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Ukraine and European security

REPORT

submitted on behalf of the Defence Committee
by Sir Russell Johnston, Rapporteur

ASSEMBLY OF WESTERN EUROPEAN UNION

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Ukraine and European security

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1. Adopted unanimously by the committee.

2. *Members of the committee:* Mr. *Baumel* (Chairman); Mr. *De Decker*, Mrs. *Baarveld-Schlaman* (Vice-Chairmen); Mr. *Alloncle*, Mrs. *Beer*, MM. *Bianchi*, *Briane* (Alternate: *Galley*), *Brito*, *Cox*, *Dees*, *Dumont*, *Fernandes Marques*, Mrs. *Fernandez Ramiro* (Alternate: *Cuco*), MM. *Hardy*, *Horn*, *Jacquat*, *Kastanidis*, *Kelchtermans*, *La Russa*, Mrs. *Lentz-Cornette*, MM. *Lopez Valdivielso*, *Marten*, *Lord Newall* (Alternate: *Sir Russell Johnston*), MM. *Parisi*, *Pavlidis* (Alternate: *Liapis*), *Pécriaux*, *Petruccioli*, *Schlotten*,¹ *Reis Leite*, *Sir Dudley Smith*, Mr. *Sole Tura* (Alternate: *de Puig*), Mrs. *Soutendijk van Appeldoorn* (Alternate: *Sir Keith Speed*), MM. *Vasquez*, *Vrettos*, *Zierer*, N...

N.B. *The names of those taking part in the vote are printed in italics.*

Preface

In preparing the present report, the Defence Committee of the WEU Assembly visited Kiev, Ukraine, on 4th-6th April 1995. During this visit, the committee and your Rapporteur were extremely fortunate to receive much kind help and assistance from all the authorities with whom they had discussions and would like to take this opportunity publicly to thank all concerned for their kindness and co-operation.

The programme of the committee's visit included the following meetings and visits:

- 4th April 1995 Meeting with the Chairman of the Supreme Rada of Ukraine, Mr. O. MOROZ
 Meeting with the Head of the Defence and State Security Committee, Mr. V. MOUKHIN, and members of the committee and representatives from the Foreign Affairs Ministry
- 5th April 1995 Meeting with the First Deputy Minister of Defence, Commander of the General Headquarters of the Armed Forces of Ukraine, General A. LOPATA
 Visit to a housing complex for the military staff of Ukraine's armed forces, built with financial support from the German Government
 Visit to a military unit
- 6th April 1995 Meeting with the Minister for Foreign Affairs, Mr. G. OUDOVENKO
 Meeting with the Deputy Minister of the military-industrial complex, Mr. Valery P. KAZAKOV
 Meeting with representatives of the Committee on Foreign Affairs of the Supreme Rada of Ukraine
 Visit to the Antonov aircraft works

Draft Recommendation
on Ukraine and European security

The Assembly,

- (i) Aware of Ukraine's positive contribution to security and stability in Europe through the implementation of the trilateral declaration of January 1994 to dispose of all nuclear weapons on its territory and through its decision to accede to the non-proliferation treaty as a non-nuclear state;
- (ii) Noting that the continued existence of Ukraine as an independent state and its ability to make further progress in transforming its economy and society depends greatly on international support and co-operation;
- (iii) Aware that the conclusion of a comprehensive treaty of friendship and co-operation between Russia and Ukraine is of vital importance for the independence and security of Ukraine as well as for the stability of the region;
- (iv) Noting that in recent months Russia has apparently not been forthcoming in the negotiations preparing the abovementioned treaty;
- (v) Aware that Ukraine will not be able to restructure and reorganise its armed forces and the defence of its territory until a final agreement on the division of the Black Sea fleet and its infrastructure has been concluded with Russia;
- (vi) Deploring Russia's unilateral decision to extend its armed forces in northern Caucasus with the newly-created 58th army in violation of the CFE Treaty;
- (vii) Noting that any suggestions to modify the CFE Treaty should be discussed exclusively in the framework of the 1996 review conference;
- (viii) Regretting the continued presence of the Russian 14th army in the Trans-Dniestr region, far beyond the borders of Russian territory;
- (ix) Noting that an early enlargement of NATO would not be conducive to stability in Europe and could transform Ukraine into a buffer state between a newly-opposed East and West;
- (x) Noting that in view of WEU's status as part of the process of European integration, closer links between Ukraine and WEU cannot be considered as threatening any third country in Europe;
- (xi) Aware that the WEU Council of Ministers attaches particular importance to appropriate relationships with Russia and Ukraine;
- (xii) Welcoming the decision of the Permanent Council of WEU on the organisation of the dialogue with Russia and Ukraine, which will allow for exchanges of information on issues of common interest;
- (xiii) Stressing, however, that, compared with Russia, Ukraine since its independence has shown a far more positive attitude in its active policy towards building security in Europe,

RECOMMENDS THAT THE COUNCIL

1. Continue to intensify the security dialogue with Ukraine, paying attention in particular to its specific rôle in the European security architecture;
2. Make clear in its security dialogue with Russia that the early conclusion of a treaty of friendship and co-operation between Russia and Ukraine is of vital importance for security in Europe.

Explanatory Memorandum

(submitted by Sir Russell Johnston, Rapporteur)

I. Introduction

1. Since its existence as an independent state in 1991, Ukraine has clearly demonstrated that its overall policy is dedicated to the promotion of peace and stability in Europe. The signing of the trilateral statement on 14th January 1994 and accession to the non-proliferation treaty as a non-nuclear state have been the most obvious manifestations of this policy, but Ukraine has also made efforts to find a peaceful solution to the problem of Crimean separatism. Minorities are enjoying respect.

2. Nevertheless, in Western Europe, there are still doubts over Ukraine's position in the European framework. Addressing the Assembly of WEU in December 1993, the former Foreign Minister of Ukraine stated that Ukraine considered itself to be an organic and inseparable part of the Central and Eastern European region. He also said that "a single all-European security space can be created only by securing regional stability in Central and Eastern Europe and by providing this region's organic linkage with Western European security structures".

3. More than a year ago, in the Kirchberg declaration of May 1994, the WEU Council of Ministers agreed that the policy conducted by Ukraine widened the base for the development of dialogue and exchange of information with Ukraine on issues of common concern. Since then, this dialogue with Ukraine has indeed been developed further.

4. In this framework, the Defence Committee of the WEU Assembly considered it useful to pay a visit to Ukraine in order to discuss a number of issues with the political and military authorities in Kiev. The results of this visit held in April 1995 are presented in the present report.

II. Reform of the economy

5. After his election in July 1994, President Kuchma made it clear that the reform of Ukraine's economy is one of his main objectives. The Supreme Rada's approval of a tough 1995 state budget with a 7.3% fiscal deficit, as had been agreed between President Kuchma and the International Monetary Fund, paved the way for more financial support. On 9th April 1995, the IMF approved credits for Ukraine up to a total amount

of \$1.96 billion to support the government's economic programme for 1995. Of this total amount, \$1.57 billion is being made available as a one-year stand-by credit, while another \$392 million is to be disbursed in a support programme for the transition to a market economy.

6. Shortly before approving the 1995 budget, the Supreme Rada passed a motion of no confidence in protest against the government's radical economic policy. Observers noted that it provided President Kuchma with an opportunity to replace cabinet ministers opposed to economic reform. The President is seeking to reduce the parliament's leverage in economic policy and to increase his own executive power.

7. Under former President Kravchuk, the Ukrainian Government has been reluctant to take radical measures to restore the national economy. Recent figures confirmed, however, that the efforts of succeeding governments have met with some success.

8. Inflation went down from 4 735% in 1993 to 842% in 1994 and Ukraine has a commitment to the IMF to bring it down further to 210% in 1995. GDP diminished by 14% in 1993, 23% in 1994 and a 5% reduction is expected for 1995. The budget deficit went from 30.4% of GDP in 1992 to 10.1% in 1993 and 9.6% in 1994. The government has promised the IMF to keep it between 3 and 4% in 1995.

9. Efforts are now being made to accelerate privatisation, which had started only very reluctantly under President Kravchuk. In fact, the 2 000 companies which were privatised during 1992 and 1993 could not be acquired by external investors.

10. The government now intends to privatise 8 000 large and medium-sized companies in the next two years. Under the new system, personalised vouchers will be distributed to the population which can be swapped for shares at regional privatisation centres responsible for co-ordination.

11. The new privatisation programme is supported by the European Union via its TACIS programme (Technical Assistance for the Commonwealth of Independent States), and by USAID (United States Agency for International Development) and the World Bank.

12. As far as the agricultural sector is concerned, agricultural products have now been privati-

sed, which means that kolkhozes are responsible for selling their products. They will receive the full price, but state subsidies have been stopped. A first start is being made with limited privatisation of farmland, but the government is acting carefully here because it wishes to avoid a complete disintegration.

13. On 11th April 1995, the World Bank approved a \$114 million loan to support a programme envisaging to dismantle Ukraine's eight vertically-integrated electric power monopolies and replace them with four independent competing electricity generators. Earlier, President Kuchma had published a decree to set up a national electricity pool authorising denationalisation of four plants and creating 27 local electricity distribution companies¹.

14. As is the case in other former Soviet republics, foreign investors have been reluctant to invest money in the Ukrainian market because of shortcomings in legislation and unpredictable overnight changes to trading rules and tax laws.

III. Debt and financial assistance

15. On 20th March, Ukraine and Russia signed an agreement on the repayment of Ukraine's debt of \$4.2 billion to Russia. According to this agreement, \$2.7 billion will be paid off during a twelve-year period. A debt of \$1.5 billion for deliveries of natural gas by Russia's Gazprom company has been converted into government bonds. Ukraine has also promised to pay its energy bills for 1995.

16. Ukraine's financing gap for 1995 is estimated at \$5.5 billion. This will be covered by a \$600 million loan from the World Bank, a debt settlement with Russia and bilateral contributions amounting to \$800 million, of which the European Union should contribute \$400 million. The European Union contribution has not yet been agreed, since some member states, in particular France, have insisted on linking financial support to the dismantlement of the Chernobyl nuclear power station. On 13th April 1995, a basic agreement on the closure and dismantlement of Chernobyl's nuclear power station was reached, but the financial consequences of the agreement remain to be negotiated.

17. During recent months, there has been a protracted debate among European Union members over financial assistance to Ukraine. From the beginning, Germany, supported by the European Commission, has pleaded for early and generous financial aid in order to prevent Ukraine's economic collapse and to preserve the country's independence.

1. Financial Times, 11th April 1995.

Loans received by Ukraine from international financial institutions (1993-95)

EBRD

1. Project of reconstruction of the international airport Boryspil (22nd December 1993) – \$5.1 million.
2. Project of development of small- and medium-sized businesses (16th December 1994) – 100 million ecus.
3. Project of reconstruction of Kiev's marketplace (19th January 1994) – \$14.8 million.
4. Loan for reorganisation of financial and administration structures (25th June 1993) – \$27 million.
5. Loan for regulation of payment crisis (22nd December 1994) – \$500 million.

IMF

1. The support of Ukrainian payment balance (24th October 1994) – \$742 million.
2. "Stand-by" (7th April 1995) – \$1.4 billion.

18. Of an 85 million ecu aid package promised by the European Union and a \$1.9 billion aid package promised by the G-7, nothing has yet been received because of continuing negotiations over the financial consequences of the closure and dismantlement of Chernobyl.

IV. Ukraine's foreign policy

19. In October 1994, outlining his economic reform programme to the Supreme Rada, President Kuchma called for a "strategic partnership" with Russia and Ukraine's fully-fledged participation in the strengthening and development of the economic community within the bounds of the CIS, arguing that the continuation of the "previous policy of self-isolation is economic and political suicide"². At the same time, he stressed that enhanced co-operation with Russia and the CIS should not be at the expense of relations with the West nor allow any threat to Ukraine's territorial integrity or independence.

20. The Ukrainian Government is perfectly well aware that its concerns over Russia's attitude and influence cannot be neutralised by alliances with the West. The objective is therefore to make Ukraine a non-nuclear, non-bloc, regional power with diversified interests, capable of co-operating with all partners to the detriment of none.

2. Jane's Intelligence Review, December 1994, page 568.

21. The "Main Directions of Ukrainian Foreign Policy" adopted by the Supreme Rada on 2nd July 1993, established the following four priorities:

- cultivate good bilateral relations which can help to renew old ties and as a result facilitate Ukraine's integration into the wider global and European order;
- intensify regional co-operation with such organisations as the OSCE, the North Atlantic Alliance and the European Union. The partnership and co-operation agreement with the European Union is considered a first step towards full membership;
- participation in the CIS, while rejecting any CIS supranational competences;
- full co-operation with the United Nations and its specialised agencies.

22. On different occasions, Ukraine has stressed its neutrality and non-bloc status and the policy of non-alignment adopted by the Supreme Rada in the abovementioned document is still valid. It is also argued, however, that non-alignment in a Europe no longer divided into two blocs does not exclude co-operation with regional organisations. In Ukraine, this policy is called "active neutrality".

23. National security is a main concern for the government which takes the view that any form of co-operation with, and integration in, existing European institutions and organisations will enhance Ukraine's security and contribute to its survival as a state. Participation in NATO's partnership for peace initiative is now firmly under way, and the partnership and co-operation agreement with the European Union, signed on 14th June 1994, awaits ratification in the European Union member states. A structured dialogue has been established with WEU and Ukraine hopes to be admitted as a member of the Council of Europe in the near future.

24. A good working relationship has been established with the OSCE and Mr. Max van der Stoep, the OSCE High Commissioner on National Minorities, has recently accomplished a mission in Ukraine dealing with the situation in the Crimean peninsula.

25. The policy of non-alignment does, however, prevent Ukraine from signing a collective security agreement providing for a collective response to aggression against any of its signatories, as was signed by six CIS member states in Tashkent in May 1992. Likewise, it cannot be a member of NATO. Ukraine is not in favour of the enlargement of NATO to include certain Central European states because it might transform Ukraine into a buffer state and lead to Russian

pressure to sign a collective security agreement similar to the Tashkent agreement.

26. Ukraine takes the view that enlargement of NATO should be evolutionary rather than revolutionary, adding that enlargement may be less destabilising in a few years' time, when Ukraine hopes to have better consolidated its own position as an independent state.

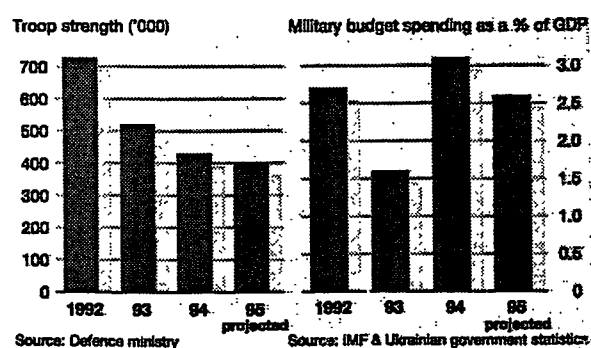
V. Defence spending and the restructuring of the armed forces

27. Ukraine is considerably reducing its defence budget because of a chronic shortage of financial resources, which has understandably a serious impact on the restructuring of its armed forces.

28. In 1994, 14 741 billion karbovaty were allocated to defence spending, while the military had asked for 63 700 billion.

29. On 22nd March 1995, the Supreme Rada adopted a defence budget envisaging substantial new cuts in funding and troop levels. In 1995, defence spending will again fall below the requests of the defence establishment to 2.6% of GDP, or 120,000 billion karbovaty (around \$800 million). According to the Defence Ministry, this would meet only 17% of expected costs, down from 34% in 1992. With this budget, it will hardly be possible to cover pensions, salaries and basic supplies while housing is still lacking for 70 000 military personnel. It will also be extremely difficult to pay for equipment maintenance, modernisation or disarmament which, as a consequence, will be postponed to a later date³.

Ukraine's shrinking military⁴



3. This does not refer to CFE Treaty arms reductions which Ukraine is implementing as required by the treaty. Recently it indicated that it may need western financial aid for full implementation by November 1995.

4. Source: Financial Times, 24th March 1995.

30. All these factors may slow down Ukraine's objective to reduce its armed forces to 250 000 troops by 1997. These stood at 726 000 troops when the country became independent and strengths are planned to be reduced to 400 000 by the end of 1995.

31. The government is also aware of the fact that releasing large numbers of officers and soldiers on a contracting labour market without providing them with adequate social protection may create another element of social instability.

32. In July 1994, legislation was introduced to clarify the rôle of the Defence Ministry and distinguish it from that of the General Staff. The Defence Ministry now has responsibility for identification of threats to Ukraine, management of the military industrial complex and the conversion process, and defining criteria for co-operation with other ministries. Shortly afterwards, President Kuchma appointed Valery Shmarov as Ukraine's first civilian Defence Minister.

33. With ethnic Russians forming a majority in many units in the early stage of transformation of the armed forces, a Social-Psychological Service was established with responsibility for the patriotic education of military personnel or the "rebuilding of morale with a Ukrainian spirit". Predictably, a number of zealots overstepped the limits of their task, which made the service rather unpopular among certain sections of the armed forces. It has now been renamed the Main Administration for Educational and Social-Psychological Work and is taking a more pragmatic approach.

34. In the reorganisation of the armed forces, the Carpathian and Odessa military districts were replaced by two operational commands, Western and Southern, each with three corps. The headquarters of the Kiev military district has become both the Ukrainian General Staff and the National Ministry of Defence.

35. The airforce and the air defence branch of the army have been combined in practically the only major reallocation of rôles and resources to have taken place outside the navy. The allocation of troops between the former Soviet military districts on Ukrainian territory has remained practically unchanged since independence.

36. It is also noted that the organisation of a command and control structure, subject to the central authorities in Kiev, in accordance with a concept of defence which shapes the armed forces into a cohesive force reflecting the needs of the state, will still take some time to be completed.

37. In fact, the armed forces as inherited from the former Soviet Union are still more suited to their traditional rôle of first strike offensive in a western direction than to defensive operations in all directions, as required by the new military doctrine.

38. When it emerged at an early stage that the division of the Black Sea fleet would be a complicated matter, taking years to resolve⁵, Ukraine decided to start creating its own navy based on an April 1992 presidential decree. A naval command was appointed, crews for Ukrainian naval ships were formed and shipyards were commissioned to build new ships. The navy headquarters, a naval academy and some units were located in Sebastopol. At the moment, the Ukrainian navy has about ten large or medium-sized ships, more than forty smaller patrol craft and several other surface ships. Among the large and medium-sized ships are a command and reconnaissance ship, a guided missile cruiser, two frigates, and four destroyers. A new frigate was launched in 1994. Last year, Ukraine took over the Black Sea fleet's 318th division which is planned to provide Ukraine's first coastguard unit⁶.

39. High inflation and a continuing shortage of funds and energy are some of the problems which the new Ukrainian navy is facing. There is a shortage of housing and the navy has problems in paying wages.

40. In October 1993, the Supreme Rada adopted a national military doctrine with a political, technical and economic section. This document argues against the stationing of foreign troops on its territory, or that of other states, without agreement and states that "Ukraine will consider its potential adversary to be any state whose consistent policy constitutes a military danger to Ukraine"⁷.

41. The armed forces have a rôle in defending Ukraine's independence and territorial integrity, in protecting Ukraine's borders, its ports and shipping in the Black Sea area and in maintaining internal order. They must also be able to respond to the need for peace-keeping in the region and to integrate with allies and partners⁸.

42. The guiding principles of the military doctrine's economic section are: the preservation of the country's military-industrial base for maximum benefit to the armed forces in line with financial aid and material constraints; the attainment of an advanced system of armament; an ecologically safe and economically feasible system of arming forces and dismantling weapons; and a rational conversion programme.

43. Ukraine's intention of becoming a non-nuclear state was carefully worded as follows:

"Having become the owner of nuclear weapons through historical circumstances,

5. See Chapter VI of the present report.

6. RFE/RL Research report, 6th May 1994.

7. RFE/RL Research report, 28th January 1994.

8. Vyacheslav Pikovshek and Christopher Pett: Transformation of the Ukrainian armed forces, NATO Review No. 5, October 1994.

Ukraine will never sanction their use and excludes the threat to use nuclear weapons from its foreign policy arsenal. In the future, Ukraine intends to become a non-nuclear state and links the reduction and destruction of nuclear weapons with appropriate actions by other nuclear states and the granting by them and by the world community of reliable security guarantees.”

Meanwhile, Ukraine acceded to the NPT as a non-nuclear state in December 1994⁹.

VI. The division of the Black Sea fleet

44. Immediately after the establishment of Ukraine's independence in December 1991, President Leonid Kravchuk issued a decree on the Ukrainian armed forces outlining the structure of the armed forces. Ukraine claimed all former Soviet military hardware and forces on its territory, with the exception of the strategic forces. As a consequence, Ukraine claimed the ownership of almost the entire Black Sea fleet, a claim disputed by Russia, which argued that the fleet was a strategic force. When measures were taken and conflicting decrees were issued by both sides leading to a chaotic situation, the Presidents of both countries suspended their decrees in April 1992 and agreed to holding negotiations on the issue.

45. The Black Sea fleet is said to consist of some 440 ships, including about forty major surface ships, eighteen submarines and 250 smaller ships, but the total number of ships to be divided is 833, taking account of a large number of non-combat and other small vessels. It also has some 300 naval aircraft and helicopters and 70 000 personnel. The majority of officers are Russian, but 60% of the conscripts are local recruits from Crimea. It should be noted that, at present, a large part of the fleet is not operational because of disrepair or lack of maintenance. The average age of ships in the fleet is between fifteen and twenty years and, with a continued lack of maintenance, the fleet would be completely ineffective by the year 2000. The negotiations over the Black Sea fleet have now been dragging on for more than three years. Of the many issues involved, mention could be made of loyalty oaths to the two respective states, the fleet's infrastructure, which is worth more than the fleet's ships, the status of the Crimean peninsula where most of the infrastructure is located and the financing of the fleet.

46. On different occasions, in particular June 1992, June 1993, September 1993 (Massandra) and April 1994, an agreement was announced which later fell apart or did not materialise.

47. The main bone of contention is access to the attendant bases and, in particular, to Sebastopol which has 82% of the fleet's infrastructure and which is of historical and national significance to both Russia and Ukraine. Russia has insisted that Sebastopol will remain as the main base of the Russian Black Sea fleet, not to be shared with Ukraine. Access to the Crimean naval bases is an issue of strategic importance. For Russia, it would facilitate the exercise of influence in the Black Sea region, including the Balkans.

VII. Implementation of the trilateral statement on nuclear weapons

48. Ukraine inherited 176 intercontinental ballistic missiles with nuclear warheads and 41 strategic bombers from the Soviet Union. Although Russia was in full control of the launch codes and Ukraine had neither the technology nor the financial means to store these weapons properly or to gain control over them, it was generally thought to be an undesirable situation. Ukraine used the presence of these strategic nuclear weapons as leverage both to assert its newly-acquired position as an independent state and to be granted financial aid in case it decided to give them up.

49. In January 1994, after complicated negotiations, Ukraine signed a trilateral statement with Russia and the United States to give up its strategic nuclear arsenal in exchange for about \$1 billion in nuclear fuel supplies and financial assistance for disarmament. In the trilateral statement, Ukraine undertook to transfer to Russia at least 200 nuclear warheads for dismantling within ten months. Ukraine also promised to eliminate, within seven years, all nuclear weapons, including strategic offensive arms, on its territory. Russia, with Ukraine's co-operation, was to ensure the servicing and safety of nuclear warheads pending their transfer to Russia for destruction. Russia and the United States would work to place all Ukraine's nuclear activities under the safeguard of the International Atomic Energy Agency (IAEA) in order to legalise the unimpeded export of Russian fuel assemblies to Ukraine.

50. Shortly afterwards, on 3rd February 1994, the Supreme Rada ratified the START I Treaty and the Lisbon Protocol, which associated the Soviet successor states with the START I Treaty. Following ratification by the Supreme Rada on 16th November 1994, Ukraine acceded to the Nuclear Non-Proliferation Treaty (NPT) as a non-nuclear weapons state on 5th December 1995. In the context of Ukraine's accession to the NPT, China, France, Russia, the United Kingdom and the United States have extended written security assurances. These assurances concern the commitment of these states to seek immediate Security Council action in certain circumstances

9. See also Chapter VII of the present report.

involving the use, or threat of the use, of nuclear weapons against Ukraine as a non-nuclear weapons state party to the NPT.

51. At the same time, these states undertook to recognise Ukraine's territorial inviolability and not to infringe its sovereignty through economic force. Ukraine's accession to the NPT also enabled the START I Treaty to enter into force between Russia and the United States on 5th December 1994 and opened the way for ratification of START II. The entry into force of START II may be delayed because of the negative impact of Russia's violent military intervention in Chechnya on relations between Russia and the United States. At the Russian-United States summit meeting in Moscow on 10th May 1995, both Presidents promised to push for ratification by their respective parliaments before the end of 1995, but with Russian parliamentary elections scheduled for December, ratification is unlikely to take place quite so soon. There is also strong hesitation in the United States Congress.

52. Ukraine is now fully implementing the statement and is transferring its nuclear warheads to Russia for destruction. According to Colonel-General A. Lopata, all intercontinental ballistic missiles on Ukraine's territory have been deactivated. On the other hand, Ukraine has noted, regretfully, that of a total amount of \$500 million promised by the United States for the dismantling of nuclear weapons, it has so far only received \$100 million.

53. Ukraine is trying to negotiate the sale of its twenty Tu-160 (Blackjack) and twenty-three Tu-95H (Bear 2) strategic bombers to Russia in exchange for spare parts for its Russian-supplied weapons and maintenance for its Russian-made aircraft.

VIII. CFE implementation

54. The Treaty on Conventional Forces in Europe (CFE), signed in Paris in November 1990, was drawn up for the deployment of conventional armaments in Europe from the Atlantic to the Urals. In the area defined in the treaty, the combined member states of NATO and the combined former Warsaw Pact states are each entitled to have a maximum of 20 000 tanks, 20 000 artillery units, 30 000 infantry fighting vehicles, 6 800 fighter aircraft and 2 000 attack helicopters. The treaty also includes regional and flank limitations in order to prevent threatening concentrations of armed forces in specific areas.

55. The arms reductions envisaged in the treaty were to be implemented in three phases: 20% by September 1993, 60% by September 1994 and 100% by November 1995. The flank limitations, which exclusively concern Russia's military dis-

tricts of Leningrad (now St. Petersburg) and north Caucasus and the south-eastern part of Ukraine's territory, will come into force in November 1995.

56. At their Tashkent summit meeting in May 1992, the successor states of the Soviet Union participating in the CIS divided among themselves the CFE treaty-limited equipment (TLE) of the former Soviet Union. According to this division, Ukraine is entitled to a maximum of 4 080 tanks, 5 050 infantry fighting vehicles, 4 040 artillery units, 1 090 aircraft and 330 attack helicopters.

57. Under the terms of the CFE Treaty, Ukraine is committed to remove from service almost 2 000 tanks, more than 1 000 armoured vehicles and around 300 military aircraft. In general, Ukraine has been complying with the disarmament schedule until now, but the serious financial problems of the armed forces may lead to requests for western financial assistance to complete the dismantling of the remaining surplus of CFE Treaty-limited equipment.

58. Within the framework of the armed forces' restructuring, the Kiev, Carpathian and Odessa military districts were reorganised in 1992, but, since then, the CFE Treaty-limited equipment quotas set for these districts have remained in force, which has resulted in an unbalanced and rather illogical deployment of arms and equipment across the country. For example, the treaty allows for 680 tanks in the Odessa district, covering the southern part of Ukraine and 3 400 tanks in the Carpathian and Kiev district, covering the western part.

59. In September 1993, Ukraine was the first state to re-open the subject of flank limitations. It asked for a revision of the CFE Treaty, arguing that CFE limits on the deployment of its armaments inside its own borders are based on flank limitations which have become irrelevant with the dissolution of the two-bloc opposition in Europe. Implementation of the treaty, it was argued, would force Ukraine to defend one quarter of its territory with 17% of its tanks, 7% of its infantry fighting vehicles and 22% of its artillery units.

60. Later, Russia also insisted on a revision of the CFE Treaty which, according to Defence Minister, Pavel Grachev, interferes with Russia's strategic interests. Russia argues that the treaty does not provide sufficient forces and equipment for the defence and protection of its south-western border. As a consequence of flank limitations, Russia is allowed to deploy only 15% of its armed forces in the military districts of Leningrad and north Caucasus, which together cover more than half of its European territory. According to the CFE Treaty, Russia is allowed to deploy not more than 700 tanks, 580 armoured vehicles and 1 280 artillery units at its south-western border in the

north Caucasus district. At present, Russia considers the North Caucasus military district as its most important line of defence.

61. A revision of CFE flank limitations could therefore also lead to redeployment of Russian forces in the north Caucasus military district bordering on Ukraine, a consequence which would certainly not contribute to an enhanced feeling of security in Ukraine. Until now, NATO has rejected all requests to change flank limitations, referring any discussion on the implementation of the CFE Treaty to the 1996 review conference.

62. On 26th April 1995, Russia announced its decision to extend its armed forces in the north Caucasus through the creation of a new force, the 58th Russian army, by June 1995. The 58th army will be created on the basis of an existing army corps in Vladikavkaz, north Ossetia, to which new units will be added. Implementation of this decision would constitute a violation of the CFE Treaty.

63. Ukraine has implemented its CFE Treaty obligations and does not intend taking any unilateral decision which would go against the treaty. It insists, however, that there are anomalies in the treaty which should be renegotiated. Potential adjustments should take into account the positions of all the European states and security organisations concerned.

64. In a statement after his summit meeting with President Yeltsin on 11th May 1995, President Clinton stated that he supported the Russian request for modifications in the CFE Treaty. He added that he wanted to "figure out a way to preserve the integrity of the treaty, and compliance with it, but in the end respond to the legitimate security requests of Russia"¹⁰.

IX. Ukraine's defence industry

65. In the former Soviet Union, Ukraine had the second largest military industrial complex with 18% of the entire complex on its territory. A total of more than 1 800 enterprises employed 2.7 million workers, out of which around 700 facilities employed 1.3 million, exclusively producing military items. It is estimated that this sector of the industry contributed one-third of Ukraine's GNP. Among the most important industries were the southern machine building plant, building strategic missiles such as the SS-18, SS-20, SS-23 and SS-24, space shuttles and satellites and the Black Sea shipyard in Mikolayev, where most Soviet ships were built according to Russian designs. The Malyshev plant and design bureau in Kharkov produced T-64, T-72 and T-80 tanks with

armour and guns from Russia. The Antonov scientific-technical research complex in Kiev built Antonov aircraft, including the largest transport aircraft in the world.

66. Moreover, Ukraine had a large capacity for producing ammunition, optical equipment, military lasers and electronics. Ukraine's defence industry received little to no orders in 1991 and 1992 and, as a result, its output declined three-fold with many factories working only two or three days a week. Continuing government subsidies saved them from bankruptcy, but, at the same time, these subsidies were creating hyper-inflation.

67. The disintegration of the Soviet Union into different independent republics has caused problems in the supply of specific products which are needed for the production of weapons systems, while the rapid decline of the value of the Ukrainian karbovantsy against the Russian rouble is causing problems for payment. Facing the possible social and economic consequences of a collapse of this important branch of Ukraine's industry, the government had no choice but to act.

68. A presidential decree of January 1992 provided a number of measures to help companies achieve conversion. Conversion efforts were directed mainly at enterprises which exclusively produced military items. Activities for civilian production should concentrate on agricultural machinery, medical and environmental equipment, food packaging and processing and consumer goods. The government also thought that conversion could be successful in the production of missiles and other items for the civilian aerospace markets. A state fund for conversion was established. In mid-1992, the Ukrainian Government proposed a five-year conversion plan consisting of 540 programmes. Estimates of the cost of the conversion programme have varied from \$5 billion for five years to \$2 billion plus 650 billion coupons over ten years. It should be noted, however, that in 1992 the defence industry only obtained one quarter of what it had requested for conversion.

69. In June 1994, the Ministry of Defence disclosed a preliminary programme which aims at a dual rôle for the defence industry: to satisfy the equipment needs of the Ukrainian armed forces in practically all fields in order to reduce its dependency on Russia and at the same time produce for the export markets.

70. At present, the ministry for the military industrial complex has responsibility over the remaining total of 1 700 production units and research establishments. Its priority tasks are conversion and privatisation. In this framework, the ministry is trying to establish relations with Western European countries and the North American continent.

10. Financial Times, 11th May 1995.

71. After the trilateral agreement on nuclear weapons of January 1994, a joint Ukrainian-United States committee was established to discuss military conversion and nuclear weapon issues. Ukraine also established a control régime for nuclear exports in full accordance with international standards, which was a condition for the development of relations with western partners. Co-operation projects have now been concluded with France, Germany, Italy, the Netherlands, the United Kingdom, the United States and others.

72. Many conversion activities have been undertaken and there are the by now well-known examples of missile factories having converted part of their activities to the production of trolley buses and watches, and a nuclear submarine equipment factory turned over to the production of antennas, burglar alarms, car radios, food mixers and microwave ovens.

73. As a specific example, mention is made here of a joint venture announced in January 1995 between a company from the United Kingdom, a company from the United States and the Ukrainian Defence Ministry. In the new company, Alliant Kiev, the foreign partners provide technology, capital and know-how, while Ukraine's army provides arms and labour to dismantle conventional munitions and reclaim the metals and explosives for profit. Over the next five years, Alliant Kiev plans to destroy 220 000 tons of munitions¹¹.

74. An important part of Ukraine's military industrial complex is its well-developed space industry, building launch vehicles, space shuttles and satellites which, understandably, it does not want to give up. Therefore, in 1992, President Kravchuk published a decree to establish the Ukrainian National Cosmic Agency (UNCA) to ensure that the existing human and technical resources in this field would not be lost.

75. The UNCA developed a national space programme envisaging co-operation with Russia and Kazakhstan, manufacture of space products such as launch vehicles and satellites for the world market and co-operation with western countries in space technology and joint programmes. A positive step towards possible co-operation with western companies and space programmes was taken when, on 17th May 1994, Ukraine adhered to the missile technology control régime which pledged it to prevent missile technology proliferation. A co-operation programme has been signed with Aérospatiale to improve the performance of the Ariane launch vehicle's rocket motors and other co-operation agreements have been concluded with NASA. Meanwhile, there is intensive co-operation in space programmes with Russia and Kazakhstan.

76. Given the fact that 80% of its defence industry was dependent on Russian parts, Ukraine is aware that its defence industry can only survive, even partially, if it co-operates with the Russian defence industry. In January 1993, therefore, both countries signed an agreement on joint co-operation in a number of activities such as aircraft production, rocket and space technology, electronics and aircraft engines. One of the most interesting co-operation programmes between Ukraine and Russia in this framework is the development of the AN-70 transport aircraft. A second prototype is being built at the Antonov scientific-technical research complex in Kiev. The AN-70, equipped with four turbo-fan engines, can carry 30-35 tons over a distance of 4 000 to 5 000 kilometres, at a speed of 750 kilometres per hour. With a weight of 130 tons, it is capable of landing on short runways and transporting troops and equipment into the heart of potential combat zones. Assembly-line production was planned to start in 1996-97, but the programme may be delayed after the recent crash of the first prototype. On the world market for military transport aircraft, the AN-70 will be a competitor for the future large aircraft (FLA), now being developed by a European consortium.

77. Other branches of Ukraine's defence industry have been less fortunate.

78. The Sebastopol marine plant, a naval shipyard for repair and upgrading, is now working at one-third or one-fourth of its capacity. The Chernomorskye shipyard in Nikolayev on the Black Sea has stopped building aircraft carriers and cruisers and is now focusing on the construction of smaller vessels.

79. The problems with the aircraft-carrier Varyag are illustrative of problems in the Ukrainian military industrial complex. The Varyag was under construction at the Chernomorskye shipyard when the Soviet Union collapsed. Arms and electronic equipment for the carrier were to be provided by Russia. It was 60% completed in January 1992, but since then little progress has been made, in particular, because of a shortage of money. Russia has offered the carrier to Ukraine, but Ukraine prefers to sell it to a foreign customer. If no customer can be found – China has been suggested as a potential buyer but this could not be confirmed during the Defence Committee's visit to Kiev – Ukraine will sell the carrier for scrap.

80. In an effort to sell its defence industry products on the export market, Ukraine has now developed a 3 000 ton patrol vessel which was on show at the International Defence Exhibition in the United Arab Emirates in March 1995. Other smaller vessels have also been developed for export, such as a fast and manoeuvrable hydrofoil. The Malyshev plant in Kharkov has now developed the T-84 tank, an improved version of the

11. Financial Times, 20th January 1995.

well-known Soviet T-80 tank, which is available for export.

81. With these and other equipment, Ukraine is planning to increase its arms exports from \$100 million in 1993 to \$10 billion by the year 2000.

82. It cannot be denied that the Ukrainian Government has taken strides to tackle the problems of its huge military industrial complex with quite elaborate programmes for conversion, co-operation and export, but the objectives of this ambitious restructuring will be attained only if the reform of the country's economy, including privatisation, takes root and if the government is able to indicate clearly what kind of defence industry it needs for its national security policy and to provide the financial means to implement it.

X. The Crimean peninsula

83. As is known, Crimea lost its autonomous status in the Soviet Union in 1945. In 1954, Crimea was transferred from the Russian Federation to Ukraine in a symbolic gesture to mark three centuries of union between both neighbours. After Ukraine's independence in September 1991, the Crimean Supreme Soviet declared Crimea to be a constituent part of Ukraine.

84. When, after Ukraine's independence, the economic situation deteriorated even more rapidly than before, the separatist Republican Movement of Crimea (RDK), led by Yuri Meshkov, had an easy job in mobilising support from large parts of the population for a more separatist policy. It should be noted that 65-70% of Crimea's 2.7 million population is Russian and that many of them thought they would be better off in a Crimean peninsula with closer relations, or even reunified, with Russia.

85. On 9th July 1993, the Russian Supreme Soviet declared Russian sovereignty over the Ukrainian port of Sebastopol, the main base of the Black Sea fleet, but this parliamentary declaration, welcomed by many Russians living in the Crimea, was criticised by the Russian Government which stated that it deviated from its official policy.

86. In January 1994, Yuri Meshkov, leader of the Republican Party of Crimea, was elected President of the Ukrainian Republic of Crimea. Mr. Meshkov immediately called for the establishment of an independent Crimea in union with other CIS states. The Supreme Rada of Ukraine, however, voted on 24th February 1994 that the Ukrainian Republic of Crimea should not have the right to conduct its own foreign, defence and monetary policies and that it was "not a bearer of state sovereignty". In March 1994, President Meshkov held a referendum – declared illegal by

Ukraine – with about 80% of the Crimean population voting in favour of secession.

87. In May, the Crimean parliament restored the controversial Crimean Constitution, which was approved by referendum in 1992. At that moment, the Russian President Yeltsin backed this move, stating that Crimea was a sovereign republic. Later, Crimean and Ukrainian officials started negotiations with the aim of reducing tension between the two sides.

88. Apparently, the Russian attitude towards Crimean separatists changed after the election in July of President Kuchma, who was determined to improve relations with Russia in all possible fields while maintaining Ukraine's independence.

89. When in August 1994 the town council of Sebastopol declared that the city had "Russian legal status" and was "de jure part of the Russian Federation", this declaration was rebuffed by the Russian Government. Ukraine's President Kuchma reacted pragmatically by saying that certain issues had to be resolved at state level.

90. In September, the Crimean Parliament, dominated by Russians, came into a lasting conflict with President Meshkov over executive power. The Ukrainian Supreme Rada amended the Ukrainian constitution which would enable it to cancel any Crimean legislation which would conflict with the Ukrainian constitution. In November, legislation was adopted which would automatically invalidate Crimean legislation deemed to conflict with Ukrainian law.

91. All these decisions, however, did not result in a more forthcoming and co-operative attitude from Crimea's political authorities and Crimea continued to refuse to bring its laws into line with those of Ukraine. Finally, on 17th March 1995, the Ukrainian Supreme Rada abolished Crimea's constitution and sacked President Meshkov, saying that he should be charged with abuse of office.

92. It should be noted that both President Meshkov and the Crimean Parliament have lost much of their popular support in recent months because they failed to improve the regional economy.

93. Russia, still in the process of asserting its authority over the breakaway republic of Chechnya in a bloody military operation, could do little else but leave Ukraine to settle its own affairs. The deputy Chairman of the Russian Duma interpreted perfectly the Russian authorities' feeling when he said that Crimea was an internal Ukrainian matter and that Russia would continue to respect Ukraine's territorial integrity and existing borders.

94. Russia's first deputy Prime Minister, Oleg Soskovets, who visited Kiev on 20th March des-

pite calls from the Crimean parliament to cancel his visit, declared that "internal political events in Ukraine are Ukraine's business"¹².

95. On 2nd April, President Kuchma put the Crimean regional government under his direct control. He further reinstated Anatoli Franchuk, who had lost a vote of no confidence in the Crimean parliament the week before, as Prime Minister of the Crimean Government.

96. The Crimean Parliament was given until 15th May to present a new constitution in order to replace the abolished 1992 constitution which established Crimea's autonomy.

97. On 15th April 1995, however, President Yeltsin indefinitely postponed the signing of the Ukrainian-Russian co-operation treaty planned for the end of April. President Yeltsin said that he would sign only after he was convinced "that the relations between Simferopol and Kiev do not infringe the interests of the Crimeans"¹³.

98. Later, on 18th April, the Russian Foreign Minister, Andrei V. Kozyrev, stated that Russia could use a range of diplomatic, political and economic means to protect Russians abroad and he added that "There may be cases when the use of direct military force may be needed to protect our compatriots abroad"¹⁴.

XI. The Trans-Dniestr region of Moldova

99. A thorny problem at Ukraine's western border is the Trans-Dniestr region, where ethnic Russians and Ukrainians had been the main supporters of proclamations of independence in 1990 and 1991. This region had the status of autonomous republic within Ukraine until 1940, when it was united with Bessarabia, a part of Romania annexed by the Soviet Union which then became the Soviet Republic of Moldova.

100. Moldova proclaimed sovereignty in 1990 and declared independence in August 1991. The perspective of a possible future reunification of Moldova and Romania was one reason for proclaiming Trans-Dniestr's independence, first in 1990, then in December 1991. A military campaign by Dniestr leaders to take control of the territory of the self-proclaimed republic on the Dniestr's left-bank led to violent armed clashes in the first half of 1992. The rôle of the Russian 14th Army during this period has never clearly been asserted.

101. On 21st July, an agreement brokered by Russia and the CSCE was signed. Moldovan, Russian and Trans-Dniestr peace-making forces were deployed, but, despite many negotiations, a

solution acceptable to all parties involved has not yet been found. The new Moldovan constitution, which came into force in August 1994, established a special autonomous status for the Trans-Dniestr region based on the principle of territorial integrity, but Trans-Dniestr insists on recognition of independence, confederate links to Moldova and the right to create its own armed forces.

102. On 10th August 1994, an agreement was reached in negotiations between Russia and Moldova providing for the Russian 14th Army to be withdrawn from Moldova and the Trans-Dniestr region within three years. The agreement was signed by the Prime Ministers of both countries at a ceremony in Moscow on 21st October 1994 and, in November last, the Russian Defence Ministry announced that the 14th Army's troop strength had been reduced by half, from four battalions to two. On the other hand, it is said that the three-year period for withdrawal has not started yet because of a dispute between Moldova and Russia over the agreement's interpretation.

103. In a 26th March 1995 referendum, a large majority of the Trans-Dniestr population (94% of the votes cast) voted in favour of a permanent presence of Russia's 14th Army on its territory, considering it to be the best protection against Moldova.

104. Although a reunification of Moldova with Romania, provoking a full secession of Trans-Dniestr, is now generally considered to be an increasingly remote possibility, Ukraine is still concerned with the volatile situation in this region. It is concerned about the position of Ukrainians in the Trans-Dniestr region, but also it is aware that Russians in the Trans-Dniestr area have supported Russian separatists in Crimea. If the Russian 14th Army is indeed withdrawn from the Trans-Dniestr area, an agreement will have to be concluded between Russia and Ukraine for the transfer of Russian troops through Ukrainian territory. Preliminary discussions on such a potential agreement have already started.

XII. Energy situation and the problem of Chernobyl

105. Since Ukraine's independence, the country's coal- or gas-fired power stations (accounting for 59% of energy production) are functioning only partially because of reduced coal and natural gas supply. Hydroelectric power stations produce only 5% of the country's electricity. Nuclear power stations provide 33% of Ukraine's energy requirements, but Ukraine is facing considerable difficulties in this area.

106. The two reactors still operating in Chernobyl – number 1, the oldest of the four and number 3 which is next to the sarcophagus covering the remains of reactor number 4 – still provide 7% of

12. Financial Times, 23rd March 1995.

13. International Herald Tribune, 16th April 1995.

14. International Herald Tribune, 19th April 1995.

Ukraine's energy. On the other hand, the European Union has made the closure of Chernobyl a condition for releasing the \$100 million loan which it granted to Ukraine in 1994 and for providing further loans in 1995.

107. New nuclear power stations are under construction at Zaporozhye, Rovno and Khmel'nitskiy. Zaporozhye, financed by Ukraine itself, should be completed by the end of 1995, but the two others will not be operational before the end of 1998 at the earliest. Rovno will be completed with the assistance of the European Union and the Group of Seven supports the completion of Khmel'nitskiy.

108. When the full Chernobyl power station is closed down, reactor waste and contaminated machinery will have to be disposed of safely. Western estimates for the cleaning operation vary between \$2 and \$3 billion, but Ukrainian officials have put forward figures between \$4.5 and \$5 billion.

109. On 13th April 1994, a delegation representing the European Union and the Group of Seven met in Kiev with representatives of the Ukrainian Government to discuss the closure of Chernobyl. Ukraine agreed to close the Chernobyl nuclear power station by the year 2000 in exchange for western agreement to help build a gas-fired power station to replace the nuclear one and to build a new tomb around reactor number 4 which exploded in 1986 in order to supplement the current protective cover which is decaying. The details of the agreement reached are not known at present, but it should open the way for further financial aid from the European Union.

110. It is thought, however, that complicated negotiations over financial aid will still take quite some time. The United States seems to be reluctant to provide more money beyond what was promised at the G-7 meeting in Naples in July 1994. The European Union and the EBRD may be more forthcoming, but the amounts mentioned have not in any way been in the range of the \$4.5 billion mentioned by the Chairman of Ukraine's nuclear power agency.

111. Natural gas supply from Russia has caused numerous problems for Ukraine since it became an independent state and the issue is still of great importance for Ukraine's economic development and its relations with Russia. In March 1995, it was agreed that part of Ukraine's debt to Gazprom, Russia's natural gas export company, would be converted into government bonds. Gazprom is a key instrument in Russia's policy to obtain economic control over former Soviet territories which are no longer under Moscow's political and military control. Gazprom would like to convert these bonds into stakes of between 35 and 50% in key Ukrainian enterprises, including the enterprise which owns the 33 000 kilometres of

crucial gas pipelines running through Ukraine and two gas reservoirs. Ukrainian officials have made it clear that Gazprom may participate in privatisation, but that it will not be allowed to acquire interests in the pipeline company. President Kuchma has stated publicly that "the issue of debt cannot be used to undercut our independence"¹⁵.

112. It is true that, even in present circumstances, Russia can cut off natural gas supplies to Ukraine at any moment, which is indeed a formidable instrument of power. On the other hand, it is noted that 95% of Russian natural gas exports to the west run through Ukrainian pipelines, giving Ukraine sufficient possibilities for counter-measures in the event of interruption in gas supply.

113. At present, Ukraine has an annual requirement of 40 million tons of crude oil, now largely supplied by Russia. In an effort to diversify its energy sources, Ukraine has now decided to build a new oil terminal at Odessa which will handle 12 to 20 million tons of crude oil per year once construction is completed at the end of 1996. The oil would initially come to Odessa via the Bosphorus.

114. Expansion of the terminal's capacity to 40 million tons per year is planned, but this hinges on construction of a possible pipeline through Turkey which should transport Iraqi and Iranian oil to Turkey's Black Sea port Samsun.

115. Ukraine wants to raise its domestic oil output from 4 million tons in 1994 to 7 million tons in 2000 and increase its natural gas production above the 17 billion cubic metres of 1994 while it hopes to expand its domestic coal and nuclear energy sectors.

116. In January 1995, Ukraine reached an agreement with Turkmenistan for delivery of 11 billion cubic metres of natural gas in 1995. The remainder of its needs for 100 billion cubic metres of natural gas will be covered by Russian imports and domestic production.

XIII. Ukraine-Russian relations

(a) Commonwealth of Independent States (CIS)

117. Together with Russia and Belarus, Ukraine was a founder member of the Commonwealth of Independent States (CIS) when it was proclaimed in Minsk on 8th December 1991. Ukraine considered the CIS an instrument for managing the problems associated with the collapse of the Soviet Union and facilitating the transition of the new republics towards complete independence.

118. Ukraine has been suspicious of proposals for closer integration within the CIS, fearing that

15. Financial Times, 8th-9th April 1995.

they might lead to federal or confederal structures enabling Russia to regain hegemony in the region. Ukraine did not therefore sign the Minsk agreement on the status of general purpose forces of February 1992, declaring that its intention was to establish completely independent national armed forces. It also did not sign the CIS collective security agreement of Tashkent in May 1992. It has always refused to join any CIS collective security body or to participate in CIS joint peace-keeping.

119. On the other hand, it is aware that its industry and economy cannot survive without close links with other republics of the former Soviet Union. As a consequence, it is interested in the development of trading and economic links within the CIS, but only if its sovereign equality and partnership are respected.

120. However, at the moment it is only an associate member of the CIS economic union. When, in September 1994, the CIS agreed to establish a payments union and an interstate economic committee, Ukraine made it clear that it could only become an associate member of the interstate economic committee, taking part only in selected discussions and that the time was not ripe for participating in the payments union¹⁶.

121. At the last CIS summit meeting held in Alma Ata on 10th February, an informal memorandum was adopted and only three of the thirteen proposals for closer security were passed. A hard core of Belarus, Kazakhstan and Russia is determined to develop close relations, formalised in bilateral and trilateral agreements on security and economic issues, which Ukraine so far has not wished to follow.

122. A pact for peace and stability within the CIS, which should have been the main achievement of the Alma-Ata summit meeting, was diluted considerably into a non-binding memorandum. In bilateral agreements, Russia and Kazakhstan have promised to remove internal borders and allow free movement of their citizens across each other's borders. The Russian army will also conduct joint operations and border patrols with Kazakh forces and have access to four testing ranges within Kazakhstan. Such agreements are anathema for Ukraine.

123. At present, it is difficult to predict what rôle the CIS is going to play. It is noted that if Russia chooses to shape it into the main vehicle for its political, military and economic relations with the other republics of the former Soviet Union, Ukraine may have to accept closer political and military links within the CIS framework to obtain the economic co-operation and access to its traditional markets that it needs for the recovery and further development of its very depressed national econ-

omy. Such political and military commitments could limit its freedom in seeking closer links with western European and Atlantic institutions.

(b) Relations with Russia

124. Large parts of what is now Ukraine have been affiliated with and dependent on Russia and later the Soviet Union. Only at the time of the Russian revolution in 1917 did it have a brief period of independence before being involved in a civil war from 1918 to 1921 which ended in a communist victory and Ukraine becoming part of the USSR.

125. During Soviet rule, Ukraine's territory was enlarged with eastern Galicia and Volhynia from Poland, northern Bukovina and Bessarabia from Romania and finally with the Crimean peninsula from Russia in 1954.

126. A minority of 11.5 million Russians, representing 22% of Ukraine's total population, lives mainly in the eastern part of the country. In the Crimean peninsula Russians constitute a 70% majority of the population. As a result of its historic links with Russia which have also determined its present state frontiers, political traditions, armed forces and the structure of its industry, agriculture, trade relations and economy, Ukraine has an ambiguous relationship with Russia.

127. Notwithstanding almost general agreement among the population on the need to maintain and protect Ukraine's independence, it is also observed that the western part of the country identifies with Central and Western Europe, while the eastern and southern parts are more interested in links with Russia and the CIS.

128. For Ukraine, there have been, and still are, many reasons to feel uneasy with regard to Russia. Russia's policy shows a clear tendency towards re-establishing its former influence in the region. Russia's policy towards other former Soviet republics is often assertive, if not condescending, sometimes with a strong flavour of neo-imperialism. Repeated Russian statements regarding its claims for peace-keeping and the protection of Russians, if need be by the use of military force, have not been particularly reassuring.

129. The political and economic situation in Russia is still volatile and unstable. There is no clear view of what may happen in the near or more distant future. Developments resulting in political upheaval and economic chaos would have an important influence on Ukraine.

130. Ukraine is aware that Russia has a direct influence on issues related to the existence of Ukraine as an independent state, such as energy supply, the situation in the Crimean peninsula and the division of the Black Sea fleet. The sheer size

16. Financial Times, 10th-11th September 1994.

of Russia's economy and its important rôle as a supplier and a market leave Ukraine with no choice other than close co-operation. Moreover, it is noted that Russia plays a leading part in the restructuring of Europe's security environment.

131. In the first years of Ukraine's existence as a separate state, there was an outspoken policy to emphasise independence and to avoid anything beyond the most necessary contacts with Russia. Later, influential voices in the industrial and military establishment and the Russian-speaking part of the population argued in favour of intensifying relations with Russia, building on the undeniably close historic, political, economic and cultural links which had always existed, without insisting on reintegration.

132. In July 1994, President Kuchma was elected on a programme including the establishment of closer special partnership relations with Russia. Since then, he has implemented this policy with a pragmatic approach of closer economic relations, in particular in areas of trade, conversion, technology development and industrial co-operation, while strongly maintaining state sovereignty and independence. Priority was given to negotiations with Russia on a comprehensive treaty of friendship and co-operation.

133. On 6th February 1995, Russia and Ukraine agreed on a preliminary draft for this treaty which should be signed by the Presidents of both countries on the occasion of President Yeltsin's long-awaited state visit to Kiev. The treaty, which is considered a most important step towards the normalisation of relations between Ukraine and Russia, has been negotiated since July 1994.

134. The issues covered include recognition of the territorial integrity of Ukraine, the non-violability of its frontiers and a number of economic agreements which should improve trade contacts and secure Russian energy supplies and Ukrainian payments. A solution is also said to have been found for the dual citizenship rights of the Russian minority in Ukraine when Russia gave up its insistence on a formula which Ukraine categorically refused to accept.

135. Negotiations on the division and location of the former Soviet Black Sea fleet and on the presence of Russian military forces in the Crimean peninsula are still continuing. Russia wants Sebastopol to be the main base for the Russian Black Sea fleet, but this solution is opposed by Ukraine.

136. During the Defence Committee's visit to Ukraine in early April 1995, the Ukrainian Minister for Foreign Affairs emphasised that the negotiations were being held in a positive atmosphere and that the Russian Government, with the personal commitment of President Yeltsin, wished to reach agreement.

137. Since then, however, the situation may have changed as a result of remarks made by the Russian Foreign Minister, Andrei Kozyrev, to the effect that Russia could not rule out the use of force to defend ethnic Russians living in other republics on the territory of the former Soviet Union. Ukrainian politicians have described Mr. Kozyrev's statement as provocative and anticipate a deterioration in relations with Russia. In Kiev, it is believed that the subdued western reaction to Russia's military intervention in Chechnya has emboldened Russia to adopt a harsher policy towards other former Soviet republics¹⁷.

138. Apparently, negotiations between Russia and Ukraine are at such a difficult stage, if not stalled, that recently Ukraine asked the United States for mediation¹⁸. Russia is unlikely to agree to such mediation.

XIV. Partnership agreement with the European Union

139. On 14th June 1994, the then President of Ukraine, Leonid Kravchuk, signed a co-operation and partnership agreement with the European Union. It is no secret, however, that substantive European Union aid in the future is linked to closing unsafe nuclear reactors, in particular the two RBMK reactors which are still operating in Chernobyl.

140. The agreement grants Ukraine most-favoured nation treatment. A review conference will be held in 1998 in order to examine progress made in Ukraine towards a market economy and mention has been made of the possibility of establishing a free-trade zone between the European Union and Ukraine in the future.

141. In the immediate future, the agreement governs Ukraine's exports to the European Union of sensitive materials such as coal, steel, nuclear fuel and textiles. It also contains articles seeking to liberalise conditions for establishing companies from European Union member states in Ukraine. An interim agreement signed on the same day ensures the coming-into-force of commercial clauses, but the formal co-operation and partnership agreement will come into force only after ratification by all European Union member states, Ukraine itself having ratified it already.

142. The Ukrainian Foreign Minister and members of the Supreme Rada asked the delegation from the WEU Assembly to do everything possible to speed up the ratification process in the European Union's member states because the partnership agreement is a crucial instrument in improving Ukraine's economic situation.

17. Financial Times, 22nd-23rd April 1995.

18. Financial Times, 8th May 1995.

XV. Relations between Ukraine and WEU

143. From the outset of Ukraine's existence as an independent state, WEU has followed developments closely, knowing that due to its geographical situation and its position as the second-ranking of the former Soviet republics, Ukraine would have a rôle to play in Europe's new security architecture.

144. The signature of the trilateral statement on 14th January 1994 on the elimination of nuclear arms from Ukraine was considered to be an important contribution to security and stability in Europe. In its Kirchberg declaration of 9th May 1994, the WEU Council of Ministers agreed that the fulfilment of these commitments widened the basis for the development of dialogue and exchange of information with Ukraine on issues of common concern. They instructed the Permanent Council to "examine appropriate ways in order to achieve this objective".

145. In the following months, the Ukrainian Government presented a document with its views on future relations with WEU, including practical proposals intended to facilitate the attainment of Ukraine's ultimate objective of fully-fledged participation in WEU activities as an associate partner. Ukraine regretted that in the Kirchberg declaration, the Council had limited associate partnership to the six Central European countries, plus the Baltic states. It argued that this decision artificially separated Ukraine from the rest of Europe, thus destabilising the situation in Europe as a whole. Aware that associate partnership was granted to those countries which had concluded, or would conclude, a Europe agreement with the European Union, it further argued that this formula no longer corresponded to the political changes which had since taken place. Ukraine argued that the chosen line of conduct on associate partnership should be modified when applied to political co-operation in order to include Ukraine. Finally, it noted that Ukraine's participation in the CIS should not be regarded as an obstacle.

146. Although the Council of Ministers did not react immediately, its Noordwijk declaration of 14th November 1994 stated: "In order to increase transparency and promote stability throughout Europe, Ministers underline the particular importance of establishing appropriate relationships with Russia and Ukraine."

147. On 7th March 1995, the Council decided that contacts with both Russia and Ukraine, while not duplicating dialogue in other forums, should allow for the development of existing dialogue with WEU and for exchanges of information on issues of common interest. Consultations are to be held between the Permanent Representative of the Presidency, the Secretary-General and the Russian and Ukrainian Ambassadors respectively, taking into account the calendar of principal WEU meetings.

148. Other meetings, visits and contacts at different official and diplomatic levels might be held to contribute to the abovementioned dialogue. The WEU Institute for Security Studies has been asked to give greater priority in its future work to contacts with Russia and Ukraine and the Council welcomed "efforts by the Assembly aimed at further developing contacts at the parliamentary level".

XVI. Conclusions

149. Although Ukraine could have ranked among the most important states in Europe due to its population, size and history, it has only just started its existence as an independent state, trying to carve out its rôle in the concert of European nations.

150. The process of asserting its own position is particularly difficult and painful because of the fact that for centuries it had been an integral part of the Russian and, later, Soviet empire. The partition of joint political, economic and military property between Russia and Ukraine is not finished and this process will probably take several more years. In particular, Ukraine's economy is so narrowly connected with the Russian economy that, at present, it has little chance of surviving without continued close co-operation. The division of the Black Sea fleet and its infrastructure is another issue for seemingly endless negotiations.

151. On the other hand, it can be noted that Ukraine has made remarkable progress in the little more than three years of its independence.

152. The implementation of the trilateral statement on nuclear weapons of January 1994 is providing the world with a positive example of nuclear disarmament. Within a year, it was followed by Ukraine's accession to the nuclear non-proliferation treaty as a non-nuclear state, which opened the way for implementation of the START I Treaty and for ratification of START II.

153. Ukraine also continued to implement its obligations as regards the CFE Treaty, notwithstanding its economic problems and serious hesitations over the viability of flank limitations for its own security and defence.

154. As regards its security policy, Ukraine has stated firmly that it is against the re-establishment of two different blocs in Europe and it has stressed its neutrality and non-bloc status. Therefore, it did not sign the 1992 Tashkent agreement on collective security, nor does it insist on membership of NATO. In what it is calling a policy of active neutrality, Ukraine is conducting a number of activities which designate it as an active participant in the process of building security in Europe. Ukraine is participating in the United Nations

peace-keeping efforts in the Balkan region. It was the first CIS member state to join NATO's partnership for peace and it also signed a co-operation and partnership agreement with the European Union, while striving for some form of close co-operation with WEU. Ukraine is also giving active support to OSCE activities.

155. Ukraine's policy towards minorities has been rated positively by both the Council of Europe, of which it hopes to become a member soon, and the OSCE.

156. At present, Ukraine is facing two huge problems which receive priority attention: energy supplies and recovery of the national economy. They are closely linked with President Kuchma's other priority issue: normalisation of relations with Russia.

157. Ukraine's monetary and budgetary policy is now in compliance with International Monetary Fund guidelines and a new, ambitious privatisation programme is about to start. For its energy supply in oil and natural gas, Ukraine is heavily dependent on Russia and Turkmenistan, also because they extend credits which are not available on the world market. Ukraine has started to seek additional and alternative suppliers in the Middle East and elsewhere, but has not yet been able to tackle the serious energy waste which is one of the unpleasant legacies of the Soviet economic system. Chernobyl continues to be a major stumbling-block for the provision of credits and aid from the West, which are urgently needed for economic recovery.

158. The establishment of good relations with Russia would provide the key to solving many of Ukraine's problems. There is no certainty as to whether Russia is really prepared to provide Ukraine with satisfaction on many economic issues, which are vital for the country's survival as an independent state, without imposing its own political and military conditions. History has shown that Russia has always needed Ukraine to assert itself as an empire and superpower in the region and the world. Will it be prepared to abandon this rôle while it is clearly re-establishing its influence beyond its southern borders?

159. The issues being discussed with Russia include economic co-operation, energy supply, the Russian minority in Ukraine, and the division of the Black Sea fleet and its infrastructure. With nationalism and the influence of the military in the ascendance, Chechnya still burning and elections approaching, Russia is not likely to be a forthcoming negotiator. Despite the strenuous efforts of the present Ukrainian Government and the signing on 6th February 1995 of a preliminary draft for a treaty of friendship and co-operation, it may still take some time before all disputed issues have been solved. Ukraine's recent request for

United States mediation is a clear indication of Russia's intransigence in the negotiations.

160. What should be Europe's and, in particular WEU's, attitude in relations with Ukraine?


161. In the past year, the West has become increasingly aware that an independent, democratic and prosperous Ukraine can play a positive rôle in enhancing Europe's security. The United States Secretary of State, Warren Christopher, even called Ukraine "the linchpin of European security".

162. The European Union has signed a co-operation and partnership agreement with Ukraine which has not yet been ratified by any of its member states. A final agreement on the closure of Chernobyl is now considered the acid test for Ukraine's determination to reform and break with the past. But Chernobyl also provides energy which is a rare commodity in Ukraine. If Europe wants Chernobyl to be closed down, it will unfortunately have to pay for it: Ukraine does not have the money. Acceleration of reforms in Ukraine is greatly dependent on international support and co-operation. The European Union has the capabilities and resources to do so, and to go ahead with Ukraine would enhance stability and security in Europe.

163. The other field where Europe can extend its help is security, in particular through WEU. It is noted, however, that in its Kirchberg declaration, WEU drew a line through Europe. Only the nine Central and Eastern European states which had concluded, or were to conclude, Europe agreements, preparing them for their integration and eventual accession to the European Union, were offered an associate partnership with WEU. Ukraine regretted this decision not only because it thought that it was artificially separated from the rest of Europe, but also because it did not want to become a buffer state between Russia and the rest of Europe.

164. WEU has now decided to establish an institutionalised regular dialogue with Ukraine. It would seem that, at the moment, WEU cannot go beyond this dialogue which should be an intensive one.

165. Ukraine has clearly stated that it wishes to be neutral and non-aligned. One could argue that Ukraine's desire to forge closer links with WEU is fully justified. On the other hand, it is clear that Ukraine will first have to sort out its relations with Russia and the CIS. At the moment, WEU is not an organisation of neutral states and a member or associate partner of WEU cannot possibly be part of the CIS at the same time. Moreover, WEU is not only the defence component of the European Union, but also the European pillar of the Atlantic Alliance. To choose WEU means giving up neutrality. The question is whether Ukraine is free to make its own choice.

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