



Since 1992 American and German firms have invested the most in Ukraine, \$202.8 million and \$129.6 million respectively. The EU's support strategy for the country, adopted in November 1994, marked an important step. It included trade concessions, accelerated political dialogue, and a framework for industrial, financial, and scientific cooperation. Particularly important was the signing and implementation of the interim agreement that gave Ukraine most-favored-nation trading status with the EU. Significantly increasing Ukrainian exports to the EU, the agreement helps Ukraine avoid becoming shackled to the CIS, which accounted in 1995 for 55 percent of Ukraine's exports and 57 percent of its imports. Current plans would admit Ukraine to the EU's single market after 1998.

The Chernobyl nuclear reactor remains an irritant in relations between Ukraine and the Group of Seven industrialized nations. Ukraine's leaders believe that Western demands to close the plant ignore the social and political consequences of doing so without addressing Ukraine's overall energy situation. Nobody wishes to shut Chernobyl more than the Ukrainians, who will continue to suffer from the 1986 meltdown for many years to come. Yet by producing 40 percent of the country's energy, instead of their usual 25 percent, Chernobyl and the five other Ukrainian nuclear power plants prevented an energy crisis last winter. The recent memorandum of understanding between Ukraine and the Group of Seven may have diminished some of these misunderstandings; the memorandum stipulated the terms for decommissioning the Chernobyl nuclear station by 2000 but unfortunately did not discuss its funding.

Staying the Course

UKRAINE'S FUTURE lies within European structures, and the West should not slow this process. The West should adopt a double staircase approach - one for market reforms and one for political and security issues. Each Ukrainian step upward would be met by an appropriate and symmetrical step by the West. For example, were Ukraine to accelerate privatization and agricultural reform and further strengthen financial stabilization, Western institutions would expand assistance. Similarly, on the political level, Ukraine needs to resolve its constitutional stalemate. In return, the West would increase technical and financial support to the Ukrainian parliament and train larger numbers of Ukrainians for public administration and the judiciary.

The West can bolster Ukraine's security through strong, sustained economic support, with particular assistance in the energy sector. Under the leadership of the World Bank and the EU, Western and Ukrainian experts should develop an expanded energy strategy, beyond the EU's useful 1994 action plan for Chernobyl, which offered Ukraine a large aid package in exchange for timely closure of the flawed nuclear plant. Rationalizing Ukraine's oil refining capacity would by itself dramatically decrease the country's consumption; Ukraine loses some 40 percent of its crude during refining, but that figure can easily be cut to as low as 2 percent. The construction of an oil port at Odesa, currently blocked by hard-line local officials,

would open Ukraine to Middle Eastern oil. Technologies that convert coal into gas would also make a significant difference. Western experts could help Ukraine develop a contingency plan in case of an energy crisis. As Ukraine transforms its agriculture industry, converting its large state-run farms into a cooperative farming system, the West can make sure Ukraine avoids Bulgaria's error of splitting such farms into units too small for international marketing.

On the security side, while encouraging Kyiv to cooperate extensively within the Partnership for Peace, NATO should negotiate a treaty that would guarantee Ukraine's neutrality. Given Ukraine's location and history, it must be a bridge, not a buffer, between Russia and Europe. Its market economy and democratic system could become a positive model for, and the single greatest influence on, Russia. Despite some antagonism, Russians regard Ukrainians as closer to them than any other nationality, except the Belarusians. Ukraine's failure would strengthen Russia's authoritarian tendencies and leave Europe substantially less secure.

A democratic Ukraine can serve as a model for Russia.

Moscow must overcome its ambivalence about Ukraine and recognize how much the country can contribute to Russia's own development as well as to the stability of Europe. The economic and cultural ties between Ukraine and Russia are strong; the two countries enjoy a natural interdependence. Forty-six percent of Russian trade within the CIS goes to Ukraine, which is also the world's largest importer of Russian gas and oil. As democratic, free-market societies, these neighbors would soon enjoy a prosperity long denied their people. If Russia learns to live with Ukraine as an independent state, it will have overcome the most critical element behind several centuries of imperialism.

As for the rest of the former Soviet world, Ukraine increasingly determines whether the CIS remains a loose economic association or becomes a tight political and military confederation under Moscow's control. Ukraine leads the CIS nonaligned group, which also includes Moldova and Azerbaijan, in opposition to the creation of any supranational bodies or military and political mechanisms, and the CIS countries know that without Ukraine, a new Soviet Union is impossible. As Belarus merges with Russia, Ukraine's position becomes even more significant. While avoiding the institutionalization of the CIS as a security arrangement, Ukraine should pursue economic cooperation with Russia and the other states of the former Soviet Union.

The independence of Ukraine has fundamentally altered the status of the other Central and East European countries. For the first time in modern history, these countries find themselves separated from Russia. An independent and democratic Ukraine between Russia and the Czech Republic, Poland, and

Hungary lays the groundwork for stability in Eastern Europe by fostering lower perceptions of threat and a greater sense of security in Prague, Warsaw, and Budapest. A new iron curtain in Europe is impossible if Ukraine enjoys a positive relationship with both the West and Russia. The West should encourage Ukraine to cooperate more extensively with the Central and East European states and urge it to join the Central European Free Trade Agreement.

Support that treats Ukraine as important in its own right will bolster reform-minded decision-makers and political forces there. It will help assure the success of reform in Ukraine and make Ukraine a model for Russia and the rest of the CIS. Given its strategic position, an independent and healthy Ukraine will indeed be the linchpin of stability in post-communist Europe.

Ukraine looks to Europe

Extracts from an Editorial in "Ukrainian News", April 10-23, 1996.

As Russia and Belarus unite in a new SSR and issue increased calls for a reanimated Soviet Union, Ukraine is moving in the opposite direction.

Ukrainian officials have suddenly started hinting that they may want an enhanced relationship with NATO when, up to this point they have played a cautious role - ever conscious of the need to maintain a middle ground between the West and their rapacious neighbour to the East. Even more significant, President Leonid Kuchma, in his annual State of the Nation address to Parliament, described integration with Europe as "our deliberate strategic goal". While he was careful to pay lip service to continued integration with the Commonwealth of Independent States, he nevertheless took a firm stand against any attempts to revive the USSR...

And the West is finally beginning to realize the strategic importance of Ukraine. British and German foreign ministers plan a special trip to Kyiv next month to underscore their support for Ukraine's independence. The United States has made Ukraine a favoured recipient of its foreign aid. Ukraine now ranks third in terms of U.S. aid, behind only Israel and Egypt and ahead of Russia. The more Russia tries to resurrect its former empire, the more Ukraine moves in the opposite direction. Russia is still a democratic nation and its people have the right to make their choice about what kind of future they want, even though that choice may prove to be the end of Russia's short-lived exercise in democracy.

But Ukraine is now an independent state and it too has the right to make its own democratic choices. Having struggled so long to achieve their independence the people of Ukraine will not opt for a choice that will put them back under Moscow's thumb.

Ukraine's future is with the West and that is the direction in which the country is moving.