

Ukraine, Central Europe, and Slovakia: interests in and prospects for cooperation

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CONTENT

Instead of an introduction:	
Ukraine and the present-day issues of Slovak foreign policy	5
1. Ukraine and Central Europe: security and foreign policy aspects	14
1.1 Facts, arguments, and assessments	14
Alexander Potechin: NATO, Ukraine, and Russia after the first wave of enlargement	14
<i>[NATO enlargement: positive effects upon development of Ukrainian-Russian relations; Ukraine and NATO: assessment by Ukrainian experts; Ukraine and Russia; Ukraine and Poland, Russia and NATO; Conclusions: why is it advantageous for Russia to accept NATO enlargement?]</i>	
Alexander Parfionov: Ukraine and Central Europe in the context of European security	18
<i>[The place of Ukraine in the system of European security; Ukraine and Central and Eastern Europe (CEE): Effects of EC enlargement, positive effects of NATO enlargement, negative impacts of NATO enlargement; Poland – a strategic partner of Ukraine; Ukraine and Slovakia]</i>	
Marek Calka: The place of Ukraine in Polish foreign policy	21
<i>[Ukraine in the conceptions of the two main theoretical schools of Polish foreign policy: Promethean school, Realistic school; Polish-Ukrainian relations, 1989–1997: from a „double-track” policy to a „neo-double-track” policy: 1989–1991, 1992–1995, 1996–1997]</i>	
Laszlo Póti: Hungarian-Ukrainian relations, 1990–1997	24
<i>[Promising beginnings, 1990–1991; unilateral bilateralism, 1992–1994, balanced relations, 1994–1997]</i>	
Peter Barták: Slovak-Ukrainian relations: some security and defence aspects	26
<i>[Slovakia and Ukraine; nascent relations; a historic act of Ukraine: nuclear disarmament and Slovak indifference; different approaches to security since the mid-1990s]</i>	
1.2 Summary	27
2. Ukraine and European economic and political integration	31
2.1 Facts, arguments, and assessments	31
Valerij Novickyj: Ukraine and the European Union: prospects for integration	
<i>[Problems of trade with Russia, and the growing economic cooperation with the EU; problems of economic cooperation with the EU; contract-based and institutional relations with the EU; an integration dilemma for Ukraine?]</i>	
Petr Robejšek: Ukraine, Central Europe and EU: a western view	33

[Russia at the end of reforms: the Central and Eastern Europe between Russia and the Western Europe; Western Europe in transition to the new age and the CEE; Ukraine: a bridge or a clamp?]	
Stanisław Michalowski: Economic cooperation within CEFTA and Ukraine [Perspectives of CEFTA development; Ukraine and the CEFTA; EU enlargement and Ukraine]	38
Anton Marcinič: Perspectives of integration of Slovakia into the EU. The eastern aspects	40
[Admission of Slovakia to the EU; four simplifying assumptions; advantages and disadvantages of EU enlargement; comparison of Slovakia with the hot candidates for joining the EU; conclusions]	
Mychajlo Bizilia: Carpathian Euroregion: experience with across-the-border cooperation	45
[Origins of the Carpathian Euroregion; members of the Carpathian Euroregion and their status; activities of the Carpathian Euroregion; problems of across-the-border cooperation]	
2.2 Summary	47
3. Slovakia and Ukraine: prospects for bilateral cooperation	50
3.1. Facts, arguments, and assessments	50
Alexander Plotnikov: Political aspects of bilateral relations: a view from Ukraine [Classification of the CEE countries on the basis of their approach to the process of transformation and its success; Slovakia and Ukraine]	50
Alexander Duleba: Political aspects of bilateral relations: a view from Slovakia [Basic features of Slovak-Ukrainian relations; an information barrier; Ukraine in the shadow of Russia; no Slovak ambassador to Kiev; a change in the Slovak approach; the problems under wraps: the Ruthenian issue; transit of Russian raw-materials; conclusions]	52
Vasil Fitkal: Ukraine and Slovakia: the present-day situation and prospects for development of economic relations [Mechanisms of negotiations; economic interests of Ukraine in its relations to Slovakia: CEFTA and trade liberalization, increase in trade exchange; problems in economic relations: form of payments, Slovak participation in completion of the Krivoj Rog plant]	55
Michal Corny: Slovakia and Ukraine: the present-day situation and perspectives of development of economic relations [Relations of Slovakia with the countries of the former USSR; a normative and legal base for relations with Ukraine; bilateral trade]	57
Ján Oleksák: Experience of Chemosvit Svit a.s. with operations at the Ukrainian market [Chemosvit, a.s. Svit - basic data of the company; why Ukraine?; problems in the Ukrainian market]	58
3.2. Summary	60
A few concluding words	62
Appendix 1: Conference programme	00
Appendix 2: List of participants	00

INSTEAD OF AN INTRODUCTION: UKRAINE AND THE PRESENT-DAY ISSUES OF SLOVAK FOREIGN POLICY

If the changes in the international position of the post-communist countries of Central and Eastern Europe¹ are taken as an essential criterion in assessing the development of a new security-related and economic architecture of Europe in the post-Berlin-wall period and in the period following the bipolar conflict (late 1980s – 1997), at least two basic stages of this development can be identified; both of them are a matter of the past.

The first stage: figuratively, it can be labelled as the stage of idealistic expectations of the West concerning establishment of a new world order – it lasted from the downfall of communist regimes in the CEE countries, and the subsequent disintegration of the multinational federations of Eastern Europe (the Soviet Union, Yugoslavia, Czechoslovakia), up to the end of 1993. It was the period of general euphoria in Europe and the USA stemming from the victory of the principles of the rule of law, market economy, and democracy in the Eastern block². A classical postulate of the theory of international relations saying that „democracies do not wage war with each other“ dominated any foreign-policy considerations. In the early 1990s, Europe believed that, irrespective of cultural, economic, and political differences among the countries of the post-communist territory, all or the great majority of these countries would be able to successfully master the transformation in a relatively short period. Big expectations were chiefly connected with the reforms in Russia which remained a key country in Eastern Europe. It was the success of its transformation which significantly preconditioned a new international order in Europe as a whole. The then US policy with respect to the post-Soviet space can be unambiguously considered *Russia-centric*.³

However, the period at issue clearly demonstrated that not all CEE countries were equally ready to implement reforms, and that the process of transformation would take much more time than originally expected. In some countries, the process of reforms started to face increasing resistance on the part of anti-reform political forces. Post-communist Central and Eastern Europe came to be haunted by the ghost of nationalism.⁴ Russia did not prove to be able to progress in transformation to the extent as would have enabled it in the foreseeable future to become a fully compatible part of the Western Europe in terms of its values and interests. The political forces rejecting the „western“ model of transformation, and insisting on the idea of Russia as a world power came to be ever stronger. This development culminated in the so-called Russian „bloody autumn“ of 1993 when the Parliament building was destroyed with shots, and paradoxically, democracy in Russia had to be defended by undemocratic methods.⁵ The euphoria of „great expectations“ of the early

1990s gradually evaporated after the Russian autumn of 1993. This period was followed by the second stage of the post-bipolar development of European architecture, which can be labelled as the stage of a new *realistic policy of the West*.

NATO and the European Union had to face the challenge of unbalanced development of reforms in the post-communist countries. The main dilemma to be answered was: what is the best way to support stabilization in Central and Eastern Europe and the process of reforms for the sake of strengthening stability and security in Europe as a whole?⁶ The West started to perceive seriously the requests of the CEE countries concerning their integration into the western structures. Discussions were opened up about enlargement of the NATO, EU, and WEU, with the intention to give a chance to the most progressive post-communist reform countries, and at the same time, not to slam the door to any of these countries. In mid-1993, a political decision was taken at the Copenhagen summit concerning future EU enlargement. The NATO's Partnership for Peace programme saw the light of the world in Brussels in January 1994. The EU and NATO defined their fundamental membership conditions for the CEE countries.⁷ The latter could demonstrate their ability to meet the specified conditions in the course of 1994-1997, and thus manifest their real interest in integration.

Thus, the period of 1994 through 1997 was characterized by considerations about the strategy of NATO and EU enlargement in the eastern direction. This preparatory process was completed in 1997 by NATO (Madrid 1997) and the EU (Luxembourg 1997) taking their final decisions to integrate the first, transformationally most successful countries of CEE.⁸ By signing the Grounding document with the NATO in May 1997, Russia de jure accepted the process of NATO enlargement by new member countries. In the words of its Foreign Affairs Minister J. Primakov at the first meeting of the Council for Cooperation between the EU and the Russian Federation towards the end of January, Russia acknowledged that "... it takes a positive attitude to the admission of various countries to the EU ...and has no reservations in this respect".⁹ In other words, this put an end to the second important stage of seeking a new shape of the security-oriented and economic architecture of Europe after the end of the bipolar conflict. The third stage can be labelled as the *stage of implementation of the first wave of enlargement of the western structures by the transformationally most successful CEE countries*.

Compared to its „Visegrad" neighbours, the relations of the Slovak Republic¹⁰ to the EU and NATO prior to the decisions of the Madrid summit in July and the December summit of the European Union (1997) were *substandard*; it was first of all the *political dialogue* that failed. The decision of NATO and EU not to invite, or not to recommend the SR for talks on integration were a natural result of the *failed political dialogue*. The SR as the only country from among the EU associated countries was a target of a series of official demarches and notices from the EU and the USA which warned the Slovak party of possible suspension of the European agreement and of qualitative aggravation of the politi-

cal and economic cooperation with the EU, and the subsequent failure of the SR to become a member of NATO¹¹. What mattered was not only the „misunderstandings" concerning the internal Slovak development which, chiefly in 1995-1996, took a direction deviating from the procedures and standards of advanced democratic countries.¹²

Given the failure of Slovak foreign policy in 1994-1997 to integrate into the western structures in the first wave of enlargement, it is necessary to consider the situation in which Slovakia may find it self. The main questions to be answered are the following: *What foreign policy in near future - at least in the third stage of the post-bipolar development of a new architecture in Europe (with the horizon of 2004-2005) - can maintain the chance of Slovakia to integrate into the western structures. How can the SR become a constructive partner of the western structures and a stability generator - at least in Central Europe? What will Central Europe be like after the first wave of NATO and EU enlargement, and what will be the position of the SR in it? An equally important question is whether or not the actions of the SR in the past years can be termed a foreign policy at all. In other words, what actually is the foreign policy in the third stage of development of the post-bipolar Europe, and what should or could be the foreign policy of the SR in these new circumstances?*

An objective fact of international relations after the World War II was that the mid-sized and small countries of Europe were *consumers* rather than *authors* or *producers* of international stability and security. It was the world powers that guaranteed and established them. On the one hand, small countries of Western Europe are not very enthusiastic about enlargement of the existing security structures in the eastern direction because they got accustomed to guaranteed security comfort, and cannot see many advantages in sharing this comfort with other small countries of Central Europe. On the other hand, guaranteed security was one of main motives of the countries of Central Europe when they applied for NATO membership.

The fact, however, is that the content of foreign and security policy toward the end of the 20th century has been undergoing profound changes. First of all, small countries face a new challenge: *Are they able to become authors of international security rather than mere consumers? In other words, are they ready to assume responsibility for stability and peace in Europe?* This is a challenge chiefly to those post-communist countries that are the most promising first-wave NATO members. Slovakia will have to face the same kind of challenge, an absolutely new „global" challenge in its short history. In the past, it was not confronted with the task of taking at least regional responsibility for security and stability. Since its origins, Slovak foreign policy has been rather pursuing the „let sleeping dogs lie" principle. Therefore, apart from everlasting and unproductive repetition of the wish to become a member of NATO and EU, the SR was unable to offer its partners a *conception of its own international responsibility - in other words, a vision of its foreign policy*. The foreign po-

licy of the CEE countries cannot be simply reduced to mere membership in NATO and the EU.

Certainly, countries without any traditions have nothing to link to, in their foreign policy. However, if a vision of *foreign-policy responsibility* is missing, Slovakia cannot become a constructive partner of the West; the SR will not be able to keep a prospect for membership in the western structures. Slovakia will have to face this challenge irrespective of whether or not, when and how the country joins the western structures.

To assume responsibility for stability and peace is not easy – the more so in the international dimension. Compared to its immediate neighbours, a non-integrated Slovakia will be exposed to a double burden. Slovakia has thrown away its opportunity to cope with the most urgent tasks of its international position – still in a partly consumer-like way. It will be a test of the maturity of the Slovak Republic, or in other words, a country without any foreign policy – as defined above – that it does not in fact exist in an *international* framework.¹³ What challenges and what international situation will have to be coped with by Slovakia?

First of all, let us sum up the most important arguments accounting for the reasons for omitting Slovakia from the first wave of integration. Most importantly, Slovakia failed because of its inability to successfully complete its internal political transformation. In spite of relatively positive macroeconomic parameters it will take many years – especially in view of the internal political development of 1995–1997 – to persuade the EU and the western partners of Slovakia's capability to build up and, mainly, maintain a stable democratic political system. Possible victory of the present Slovak opposition (emphasizing their will to keep to the western standards in administration of internal affairs) in the next parliamentary elections of 1998 cannot affect this situation. Several election cycles will be needed – at least two under an optimum development – for Slovakia to *provide actual evidence*. Otherwise, the SR will maintain its position in the second-wave stage of negotiations with the western partners without making up for the lost time from the second stage, or the first wave of enlargement. The danger of another loss by those political forces, which are able to accept completely the standards of government in accordance with those applied in the EU member countries, in the next election cycle is considerable, just like in Rumania and Bulgaria.

If we suppose successful integration of the Czech Republic, Poland and Hungary into NATO in 1999 and the EU sometimes in 2004–2005, the situation in Central Europe will change significantly. To put it differently, the present form of Central Europe will disappear. Its present heart – the Czech Republic, Poland and Hungary – will become an integral part of the western structures.¹⁴ The Baltic countries will pursue, in the regional sense, also because of the specific Russian-Belarusian relations, the Scandinavian vector of orientation and cooperation rather than that of the Central Europe, that is to say, without Poland, the Czech Republic and Hungary. The countries of the former Yugosla-

via, with the exception of Slovenia, will have a „specific“ international security-related and economic status due to their specific internal and external problems. What will remain of the former Central Europe will be Slovakia, Rumania, and Bulgaria, whose contemporary international status with regard to the western structures is very similar – they are not and will not become in the foreseeable future NATO members; however, they are linked to the EU by association agreements.

Under these circumstances, the importance of Ukraine for the Transatlantic community has dramatically increased in view of maintaining the post-bipolar status quo in Europe (especially since the end of 1993) and in view of its ability to survive as an independent country (independent of Russia).¹⁵ The most important fact that influenced the standpoint of the western countries was not only ratification of the Lisbon Protocol of 1992 by the Ukraine and its approval of delivery of its nuclear weapons to Russia¹⁶, but also the internal development in Russia which accelerated in autumn 1993. As already mentioned above – the centre of gravity of the next stage of international development started to shift to the east in autumn 1993. In other words, *Central Europe necessarily started to easternize*. The period of transition was de facto completed in 1997, and will be de jure completed in 1999 when the first post-communist countries – the Czech Republic, Poland, and Hungary – become official NATO members, and by implication, an integral part of the western world. *After the „first wave“, international attention will be focused on Ukraine whose independent existence will guarantee fixation of the results of the new international situation engendered by the first wave of NATO enlargement*. Existence of an independent Ukraine will guarantee a new security situation in Europe. In other words, *Ukraine has already become a part of the new Central Europe* in terms of security policy. From the point of view of its economic and political transformation – given its lag behind Slovakia, Rumania, and Bulgaria – *Ukraine will become its part in future*. The exact date is – from the point of view of the SR – irrelevant at present. Importantly, the process has been under way, and is in the interest of the stable post-bipolar Europe. A constructive foreign policy of the SR simply cannot neglect or ignore these circumstances.

Foundation of the Visegrad group and CEFTA fixed the irreversibility of the post-bipolar changes in Europe, stabilized the situation in the region, and established preconditions for the eastward enlargement of the western structures within the first wave; the second wave will contain some elements of the first one. Simply, there is no sense in changing or discarding proved models. The new Central Europe consisting of Slovakia, Rumania, and Bulgaria – and of Ukraine in future – will be given an opportunity to become a *constructive partner of the Transatlantic community, capable of accepting proved rules of the game, with the aim of stabilizing the CEE region and the situation in Europe as a whole*. In other words, Slovakia, Rumania, Bulgaria, and Ukraine – under the provision of unchanged priorities of their foreign policy in terms of se-

curity and economy – will have to learn mutual cooperation and to build up mechanisms of a new stable Central Europe in their best interest.

Ukraine is on the right track – if nothing unexpected happens and the present tendency of its internal development goes on – to acquire the same international status, and to establish „a new Central Europe“ along with Slovakia, Rumania, and Bulgaria. According to a realistic estimate, sometime about 2004–2005 Ukraine will be a member of the World Trade Organization (WTO), it will sign an association agreement with the EU, and will become a member of the CEFTA, or better, the CEFTA II.

1996 was a milestone in Ukrainian foreign policy. The country unambiguously declared its goal to be integrated into the western integration structures. It was in that year that the strategy of the US foreign policy to the post-Soviet space changed in principle. On January 26, 1996, President Clinton signed The Foreign Assistance Appropriations Act for the fiscal year of 1996. Ukraine became the third largest recipient (following Egypt and Israel) of American assistance. Out of the total sum approved by the Congress for this purpose (amounting to USD 12 bil.) Ukraine was allotted USD 225 mil., while Russia received „only“ USD 195 mil.¹⁷

The State Department's spokesman Nicholas Burns stated on July 18, 1996, that „the most serious error of Bush's and Clinton's administrations with regard to new independent countries of the former Soviet Union was lingering on the Russia-centred positions instead of developing important relationships with Ukraine and other republics.“¹⁸ In autumn 1996, the American Congress passed a resolution stating, *inter alia*, the following: „Existence of the independent Ukraine and securing its territorial integrity corresponds to the national interests of the USA“. ¹⁹ In Stuttgart in September 1969 the then head of the US State Department Warren Christopher for the first time declared publicly the goals of the Atlantic community with regard to Ukraine and its international position: „...a goal of fundamental importance to the new Atlantic community is the integration of Ukraine into Europe... We want to help Ukraine in strengthening its independence by handling its serious economic problems, by enabling it to access important markets, and by extending its cooperation with NATO“. ²⁰ At the Madrid summit of NATO in July 1997, which took the decision regarding the first candidates for joining the Alliance, Ukraine signed a Charter of specific partnership with NATO.

At the Washington summit on December 5, 1997, the USA and the European Union released a joint statement of Ukraine, which states, among other things, the following: „The United States and the EU acknowledge their joint support for the sovereignty and independence of Ukraine, and express their jointly shared wish to assist Ukraine in consolidating democracy, protecting human rights and economic reforms, and in its full integration into the international community. Development of Ukraine as a prosperous democratic country is a key component of European stability and security“ ... „The United States and the EU appreciate the significant foreign-policy achievements of Ukraine,

and its undertaking to contribute to regional cooperation. They consider Ukraine to be a provider of security in the region, and appreciate the partnership entered into with the European and Transatlantic structures“.²¹

In addition, the EU also changed its attitude to Ukraine in the same year. On May 21, 1996, it passed a declaration on Ukraine, which resulted in the changed attitudes of many EU member countries to Ukraine.²² In June 1996, the EU approved the Programme of development of relationships with Ukraine, and assigned Ukraine the status of a transitional economy country. These EU activities, at the very least, accelerated the process of ratification of the Partnership and Cooperation Agreement between the EU and Ukraine which was signed as early as in 1994. The Agreement was ratified by the parliaments of all 15 EU member countries (the Portuguese parliament was the last) as of the beginning of 1998. This indicates considerable progress compared to the situation in mid-1996 when the Agreement had been ratified (since 1994!) by the parliaments of only five EU member countries.

There is no doubt that the whole process of rapprochement between the EU and Ukraine has been slowly, but steadily establishing the necessary conditions for signing an association agreement between the EU and Ukraine. The latter is on the right track to get the status of an EU-associated country as the first of the post-Soviet republics. A crucial factor on this way is strengthening the relations between Ukraine and Central European subregional organizations.

The most important tasks of Ukrainian foreign policy is its effort to be assigned the unambiguous status of a Central European country. In 1996, Ukraine was awarded full-fledged membership in the Central European Initiative (CEI).²⁴ This fact deserves attention because Ukraine is the only CEI member which is not either an EU member or which has not signed an association agreement with the EU. Naturally, „the priority of the Ukrainian policy on the way to integration into European economic structures is its membership in the CEFTA“. One of the main foreign policy goals for the near future – as stipulated in the state of the nation address presented by Ukrainian President in the Parliament in March 1997 – is intensification of negotiations with the CEFTA member countries on signing bilateral free trade agreements.²⁵

Membership in the CEFTA depends on meeting three basic conditions: 1. membership of the World Trade Organization, 2. an association agreement with the EU, 3. bilateral free trade agreements with the CEFTA member countries. Ukraine is on the right track to meet all the above conditions by 2004–2005.

All the CEFTA member countries – with the exception of Slovakia – were recommended in 1997 by the European Commission and the European Council to start entry negotiations. In other words, if Slovenia, the Czech Republic, Poland, and Hungary join the EU at the same time, and if the CEFTA is not joined by any other country, Slovakia will remain solitary in the latter. Or, to put it differently, the CEFTA would become meaningless. A case in point is the history of EFTA when Austria, Sweden, and Finland became EU members. The EFTA has not been dissolved because there are still several EFTA countries which

are not members of the EU. However, Norway, for example, wanted to maintain the advantages of free trade within the EFTA, including Austria, and had two options when Austria joined the EU – either to enter into a separate free trade agreement with every EU member country – it should be noted, just because of the trade with Austria, Sweden, or Finland – or an agreement with the EU. In any case, Slovakia is not the same case as the rich Norway or Switzerland that do not need to become EU members for economic reasons.

In comparison with the loss of advantages within the CEFTA, Slovakia is much more threatened, given the existing trade exchange, by dissolution of the tariff union with the Czech Republic after its expected admission to the European Union. Signing tariff union agreements with all EU member countries just because of the existing tariff union with the Czech Republic is out of the question. It is simply both diplomatically and practically impossible. The European Union, however, has never intended and will not intend to destabilize Slovakia or any other associated country of the Central Europe. In other words, *the European Union will be interested in enlarging the CEFTA before Slovenia, the Czech Republic, Poland, and Hungary become EU members. The EU will simply need to stabilize both economically and politically – at the critical point of enlargement – the non-integrated countries of the Central Europe.*

Slovakia is the only country of the new Central Europe which has been participating in cooperation within the Visegrad group and the CEFTA from the beginning. Slovakia has extensive experience and know-how regarding this regional cooperation. In other words, it will have an opportunity to show that it can be a constructive partner of the western structures, that it can be a generator of stability and prosperity in the region of Central Europe. It is high time for the Slovak political elite to treat themselves for the trauma of unsuccessful integration into the NATO and EU within the first wave, and to cope with the new challenges. It is necessary for them to realize absolutely new prospects for Slovak foreign policy and its international position, closely connected with the situation in the Central European region after the first wave of NATO and EU enlargement. Taking into consideration these circumstances, the SR should develop its active foreign-policy strategy (full of initiative) for the next decade, including the optimum scenario of becoming a EU member, with an outlook till 2010. Clearly, it must be a strategy of *responsibility of the SR for stability in the CEE region*. It should be noted that EU membership itself *will not absolve Slovakia from its regional responsibility*. This is an axiom which should have been pursued by Slovak foreign policy, including its practical steps, since 1993. Unfortunately, this is not what happened. It is about time – or, strictly speaking, 5 minutes after 12, to act in this way.

To put it differently, what we are talking about is the *conception of the „regional (Central European) responsibility“ of the Slovak Republic* reflecting the ongoing processes of development of a new architecture in Europe in the period following the post-bipolar conflict. As a matter of fact, small states cannot have other than *regional responsibility*. However, acquitting of it is as dif-

ficult as acquitting of the *great responsibility* taken over by large countries, the purpose being the same – contribution to the development of a stable and secure Europe.

...

The above mentioned international circumstances and *practical motives* concerning the most topical issues of Slovak foreign policy, and the position of the SR in the next stage of international development instigated the Research Centre of the Slovak Association for Foreign Policy to organize, in cooperation with the branch office of the Friedrich Ebert Foundation in Slovakia, an international conference „**Ukraine, Central Europe and Slovakia: interests and prospects for cooperation**“ which was held in Bratislava on 24 and 25 October, 1997. The conference was not aimed at providing answers to all the above outlined questions. Since *such questions concerning the international position of Slovakia in the near future and its foreign policy* had not been formulated (in our country) up to that time, the conference could realistically represent only the first step in the effort to answer these question in a *systematic and thoroughgoing way*. The purpose of the conference pursued by its organizers consisted in mapping the above mentioned circumstances and providing space for free exchange of views among experts, politicians, and all the concerned from Slovakia, Ukraine, Poland, Hungary, Germany, the Czech Republic, Austria, and other countries. Such an international *verification* of postulates and confrontation of ideas is simply required by a responsible and effective approach to examination of international problems. Professional events of this kind are rather rare in Slovakia, which is necessarily projected onto the quality of Slovak foreign-policy thought and the policy itself.

No less important was the goal of the conference to pose the „Ukrainian issue“ for the Slovak professional public. Paradoxically, while Ukraine, the largest neighbour of Slovakia – both in terms of its territory and population – has been at the centre of international attention for at least two years now, Slovakia appears to treat it as an *out-of-the-way and unknown country*. This is despite the fact that the development „in and about“ Ukraine exerts immediate influence upon the interests and the international position of Slovakia. This fact itself provides evidence about the quality of Slovak foreign-policy reflection.

The conference was divided into three main sessions: 1. Ukraine and Central Europe: security and foreign-policy aspects; 2. Ukraine and European economic and political integration; 3. Slovakia and Ukraine: prospects for bilateral cooperation. In the following we shall attempt to summarize the most important and interesting ideas presented, including the related conclusions.

The present author took the liberty of abridging and processing the papers into essential theses based on two main criteria – their information and argumentation value. Certainly, this approach does not eliminate subjective factors, and I apologize to all the authors in advance for this.

1. UKRAINE AND CENTRAL EUROPE: SECURITY AND FOREIGN-POLICY ASPECTS

Session chairman: Christoph Roemer, Research Institute for International Policy and Security, Ebenhausen

Main papers:

Alexander Potechin (Ukrainian Centre for Research of Peace, Conversion and Settlement of Conflicts, Kiev): *NATO, Ukraine, and Russia after the first wave of enlargement.*

Marek Calka (Ministry of Foreign Affairs, Warsaw): *The Place of Ukraine in Polish Foreign Policy.*

László Póli (Institute for Strategic and Defence Studies, Budapest): *Hungarian-Ukrainian Relations, 1990-1997.*

Peter Barták (Party of the Democratic Left, Bratislava): *Slovak-Ukrainian Relations: Some Safety and Defence Aspects.*

Alexander Partonov (Ukrainian Centre for Research on Peace, Conversion and the Settlement of Conflicts, Kiev): *Ukraine and Central Europe in the Context of European Security.*

1.1 Facts, arguments, and assessments

The papers presented in the first session can be divided into two basic groups: 1. papers mapping the international security position of Ukraine from the viewpoint of the Ukrainian participants, and 2. papers from Poland, Hungary, and Slovakia dealing with assessment of bilateral relations with the Ukraine. The paper topics attempted to provide answers to the following basic questions:

1. What will be the security position and the role of Ukraine within the crucial NATO-Russia relations after the first wave of enlargement?
2. What is the security outlook and/or interests of Ukraine with regard to the countries of the Central European region?
3. What is the place of Ukraine in the foreign policy of Poland, Hungary, and Slovakia? How is Ukraine perceived and approached by its Central European neighbours?

Main theses presented in the papers

Alexander Potechin: NATO, Ukraine, and Russia after the first wave of enlargement

- (NATO enlargement: positive effects on development of the Ukrainian-Russian relations) The process of NATO enlargement exerts positive influence upon the international position of the Ukraine and self-determination of Russia in the new system of international relations and European security. There is no threat following from the process of NATO enlargement that might undermine prospects for development of the Ukrainian-Russian relations. On the contrary, there are many reasons for NATO to be considered the main guarantee of stability in Europe, chiefly in respect of relations between Western Europe and Eastern Europe, Russia, and its neighbours. The partnership between NATO and Russia can become a tool for settling conflict situations between Russia and its neighbours, including Ukraine. The CEE countries which will join NATO (with prevailing anti-Russian attitudes at present) will have no reason for animosity towards Moscow any more. As a result, these countries may become much more tolerant and friendly neighbours of Russia.

- (Ukraine and NATO): assessment by Ukrainian experts - 1997²⁸ Four basic positions in the long-term strategy of security orientation of Ukraine can be distinguished among Ukrainian experts on foreign and security policy:

1. Advocates of NATO membership: March - 47.6%; June - 46.3%; September - 51.2%
2. Advocates of non-block and neutral status of Ukraine: March - 28.6%; June - 34.2%; September - 36.6%
3. Advocates of the membership in the military and political block within the CIS: March - 9.5%; June - 7.3%; September - 7.3%
4. Advocates of membership of Ukraine and other CIS countries in NATO: March - 7.1%; June - 7.1%; September - 4.9%
5. Other (belonging to none of the above given groups): March - 7.1%; June - 7.1%; September - 0%.

It follows from these data that two views dominate in Ukraine: integration into the NATO and maintaining the non-block or neutral status. The majority of experts - advocates of membership in NATO clearly realize that joining NATO during the next 1-3 years is unrealistic; at the same time, the advocates of neutrality realize that if the NATO is enlarged eastwards, Ukraine will not be able to exercise the policy of classical neutrality. The advocates of non-block status appreciate the fact that Ukraine will obtain a sufficient manoeuvring space in its foreign policy. 23-32% of experts believe that the security of Ukraine and its territorial integrity are jeopardized at present; over 50% of experts do not consider the security threat to be imminent, however, it could emerge at any time; 10-28% of experts do not admit any imminent security threat; in their view, Ukraine has all the necessary means for its prevention. Answers to the question „To what extent must Ukraine rely on its allies in terms of its security?“ were as follows: 5-10% of experts answered

„to a very large extent“, 38-50% „to a medium extent“, 35-43% „to a small extent“, and 7-13% chose the „no extent“ option. The major part of experts believe that Ukraine cannot fully rely on its army to guarantee its security. The reliability index of the Ukrainian army according to experts' views in 1997 was as follows: September: 45% - low reliability, 8% - no reliability; March: 54% vs. 3%; June: 40% vs. 18%.

Answers to the question whether or not the signing of the Charter of specific relations to NATO at the Madrid summit can increase the security of Ukraine were as follows: „to a high extent“ - 5%, „to a medium extent“ - 51%; „to a small extent“ - 33%; „no“ - 10%. The experts consider the following to be the main shortcomings of the Charter: 1. lack of effective security guarantees for Ukraine from NATO (59%); 2. insufficient guarantees of integration of Ukraine into the European security structures (39%); 3. a merely declarative nature (34%). In any case, the Charter of specific relations between Ukraine and NATO ranks among the most important documents proclaiming Ukraine to be an integral part of the Central and Eastern Europe. The experts have identified the following priorities in the development of relations between Ukraine and the NATO: 1. provision of further security guarantees by NATO - 48% (June - 55%); 2. establishment of conditions for joining the NATO in future - 40% (June - 48%).

- *(Ukraine and Russia)*. In view of the Ukrainian experts, the main shortcomings of the Treaty of friendship and cooperation, signed by the Presidents of Ukraine and Russia in Kiev in May 1997, are as follows: 1. the declarative nature of the Treaty (42%), 2. concessions to strategic goals of Russia (29%). The experts believe that the main shortcomings of the Black Sea fleet agreements, signed together with the fundamental Treaty, include: 1. stay of foreign military forces on the territory of Ukraine (63%); 2. persisting threat to the territorial integrity of Ukraine (37%); inconsistency with the aim of Ukraine to get integrated into the European security structures (27%).
- *(Ukraine and Poland)*. In the experts' opinion, Poland is considered to be a country the relations to which have been developing most successfully and effectively. Poland ranks fourth in the list of strategic relations countries (the first three include Russia, the FRG, and the USA). Based on a five-point scale, the bilateral relations were evaluated as follows: September - 4.25 (March - 3.90, June - 4.13). In addition, Poland ranks first in the list of countries that can be considered as Ukrainian allies: Poland (63%), USA (42%), Baltic countries (37%). Furthermore, Poland ranks third (40%) among the countries with which cooperation may contribute to the reform of the Ukrainian military forces. The first two are the USA (63%) and the FRG (43%).
- *(Russia and NATO)*. There are two basic reasons for the prevailing anti-NATO attitudes among the Russian elite. (1) During political campaigns be-

fore the parliamentary (1995) and the presidential elections (1996), various political groups assumed the position of decisive advocates of Russia's national interests. (2) As a result, foreign-policy thought took a considerable shift towards realistic and geopolitical paradigms during the past 3-4 years. Moreover, it was a reaction to (a) some failures of Russian diplomacy in the first years of the post-Soviet era; (b) unwillingness of the West to accept Russia as a true friend and equal partner, and to open the door of the most important western economic and security institutions for Moscow. In this context, NATO enlargement was assessed as a threat to Russian interests.

The Russian government takes a fairly critical attitude to the present relations with the NATO. Moscow emphasizes that Russian diplomacy was unable to reach five goals within the contract-based regulation of relations between Russia and NATO (Foundation Act, signed on May 27, 1997): 1. signing an obligatory act in the form of a treaty; 2. the right of putting a veto on important decisions of NATO; 3. getting some important guarantees, including the one that nuclear weapons, military troops, and the related infrastructure will not be located on the territory of the new member countries; 4. reduction of the number of conventional weapons on the territory of the new member countries, specified by the Conventional Forces Agreement; 5. a guarantee that the former Soviet republics will not become NATO members in future.

Presumably, the future strategy of Russia in relation to NATO will concentrate on 1. the effort to achieve the transformation of NATO from a military-political to a political-military organization; 2. closer relations between NATO and the Organization for Security and Cooperation in Europe (OSCE) in the field of preventive diplomacy and conflict settlement, in the effort to subordinate NATO to the OSCE; 3. development of relations with NATO to avoid misunderstandings and animosity; 4. prevention of further eastward enlargement of NATO.

- *(Conclusions: Why is it advantageous for Russia to accept NATO enlargement?)* Objectively, Russia is interested in NATO sharing responsibility for stability of borders in the CEE, i.e., in the region which includes many potential destabilization sources that might jeopardize Russia. There is no threat coming from the West; on the contrary, the western direction is at present the only one from which Russian national interests are not jeopardized. Moscow should keep good relations with NATO to „release its hands“ in order to resist threats coming from the „arc of instability“, ranging from the Black Sea basin, through Central Asia to China. NATO is not an aggressive organization; rather its nature is defensive. In addition, it is an alliance of democratic countries. Eastward enlargement of the NATO entails no geopolitical and geostrategic challenge to Russia. Russia already neighbours with NATO countries - Norway and Turkey, and the naval forces of Russia neighbour with and meet neighbouring forces of NATO member countries in

the Black Sea, the Baltic Sea, and in the Arctic. Russia should concentrate on settling its internal problems – an adverse economic situation, organized criminality, ecological accidents, nationalism and separatism which simply cannot be mastered without western assistance. NATO enlargement will make President Yeltsin and the present Russian government (a) carry on the economic reforms; (b) normalize relations with Russia's neighbours; (c) at last trigger real reforms in the military forces. Russia is unable to prevent Ukraine from its move towards NATO. The pace of this process will depend on the internal development in Ukraine; moreover, decisions will be taken in western capitals, especially in Washington and Kiev, rather than in Moscow.

Alexander Parfionov: Ukraine and Central Europe in the context of European security

- *(The place of Ukraine in the system of European security).* It is determined by the following crucial factors:

1. Ukraine is the second largest country in Europe in terms of its territory, and the fifth largest country by population. Its coming into existence as an independent country has profoundly changed the geopolitical situation in Europe.
2. Ukraine is a neighbour of Russia in Europe. Depending on particular circumstances, it will function either as a buffer state, or as a bridge between the countries of Central Europe (and Europe as a whole) and Russia. As a result, it will play a critical role in forming the political climate in the region, irrespective of particular circumstances.
3. Taking into account NATO and EU enlargement the Ukrainian border will become the line of a new military-political and economic division of Europe.
4. Development of relations between Ukraine and the Central and East European countries is negatively affected by the fact that the so-called instability zone, ranging from the Balkans through the Crimea to Transcaucasia passes through Ukraine.

- *(Ukraine and the CEE)* Relations between Ukraine and the CEE countries are primarily influenced by the process of eastward enlargement of EU and NATO.

1. *Effects of EU enlargement* – In its „Agenda 2000“ document, the EU Commission has already identified five CEE countries as its future members – Poland, Slovenia, the Czech Republic, Hungary, and Estonia. No doubt, this fact will influence the relations between Ukraine and these countries. On the one hand, the shift of the EU borders toward Ukraine establishes positive preconditions for ever closer relations between Ukraine and the EU; however, on the other hand, it engenders additional problems for the development of economic relations between Ukraine and the CEE countries

(italics – author). By joining the EU, the CEE countries will have to impose limits on imports of Ukrainian goods; moreover, in their relations with Ukraine they will have to observe EU customs and trade regulations, which will not contribute to strengthening the trading and economic relations between Ukraine and the CEE countries. In addition, EU enlargement *will result in the dissolution of the CEFTA* (italics – author) because the most advanced CEFTA countries will have to leave this organization. The importance of the CEFTA for Ukraine can be illustrated by the following data: the mutual trade exchange between Ukraine and the CEFTA countries increased from USD 1,139.2 mil. in the period of January through August 1995 to USD 1,370.0 mil. in the same period of 1996; exports increased from USD 524.8 mil. to USD 644.8 mil. (22.9%); imports increased from USD 614.6 mil. to USD 726.1 mil. (18.2%). It can be assumed that at present Europe is witnessing a process of strengthening Pan-European economic and political co-operation, and at the same time, reduction in regional cooperation within the CEE (italics – author). Relations between Ukraine and the CEE countries will gradually approach those between Ukraine and the EU member countries.

2.1 Positive effects of NATO enlargement – Enlarging NATO by new members will contribute to security in the CEE region. The task of meeting the NATO standards and requirements will be a strong incentive for settling any crises in relations between any of the CEE countries. In fact, all CEE countries have settled relations to their neighbours. In this sense it is necessary to appreciate a considerable breakthrough in Ukrainian-Rumanian relations. The NATO membership effort motivated Bucharest to sign a basic treaty with Ukraine. The Ukraine-NATO borders will establish preconditions for further improvement of the relations between Ukraine and the Alliance, including its new member countries within the PFP or some other programmes.

2.2 Negative impacts of NATO enlargement – factors which will negatively affect the national security of Ukraine:

(a) It may be realistically expected that Ukraine will become a buffer state between the two largest military groups in Europe. In the case of a new conflict between the NATO and Russia – which cannot be in principle eliminated given the unstable political system in Russia, and the possible taking over of the power in Russia by the communists or the jingoes – those CEE countries which become NATO members will have to considerably restrict their relations to Ukraine as a CIS member country.

(b) When Poland, the Czech Republic, and Hungary become NATO members they will have to observe the NATO rules concerning border checks, military-technological cooperation, military equipment standards, etc. These facts will strongly affect the Ukrainian interests. At present, economy in the western parts of Ukraine is very positively influenced by the across-the-border cooperation and trade relations. This mostly bears on small and middle sized companies operating in neighbouring countries. When the border-

check rules get tougher, many Ukrainian businessmen will have to quit their activities in Poland and Hungary. Presumably, the military-technological co-operation between Ukraine and the Czech Republic, Poland and Hungary will have to be limited, too.

(c) The necessary increase in the financial cost of enlargement to be invested by NATO will most probably result in reducing the sum which is used at present to support cooperation in the CEE region in general, and to support relations with Ukraine in particular.

(d) After NATO enlargement, Ukraine will be perceived as a country neighbouring with NATO. Naturally, Russian leaders will do their best to tie Ukraine to a common military-political union. At present, this is excluded, taking into consideration the political positions of Russian and Ukrainian leaders in relation to NATO. In any case, Russia will necessarily put forth all its effort to, minimally, prevent Ukraine from getting anchored in the security zone of the NATO.

- (*Poland – a strategic partner of Ukraine*). At present it is not worth talking about relations between Ukraine and the CEE as a whole. As a result of the recent changes, the CEE countries have considerably differentiated in terms of their respective economic transformations, their level of integration into European structures, and specific features of their foreign policies. The same applies to the policy of Ukraine with regard to the individual CEE countries. Ukrainian political leaders consider Poland to be a strategic partner. *Relations between Ukraine and Poland – taking into consideration that these are the largest CEE countries – are of great importance to the security of the region* (italics – author).

Selecting Poland as a strategic partner can be accounted for by the following factors:

1. Poland is economically one of the most advanced CEE countries.
2. The foreign policy of Warsaw and Kiev is aimed at strategic partnership with the USA.
3. The issue of Polish membership of NATO has already been decided, and the door of the EU is half-open for Poland, too.
4. Historical and geographical factors (periods of joint existence in a common state, length of common border).

The meaning of the strategic partnership between Poland and Ukraine mainly consists in Warsaw becoming an advocate of Ukrainian interests in European and Transatlantic structures. Ukraine is the third largest trade partner of Poland (mutual trade exchange amounted to USD 1.5 bil. in 1996). In addition, Poland is the most important trade partner of Ukraine from among all the other CEE countries.

- (*Ukraine and Slovakia*). Both Ukraine and Slovakia are new states on the map of Europe. The history of their mutual relations is no older than four

years, which is inevitably reflected in the level and quality of their mutual relations. Relations between Ukraine and Slovakia are not marked by substantial problems, and the existing problems (mostly pertaining to economic issues) only require time for settlement.

The entry of Poland, the Czech Republic, and Hungary to the NATO, and later on to the EU means that the importance of Slovakia to Ukraine in the CEE region will increase gradually. By all accounts, the Slovak Republic may become a link between Ukraine and the CEE countries which will join the Western European structures.

Marek Calka: The Place of Ukraine in Polish foreign policy

- (*Ukraine in the conceptions of the two main theoretical schools of Polish foreign policy*). Although the independent Ukraine has existed for only six years the Ukrainian issue in Polish foreign-policy considerations played an important role as early as at the turn of this century. The main issues discussed in that period and during the World War I concerned the most effective means of achieving independence of Poland, its national integrity, and its geopolitical position in Europe.

1. *The Promethean school* (Jozef Pilsudski, Leon Wasilewski) proposed establishment of a federation of Poland, Lithuania, and Ukraine (and possibly also Belarussia) in effort to establish the statehood of these nations. In their view, it was the existence of independent states in Eastern Europe separating Poland from Russia which could establish a permanent barrier to Russian imperialism.

2. *The Realistic school* (Roman Dmowski) considered establishment of Ukrainian and Belarussian statehood as well as establishment of a federation with Poland to be an unrealistic fiction. Therefore, they proposed division of Belarussia and Ukraine between Poland and Russia. Security arrangements in eastern Europe were to be based upon friendly Polish-Russian relations.

All the attempts at implementation of the federalist concept in the period after the World War I completely failed. The Polish-Ukrainian conflicts culminated in the ethnic extermination of Polish population in Volyn by the Ukrainian insurgent army in summer 1943, and later in actions of governmental bodies of communist Poland aimed at displacement of the Ukrainian population after World War II (Wisla operation, 1947). The vassal communist regime in Poland can hardly be regarded as the fulfilment of the so-called realistic conception drawing on good Polish-Russian relations. Traditions of the Promethean school after the World War II were developed by the Polish exile community, in particular, a Parisian journal *Kultura* (editor-in-chief – Jerzy Giedroyc). The so-called *BLU concept* (Belarussia-Lithuania-Ukraine), whose author was Julius Mieroszewski, was worked out under its auspices. The main thesis of the „BLU-concept” followed from the premise that the in-

dependence and sovereignty of Poland had to be built up on strategic relations with these three countries. It should be noted that the message of both these schools is still relevant today, and exerts its influence upon decision-making in foreign policy issues.

• *(Polish-Ukrainian relations, 1989–1997: from a „double-track” policy to a „neo-double-track” policy:*

1. 1989–1991; In this period, Polish eastern policy was characterized by an attempt to combine both above mentioned conceptions („two tracks”). On the one hand, Poland tried to establish close relations with the regional centres of the then Soviet union (including Yeltsin’s group in Russian Federation) which manifested their desire for emancipation from the central Soviet power, and on the other hand, to develop friendly relations with the Soviet power itself. In a way, this policy contributed to dissociation of the USSR. Dissociation of the USSR meant that the ways of the two streams (neo-Prometheans and realists) in Polish foreign policy separated.

2. 1992–1995; This period was characterized by growing contradictions in Polish eastern policy. On the one hand, Polish diplomacy took steps to persuade its western partners of the critical importance of an independent Ukraine to the security and stability of Poland, Central Europe, and the Continent as a whole. In 1993, a Committee of Presidents of Poland and Ukraine was founded with the aim of preparing plans for establishing a strategic partnership. Contacts between the respective Foreign Affairs and Defence Ministries became more vivid (a decision was taken to establish a joint peace battalion, etc.). On the other hand, Poland did not consult with Russia on the project of construction of the Jamal – Europe gasline which was perceived as anti-Ukrainian by the Ukrainian party, since it limited the manoeuvring space of Ukraine with regard to Russia.

Following the 1993 elections and the defeat of political forces connected with Solidarity, Polish eastern policy became even more obscure. Since autumn 1993, dualism was typical of the main decision-making centres – the Ministry of Foreign Affairs, the Ministry of the Interior, the Ministry of Defence, and the security services were subordinated to President Walesa, while other ministries to the government headed by leader of the Polish peasant party W. Pawlak and to the Democratic Left Alliance (SLD) led by J. Oleksy. Both coalition parties of the Polish government decided to develop structural relations between Polish and Ukrainian economies. This governing majority started to apply an idea that membership in NATO and the EU were not imminent issues. Therefore, for the sake of increased Polish exports to Russia, it was necessary, in their view, to avoid confrontation with Russia. The conception of the so-called Warsaw triangle Moscow-Warsaw-Berlin was elaborated. These economic and geopolitical projects fell through mainly because of two factors:

1. Counter-measures of the parliamentary opposition and the political forces supporting President Walesa, including think-tanks of the opposition;

2. Lack of interest on the part of Russia in any form of partnership or well-meant cooperation with Poland in the political area, with its corollary to the development of economic cooperation. Russian diplomacy concentrated its attention on blocking NATO enlargement; in its campaign, Russia presented Poland as an ultra-Russophobic country, whose only contribution to the NATO will be the loss of any pro-Russian sentiments in the West.

The period of the above mentioned „diarchy” came to its end in autumn 1995 when Alexander Kwasniewski was elected Polish President, and the neo-realistic wing in the SLD led by J. Oleksy lost its political positions.

3. 1996–1997; This was the period of return to the 1989–1991 conception of eastern policy. However, while the „double-track” policy emphasized an equal distance between Warsaw and Soviet central power, on the one hand, and republic centres, on the other, the „neo-double-track” policy can be defined as the policy of cultivation of partnership relations between Poland and its most important neighbours in the East (Ukraine, Lithuania, Russia, Belarus), taking into consideration a wider framework of European and Trans-Atlantic relations. Two main factors influenced elaboration of the following strategy:

1. A large number of adherents of the neo-realistic approach started to realize at the turn of 1995/1996 that achieving partnership relations with Moscow without their embedding in the framework of regional cooperation with Ukraine, the Baltic countries, and other CEE countries was doomed to failure. Poland can become an equal partner of Russia only as a state that plays its role within the CEE, and exceptionally only in the context of this region.

2. Important progress by Poland in its integration into NATO and the EU. An important fact was realized; notably that rather than being a goal, membership in NATO and the EU, should become an important tool of Polish foreign policy, including development of relations with the countries of Eastern Europe. In addition, it was recognized that acceptance of Russian proposals concerning foundation of CMEA-bis, establishment of a free trade zone, etc. would necessarily hamper and decelerate the process of economic reforms in Poland, and it would threaten Polish membership in the EU.

In 1996–1997, Polish foreign policy focused to a great extent on development and strengthening of bilateral relations with Ukraine in various fields. Several joint military events took place within the PFP. Moreover, works on building up a joint peace battalion were under way (the joint military troop as an important element of cooperation between NATO and Ukraine is also referred to in the Charter of specific partnership between NATO and Ukraine). Several exchange visits of Presidents were organized. During President Kwasniewski’s visit to Ukraine, a Declaration of Reconciliation was signed, which put an end to conflicts of the World War II period. Poland is interested in cooperation with Ukraine for the sake of developing a strategic communications infrastructure (including power carrier transit) which should intercon-

nect the Baltic and the Black Sea, etc. The new Polish government, formed after the elections of October 1997, is continuing to develop this kind of relationship with Ukraine.

László Póti: Hungarian-Ukrainian relations, 1990–1997

- (*Promising beginnings, 1990–1991*). While one of the priorities of the conservative government of Prime Minister Antal was the situation of Hungarian minorities in neighbouring countries, Ukraine was interested in finding foreign partners for international recognition of its independence. It should be noted that the first journey of the Ukrainian Minister of Foreign Affairs A. Zlenko after the passing of the Declaration of Independence by the Ukrainian parliament (summer 1990) was to Budapest in August 1990. Moreover, Zlenko's visit to Budapest had its regional dimension. Poland manifested its interest in passing a joint declaration on new relations with Ukraine, and the information on Zlenko's visit came „as a bombshell”, as revealed by the Czech-Slovak general consul to Kiev in his talks with his Hungarian partner.²⁷ At the same time, Prague admonished Kiev of political risks which accompanied the strengthening of Hungarian-Ukrainian relations because „the Hungarians will never be friends of Ukraine; they try to improve their relations with Ukraine in order to get a stronger position against their neighbours. They are eager to make use of a declaration on minorities for putting pressure on the minority policy of their southern, south-eastern, and northern neighbours”.²⁸ Zlenko's visit was soon followed by a visit of President A. Goncz to Kiev – it was the first official visit of a top guest from abroad which led directly to Kiev – and not via Moscow – in defiance of the tradition. The presidents of Hungary and Ukraine (Kravcuk) reached an agreement on starting negotiations about a declaration concerning the position of minorities, about a new agreement on consular relations, etc. The Hungarian party wanted to include in the declaration the notion of „collective rights of minorities” as an international precedent. In the end, the parties arrived at a compromise – the notion of „collective rights” was replaced by the following formulation: „individual rights that can be exercised by individual persons with other persons within a group”. The Declaration was signed in Budapest during President Kravcuk's visit in May 1991. The Hungarian party was satisfied because it succeeded in achieving more in the issue of minority rights than was specified by international standards. It was hoped that the precedent in relation to Ukraine would become a pattern for approaching the Hungarian minority problems in other countries of the region. On the other hand, thanks to its contacts with Hungary, Ukraine in fact received international recognition of its independence – irrespective of the existence of the Soviet Union. Hungary was the first country which, on December 3, 1991, entered into direct diplomatic relations with Ukraine, and opened its embassy in Kiev. On December 6, 1991, which was the fifth day of the existence of independent

Ukraine, Hungary was ready to sign a basic treaty with the latter. It should be noted that the first Ukrainian embassy abroad was opened in Budapest on March 25, 1992.

- (*Unilateral bilateralism, 1992–1994*). The period of „promising beginnings” was followed by stagnation of Hungarian-Ukrainian relations. The present author characterizes this situation as unilateral bilateralism – the Ukraine was still more and more interested in development of versatile relations with Hungary, however, Budapest reduce the agenda of bilateral relations to the minority issue. This was reflected at the level of diplomatic contacts: while Budapest was visited by several high-level official visits of Ukrainian representatives, the representatives of the Hungarian government limited their visits to the Transcarpathian region (mostly Uzhgorod and Beregovo). Nonetheless, Antal's government, through its Prime Minister, declared that the Ukraine was considered to be the No. 1 country in Hungarian eastern policy. Some top Hungarian representatives proposed to Ukraine several times that Hungarian autonomy within the Transcarpathian region should be established – at first an ethnic autonomy, and later on a cultural one. The Ukrainian side rejected these proposals in principle, although it did not refuse the effort to find a compromise at the level of regional government of the Transcarpathian region. The basic treaty with the Ukraine, signed as early as in December 1991, was submitted for ratification to the Hungarian Parliament in May 1993. The Parliament ratified the agreement after fierce and long discussions (225 votes „for”, 39 votes „against”, and 17 abstentions). The main pitfall consisted in the fact that the conservative government of Prime Minister Antal adhered to the principle that there was no need to confirm border unchangeability in bilateral agreements with Hungary's neighbours and that it was sufficient to make reference to the Final Document of the Helsinki Conference (which does not rule out changes of borders by agreement, peaceful talks, etc.). The Ukrainian treaty was the first precedent in this sense. Eventually, the article of border unchangeability was ratified. The discussions about the Ukrainian treaty had considerable internal political consequences in Hungary – an extreme nationalist wing has crystallized. Paradoxically, while the treaty gained support from the complete opposition, the major part of the „against” voices came from Antal's ruling party.
- (*Balanced relations, 1994–1997*). A substantial change in Hungarian foreign policy is connected with Horn's government which came into power in the 1994 elections. The new government subjected to criticism the so-called Antal doctrine, which subordinated the issue of Hungarian minority situation in neighbouring countries to the integration of Hungary into Western structures. Horn's agenda included help for Hungarian minorities living in neighbouring countries by way of improved relations with central governments rather than

through the political elites of the respective Hungarian minorities. The Hungarian minority issue ceased to be a crucial one in relations with Ukraine. Four years later, in 1995, Hungarian Prime Minister (Horn), accompanied by the ministries of agriculture, finance, and the Head of the customs service finally visited Kiev. Eight new agreements were signed during the negotiations. Interestingly, Horn did not include in his programme a visit to the Transcarpathian region, this having been an almost obligatory point on the agenda of visits of previous Hungarian representatives. Hungary recorded growing trade exchange with Ukraine, and became its eleventh largest foreign trade partner (as opposed to the former 13th position assumed for a long time). Hungarian investments in Ukraine reached the sum of USD 24 mil. Some 450 joint Hungarian-Ukrainian companies were established.

Peter Barták: Slovak-Ukrainian relations: some security and defence aspects.

- (Slovakia and Ukraine; nascent relations). Factually and temporally, the start and the first steps of these two states in ensuring their security and defence were similar, in many respects identical. In the early 1990s, they laid down similar security and defence targets, they took similar legislative steps for establishment and development of their military forces, took up their demanding reorganization and redissolution, established their respective Ministries of Defence, and army headquarters. The armies of these two countries have been the most credible national institutions almost since their origins, however, both of them are out of pocket. Ukraine passed its military doctrine in October 1993, Slovakia in June 1994. A small time advantage of Ukraine over Slovakia in building up its own state, including its security and defence, seems to have been obliterated at the turn of 1994–1995. It can be illustrated by the fact that Ukraine and Slovakia delivered their PFP programme presentation documents to NATO headquarters in Brussels on the same day – on May 25, 1994.
- (A historic act of Ukraine: nuclear disarmament and Slovak indifference). Ukraine became, as if out of blue, the third largest nuclear power in the world with an army counting over 700,000 men – the second powerful military force in Europe. However, as early as in October 1991, Ukraine publicly declared its non-nuclear basis, neutrality, and the policy of non-interference. And not only declared. From 1992 (tactical nuclear weapons) to June 1996 all the nuclear missiles were removed from Ukrainian territory. It was a historic act, a deed making history, which, however, remained unnoticed in Slovakia. Ukraine deserves credit for a non-nuclear Central and Eastern Europe.
- (Different approaches to security since the mid-1990s). The two countries have differed from the beginnings in the way of approaching their se-

curity problems. While Ukraine preferred neutrality and refused to join any block, the SR has been manifesting its interest in collectively guaranteed security and defence, and its wish to join the Trans-Atlantic political-security and defence structures since its beginnings. Since the mid-1990s some changes in the security strategy and policy of these two countries could be perceived, notably, a deviation from their respective original directions. Ukraine recognized that the original neutrality and non-membership security principles would not bring success, i.e., maintaining Ukrainian independence. Therefore, a turn in its security and defence policy was made in 1996. This was supported by the Charter of a specific partnership between the NATO and Ukraine signed at the Madrid summit. *Thus, Ukraine not only switched over to our original security and defence principles; it has overtaken us considerably.* Slovakia's present ruling forces, started to deviate from the original and by the majority of population supported security strategy, and, paradoxically, *we are approaching the original Ukrainian idea.* Gradually, in a kind of fight, Slovakia has been implementing – since the mid-1990s – a turn from the strategy of collective security and defence towards the strategy of isolation (this, however, without any declaration – as opposed to Ukraine).

1.2 Summary

The most important conclusions following from discussions in the first session can be summarized as follows:

Assessments of the effects of NATO enlargement upon the security position of Ukraine, especially upon its future relations with Russia – as presented by the Ukrainian participants – differ considerably. On the one hand, there are extremely positive expectations denying any threats that might undermine Ukrainian-Russian relations; on the other hand, there are extremely negative expectations pointing out that Russia will do its best to tie Ukraine to a military-political union. In any case, it follows from presentations of the Ukrainian participants that the relation vital for the present international position of Ukraine is that to Russia – much more important than the Ukraine-NATO relationship.

The postulate that partnership between NATO and Russia can become a tool for settlement of conflicting situations between Russia and its neighbours (in the CIS region), including Ukraine, is a highly optimistic hypothesis. No doubt, partnership between NATO and Russia, defined by the Founding Act contributes to stability of the post-bipolar development in Europe; however, neither the text of the Founding Act nor the experience with peace-making operations in the CIS region bears witness to NATO's pretension to the role of a peace-maker in the post-Soviet region, or its wish to replace the existing CIS mechanisms. This situation will not change – at least for the next ten years – regard-

less of the fact that Russia failed to make NATO promise that no post-Soviet country would join the NATO.

The Charter of specific relations between NATO and Ukraine does not contain any specific security guarantees for Ukraine in the sense of potential risks that can result from its relations with Russia. The mechanism of consultations for the case of danger, and declaration of the *Central European status of Ukraine* only indicate a tendency towards providing such guarantees in some vague future, which will depend on a number of factors that cannot be foreseen at present, including the ability of Ukraine to preserve its present independent foreign-policy orientation, the internal development of this country, the transformation process in Ukraine and Russia, and the global international development in Europe. It is symptomatic that only 5% of the above mentioned Ukrainian experts believe that the Charter with NATO may contribute „to a great extent“ to strengthening the security of Ukraine, and that the large majority of proponents of membership of Ukraine in NATO realize that joining NATO is an unrealistic goal for the next few years.

The most important precondition for maintaining the *Central European* development trends in Ukraine in the mid-term perspective, reflecting the first wave of NATO enlargement, will depend on the ability of Ukraine to carry on its policy of non-interference, and to preserve its non-block status. Paradoxically, a big challenge and, at the same time, a test of the maturity of Ukrainian policy in this respect will be its ability to cope with eastward enlargement of NATO and the EU. It is symptomatic that the Ukrainian experts – those advocating neutrality – do realize that following NATO's eastward enlargement, Ukraine will not be able to exercise the classical neutrality policy of the period after the World War II. Moreover, it should be noted that the Founding Act, signed with the NATO, was immediately followed by signing (in May 1997) a basic treaty and several agreements about the Black Sea fleet between Russia and Ukraine, which anchor the presence of Russian military forces on Ukrainian territory. This single fact itself rules out the classical neutrality of Ukraine. EU enlargement represents a similar challenge to Ukraine as NATO enlargement. The admission of the key CEE countries to NATO may bring about subsequent trading problems for Ukraine relative to the CEE region. The trend of growing trade exchange with the CEFTA countries may be jeopardized by their obligation to observe the respective EU customs and trade regulations and the common economic policy of the EU. Taking into account the unclear prospect for signing an association agreement and for regulating trade relations with the Union, which might overcome these problems, Ukrainian trade with the CEFTA countries may drop. Another important question is the mere existence of CEFTA when left by the key CEE countries. The EU's eastward enlargement reflects the paradoxical feature of the contemporary international development – the strengthening of pan-European integration to the detriment of regional cooperation among the CEE countries. However, this problem does not only bear on Ukraine; it is also the problem of the EU, and primarily, the

problem of those CEE countries which will not join the EU at the same time as the Czech Republic, Poland, Hungary, and Slovenia. It immediately pertains to Slovakia, too.

Poland is a crucial partner of Ukraine from among the CEE countries, from the economic and security-policy points of view. This is conditioned both by historical circumstances and by the present international position and potential of Poland as a key CEE country. Relations between these two countries represent an important element of stability in the CEE region, with its implications for Europe as a whole. Ukraine perceives relations with Poland as relations of strategic significance. An important issue in this respect is, however, the possible impact of Poland's membership of NATO and the EU upon these relations. Paradoxically, the contemporary potential of Poland for development of political and economic relations with Ukraine seems to be much bigger than that after joining NATO and the EU.

It is also a challenge to Slovak foreign policy if Slovakia joins the EU at a different time than Poland. On the basis of assessments by Ukrainian experts, Slovakia might become – at least for some period – a *link* between Ukraine and the CEE countries which will join the Western European structures. Obviously, Slovakia – given its limited potential – cannot substitute for Poland; however, it can at least partly participate, in cooperation with Poland and other CEE countries, in a *new Central European agenda* in connection with closer relations between Ukraine and the Central European and Western European structures. NATO and the EU have clearly shown their interest in stabilization and closer ties between the European structures and Ukraine. This principle does not seem to change in mid-term perspective. What matters is Slovak foreign policy – whether or not Slovakia wants to be a *constructive partner of the Western European structures*, and to share responsibility for stability in the CEE region.

1997 was a critical year for Ukraine in terms of its international and security status. Although the decisions of NATO's Madrid summit and the EU's Luxembourg summit, the Founding Act between NATO and Russia, and the Charter of a specific partnership between the NATO and Ukraine have not settled the issues of security and the international status of Ukraine in a fundamental way, they, however, fixed the existing status quo, and outlined new developments trends. Ukraine thus gained some space for implementation of its declared European foreign-policy goals, and the achievement of these goals is on its shoulders. Its CEE partners may help in this effort.

When comparing the eastern policies of the „Visegrad“ neighbours of Ukraine, i.e. Poland, Hungary, and Slovakia, that of Poland must be rated very high. Polish experience is supported by a long historical tradition which – at first sight paradoxically – is highly topical at present. In several time intervals from 1989 to 1997 Warsaw formulated, and partly answered, the basic question of the present eastern policy of the CEE countries: the question of developing relations with the key countries of the European region of the former Soviet Union, in particular Russia and Ukraine. Poland had two options at hand:

1. preference for the development of its relations with its immediate neighbours – Ukraine, Belarussia, and Lithuania – in order to build up a barrier to Russian imperialism; 2. preference for relations with Russia to the detriment of its immediate neighbours. While in the period 1989–1991, Poland attempted to combine these two approaches, in the period 1992–1995 the latter option was preferred. In 1996, Poland returned to the policy of the first period, however, at a new qualitative level. Polish eastern policy is aimed at cultivating partnership relations with all the most important eastern neighbours, *taking into consideration a wider range of European and Trans-Atlantic relations*. In other words, the Polish answer is: *development of good partnership relations with Moscow must necessarily fail without taking into account relations with Ukraine, Baltic countries, and other CEE region countries*. This experience of Poland applies to any other CEE country. In the early 1990s, Hungary was the most active country of all with regard to Ukraine. Budapest played a vital role in international recognition of Ukraine as early as during the time of existence of the USSR. This period was followed by the period of stagnation of Hungarian-Ukrainian relations (1992–1994) when Hungary made the issue of the Hungarian minority in Ukraine the centre of gravity of the bilateral agenda. Horn's government approached the Polish model of eastern policy by subordinating the minority issue and the context of the development of relations to Ukraine and Russia to integration of Hungary into the Western structures.

Slovak eastern policy, including its relations with Ukraine, can hardly be compared to that of Poland or Hungary. Slovak eastern policy is neither well-balanced nor set in the framework of the development of European and Transatlantic relations, or of assertion of the high-priority integration interests of Slovakia. Paradoxically, the post-Soviet Ukraine has overtaken Slovakia in terms of security relations with NATO by switching over from its doctrine of non-participation in blocks to closer relations with NATO (1996–1997). On the other hand, Slovakia has abandoned its main goal, i.e. membership in NATO, by preferring the strategy of neutrality, which is de facto the way towards international isolation.

A substantial difference between Slovakia and its two neighbours, Poland and Hungary, in their eastern policy consists in the fact that membership in the Western structures has changed for Poland and Hungary from a foreign-policy target to a foreign-policy tool, including development of their relations with Ukraine and Russia. Slovakia has assumed the original position of its more successful neighbours: *it is a well-thought-out and responsible eastern policy, set within a wider context of European and Trans-Atlantic processes, which must become a tool for achieving the priority goal – membership in NATO and the EU*. The change of the unsuccessful western policy of Slovakia goes hand in hand with the change of its eastern policy of 1993–1997, on the lines of the Hungarian policy since 1994, and the Polish policy – minimally since 1996.

2. UKRAINE AND EUROPEAN ECONOMIC AND POLITICAL INTEGRATION

Session chairman: Hans Joachim Gieseman, Institute for Peace Studies, Hamburg

Main papers:

Valerij Novitsky (Institute of World Economy and International Relations, Kiev): *Ukraine and European Union: prospects for integration*

Petr Robejšek (International Institute for Policy and Economy, Hamburg): *Ukraine, Central Europe and the EU: a western view*

Stanisław Michalowski (Ministry of Foreign Affairs, Warsaw): *Economic cooperation within CEFTA and Ukraine*

Anton Marcincin (Centre for Economic Development, Bratislava): *Perspectives of the integration of Slovakia into the EU: the eastern aspects*

Mychajlo Bizilia (A representative of the Carpathian Euroregion in the Transcarpathian region, Uzhgorod): *The Carpathian Euroregion: experience with across-the-border cooperation*

2.1 Facts, arguments, and assessments

The second conference session includes papers discussing the issues connected with circumstances of European integration of Ukraine, and its place in present-day Europe. The following are the main questions discussed:

1. Prospects of Ukraine for integration in to the European Union;
2. Level of readiness of Western Europe for this variant;
3. Possibilities of Ukraine for approaching or joining the Central European subregional structures, chiefly CEFTA;
4. Prospects of the Slovak Republic for integration into the European Union;
5. Experience with across-the-border cooperation within the Carpathian Euroregion project, whose participants encompass the western regions of Ukraine and the regions of neighbouring Central European countries.

Main theses presented in the papers

Valerij Novitsky: *Ukraine and the European Union: prospects for integration*

- (Problems of trade with Russia and the growing economic cooperation with the EU). An analysis of the development and the present situation in the

foreign-trade of Ukraine indicates that economic cooperation with the EU has gained in importance in terms of its geopolitical position. At the same time, it has become a practical task immediately connected with development of an open economic system. Cooperation with the EU corresponds to the process of transformation of the Ukrainian economy from a component part of the unified economic space of the former USSR to an independent „national unit“ within the system of global division of labour.

These considerations can be supported by data on the development of Ukrainian exports and imports. The share of the countries, which were not part of the USSR, in Ukrainian exports increased from 14.6% in 1991 to about 50% in 1996, and this value was already considerably exceeded in the course of 1997. This index development was partly influenced by the unforeseeable and partly hostile policy of Russia, a traditional trade partner. A case in point is the unilateral introduction of customs duties in early 1997 which resulted in a reduction of mutual trade by 20%. As a result, the share of Russia in Ukrainian exports in the first half of 1997, compared to the same period of 1996, dropped to 28.2%, and the share of the countries of the former USSR to 25.9%. The share of 166 countries of the world, with which Ukraine maintains trade relations, increased accordingly to 16.8%. The share of the countries of the former USSR in Ukrainian imports has been decreasing at a much slower pace, the main reason for it being the imports of raw-materials.

The EU is coming to be the main source of deliveries for the processing industry products. A leading position among the EU countries has been assumed in this respect by Germany with 5.8% of total Ukrainian imports. Italy and the Netherlands are among the active trade partners of Ukraine, as well.

- *(Problems of economic cooperation with the EU).* In spite of the above mentioned data, the level of cooperation with the EU is far from representing an optimum state. All positive achievements are connected with very low absolute indexes, and with a commodity structure disadvantageous for Ukraine. Cooperation between Ukraine and the EU in the field of investments has been falling behind trade cooperation. Despite optimistic expectations Europe has not become a source of new advanced technologies for Ukraine.

A clear obstacle to trade cooperation is the anti-dumping examination policy of the EU against Ukrainian producers of steel, textile, nuclear materials, fertilizers, and some other commodities. This policy is often of a discriminating nature because examinations do not take into account the actual cost of production in the Ukraine; they are based on comparison of prices, without taking into account, for example, labour cost, etc.

It should, however, be noted that the main problem of exporters to the markets of Western and Eastern Europe pertains to the low competitiveness of Ukrainian products. A long-term negative factor in trading with the EU is

that the range of non-raw-material commodities exported by Ukraine is similar to that of some traditional fields of overproduction in the EU member countries – foodstuff industry, metallurgy, light industry, and chemical industry.

- *(Contract-based and institutional relations with EU).* The common interests of the EU and Ukraine were expressed in the Treaty of partnership and cooperation signed in Luxembourg on June 16, 1994. The Treaty established conditions for an extensive political dialogue between these two parties, and postulated development of mutually advantageous trade relations. An important goal, included in the Treaty, is establishment of a free trade zone after 1998. Taking into consideration the very long process of ratification of the Treaty, the EU and Ukraine signed the so-called Interim Agreement on Trade in Brussels on June 1, 1995. The Agreement became effective on February 1, 1996. A very important step in the development of EU-Ukrainian relations was assigning to Ukraine transitive economy status (June 1996). Joint institutions for the development of mutual relations were founded: the Council of Cooperation, and the interparliamentary Cooperation Committee. In addition, the Inter-branch committee for the development of relations with the EU has been working in Ukraine. Within the EU, the development of relations with Ukraine is covered by the General directorate for the relations by the CEE countries and new with independent countries. A Permanent mission of Ukraine at the EU was opened in Brussels, and an office of the European Commission delegation in Kiev.

- *(An integration dilemma of Ukraine?).* No doubt,, the following question is justified: Can the present geostrategic decision of Ukraine, favouring European integration, be considered a final decision? There are many experts who say that the countries of the former USSR simply cannot avoid reintegration after overcoming the present deep crisis. This question, however, can be also asked differently. Is it not logical to admit that the conditions of a serious economic crisis should be the reason for restoration of the former unified economic space, taking into account, for example, the problems of competition with western producers? This is not what happened. On the contrary, it is the cooperation with European and other countries which is compensating for the loss of markets and technological cooperation among the CIS countries. The European vector of cooperation became the priority of the present geoeconomic strategy of Ukraine.

Petr Robejšek: Ukraine, Central Europe and the EU: a western view

- *(Russia at the end of reforms).* From the economic point of view, and with major political support, the process of reforms in Russia has been deviating from its „westernization“ and concentrating on „industrialism“, i.e. moderni-

zation of the industrial base. Given the existing situation, this change is understandable and realistic. Its main corollary, however, is deviation from the main development line of economically advanced countries which are concentrating on the development of post-industrial economies. Is it at all possible for Russia to deviate from „westernization“? Yes, Russia is able to survive economically even if it refuses to comply with the western efficiency criteria. This approach seems to have become a dominant one. By implication, Russia will select modernization according to the traditional industrial development formula. In fact, however, the process will lead to „refinement“ of Russia's backwardness.

The majority of the CIS countries feature a specific form of „cooperative capitalism“, with close interconnections between the state and the economy. Belarussian President Lukaschenko speaks of „market socialism“, Ukrainian President Kucma uses the notion of a „state-regulated and socially-oriented market economy“, and Russian President Yeltsin made state control an official policy. Under these circumstances we cannot avoid admitting the following unpleasant fact: the state formation known as the Soviet Union has not ceased to exist. It still exists as an economic, political, social, and security-policy formation, being in a stage of temporary weakening at present.

Accordingly, much attention must be paid to the fact that the forces of gravity from this backward economic space will affect the former socialist countries. Their persisting dependence on Russia might be derived from high material and power consumption in industries such as chemistry, paper industry, or metallurgy. Therefore the long-term raw-material and power-source dependence of many CEE countries comes to be critical. Russian policy is aimed at instrumentalization of their economic dependence. Apart from the above mentioned raw-material and power-source dependence, this holds true of their technological dependence (nuclear power). Russia is trying to deepen the existing dependence in the field of armament by offering to replace payments for debts of the former USSR by arms deliveries. In addition, Russia is being offered as a „soft“, i.e. a less demanding market compared to the western market.

- (*CEE between Russia and Western Europe*). Since the historic watershed of 1989, the CEE countries have been struggling with two tasks: 1. modernization of economy and society; 2. identifying one's own place at the outset of the post-industrial age. Both their further economic development and their security and independence will depend on whether their „return to Europe“ will be a fast transition to economic integration into the Western economic context. This issue is of unambiguous geopolitical significance, because its answer will determine the place of the former socialist countries at the time when the post-communist world finds its preliminary balance. The answer to this question depends on economic facts, and requires, first of all, intensive investments and a profound restructuring of economies.

Modernization and globalization of economic relations between Western Europe and Eastern Europe can be illustrated by the fact that the former socialist countries represent a source of cheap products and labour for customers from the West. This form of globalization leads to strengthening of the existing economic borders, and may have serious security-policy ramifications. Realistically, the chances of the former socialist countries to reach the Western level of well-being are minimal. There are two reasons which will preclude these countries accumulating a sufficient capital which would enable them to integrate into the group of advanced market economies: 1. high consumption of the population at the time when the principles of „Protestant work ethic“ should be observed; 2. Western businessmen make use of their technological advantage for demoting the former socialist countries to producers of simple, and consequently, cheap products or semiproducts. The countries of Eastern Europe can, however, separate from the eastern space only if they quit producing second-rate goods. Until that time the danger of their return to the old relations of economic and political dependence upon Russia will be imminent.

- (*Western Europe in transition to the new age and the CEE*). The Western model of market economy defeated socialism and reached its performance limits. At present it is looking for further performance reserves. Eight years after the downfall of socialism we realize that socialism represented a kind of antidote to, and an important corrective of self-destruction forces of the performance and individuality-oriented Western economic model. The market system, which need not face any other alternative social model, is not exposed to disciplining effects of political concerns for social stability. Despite so many pathetic and historicizing statements, Western Europe did not take seriously into consideration the political changes of 1989–1991, and the related responsibility. Western European politicians behave rigidly and autistically at the same time. Their task and their chance is to win the largest possible part of the Continent for democracy and market economy. Economic aid and elimination of trade barriers are much more important than the costly security-policy agenda. In fact, the new and much more important task of Pan-European integration is subordinate to the goal whose importance got unambiguously minimized, that is to say, to Western European integration. The chances of progress in Pan-European integration are sacrificed to the above goal of the cold war period. In the name of the European currency, the economies are prescribed a „dietary treatment“ of saving which jeopardizes the stability of Western democracies, and deepens the gulf between the two parts of the Continent. What is needed is pragmatic and fast political steps. Madrid, Amsterdam, and Maastricht provided, however, further evidence that this is not a strong point of the Europeans. National interests are an obstacle to reaching supra-national goals, both correct and incorrect. Obviously, the old and the new goals are incompa-

tible; moreover, we lack financial, organizational, and intellectual means for the achievement of the latter. If the no-priority principle is emphasized, it will equal an attempt to reach new and old objectives with the result of considerable deceleration of the process of changing. We are pressed for time. „A window of opportunity“ has just slammed in the face of Belarussia. There is a tiny slot for Ukraine, Slovakia, Rumania, and Bulgaria. The opportunity that emerged in 1989 has not been fully made use of. Who knows how long we will have to wait for the next one. Apparently, the Western countries found it easier to credit the communist dictatorship than to provide their successors access to western markets. Sympathy, admiration, and recognition, so characteristic of 1989/1990, were eight years later replaced by a rigorous policy against the CEE. The logic of functioning of the Western economic and political system makes active assistance the more difficult the more similar is the economic and political system of the receiving country. The more similar is a receiving country to its competitor, the more probably will it be treated in this way. The two parts of the Continent share many common objectives, however, none of them seem to be reachable at the same time for both of them. First of all, the security and well-being goals which are undoubtedly identical divide the two parts of the Continent instead of linking them.

- (*Ukraine: a bridge or a clamp*). One can hardly believe the popularity of the archetypal symbol of bridge in political rhetoric and literature. All would like to represent such a bridge, however, only few realize that the bold east west span may become an overstress. Therefore, no less suitable is the figure of a clamp. The situation of Ukraine gets even more complicated because many an „adherent to the theory of bridges“ localize it at its eastern end. Even if this interpretation is optimistically turned down, the fact is that the force field of the progressive and economically advanced Europe, on the one hand, and that of the economically and politically backward eastern part act and meet on the territory of Ukraine. No doubt, Ukraine belongs to Western Europe, which is predetermined economically. This is, however, conditioned by painful restructuring of agriculture and industry. Unfortunately, there is not much to transport across the „bridge“. If the situation does not change rapidly, the bridge may change into a clamp. It is of vital importance for other postcommunist countries to prevent failure of the Ukrainian span between the West and the East. An economically successful Ukraine with its unambiguous western orientation would be an obstacle to the Berlin-Moscow axis, or to its no less undesirable variant with Paris as the third apex. There is only one thing that can be taken for sure – Ukraine can rely on the Western European countries to a very limited degree. The idea of Ukraine integrated into the Western European structures seems to be an excessively optimistic hypothesis. This hypothesis can only beco-

me true as a result of a long-term process whose success is conditioned by a number of factors. First of all, it is necessary to eliminate the discrepancy between the political westward orientation of Ukraine and its strong economic dependence on the East. The key factor preconditioning the economic link to the West is a radical change of the Ukrainian legislation and economic system. This is the only way to attract foreign investment.

What is rather frustrating is that Ukraine broke away from Russia even in the least desired area. Ukraine is also independent of Russia in the sense that Kiev has lost any connection to those very few economic reforms in Russia. When compared to L. Kučma, B. Yeltsin appears to be a Russian M. Thatcher. The Ukrainian economy is controlled by unsuccessfully disguised communist elites even more than the Russian economy. Their devotion to the Western model is directly derived from privileges provided by its caricature.

Another factor, and the most critical factor, which aggravates the economic and political integration of Ukraine into the Western context, is the lingering conflict between Ukraine and Russia. The basic dilemma of Ukrainian policy consists in the fact that the major part of the vital interests of the country cannot be implemented without Russian approval. Russia has assumed a crucial position with regard to power supply, or export of the Ukrainian goods. Deliveries of Russian oil had to be paid for with the ships of the Black Sea fleet, shares of oil pipe-lines and important companies. The process of emancipation from Russian dominance is very slow, with its results being uncertain. Western help might bear fruit of strategic importance in these circumstances. The USA might be expected to attempt to implement a weak version of Brzezinski's proposal „to support geopolitical multi-polarity on the territory of the former USSR“, i.e., to strengthen the independence of the former Soviet republics. Ukraine ranks third in the list of recipients of American financial help. The sums themselves, however, are far from being sufficient.

Kiev has no doubt of the important role played by Germany with regard to the post-communist countries and to future arrangement of Europe. The Ukrainian official bodies emphasize the necessity of more intensive German activities in their country. The unpretended effort to assign Germany the leading role in the modernization of Ukraine clearly indicates the wish to reach a symmetry and partnership similar to that between Bonn and Paris. Ukraine dreams once again its European dream, with Germany in the role of a fairy-tale prince. In the light of historical experience, this is a very bold decision. Nonetheless, the latest relations between Western Europe and Ukraine are rather characterized by playing a waiting game. Western Europe can afford this game. On the other hand, Ukraine has been teetering on the tightrope. However conceivable and legitimate is the Ukrainian effort to get integrated into the Western European context, one cannot turn a blind eye to the problems and uncertain perspectives of this process.

- (*Perspectives of CEFTA*). Since the centre of gravity of Ukrainian foreign policy has been continuously shifted towards integration into the European structures, the importance of regional cooperation is vital for Ukraine. In addition, the development of relations with the CEE countries is supported by recognition that cooperation with those countries of this region, which succeeded in the integration process, helps with implementation of reforms and integration efforts of Ukraine itself. An analysis of possible economic cooperation between Ukraine and the CEFTA must take into consideration the following aspects: 1. the nature, tasks, and future development of the CEFTA; 2. the Ukrainian interest in cooperation with the CEFTA member countries; 3. the EU's eastward enlargement, and its ramifications for Ukraine. Actually, the economic significance of the CEFTA seems to be relatively small: mutual trade is less than 10% of the total trade of the member countries. Nevertheless, the CEFTA has been developing important activities recently. The member countries took a decision of full liberalization of trade in industrial goods by 2001. Liberalization of trade with agricultural products will be much more extensive than suggested in the original agreement of 1992 – the protectionist measures will be reduced by one half. In September 1995, the CEFTA was declared to be an „open institution“ by approving supplements to the Founding charter; as a result, also other CEE countries could become its members, notably Slovenia and Rumania. Bulgaria (estimated entry in 1998) and some Baltic countries expressed their interest in membership, too. Moreover, the CEFTA discussed further intensification of cooperation which had gone beyond the problems limited to trade liberalization, or movement of capital, services, and labour. It was proposed to establish a permanent CEFTA secretariate, and to specify a common policy with regard to third countries. Out of six CEFTA member countries (the Czech Republic, Poland, Hungary, Slovenia, Slovakia, and Rumania) four are ready to start talks about joining the EU. From this it follows that these countries – as future EU members – will have to observe general EU objectives and principles in their cooperation within CEFTA. A question is, whether or not they will be able to develop activities within the CEFTA when they join the EU. Very probably, it will not be possible for them to be members of both of these structures in an unchanged form. If Poland, the Czech Republic, Hungary, and Slovenia wanted to keep their CEFTA membership, the CEFTA's objectives and nature would have to be changed.
- (*Ukraine and the CEFTA*). In the economic field, cooperation between Ukraine and the CEE countries faces many difficulties and problems, including an unequal pace of economic development of the individual CEE countries on the one hand, and the development of economic relations on market

principles in Ukraine, on the other. Poland is the most important trade partner of Ukraine from among the CEE countries, and it is the fourth largest partner in general (the first three are Russia, Germany, and Belarussia). In spite of these facts, further development of cooperation on market principles lacks appropriate mechanisms and tools. For illustration, establishment of a joint bank was planned for 1993, however, this plan has not been realized yet.

Future CEFTA enlargement concerns mainly Bulgaria (1998), the three Baltic countries, and Ukraine. All these countries exhibited their interest in CEFTA membership. A joint declaration of the Polish and the Ukrainian presidents of June 26, 1996 emphasizes that Poland will support Ukraine in its effort to join the CEFTA, and that it will take specific steps in this respect. However, Ukraine does not meet any of the four basic membership criteria at present: 1. membership in the World Trade Organization (WTO) and reduction of protectionist measures in accordance with the GATT/WTO rules; 2. signing an association agreement with the EU; 3. a unanimous agreement of all the present CEFTA countries to the entry of a new member; 4. signing free trade agreements with all CEFTA member countries. Ukraine can also become an associated member, however, the conditions are the same. It might be objected that while Ukraine does not meet the present membership conditions, they may be „softened“ or defined anew in the course of time. The present trade of Ukraine with the CEFTA member countries amounts to about 5% of the Ukrainian foreign trade. No doubt, this number would increase if Ukraine became a CEFTA member.

If negotiations with the WTO are successful, Ukraine may become its member in 1998. In addition, the agreement on cooperation and partnership with the EU might be ratified in 1998. If Ukraine is in a position to put this agreement into practice, to reach macroeconomic stability, and to intensify the process of reforms, it might join the Pan-European system of free trade before the end of this century.

Apart from their purely economic significance, the relations of Ukraine with the CEFTA member countries are important for another reason, too: integration of Ukraine into various Central European structures, including the CEFTA which can become an important point of support and an alternative to the CIS.

- (*EU enlargement and Ukraine*). Since the EU eastward enlargement will be a long-term process, several transition periods must be envisaged. The CEFTA may not only preserve its existence for the future, it may also play an important role in this process. It would be, however, too simplified to claim that the CEFTA will merely function as a waiting room for admission to the EU. One must take into account the variant that the CEFTA will preserve its present form even after EU enlargement. Changes in CEFTA functions do not imply its dissolution. The CEFTA may go on functioning as a useful tool for rapprochement between the other candidates and the EU, and for deve-

lopment of regional cooperation. Development of traditional regional cooperation will be to the benefit not only of Ukraine and those CEFTA members who will not join the EU, but also to the new EU member countries. The integration strategy of Ukraine and the CEFTA member countries should focus on one important point – EU enlargement might also imply enlargement of the European economic space, which includes all EU and EFTA countries (with the exception of Switzerland), and which might also include the CEFTA member countries in future.

There are many factors supporting survival of the CEFTA after entry of some of its members to the EU. In such a case, it might specify new tasks for the development of regional economic cooperation as well as political and security cooperation. While the CEFTA cannot become anything like a „mini-EU“, the Central European countries are interconnected by too many common interests to get rid of a tool for their regional cooperation. Obviously, all ten associated countries can not join the EU at once. Given this postulate, a common strategy should be worked out, including a trustworthy framework of development of relations, for the countries that will fail to join the EU in the first round. The CEFTA should remain a forum for development of the integration process, and of the pre-entry strategy of individual countries. It should become a framework for admitting other CEE countries to the EU. However, fulfilment of these functions is preconditioned by existence of corresponding institutions, especially a permanent secretariate.

Anton Marcinčin: Perspectives for the integration of Slovakia into the EU. The eastern aspects

- *(Admission of Slovakia to the EU: four simplifying assumptions).* When talking about admission to the EU we should avoid, in our view, four main simplifying assumptions: 1. We belong to Europe, which was one of the slogans of the revolutions in the post-communist countries; and Europe assented to it. For many it entails that *if we belong to Europe, we an automatical right to join the EU*. Certainly, there is no right of membership. What exists is the wish for prosperity, which applies both to the post-communist countries and the EU members. Any EU enlargement must be beneficial to both parties. This is the platform, upon which the parties may negotiate and develop their policies; 2. *We are economically perfect*, at least in comparison with the other membership applicants. What is referred to is the rate of GNP growth, low inflation, low deficit in the governmental budget, and a decreasing unemployment rate. Three points should be taken into consideration in this respect: (i) the results of the necessary structural reforms can only be seen after a longer period. From the point of view of long-term growth and prosperity the important factor is, whether there are any reforms under way, and if yes, what is their nature. The fact that Slovakia's macroeconomic parameters are a little better than those of the neighbouring countries is insignifi-

cant. The economic miracle of Slovakia is dwindling away – what is coming into the light is growing problems in the GNP structure; the Minister of Finance wants to put the National Bank under his control because he resents the low inflation rate. (ii) The economic reform is necessary irrespective of whether or not a post-communist country wants to join the Union. What matters is the country's prosperity. This must be emphasized from time to time, because some politicians conjecture that the reforms are implemented just because of the Union or some other institution such as the International Monetary Fund. (iii) The transition economies reduced government expenses to the detriment of a hidden debt with respect to the population. In the case of Slovakia, this mainly concerns the health and the education systems. The temporary savings in these fields have been at the expense of much higher costs in future. People may be pleased by nice macroeconomic parameters, they may be proud of them in discussions with foreigners, however, these parameters are of no use to them; 3. *The EU is an economic association; therefore the only thing which is important for admission to the EU is the economy*. This was the unsuccessful strategy of Slovakia. As long as politicians rather than courts determine what is lawful and what is not, as long as they demonstrably lie and cheat, as long as they give preferential treatment to the business of their political supporters, the country ruled by them cannot belong to Europe – roughly this is the attitude of the Union. 4. *We can live without the EU*. A frequent argument and, at the same time, a result of the efforts of the Slovak government. In terms of effectiveness, both parties are losers, however, their losses are uncomparable. Slovakia with its 5 million population loses very much in the present-day global economy; the loss of the Union is insignificant. It is true that we can be happy without the Union, too. However, the economic benefits will have to be replaced by the respective government by some other benefits, e.g. by nationalism. Certainly, not every citizen loses if a country does not join the Union, and vice versa. The proprietary structure of companies which arose from privatization after November 1994 may be an obstacle.

- *(Advantages and disadvantages of EU enlargement).* If all ten applicants joined the Union, its population would increase by 30%, but, its GNP by only 4%. This would impose a pressure upon the budget of the Union, and, subsequently, serious problems chiefly concerning the common agricultural policy. Negotiations on the entry of Spain and Portugal, that is countries wealthier than any of the post-communist countries, took eight years. Obviously, EU enlargement will be gradual because of its demanding organizational preparation, the capacity of the EU to absorb new members, and the unequal level of readiness of the individual applicants. The biggest chances for a rapid entry to the EU, sometime about 2002, are ascribed to Poland, the Czech Republic, and Hungary, and possibly also Slovenia. The other countries, including Slovakia, the three Baltic countries, Bulgaria, and Romania might gradually join the EU before the end of 2010. According to the

study by Baldwin, Francois, and Portes (Costs and Benefits of Eastern Enlargement: the impact on the EU and Central Europe, Economic Policy, 1997), both parties will benefit from enlargement of the Union. Of importance for the EU is the end of the potential conflict between the East and West, and extension of the market by 100 million consumers. The total cost of entry of the new members is estimated at ECU 8 bil., which equals about 0.01% of the GNP of the Union. As far as the candidates are concerned, the most costly will be their approximation to the EU legislation, *acquis communautaire*, however, the advantages will prevail: incomes, including subsidies to agriculture and subsidies from the structural funds of the Union, are estimated at some ECU 23 to 50 bil.

Table 3A. Selected parameters for the Czech Republic, Hungary, Poland, the Slovak Republic, Slovenia, and Ukraine

	GNP Growth Fixed Prices			Consumer price index, %			Budgetary balance rate % GNP			Unemployment rate %	
	1994	1995	1996	1994	1995	1996	1994	1995	1996	1994	1995
CR	2.6	4.8	5.1	10.0	9.1	9	0.9	0.4	0.0	3.2	2.9
Hungary	2.9	1.5	1.5	18.8	28.2	24	-8.2	-6.5	-4.0	10.4	10.4
Poland	5.2	7.0	5.0	33.2	27.8	21	-2.0	-3.5	na	16.0	14.9
Slovakia	4.8	7.4	5.5	13.4	9.9	7	-1.1	3.2	-1.5	14.8	13.1
Slovenia	5.3	3.5	3.0	19.8	12.6	10	-0.2	0.0	-0.4	14.4	13.9
Ukraine	-23.0	-12	-7	891	375	90	-8.2	-5.0	-6.5	0.4	0.6

Table 3B. Selected parameters for the Czech Republic, Hungary, Poland, the Slovak Republic, Slovenia, and Ukraine

	Trade balance bil.			Current account bil.			FDI balance bil.		GNP PPP	FDI bil.	FDI %
	1994	1995	1996	1994	1995	1996	1994	1995	1994	1995	1996
CR	-0.4	-3.8	-5.2	-0.1	-1.9	-3.3	0.8	2.5	7,910	5.5	532
Hungary	-3.6	-2.4	na	-3.9	-2.5	-1.5	1.1	4.5	6,310	11.5	1,113
Poland	-0.8	-1.8	-2.5	2.0	3.8	1.0	0.5	0.9	5,380	2.4	63
Slovakia	0.1	0.0	-1.6	0.7	0.6	-1.2	0.2	0.2	6,660	0.6	117
Slovenia	-0.3	-1.0	-1.0	0.5	0.0	-0.1	0.1	0.2	6,660	0.5	253
Ukraine	-	-	-	-1.4	-1.5	-15	0.1	0.1	3,330	0.6	11

* HDP per capita. ** FDI per capita. HDP in fixed prices, Index of consumer prices - an annual average, PPP indicates the purchase power parity. The 1996 data represent estimated values. Source: Transition report 1996, pp. 116, 191, 195, 201, 204, 205, and 208.

- *Comparison of Slovakia with the hot candidates for admission to the EU.* The Czech Republic, Hungary, Poland, and Slovenia are hot candidates for admission to the EU. In comparison with them, Slovakia features the lowest

GNP per capita. It falls behind them also in the amount of gross national investments. From the point of view of the negative trade and current account balances in terms of the international trade turnover Slovakia ranks immediately after the most problematic Czech Republic. As to the foreign direct investments (FDI) per capita (so vital for the development of economy), Slovakia ranks the last but one, with the difference between the first Hungary and Slovakia being tenfold. While the FDI shows a tendency to grow in the other countries, Slovakia maintains its constantly low level. Cumulatively, only Slovenia and Ukraine have a lower FDI. The Slovak GNP increase is the highest of all; a comparable increase took place in Poland only. Inflation in Slovakia is the lowest of all: the last two years under 10%. The deficit of the governmental budget did not exceed 1.5 %; in 1995 it was even negative (surplus budget). The unemployment rate in Slovakia is similar to that in Poland, Slovenia, and Hungary. Calculations of the GNP per capita reflecting the purchase power parity (PPPs), indicate that Slovakia ranks, along with Slovenia, second, immediately after the Czech Republic.

Table 4 EU member countries, and applicants for admission to the EU

	Population	GNP per capita % EU average		Population	GNP per capita % EU average		Population	GNP per capita % EU average
Luxembourg	0.4	166.4	Ireland	3.5	96.9	Slovenia	1.9	34.6
Denmark	5.2	115.8	Finland	5.1	95.7	Hungary	10.1	32.1
Belgium	10.1	110.8	UK	58.1	95.6	Poland	38.6	32.1
Austria	8.0	110.4	Spain	39.6	76.4	Estonia	1.5	24.8
Germany	81.6	109.0	Portugal	9.8	67.3	Rumania	22.7	23.6
Holland	15.5	106.6	Greece	10.4	65.4	Bulgaria	8.5	18.6
France	58.1	106.0	Cyprus	0.7	82.0	Lithuania	3.7	18.1
Italy	57.2	103.3	Czech Rep.	10.3	50.9	Latvia	2.5	16.8
Sweden	8.8	99.4	Slovakia	5.3	39.1			

- The 1996 data (Table 4) indicate that Slovakia increased its lead over Slovenia and other countries (with the exception of the Czech Republic) in terms of the GNP per capita, calculated on the PPP index basis. Still, it would be able to produce only 40% of the European average, which is 26% less than the production of Greece, the poorest EU member. It should be noted that rather than indicating the actual state, the PPP-based calculation should be considered to indicate the measure of a country's potential. The economies of the associated countries might also be compared in terms of their competitiveness at the EU markets, i.e. in terms of the share of their export to the EU of their total exports. Here, the first position is assumed by Slovenia (68%), followed by Estonia (63.1%), Poland (62.2%), Latvia

(59.2%), and the Czech Republic (58.1%). Slovakia ranks tenth with 40.3% in 1995. One of the reasons for this situation lies in the fact that Slovakia neighbours with only one EU member country, Austria. If the Czech Republic, Hungary, and Poland were EU members at present, the share of the export to the EU of the total export of Slovakia would increase to 81.5% in 1995, and 81.6% in 1996. By implication, Slovak economy might face serious problems if it is not admitted to the Union as opposed to the three above mentioned countries. Economic development is closely related to the urbanization of population. Higher urbanization may indicate a higher economic performance. While in 1980 the share of urban population in the total population of Slovakia was only 2.9% lower on average than that in the compared countries, in 1994, it was lower by 6.1%: while the share of urban population in the other countries increased by 4.6% on average from 1980 to 1994, the respective value for Slovakia is only 1.4%.

According to the European Dialogue (Nr. 4 and Nr. 5/1997), Poland was the first country to reach its pre-reform level of output. It is forecast that Slovenia will reach this level in 1997, Slovakia in 1998, and the Czech Republic sometime in 1999. The economic growth of the candidates was negatively influenced by reduced imports to the EU, however, the expected economic revitalization in the EU and Russia in 1997 and 1998, in combination with a strong domestic demand, might accelerate the GNP growth in the majority of the candidate countries (see Table 5). The trade balance deficits may indicate overheating of the economies, and may cause increased inflation. Therefore, domestic monetary and fiscal policies should be restrictive.

Table 5. GNP, actual changes, and trade balance. The 1997-8 prognosis

	GNP (%)					Trade balance (% GNP)				
	1994	1995	1996	1997	1998	1994	1995	1996	1997	1998
CR	2.6	4.8	4.4	4.6	5.0	-1.5	-8.0	-11.5	-12.0	-12.4
Hungary	2.9	1.5	0.5	1.5	3.0	-8.7	-5.8	-6.1	-6.3	-6.6
Poland	5.2	6.9	6.1	6.5	7.0	1.4	-1.6	-6.2	-7.8	-9.5
Slovakia	4.9	6.8	6.8	5.9	5.4	0.6	-1.1	-11.1	-13.4	-14.9
Slovenia	4.9	3.9	3.5	4.2	4.8	-2.4	-5.0	-4.5	-4.4	-3.9
Candidates*	4.1	5.0	4.5	5.0	5.6	-1.9	-4.2	-7.4	-8.4	-9.0

* GNP: candidates, with the exception of Bulgaria and Rumania. Trade balance: 10 candidates. Source: European Dialogue 4/1997

- *(Conclusions)*. The countries of Eastern Europe, with the exception of Slovakia, will in all probability become EU members at the outset of the next millennium. As a result, the CEFTA will lose its importance. Rumania, Bulgaria, Lithuania, and Latvia will remain outside the EU, however, with prospects for

„early“ admission. Slovakia's situation is awkward. It has been eliminated from EU enlargement for political reasons. In the course of time, the economic policy of Slovakia may also take the form which will provide an additional reason for turning down Slovakia as a candidate. Strange restructuring laws in combination with recent attacks on the independence of the Central Bank, the lack of national resources, and the lack of foreign investments indicate this trend. Moreover, since Slovakia has been mostly trading with the neighbouring countries, their admission to the Union, and omission of Slovakia from this process will have negative impacts upon the Slovak position. The present government, which rejects any democratization changes in society, has in our view two options: it can either get foreign capital by other than market ways, or it can introduce even more rigid economic rules. Both options result in isolation, a third way experiment, limited chances for prosperity and long-term growth, and increased danger of destabilization.

Mychajlo Bizilia: Carpathian Euroregion: experience with the across-the-border cooperation

- *(Origins of the Carpathian Euroregion)*. The international association of the Carpathian Euroregion was established in Debrecen on February 14, 1993, when representatives of the central and the local governments entered into an agreement. The Ministers of Foreign Affairs of Ukraine, Poland, and Hungary, in the presence of the General Secretary of the European Council, expressed on this occasion full support for the project of across-the-board cooperation - the first Euroregion in the CEE. This event was preceded by several years of intensive cooperation of neighbouring regions of Ukraine, Poland, Slovakia, and Hungary. The Association is not a supra-national or a super-state association. The Carpathian Euroregion is a platform aimed at supporting the development of international across-the-board cooperation.

- *(Members of the Carpathian Euroregion and their status)*. The Association includes: 1. Ukraine (regions): Transcarpathian region, Lvov, Ivano-Frankovo, and Černivce; 2. Hungary (districts): Borsod-Abau-Zemlen (Miskolc), Sabolcz-Szatmár-Bereg (Nyíregyháza), Hajdu-Bihar (Debrecen), Heves (Eger), Jas-Nagykun-Szolnok (Szolnok); 3. Poland (duchies): Krosno, Przemysel, Rzesow, Tarnow; Rumania (districts): Satu-Mare, Maramuros, Bihar, Salaz, Botosan; Slovakia (districts): Bardejov, Humenné, Michalovce, Svidník, Trebišov, Vranov n/T, Košice, Prešov - with the status of associate membership.

The top body of the Association is the Council whose members are representatives of the central and local governments. The statutory representative responsible for activities of individual structures of the Euroregion is the Executive Director. He is elected in a competition at a Council session. At present, this function is held by Piotr Helinski (Poland) who is also the

Chief of the Secretariate of the Carpathian Euroregion. The secretariate seat depends on the rotary principle: it was already situated in Poland, Hungary, and Ukraine. Permanent working groups are responsible for successful operation of the Association. They consist of representatives of all the Euroregion nationalities. The following working groups are active at present: Environment and tourism; Economic cooperation and regional development; Development of social infrastructure; Inspection Commission.

- (*Activities of the Carpathian Euroregion*). The „Contact“ trading markets are organized on a regular basis; they were already held in Krosno, Rzesow, Miskolc, and Nyiregyháza. Moreover, the Association provides space for the development of bilateral cooperation, e.g. an agreement on interregional cooperation between the Trans-Carpathian region and the Krosno duchy was made in May 1994. The agreement established the necessary conditions for contacts between representatives of business circles. In 1993, an Association of trading and industrial chambers was founded for the sake of development of contacts between the chambers in Lvov, Košice, and Michalovce.

Much attention is being paid to the problems of building up and putting border transit points in operation. On the territory of the Trans-Carpathian region itself there are 14 operating transit points. On the territory of Slovakia, works are under way aimed at putting the railway transit point Pavlovce – Mačovce, and the road transit point Uzhgorod – Vyšné Nemecké (reconstruction of the transship point) into operation. In addition, the transit point Mal Bereznyj – Ublfa was awarded the status of an international transit point with 24-hour operation.

In addition to the Association, and with support from the Institute for East-West studies, activities are also developed by the Foundation for Support of the Carpathian Euroregion. Its seat is in Košice. The foundation provides financial and material assistance to non-governmental organizations and bodies of local government within the programme of „small grants“. The across-the-board cooperation is not limited to economic activities. An Association of universities of the Carpathian Euroregion was founded in 1994. Clubs of the Carpathian Euroregion were established at schools of various level. They disseminate the idea of across-the-board cooperation among the young generation.

- (*Problems of across-the-board cooperation*). These are chiefly problems resulting from the unequal levels of economic development of the participating countries and their regions. The problems mostly pertain to individual components of the across-the-board infrastructure – railway lines, motorways, border transit points, telecommunications. Furthermore, there are problems connected with differences in customs and tax rules, and with the lack of financial institutions that would facilitate trading within the Asso-

ciation and provide credits for implementation of various across-the-board projects.

In spite of these problems, it may be concluded that the first steps made on the way towards further development of the interregional cooperation within the Carpathian Euroregion have been successful.

2.2 Summary

The most important conclusions of the second conference session can be summarized as follows:

From the point of view of Ukraine, economic cooperation with the EU is playing an ever increasing role in terms of the geopolitical and geoeconomic position of Ukraine, and is closely related to the process of reforms and development of an open market economy. On the other hand, the European orientation of Ukraine was also instigated by a discriminating policy of Russia which introduced a series of protectionist measures against import from Ukraine in 1996–1997. Russia's discrimination measures were not only economically motivated because they were introduced in autumn 1996 when the Ukrainian representatives publicly declared their interest in integration into the Western European structures.

In defiance of the original objectives, the economic cooperation between Ukraine and the EU does not meet the original expectations of the Ukrainian side. A significant obstacle to their trade cooperation is the antidumping examinations of the Ukrainian exports by the EU, a disadvantageous commodity structure of their mutual trade, and primarily the fact that the EU has not become a source of advanced technologies for Ukraine. The Ukrainian side must mainly cope with the problems of legislation, political instability, and frequent change in rules in the Ukrainian market. Nevertheless, the process of development of economic cooperation and its contract-based framework have been gradually intensified. The EU assigned Ukraine the status of a transition economy country, and the agreement on partnership and cooperation (signed in 1994) postulates a gradual transition to free trade principles in 1998.

The main dilemma of the Ukrainian policy is the discrepancy between the declared western orientation, on the one hand, and its economic dependence upon the East, primarily upon Russia, on the other. The problem is that while Russia has been gradually deviating from the western model of transformation by preferring the industrial development model, the advanced countries are concentrating on development of a post-industrial economy. Russia – as opposed to the majority of the CEE countries – can economically survive even if it rejects the criteria of Western economic effectiveness. In other words, Russia represents an alternative to the western model of transformation, and its gravity forces will affect the transformation process in the post-socialist countries, especially more so in the countries of the former USSR.

In this situation, the long-term dependence of CEE upon Russia in raw-materials is of critical importance. Russia is trying to instrumentalize this dependence in the field of power engineering, nuclear technologies, the armaments industry, and by offering a so-called „softer market“ compared to the Western countries. A crucial geopolitical issue, which has an immediate bearing on the CEE countries, is the stage of their transformation at the time of the economic and political consolidation of the *alternative* Russia. The factor which makes the position of the CEE countries more difficult is that the EU countries perceive the CEE countries as a source of cheap labour and production. By implication, this nature of cooperation strengthens economic borders, and has serious security ramifications. It should be noted that the CEE countries can become totally independent of the eastern space only if they quit producing second-rate products.

In the case of Ukraine, the pace of emancipation from Russian dominance is very slow, with the results being fairly uncertain. Western assistance to Ukraine should be increased substantially. In addition, the USA may attempt to apply a weak version of Brzezinski's plan of „supporting geopolitical multipolarity on the territory of the former USSR“. Ukraine cannot free itself economically, and subsequently, politically from Russia without extensive Western help. An important role in the penetration of Ukraine into the European markets and in rapprochement between Ukraine and the EU will be played by the CEFTA. It must be taken into consideration that the EU eastward enlargement will be a long-term process, including several transition periods. The CEFTA may play an important role in this process. When the Czech Republic, Hungary, Poland, and Slovenia join the EU, the CEFTA will hardly be able to maintain its present character. A change in its functions does not, however, entail its dissolution. The new EU members from among the CEE countries will also be interested in development of the traditional regional cooperation. Hence, the integration strategy of Ukraine and the CEFTA countries should be *aimed at extension of the European economic space (EES) which encompasses the EU and EFTA member countries (with the exception of Switzerland), and which also might include in future the CEFTA member countries. The EES extension might contribute to overcoming possible future problems concerning the economic cooperation between the „new“ EU member countries and those outside the EU.* A significant role in overcoming the barriers of cooperation between the EU member countries and the other CEE countries may be played by the across-the-border cooperation, which is evidenced by the experience with the Carpathian Euroregion.

The fact that Slovakia failed in its efforts to join the EU in the first wave due to political reasons – in spite of „excellent macroeconomic results“ – does not eliminate the risk that several years later the underlying political reasons will be completed by economic ones. The economic steps of the Slovak government, which hamper the economic reform, may lead to two ways of settling the existing problems: either by obtaining the necessary foreign investments by ways

other than those of the market economy, or by making the domestic economic regime tougher. Both of these „solutions“ mean isolation, an experiment with the third way, limited chances of long-term growth and, vice versa, increased danger of destabilization. In other words, they will increase the extent of Slovakia's dependence upon the alternative *East European* transformation model, and shift Slovakia to the field of gravity of the post-Soviet and *Neo-Russian* world.

Intensification of this process will mean that Slovakia will not be an integral part of the stable and prosperous world, and that it will not be in a position to become a constructive partner for the western structures in the process of stabilization of the CEE region. *A responsible Slovak foreign policy will cease to exist before it is born.* This process can only be stopped by changes in the style of ruling, and by revitalization of economic reform in accordance with the Western pattern of the post-industrial economy, with the purpose of avoiding the industrial model which underlies consolidation of the *alternative post-communist world*. Otherwise, Slovakia will be exposed to a *global geopolitical adventure* with highly vague perspectives.

3. SLOVAKIA AND UKRAINE: PROSPECTS FOR BILATERAL COOPERATION

Session chairman: Miroslav Machovec, Research Centre of the Slovak Association for Foreign Policy, Bratislava

Main papers:

Alex Plotnikov (Institute of World Economy and International Relations, Kiev): Political aspects of bilateral relations: a view from Ukraine

Alexander Dubois (Research Centre of the Slovak Association for Foreign Policy, Prague): Political aspects of bilateral relations: a view from Slovakia

Mark Filas (Ukrainian embassy in the Slovak Republic, Bratislava): Ukraine and Slovakia: the present-day situation and prospects for development of economic relations

Maral Comy (Slovak embassy in Ukraine, Kiev): Slovakia and Ukraine: the present-day situation and perspectives of development of economic relations

Jan Dostálek (Chemosvit, a.s. SVK): Experience of Chemosvit SVK a.s. with operations in the Ukrainian market

3.1 Facts, arguments, and assessments

The third session dealt with the assessment of bilateral relations between Slovakia and Ukraine. The main issues discussed included:

1. Perception of Slovakia by Ukraine as its neighbour, and vice versa, perception of Ukraine by Slovakia
2. The Political agenda of their mutual relations
3. The present situation and prospects for the future development of bilateral economic cooperation
4. Specific experience with operations of Slovak companies in the Ukrainian market.

Main theses presented in the papers

Alexander Plotnikov: Political aspects of bilateral relations: a view from Ukraine

- (Classification of the CEE countries by their approach to and success in the transformation process)

The first group of the countries may be defined as „those with a sluggish pro-

cess of reforms“. These countries did not experience significant economic and political shocks, or, due to some national or other specific features, have gone into a kind of trance which precludes them from effective implementation of economic reforms. This group includes Ukraine, Belarusia, Georgia, Armenia, Uzbekistan, Kazakhstan, Turkmenia, and Kirghizia.

The second group encompasses the countries which meet best of all the theory and practice of transformation of the system of centralized planning and state control to a market economy. These are Slovakia, Poland, Hungary, the Czech Republic, and Rumania.

The third group includes the countries which, due to their specific features, cannot be classified in terms of common criteria. These are countries which are either typical of their own way of development of a market economy, or the process of their transformation cannot take the traditional way. These countries include Russia, Bulgaria, Moldavia, Tadjikistan, and Azerbaijan.

The fourth group includes the so-called „explosive“ countries. They have been facing strong economic and political shocks or have been implementing the process of reforms in the after-shock conditions. A specific feature of this group is that extraordinary events in these countries have had positive (stimulating) rather than negative effects upon the process of reforms. This group includes the countries of former Yugoslavia – Slovenia, Croatia, Macedonia, Yugoslavia (Serbia and Montenegro), the Baltic countries – Estonia, Latvia, Lithuania, and Albania. As to the Baltic countries, it was the independence they gained and all the related political changes, which can be considered a shock in their case. A certain degree of sickness in the sense of radical breakaway from the economic and political ties with the former USSR republics added the above mentioned „explosive“ nature to the process of gaining independence.

- (Slovakia and Ukraine). No doubt, the fact that Slovakia and Ukraine belong to different groups of CEE countries in terms of success of their reforms has been affecting their bilateral relations. Another feature is the level of political risks in these two countries. According to the Euromoney journal, the degree of political risks in Slovakia is 2.5 times lower than that in Ukraine. However, the degree of risks in Slovakia in comparison with, for example, Luxembourg is twice as high. It is the definition of this parameter that significantly indicates the general degree of risks in the particular country. In addition, this parameter strongly influences assessment of individual countries by international institutions, and subsequently, the level of investments from abroad. The decelerated influx of capital investments to Slovakia and Ukraine is also connected with political circumstances.

When assessing mutual relations between these two countries, the development in Ukraine must be taken into account because it strongly preconditions the extent of attention paid by Ukraine to its relations with Slovakia. The present political situation in Ukraine is considerably influenced by the forthcoming parliamentary elections in March 1998, and presidential elec-

tions in 1999. Unfortunately, given these circumstances, the development of bilateral relations is overshadowed by discussions about the relations between Ukraine and the West, Russia, etc.

The direction of development of these bilateral relations might be determined by the regional interests of Ukraine and Slovakia. Under some circumstances, Ukraine may become a country which will defend Slovakia's interests, and vice versa. Certainly, this option presupposes clarification of their respective standpoints and issues corresponding to the interests of both parties. Slovakia as a country heading decisively towards a market economy might become that partner of Ukraine which will stimulate progress in Ukrainian economic reforms.

Alexander Duleba: Political aspects of bilateral relations: a view from Slovakia

• *(Basic characteristics of Slovak-Ukrainian relations)*

1. *Information barrier.* The Slovak Republic (SR) and Ukraine as independent states are new subjects of international relations. The „time“ factor may be one of the reasons for Ukraine still being an „unknown“ country to the major part of the Slovak politicians, and even more to the general public. None of the Slovak mass media keep their correspondents in Kiev (the same is true of the Ukrainian mass media), and the few pieces of information about Ukraine which penetrate to Slovakia come usually from Moscow. Paradoxically, Slovakia and Ukraine are neighbouring countries, with Ukraine being the largest neighbour of Slovakia in terms of both its area and population.

2. *Ukraine in the shadow of Russia.* Although the basic treaty on good neighbourly relations and cooperation between Ukraine and Slovakia was signed by Presidents L. Kravčuk and M. Kovač in Kiev as early as in summer 1993, the first official visit of the then Ukrainian Foreign Affairs Minister A. Zlenko to Bratislava took place as late as in February 1994, and the first official negotiations between governmental delegations, including Prime Ministers, were held in Kiev as late as in June 1995 – two years after signing the basic treaty (!). Taking into account that Slovakia and Ukraine are neighbouring countries this seems to be an unusually long diplomatic silence, and represents a new factor in the Slovak-Ukrainian relations. It is characteristic of the Slovak view of Ukraine that the former, figuratively speaking, „discovered“ Ukraine as late as in 1995 only in connection with its importance to the development of Slovak-Russian relations. To use the words of the deputy-chairman of the Slovak government S. Kozlik during the first inter-governmental negotiations in Kiev in June 1995: „Ukraine is for us a gate to the Russian market, and its throughput must be increased at least ten times“. In other words, rather than a partner worth attention in itself Ukraine was considered to be a „gate to something, or somebody“. Since 1993, when Slovakia became an independent state, it entered into almost 80 new agreements with the Russian Federation and about 40 with Ukraine. In addition, there are 44 „old“ agreements with Russia signed by the former CSFR. In

other words, while present-day Slovak-Russian relations are regulated by a remarkable number of some 120 agreements, Slovak-Ukrainian relations are regulated by about 40 bilateral agreements. These numbers – although not necessarily a relevant indicator of the level of bilateral relations – give evidence of something.

3. *No Slovak ambassador to Kiev.* The political approach of Slovakia to its eastern neighbour is characterized, among other things, by no political representation in Kiev at the ambassador level since June 1996. It should be emphasized in this connection that Ukraine is the only neighbouring country of Slovakia in which the latter does not have any ambassador. This fact does not require any „extensive comments“.

• *(A change in the Slovak approach).* In the approach of Slovakia to Ukraine, a positive turn occurred in the second half of 1995, when Slovak representatives realized that rather than being a mere „gate to Russia“ Ukraine is a partner worth attention „in itself“, or that the „gate will remain shut“ until the revival of bilateral relations. Slovakia came to be the only Ukrainian neighbour with stagnating trade exchange, an unpleasant finding of the Slovak government. While the trade turnover between Ukraine and Hungary, Poland, and Russia has been continuously increasing, that with the SR was stagnating, or even dropping, for a long time. The mutual trade exchange between the SR and Ukraine amounted to the following values in the past years: 1993 – \$286 mil; 1994 – \$240 mil. (!), 1995 – \$310 mil., 1996 – \$418 mil. A different result could hardly be expected from the policy of „ignoring Ukraine“.

• *(The problems under wraps).* In spite of a relatively low level and short history of the Slovak-Ukrainian relations and official declarations of both parties that there are „no disputed points (including those dating from the past) which would impair our relations“ at least two problems may be identified over which „the sparks flew“ in the past years. The first one dates from the past and the other emerged only recently.

1. *Ruthenian case.* The first problem is a minority problem, the so-called Ruthenian case. The post-November policy of the CSFR gave our citizens freedom in choosing their nationality. More than half of the Ukrainian minority members mostly living in north-eastern Slovakia avowed themselves to be of the Ruthenian nationality. In addition, foundation of the Ruthenian Revival organization in the SR resulted in organizational division of the formerly unified Ukrainian minority. Ruthenian organizations rejecting the „Ukrainian national identity“ were also founded in the Trans-Carpathian region at the time of perestrojka. They posed the requirement of recognition of the Ruthenians as a unique ethnic group, different from the Ukrainian nation. On the basis of these claims, they applied for territorial autonomy for the Transcarpathian region within Ukraine, for renaming the region as the Sub-Carpathian Rus', etc. The Ukrainian official policy blamed the Ruthenian move-

ment for separatism supported by Moscow. The Ukrainian party addressed Bratislava in 1994, with a proposal to establish a joint Commission for minority issues in order to stop Slovak support for the Ruthenian minority in Slovakia because, in its view, this equaled indirect support for Ruthenian separatism in the Trans-Carpathian region. The so-called „Ruthenian case“ played an important role in the development of Slovak-Ukrainian relations in 1993 and 1994. Later on the situation changed because the government subsidies to minorities in the SR were cut considerably from 1995 on. This applies not only to the Ruthenians or the Ukrainians but also to all other minorities living in the SR. This, however, does not mean that the „Ruthenian case“ does not exist in Slovak-Ukrainian relations any more, or that it cannot – under certain circumstance – emerge once again.

2. Transit of Russian raw-materials. A much more important problem is the one which does not date from the past. On the contrary, it emerged quite recently, and is of „vital importance“ to both parties. A conflict of interests arose between Ukraine and Slovakia in connection with transit of Russian raw-materials to Western Europe. This conflict was originally related to construction of a new Jamal-Europe gas-line system from Russia through Belarussia and Poland to the FRG, and later on also to disagreement about transit fees with regard to the Russian Federation. The Ukrainian party considered the Jamal-Europe project to be anti-Ukrainian because it would aggravate its manoeuvring capacities in negotiations with the RF on a range of issues which were of crucial importance to Ukraine. The Slovak party did not coordinate its standpoint with Ukraine. In talks with the RF (1995-1995) it tried to persuade the Russians to build a special connection line from Poland through the SR to the southern countries. In this way, the Slovak party strengthened the anti-Ukrainian nature of the project as perceived by Kiev because it did not coordinate its procedure with Ukraine (preservation of comparative transit advantages should be the matter of both of these countries because there are only two alternatives: either both of them or none of them will make use of these transit advantages), and put forward the above mentioned proposal of a separate gas-line branch from Poland through Slovakia. In that case, Ukraine would be totally ousted. It should be noted that while the same transit lines from the RF pass through Ukraine and the SR (and this fact itself would suggest a coordinate approach of these two countries to Russia), the standpoints of Kiev and Bratislava have not changed substantially. Such a situation fully complies with Russian needs; otherwise, the position of the RF would be more difficult – at least in its negotiations on transit charges.

- **(Conclusions).** Taking into consideration the limited information basis of the bilateral relations, absence of a Slovak ambassador to Kiev since June 1996, a sluggish growth of trade exchange, this being far from the intended annual value of \$ 1 bil., the long-term neglect of Slovak participation in com-

pletion of the plant in Krivoj Rog, Dolinska, and other, above outlined problems, it may be concluded that no breakthrough in Slovak-Ukrainian relations took place. The present level of Slovak-Ukrainian political relations is roughly the same as before January 1996.

Vasil Fit'kal: Ukraine and Slovakia: the present-day situation and prospects for development of economic relations

- **(Mechanisms of negotiations).** Slovakia is the only country with which Ukraine has been traditionally holding annual negotiations at the level of governments, including prime ministers. The first inter-governmental negotiations were held in Kiev in June 1995, the second in January 1996, and the third in Uzhgorod in March 1997. Seven inter-governmental and inter-ministerial agreements were signed at the last meeting. The Ukrainian side has been implementing the agreements in accordance with the „Plan of steps for implementation of the contracts and agreements between Ukraine and the Slovak Republic...“ approved by the Ukrainian government on March 14, 1997, and the Slovak side in accordance with the decision of the Slovak government „On the course and results of the working session of prime ministers and members of the governments of the Slovak Republic and Ukraine in Uzhgorod on 6 – 7 March, 1997“.

- **(Economic interests of Ukraine in its relations to Slovakia)**

1. CEFTA and trade liberalization. Joining the CEFTA is one of the most important tasks of Ukraine in its foreign policy. As is generally known, entering into free trade agreements with the member countries is one of the basic conditions for admission to the CEFTA. In March 1997, Ukraine and Slovakia signed a Memorandum on measures aimed at liberalization of mutual trade conditions, in which Slovakia supported admission of Ukraine to the CEFTA, and expressed its will to sign a bilateral free trade agreement before the end of 1997. Based on the initiative of the Ukrainian Foreign Affairs Ministry the first meeting of a joint expert group was held on 9 – 10 April, 1997. The expert group was established to examine the chances of mutual trade liberalization.

2. Increase in trade exchange. Liberalization of mutual trade may result in its further growth. Following the 1993 drop, the trade exchange between the two countries has been dynamically growing (data of the National Customs Committee of Ukraine, in mil. USD).

	1993	1994	1995	1996
Export to SR	45.5	147.7	173.1	215.0
Import to SR	68.3	128.6	144.5	178.0
Trade exchange	113.8	276.3	317.6	393.0
Balance	- 22.8	+ 9.1	+28.6	+37.0

In 1995-1996, Slovakia ranked third in the foreign trade of Ukraine with the CEE countries (after Poland and Hungary), with the balance in favour of Ukraine. In absolute numbers, trade exchange amounted to USD 268.3 mil. in the first half of 1997 (USD 178.0 mil. in the same period of 1996), the imports of Slovakia from Ukraine amounted to USD 139.5 mil., and the exports amounted to USD 128.8 mil. The share of Ukraine of the foreign trade of Slovakia increased from 1.9% in the first half of 1996 to 2.8% for the same period of 1997. Ukraine became the ninth largest trade partner of Slovakia. Based on the Ukrainian statistics, the SR ranks fifth in Europe in terms of increase in Ukrainian exports.

• *(Problems in economic relations)*

1. *Form of payments.* One of the most serious problems is the not yet resolved issue of bank-supported payment operations between entrepreneurial entities of Ukraine and Slovakia, including elimination of negative impacts of the barter trade and the use of national currencies in mutual payments. The two countries entered into an agreement on protection of investments, and a convention on double taxation avoidance. An agreement on payments in national currencies is to become the third important document in this respect. It should be noted that the share of barter operations in mutual trade in 1994 represented over 50%. This parameter has been continuously decreasing in the subsequent years, however, it still amounts to 24.5 % for Slovak exports and 32.8% for Slovak imports.

2. *Slovak participation in completion of the Krivoj Rog plant.* The Slovak side has been playing a waiting game in the negotiations with Ukraine, and conditioned its participation in completion of the plant by acquitting the Ukrainian debt for works dating back to the existence of the CSFR. The problem of the outstanding debt is disputable. The Slovak side maintains that its sum amounts to USD 360.0 mil. While the Ukrainian Ministry of Economy accepted in the inter-ministerial protocol the debt worth 17 mil. t iron-ore pellets, the Ministry of Financy and the National Bank of Ukraine deny to be in debt to the Slovak side, or VSŽ, a.s. Košice, which took over the obligations and the debts outstanding from the Czechoslovak Federation in connection with completion of the Krivoj Rog plant. This problem can only be settled under the condition that the national budget of the SR allots the necessary finance for completion of the plant. In other words, this problem must be settled by an inter-governmental agreement, rather than by the 1993 agreement between the Ukrainian Ministry of Economy and VSŽ, a.s., Košice. The more so that while at the time of signing the protocol, the majority interest in VSŽ, a. s. Košice was owned by the Slovak Republic, VSŽ a.s. is a 100% private company at present which, according to Slovak legislation, is not liable for governmental obligations.

Michal Čorný: Slovakia and Ukraine: the present-day situation and perspectives of development of economic relations

• *(Relations of Slovakia to the countries of the former USSR).* These relations are too important to break them off. Considerable industrial capacities have been built up within the COMECON economic system on the territory of Slovakia as a part of the former Czechoslovak Republic. Their production was exported to the COMECON countries. The USSR was the most important market for the whole Slovak industry. At present, the position of the former Soviet republics in terms of international trade is considered to be promising. Therefore, many countries are attempting to get a niche on this market, which would accelerate the increase in trade.

• *(The normative and legal basis for relations to Ukraine).* The Agreement on good neighbourhood, friendly relations, and cooperation signed by the Presidents of these two countries in 1993 played an important role in establishing a contractual basis for economic cooperation. This Agreement was followed by an inter-governmental agreement on cooperation in trade, economy, science, and technology. In addition, agreements were signed on mutual support and protection of investments, double taxation avoidance, transportation, border transfer points, and many inter-ministerial agreements in the field of agriculture, ecology, mutual employment of citizens, etc. It may be concluded that the necessary normative and legal basis, comparable with international standards, has been established in a relatively short period of time.

• *(Bilateral trade).* Slovak-Ukrainian trade has been captured by statistical data since 1992 when the turnover amounted to USD 345 mil. The mutual trade decreased by almost 32% in the following two years. 1995 meant an increase, with the total turnover amounting to USD 310 mil. This positive trend in mutual trade also continued in 1996, when the turnover increased to USD 418.3 mil., i.e. by 34.8 % compared to the same period of 1995. The same applies to the first half of 1997.

Successful development of cooperation in trade and economy is supported by activities of the Inter-governmental Slovak-Ukrainian Commission for cooperation in trade, the economy, science, and technology. This Commission was established to seek new possibilities and mechanisms for extending mutual trade. One of the forms of cooperation consists in founding joint ventures whose present number is 160. The development of trading and economic relations is based on favourable historical conditions, a common border, an advantageous geographical location, good transport interconnections, traditional economic cooperation, linguistic and cultural affinities facilitating mutual communication, as well as the mutual sympathy between the Slovak and Ukrainian nations.

- (*Chemosvit, a.s. Svit – basic data of the company*). Chemosvit, a.s. ranks among the foremost companies in Slovakia in terms of its size, technological level, quality of its products, and financial results. The latest history of the company started in 1994 when it was transformed to a 100% private joint-stock company as of April 1, 1994. Its shareholders include the company management and employees. The mother company significantly participates in 19 other companies, including 13 subsidiary companies, one joint venture with Raniplast, Finland, and three subsidiary companies on the territory of Ukraine. Chemosvit, a.s. has its business representations in the Czech Republic, Poland, Germany, Russia, Holland, and Ukraine. The key range of products, which has been developing to its present form for 60 years, includes packages, fibres, machines, BOPP foils, cellophane, PE foils, and barrier foils, etc. The staff of Chemosvit, a.s. mother company amounts to 2,060 employees. The total staff, including the subsidiary companies and joint ventures, is 5,000 employees. The results for the period of 1994 to 1996 are as follows (in thousands SKK):

	1994	1995	1996
Incomes	2 863,2	3 404,3	3 721,8
Pretax profit	117,4	141,4	154,5
Taxed profit	66,6	77,2	116,9
Investments	259,0	654,0	752,0

Since Chemosvit, a.s. is the largest producer of packaging materials in Central Europe (our 1996 production was about 26,000 t. packaging materials), and since the whole production cannot be sold in the Slovak market, the company's trade policy is focused on exports. By implication, the company started to analyze the possibilities of capital investments abroad, in cooperation with domestic companies as far as possible. Negotiations were held with representatives of companies from Belarussia, Russia, Bulgaria, Poland, and Ukraine whose product structure is similar. Based on these negotiations, a decision was taken to penetrate to the Ukrainian market.

- (*Why Ukraine?*). The Ukrainian market is attractive by its location, capacity (over 52 mil. inhabitants), and a relatively stable political situation. Since Ukraine is not a member of the WTO its market is protected to a great extent against imports of consumer goods by various measures. Importantly, communication poses no problems. In addition, we have found a factory with foil production capacities and a management who expressed their wish to cooperate with a Slovak company. The main impetus to our decision to invest

in Ukraine was the meeting of prime ministers of the SR and Ukraine on 22 – 23 January, 1996, which was accompanied by the 4th meeting of the Inter-governmental commission for economic cooperation. The promise of full support from the then Prime Minister of Ukraine, Mr. Marčuk, and his collaborators established the preconditions for Chemosvit to acquire from the Fund of National Property of Ukraine 50% + 1 shares of the Luckplatmas Luck company as early as in December 1996, and further 32.3 % shares by purchase at the stock exchange, which made Chemosvit its majority stockholder.

On the basis of the contract with the Fund of National Property of Ukraine, Chemosvit is obliged to invest in the company USD 4.0 mil. during the next two years. Since the existing production capacities do not guarantee the required quality-level of foils, Chemosvit will have to invest in their refurbishment at least USD 14 mil., provide its know-how, change the system of management, its trade policy, etc. The estimated return on investments is 3-4 years.

- (*Problems in the Ukrainian market*). Considerable problems pertain to payments for the goods delivered, which is often caused by administration (health care, the education system, and the pre-school facilities do not have the desired financial means). In addition, problems concern subdeliveries of all kinds, with the in-time delivery term frequently being an unknown notion. A serious problem concerns the throughput capacity of the common border, and the related extremely long queues. A unique approach to law may be come across at various road checks; the traffic system quality is not up to our standards either. It must be realized that laws must be observed in Ukraine, although their interpretation seems to be obscure or outdated in some cases. The customs, import, tax, certification, and other acts are strict, but often vague and too general. They do not distinguish between the nature of goods, their purpose, the quality level, operational conditions, and other quality-related technological aspects. A company with investments from abroad is carefully monitored by various governmental bodies for hygiene, safety of operation, fire regulations, tax inspection, etc. „The rules of the game“ can be altered at any time. The act which guaranteed tax exemptions to investments above USD 50,000 for five years before 1996 is not effective any more. A new VAT act was passed on July 1, 1997. An index of basic funds (increasing the net book value by a specified index) often has awkward effects because the net book values of old buildings, machines, computers are higher than new ones, which considerably increases the respective cost items. As a result, the prices of domestic products are higher than those of imported products.

In spite of these problems, those who would like to profit from this large, today not yet saturated market, must be present in it. This is an investment into the forthcoming millenium, in which large companies from advanced countries are also involved.

3.2 Summary

The third session concentrated on assessment of the bilateral Slovak-Ukrainian relations by both parties. The most important conclusions are as follows:

1 - Views of the Ukrainian participants

No doubt, development of the bilateral relations is influenced by the fact that Ukraine and Slovakia belong to two different categories of CEE countries in terms of the transformation process level achieved. Under certain circumstances, Ukraine might become a country which will support the interests of Slovakia, and vice versa. This is, however, preconditioned by clarification of the respective standpoints and issues vital to both sides.

One of the most important foreign-policy objectives of Ukraine is admission to the CEFTA. This is also conditioned by signing free trade agreements with the member countries. In negotiations with Slovakia Ukraine is attempting to reach such an agreement. A memorandum of the measures aimed at liberalization of mutual trade was signed in March 1997, in which Slovakia declared its support for admission of Ukraine to the CEFTA as well as its will to sign a free trade agreement.

In 1995-1996, Slovakia was the third largest trade partner of Ukraine from among the CEE countries (after Poland and Hungary). The share of Ukraine of our foreign trade increased from 1.9% in the first half of 1996 to 2.8% in the first half of 1997. Ukraine is the ninth largest trade partner of Slovakia. The SR ranks fifth among European countries in terms of increase of the Ukrainian exports.

There are two fundamental problems in Slovak-Ukrainian relations: 1. the not yet settled issue of the form of payments which should eliminate the adverse effects of barter trade. The share of barter operations of the mutual trade represented over 50% in 1994. It was reduced in the subsequent years, however, its value is still too high - 24.5% for Slovak exports, and 32.8% for Slovak imports; 2. the not yet settled issue of Slovak participation in completion of the Krivoj Rog plant. The Ukrainian side does not acknowledge any debt of the Ukrainian party to VSŽ, a.s. Košice which has taken over all the relevant obligations and debts outstanding from the Czechoslovak Federation. At the time of signing the protocol between the Ministry of Economy of Ukraine and VSŽ, a.s., the latter was a company whose majority interest was owned by the Slovak government. At present it is a 100% private company which - in accordance with Slovak legislation - is not liable for obligations of the Slovak government. This problem can only be settled by including it in the agenda of governmental negotiations.

2 - Views of the Slovak participants

The economic links between Slovakia and the countries of the former USSR are too significant to break them off. Considerable industrial capacities have

been built up within the COMECON economic system on the territory of Slovakia as a part of the former Czechoslovak Republic. Their production was exported to the COMECON member countries. The USSR was the most important market for the whole Slovak industry. The cooperation was supported by the Inter-governmental commission for cooperation in trade, economy, science, and technology. The present-day conditions, however, make it difficult to penetrate to the Ukrainian market, which is witnessed by the experience of the largest Slovak investor in Ukraine, Chemosvit, a.s. Svít.

The political level of the Slovak-Ukrainian relations is characterized by several basic features. First of all, there is an information barrier between these two neighbouring countries. None of the Slovak mass media are directly represented in Kiev, and the few pieces of information about Ukraine which penetrate to Slovakia come usually from Moscow. Ukraine is in the shadow of Russia in the Slovak eastern policy, which is reflected in the level and extent of mutual diplomatic contacts. For illustration, Slovakia has not been represented in Ukraine on ambassador level since June 1996.

There are at least two problems in the Slovak-Ukrainian relations which are not discussed in public. The first of them is the so-called Ruthenian case, the roots of which date from the past. The Ukrainian side addressed Bratislava in 1994 with a proposal to establish a joint commission for minority issues in order to stop Slovak support for the Ruthenian minority in Slovakia because, in its view, this equalled indirect support for Ruthenian separatism in the Trans-Carpathian region. The second problem concerns the incoordinate steps of the two parties and their inability to come to terms on the transit of Russian raw-materials through their respective territories. The situation of these countries with regard to Moscow is identical - their respective territories are crossed by the same product-lines which are used by Russia for transit of raw-materials to the West. Slovakia did not coordinate its procedure with Ukraine either in the case of the Jumal-Europe gas-line or in the case of transit charges. Russia benefits from this situation in the Slovak-Ukrainian relations; otherwise, its position in negotiations would be much more difficult.

In any case, it is quite obvious that the change in the approach of Slovakia to Ukraine, and a modified agenda of the Slovak-Ukrainian relations must be the first and the most elementary step to be taken by Slovakia if it is really interested in *participation in regional responsibility in the CEE*. In the horizon of Slovak admission to the Western structures, Ukraine may become a Central European rather than an Eastern European neighbour of Slovakia. Slovakia should be able to take *specific steps* which will manifest its readiness to support this development perspective - irrespective of whether or not Ukraine will cope with its internal transformation and the foreign-policy challenges in the given period, and irrespective of whether and when Slovakia itself joins the Western structures.

A FEW CONCLUDING WORDS

The conference accomplished its purpose, and outlined some critical issues which will be faced by the Slovak foreign policy in near future. The most important conclusion of the conference is that the great majority of postulates and hypotheses formulated by members of the Research Centre of the Slovak Association for Foreign Policy before the conference were verified in discussions with experts from abroad and Slovakia. The conference proceedings will be used for further research of the issues in question.

Our Ukrainian partners exhibited their interest in development of mutual cooperation in the research into Slovak-Ukrainian relations within the Central European context, and in organizing a similar international conference in Kiev. The research results are and will be available to all those who will show interest in the outlined problems. We would like to believe that they will be of some use to those who have assumed direct responsibility for formulation and implementation of foreign policy in our region. In addition, we hope that they will contribute to a more stable, secure, and prosperous Central Europe.

We would like to appreciate all the conference speakers and participants. Our special thanks for cooperation go to the representatives of the Friedrich Ebert Foundation in the Slovak Republic. If it had not been for their support the conference would not have taken place. We are also much indebted to the Ukrainian embassy in the Slovak Republic for their assistance in organizing the conference.

Notes:

¹ Hereinafter „CEE“.

² See e.g. BRZEZINSKI, Z.: The Great Transformation. In: Political Thought, No 3, (Kiev) 1994, pp. 123-132.

³ For review of the „American“ discussion on the strategy with regard to the post-Soviet space see, e.g.: ASMUS, R.D. - KUGLER, R. - LARRABEE, F. S.: America and Europe: a new constellation, a new NATO, IN: Medzinárodné otázky 4, Vol. II, 1993, pp. 43-63; BLUTH, Ch.: American-Russian strategic relations: from confrontation to cooperation. In: The World Today, March 1993, pp. 47-50; BRZEZINSKI, Z.: Prioritety: Jevropa, a ne Rosija. In: Zachid: vikno v Ukrajinu 26/1996, p. 3; MacFARLANE, S.N.: Russia, the West and European Security, IN: SDurival, Vol. 36, No. 3, pp. 3-25; TALBOTT, S.: Amerikanski interesi i rosijski reformy. In: Spisťerhač, No. 11/Červen 1995, pp. 2-14, etc.

⁴ See e.g., JAHN, E.: Demokratija i nacionalizm, on èe patriotizm - jedinstvo ili protivorečije? In: Rossija i Centraľnaja Jevropa v novych geopolitičeskich reačnosťach. IMEPI RAN, Moscow 1995, pp. 178-214; McFAUL, M.: Post-Communist Politics. Democratic Prospects in Russia and Eastern Europe, SIS Volume XV, No 3 (Creating the Post-Communist Order), The Centre for Strategic and International Studies, Washington, D.C. 1993.

⁵ On these issues see - AFANASJEV, J.: Rosijska reforma pomerla, Zachid: Vikno v Ukrajinu No 23 (92), 16 berezčja 1994, Institut demokratiji imeni Pyťupa Orľyka, Kyjiv, pp. 1-4; ANDERSON, Jr., R.D.: The Democratic Prospect in Russia, In: Contention, Vol. 3, No. 2, Winter 1994, pp. 145-151; BROWN, A.: The October Crisis of 1993: Context and Implications in: Post-Soviet Affairs, 1993, 9, 3, pp. 193-195; DUNLOP, J.B.: Confronting a Loss of Empire, In: Political Science Quarterly, Vol. 108, No. 4, 1993-94, pp. 603-634; HOFHEINZ, P.: Russia 1993: Europe's Time Bomb, In: Fortune, January 25, 1993, pp. 18-22; LIGHT, M.: Democracy Russian-style, In: The World Today, Vol. 49, No. 123, December 1993, pp. 228-231; LLOYD, J.: Democracy in Russia, IN: Political Quarterly, April-June 1993, Vol. 64, No. 2, pp. 147-155; YERGIN, D. - GUSTAFSON, T.: Russia 2010 and What It Means for the World. The CERA Report. Vintage Books, A Division of Random House, Inc. New York, 1994.

⁶ See e.g., BRZEZINSKI, Z. Plan pre Európu. In: Mezinárodné otázky 2, Vol. IV, 1995, pp. 103-118; MICHALSKI, A. - WALLACE, H.: The European Community. The Challenge of Enlargement. Royal Institute of International Affairs, London 1992.

⁷ Criteria for a full-fledged membership were first specified in an official NATO expert's analysis „Study on NATO Enlargement“ of September 1995, pp. 23-26: the highest priority is assigned to full acceptance of the fundamental principles contained in the Washington grounding charter: support for and protection of democracy, individual freedom and the rule of law. Other important criteria include orderly and stable relations between neighbouring countries, etc. The decision on EU enlargement was passed at the EU summit in Copenhagen (June 1993), and was further specified at the summit in Essen (December 1994). Five basic enlargement conditions were stipulated - four of them pertain to the associated countries interested in full membership: 1. political stability, stability of democratic institutions, recognition of human and minority rights; 2. a functional market economy; 3. ability to resist the pressure of competition inside the Union (the policy of economic competition); 4. ability to accept all the duties and goals following from membership (political, economic and monetary union). The fifth condition bears on the Union - its ability to cope with the enlargement, and to implement institutional reform.

⁸ See - MADRID Declaration on Euro-Atlantic Security and Cooperation. Issued by the Heads of State and Government. Meeting of the North Atlantic Council, Madrid 8th July 1997. Press Release M-1 (97)81; LUXEMBOURG European Council, 12 and 13 December 1997. Presidency Conclusions.

⁹ SME, 28th January 1998, p. 7.

¹⁰ Hereinafter – SR.

¹¹ For the reservations of the EU and the USA against the content and style of the policy of the Slovak government, which contradict the efforts of the SR to become a member of the Western integration structures, see e.g., Európsky parlament schválil rezolúciu k dodržiavaniu demokracie na Slovensku [European Parliament approved a resolution on adherence to democracy in Slovakia]. Pravda, November 17, 1995, pp. 1, 17; Text rezolúcie Európskeho parlamentu [Text of the Resolution of the European Parliament]. Sme, December 14, 1996, p. 4; Texty demaršov EU a USA vláde SR [Texts of EU and US demarches to the government of SR], Pravda, November 9, 1995, p. 5. Z prejavu veľvyslanca USA v Slovenskej republike Ralpa Johnsona pri príležitosti otvorenia prešovskej pobočky Slovenskej spoločnosti pre zahraničnú politiku 22. októbra 1996 [Selected parts of speech of the USA ambassador to the Slovak Republic Ralph Johnson on the occasion of opening the Prešov branch of the Slovak Association for Foreign Policy on October 22, 1996]. Národná obroda, October 24, 1996, p. 9, etc.

¹² For assessment of the dialogue between the SR and its Western partners in the given period see, e.g., the present author's study „Zahranično-politická orientácia a vnútorná politika SR: Deklarácie a realita politiky“ [Foreign-policy orientation and internal policy of SR: Declaration and real policy]. In: Slovensko: Problémy konsolidácie demokracie [Slovakia: Problems of democracy consolidation] (Soňa Szomolányi, ed.). Slovenské združenie pre politické vedy, Friedrich Ebert Stiftung, Bratislava 1997, pp. 187–206.

¹³ The US Minister of Foreign Affairs M. Albright expressed this fact accurately in her talks with the Slovak President M. Kováč during his visit to the USA (January 1998): „At present, there is a hole in the map of Europe; its name is Slovakia“. See SME, January 30, 1998, p. 7.

¹⁴ See e.g., ORBAN, V.: Dve strechy Európy. Interview – pripravil Július Lőrincz [Two Central Europes. An Interview prepared by Július Lőrincz]. Pravda, January 28, 1998.

¹⁵ On the changed attitude of the USA to Ukraine at the turn of 1993/1994 see e.g., Ukrajinskaja gosudarstvennost' v XX veke (A. Dergačev, ed. – Glava 8: Ukrajina vo vněšnepolitických doktrínach SŠA). Kijev 1996, pp. 265–266.

¹⁶ See e.g., MANAČYNSKIJ, O. – SOBOLEJEV, A.: Ukrajina na šláchu do bezjaderného statusu. In: Harjača linija No 1, Kijiv 1994, pp. 14–15.

¹⁷ The Ukrainian Weekly. Special Year End Edition, Vol. LXIV, No. 52, December 29th, 1996.

¹⁸ Ibid.

¹⁹ See Ukrajina v 1996 році. Informacijní-analytičnà dopovìď. Instytut postkomunistyčného suspičstva, Kyjiv 1997, p. 78.

²⁰ Cited from CHABIERA, T.: Status dla Ukrainy. In: Polska i Ukraina w latach dziesięćdziesiątych. Podstawy i placzyny współpracy (pod red. Marka Calki). Centrum Stosunków Międzynarodowych Instytutu Spraw Publicznych, Warszawa 1997, p. 7.

²¹ Ukraine. Joint Statement released in Conjunction with the EU-U.S. Summit in Washington, DC, December 5, 1997.

²² Dopovìď Prezidenta Ukrainy o stani suspičstva pered Verchovnoju Radoju Ukrainy. Rozdil 4. Zovnišča polityka, jiji prioriteti, pp. 79–98; Rozdil XI. Zovniščeoeekonomična dijačnist', pp. 148–169; Kyjiv 1997.

²³ Ibid, p. 97.

²⁴ Ibid, pp. 80–1.

²⁵ Ibid, p. 81.

²⁶ The Ukrainian Centre for Research on Peace, Conversion, and Settlement of Conflicts regularly carries out (quarterly) opinion polls among Ukrainian experts concerning the most important issues of foreign and security policy. The group includes 41–42 experts (four main categories: 1. employees of the Ministry of Foreign Affairs and experts of advisory bodies of governmental

institutions; 2. members of parliament working in the committees for security, foreign policy, and relations with the CIS countries; 3. officers of the Ukrainian army – from the colonel rank up; 4. the most influential journalists specializing in security issues). The paper makes use of the data of an experts' opinion poll covering the months of three 1997 quarters – March, June, and September.

²⁷ The author cites from the memoirs of the first Hungarian ambassador to Kiev, András Páldi: Egyre távolabb Mosyától. Budapest, Bevárosi Könyvkiadó, 1996.

²⁸ Ibid, p. 204.