

Ukraine Stuns EU by Suspending Free-Trade Pact Preparations

by Rachel Douglas

Nov. 25 (EIRNS)—The Ukrainian cabinet on Nov. 21 delivered a decision with far-reaching implications, abruptly halting preparations for an Agreement on Association with the European Union, which was to have been signed by President Victor Yanukovich at the Nov. 29 EU summit with neighboring East Central Europe countries. Immediately preceding the announcement, Yanukovich's party in the Supreme Rada had engineered the rejection of six different laws that would have cleared the way for jailed opposition figure, 2004 Orange Revolution¹ poster girl Yulia Tymoshenko, to travel abroad for medical treatment. But the reasons for the decision goes far beyond the Tymoshenko case, as was clear in the wording of the government statement.

Prime Minister Mykola Azarov's cabinet invoked "Ukraine's national security interests," announcing that the government was ordering a "more detailed study and development of a set of measures, which Ukraine should implement in order to restore its lost production capacities and areas of trade and economic cooperation with the Russian Federation and other CIS members, and to create a domestic market capable of ensuring relations between Ukraine and EU member countries on an equal footing." Negotiations with the Russia-Belarus-Kazakhstan (Eurasian) Customs Union are to be revived. The Ukrainian Foreign Ministry, together with the country's Economics and Industry ministries, have been ordered to propose to the EU and Russia the formation of a joint commission to explore the production and trade recovery prospects. Other ministries are instructed to develop relations with the CIS "to preserve

jobs and address other social issues through improved economic stability."

The centerpiece of the now-shelved 1,200-page agreement was the so-called Deep and Comprehensive Free Trade Agreement (DCFTA). This would have eliminated protections for what remains of Ukrainian industry, already savaged by the privatization process of the 1990s and the terms of admission to the World Trade Organization in 2008. Russia had warned against the disruption of historically formed trade ties between the two largest ex-Soviet economies, while the EU dangled the promise of helping Ukraine to get money from the IMF in the event Russia applied economic sanctions. Today, Ukrainian Vice Premier Yuri Boyko said, "We are not counting on any IMF money, anyway, since the latest IMF offer calls for raising residential utility rates by 40%."

Boyko said that Ukraine could not afford to lose its current trade with Russia, and that neither the EU nor the IMF were prepared to compensate for that in any way. Azarov said Nov. 20 that over the past year, as preparations were made for the EU Association agreement, trade between Ukraine and CIS markets has shrunk by 25%. "Those economic losses are significant for us. . . . When drafting the budget, the main economic figures for 2014 will depend on whether we are able to create mutual understanding with Russia."

'Eurocolonization' Opposed

Economist Natalia Vitrenko, head of the Progressive Socialist Party of Ukraine, has been campaigning against the end of Ukraine's sovereignty through "Eurocolonization" under the prospective EU Association Agreement. In a Nov. 18 EurasiaTV interview, Vitrenko said that the pipe dreams about "foreign investment" about to flood into Ukraine, and "European living standards" for the population were nothing but a propaganda cover for grabbing Ukraine's surviving raw ma-

1. *EIR's* archive of publications on the Orange Revolution and the economic looting of Ukraine includes these articles: "Flattened by IMF, Ukraine in Geopolitical Crosshairs," Dec. 10, 2004; "Ukraine: a Post-modernist Revolution," Feb. 11, 2005; "Bankrupt British Empire Keeps Pushing To Overthrow Putin," Jan. 20, 2012; "Natalia Vitrenko: Eurasian Integration as a Chance for Survival in the Global Economic Crisis," May 3, 2013.

terials and labor resources. (In particular, European food cartels have evident designs on Ukraine's black-earth farmland.) The EU has no use for 45 million Ukrainians, she said; it only wants to gain economic domination through free trade, and strategic advantage against Russia, by trying to get Ukraine into NATO.

Since Ukraine joined the WTO, Vitrenko reported, almost 60% of the goods on the Ukrainian market are now imports. The DCFTA would be a death warrant for the surviving producers. Sixty percent of Ukraine's exports to Russia and the CIS are finished goods, she pointed out, while only 18% of its exports to EU countries are, the rest being raw materials. She warned that the estimated EU160 billion cost of complying with 20,000 different EU standards, under the Association Agreement, would have dealt another heavy blow to Ukraine's economy, contributing to factory shutdowns, unemployment, and even starvation.

On the heels of Azarov's announcement, European Commissioner for Enlargement Stefan Fuele cancelled his latest planned trip to Kiev and issued a tweet, blaming "the impact of Russia's unjustified economic and trade measures" for the development. Swedish Foreign Minister Carl Bildt, a promoter of EU eastward expansion, attacked Russian "politics of brutal pressure." Lady Ashton, the British EU foreign policy chief, said that Ukraine stands to lose "foreign investment" because of the decision.

While European and U.S. media joined these EU officials in maintaining that Ukraine had bowed to Russian pressure in backing off the EU deal, Russian President Vladimir Putin charged at a Nov. 22 press conference (after talks with the prime minister of Turkey) that the EU was the one using threats: "When I found out that Ukraine has suspended—not canceled, but suspended—negotiations with the EU and wants to review everything, we heard a threat from the EU to Ukraine, up to the point of holding mass protests. This is pressure and blackmail."

Azarov has given a series of interviews after the announcement, formulating Kiev's position carefully. Terming the halt in EU negotiations "tactical," he



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Ukraine's tabling of an EU free-trade pact has provoked a storm of protest in the West, while Russian President Putin (shown here with Ukrainian President Yanukovich) has charged the EU with "pressure and blackmail" against Kiev.

said that Ukraine might go ahead and sign the free-trade agreement by the end of this year or in early 2014. At the same time, he welcomed Moscow's overtures to revise economic agreements with Ukraine with better terms for the latter, including, he told Russian state TV Nov. 24, readiness in principle to reconsider the gas-pricing contracts signed in 2009. "Moscow's position has softened," said the premier. Speaking on Channel One Russia's weekly news roundup, Azarov accused the EU of presuming that "it could force Ukraine to agree to its terms by ultimatums and pressure; that's why we decided to call a time-out."

The IMF's demands for the 40% utilities rate hikes and a minimum wage freeze, as well as slashing social services and agricultural subsidies, were "the last straw," Azarov said. He added that Ukraine's powerful industrial groups, centered in the country's east, had demanded that their exports to Russia not be attacked under the prospective agreement with the EU.

Echo of the Orange Revolution

Crowds estimated at 50-100,000 people marched in central Kiev Nov. 24 under flags of the European Union,

denouncing the government's suspension of the EU free-trade negotiations. Tymoshenko, who was jailed in a corruption case dating from her term as prime minister, compared the decision to halt the EU deal with the August 1991 coup attempt in Moscow, immediately preceding the break-up of the Soviet Union. She called for people to take to the streets in support of associating Ukraine with the EU.

There are many reports that the population is being flooded with propaganda along the lines cited by Vitrenko: that signing the agreement would mean an immediate grant of EU20 billion from the EU to Ukraine, and that the living standard would quickly rise to European levels.

Elsewhere in Kiev, 10-20,000 supporters of the halt to the EU negotiations also rallied.

Regarding the demos, Azarov said in his Channel One Russia interview, "We know that these actions are being financed. If it's within the law, then fine. But if the law is being violated, then the government will not behave as in 2004, when an elected government was overthrown" in the Orange Revolution.

Even before the Nov. 22 government decision and today's demos, Member of Parliament from the ruling Party of Regions Oleg Tsarev submitted an official parliamentary question, demanding a response to what he called efforts by the U.S. Embassy to intervene in Ukrainian domestic affairs and "incite civil war in Ukraine." Tsarev charged that U.S. Amb. Geoffrey Pyatt was overseeing an "information war" project on the use of social media to discredit institutions of government in the country, explicitly employing "the lessons of the Arab Spring."

Glazyev: Choosing the EU Would Be 'Anti-Christian'

In recent years Russian Academician Sergei Glazyev, former secretary of the Russia-Belarus-Kazakhstan Customs Union and now an adviser to Putin, has worked tirelessly to organize Ukraine's adherence to the Customs Union. Last Summer, he warned that if Kiev chose an Association Agreement with the EU, it would violate the treaty on strategic partnership and friendship between Russia and Ukraine, as well as leading to political and social unrest.

On Nov. 18 the Ukraine-born Glazyev was in Kiev for a conference on Ukraine's potential participation in the Eurasian Union, the next stage of the Customs

Union process initiated by Putin. Since "any serious economic analysis shows that the Ukrainian economy will lose from signing the Association Agreement with the EU," as Glazyev posed the matter, "What is the essence of a 'European choice' for Ukraine? The goal would be to keep Ukraine out of Eurasian integration. This is understood very well in Europe and is the main reason behind the active pressure on Ukraine to sign the agreement on Association with the EU."

Glazyev then took the discussion to a higher level, saying: "It is also strange to hear discussion about some kind of 'civilizational' choice, allegedly facing Ukraine. The country made that choice in the time of Prince Vladimir [of Kiev Rus], who adopted Christianity. [Today] the choice is not between Orthodoxy and Catholicism—between the Byzantine and Roman traditions. The choice is between Christianity and post-Christianity. Europe today is a post-Christian civilization. And the so-called 'European choice' is an anti-Christian one, not Catholic."

Thus Glazyev echoed the remarks with which Putin startled international participants in the Valday Discussion Club meeting two months ago, when the Russian President said, "We can see how many of the Euro-Atlantic countries are actually rejecting their roots, including the Christian values that constitute the basis of Western civilization. They are denying moral principles and all traditional identities: national, cultural, religious, and even sexual. Without the values embedded in Christianity and other world religions, without the standards of morality that have taken shape over millennia, people will inevitably lose their human dignity."²

At the end of November, Putin will travel to Italy, where, in addition to a bilateral Russian-Italian summit, he is slated to meet with Pope Francis at the Vatican. Close watchers of Russian diplomatic efforts throughout the Southwest Asia war theater have also noted a sharp rise in diplomacy there by the Russian Orthodox Church-Moscow Patriarchate, including the young head of its foreign affairs directorate, Metropolitan Ilarion, who is reportedly close to Putin's team and has himself visited the Pope previously.

2. See Rachel Douglas, "Putin Poses Russian 'National Idea,'" *EIR*, Sept. 27, 2013.