



**Institute for International and European
Policy, KULeuven
&
The Embassy of Ukraine**



Round Table on Ukraine

UKRAINE AT THE BEGINNING OF THE THIRD MILLENNIUM: RESPONDING TO CHALLENGES

Speakers:

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MR.VOLODYMYR BELASHOV

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MR.VASYL FILIPCHUK

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PROF. NATALIA BOYTSUN
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Moderator:

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On Tuesday 11 March 2003, a seminar on Ukraine was held by the Institute for International and European Policy in co-operation with the Embassy of Ukraine: "Ukraine at the Beginning of the Third Millennium: Responding to Challenges". The seminar was hosted by Prof. Dr. Katlijn Malfliet, research director Central and Eastern Europe of the Institute. Other prominent speakers were H.E. Ambassador Volodymir Khandogiy, Ambassador of Ukraine and permanent representative of Ukraine to NATO, Mr. Volodymir Belashov, Deputy Head of the Mission of Ukraine to NATO, Mr. Vasyi Filipchuk, Counsellor on Political Affairs of the Mission of Ukraine to the EU, and Prof. Dr. Natalya Boytsun, Dean of the Faculty of International Economics of Dnepropetrovsk National University.

In her opening speech, Prof. Dr. K. Malfliet asserted that the aim of this seminar was to shed some light on the domestic and foreign policy in Ukraine, and more specifically its ever-growing relations with the European Union and NATO. She also stressed the bilateral ties between Belgium and Ukraine. More specifically, Ukraine and the Catholic University of Leuven have a long history of academic

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relations. Many Ukrainian students came to study at the University of Leuven. This fact is illustrated by a Ukrainian book on Belgo-Ukrainian academic ties and even more so by the existence of a Ukrainian house in Leuven. Prof. Malfliet therefore also stressed the need to maintain and intensify these ties and even step up the institutional relations, for example by establishing a Chair on Ukrainian Studies at the KU Leuven. After all, she added, educational bilateral relations are important for Ukraine's integration into the EU.

Consequently, H.E. Ambassador Volodymyr Khandogiy held an introductory speech on Ukraine's external relations. He called the coalition and the parliamentary majority a step forward in Ukrainian domestic politics and mentioned the work that is now being done on elaborating a program on legislative reform. Concerning the relations with the EU, Ambassador Khandogiy asserted that Ukraine expects a new model of EU-Ukraine relations from the European Union so that Ukraine will not be seen as a sort of post-Copenhagen buffer state. He added that with the enlargement drawing nearer, Ukraine sees a European border emerge, which creates quite some (practical) problems. The Ambassador stated that in his opinion, the borders should be closed to dangers and open to mutual co-operative relations. He concluded his speech by saying that Ukraine is aware that it is facing a lot of challenges, but added that he is sure that Ukraine will live up to them.

After these introductory speeches, the key speakers of the evening were given the floor. The first speech was delivered by the deputy head of the Ukrainian Mission of NATO, Mr. Volodymyr Belashov. A transcript of the speeches is given below.

Mr. Volodymyr Belashov

The process of NATO enlargement, in our opinion, should be realized on the principles of indivisibility of security, without establishing new division lines in Europe. This process should be gradual, evolutionary, and transparent and it should rely on the spirit of mutual understanding. NATO should remain open in the future to all countries of the region that meet respective requirements and show the willingness to join the alliance. The process of NATO enlargement should take into account the legitimate interest of the countries of the region and be accompanied by the development of co-operation in the sphere of European security in all interested states.

What are our priorities in co-operation with NATO? Of course, it is the continuous enhancement of our cooperation; we do not intend to preserve the level of our co-operation with NATO as it is now: all the time we are seeking the possibilities to improve our contacts, our mutual understanding, our co-operation, and our interaction. Like, for instance, in peacekeeping operations, or common struggle with international terrorism.

So, in line with our proclaimed foreign policy priorities, it is very important for us to have coordinated efforts in support of our goal of full integration into European security structures. In this respect we receive considerable help from NATO in different areas. As I said, we cooperated with NATO in military issues, reform issues, solving of ecological problems, economics, science technologies, and emergency situations.

I will speak in more detail about these areas of cooperation and this will show you how important the help of NATO is for us. Just as

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recent as last year, with the assistance of NATO experts we elaborated 80 national defence reform goals and right now we are implementing these goals. At present we are starting a new programme on elimination of a huge amount of surplus small arms and munitions.

At the same time, we attach primary importance to the achievement of concrete practical results from the point of view of Ukraine's most essential national interests: military and technical cooperation, armaments, standardization, economic and environmental activities, science and technologies, civil emergency planning. Strengthening of security and stability in the Euro-Atlantic area is carried out through interaction within NATO-lead PFP operations. Maybe you know that Ukrainian peacekeepers were taking active part in Kosovo operations in two regions in Kosovo, in a number of not only NATO-lead, but also UN-lead peacekeeping operations, and basically, Ukraine is one of the 20 most active peacekeeping nations in the world.

It is very important for us, especially at this stage, to strengthen parliamentary, non-governmental and informational spheres of Ukraine - NATO cooperation. To achieve these goals, we have started working, during the Prague NATO - Ukraine commission meeting, at Ukraine - NATO Action Plan. This plan was created following the Ukraine - NATO commission decision taken in Reykjavik by ministers of foreign affairs and it reflects Ukraine's strategy in relations with NATO.

The Chapter on Distinctive Partnership between Ukraine and NATO lacked one thing - Ukraine's clearly expressed and defined goal to become NATO's member. This goal is reflected in this new document (Action Plan). So, it is for the first time that this aspiration

of Ukraine has been openly accepted and recognized by the NATO countries. The purpose of the Action Plan is to identify clearly strategic objectives of full integration into Euro - Atlantic security structures including NATO membership. The Action Plan contains jointly agreed principles and objectives in the following areas: political and economic issues, security, defence and military issues, information protection and security, legal issues, and the mechanisms of implementation of this Plan. Despite the real importance of the military issues, the major part of this document is devoted to non-military activities and mostly to the actions to be taken by Ukraine itself. This Plan consists of several chapters that lay out the main principles of our policy in this respect and goals that we aspire to achieve in this area. This is a mid-term action plan that can be reviewed and revised if necessary, but for the moment it is a framework of our work. It is also an open document available on the web site of the Embassy or NATO, which we find very useful, especially for people in Ukraine to get acquainted in more detail with the current developments. This Action Plan is supported by annual target plans. Target plan for the year 2003 contains 259 specific actions and objectives that should be fulfilled during this year. What is interesting is that about 80% of the actions laid down in this plan are those that should be implemented by Ukraine. One of the objectives already fulfilled concerns the implementation of new laws on money laundering, which resulted in lifting of FATF sanctions against Ukraine.

It is important to mention that implementation of the Action Plan and Target Plan will be reviewed jointly with NATO at semi-annual meetings. This assessment will be rather tough for Ukraine; however, Ukraine does not want this plan to become just another paper and is ready for rigorous implementation of its goals.

Professor Dr. Katlijn Malfliet

Thank you, Mister Belashov. We could have expected, of course, to find a real NATO – believer in you and, I think, you were quite clear in your approach. I suppose that some people here in the room will have some comments on your way of presenting Ukraine – NATO relations.

My first question will be the following: you were talking about NATO – Ukraine relations, but of course, Ukraine is in such a geographical position that it, certainly, has to take into account its relations with Russia. Now, when I look at the way Russia is looking at NATO and at NATO enlargement, at the way Russia is establishing new relations within the CIS and also at its security and defence relations with other member-states of the CIS (I am referring to the Tashkent Treaty), then I see a kind of, maybe not incompatibility, but, nevertheless, a problem that you will have to face when you are trying to define a foreign policy for Ukraine.

Mr. Volodymyr Belashov

Yes, obviously, Ukraine – Russia relations are very important, not only for us, but also for Russia, for Europe, America. We share centuries of common history and culture with Russia; we certainly have very close economic ties, so it would be inappropriate to cut them off completely. Certainly, there are some links that we are not happy with, for example, our dependence on Russian energy supplies. These things are very difficult to change but we are working at it. Having good economic, cultural, political relationships with Russia does not mean that we cannot or should not have good relationships with NATO, EU or Western Europe. I would put it in

other words: the better our relationships with Russia are and the better Russia's relationships with Western Europe will be, the easier it will be for us to pursue our priority course for Euro – Atlantic integration. You can call it a triangular, but it does not mean that one thing contradicts the other. There were a lot of talks at the time of NATO's enlargement to the East when Poland, Hungary and Czech Republic joined the alliance; there were all kinds of gloomy predictions that Russian – Polish relationship will deteriorate drastically, but we did not witness this happening. So, our relations with Russia and NATO do not contradict each other. They should be equal and mutually beneficial.

H.E. Ambassador Volodymyr Khandogiy

If I may, just two points, very briefly. When we talk about Ukraine – NATO, Ukraine – EU, Russia always comes to play.

Ukraine is not a member of the Tashkent Agreement; we pursue our security arrangements through other means, namely, bilateral agreements with NATO and the European Union and other arrangements but not the Tashkent Treaty. And, of course, another very important issue is that Russia is not putting it as a goal to become a NATO member whereas Ukraine has put this goal on the agenda. There is influence but if you look at the relations between Russia and NATO today, you might find that in some areas these relations are more advanced than the relations between Ukraine and NATO. So, there is no contradiction, there is no incompatibility between the two courses: (1) integration into Europe and (2) good relations with Russia.

Q. For a long while there was information in the news about the alleged sale of Ukrainian radar systems to Iraq. In the light of the recent developments in this area, could you comment on this fact?

H.E. Ambassador Volodymyr Khandogiy

Well, I suppose that you are pointing at the very popular issue of “Kolchugas”, radar systems that were allegedly sold by Ukraine to Iraq. Without going too deep into details, I can tell you positively: we did not sell the systems to Iraq. There is no one to prove this; we remain innocent until proven guilty – that is the basic principle of law. There is another question: could it be possible under the circumstances, theoretically, that Ukraine, or someone in Ukraine could have done something like this. The answer to this is “yes”. It could have been possible. That is why we are ready and prepared to work together with America and other countries to improve our export regime and export control, which we are doing right now. But as far as “Kolchuga” case is concerned, for us this issue is clear: we agree with the Americans to disagree. But we made it clear that we are seeking political solution to this problem.

Mr. Vasyl Filipchuk

I’d like to say first of all, that the timing for this seminar is very well sought out because today is a very important day in Ukraine – EU relations and in general in EU eastern policy. Today European Commission approved a long awaited communication on “Wider Europe” which describes other possibilities of EU cooperation with countries to the east and to the south of the European Union. Also yesterday we finalized a first ever assessment of the Partnership and

Cooperation Agreement which exists between Ukraine and the EU. These two documents might not only define relations between Ukraine and the EU for the next 4 – 5 years but also define what the eastern part of our continent could look like in some five years.

Ukraine – EU relations launched in 1991, just two weeks after Ukraine gained independence. These relations were not very actively promoted the first years after the independence for a very obvious reason: the EU was at that time defining its role in Europe thus the relations at that time were mainly a foreign policy issue. In the mid-nineties Ukraine and the EU signed the Partnership and Cooperation Agreement (PCA). The same agreement was proposed by the EU to all the countries of the former Soviet Union except the Baltic states. To those states and to the other countries of Central and Eastern Europe ‘Europe Agreements’ were proposed that foresaw possibilities for joining the Union.

Ukraine, because of its contractual form of relations with the EU, was defined as a part of so called ‘third basket’ of the European countries that have relations with the EU. ‘First basket’ are the countries that have associated membership in the EU and have ‘Europe Agreements’ with the right to join the EU; ‘second basket’ are the countries of ‘Stabilization and Association Agreement’ from western Balkans, whose right to join the EU is also acknowledged; the ‘third basket’ are the countries of the former Soviet Union which only have trade agreements that the EU has established with all third trade partners without any right to become a member of the EU.

Since the second half of the nineties, the difference in development of relations, especially with the first and third groups of countries, became so acute that Ukraine reconsidered its basis of relationships with the EU and since 1998 Ukraine launched so called policy of

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European Integration. Since that time we have a kind of discrepancy in Ukraine's and EU's agendas: on the one hand, we proposed to upgrade our relations, to establish a 'Europe Agreement' – type relations that would foresee for Ukraine the same road as for the other countries; on the other hand, EU keeps emphasizing that this is not a very good time for such decisions as the EU still does not know what to do with the upcoming enlargement. For a long time the EU did not want to speak about having this point on the agenda. And finally, after all these years of discussions and hard work, now we have something new developing in our relations.

On the one hand, European Union has decided to review its relations with the eastern neighbours. In the beginning, this policy had a title "Wider Europe", then it was changed to the "New Neighbours Initiative". And now these two titles came together and the initiative is called "Wider Europe – Neighbourhood" initiative. But, on the other hand, EU was constantly alleging that Ukraine has not fulfilled the conditions of the PCA. Ukraine did not agree to these allegations and last month we issued a Joint Report on assessment of PCA implementation. Next week a meeting of the Ukraine – EU Cooperation Council will take place with the participation of our prime minister that will mark a new stage of negotiations; the format of Ukraine - EU relations for the coming three to five years will be defined.

I would like to talk in more detail about the two papers I have just mentioned. The Joint Report on assessment of PCA implementation is the first ever experience of the EU to assess the implementation of any agreement since these agreements actually present only guidelines of behaviour. You cannot assess what percentage of the agreement has been achieved since all the articles are functional ones, they do not (like an action plan) point out things that have to

be done during a certain period. After long discussions, it has been decided to recognise that there was a considerable progress in achieving PCA objectives. This was a very important development for Ukraine since for the first time a paper has been signed bilaterally that stated that Ukraine has made a considerable progress in implementing PCA.

To give you an example of this implementation process, Ukraine has launched unilaterally the process of approximation of its legislation to that of the EU. To give you an example of the complexity of this process, there is only one article in the PCA (art. 51) that states that if the EU companies face problems in Ukraine, they can appeal to the European Commission to ask Ukrainian government to bring in changes in respective laws in order to insure that in the future such problems do not arise. Such an approach implies that we can approximate our legislation for the next hundred years but it will never be approximated to the extent to which it is approximated in the current candidate countries which started approximating their legislation irrespective of the fact whether or not foreign companies faced any problems there. They received special screening procedures according to which every line in every law had to be checked and the EU proposed how they should be changed. In our case, Ukraine did not get such screening procedures or assistance from the EU. Thus, we adapted a law "On approximation of Ukrainian legislation" and elaborated a special action plan of approximation. Every year we pay from our own budget for annual analysis for Ukrainian legal acts to approximate them to the European Union standards. Soon we will have so called "State Programme of Approximation of Ukrainian Legislation". This programme will be based on the scoreboard approach that foresees very clearly elaborated tasks scheduled for concrete time periods.

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Always when we talk about Ukraine - NATO or Ukraine - EU relations, Russia is mentioned and Ukraine is compared to its northern friend in this process. In this respect I would like to mention that Russia imposes two hundred excise duties on different goods that are exported from there. This is a direct contradiction to any of WTO or PCA rules that foresee that duties may only be imposed on imported goods. But, in spite of this fact, Russia is recognized as a functioning market economy.

Four - five years ago in Ukraine there was also a serious number of such restrictions. Now there are only two excise duties (that is, hundred times as few as in Russia). I think that this example illustrates very well the strong progress in the approximation of our legislation to the EU standards even though Ukraine did not have really strong assistance from the EU side.

The Joint Assessment Report contains the request of Ukraine to the EU to consider a new type of agreement between the two parties that would be based on the European prospect for Ukraine, on the possibility to join the European Union when all the conditions are met.

A very important new characteristic pertaining to the "Wider Europe - Neighbourhood" initiative is that finally EU started considering how to live with its neighbours to the east after the enlargement and whether these countries might become members of the EU. The general approach to Ukraine now is such that Ukraine is considered to be a part of the wider neighbourhood of the EU (so-called concept "from M to M" - from Morocco to Murmansk, including Russia, Ukraine, Moldova, Belarus... - all the European countries). It is extremely difficult to understand how the EU can seriously think about, for instance, solving conflicts in its neighbourhood while

putting in one line conflicts in western Sahara and in Transdnistria (Moldova).

In every communication of the European Commission concerning relations with Ukraine, they try not to have anything specific for Ukraine, or Belarus, or Moldova (each of these countries can be a focus of a communication per se), but to put it in a very wide concept in which it is very hard to distinguish something concrete for one country.

But, nevertheless, we can say that the new document is better designed for Ukrainian needs. For example, they envisage that Ukraine, the EU and third countries may develop benchmarking approach to the development of relations. This means that the EU has acknowledged that its current approach to its neighbours is not relevant any more (e.g. Poland, whose population is smaller than that of Ukraine, receives technical assistance 40 times the size of that for Ukraine).

Together with this, in the TACIS programme working in Ukraine, 90% of all the money is spent on the foreign advisers. At the same time, in PHARE programme working in the applicant countries 30% of the funds goes for investment projects (building of the roads, bridges, checking points); another 30 - 40% is spent on the strengthening of the institutional capacities (computerising, sending public servants abroad for experience exchange etc.). Acknowledging that this system has to be changed, European Commission stated that this has to be done on reciprocal basis: one step from one side - one from the other. For example, if Ukraine succeeds in reforming the Judiciary system, EU might consider granting Ukraine another system of technical assistance based on PHARE experience. Or, what according to me was the most

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interesting in these new ideas of the European Commission is that under this reciprocal approach, in the term of 5 – 7 years, both sides might achieve a non-visa regime. At the end, it is foreseen that between Ukraine and the EU ‘four freedoms’ can be introduced, such as freedom of movement of people, freedom of movement of goods, services and capital. Relations between the EU and the countries of the European Economic Area are based on these freedoms. It certainly gives some optimism to the development of our relations. Following weeks will show how we will manage to elaborate this and to start practical implementation of the ideas stated in the two documents described above.

Thank you very much for your attention. I will be glad to answer any of your questions.

Q. My first question is about the new “Wider Europe Neighbourhood” initiative. Do you really see it as a real change, a real breakthrough, a next step in EU – Ukraine relations, or do you think that things could still speed up and that EU’s attitude to Ukraine is still a bit too reluctant?

And, linked to this, do you think that the alternating presidencies in the EU can pose a problem for Ukraine? Do you think Ukraine – EU relations are dependent on this in a positive or negative way?

And now my second question. I read rather often about the relations between Ukraine and Poland with Poland championing Ukraine’s European ambitions. How do you assess this?

Mr. Vasyl Filipchuk

Answering your first question, I have to say that whether the new document is a breakthrough in EU’s position or not, is difficult to say

at the moment. If you read this paper, you see that all the elements that often contradict each other are in it. Still, this document is probably a big change. Today is the first day that these two documents came into circulation, so it is certainly too early to judge. But I hope that the answer to your question will be positive. This is probably not the shortest direct way to our future goals, like if you would be proposed to go from Leuven to Brussels but via Antwerp. But if you do not have other choice of getting there, you would agree since it is better to start moving and still reach your destination than staying where you are waiting for a proposition of a direct road.

In our relations with the EU we often say that they do not have to invent a bicycle. The European Union has already a reach experience of co-operation with the current candidate countries, which shows that incentive of a future membership is the most efficient incentive for countries to carry out internal reforms.

Just like Jean Lemierre, director of EBRD, said, 'When investors feel that the candidate countries will enter the EU in some years, it becomes the strongest incentive for them to work with these countries'. The same we are trying to say to the EU; we do not demand immediate (or even within 5 years) membership. We only ask for a direct way to go. Whereas European Union's discourse is: you have to follow this direction, but without any clear prospective of where you are going to. So, Ukraine has to walk trying to invent its own bicycle to catch up with the countries riding in front. But, nevertheless, it is better to go, even if slowly, than to stand motionless.

Concerning your question about different presidencies, yes, it is true that we feel huge difference between them. We all remember Swedish presidency that was indisputably the best example of EU

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presidencies considering the progress achieved. There are certainly considerable differences in the functioning of the public services, in the way of handling business in the EU. This fact has been acknowledged by the EU itself and now at the Convention table they are discussing possible changes in the system of presidencies.

Talking about our relations with Poland, it is a proven fact that Poland now is the biggest promoter of Ukraine's interests in the EU. Our daily communications with the permanent representation of Poland to the EU and with Polish ministry of foreign affairs show that it is in their strategic interests and they prove it in different ways. Ukraine is always on the agenda whether during president Kwasniewski's meetings with the president of the USA or EU high officials. We are very happy that we have such a good neighbour. Our other neighbours are also committed to supporting our European integration.

Q. In line with the EU requirements, new candidate countries have to impose visa regime towards their eastern neighbours. In the case of Ukraine it will be Poland now. How serious will this change be for Ukraine?

Mr. Vasyl Filipchuk

This is indeed, a very serious problem for us. For example, when Slovakia, meeting the *acquis* requirements introduced visa regime for Ukraine, next month there was an 80% decrease in transport traffic. You have to imagine that every year we have up to ten million border crossings between Ukraine and Poland. Even if we decrease this number because some people cross the border several times per year, still, yearly we will need about three million visas.

What kind of embassy or consular services can be technically able to process so many visa applications? To make two or three hundred thousand visas per month! The way out of this problem that we proposed in 1998 is very simple: non-visa regime between Ukraine and the EU. We realise how many problems exist in this respect although sometimes they are exaggerated. One of the most frequently mentioned problems is border control. The issue of border management is of the greatest importance. We have a very long border with Russia, Belarus, a very difficult border with Moldova (especially on the part of Transdnistria). Our own efforts are focused on establishing borders meeting European standards. We expect that with the help of our European partners we will be able to establish them as soon as possible. We have signed an agreement with Poland, according to which we will establish joint checking points – practice widely implemented between current EU member states and candidate countries. These will allow avoiding double-checking and double levying of duties on the goods transported in or out of Ukraine.

Professor Dr. Katlijn Malfliet

Our next speaker is Professor Natalia Boytsun, Dean of the Faculty of International Economics of Dnepropetrovsk National University. We are partners in the same Joint European Project that is coordinated by Prof. Henk van Eerde who is present here. Our visit to Dnepropetrovsk let us see that such a co-operation between Ukraine and the EU is quite a fruitful one.

Professor Natalia Boytsun

Dear ladies and gentlemen, with much pleasure I have accepted the invitation to speak at this conference devoted to my country and the problems it is facing now.

Being professor in economics, I will focus in my speech on more economic issues, on the general economic trends characterizing Ukraine today. The data I will be referring to in my speech come from the databases of the World Bank, IMF, CIA, The Economist, as well as the National Bank and the State Statistical Office of Ukraine.

Ukraine is one of the biggest countries in Europe – it is third by territory and nearly equals France by population – however, it cannot boast the same indicators in its economy. Up to now, Ukraine still has not reached the GDP level it had in 1991; its current GDP level is only 50% of what it was ten years ago. For instance, Poland now has completely recovered and reached the GDP level it had in the beginning of nineties.

The state budget of Ukraine is not big, neither in its size nor in the GDP percentage. However, according to the estimates of the World Bank, budget deficit in Ukraine in the last three years was not higher than 1.5%. This is a very positive sign for any country in Europe and, especially, for such country as Ukraine. Ukrainian government never approved an unrealistic budget; general tendency has always been to spend only as much money as there was available. It is a very difficult approach but a very positive one. For instance, the budget of Poland is bigger than that of Ukraine, but 30% of it is planned for direct foreign investment. But if the situation on the investment market changes, there is a critical amount of 30% of the budget lacking from it.

Due to this strategy of spending only the money available, external debt of Ukraine is not very high. Ukrainian external debt comprises 37% of its GDP. Comparing once again with Poland, there external debt comes up to 60% of the GDP.

During the last three years we have observed sustainable economic growth in Ukraine. GDP growth is 7 - 9% yearly and forecasts predict steady growth (3 - 4%) for the next three - four years. Ukrainian export volume is also growing and, to my personal opinion, a very positive sign of Ukrainian economy is that industry still covers 39% of GDP. It is a very high percentage; in Germany and the Netherlands these indicators are 32% and 20% respectively. Machinery has always been the most important part of Ukrainian industry and there we observed 14% growth in the last years.

Agriculture also showed considerable growth (9% in 2001) and remembering that formerly Ukraine used to be called the "grain shed" of the world, I hope we will be able to regain this name. Nowadays Ukraine is on the sixth place in the world in this area.

However, there are certainly problems and I would like to discuss two of them that I consider to be the most important in our economy. The first problem, and we have already touched upon it today, is Ukraine's dependence on imports of Russia's energy, mainly, gas and oil supplies. We can talk a lot about political orientations towards the European Union or Russia, but if Ukraine imports much energy from Russia (about 40% of all the imports of Russian oil and gas), we first of all have to think of how to compensate this very strategic import. There are several ways for it. For instance, Ukraine could try to find special economic niches in the Russian economy and search for other directions for Ukrainian export. This is not an

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easy task since numerous economic ties with Russia and other states of the former Soviet Union have been destroyed in the last ten years.

The second problem is that we have to remember that the most important export field for Ukraine is metallurgy that covers up to 40% of all Ukrainian export. At the same time, only 11% of this amount is a high value product, the rest is more or less raw materials. And this is not because Ukraine cannot produce it, Ukraine has absolutely unique equipment in this field, but the world market is closed for us in this field, especially, the EU market. For Russia and Kazakhstan policy of the EU is much more attractive in this field and the quotas for high value product are much higher. Obviously, comprising 40% of all Ukrainian exports, troubles in the area of metallurgy exports can be dramatic for this country. 15% of all the working population in Ukraine works in this sector. Thus, paying serious attention to this problem is the main task of our government as this sector is considerably affected by our government regulation.

Thank you very much for your attention.