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**Alyona Getmanchuk
Sergiy Solodkyy**

HOW TO TURN SITUATIONAL PARTNERSHIP INTO PRIORITY ONE

**FOREIGN POLICY
AUDIT**

**UKRAINE –
GERMANY**

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Authors:

Alyona Getmanchuk
Sergiy Solodkyy

Cover photo:

Mykhailo Palinchak
(Presidential Administration)

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1. INTRODUCTION

Relations between Ukraine and Germany have been on some sort of probation: over the last two years, the two countries have discovered many opportunities to bring the bilateral relations to a new level. However, there are even more obstacles able to hinder the formation of totally different kind of relations. During this time, Ukraine has to demonstrate the very things that the Germans appreciate in partnership with other countries: ability to adhere to clear rules and ability to fulfill its obligations.

It is still unknown whether it is possible to turn the situational partnership, established between Kyiv and Berlin, into priority one and at least bring it closer to strategic one. That requires efforts from both sides. The action plan for Ukrainian issues, developed by the German Government and coordinated by Federal Foreign Office of Germany, as well as the position paper developed by the foreign policy wing of the ruling CDU/CSU party, are the first steps towards developing a future strategy for dealing with Ukraine, and Kyiv should be totally interested in confirmation and implementation of both of them.

In order to influence this process, Ukraine requires a proactive stance with elements of strategic vision, as today Berlin does not fully understand whether Kyiv is seriously interested in investing in their relations with Germany, and not just using the latter tactically to counter Russian aggression.

Currently, on the credit side of cooperation between Ukraine and Germany are the fact that Ukrainian dossier remains among the top priorities of the Federal Chancellor's office and intensive political dialogue, which was made possible by the involvement of Berlin in cessation of hostilities and conflict resolution in Eastern Ukraine. However, the level of trust between the leaders of both countries currently depends on the level of Ukraine's readiness to fulfill their commitments within the framework of the Minsk process.

Whether the new German policy towards Ukraine will follow a separate track and won't be subordinate to Germany's policy towards Russia, depends in no small part on Ukraine itself. The "Russia first" policy has been seriously questioned recently; however, given the cooperative and not confrontational nature of German foreign policy, the chances of its revival are still strong.

Germany still shows consensus regarding the fact that German foreign policy is actually European policy. Berlin will not be able to act only according to their own preferences; in order to avoid further self-blocking within the EU, they will have to take into account the positions of other member states, especially France.

Kyiv formulates the key general interest of Ukraine in Germany as follows: to do everything possible in order to ensure that in the medium term, Ukrainian political dossier remains among Berlin's priorities and eventually acquires the economic dimension through arrival and solidification of strategic German investors in various sectors of Ukrainian economy¹. Among other interests are Germany's role in ensuring European unity on the critical issues related to Ukraine and support (including financial) for reforms in Ukraine.

Generally speaking, Germany's interests in Ukraine articulated by our German partners are as follows:

- 1) deterring the conflict in Eastern Ukraine, as it could undermine the stability of other regions of Ukraine;
- 2) prevention of destabilizing and disintegrating processes in Ukraine, as well as a dramatic deterioration of the socio-economic conditions;
- 3) consolidation of Ukraine, both politically and through reforms, as Ukraine's future depends on its internal transformations;
- 4) supporting Ukraine's European integration as the most powerful tool of transformation of the country.

¹ *The IWP's interview with top level official of the Government of Ukraine, January 15, 2016*

Symptomatically, while Ukraine's interests in Germany are clearly dominated by economic factor, the interests of Germany are not, despite the traditionally strong geo-economic emphasis in German policies towards other countries. German strategies towards many countries around the world have been built around economic, not security interests for years.

At the same time, there is a clear convergence of interests in terms of the transformation of Ukraine in the process of European integration. After signing and ratification of the Association Agreement and entry into force of the Free Trade Area with the EU, the process of European integration has become inevitable for Ukraine. However, the European capitals, particularly Berlin, still question the irreversibility of this process. For the Germans, unlike many Ukrainians, European integration vector is not a geopolitical, but modernization project. Some levels of government show lack of awareness on the fact that Ukraine will have to be dealt with not on ad hoc basis, but on a regular one. It is obvious that development of a Ukrainian version of "Partnership for modernization" (the policy that has failed on Russia) would make sense.

The new opportunities also lie in the fact that Ukraine has emerged from the so-called blind zone for both German politicians and the whole German society. Before the Euromaidan, German elites viewed Ukraine as just another post-Soviet poor country with a penchant for authoritarianism, unclear priorities, catastrophically corrupt political elites and the dominance of oligarchs. The Euromaidan has been successful in convincing at least a part of the German establishment that Ukrainians are eager to change the situation. German leaders seek to support Ukrainian efforts; the question is, how far is Berlin willing to go with that support?

The opportunities are also accompanied by risks. Germany is increasingly distracted by internal problems (especially by the refugee crisis). However, Berlin devotes even more attention to the issues related to efficient functioning of the whole European Union (primarily the Greek crisis, but soon the referendum on UK's exit from the EU might divert even more attention). Very soon, all German politicians will immerse into the election process, which would push Ukrainian issues into background: first, due to the important elections in five German

states in 2016, and then, in view of the parliamentary elections in 2017. Moreover, one should not underestimate the strong Russian lobby in Germany, and the pressure from a part of German business willing to restore the status quo in relations with Russia.

In the medium term, the interest towards Ukraine in Germany could be maintained at a high level with two conditions. The first is a pessimistic one: if the security situation in the region deteriorates, and the conflict between Ukraine and Russia escalates. Without a doubt, under such conditions, Ukraine would become at least one of the three priorities of German foreign policy. Obviously, such a scenario is not desirable for both Kyiv and Berlin. The second one is an optimistic one: Ukraine demonstrates sheer miracle of reforms and fighting corruption, and German politicians use the example of Ukraine as their own achievement, a kind of master card. There are also alternative scenarios: according to them, Ukraine is expected to return into the category of important, but not priority Eastern periphery of Europe. Allowing such a development is against the interests of Ukraine.

The major irritant in relations between Kyiv and Berlin is the issue of Ukraine's integration into the NATO. In Germany, there is a consensus that Ukraine's integration into the NATO would be a destructive policy. Moreover, that attitude is shared by German citizens: German public opinion beats all possible negative records, compared to other NATO member states. For instance, 57% of the Germans oppose Ukraine's accession into the Alliance, while even in France, 55% of respondents support that step.

Obviously, there is a need for a new level of dialogue in the security and defense sector. Currently, Ukraine and Germany are both focused on strengthening their own security and are implementing intensive reforms in their armed forces. Exchanging experience in this context could, on the one hand, be useful for the transformation efforts in Ukraine, and would also create the foundation for increase in the level of mutual understanding in the security sector.

Today, Germany lacks influential politicians or opinion leaders able to reasonably explain their citizens the importance of such a step. In this context, the situation has only worsened compared to that of the Bucharest Summit in April 2008, when Ukraine and Georgia

were denied the NATO Membership Action Plan. Any further claims regarding Germany's short sight in this matter, will not force Berlin to change its position.

The objective of this policy brief is to examine the real situation in relations between Ukraine and Germany in the key areas of partnership: political, security, trade, and economic. However, the main objective is to analyze the ways of rapprochement between the two countries, the "anchors" that could bring them closer to each other; it is actually about the reconfiguration of Germany's old foreign policy doctrine (the New Eastern Policy, or Neue Ostpolitik) into a new foreign policy program with a parallel track for Ukraine.

2. UKRAINE'S INTERESTS IN GERMANY AND GERMAN INTERESTS IN UKRAINE: POSSIBLE POINTS OF COINCIDENCE

- 2.1. Germany as a Mediator: Stability Above All
- 2.2. Reforms and German Support
- 2.3. Germany as a Guarantor of European Unity
- 2.4. German Investor as a Strategic Investor

2.1. GERMANY AS A MEDIATOR: STABILITY ABOVE ALL

In this regard, German interests and Ukrainian ones are the same: restoration of stability and cessation of Russian aggression. However, their visions of the mechanisms of ensuring those interests are different. Four or five years ago, the very idea of Germany as a close security partner of Ukraine would sound quite fantastic. Germany's interest to play an active role in the international security policy has been considered extremely limited by the administration of the Chancellor Angela Merkel. Today, security dimension defines the relations between the two countries and is in fact the basis of cooperation, as in the past two years, the leaders of the two countries have dedicated a significant part of their negotiations to the settlement of the conflict in Eastern Ukraine. We can observe, to a certain extent, the “donbasization” of German foreign policy towards Ukraine.² This development is quite dangerous, as it puts the relations between Ukraine and Germany at risk of becoming a hostage to conflict resolution in Donbas.

After the start of Russian aggression at the beginning of 2014, the new Ukrainian leaders have made special emphasis on engagement of the Western partners in order to stop Vladimir Putin. From the perspective of the international law, it seemed more natural to request support from the US, France or the UK, the signers of the Budapest Memorandum, which served as a guarantee of the territorial integrity of Ukraine, even though it was rather politically binding than legally. **No document obliged Germany to support the territorial integrity and sovereignty of Ukraine, or to mediate between Ukraine and Russia. However, Berlin was in fact doo-**

² *Alyona Getmanchuk, "Donbasization of the foreign policy of Germany?", 26.09.2015, <http://iwp.org.ua/ukr/public/1744.html>*

med to act in this matter, as a number of factors had pushed Germany to the forefront of negotiations. Therefore, through protection of the territorial integrity of Ukraine, Germany is primarily defending the international law and the post-Helsinki security order in Europe, not Ukraine itself.

Even in Ukraine, not everyone is aware of and properly assess the fact that Germany's efforts to stop Russia are in fact forced, but not obligatory. **No bilateral or multilateral format forces Berlin to the diplomatic activity (at least, no less and no more than any other country of the continent or the world, aware of the new threats).** Germany is often classified as an involuntary leader of Europe, the so-called "reluctant leader."³

In addition, over the past two decades, Germany has reanalyzed its involvement in settlement of the international crises: while in 1994, involvement of Germany in resolution of international crises has been supported by 62% of citizens (37% were against), in 2014, the situation has reversed: 60% against and 37% in favor⁴. One of the main conclusions of a large-scale review of German foreign policy for 2014 is the recommendation to carefully filter the level of involvement of Germany in resolving various international conflicts, including the request to stay away from those where the role of Berlin would be marginal or destructive. It was only once in the past fifteen years when foreign policy has become a major electoral factor: in the case of Gerhard Schroeder's position on Germany's engagement in military operations in Iraq. Therefore, the impact of the Chancellor Merkel's involvement into conflict resolution in Eastern Ukraine on her electoral rating should not be overestimated. Although, it is possible that the progress in conflict resolution could be utilized by her team during the election campaign of 2017, especially in case of absence of any other accomplishments in crisis management. A sustainable solution to the conflict in Eastern Ukraine could be the first major foreign policy victory for Germany outside the EU.

³ *Media Club "A Reluctant Leader. Germany's Role in the World and in the Ukraine Conflict," June 16, 2015, the Institute of World Policy, <http://iwp.org.ua/eng/public/1562.html>*

⁴ *Involvement or restraint? Findings of representative survey conducted by TNS Infratest Policy Research on German attitudes to foreign policy. Koerber –Stiftung <http://www.auswaertiges-amt.de/cae/servlet/contentblob/699442/publicationFile/203008/Schlussbericht.pdf>*

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2016 is the year of German Chairmanship in the OSCE, and Berlin has announced the settlement of the conflict between Ukraine and Russia as one of top priorities. During the Chairmanship, Berlin is going to “complement the efforts of the OSCE in Ukraine by voluntary financial allocations and provision of additional staff.”⁵ The motto of Germany's Chairmanship in the OSCE is “Renewing dialogue, rebuilding trust, restoring security.”

Despite the rather intense contacts between Ukrainian and German authorities within the past two years, one cannot confirm the unconditional trust in the bilateral relations. It is quite notably that supporting Ukraine in general, Germany feels rather uncomfortably due to the consequent disputes with Russia. Some German politicians still believe in the return to previous stage of business as usual with Russia. In Ukraine, at the same time, there are constant fears regarding Germany's possible attempts to seek a solution to the conflict behind Ukraine's back and under the influence, either direct or indirect. In this context, we could mention the highly symbolic speech by the Foreign Minister of Germany Frank-Walter Steinmeier presented on December 2014 in Yekaterinburg (Russia), which, unfortunately, remained unnoticed in Ukraine⁶. “...*There was also havoc at times when Russian and German leaders were getting on well! Our neighbors had bitter experiences during such phases. In the 18th century, German and Russian rulers divided the territory of Poland amongst themselves three times, until there was nothing left of Poland. Hitler and Stalin did the same as they marked out their spheres of influence over eastern Central Europe in the 1930s. It is vital that we keep this in mind in the current situation. We must also be aware of how these historical experiences still cause our neighbors to worry today.*”

Today, the trust in Ukrainian-German relations is tested through the settlement of the conflict in Eastern Ukraine within the so-called Minsk and Normandy processes. Kyiv has serious concerns that Germany does not sufficiently take into account the security factor (in

⁵ <http://www.osce.org/cio/215791?download=true>

⁶ *The speech by the Federal Minister of Foreign Affairs Frank-Walter Steinmeier in the Ural Federal University, December 9, 2014, <http://www.germania.diplom.de/Vertretung/russland/ru/08-politik/6-reden/bm-rede-jeka.html>*

particular, the issue of withdrawal of weapons), focusing primarily on political settlement. Berlin, in turn, considers Kyiv's tactics of delaying time in regards to Ukrainian part of obligations dangerous.

Nevertheless, in her speech to the Bundestag on October 15, 2015, Angela Merkel stressed that "the cornerstone" of the Minsk agreements is "complete withdrawal of all troops and mercenaries that remain illegally on Ukrainian territory, and Ukraine's complete control over its borders."⁷ Furthermore, according to some information, at the Paris summit it was Chancellor Merkel who showed Vladimir Putin showed the images of Russian rocket systems "Buratino" identified by the OSCE in the occupied territories of Donbas. Overall, **Germany is ready to listen to the arguments of Ukrainian side, if they have a substantial background.** However, they need to be articulated at all levels; one of the drawbacks of Ukrainian policies towards Germany lies in actual usurpation of that direction by the President of Ukraine. Instead, Ukraine **requires establishment of an alliance of opinion leaders able to express and explain Ukrainian position.**

Considering the fact that the Minsk process is now regarded as a priority issue by the Federal Government⁸, Ukraine's failure of commitments will have impact on the personal relations between the President of Ukraine and the Chancellor of Germany, as well as on the further debates on the future of the anti-Russian sanctions.

Germany's calls to accelerate implementation of the Minsk agreements shape a perception in Ukraine that Germany considers rapid political solution to the conflict in Eastern Ukraine possible. Instead, the German political mainstream has reached a consensus that this conflict is a long-term one, and a political solution can take years and even decades, as it was in case of reunification of Germany.

⁷ *The record of the Bundestag sitting of October 15, 2015, <http://dipbt.bundestag.de/doc/btp/18/18130.pdf>*

⁸ *The interview with a representative of the Federal Government of Germany, January, 2016*

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2.2. GERMANY AS A GUARANTOR OF EUROPEAN UNITY

Ukraine's interest in enlisting the support of Germany in negotiations with Russia is closely linked to another interest towards Berlin as a party able to ensure the unity of the EU on Ukrainian issues in various dimensions, from security to European integration. In Ukraine, there is an understanding that the lack of support from Germany would not allow a decision on imposing sanctions against Russia to be maintained for two years.

The Chancellor Merkel had personally played a major role in ensuring unity in four critical areas for Ukraine: ensuring unity on Ukrainian conflict within Germany, particularly at the level of the ruling coalition; ensuring unity at the EU level; ensuring the trans-Atlantic unity, coordinating all activities with Washington; and, to some extent, ensuring unity at the level of the President and the Prime Minister in Ukraine, thus avoiding reoccurrence of the destabilizing scenario of Yushchenko-Tymoshenko times.

However, there is no guarantee that Germany will continue performing the leadership functions. First, the influence of Berlin on certain EU states requires more and more efforts. Second, under the weight of internal problems, Germany could change priorities. The role of the *Chief facilitator officer of Europe*, as outlined by the Foreign Minister Steinmeier, may be revised.

The real test of the unity of the EU might be the issue of extension of sanctions against Russia in the mid-2016. By that time, the voices of supporters of the restoration of cooperation with Russia, that holds a massive campaign to discredit Ukraine as a party that does not fulfill its obligations under the Minsk process, could become more confident. One of indicative steps in this context was the interview of German's most popular newspaper "Bild" (the second most popular newspaper in Europe after British "The Sun") with the Russian President Vladimir Putin, emphasizing that it is Ukraine blocking the resolution of the conflict⁹.

⁹ *BILD-Interview Jetzt spricht Putin, 12 Januar 2016, <http://www.bild.de/politik/ausland/wladimir-putin/russian-president-vladimir-putin-the-interview-44096428.bild.html>*

According to all indications, **Berlin's support is rather situational. The temptation to return to the "Russia First" policy is still quite strong in Germany.**

In Ukraine, German championship in cementing the European unity is associated not only with the anti-Russian sanctions. It should be realized that sooner or later the question of punishment for Russia may disappear from the agenda. A unified position of the EU, however, would not lose its relevance for Ukraine. One of the issues in this context may be the introduction of the visa-free regime between Ukraine and the EU. Amid the refugee crisis, the attitudes towards strengthening control on not only external, but also internal borders of the Schengen area are being spread in the EU. Therefore, the idea of opening the borders for the Ukrainians could become extremely unpopular, which might be exploited by the right-wing populists in the EU. Under such conditions, the strong position of Germany is vital; however, it is important that Berlin does not become a victim of anti-migrant public attitudes, as the unity of the EU regarding the visa-free issue against this background would be extremely difficult to maintain¹⁰. Joachim Herrmann, the Minister of Internal Affairs of Bavaria, the largest federal state of Germany, has already questioned the possibility of a positive decision on the abolition of visa regime for the citizens of Ukraine and Georgia in public. In this context, the position of the Chancellor Merkel will be essential.

Germany's capacity of influencing the European unity depends on the inner strength and stability of Germany itself. It is important for Ukraine to develop a "Plan B" extending beyond the limitations of cooperation between Ukraine and Germany for adverse circumstances. **It would be extremely imprudent to rely exclusively on Angela Merkel, regardless of how strong her position may look today.** One of the risks is that Ukraine might find it difficult to reach agreement with those member states whose position on Russian aggression has

¹⁰ S. Sydorenko, "Visa-Free August: When Will the Schengen Visas be Abolished for the Ukrainians, and Which Conditions Could Prevent That?", "Yevropeyska Pravda", December 18, 2015, <http://www.eurointegration.com.ua/articles/2015/12/18/7042468/>

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been forcefully shaped by Germany (and the USA), and not by their dialogue with Ukraine.

2.3. REFORMS AND GERMAN SUPPORT

In Ukraine, there is a clear understanding that without external support the reform process can not proceed properly. Germany's efforts in this regard might play a significant role. It is, in fact, not only about financial resources (loans or grants) that Berlin could provide to Ukraine, but also about the advisory support, or even involvement at the level of political declarations.

The opinion poll conducted by GFK Ukraine in October 2015 at the request of the Institute of World Policy, has shown a significant demand for EU assistance. Every third Ukrainian believes that the EU needs to apply more pressure on the Ukrainian authorities, while only 9% of the Ukrainians expect more financial support from the EU¹¹. Obviously, this is related to Germany. Berlin, on the other hand, has never concealed that their support depends on reforming efforts in Ukraine.

Today, Germany belongs to the countries that allocate the most funds for reforms in Ukraine, rivaled only by the US or the EU in general. At the end of 2015, Germany promised to allocate another 136 million EUR for Ukraine, 20 million of which are non-repayable funds for technical projects. At the same time, 6 million EUR are meant for the implementation of decentralization in Ukraine, and significant funds are spent on the "green" projects and enhancement of energy efficiency: for instance, 3.55 million EUR have been provided for the municipal climate protection program in Chernivtsi; 2 million EUR have been allocated for the reform in energy efficiency¹². Together with Poland, Germany agreed to become some sort of supervisors of the decentralization reform in Ukraine.

¹¹ "How Could the EU Accelerate Reforms in Ukraine", the research by the Institute of World Policy, November 27, 2015, <http://iwp.org.ua/eng/public/1838.html>

¹² *Germany Will Allocate 136 Million EUR for Ukrainian Reforms, November 4, 2015, ZN,UA*, http://zn.ua/ECONOMICS/germaniya-vydelit-ukraine-136-mln-evro-na-reformy-194335_.html

The German government has developed an Action Plan to support Ukraine. Following the Chancellor Merkel's order for all German ministries and agencies to develop specific proposals for cooperation with Ukraine, eight state secretaries of ministries and departments visited Ukraine in order to identify common ground for cooperation on inter-ministerial level. Within the German Foreign Office, a working group on Ukraine with staff of 8 persons has been established. In contrast, the Ukrainian Foreign Ministry's first European department has to deal with more than 20 EU member states simultaneously.

Despite the designated financial assistance, German public reacts to the new Marshall Plan for Ukraine (or the Merkel Plan) controversially. As one of German officials responded to Ukrainian side's calls for the Merkel Plan for Ukraine, "We are looking forward to implementation of the Kolomoisky-Firtash-Akhmetov-Taruta plan for Ukraine. We cannot give away the money non-stop."

Instead, Ukraine should involve more German politicians acclaimed for implementation of successful reforms in Eastern Germany, such as the former Minister-President of Saxony Georg Milbrandt. In the context of economic reforms, learning from experience of the former Finance Minister Peer Steinbrück would be essential.

It is noteworthy, that in September 2015, the CDU/CSU has published a position paper for supporting Ukraine¹³. This document is not of a binding nature; it is likely that only a small part of the members of the ruling party is aware of it. However, it is important that there are politicians in Germany who realize the importance of support for Ukrainian reforms. Angela Merkel's party has published their plan just before the Normandy Format meeting.

If that document had turned into a program for action, then, obviously, Ukrainian-German relations could be considered as a top-level partnership. The main idea of the document is that the support of Ukraine's reform efforts is one of the vital priorities for both Germany and

¹³ *Getmanchuk A., Merkel's Party: "We are at Ukraine's side, there must be no doubt about it" October 1, 2015 <http://blogs.pravda.com.ua/authors/hetmanchuk/560cfb8064bc4/>*

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the EU in general. There are many reasons that could explain why this document has not become an effective mechanism for the CDU/CSU itself; however, **there can be no justification for the Ukrainian elites who did not even try to convince their German counterparts to use this document as a basis for further cooperation.** In this context, the part of the Ukrainian parliament, responsible for the foreign policy in general and Germany in particular, deserves special critique. **Representatives of the German Bundestag complain that Ukrainian counterparts constantly expect a “special invitation” and do not take the initiative themselves.**

The main ideas of the CDU/CSU's plan named “For the Proactive European Policy Towards Ukraine” are as follows:

- 1. The reputation of the European Union is at stake.** Support for Ukraine is a strategic challenge for the entire European Union. The CDU/CSU is aware that the reputation (“soft power”) of the whole European Union and its perception around the world depends on Ukraine's success.
- 2. More funds.** Ukraine will be able to count on greater support based on results along the reform path. The document states that Ukraine needs 100 billion EUR for modernization. Obviously, the EU faces the challenge to find the required resources.
- 3. Strict control.** The EU should closely monitor the process of reforms. Quote: “The strict conditionality to the smallest detail and continuous monitoring of reforms implementation should be the essential conditions for remuneration.”
- 4. The Weimar Triangle + Ukraine.** Germany, France and Poland should become leaders of support for reforms in Ukraine; they also should convince the rest of the EU on the necessity of support for Ukraine.
- 5. Merkel's party supports Ukraine.** Section 19 is probably the loudest in the document: “Our party is at Ukraine's side, and there must be no doubt about it.”

Surely, the development of this document should not create the illusion that Ukraine would certainly get a massive support following every single word of the declaration. First, it is obvious that the CDU/CSU themselves are still working on a consensus vision

of stronger support for Ukraine. Second, for the document to be implemented, it has to be supported by the coalition partners. Last but not least, as it is rightly stated in the declaration: there is a need for comprehensive and decisive policy of the entire EU, from South to North, and from East to West (currently, this integrity is far from perfect).

This document could really form the foundation of building relations of a different kind between the two countries, provided that Ukraine is able to join the initiative of the CDU/CSU. The task is, at best, to demonstrate the expected results in reforms, especially in fighting corruption; and at the very least, to intensify inter-governmental and inter-parliamentary contacts. Whether the declaration of the influential German faction will turn into a roadmap for the entire EU, depends on Ukraine.

2.4 GERMAN INVESTOR AS A STRATEGIC INVESTOR

Germany is one of the largest investors in Ukrainian economy. Today, the most promising markets in the world are competing for German investors. Ukraine also puts great expectations regarding German companies' investments after signing the Association Agreement. The projection was quite simple: Ukraine's accession into large European market would open more prospects for German investors due to the qualified staff, cheap labor and geographical proximity (Ukraine, in this context, could be more advantageous for German businessmen than the Asian countries).

Given the deteriorating economic situation, and, at the same time, growing social tensions in Ukraine, the investment inflow is extremely important and affects the state's sustainable development overall. However, Ukraine still has not become a magnet for major business projects. Primarily, due to internal instability and corruption; among other obstacles the corruption is the most mentioned by business representatives.

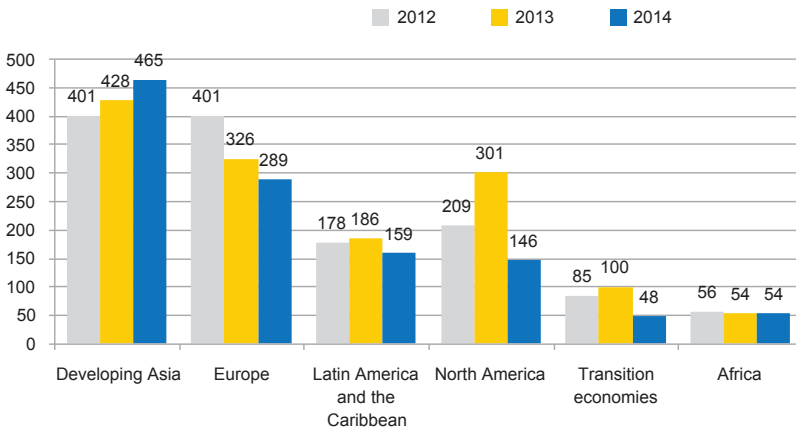
The key reason why the business is afraid to enter Ukrainian market is the unpredictability of the situation in the country. Risks associated with the possible loss of investment exceed possible profit expectations so far. For instance, in 2014, the level of direct investment in

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Ukraine decreased by 91%, to 410 million USD, which is the lowest figure in last 15 years. Such rapid decline cannot be explained only by corruption that characterized Ukrainian business climate throughout the whole period of Ukraine's independence. Obviously, the main reason was the war in the Eastern part of the country.

In addition, it will be quite difficult for Ukraine to win the fight for investors due to negative global trends. According to the recent statistics, the most essential investment flows are currently aimed at Asian countries. In 2014, direct foreign investments in Asian countries reached the total of a half of a trillion. At the same time, investments in Asian markets tend to increase, whereas in European ones they decrease. Germany is the largest investor among European countries and it is in the top five in the world (after the US, China and Japan).

Chart 1: Foreign direct investment (FDI) inflow by region, 2012–2014 (billions USD)¹⁴

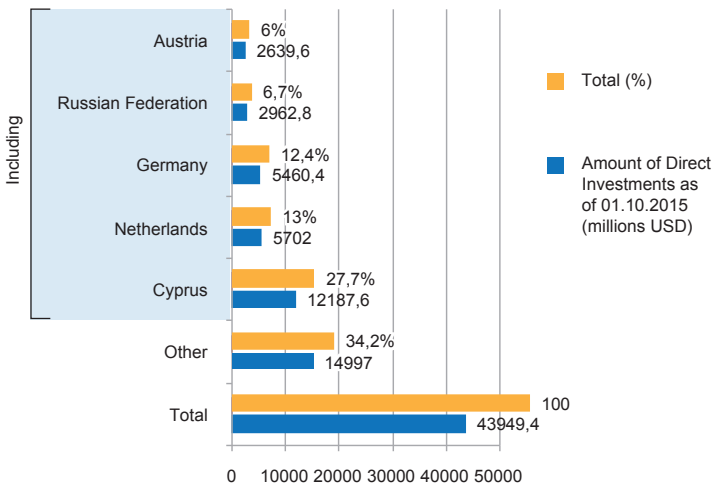


As of October 2015, Germany ranks third in the amount of investments coming to the economy of Ukraine from 138 countries. Germa-

¹⁴ *World Investment Report, 2015, UNCTAD, http://unctad.org/en/PublicationsLibrary/wir2015_en.pdf*

ny has invested 5.5 billion USD (12.8% of the total amount). Cyprus is traditionally the winner, as Ukrainian and Russian oligarchs' capital is hidden behind it; the Netherlands took the second position in the second half of the year, although before the German investments were the first runner-up.

Chart 2: Global foreign direct investments (equities) in Ukrainian economy¹⁵



The main German investments were aimed at metal production (4.3 billion USD; however, major part of that amount is related to the deal with ArcelorMittal, which cannot be considered as German business), wholesale and retail trade (257 million USD), and rubber products (238 million USD). According to the State Statistics Committee's data, there are about four thousand companies registered in Ukraine with authorized capital originating from Germany.

¹⁵ State Statistics Committee of Ukraine, http://www.ukrstat.gov.ua/operativ/operativ2015/zd/ivu/ivu_u/ivu0315.html

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German partners point out that **their investors are very cautious and therefore do not invest new funds; however, it is also important that the "old" investors are not closing their businesses in Ukraine.** On the other hand, the "old" investors keep complaining about corrupted Ukrainian state machine. There are fewer complaints regarding overregulation; furthermore, German businessmen speak rather positively of the banking sector reform. Nevertheless, the business feels distrust towards the principal Ukrainian institutions, which they have to deal with: judiciary system, tax administrators and customs. If Ukraine advances that slowly in reforming these institutions and areas, we should not expect any inflow of investments even if the war is over.

Ukraine is of interest to German business; however, there is also some frustration with the real change of rules. German businesses are particularly interested in entering the transportation and energy sectors of the Ukrainian economy¹⁶. Given the developed German high class automotive industry, the machine-building sector is beyond comparison in regard of interests. Many components for such vehicles as Volkswagen, BMW, Mercedes-Benz, Porsche, Opel and others are manufactured in Ukraine. German companies have created over 20 thousand jobs in Western Ukrainian cities to produce the vehicle parts. For instance, the Kromberg & Schubert company, which produces cable networks, has created 4,350 jobs in Lutsk; now it is building a new factory in Zhytomyr region, investing 30 million EUR and creating 3,000 new jobs. German businesses recognize the benefits of working in Ukraine; still, such recognition is not yet a guarantee for investment inflows, as production cost in Ukraine is currently the same as in China, while Ukraine borders with the EU and its residents have if not Western European, but at least Eastern European, not Asian, mentality.¹⁷

¹⁶ *Kyiv Post*, Julia Horovetska: *Will Berlin forum lead to new stage in Ukraine-German relations?*, October 26, 2015, <http://www.kyivpost.com/opinion/op-ed/julia-horovetska-will-berlin-forum-lead-to-new-stage-in-ukraine-german-relations-400710.html>

¹⁷ *A delegate of the German economy in Ukraine: «We foresee your overcoming the crisis only in 2017»*, December 4, 2015, «Forbes» magazine, <http://forbes.ua/business/1406898-delegat-nemeckoj-ekonomiki-v-ukraine-my-prognoziruem-vash-vyhod-iz-krizisa-tolko-v-2017-godu>

Another indicator of attention to business contacts with Ukraine is the public interest to the German-Ukrainian Investment Forum that has been held in Germany in late October. The German Chancellor Angela Merkel has participated in it personally and stressed, in particular, that “the Bundeswehr speaks well of “Antonov” aircrafts, developed agricultural sector and machine-building.” The same powerful political signal should be sounded by Ukrainian authorities in order to reassure the German investors that they would not have any problems with their business activities in Ukraine. Following the forum, an agreement on establishment of the German-Ukrainian Chamber of Commerce has been finally signed. The Chamber will take care of resolving possible issues of current and future German investors. The establishment of such a chamber proves that the German business intends to expand its presence in the Ukrainian economy; nevertheless, a lot will depend on Ukraine. Moreover, Germany provides 500 million EUR of loan guarantees for the companies engaged in the restoration of infrastructure in Donbas.

3. EXISTING AND POTENTIAL RISKS AND CONFLICTS

PEACE AT ANY PRICE?

3.1. STABILIZATION WILL CAUSE THE NEGLECT OF UKRAINE

Germany's interest in Ukraine has increased due to Russian aggression. Therefore, there is a reasonable risk that if the situation is settled, Ukraine would disappear from Berlin's foreign policy priorities. Moreover, the reconciliation between Kyiv and Moscow would let the Germans to return to the usual "Eastern Policy" with a focus on rebuilding relations with Russia (in that case, Ukrainian issues would be pushed to the background), especially in case if the current German Chancellor is changed.

Probability Low. At least in the short term, there are no specific prerequisites for reconciliation between Ukraine and Russia, primarily, since Moscow is not ready for it. The neglect could happen rather due to the fact that Germany is already used to the conflict between Ukraine and Russia, and therefore, might disregard new Moscow's provocations.

How to avoid? Ukraine should regularly prove to Germany Russia's attempts to destabilize the situation in Ukraine on all fronts: military, political, economic, information, etc. However, not only the security, but also the humanitarian dimension of the problem is extremely important for Germany. Ukraine should develop, in cooperation with the EU, a plan for the region's recovery and support for Ukrainian victims of war.

3.2. THE FAILURE OF THE MINSK PROCESS

German diplomacy named the Ukrainian issue the most important during its chairmanship in the OSCE in 2016. In a year, Berlin will have to report on their foreign policy achievements. Thus, the relations between the two countries might be adversely affected due to Ukraine's intransigence in the Minsk process.

Probability High. Most likely, Berlin will resort to coercion, promoting ideas of settlement that would not always take into account possible adverse consequences for Ukraine. The general fatigue of the Europeans related to the conflict settlement could force Berlin to even stronger influence on the parties. Certainly, the more significant pressure will be exerted on the weaker side.

How to avoid? There are indicators that at the current stage, Germany is primarily concerned with the very fact of stabilization, regardless of the sustainable settlement mechanism; i.e. it does not matter whether it is achieved by providing a special status to separatist regimes or by freezing the conflict without reintegration. Accordingly, if the parties manage to stabilize the situation even without following the Minsk process commitments, it would be fine for Germany. In that case, however, Ukraine will have to take into account the first risk, the fact that stabilization can lead to the neglect of Kyiv.

3.3 SANCTIONS AGAINST RUSSIA ARE NOT YET A GUARANTEE OF COOPERATION WITH UKRAINE

Ukraine should understand that even if they convince the partners not to renew cooperation with Moscow, there is no guarantee that this will automatically promote the expansion of Berlin's relations with Kyiv. Ukraine should develop a roadmap based on different principles. 2014 and 2015 are the years of situational partnership, in other words, "a friendship against a common enemy". 2016 could be a turning point, when the Russian factor should play a less significant role.

Probability Quite high in the short and medium term. It is doubtful that Russia will change its policy towards Ukraine. Crimea will remain annexed, and Russia will continue the destructive policy towards the West. Although a part of the sanctions can be lifted, it is unlikely scenario

for all of them. However, Germany's interest concerning Ukraine can deteriorate.

How to avoid? German politicians admit that it will be harder for them to explain their support for Ukraine without the obvious success stories. If Ukraine demonstrates such success stories, it is possible that the “New Eastern Policy” of Berlin will be re-formatted with a focus on Kyiv (in case of the favorable result of elections in 2017). It is also vital to develop clear indicators of success for those reforms that are critical to the perception of Ukraine, in order to convince the partners that those reforms actually occur. For instance, the German partners should clearly define, what exactly would they consider an indicator of the fight against corruption, reforms of the prosecution office, or deoligarchization.

3.4. ELECTIONS CRUNCH TIME

Germany is entering the long-term election process. Already in 2016, elections will be held in five of 16 federal states of the country, including Baden-Wuerttemberg, Rhineland-Palatinate, Saxony-Anhalt, Berlin and Mecklenburg-Western Pomerania. This means that the Germans will be much more interested in internal than foreign affairs. The problem of the Russian aggression against Ukraine is not among the priority subjects of the political debates in Germany. Moreover, it is not possible to expect that the issue of supporting Ukraine will become one of the hottest topics of electoral debates. The refugee crisis topic is already the top one. The Germans' focus on themselves will be even more evident in 2017, when the federal elections should be held. This is a particular challenge for Angela Merkel, as she will have to pay less and less attention to Eastern Europe (especially given the fact that more and more often she lacks support even among her political partners in the CDU/CSU).

Probability Very high. At the end of 2015, it was already clear that German citizens were not particularly concerned with the Ukraine-Russia war topic. The main attention was focused on the refugees and the Syrian problem.

How to avoid? There are two ways: simple and pessimistic or complex and optimistic. The simple solution is that in case of an influx of Ukrainian refugees into the EU as a result of further escalation of the conflict or rapid deterioration of the socio-economic situation in Ukraine, Ukrainian topic could become as urgent as the Syrian one. Obviously, Ukraine is the least interested in such development of events. The complex, but beneficial for all, solution is in rapid implementation of reforms in Ukraine; Ukraine's success story would not necessarily become a subject for electoral debates; however, it would ensure support at the level of the German government, political forces and businesses.

3.5. INCREASE IN POPULARITY OF THE PRO-RUSSIAN SENTIMENTS

The refugee crisis and aggravation of the anti-American sentiments increases pro-Russian attitudes among an increasing number of German citizens. Attacks on German women committed by the refugees in Cologne on New Year's Eve have become the highlight of German political space. The popularity of the CDU/CSU decreased rapidly (from 43% in August 2015 to 32.5% in January 2016). Instead, the political forces favoring the resumption of cooperation with Russia, including "The Lefts" and "The Alternative for Germany," are growing popular. While the "Lefts" have a stable level of popularity of around 10%, support for the "Alternative" has increased from 3% in August 2015 to 13% in January 2016¹⁸.

Probability Relatively high. The increase of the right-wing sentiments has become a real challenge for Germany. The PEGIDA anti-Islamic movement rallies thousands of people in German cities: for the country with the Nazi past and the deep sense of guilt for the crimes committed by Germany during the World War II, such social trend is an emergency. At this moment, there is a basis for strengthening of these sentiments.

¹⁸ INSA / YouGov, «Wenn am nächsten Sonntag Bundestagswahl wäre...». / <http://www.wahlrecht.de/umfragen/insa.htm>

How to avoid? Ukraine should be aware that their partners in Germany are primarily the CDU/CSU, the Green Party, and the SPD, to a certain extent (however, in this case Ukraine's ability to work with the social-democrats could be essential). The inter-party cooperation should be intensified; the government officials should also maintain contacts with the key representatives of those political forces. Regardless of increasing popularity of the leftists and right-wing radicals, there are no serious prerequisites for dramatic changes of German political landscape in the short term perspective. The CDU/CSU and the SPD will remain the most powerful political forces. Kyiv should respond promptly to any manifestations of "The Lefts" aimed against the interests of Ukraine. In this context, the current German government supports Ukraine, denouncing their parliamentarians' contacts with the separatist regimes. Germany is especially sensitive to humanitarian issues, such as human rights and socio-economic support of the affected region. The more effort will Ukrainian government invest in this regard, the less will be the risk of distrust towards Ukraine (by the way, there will also be less reasons for criticism towards Ukrainian government by the left-wing politicians). One of these issues was the problem of providing pensions for the citizens remaining in the conflict zone.

3.6. THE PROBLEMS OF THE EU ARE MORE IMPORTANT THAN UKRAINE

Refocusing of Germany's attention might be also caused by the aggravation of the crises in the European Union. The major risk is the UK's possible exit from the EU. Poland with a tendency to narrowing the political freedoms in the country and expressing claims against the partners in the EU is no lesser problem. The Greek direction will also traditionally require appropriate efforts.

Probability Very high. Although Germany prioritized Ukraine for their Chairmanship in the OSCE, attention should be also paid to other challenges in Europe. The risk of crisis or even several crises in the EU in 2016 is quite

high. Furthermore, the referendum in the Netherlands in April 2016 might become another challenge to the existence of the EU.

How to avoid? Ukraine is probably one of the few countries on the continent that is genuinely interested in the leadership of Germany. This interest will only increase on the background of weakening of Poland's position in the EU. Today, Germany is the only heavyweight in the EU able to promote Ukrainian interests effectively. Ukraine should emphasize and prove that it is one of the few countries on the continent that values the partners' support of Germany. **Ukraine has to shift from the priority/problem category to priority/opportunity.** That can be done only through reforms.

3.7. THE PRESSURE OF BUSINESS

Since the beginning of the conflict between Ukraine and Russia, German business has been mainly opposing the sanctions that would affect their revenues. Merkel's tough stance is rather unexpected, as most commentators were quite skeptical at first about the very possibility of severe sanctions, and then regarding their long-term extension. The willingness of German companies to build a new gas pipeline, the "Nord Stream 2," has caused a sharp reaction of Ukraine. Moreover, it led to a serious misunderstanding between Germany and other EU member states, including Italy. Rome was outraged by the fact that while the EU partners forced the Southern member states to abandon the development of gas cooperation with Russia (the "South Stream"), companies from Germany, France, Austria, and the Netherlands were negotiating with the "Gazprom" on a similar project.

Probability The pressure of business has never stopped. The probability that the sanctions against Russia can be moderated or partially lifted during the second half of 2016 is quite high. Ukraine should prevent the victory of those opinion leaders, who would hold Kyiv responsible for a possible failure of the Minsk process, in the internal German debates.

How to avoid? No matter how strong is the influence of business, it is obvious that this confrontation is dominated by the politicians. Therefore, Ukraine should maintain constant contacts with the Federal Chancellor's office and the Bundestag to inform them on Kyiv's efforts aimed at resolving the conflict with Russia, and the facts about Russian aggression. The dialogue with the businessmen is equally important; it is necessary to avoid incorrect charges, taking into account the fact that Ukraine is interested in making most of those businessmen invest in Ukrainian economy. A part of German businesses is aware of all the risks, even though they are trying to return their activities in Russia on the pre-crisis level. In 2015, the number of enterprises with German shares has decreased by 7%, which makes up over 400 companies¹⁹. The Government of Ukraine should make every effort to ensure the launch and facilitate the activities of the German-Ukrainian Chamber of Commerce.

3.8. THE FAILURE OF REFORMS IN UKRAINE.

The German Government has identified the following areas for reforms to be supported appropriately: energy and resource efficiency; promotion of economic development and infrastructure; decentralization and local governance; principles of the rule of law and fighting corruption; civil society, education, science and media.

Germany allocates hundreds of millions of Euros of assistance to Ukraine, including the aid aimed at reforming the country. Germany is ready to continue supporting Kyiv in that direction; however, it is clear that in the nearest future, the Federal Government will raise

¹⁹ *Over the year, more than 400 German companies have left Russia*, "Deutsche Welle", January 21, 2016, <http://www.dw.com/ru/%D0%B7%D0%B0-%D0%B3%D0%BE%D0%B4-%D0%B8%D0%B7-%D1%80%D0%BE%D1%81%D1%81%D0%B8%D0%B8-%D1%83%D1%88%D0%BB%D0%B8-%D0%B1%D0%BE%D0%BB%D0%B5%D0%B5-400-%D0%BD%D0%B5%D0%BC%D0%B5%D1%86%D0%BA%D0%B8%D1%85-%D0%BA%D0%BE%D0%BC%D0%BF%D0%B0%D0%BD%D0%B8%D0%B9/a-18995018>

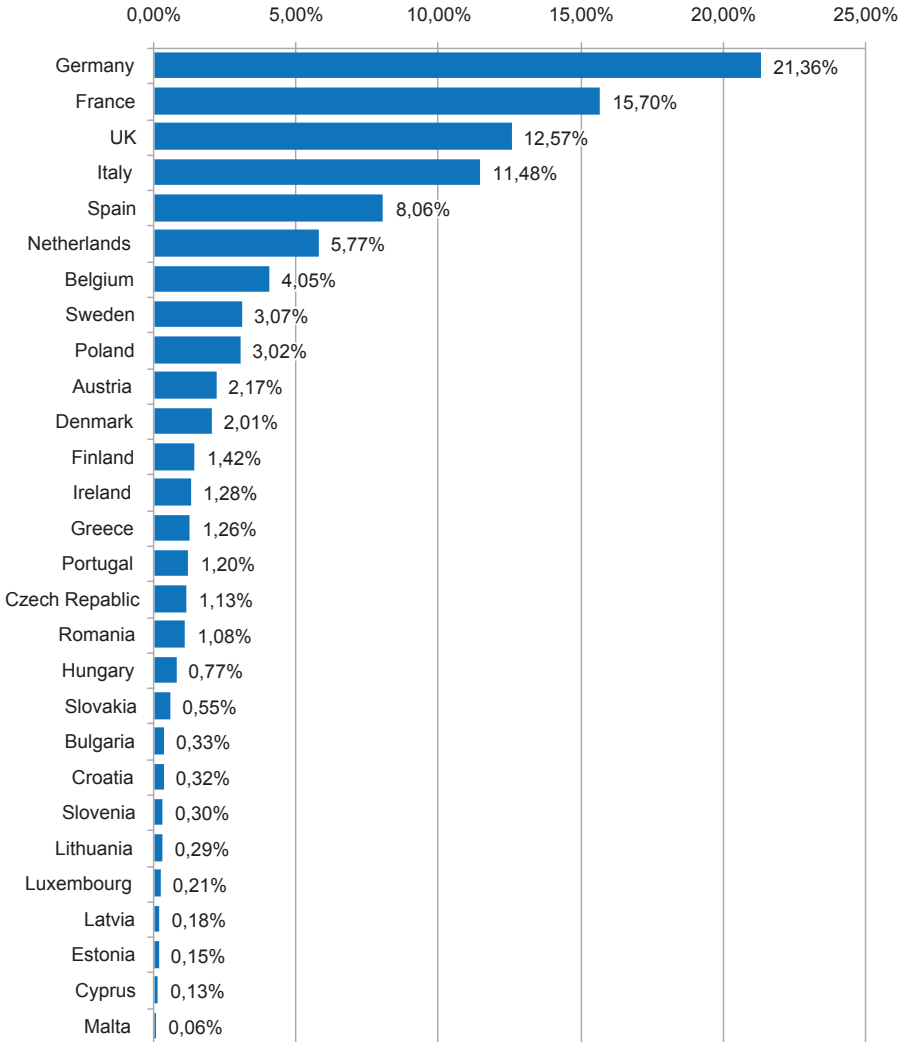
the question, whether there was a sense in supporting Ukraine. Two years after the Euromaidan is a quite significant period to report on the work done. Ukrainian leaders' political will for the reforms raises many questions. In particular, the German side could not understand the persistence of Ukrainian President on the issue of discharging the Prosecutor General Viktor Shokin.

Meanwhile, it is not about 200 million EUR of German aid for the reforms. It is about a much wider support. **It should be noted that every fifth euro received by Ukraine from the EU, has German origin, since Germany's contribution to the budget of the European Union is about 20%. If Ukraine fails reforms, it would undermine the trusting relations not only with Germany, but likely with the whole EU.**

Probability There is a relatively high risk of failure of reforms. Ukraine should also reckon with the fact that the success of the reforms should be particularly noticeable and tangible.

How to avoid? Only concrete and visible progress could convince Germany that the process of reforms has got off the ground. No longer can we talk about the adopted laws or established institutions. Each step in the right direction should be properly communicated to the German partners. For instance, Germany regards the issue of energy efficiency as highly important; in this context, Ukraine has started moving in the right direction. Another equally important issue is decentralization. It is possible that the issue of decentralization has become interesting for Germany in the context of the Minsk process and Russia' calls regarding the so-called "federalization." Therefore, there is a risk that as soon as the conflict enters the frozen stage, Berlin would divert their attention from this issue (as it was in case of German assistance in federalization of Moldova).

Chart 3. Distribution of contributions to the EU budget in 2014

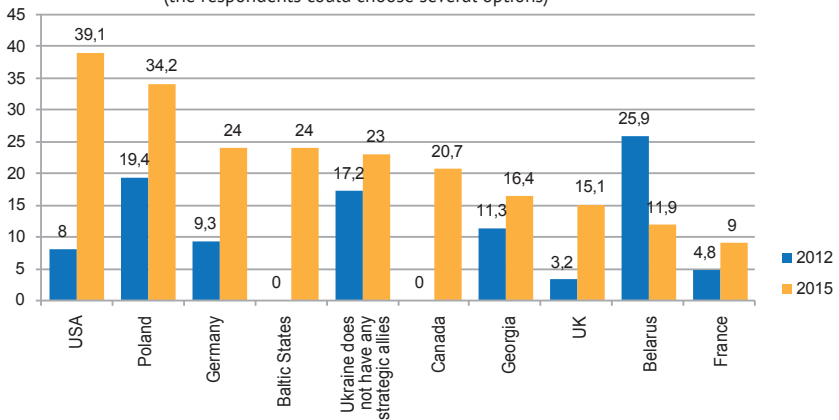


4. WHO IS WHO? INTEREST GROUPS IN GERMANY AND UKRAINE

4.1. HOW DO THE UKRAINIANS VIEW GERMANY AND THE GERMANS VIEW UKRAINE?

Four years ago, only one in ten Ukrainians called Germany a strategic ally of their country. By the end of 2015, the number of those Ukrainians has doubled. Today, 24% of Ukrainian citizens include Germany into the list of three strategic allies of their state. Only the US (39.1%) and Poland (34.2%) are ahead of Germany that has equal result with the Baltic States. Only four years ago, the Ukrainians had mostly set their hopes on Russia (40.2%) and Belarus (25.9%). While the leadership of the US and Poland is quite expected, the question is, why Germany reached the third place? Obviously, that is a result of Berlin's leadership efforts after the beginning of Russian aggression against Ukraine.

Chart 4. Which countries can be considered our strategic allies?²⁰ (the respondents could choose several options)



²⁰ Results of the sociological study "Citizens of Ukraine on Security: Assessment, Threats, Solutions to Problems." This study has been conducted by the sociological service of the Razumkov Centre from November 6 to November 12, 2015. Overall, the study had involved 2008 respondents aged above 18 from all regions of Ukraine, except Crimea and occupied territories of Donetsk and Luhansk regions. The sample represents the adult population of Ukraine by the major social and demographic indicators. http://www.razumkov.org.ua/upload/1412757450_file.pdf

The German citizens also show changes in their attitudes caused by the war. While in March 2014, the majority of the Germans opposed sanctions against Russia (only 38% supported such a measure, and 77% opposed Russia's exclusion from the G8)²¹, only a year later, in February 2015, rigid approach towards Moscow has been supported by 65% of the Germans and opposed by 31%²².

However, Germany has a record in terms of non-readiness to provide Ukraine with armaments in response to Russian aggression. According to a survey conducted by the Pew Research Center, 77% of Germans oppose that measure²³. However, the majority of the Germans consistently support provision of economic aid to Ukraine: according to the polls conducted in 2015, two thirds of the Germans were in favor of such policy.

German society is quite demanding towards Ukraine. According to the opinion poll conducted by TNS for the Institute of World Policy in 2015, the Germans had often (compared to citizens of other EU member states) answered that Ukraine still has to prove its commitment to European values (24%). Almost half of the Germans (44%) believe that corruption is an obstacle to European integration of Ukraine.

Ukraine is not viewed among the priority states, which means that the ordinary Germans do not believe that Berlin has to expand cooperation with Kyiv. However, the experience of Poland, which is considered the second (after France) most important country for cooperation by the Germans, is quite indicative. Another interesting experience for

²¹ *Majority of Germans against anti-Russia economic sanctions, 07.03.2014, Deutsche Welle, <http://www.dw.com/en/majority-of-germans-against-anti-russia-economic-sanctions/a-17480983>*

²² *Germany in the Russian-Ukrainian Conflict: a Political or a Humanitarian Mission, OSW COMMENTARY 2015-02-18 Anna Kwiatkowska-DrożdżKamil Frymark, <http://www.osw.waw.pl/en/publikacje/osw-commentary/2015-02-18/germany-russian-ukrainian-conflict-a-political-or-a>*

²³ *NATO Publics Blame Russia for Ukrainian Crisis, but Reluctant to Provide Military Aid, JUNE 10, 2015, Pew Research Center, <http://www.pewglobal.org/files/2015/06/Pew-Research-Center-Russia-Ukraine-Report-FINAL-June-10-2015.pdf>*

the research is that of South Africa, which has also made its way into the top ten priority countries for cooperation for the Germans²⁴.

Youth could serve as a basis of the dialogue with German society, as a relative majority of young Germans (compared to other age groups) believe that Ukraine is a part of Europe (40%). It might seem as a self-evident fact; however, this option has not been chosen in many member states.

Major associations with Ukraine in Germany are war, Russia and the Klitschko brothers (see Table below). Overall, the Germans treat Ukrainian non-political figures more favorably. Ukrainian politicians are so discredited in Germany that it will require a lot of time and efforts by the new, unbiased by corruption schemes politicians and government officials to change the perception of Ukrainian politicians in Berlin. As for the artists, until recently there were Yuriy Andrukhovych and Andriy Kurkov, and nowadays the most respected ones are Serhiy Zhadan and Katja Petrovskaja. The major German media contact the writers and ask them to comment on the current political developments in Ukraine. This factor should be taken into consideration, and the representatives of civil society, artists, and experts should be involved into preparation of information projects and events in Germany.

Table 1. The Germans' key associations with Ukraine²⁵
The opinion poll conducted by the Institute of World Policy in 2015

War	53%
Russia	19%
Klitschko	13%
Poverty	11%
Crisis	9%

²⁴ *Involvement or Restraint? Findings of Representative Survey Conducted by TNS Infratest Policy Research on German Attitudes to Foreign Policy.* Koerber –Stiftung <http://www.auswaertiges-amt.de/cae/servlet/contentblob/699442/publicationFile/203008/Schlussbericht.pdf>

²⁵ "What Do the Europeans Think about Ukraine?", the Institute of World Policy, June 2015, http://iwp.org.ua/img/Ukr_poll_eng_all.pdf

4.2. WHO SHOULD UKRAINE BEWARE OF?

Germany has become a home to a new term in the narrative on the conflict between Ukraine and Russia, the *Ruslandverstehler* (“those who understand Russia”). All former Chancellors who led German government after the collapse of the USSR belong to that camp in one way or another, regardless of their party affiliations; this applies to Helmut Schmidt (died in November 2015), Helmut Kohl, and especially Gerhard Schroeder. Last year, Egon Bahr, the author of the “New Eastern Policy” who defended the ideas of his creation, the *Ostpolitik*, until his last days, had passed away.

During the hot phase of the conflict, Gabriele Krone-Schmalz, the author of the book “Understanding Russia” (the common guest of the TV shows related to Ukrainian issues), has been among the most popular faces on German TV. The essence of her book is that Ukraine is a former part of the Russian Empire, and therefore, it is logical to take Moscow’s interests into consideration. Among other sympathizers of Moscow, the experts mention several prominent members of the Federal Government²⁶. It should be noted, however, that those politicians who value their own reputation try to distance themselves from Moscow, while earlier they could advocate strengthening the bilateral relations.

4.3. WHO ARE THE FRIENDS OF UKRAINE IN GERMANY?

Today, the representatives of the CDU/CSU and the Green Party are the greatest supporters of Ukraine. The Social Democratic Party also agrees with the position of their coalition partners, the CDU/CSU, and condemns Russian aggression against Ukraine. However, sometimes the position of the Social Democrats looks more conciliatory towards Moscow.

The German experts admit that at the present moment, Ukraine does not have any consistent and powerful lobbyists comparable with the Deputy Head of the CDU/CSU Andreas Schockenhoff (died in De-

²⁶ *Stefan Meister; Reframing Germany’s Russia Policy – an Opportunity for the EU / ECFR. 24th April, 2014, http://www.ecfr.eu/publications/summary/reframing_germanys_russia_policy_an_opportunity_for_the_eu306*

ember 2014). Back in February 2013 (a year before Russian aggression), in an interview for the Institute of World Policy, he warned that “Ukraine is the geo-strategic and economic centre piece for a “Eurasian Union” under Russian dominance. This is why Moscow is putting so much pressure on Kyiv.” It is also important that the Chancellor Angela Merkel listened to him. To some extent, her involvement in Ukrainian affairs after Russian aggression could be associated with Schockenhoff’s advisory efforts.

Among the friends of Ukraine, there are also representatives of the Green Party: first of all, Marieluise Beck. The Head of the Parliamentary Committee on Foreign Affairs Norbert Röttgen (CDU/CSU), who, by the way, opposed the “Nord Stream 2” project, also shares the critical attitude towards Russia. Among the public opinion influencers are historian Karl Schloegel, the author of the book *Entscheidung in Kiew* (“The Kyiv Decision”); and Boris Reitschuster, the known critic of Russian authorities, journalist, and the author of the book “Putinocracy” (that is the title of Ukrainian version, while the German version can be literally translated as “Putin’s Demokratorship”). The camp of supporters of Ukraine is also reinforced by Elmar Brok, the Head of the European Parliament Committee on Foreign Affairs. In the past, he had consistently criticized Angela Merkel for insufficient efforts towards exposing the human rights violations in Russia.

Over the past two years, numerous supporters of Ukraine have emerged in German political, expert and academic circles. In order to achieve a real turn in the policies towards Ukraine, a critical mass of such persons in Germany is required. That requires their constant engagement into Ukrainian issues through training visits to Ukraine, joint research projects organized at the Embassy of Ukraine, etc. The major problem for Ukraine is the lack of financial and human resources. There is a certain asymmetry in the availability of resources for the development of bilateral relations between the two sides. While it is Ukraine that is more interested in relations with Germany, the latter possesses more people able to deal with issues related to Ukraine on professional level. This applies to various dimensions: from governmental and parliamentary to academic and analytical. For instance, the Ministry of Foreign Affairs of Germany has established a special working group on Ukrainian issues consisting of 8 persons at the time of development of this policy brief, while in the MFAs of other key EU

member states, a single person is responsible for Ukraine and some neighboring countries.

Ukraine seriously underestimates the relations with the individual federal states of Germany, even with such influential (in both political and financial aspects) as Bavaria. The Minister-President of Bavaria has no problems with meeting the Chinese top officials during the visit to Beijing; in Ukraine, at the same time, the need for meeting the Minister-President has been questioned at even lower levels.

Similarly, we observe underestimation and neglect towards 50 partnerships established between the cities and districts of Ukraine and Germany. Some of them have been established in Soviet times and need to be revised, primarily due to passive positions of Ukrainian sister cities. Today, the representatives of certain German cities would gladly replace or extend their "sisters" in order to establish more effective cooperation. For instance, cooperation with Lviv enjoys significant demand among the German cities, since the city government has repeatedly proved its interest in such cooperation. On the other hand, the situation is quite opposite for e.g. Pechersk district of Kyiv, which has partnership relations with Charlottenburg district of Berlin, although Vitaliy Klitschko is the acting mayor of Kyiv. Previously, the partnerships of this sort have made a great contribution to rapprochement between Germany and France, as well as between Germany and Poland.

RECOMMENDATIONS

1. Ukraine should maintain dialogue with Germany on all levels: not only on the presidential one. While critical period required active negotiations between the President and the Chancellor, there is a need to expand the circle of agents responsible for the development of these relations from Ukrainian side.
2. Ukraine underestimates inter-parliamentary cooperation and influence of the German Bundestag on the agenda of the country. The Bundestag lacks visits of colleagues from Ukraine, primarily those able to effectively present the “new Ukraine” and improve the perception of Ukrainian politicians as ones discredited by corrupt schemes and focused only on their own enrichment.
3. Ukraine and Germany should develop a common interaction strategy that could be applied as a basis for Berlin’s revised policies towards Ukraine. In order to facilitate this process, the support plan released by the CDU/CSU in October 2015 and the Action Plan for supporting Ukraine proposed by the Federal Government could be utilized. There is a need for Ukrainian version of the “Partnership for Modernization” policy.
4. Ukraine should engage the reforming experience of German politicians acclaimed for implementation of complex reforms in Eastern Germany, e.g. the former Minister-President of Saxony Georg Milbrandt.
5. Ukraine and Germany should develop common indicators for the reforms in order to avoid constant misunderstanding of success of certain reforms, as well as claims regarding their absence. That primarily relates to those reforms that involve German assistance directly or through consultancy or financial aid.
6. Ukraine should convince Germany that every cent of German financial aid is utilized effectively. Taking into account the large number of joint initiatives and projects, it would be expedient to establish a position of the Commissioner for Germany at the Ministry of Foreign Affairs of Ukraine, who would coordinate

and promptly respond to any initiatives from the German side at various departmental levels.

7. Ukraine should provide maximum support to German businesses in order to invite their investments and apply the “zero obstacles” principle for them. In particular, the Government should facilitate establishment of the newly created German-Ukrainian Chamber of Commerce and offer favorable investment conditions for German businesses. Organization of the Bavarian-Ukrainian Economic Commission in 2016 will be critical.
8. Ukraine should maintain cooperation with Germany in the field of security, not focusing on the issue of integration into the NATO. Today, the German army also undergoes modernization; thus, Ukrainian and German government officials may find numerous areas for cooperation, at least in humanitarian sphere (as it was in the case of training organized for Ukrainian military doctors in Germany).
9. Ukraine should pay more attention to the German states. In order to ensure that, Kyiv should utilize the existing partnership programs between Ukrainian and German cities and towns, establish new partnership programs, and include visits to German states’ capitals into agendas of Ukrainian delegations to Germany. The Embassy of Ukraine should become an effective communicator, able (as well as the Ambassador to Germany) to participate in the debates on Ukrainian issues organized in various German federal states.
10. In communication with broader German audiences, Ukraine should rely more on civil activists, artists and experts, rather than politicians. Among the Germans (mainly German media), German-speaking representatives of Ukraine, including the members of the art community, such as Serhiy Zhadan or Katja Petrovskaja, enjoy more trust than any political figures. Journalists ask the artists about their views on reforms in Ukraine or negotiations with Russia. The MFA of Ukraine should establish communication with those representatives of the art community, whose opinion has major impact abroad.

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