in the PfP and the Individual Partnership Program, has allowed Ukraine to move on to a higher level of cooperation with NATO on the basis of the Charter for a Distinctive Partnership between NATO and Ukraine. In the document signed in Madrid the main directions of cooperation between the partners and the mechanism of their realisation have been clearly outlined. To major spheres of consultations that are of common concern, the Charter also addresses political- and security-related subjects (including the security of Ukraine), conflict prevention and resolution, crisis management, political and defensive aspects of nuclear, biological and chemical non-proliferation, disarmament and arms control issues, arms export and related technology transfers, combating drug-trafficking and terrorism.

The Charter provides for the consultations and cooperation on wide range of topics, including civil emergency planning and disaster preparedness, democratic control of the armed forces and Ukrainian defence reform, defence conversion, economic aspects of security, NATO-Ukraine military cooperation and so on. "NATO Allies will continue to support Ukrainian sovereignty and independence, territorial integrity, democratic development, economic prosperity and its status as a non-nuclear weapon state, and the principle of inviolability of its

³⁵ Briefly about NATO, Brussels, edit. NATO Information and Printing Office - 1996 - P. 41; NATO News - Kyiv, NATO Information and Documentation Center. Winter 1998 - P. 1.

frontiers as key factors of stability and security in Central and Eastern Europe and in the continent as a whole" – as it was underlined in Section V of the Madrid document³⁶. Ukraine has reaffirmed its determination to increase its level of interoperability with the forces of NATO and Partner countries and Alliance reaffirms its support for Ukraine's efforts in this areas.

The NATO-Ukraine commission has begun its work (its first meeting was held on December 16, 1997) at the level of the ministers of foreign affairs in order to implement the Charter's provisions³⁷. In 1998 a joint work group on the reorganisation of the defence department of Ukraine, including the budget policy, resource planning, interaction between civil and military structures was organised. During 1998 15 delegations of Ukrainian Parliamentarians, military officials, politicians and representatives of the executive branch visited the NATO headquarters in Brussels³⁸. A military liaison mission was expected to be established as part of the Ukrainian mission to NATO in Brussels and in 1999 a NATO military liaison mission consisting of civil and military representatives begins its work in Kyiv.

The "State Program for Cooperation between Ukraine and NATO up to the year 2001" presented by the Ukrainian delegation headed by Vladimir Gorbulin, the Secretary of National Security and Defence Council, in the NATO headquarter on November 26-27, 1998, can become an important factor in further cooperation³⁹. More than 40 Ukrainian ministries and other organisations had been involved in the development of this program in 1998 and the State Interagency Commission headed by V. Gorbulin had been responsible for the co-ordination of its preparation.

As outlined in this document (Section 1) the program serves as a basis for developing an annual working plan for the implementation of the Charter and of the Individual Partnership Program. The purpose of this program is to promote the establishment of close links between ministries and other central organs of Ukraine and appropriate NATO structures⁴⁰.

³⁶ Charter for a Distinctive Partnership between NATO and Ukraine, "Uryadovy Courier" - 1997, July 12 - No. 125-126.

³⁷ NATO News, November-December 1997 - Moscow, NATO Representative on Information Issues P. 5, 8.

³⁸ NATO News, Winter 1998, Kyiv, NATO IDC - P. 1.

³⁹ ibidem - P. 5.

⁴⁰ State Program for Cooperation between Ukraine and the North Atlantic Treaty Organization (NATO) up to the year 2001". (hereinafter referred to as the State Program) - Official Bulletin of Ukraine (Ofitsyinyi Visnik Ukrainy) - Kyiv. Ministry of Justice of Ukraine - 1998 No. 45, P. 7, 8.

The Program provides for concrete measures on cooperation in 13 areas including political and military spheres, field of science and technology, standardisation, environmental protection, information support of cooperation, etc.

The program provides for the precise mechanism for co-ordination and monitoring for its implementation from the Ukrainian side. The President of Ukraine, the National Security and Defence Council and acted on their instructions State Interagency Commission for relations with NATO (SIC) are the main forces of this mechanism.

According to the Program the main forms of cooperation include consultations with the Secretary General of NATO, contacts with the Division of Political Affairs, the Division of Defence Planning and Operations, the Division of Scientific and Environmental Affairs, the Office of Information and Press and others bodies of this organisation, the creation of joint working groups and the co-ordination of operations on some directions.

In accordance with NATO Status as an organisation "for collective defence and for the preservation of peace and security"⁴¹ and also with the tasks determined by joint agreements, the State Program is primarily oriented towards the "strengthening of political and military cooperation"⁴². At the same time some of its provisions are of great significance to the strengthening of mutual cooperation in economic spheres and in other areas which are directly or indirectly related to the economy.

In this respect the Ukrainian propositions towards the development of cooperation in the sphere of armaments (Section 5 of the State Program) and military economy (Section 6 of this document) are of special interest⁴³.

The establishment of direct links between the Ministries of Defence, Industrial Policy, State Committee on Standardisation, Metrology and Certification, State Export Control Service of Ukraine and Armaments Planning, Programs and Policy Directorate, Partnership and Cooperation Directorate, Research and Technology Organisation of NATO is stipulated in the State Program.

The State Program assumes the fulfilment of the work in the areas of standardisation and arms systems compatibility in accordance with

⁴¹ The North Atlantic Treaty, Preamble, NATO Handbook, 50th Anniversary Edition, Brussels, 1998. P. 395.

⁴² The Partnership for Peace, Framework Document, NATO Handbook, Kyiv, 1997 (Ukrainian Edition) P. 281.

⁴³ State Program - Official Bulletin of Ukraine (Ofitsyinyi Visnik Ukrainy) - 1998, No. 45, P. 16-19.

NATO standards, carrying out of joint R&D in the sphere of arms and military engineering, studying of possibilities of placing orders by NATO member-states and Partner countries on development, production, repair and service of some kinds of arms among defence industry Ukrainian enterprises, participation of Ukrainian enterprises in the design and production of arms within the framework of the separate NATO projects, using NATO firms' experience in international marketing of military goods, etc. The solutions to these issues can be provided by the creation and establishment of working groups, conducting of mutual consultations, participation in conferences of national leaders on military issues in the "16+1" format, creation of legislative basis in this sphere for developing cooperation with NATO, its member-states and Partner countries.

In the section of the State program on cooperation in the field of military economy the proposals of the Ukrainian side on the development of special joint programs of cooperation in this sphere, on joint realisations of pilot projects of defence industry conversion, on the use of NATO and its member-states' potential for participation in the process of conversion, the restructuring and technical re-equipment of enterprises of the military-industrial complex of Ukraine and other areas are worthy of attention.

Besides the two main directions of cooperation with NATO mentioned above, it is necessary to point out certain economic effects of NATO-Ukraine cooperation in such areas as science, technology and environmental protection. It deals in particular with attracting of NATO and its member-states potential and possibilities to solve some of the national Ukraine's problems in the spheres of science and technology, consultations on scientific and technical cooperation issues, the exchange of the results of scientific researches in the fields of computer science, inventories, biotechnologies, computer technologies, etc. and also a deeper involvement of Ukraine in NATO's "Science for Stability" (SfS) Program⁴⁴. Extension of possibilities of cooperation with technologically advanced states will ensure Ukraine a significant savings while developing the national scientific and technical potential to a more advanced level, closer to European and world standards. At the same time the most developed methods of technological development in Ukraine (electrowelding, new materials,

⁴⁴ State Program - Official Bulletin of Ukraine (Ofitsyinyi Visnik Ukrainy) - 1998, No. 45, P. 21-22. In the Ukrainian version of this document primary attention has been paid to the SfS.

various directions in biotechnologies etc.) will be able to have more respectable place in global scientific and technical areas.

A distinctive feature of the model of cooperation in the sphere of environmental protection proposed in the State Program is its completely and practically emphasis on solving of problems caused by the negative impact of military activities on environment. The carrying out of joint researches, joint development, information exchange, the creation of joint working group on environmental protection from pollution related to military activities, cooperation in the sphere of territorial recultivation where military objects have been based, clearing/purification operations in regions where military bases are, etc. are stipulated in the Program.

The Ministry of Environmental Protection and Nuclear Security of Ukraine has been entrusted with establishing direct contacts with the NATO Science Committee and Policy and Co-ordination Secretariat (Division of Scientific and Environmental Affairs) for this purpose⁴⁵. From the economic point of view all the scheduled measures will be used to promote the effective expenditure of funds in the implementation of environmental protection measures in Ukraine.

It is necessary to point out that in each of the 13 directions of cooperation with NATO there are measures that can be used to promote the improvement of the economic situation in Ukraine in greater or less extent. It concerns in particular the use of NATO member-states' experience in the area of defence budgeting (State Program Section on cooperation in the sphere of civil and military relations), assistance in reforming the military-industrial complex (Section on cooperation in military sphere), the use of NATO's experience and its assistance in improving the mechanisms of social defence of servicemen (the same Section), Ukrainian propositions on the possibility of attracting experience, financial and technological resources in order to increase civil defence efficiency including creation in Ukraine with NATO's assistance the International Centre for the training of specialists and experts in the sphere of civil defence of the population (Section on cooperation in civil emergency situations), some provisions on cooperation in the sphere of air traffic management and space exploration, etc.⁴⁶.

⁴⁵ *ibidem* - P. 22-23.

⁴⁶ State Program - Official Bulletin of Ukraine (Ofitsyyni Visnik Ukrainy) - 1998, No. 45, P. 11, 13, 19, 20, 25, 26.

As the experience shows the positive influence of a more effective utilisation of the military budget of Ukraine has already been made from the joint manoeuvres. This is why the propositions in the State Program on the "wider use of this military infrastructure of the Armed Forces and other military units of Ukraine (on a constant basis as well)" in particular training grounds such as the Yavoriv L'vivska Oblast, Shirokyi Lan (Mikolaevska Oblast), the aviapolygons of the Defence Ministry and also the Chuguev polygon of the National Guard of Ukraine deserve to be evaluated positively⁴⁷.

In conclusion it is possible to state the following points:

- The modern model of relations between Ukraine and the North Atlantic Treaty Organisation which is based on the general Partnership for Peace Program and on the specific PfP Individual Partnership Program and the Charter for a Distinctive Partnership between NATO and Ukraine contractual agreements between partners is oriented towards the importance of political and military cooperation that arise from the basic principals of NATO activities;

- Propositions on the strengthening and widening of cooperation detailed by Ukrainian side and included in the State program of Ukraine proceed from the same dominant of strengthening of cooperation in political and military spheres;

- At the same time some of the joint agreements and propositions of the State Program may be assessed from an economic point of view, primarily along lines of positive influence on the national economy of Ukraine.

It should be pointed out that opposition in the Verkhovna Rada towards the development of relations with NATO after the "Kosovo conflict" may have a negative impact on the implementation of State Program measures.

III. Possible variants of economic cooperation between NATO and Ukraine.

As was already specified, a key problem of the national security of Ukraine at present (including the foreshortening of influence on the internal political and geopolitical orientation of the country after the

⁴⁷ ibidem - P. 14. On April 24, 1999 during the NATO-Ukraine Commission Summit the proposal on the use of Yavoriv polygons was practically approved.

presidential election) is a heavy economic situation. According to the Ukrainian-European consulting centre TACIS (UEPLAC) the real GDP in 1998 was 36.7% of the level of 1992. In comparison with 1990, the industrial production in 1998 accounted for 41.4%, real wages 33.2%⁴⁸. The impact of the financial crisis of 1997-1998 in Ukraine was a bit less than it had been in Russia, but worse than it had been in Poland, Czech Republic and in the other countries of Central Europe.

The negative influence on crisis overcoming has the absence of internal sources of investment. At the same time the level of direct foreign investment is lowest among the countries of the region (US\$42 per capita against US\$171 in Russia, US\$1.700 in Hungary, US\$800 in Estonia and US\$140-168 in other CEFTA countries and in the Baltic states)⁴⁹. Throughout its eight years of independence Ukraine has had negative balance in the trade of commodities which has been partially covered at the expense of active balances in trade of transport and other services.

It is necessary to point out that the external economic relations have not become a factor for the stabilisation of the Ukrainian economy. The main destabilising role is played by a high deficit in its trade with Russia (\$4.2bn in 1998 according to the Ministry of Statistics in Ukraine) which is caused by Ukrainian high dependence on the import of Russian energy resources and the closing of the Russian market for Ukrainian goods.

At the same time Ukraine has a significant negative merchandise balance with 16 NATO countries - US\$304 million (\$445 million including Czech Republic, Poland and Hungary). This negative balance is only partially compensated for by an active service trade balance (\$76 million with 16 NATO countries and \$112 million with 19 NATO countries)⁵⁰. The USA, Germany, Great Britain and the Netherlands are among the five biggest exporters of capital to Ukraine and contribute about half of the foreign direct investments. However neither the investment level (less than US\$30 per capita) nor the spheres of investments (tobacco and confectionery industries, domestic trade, services) have helped significantly in the stabilising of the Ukrainian economy.

It is necessary to state that up to now the political and economic aspects of Ukraine's cooperation with NATO have had a negative

⁴⁸ UEPLAC, Ukrainian Economic Trends, February 1999, P. 6.

⁴⁹ Central European Economic Review, 1999, Vol. VII, No. 2, pp. 26-27.

⁵⁰ Authors' estimates based on data provided by the Ministry of Statistics in Ukraine.

impact on the image of this organisation in Ukrainian society. The Alliance, which is not an international organisation of economic profile, naturally couldn't directly change the existing situation in the economic relations between its member-states and Ukraine⁵¹. However some of the direct and indirect effects of influence on the situation due to the North Atlantic Treaty Organisation have been undeservedly omitted, particularly with regard to its cooperation with Ukraine. We can refer to special researches carried out on economic security issues provided in the seventies for Greece, Portugal and Turkey. According to the results of these researches for these countries a "large-scale economic assistance program" had been organised through the influence of Alliance member-states and OECD as well⁵².

Conceptually cooperation of Ukraine with NATO could be based on the combination of several models including "conventional", "military-technical cooperation" and "ecological security" models. While evaluating these models it should be stressed that they can be expected to have positive additional (for example, by the exportation of arms) or compensation (in solution of ecological problems in particular) effect for the national economy and foreign economic relations of Ukraine rather than direct one and they can be used to stabilise the economic situation in the country.

Cooperation with the Alliance within the framework of the first two models is of special importance to Ukraine which has inherited from the time of the existence of the USSR an extremely high share of the military industry in its economic potential (according to some estimates up to 60% of this potential in the beginning of the 1990s directly or indirectly dealt with the production of military equipment)⁵³. According to the evaluations by the experts Ukraine's share in the former Soviet military-industrial complex was accounted to be 30%⁵⁴. The lack of financial resources for restructuring this complex has been one of the main reasons for difficulties in the implementation of the conversion of military production. According to the official data

⁵¹ "Unlike specialized financial institutions, NATO does not have the mandate or the resources to fund the development of specific economic cooperation programs," - NATO Handbook, 50th Anniversary Edition, Brussels, 1998 - P. 160.

⁵² NATO Handbook, Kyiv, Osnovy - 1997 - P. 118 (Ukrainian Edition).

⁵³ "Global Transformation And Development Strategies" - Kyiv, Institute of the World Economy and International Relations - 1996 - P. 149.

⁵⁴ R. Bodnarchuk, Prospects for development of military-technical cooperation with CIS and former Warsaw Pact countries. International conference "Ukraine's Geopolitical Future", Kyiv, 1998, P. 95.

the only expenses for the realisation of various variants of nuclear disarmament are accounted for from \$1.5bn to \$2.8bn and \$6bn⁵⁵.

One of the possible variants of NATO participation in the solution of this problem is, in our opinion, the joint development of the detailed Program of Cooperation in the area of conversion of military production in Ukraine using Alliance countries' experience in this sphere. It is also desirable to use the prestige of NATO and its member-states in order to obtain financial assistance for Ukraine in this process from international organisations, in particular the World Bank and the European Bank for Reconstruction and Development. The NATO member-states' support for their firms in the creation of joint ventures with their Ukrainian partners for the production of conversion goods, taking into account the concentration of the most technologically advanced processes in the military-industrial complex could become one of the most important parts of such a program.

It should be stressed that the realisation of such measures can have a positive influence on the general situation in the military-industrial complexes of the post-Soviet states. According to Ukrainian experts Russia, for example, can independently produce only 18% of the arms and military equipment. The other part of production depends on industrial cooperation with the other CIS countries. In particular, with such cooperation 244 Ukrainian enterprises, which supply the Russian military-industrial complex with more than 7,000 types of accessories and materials, can be involved⁵⁶.

The specific specialisation of Ukraine in the past in military-space development and production makes especially prospective its cooperation in the area of peaceful space. Besides participating the joint Ukraine/ Russia/USA/Norway project "Sea Launch", since 1991 70 satellites have been put into orbit by Ukrainian rockets. The National Space agency of Ukraine co-ordinates the work of 17 state organisations and 7 joint-stock companies and has under its control the rocket-carriers "Cyclone", "Zenit-ZSL", "Dnipro" with high operational qualities (for example, the Russian "Soyuz" is capable of putting into orbit 4 satellites, and "Zenit" - 12). The development of the project "Ukrainian Start" on the creation of a floating space centre in the Black Sea has already begun⁵⁷.

⁵⁵ D. Vydrin. Ukraine on the nuclear see-saw, Political Thought, 1994, No 2, P. 187.

⁵⁶ R. Bodnarchuk, Op. cit. PP. 95-96.

⁵⁷ "Uryadovy Courier", 1999, No. 62, April 3; No. 67, April 10; "Golos Ukrainy", 1999, No. 66, April 10.

In conversion of the military production to a peaceful economic activities, the special importance has been given to the studying the Alliance countries' experiences by organising joint seminars, conferences and consultations such as the "NATO-Ukraine" seminar on problems of restructuring, reducing production volumes and converting the defence industry within the framework of the working programs of the Charter for a Distinctive Partnership held in Kyiv in February 1999.

The model of "military-technical cooperation" is completely embedded in the analysed above State Program, first of all in Section 5 under "Cooperation in the armaments area" and "Cooperation in the military economy area"⁵⁸. Therefore we can pay attention to selected important issues.

Attempts by Ukraine to move gradually towards NATO arms standards are important from both political (for the strengthening of mutual relations) as well as economic (for the stabilisation of export potential) points of view. Arms systems' compatibility will allow the both parties to cooperate in this sphere more closely and to take into account the need for Ukraine to import components for military production in particular. The cooperation with France on the production of Ukrainian tanks T-84 U with French fire control systems and AN-38 aeroplanes with French avia components has been carried out already. The question on delivery of arms from France for military ships in Ukraine is currently under study. Some assumptions have been made on the participation of France and Germany in the production and modernisation of Ukrainian tanks. Valery Maleev, the director-general of the "Ukrspetsexport" state company declared at the "IDEX-99" exhibition held in March, 1999 that Ukraine would propose a more active role for Western partners to help produce basic Ukrainian military hardware with components imported from them⁵⁹.

Ukraine has the samples of military equipment and technological developments that can be of interest to Western partners. Besides T-80 UD tanks (including its modernised Ukrainian-French-Czech version), T-84 tanks and others that have been frequently shown at international exhibitions, foreign consumers have also been attracted to the AN-70 military transport aeroplane. According to the experts, this plane has many characteristics that exceed those of similar models which NATO has. Perspective models KBA-2 30mm guns for helicopters and military ships and 125mm guns for tanks and the "Kolchuga" radio-technical

⁵⁸ Official bulletin of Ukraine (Ofitsyinyi Visnik Ukrainy), 1998, No. 45, P. 16-19.

⁵⁹ "IDEX-99" Zerkalo Nedeli, 1999, March 20.

intelligence system, military boats and other military equipment are developed in Ukraine⁶⁰. According to the Ukrainian mass media the development of new anti-aircraft defence systems and high-precision weapons are being carried out⁶¹. Ukrainian designers have developed samples of "Soroka", "Goblin" and "Gnome" automatons which exceed automatons well known in the world such as "Kalashnikov" and "Uzi", the KBC-1 pistol and 24 mm anti-tank weapons⁶². Possibilities of mutual cooperation in this sphere could become the subject for discussions between the partners within the framework of conferences of national leaders on arms issues in the "16 + 1" format and also for consultations of Ukraine and NATO representatives in the framework of arms groups for land, naval and air forces and for other areas.

One of the directions of Ukraine's cooperation with NATO as mentioned in the State Program above is the increased participation of Ukrainian enterprises in the joint development and production of arms and military hardware. The joining by Ukraine of the modernisation of arms for new NATO members such as Poland, Czech Republic and Hungary could have a special importance. In doing so it is necessary to take into account their previous servicing only by former Warsaw Pact military techniques (mostly delivered from the USSR, including from the Ukrainian enterprises) and the difficulties involved in the providing of sufficient financial funds for full integration into NATO. According to US Department of Defence estimates which were published in the Ukrainian press, it will be necessary to spend \$27-35bn in this regard during a ten-year period: \$1.5-2bn by the USA, \$3-17.5bn by 15 other NATO member-states and 14-17.5bn by Poland, Hungary and Czech Republic themselves as additional military expenses⁶³. Modernisation of the military potential of these three states by means of the use of technologies of the former arms suppliers - Ukrainian enterprises - will give them for all period of integration into NATO possibility to maintain a high level of their defence capability in spite of sufficient reducing the annual expenses for all 19 Alliance members for these purposes.

The special problem in the cooperation with NATO countries lies in the export of Ukrainian arms and military goods. After the USSR disintegrated a high production potential in this area, the difficulties in its conversion and the acute need to find sources of currency required

⁶⁰ "The gun, which has surprised the world" Uryadovy Courier, 1997, No 194-195, October 18.

⁶¹ "Which weapon Ukraine needs to have" Zerkalo Nedeli. 1999, March 6.

⁶² Kievskie Vedomosti, 1997, October 6.

⁶³ "Political Accounting: Calculating Or Setting Scores" Zerkalo Nedeli, February 20, 1999.

to receive imports (first of all because of a shortage in energy resources) from the mid-1990s have made the return of Ukraine into the world arms market necessary. In 1996 the state-owned firm "Ukrspetsexport" was created. It was assigned to provide operations on this market. In the law "On state defence order" from March 3, 1999 the export-import delivery of arms, military and special equipment with granting to the executors of the defence orders tax privileges, grants, subsidies and credits, customs and other privileges are stipulated⁶⁴. A. Kuzymuk, the Minister of Defence, specified that Ukraine develops military-technical cooperation with 78 foreign states and trades in weapons with 50 countries⁶⁵.

While delivering products in the world market "Ukrspetsexport" naturally faces tough competition, especially from Russian firms like "Rosvooruzhenie" which exports similar products.

Despite it the cooperation between Russian and Ukrainian enterprises in this area (in particular in the production of the AN-70 military-transport aeroplane, the exchange of spare parts for military aircraft etc.) still has its place. The potentially high competitiveness of many Ukrainian military techniques and a gradual transition towards NATO standards bring about the possibility of closer cooperation with the firms of Alliance countries in the area of delivering arms to the world market as well.

The creation in 1999 of the Ukrainian-Turkish centre of technology and the first results of cooperation in this issue with France confirm the reality of this idea⁶⁶. Especially favourable are the possibilities in cooperation in the area of arms exports which, in our opinion, existed between Ukraine and the three new NATO member-states between which in 1950-80 had strong ties in military production.

Future cooperation in the sphere of ecology should be considered to be more important than it is at present in relations between NATO and Ukraine. Ukraine, after signing the Strategic Arms Reductions Treaty (START-1) in 1994 and from the beginning of its participation in the Program of Collective Threat Reduction (The Nann-Lugar-CTR Program) has conducted significant work on the liquidation of those kinds of arms that have been stipulated in these documents. In March 1999 the last SS-19 intercontinental rocket on Ukrainian territory was

⁶⁴ The Law of Ukraine "On the State Defence Order", Golos Ukrainy, No. 61, April 3, 1999.

⁶⁵ "IDEX-99" Zerkalo Nedeli, March 20, 1999.

⁶⁶ "IDEX-99" Zerkalo Nedeli, March 20, 1999

destroyed, and all 46 SS-24 intercontinental missiles will be destroyed by December 2001 in accordance with the determined schedule. Underground launchers for these rockets are also being destroyed; destroying each of these requires about U.S. \$200,000. Since November 1998 the liquidation of 44 TU-160 "Blackjack" and TU-95 Ukrainian strategic bombers has been carried out; their destruction should be completed by December 2001⁶⁷. The external funds needed for the realisation of all these tasks come mainly from the USA in the framework of the indicated CÒR program.

Ukraine is also going on with the work on the utilisation of 320 tons of shells and aviabombs and more than 100,000 anti-infantry mines and other pieces of military hardware⁶⁸.

During the implementation of these tasks rather complicated ecological problems have arisen, mainly concerning the need to neutralise the extremely poisonous liquid fuel known as "geptil" and more than 4,000 tons of solid fuel for SS-24 rockets. The Ministry of Defence of Ukraine is faced with financial difficulties in carrying out a complete biological recultivation of the land where the rockets' launchers had been destroyed or are to be destroyed. During his visit to Sweden in March 1999 President L. Kuchma pointed at complication of solution of this problem by Ukrainian forces alone. He indicated directly that after Ukraine had refused to own tactical and strategic nuclear weapons the West left it one on one with the problem of the utilisation of fuel for rockets that were on military duty⁶⁹. The qualitative technologies of the utilisation of explosive substances and other components of bombs and shells which are subject to elimination are developed in the Institute of Organic Chemistry in Kyiv and in the Frunze research-and-production association in Sumy city. However the absence of sufficient financial funds has hindered their implementation⁷⁰.

The problems of ecological security concerned with military activities are under NATO's direct control. The Alliance's cooperation with Ukraine, including the granting of financial assistance (direct or through other international organisations) for the purpose of solving the arms utilisation problem can become one of the main directions of further strengthening of relations between them in the next 3-5 years.

⁶⁷ "With SS-19 we have broken off". "Stolichnyi Nowosti", No. 8, March 2-9, 1999.

⁶⁸ Uryadovy Courier. No. 59-60, March 28, 1998.

⁶⁹ Uryadovy Courier. No. 55-56, March 25, 1999; Factly. March 25, 1999.

⁷⁰ Uryadovy Courier. No. 59-6, March 28, 1998.

The ecological model of NATO's cooperation with Ukraine can have wider approach towards mutual relations. Alliance's participating in solving the Chernobyl nuclear power station problem (whose closing was required by Western states who at the same time have not kept their promises on financing this project) would have a high significance for improving its image among the Ukrainian population. Monitoring the ecological situations (which is near to the critical point) in the Black Sea area can become one of the most important directions of cooperation between Ukraine and NATO member-states.

Such are the main components of models of modern and prospective cooperation of Ukraine with NATO, which in our opinion are of primary importance for their mutual relations. Other directions of cooperation will be considered in the further sections.

IV. Relations with the European Union in the context of Ukraine's cooperation with NATO.

NATO and the European Union policies toward the third countries are naturally distinct due to the differences in their functional objectives. However the same dominating states in each of these groups allow us to assume the possibility of the existence of similar ideas on their basic conceptual approach towards the development of cooperation with some post-socialist countries. There are principal similarities in the strategies and tactics of NATO and EU toward Central European and Baltic countries with the priority given to Poland, Hungary, Czech Republic and Estonia as the countries with the greatest successes in the transformation of their economies to free-market ones.

As far as Ukraine is concerned, it is not possible to confirm the existence of such proximity in the policies of NATO and the EU towards it in the last few years. The economic side of its relations with the West considerably lags behind the political aspects of cooperation. High deficits in the trade of merchandise with the EU (between \$0.3bn and 2bn annually), significant fluctuations in volumes of Ukrainian exports to the region during the last few years, the tendency of EU countries to purchase semifinished products and other goods with low

levels of processing from Ukraine testify to it⁷¹. As the Ukrainian researcher Igor Burakovski pointed out, "Nowadays mutual interest in cooperation between Ukraine and the EU is precisely asymmetric in character⁷²."

Therefore it is possible to point out the existence of two opposite outcomes of cooperation within the "post-socialist countries - NATO - EU" triangle. For the most countries of Central and Eastern Europe (especially for Poland and Czech Republic) cooperation with the EU and NATO have mutually complemented and strengthened their relations with the West. At the same time the standard model of "European Union - Central and East European countries" relations, which has been used towards Ukraine, has not settled this problems.

As a result the hopes of a significant part of the Ukrainian population and of "market oriented" establishments, which during the first half of the 1990s were oriented toward the West, have decreased in the last few years. Such evaluations on this reorientation have become typical as was made by a leading Ukrainian politician, the chief of parliamentary "counter-government" Yulia Tymoshenko who talked about the "Utopian" orientation to "the economically developed countries of the West."⁷³

Paradox and evidence of the still existent "Soviet stereotypes" are that in general the rating of the European Union in Ukrainian society remains higher than that of NATO. While taking into account the deterioration in attitude toward the Alliance because of the "Kosovo problem", this fact can play some stabilising role in maintaining in Ukraine the impulse to develop relations with the West during the next several years. Moreover, the stability of cooperation between Ukraine and the EU, under possible changes in the internal political situation in the country after the presidential elections on October 31, 1999, can become a premise for the maintaining of and further strengthening of relations with the West and with NATO.

Before we assess the different models by means of which Ukraine's cooperation with the European Union can be strengthened,

⁷¹ Author's estimates based on the following statistical handbooks: "Foreign Trade In Ukraine, 1995", Kyiv, 1996, P. 8-9; "Annual Statistical Handbook, 1996", Kyiv, 1997, P. 327-328; and materials of the Ministry of Statistic of Ukraine.

⁷² I. Burakovski, Ukraine and the European Integration Processes: Developing of National Strategy, in "The problems of Foreign Trade Liberalization in Ukraine in the Context of European Integration", Vol. 2, P. 76. Kiev, 1996. See also: I. Burakovski and A. Wilson, The Ukrainian Economy Under Kuchma, The Royal Institute of International Affairs, London, 1996, P. 39.

⁷³ Yulia Tymoshenko, I Believe In My People's Ability To Live Decent Lives, "Rozbudova Derzhavy", 1998, No. 7-8, P. 7.

we shall examine the history of their mutual relations. These relations had begun only after the signing of the Agreements on Partnership and Cooperation in June 16, 1994, three years after Ukraine proclaimed its independence. In comparison it is possible to indicate that agreements on cooperation with the EU were signed by Hungary and the former Czechoslovakia in 1988, and by Poland in 1989. The agreements on association with the EU, the so-called European Agreements, were concluded by these countries in 1991, and by Bulgaria and Romania in 1993. In doing so, contrary to the Agreements on Partnership and Cooperation of the EU with Ukraine, the texts of these agreements have been detailed along specific directions of cooperation under terms and conditions of mutual control⁷⁴. Because of these distinctions, the agreements on association have become an important factor in the process of accelerating reforms in Central and East European countries (it is necessary to add the Baltic countries and Slovenia, which established ties with the EU in 1993) while the agreement of the EU with Ukraine was more general in character and has had practically no effect on the transformation process.

At the same time it is necessary to point out that the signing of the Agreement on Partnership and Cooperation has by itself been marked by the beginning of a qualitatively new phase in relations between the EU and Ukraine. This agreement has set the general rules of trade between partners (Section III), mutual payments and investments flows (Section IV), has defined the fundamentals of cooperation in the sphere of industry, science and technology, agriculture, energy and other areas (Article 53-58, 60 etc.)⁷⁵. Ukraine has received export quotas for products (goods from steel and textiles) which are among the most protected from import into the EU. According to the "Temporary Agreement on Trade and Trade-Related Issues" (adopted by the EU Council of Ministers in December 4, 1995 and has been valid before the Agreement of June 16, 1994 was ratified by all European Union countries) Ukraine received some privileges through a general preferential system for developing countries; the principle of asymmetry in Ukraine's favour had been used in the trade regime.

Ukraine has also undertaken a number of measures on the strengthening of cooperation with the EU. By the decree of the

⁷⁴ EG-Polen-Ungarn (The texts of the agreements in Maastricht and European agreements), Europa - Verlag. Wien - Zurich, 1993, PP. 6, 17-265, 273-406.

⁷⁵ The Agreement on Partnership and Cooperation, Kyiv, Representation of the European Commission in Ukraine, 1996, PP. 11-15, 16-23, 34-37, 39, etc.

President of Ukraine the National Agency on Development and European Integration was created in February 24, 1998. In June 11, 1998 President L. Kuchma ratified "The Strategy of Integration of Ukraine in the European Union", which outlined the main priorities of the executive authority's activities related to the strengthening of contacts with the EU for the next ten years⁷⁶. In 1997 - 1999 a number of decrees and other resolutions on bringing into order export and import activities, oriented on closing with legislative norms of the EU and GATT/WTO, was adopted.

The modern approach of the executive branch of power in Ukraine towards the relations with the European Union is considered to be an integral component of the "integration of Ukraine into the European political, economic and legal area⁷⁷". Based on "The Strategy of Integration of Ukraine into the European Union" the model of the perspectives for the further cooperation includes the measures on adapting the Ukrainian legislation to that of the EU, approaching of social policy mechanism to those of European standards, political consolidation and the strengthening of democracy, etc.

The "Integration of Ukraine into the EU in the context of all-European security" is set apart as a separate section of this document⁷⁸. The idea of the indivisibility of European security and the importance to Ukraine of the principle of co-operative security which was put forth by the EU together with other European and transatlantic structures have been stressed in it. "The Strengthening of Cooperation between Ukraine and the Western-European Union (WEU) - the basic structure of defence and security of the EU - is one of the major factors of Ukraine's integration into the EU", - is underlined in this section⁷⁹. Thus the entire spirit of this document has been concentrated on the necessity of transition towards a model of one-ordinal approach to political and economic aspects of integration into the European space.

The Ukrainian model of the further development of cooperation with the European Union include several stages. The main foreign policy priority in the near future as stated under the "Strategy" is "to

⁷⁶ On providing the implementation of the Agreement on Partnership and Cooperation between Ukraine and the European Communities (the European Union) and improving of mechanisms of cooperation with European Communities (the European Union), Uryadovy Courier, March 21, 1998. Orientyr, No. 54-55; On Approval of the Strategy of Integration of Ukraine into the European Union. The Strategy of Integration of Ukraine into the European Union, Uryadovy Courier, June 18, 1998. Orientyr, No. 114-115, P. 1-3.

⁷⁷ The Strategy of Integration of Ukraine into the European Union, Uryadovy Courier, June 18, 1998. Orientyr, No. 114-115, P. 1.

⁷⁸ Ibidem P. 2.

⁷⁹ Ibidem P. 2.

receive associative EU member status⁸⁰." By the year 2007 the conditions "required for Ukraine to receive full membership in the European Union⁸¹" is a task of the following stage of integration into Europe that are to be created. Under "Strategy" the main methods of economic cooperation, which can be used to promote the solutions to the problems mentioned above, have also been determined. Ukraine included them along with the liberalised and synchronised openness of the EU and Ukrainian markets along with easing the restrictions on protectionist measures, the development of industrial programs of cooperation with the EU, etc. It is expected that during the next 1.5-2 years the ministries and departments of Ukraine will prepare a complex National Program of Integration into the European Union.

The need for solution the most complicated problems of cooperation between Ukraine and the EU in order to maintain the mutually balanced foreign trade and assistance for investment flows from the EU to Ukraine and vice versa are also referred to in Ukrainian proposals.

Considering the tasks set in the "Strategy" to be successfully realised, primary significance has been placed on the maintenance of starting positions which are now mainly deal with solving the problem of transitioning to the mutually free trade zone (the opening of negotiations about its creation in 1998 was stipulated in Article 4 of the Agreement on Partnership and Cooperation)⁸². The postponements of the settling of this problem dealt mainly with the slowing of market reforms within Ukraine itself. Analysing difficulties in relations with the EU, Ukrainian V. Sidenko remarked: "The process of transitioning to a functioning market economy is being delayed and it is unacceptable to EU member-states⁸³."

At the same time the partners' attitudes towards the solving of this problem turned out to be complicated, and toward the beginning of negotiations on association with the EU as well (B. Tarasiuk, the Minister of Foreign Affairs, repeatedly came to these issues during his contacts with his European colleagues). Although there are some other examples of the early 1990s, the depth of market transformation in

⁸⁰ Ibidem P. 1.

⁸¹ ibidem P. 1.

⁸² The Agreement on Partnership and Cooperation, Kyiv, 1996, P.8.

⁸³ V. Sidenko, Making the breakthrough to Europe - How can this be done? *Politika i Chas* [Politics and the Times], 1997, No. 11, P.19.

⁸⁴ The strategy of integration of Ukraine into the European Union, *Uryadovy Courier*, June 18, 1998; *Orientyr*, No. 114-115, P. 2.

Poland, Czechoslovakia and other countries in Central and Eastern Europe during that period was even smaller than it is now in Ukraine. This did not hinder the European Union from concluding agreements on associations with them - these decisions were determined by political rather than economic reasons. The absence of progress in solving the problem has become one of the main factors behind Ukraine's persistence on transitioning to the free trade zone within the CIS framework. An agreement in this regard was signed at the Summit of Head of States of this organisation in Moscow in April 2, 1999.

At present Ukraine puts a question on development by the European Union regarding the concept of further cooperation that assumes, as stated in the "Strategy", "the identification of EU policy towards Ukraine, dissociation it from the policy toward Russia and support by European states and the world community of the strategy of integration of Ukraine into the EU."⁸⁴ The problem of the strategy towards Ukraine had been one of the two main themes (the second dealt with the "Kosovo problem") during negotiations held in Kyiv on April 13, 1999 between Ukrainian leaders and the EU "triple" headed by the German minister of foreign affairs J. Fischer, who stated only on the existence of various approaches of some EU countries towards this strategy. "There is no unity in attitudes between the EU member-states towards Ukraine; however there is also no majority which would be against it", - such statements described the outcomes of this meeting with B. Tarasiuk, the Ukrainian minister of foreign affairs⁸⁵.

Uncertainty in relations between the EU and Ukraine has had its negative effects not only on the economy but also in Ukraine's attitude to its cooperation with the European Union. The delays in supporting the model of strategic policy towards integration with the EU has weakened the position of supporters of widening and strengthening relations with the West and with NATO. It is necessary to point out that on the eve of presidential elections in the Autumn of 1999 it can have a negative effect on the authority of the president's administration and that of the Ukrainian government which, contrary to the Parliament, insists on adhering to the "Western vector" in its geopolitical orientation.

V. Possible models of economic cooperation between Ukraine and separate NATO member-states.

In evaluating the attitude of separate Alliance member-states towards economic cooperation with Ukraine the remark of J. Fischer, the Minister of Foreign Affairs of Germany, made during the "EU triples" visit to Kyiv in April, 1999 has a special importance. He stated: "There are 15 countries in the European Union and it is very important for it to reach a consensus. Germany, Finland and Austria consider the direction of the EU cooperation with the Eastern Europe, in particular with Ukraine, to be of high priority whereas Spain, Italy and Portugal adhere to the idea that the Union should be extended in the direction of the Mediterranean"⁸⁶. Although this evaluation had been made from the point of view of the EU strategy and included Alliance non-member states as well, it conceptually determined the differences in attitudes of separate NATO member-states toward cooperation with Ukraine in the economic sphere.

A number of the Alliance members which successfully developed political relations with Ukraine also have a small participation in economic cooperation with this country. Under such circumstances mutual economic ties with these countries are limited by trade with irregular and low volumes of contacts in investment, scientific and technical spheres and others.

The total turnover of the foreign trade of Ukraine with the countries like Greece, Norway, Portugal and Canada has not exceeded \$100 million per year (with Iceland and Luxembourg - up to \$1-5 million). Belgium and Spain, whose volume of trade with Ukraine has been less than \$200 million and is beyond their respective potential possibilities can be added to this group⁸⁷. With reference to this group of countries (some aspects of the situation with Greece and Canada will be considered separately) the absence of a more or less precise structure in terms of mutual cooperation in previous years does not allow us to determine the rational model of their further economic relations with Ukraine. The question here is about the quantitative escalation of trade under the conditions of deeper study of the needs of the markets of the partners with regard to the mutual supply of goods.

At the same time previous developments in relations between Ukraine and other NATO countries allow us to make note of the main features of the variants of optimisation of economic cooperation with

⁸⁵ EU is not opposed but... Uryadovy Courier, April 15, 1999, No. 69-70.

⁸⁶ The EU is not against, but... Uryadovy Courier, April 15, 1999, No. 69-70.

⁸⁷ Author's estimates are based on data provided by the Ministry of Statistics of Ukraine for the years 1995- 1999.

the purpose of creating mutual links of more complex and mutually beneficial character.

With regard to the possible models of strengthening economic cooperation with the specific NATO member-states, it is possible to consider the following:

- Trade model is designed for the further extension of export-import transactions under obligations to eliminate or reduce the imbalance in trade (in 1998 Ukraine had a total negative balance with 8 of former 16 NATO countries which accounted for \$0.3bn and with 10 of 19 NATO countries for about \$0.5bn)⁸⁸;

- Investment model is oriented to the essential extension of inflow of foreign direct investments into the Ukrainian economy, on the maintenance of gradual dominance of direct foreign capital working in Ukraine instead of stabilised IMF, EBRD credits and state loans which have not come to the real sector of the economy;

- Scientific-technological model can be used for mutual supplies and the use of scientific and technological developments, including of Ukrainian researches and technologies in the areas of space projects, aerospace engineering, electrical welding, composite materials, etc. (primarily within the framework of the "Science for Peace" program);

- Model of military-technical cooperation whose primary positions are included in the "State Program for Cooperation between Ukraine and NATO up to the year 2001";

- Specific models of cooperation which take into account the possibility of using Ukraine's relations with two NATO members (Greece and Turkey) which participate in the organisation known as The Black Sea Economic Cooperation (BSEC).

With reference to each NATO country one or more of the models mentioned above can be prioritised. Besides that, in bilateral models of cooperation such special elements as cooperation in the ecological sphere, transportation, frontier relations and others can be included, proceeding from concrete conditions and needs.

During the last few years some measures were carried out in Ukraine in order to promote the successful realisation of the above models. The government has prepared a Program known as "Ukraine-2010" (discussed between December 1998 and March 1999) which stipulated during three sequential stages to ensure the growth of

⁸⁸ Estimates based on data provided by the Ministry of Statistics of Ukraine.

efficiency, market transformations, stabilisation and growth of the national economy and realisation of radical modifications in its inherited structure. Forecast estimations contained in this Program assume increasing export growth rates - 7.2-8.2% from 2001 to 2010 and imports - 7-7.7%; these help to justify the orientation of the Ukrainian economy towards further openness⁸⁹. The creation of conditions (through state guarantees, concessions, mortgages, leases etc.) for an increasing volume of foreign direct investments from \$2.8bn at the beginning of 1999 to \$12bn by 2005 and up to \$25-30bn by 2010, i.e. from \$40 to \$360-430 per capita is to be expected⁹⁰. Special attention was paid to the problem of transition to the energy-saving model of development of the economy, large-scale technological updating of production and mass restructuring of enterprises which, as world experience has shown, is practically impossible without extending contacts with foreign partners.

A new direction of cooperation with these partners is the transition to using of free economic zones potential. The decrees of the President of Ukraine in 1998-1999 stipulated the creation of more than ten such zones of various types (industrial, trade, recreation, technopolices etc.) in Donbass, on the Western border, and in the capital area, Kyiv. Only during the first quarter of 1999 the laws that were used to regulate anti-dumping procedures, barter, protection from subsidised imports and others were put in force. All these measures has created conditions for the development of economic cooperation of Ukraine with foreign countries, including NATO member-states. Together with the apparent tendencies in the differentiation of interests of Western partners these measures allow for a more precise definition of attractive spheres of cooperation with Ukraine that take into account under modelling of perspective variants of further strengthening the economic ties with the Alliance partners.

Among the European NATO members Germany has had the most diversified system of economic cooperation with Ukraine. From 1995 to 1997 it regularly had 1st – 2nd place among trade partners of Ukraine among Alliance members (1st in total trade turnovers in 1998) and is the third biggest exporter of direct investments to the Ukrainian economy after the USA and The Netherlands. It has played an active

⁸⁹ "Ukraine-2010", Uryadovy Courier, April 6, 1999, No. 63.

⁹⁰ "Ukraine-2010", Uryadovy Courier, April 10, 1999, No. 67. The reality of this rather modest forecast is confirmed by the fact that the maximum volume of foreign investments per capita in Ukraine in 2010 will account for only 25-70% of the present level in Hungary, Estonia, Czech Republic or Poland (See Data of "Central European Economic Review", 1999, Vol. VII, No. 2, P. 26-27).

role in the implementation of the projects involving scientific cooperation with its Ukrainian partners along the lines of programs such as "Science for Peace" and programs of the European Union.

The realisation of the program known as "Transformation" in accordance with intergovernmental agreements on consultations and technical cooperation has been a high point in Ukrainian-German relations. It is necessary to emphasise the decline in the dynamism in German- Ukrainian relations during last two years. Major problems in mutual cooperation have resulted in a high imbalance in trade in Germany's favour (up to \$0.6bn annually). On the other hand, the constant increasing of German investments in the food, machine building and building materials industries in Ukraine has had a positive influence on the strengthening of mutual relations.

Proceeding from the experience available it is possible to assume that relations between Ukraine and Germany can be strengthened further by means of all the above mentioned models of cooperation. Mindful of the financial potential of Germany with regard to the funding of Ukrainian privatisation and restructurization programs for the Ukrainian economy, it would be especially beneficial to extend the presence of German firms in industries of heavy machine-building (taking into account its high specific consumption of materials and the availability in Ukraine of the sources of its covering), chemical, food (including for export to Russia and to other CIS countries), in consumer goods production and also by opening subsidiaries of German firms or by creating joint ventures. One of the new directions of investment cooperation lays (probably in cooperation with Poland) in extensions of trans-European highways on Ukrainian territory up to its border with Russia. This program provides for the transformation of ownership of these roads toward joint- stock companies with the participation of foreign capital and paying character of transportation service⁹¹.

Restoring of links which existed up to the end of the 1980s between East Germany and Ukrainian scientific and research organisations could become a specific feature of the use of the scientific and technical model. The development of schemes on decreasing of the negative trade balance with Germany will inevitably become the central problem of the future models of trade cooperation.

⁹¹ The program of creation and operation of a national system of international transport corridors in Ukraine. Approved by the decree of the Council of Ministers in March 20, 1998. April 9, 1998, No. 67-68, Orientir, No. 15, P. 7-16.

In recent years there has been an improvement in trade relations with Italy which has been ranked third ranking trade partner of Ukraine (after the Germany and USA) among the Alliance countries in terms of practical balanced mutual export and import. At the same time the level of participation of Italian partners in other forms of cooperation has been rather small. Under probable extensions in their involvement in scientific and technical investment models it is possible to assume that the dominant trade modes of cooperation between these two countries will continue to be maintained for some time to come.

The fact that the signing of the Agreement on Assistance and Guarantees of Investments by the governments of these two counties in May 2, 1995 did not have a strong effect on the strengthening of relations in this area testifies in favour of the conclusion made above. At the same time it is possible to hope that intergovernmental conventions on the avoiding of double taxation of incomes and capital and the prevention of tax evasions ratified by the Verkhovna Rada of Ukraine in March 17, 1999 can play a certain role in the increasing of inflow of Italian investments into Ukraine⁹².

A completely different situation exists in the relations between Ukraine and The Netherlands. This country holds the tenth place among trade partners of Ukraine among Alliance countries and second place (after the USA) among the investing countries. Adoption of the agreement between the governments of The Netherlands and Ukraine on technical and financial cooperation in May 11, 1998 promoted to increase export of capital. However, after taking into account the doubling of the growth rate of mutual trade turnovers during the 1995-1998 period it is possible to assume the gradual movement from investments to trade model in mutual cooperation between Ukraine and The Netherlands.

The experience of the past years has not allowed us to determine precisely the profile of sustainable priorities in Ukrainian-British cooperation. It is possible to point out the some dominance of investment motives in British external economic policy towards Ukraine. Thus the United Kingdom takes fourth place among NATO countries on the volume of investments and ninth on trade with it. A specific feature of British investments (besides its powerful presence in the tobacco and confectionery industry) is of its uniform share (5-10% of total foreign investments) in each of the following industries:

⁹² Golos Ukrainy, March 30, 1999, No. 57.

machine-building, domestic trade, glass industry, construction, finance/credit/insurance institutes and agriculture in Ukraine.

This allows us to assume its orientation on pilot investment projects which, during favourable conditions, are capable to increase rapidly in terms of volumes. As far as trade is concerned, its volume has remained within \$300 million and Britain's exports of its goods to Ukraine has been more than twice that of its import of Ukrainian goods. These factors do not correspond to the possibilities available for either partner (the same concerns other NATO countries). Thus we can conclude that if the conditions on trade or of the investment market of Ukraine change, the trade or investment model of its cooperation with the United Kingdom can become a high priority.

With reference to the trade model relations with France (seventh-ranking Ukrainian partner among the Alliance countries) deserve the same evaluation regarding to potential opportunities: exports to Ukraine being more than twice the level of imports from it. However, unlike Great Britain France practically does not use the investment model of cooperation (up to the present day the total amount of French investments have only been \$15 million)⁹³. On the other hand, as was stated in Section III of the present research, in the last few years some contacts between Ukrainian and French manufacturers of arms have been established. In connection with this, it is possible to expect that the model of military-technical cooperation in the mutual relations of these countries will have more importance in the future, as well as the appropriate aspects of their scientific and technical cooperation. The more precise determination of the dominance of any model of French-Ukrainian cooperation will probably take place after the evolutionary increasing of general volumes in mutual economic relations. In this connection, during V. Pustovoytenko the Prime Minister of Ukraine, visit to France in March 1999 the possibilities of cooperation in shipbuilding, aircraft construction, energy, agro-industrial complexes, military-technical areas were discussed as perspective directions⁹⁴.

Among NATO countries the United States of America has had the most diverse in character relations with Ukraine. These relations have been largely promoted by the principle of strategic partnership between these two nations. The US holds the first place among exporters of capital to Ukraine and third after Russia and Germany (and second among NATO countries) on total foreign trade turnovers. Unlike the

⁹³ Ukraine - France: Directions of cooperation have been determined, Uryadovy Courier, March 30, 1999, No. 58.

⁹⁴ Ibidem.

huge disparity that has existed in export-import transactions with the Russian Federation (within \$1-4bn), trade relations with the USA in the last few years has been marked by the setting of approximate equality in trade flows. Besides cooperation in the framework of NATO's "Science for Peace" program, American non-governmental funds including the Ford Fund, Soros Fund and others have played an important role in scientific and technical cooperation between the two countries.

Direct investments of American firms in the Ukrainian economy are characterised by the highest level of industrial diversity in comparison with those from other countries - food, chemical, machine-building, agriculture, non-ferrous metallurgy, construction, communication, domestic trade, finance, credit and insurance. While there have been rather distinct growth in their respective volumes, investments in certain areas as a rule have not been high which allows us to evaluate them mainly as the pilot projects. A few concrete projects of American-Ukrainian cooperation (examples include "Sea Launch", nuclear disarmament of Ukraine under the Nann-Lugar program, etc.) are directly oriented on the conversion of military production.

The present level and the varieties of forms of mutual cooperation testify that the US and Ukraine mostly utilise the existing potentials for economic ties. In turn it creates favourable premises for the development of all of the above models of strengthening and extending economic relations in the future. At the same time it is possible to assume that certain changes in the balance between these models will take place within the next ten years. The potential of trade between the USA and Ukraine has not been exhausted; however, before essential improvements can be made to the quality of Ukrainian goods their competitiveness in the American market will be low. Therefore it is possible to expect a slowdown in the Ukrainian export growth rate which will in turn have an effect on both the general dynamics of mutual trade and on the existence of approximate equal priorities of the trade and investment models of cooperation.

Due to the "Ukraine-2010" program a significant increase in foreign investment inflow is to be expected, especially after 2006. This allows us to predict that up to this year the investment model of cooperation will take a dominant position in Ukraine-US economic relations. It is also possible to expect an increase in the significance of the model of scientific and technical cooperation, but only in the event

that modern pilot projects and separate ("dot") contacts of research institutions (including the proposed projects of the creation of Ukrainian technopolices as free economic zones) turn into precisely-made systems of specialisation and cooperation. The degree of implementation by the both countries of the model of military-technical cooperation, in our opinion, depends on the involvement of the USA in the implementation of projects of interaction between NATO and Ukraine in the given areas.

In the beginning of this year a document on the "Strategy of National Security of the USA for the next century" was published in the Internet. The positive evaluations of cooperation with Ukraine in this document create favourable conditions for its extension and diversification in the current period.

Relations of Ukraine with another NATO member-state - Canada are developed quite specifically. Canada has the greatest concentration of the Ukrainian Diaspora and as a result it was the first among Western countries to establish credit, trade and other forms of economic cooperation with Ukraine (in particular the first credit line given to Ukraine in 1992 totalled \$50 million). A distinct feature of mutual cooperation is the realisation of large-scale bilateral technical assistance programs in which Canada has allocated about \$120 million for 100 joint projects⁹⁵.

Canada participates actively in the settling of difficult problems such as energy and environmental protection. It is possible to assume that these priorities in mutual cooperation will be preserved in the long run. At the same time the initial potential of the existing mechanisms of cooperation in trade and investment spheres has been exhausted without either partner being able to find new approaches in these directions of cooperation; as a result it seems impossible for trade and investment models to be effectively used.

Ukraine has developed economic ties with two other NATO member-states - Greece and Turkey - not only on bilateral issues but also within the framework of the Black Sea Economic Cooperation. The outcomes of these relations up to the present day have been essentially different. A trade model has been developed with regard to relations with Turkey - this country takes fourth place among NATO member-states in trade with Ukraine (after the Germany, USA and Italy) and divides 6-7 places with China in total Ukrainian foreign trade

⁹⁵ E. Baran, Canadian cooperation with Ukraine, *Zovnishnya Torgivlya*, 1998, No. 2-3, P. 42-43.

turnover⁹⁶. Trade relations between Ukraine and Greece have been less significant; at the same time both parties have co-operated in such areas as shipbuilding, sea transport etc. With reference to Turkey it is possible to assume that the priority of the model of trade cooperation with Ukraine will be preserved. As far as Greece is concerned, the finding of reserves to use for essential growth in mutual trade is the main direction of future cooperation. Available experience also points to the possibility of investment cooperation in shipbuilding.

At the same time cooperation within the frameworks of the BSEC is opening favourable possibilities for relations of Ukraine with the both countries. The Summit of BSEC heads of states held in Yalta in June, 1998 has launched transition stage toward the creation of free trade zones and the Black Sea Bank for Trade and Development, extensions of cooperation in the sphere of transport (including the creation of the Ring Ferry Line in the Black Sea and the joining towards forming Eurasian transport corridor), ecology, energy (for example, transportation projects of Azerbaijan petroleum and the unifying of power systems), etc.⁹⁷

The use of the possibilities of the BSEC may change the qualitative prospects of economic relations of Ukraine with Greece and Turkey on the basis of mutual supplementation of bilateral and multilateral cooperation. The limiting of this cooperation only by a trade model at present, with the beginning of the joint projects within the framework of the BSEC, will be supplemented by a specific investment model. Unlike the inflow of foreign direct investments into the economy of Ukraine from other NATO countries, this model will be based on joint investments in transportation and in other areas which are of service to the general needs of members of this international organisation.

The Declaration of the NATO-Ukraine Commission Summit underlines the position of President L.Kuchma who “affirmed that the recent accession to NATO of Poland and Hungary, two neighbours of Ukraine, together with the Czech Republic, is a significant contribution to stability in Europe.”⁹⁸

⁹⁶ Author's estimates are based on data provided by the Ministry of Statistics of Ukraine.

⁹⁷ BSEC: Summit Declaration in Yalta, BSEC - New Tendencies of Development, Zovnishnya Torgivlya, 1998, No. 2-3. PP. 32-33, 35-37.

⁹⁸ Declaration of the Heads of State and Government participation in the NATO-Ukraine Commission Summit. Washington, 24 April 1999. NATO Press Release NUC-S(99)68, 24 April 1999.

Having joined the Alliance structure, the three new members - Czech Republic, Poland and Hungary - allow us to analyse the characteristics of our economic relations with them as well. With reference to the economic aspects of mutual cooperation this act, however, does not have such cardinal consequences in comparison with their joining in 2002 to the European Union when general EU rules of relations with third partners are to be shared with them.

After a sharp decline in cooperation during the early 1990s the economic relations of Ukraine with these three Central European states are now gradually being extended, mainly in the sphere of mutual trade. Now Poland, Hungary and Czech Republic are among the top ten trade partners of Ukraine among the 19 Alliance members. On trade volumes with Ukraine Poland takes fifth place only after Germany, USA, Italy and Turkey, and Hungarian-Ukrainian trade turnovers exceed appropriate parameters of trade of Ukraine with France, Great Britain and the Netherlands. These figures, in turn, are less than or close to trade volumes of Ukraine with Czech Republic⁹⁹.

The character of investment cooperation with these countries under generally low-volume amounts is the creation of rather widely affiliated networks, trade and product companies and joint ventures on Ukrainian territory especially in Zakarpatska, L'vivska and other frontier parts of the country. Except for small investments in Hungary, Ukraine has practically no investments in any of these countries. The specific form of mutual relations is "near-frontier cooperation" with Poland and Hungary, including within frameworks of the "Carpathians" and "Bugh" euroregions.

From a geopolitical point of view the special importance should be given to the preservation and the development of Ukraine-Poland relations. During the last five years the authorities of the both countries have been the initiators of regular meetings between countries in the Baltic-Black Sea meridian; these have become important factors of stability in this frontier region between European and Eurasian geopolitical and geoeconomic areas, between NATO and EC on one side and the CIS headed by Russia on the other.

The presidents of the both states have repeatedly emphasised the special character of partnership between Ukraine and Poland, the striving to expand and strengthen mutual activities in political, economic and in other areas even after modifications in the geopolitical

⁹⁹ Estimates are based on data provided by the Ministry of Statistics of Ukraine.

status of Poland owing to its entering into NATO and then to the European Union. "I guarantee that when Poland will be in the EC, it will not turn away from Ukraine" - Polish President A. Kwasniewski stated during his informal negotiations with Ukrainian President L. Kuchma in the Crimea in September, 1998. The positions of Hungarian and Czech authorities toward prospects of cooperation with Ukraine are less categorical but are, as a whole, positive as well.

In reality the relations of these three countries with Ukraine in the future will be largely determined by the position of the two international organisations - NATO and the EU. Therefore an assessment of the further developments of the economic ties between Ukraine and Poland, Hungary and Czech Republic is possible from the viewpoints based on variable prospective cooperation with dominant geopolitical approaches to this problem, rather than models. The variations in the stimulating of such cooperation or at least in the maintaining of the present level of volumes, forms and significance for each of the partners would be the most preferable from a geopolitical point of view.

In the worst case it could lead to the sharp deterioration in terms of economic relations between them as a result of the formation of an "Eastern boundary" in the European Union. Even under terms of maintaining political relations at the present level this variant will mean the establishment of barriers between Europe and Ukraine with all its consequences. By taking into account the negative consequences of such developments on Ukraine's position in maintaining stability in the region, it is desirable for NATO and its member-states (and for European Union members as well) to actively participate in solving this complicated problem on the future economic boundary of the European Union.

Conclusion

During NATO's 50th Anniversary Summit in Washington, DC the special attention was paid to the problems of the Alliance's cooperation with Ukraine. In the main document of this Summit - the Alliance's Strategic Concept - the 37th section was devoted to this cooperation. It was stressed in it that "Ukraine occupies a special place in the Euro-

Atlantic security environment and is an important and valuable partner in promoting stability and common democratic values¹⁰⁰."

It is of vast significance that among all the Euro-Atlantic Partnership member-states the only opening statement given by the President of Ukraine L. Kuchma was included in the special Commemorative Edition devoted to this anniversary¹⁰¹.

On April 24 the first NATO-Ukraine Commission meeting took place. The Ukrainian delegation headed by President L. Kuchma and Heads of State and Government of all 19 members of the Alliance participated in this meeting.

The Secretary General of NATO J. Solana commented the results of the NATO-Ukraine Commission meeting as follows: "The Partnership for Peace remains a central element of our cooperation. We will develop our contacts within this program into a more effective and operational relationship¹⁰²." J. Solana also welcomed the diplomatic efforts of the Ukrainian government and of President L. Kuchma personally to settle the Kosovo conflict.

Some provisions which are included in the "Declaration of the Heads of State and Government participating in the NATO-Ukraine Commission Summit, Washington, DC, April 24, 1999" may have especial importance for developing mutual cooperation. First of all the talk is about the fundamental approval of proposals, submitted by Ukraine, on the making of main directions of interaction with the Alliance more specific. The document states that "Ukraine's State Program of Cooperation with NATO until 2001 outlines potential additional areas for cooperation¹⁰³". The support for this State Program from the Alliance partners is especially important at present when there is a negative attitude to it from the side of the majority in the Ukrainian Parliament. Its implementation may contribute to the strengthening of prospective cooperation of Ukraine with NATO in all areas specified in the Madrid Charter, including economic spheres.

The most important element of this Declaration is its positive evaluation on existing mechanisms of cooperation between NATO and Ukraine at Summit, Ministerial and Ambassadorial levels, as well as at the level of appropriations Committees and government bodies such as Ukraine's State Inter-Agency Commission for Relations with NATO.

¹⁰⁰ The Alliance's Strategic Concept, Part III, Article 37, NATO Press Release NUC-S (99) 65. Update: 25 April 1999. All documents of this Part are provided by NATO Information and Documentation Centre in Kyiv.

¹⁰¹ NATO's 50th Anniversary, Commemorative Edition, NATO-Review, 1999, P. 49.

¹⁰² Comments on the NATO-Ukraine Commission by NATO Secretary General Javier Solana, NATO Summit Speech. Update: 24 April 1999.

¹⁰³ Declaration of the Heads of States and Governments participating in the NATO-Ukraine Commission Summit. Washington, DC, April 24, 1999, Item 7, NATO Press Release NUC-S (99) 68. Update: April 24, 1999.

Results of cooperation in the political area, including in the activities of the NATO-Ukrainian Joint group on emergency situations, Joint Working group on Defence Reform and others, have also been highly evaluated.

We can suppose that maintaining and developing forms of cooperation with the Alliance in all the existing directions will be opposed in the Verkhovna Rada by some deputies belonging to left-oriented parties. Under these circumstances the real effect of the existing and future relations with NATO is an imperative for such cooperation. In doing so the assessment of such relations in Ukrainian society (and in it there is a difference between its mentality and those of similar assessments in most countries of Central and Eastern Europe) are not limited simply by the outcomes of cooperation in political and military-political areas and spheres of national security. In this assessment (as well as an assessment of relations with the EU, CIS, Russia or the USA) the economic component is obviously included although it does not have any direct relationship with any of the spheres of the Alliance's activities.

The peculiarity of the modern situation in Ukraine is that economic aspects of cooperation with the West and with NATO have acquired the special importance. It deals with the fact that in terms of low performance up to now of the process of post-socialist transformations in the society the economic factor was moved up to the front in order to ensure internal political stability in Ukraine and to preserve its present foreign policy.

Coming from the analysis made in the previous part of the present research we can conclude that NATO may directly or indirectly have a positive influence on the increasing of efficiency of the "Western sector" of foreign links of Ukraine not only in political but also in economic areas.

At the Alliance's level the talk can be about the step-by-step implementation of measures stipulated in the Charter for a Distinctive Partnership and about the acceleration of the selecting and/or adding of proposals which are included in Ukraine's State Program of Cooperation with NATO until 2001. For the further development of relations the expansion of the sphere of direct interaction provided in the Declaration of the NATO-Ukraine Summit may be of essential importance. This document is directly oriented on "consultation and cooperation in the fields of economic security, ... as well as in

scientific and environmental affairs" and on cooperation with regard to the restructuring and conversion of the defence industry¹⁰⁴.

The Alliance's Strategic Concept provides for closer cooperation of NATO with WEU and "if and when appropriate" with the European Union (Article 30), taking into account the distinctive contributions of the EU (together with the UN, OSCE, WEU) to Euro-Atlantic security and stability (Article 14)¹⁰⁵. Coming from the serious differences in the establishment of relations of these two organisations with Ukraine - more progressive from NATO side and less from the EU side - the issue of smoothing the levels and performances of the mentioned relations could become one of the directions of their mutual consultations. The priority of the European Union in comparison with that of other Euro-Atlantic structures in its influence on the economic stability and security in Ukraine gives the special relevance to this problem, taking into account also the increasing importance of economic factors to the future internal political and geopolitical orientation of Ukraine.

Essential intensification, especially in connection with prospective provisions of the "Ukraine-2010" Program, may be reached in bilateral economic relations with particular NATO countries. At present most of these states are oriented towards one (as a rule trade or investment) model of cooperation with Ukraine and the level of cooperation in terms of volumes and forms is far from that of potential possibilities. Switches to more intensive types of bilateral economic links depend not only on the possibilities of Ukrainian and Western partners quantitatively increasing and diversifying existing levels of cooperation but also on the raising to a qualitatively higher level of interaction on the basis of complex applications of all or most parts of those models of interstate interactions which have been accumulated in the world's experience.

¹⁰⁴ Ibid.

¹⁰⁵ The Alliance's Strategic Concept, Part III, Article 30; Part II, Article 14. NATO Press Release NUC-S (99) 65. Update: April 25 1999.

Appendix 1

Main directions of perspective cooperation between Ukraine with NATO in accordance with Ukraine's State Programme of Cooperation with NATO until 2001

Directions of cooperation in:	Forms of cooperation
Political sphere	Direct contacts with NATO Political Committee, bilateral consultations and negotiations, symposiums, seminars, working group activities.
Civil-Military relations	Join seminars, symposiums, courses, researches, working group activities.
Military sphere	Using mechanisms of EAPC and NATO-Ukraine Commission, bilateral consultations and negotiations, seminars, symposiums, researches, working group activities.
Armaments area	Establishment of contacts of the Ministry of Defence and other ministries and government departments of Ukraine with Armaments Planning, Programmes and Policy directorate, Policy Coordination Group, Research and Technology Organisation. Assistance in the establishment of cooperation between military-industrial complex enterprises of Ukraine and NATO member-states.
Military economy area	Development of cooperation between the Ministry of economy, Industrial Policy and Defence of Ukraine with NATO Economics Directorate.
Civil emergency situations area	Establishment of direct contacts between the Ministry on Emergency Situations of Ukraine and NATO Civil Emergency Planning Directorate.
The area of combating with organised crime, terrorism, illegal transfer of arms, technology of double-dealing, radioactive goods and drugs	Establishment of direct contacts between ministers and agencies of Ukraine and correspondent organs of NATO countries on bilateral and multilateral bases.
Science and Technology area	Establishment of direct contacts with NATO Science Committee, participation in PWP (PfP), preparation of memoranda on mutual understanding with given Directorate.
Environmental protection area	Establishment of direct contacts, preparation of Memoranda between Ukrainian and NATO bodies.
Standardisation area	Establishment of direct contacts of ministers and agencies of Ukraine with NATO bodies, including NATO Committee for Standardisation.

Directions of cooperation in:**Forms of cooperation**

Air traffic management sphere

Cooperation of the Ministries of Defence and Transport of Ukraine with the Air Defence and Airspace Management Directorate, NATMC.

Space exploration area

Cooperation of National Space Agency of Ukraine with Policy Coordination Group, AGARD

Source: Ukraine's State Programme of Cooperation with NATO until 2001.

Appendix 2

Models of cooperation of Ukraine with some NATO countries

Countries	Trade model	Investment model	Conversion model	Ecological model	Science-technological model
Belgium	+				
Canada	+			++	++
Denmark	+				+
France	++	+	+		+
Germany	+++	+++		+	++
Greece	++		+		
Iceland	+				
Italy	+++	+			+
Luxembourg	+				
the Netherlands	+	+++			
Norway	+				
Portugal	+				
Spain	+				
Turkey	+++	+			
UK	++	+++			
US	+++	+++	+++	++	++
Czech Republic	++	++			
Hungary	+++	+			
Poland	+++	++			

Intensification of the use of the models determines by the number of symbols.

Appendix 3

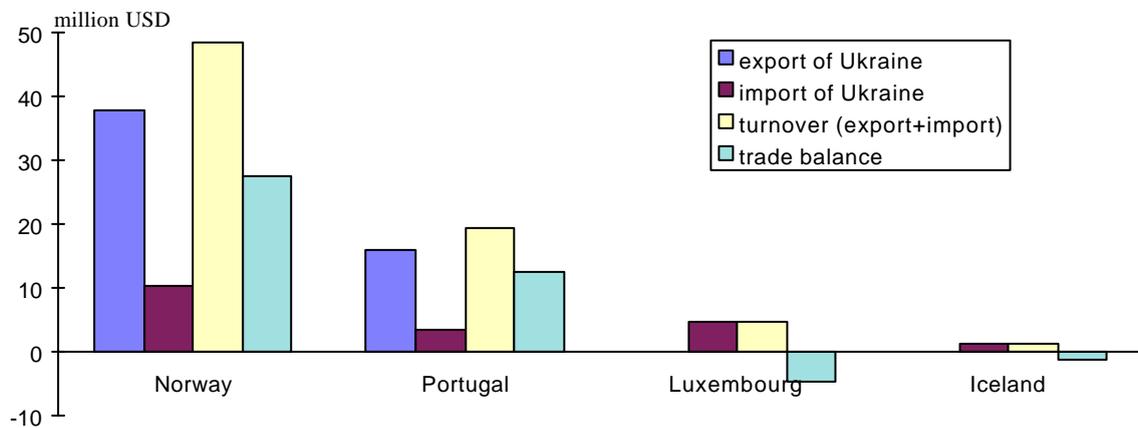
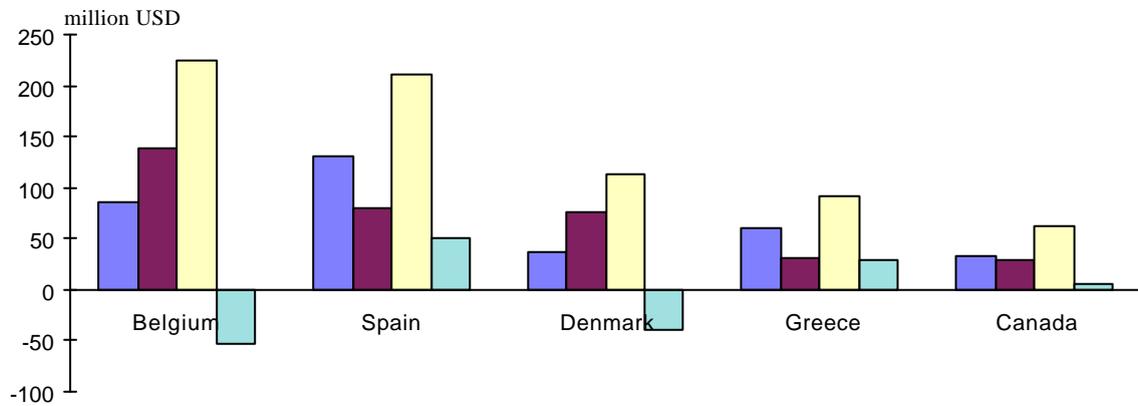
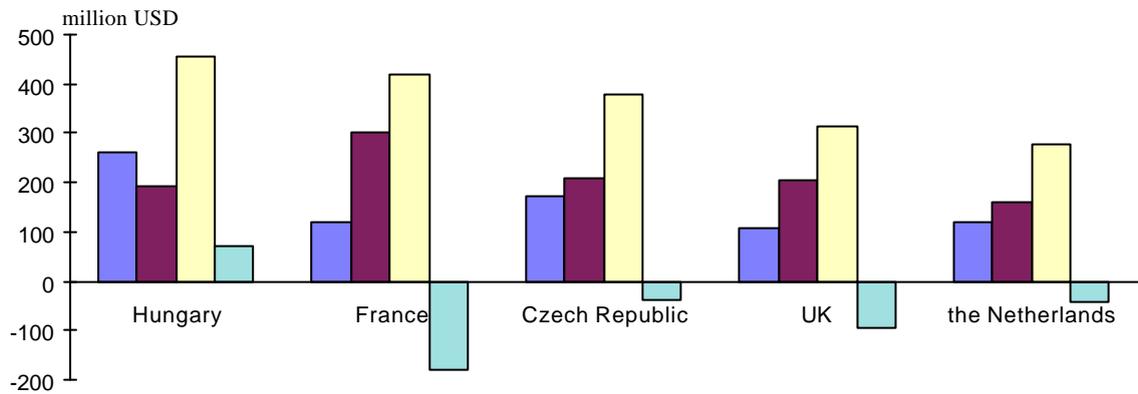
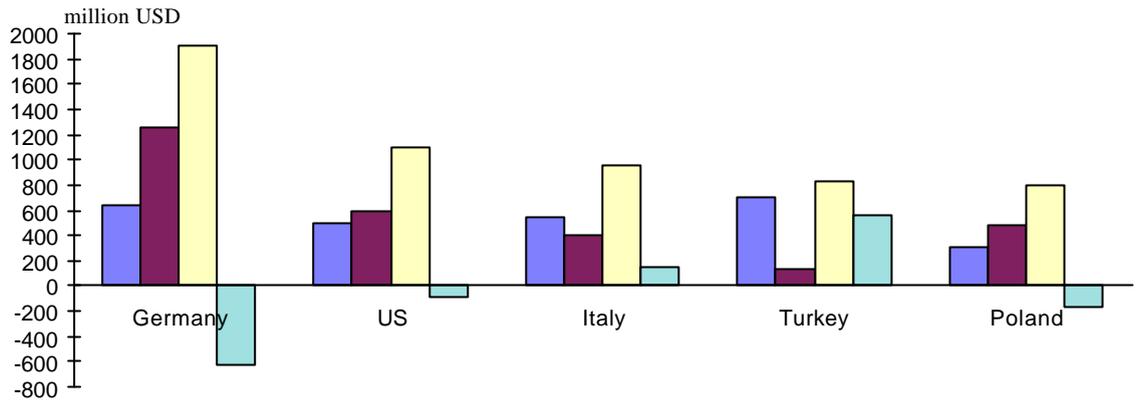
Rating of some countries in foreign trade Ukraine-NATO

Country	Turnover (export + import)	Ukrainian Export	Import	Balance for Ukraine
Belgium	11	12	10	passive
Canada	15	16	15	active
Denmark	13	15	13	passive
France	7	9	5	passive
Germany	1	2	1	passive
Greece	14	13	14	active
Iceland	19	19	19	passive
Italy	3	3	4	active
Luxembourg	18	18	17	passive
the Netherlands	10	10	9	passive
Norway	16	14	16	active
Portugal	17	17	18	active
Spain	12	8	12	active
Turkey	4	1	11	active
UK	9	11	7	passive
US	2	4	2	passive
Czech Republic	8	7	6	passive
Hungary	6	6	8	active
Poland	5	5	3	passive

Estimates for 1998 are based on data provided by the Ministry of Statistic of Ukraine.

Appendix 4

Trade of Ukraine with NATO countries in 1998, in millions USD



Source: the Ministry of Statistic of Ukraine

Appendix 5

The Most Attractive Spheres of the Ukrainian Economy for Foreign Direct Investment from NATO Countries*

	USA	the Netherlands	Germany	United Kingdom
Domestic trade	1	2	2	3
Food industry	2	1	1	1
Machine-building and metal-processing	3	-	3	2
Finance, Credit, Insurance	4	4	-	6
Communication	5	3	-	-
Construction	6	-	4	5
Agriculture	7	-	-	7
Other spheres	8. chemical industry	-	-	4. glass and china industry

Note: * - Numbers show the position of the given industry in total import of investment for each of the four NATO countries in the last five years. Investors from other countries of the Alliance invested small sums of money in some objects of the Ukrainian economy.

Source: Ministry of Statistic of Ukraine.

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Appendix 7

Participation in conferences and preparation of the articles.

The Fellow has made a report on the “VII-th Ukrainian-Polish Workshop” (Odessa, September 15-20, 1997) on the theme “Regional Peculiarities of Economic Transformation and Their Influence on Ukraine’s Participation in International Economic Activities”. The report has been published in the Collection of the Ukrainian Academy of Science.

He has taken part in discussions during the seminar of the “North Atlantic Assembly (NATO Parliamentarians) and Economic security of Ukraine”, organized in September 25-26, 1997 by Verkhovna Rada of Ukraine in partnership with Information Centre of NATO in Kyiv.

He has made the report “NATO, EU, CIS: Geopolitical Aspects of Ukrainian Reforms” on the international scientific conference " Market Reforms and Economic Development of Transition Societies: an Example of Ukraine ", held in November 20-21, 1997, by the International Centre for Policy Studies (Kyiv) with financial support from USAID, Delegation of the Commission of EU in Ukraine, etc.

The research-fellow has made the report "Economic Relations between Ukraine and NATO” on the international conference "Geopolitical future of Ukraine", hosted by the Ministry of foreign affairs of Ukraine, in March 19-20, 1998. Materials of this conference were published in 1999.

The fellow has published the article “The Attitude of Ukrainian Political Parties toward NATO and Russia” in the magazine “Political Thought” No 3, 1997. This article was handed over to the Information Centre of NATO in Kyiv, and its summary was published in January 1998 in the Moscow bulletin "NATO: Facts and Comments" No 4, issued by the Centre of NATO documentation on European security problems in the Institute of scientific information of the Russian Academy of sciences.

The article "Relations with NATO as a new aspect of Ukrainian-Polish strategic cooperation" was prepared for the Polish Center for Strategic studies (Warsaw) in January, 1998. The article was published in: the Polish Academy of Science journal “Geopolitical Studies”. Vol.4. Warsaw. 1998.

The article "Problems of foreign trade development between Ukraine and NATO countries" has been published in the Collection of Work of the Institute of the World Economy and International Relations, Issue 13, 1998.

The analytical report “Economic Aspects of Ukrainian Cooperation with NATO Countries” (December 1997) has been prepared for the governmental structures.

The Fellow has made one trip between April 1 and 10, 1998 to the University of Central Lancashire (Preston, Great Britain).

The article “Through Collaboration with NATO to a united Europe“ was published in the journal of the Minister of Foreign Affairs of Ukraine “Politics and the Time” No 9, 1998.

The article "The use of the Transformation Models in Ukraine" was published in the journal "Rozbudova Derzhavy" No. 7-8, 1998. The article “Economic relations of Ukraine with the EU and NATO: Models of Perspective Development” was published as materials of the conference “Problems in the formation of foreign economic strategy in terms of transformation process in Ukraine” in collection of articles of the Ukraine Academy of Foreign Trade (published in 1998).

In November 1998 he made a report on “Problems of NATO and EU Countries with Regard to Investing in Ukraine” (a collection of the reports will be published in 1999) during a conference organised by the Ministry of Finance of Ukraine and the Institute of International Development of Harvard University. In March 12, 1999 he made a report on “Ukraine-EU: Strategy of drawing together” at a Round Table organised by the Ukrainian Society of Foreign Policy and by F. Ebert fund. He took part in discussions at the international conference “NATO at 50: Prelude to the Washington Summit”, organised in March 18, 1999 by the Institute of International Relations as a basic step to the 50th anniversary of the Alliance in Ukraine. This speech stimulated the beginning of the publication of the “Ukraine’s State Programme of Cooperation with NATO until 2001” in the government newspaper “Uryadovy Courier.”

As a special guest of the international conference “Geopolitical Patterns of Central and Eastern Europe” (Polish Academy of Science and the M.Curie-Sklodowska University, Warsaw and Polanczik, Poland, from 16 to 21st May 1999) he prepared the report “Ukraine and the Central European Integration Process to the NATO and EU.”