

a platform for European
security architecture



CONFERENCE REPORT

WORLD IN CRISIS: SECURITY CHALLENGES AND IMPLICATIONS FOR WIDER EUROPE

Kyiv, December 17, 2009

The opinions expressed in the conference summary do not necessarily reflect the positions of Open Ukraine Foundation or its partner and donor organisations. Speakers' interventions have been edited for clarity and may differ slightly from delivery.

Kyiv, 2010

© All rights reserved.

CONTENT

Foreword	4
Acknowledgements	6
Conference summary	7
Expert focus	16
Media focus	32
Conference agenda	36

FOREWORD



The 2009 international conference “World in Crisis: Security Challenges and Implications for Wider Europe” offered an ample venue for creative political thinking, so ardently needed in politics in these dire times.

Politically, financially and psychologically, the year that passed since the last forum was a nail-biter. The worst economic downturn in the last 75 years hit mankind with the velocity of a tropical storm. Its true magnitude as well as its impact on global and regional politics, on the very way we think, act and approach our common future, is still to be accounted for.

There are at least two lessons to be drawn from the 2008-2009 shakeups: a comfortable one and an uncomfortable one. The comfortable lesson is that the modern world is still a global village.

This idea has grown on us and instilled us with a hope for the new world prosperity to be reached through globalisation. The uncomfortable lesson is that globalisation has also an ugly side. This cosy global village of ours can be devastated by a single financial melt-down within a historically minuscule period of time.

In order to stay on the right track the humankind needs to broaden its horizons and adopt its mindset to the realities of the new multi-polar world. It takes courage, experience and profound analytical skills to anticipate these turning points of global ebbs and flows. I hope that the 2009 conference contributed to this process, for only brainstorm in conference rooms can avert snowstorms in the world of politics and finance.

Open Ukraine Foundation brought together bright and creative minds from around the world. I do appreciate the effort of my fellow organizers and the readiness of the participants to be there for an open and down-to-earth discussion. As Kyiv once again proves to be a fertile soil for freethinkers, I hope that Ukraine, together with the rest of Europe, enters a new – storm-free and successful – part of its history. If this conference laid a small brick into foundation of our common future, I would consider its mission duly accomplished.



Arseniy YATSENYUK,
Founder of Open Ukraine Foundation

ACKNOWLEDGEMENTS

Open Ukraine Foundation wishes to thank all the institutions and individuals who contributed to the success of the conference. We would like to express our appreciation to our partners - Chatham House (United Kingdom), European Policy Centre (Belgium) and the Regional Representation of the Friedrich Ebert Foundation for Ukraine and Belarus - for their support and cooperation, and to our donors – the Black Sea Trust for Regional Cooperation, a project of the German Marshall fund of the United States, and Polish Aid - for their financial support.

We would also like to acknowledge the valuable contributions of the Ministry of Foreign Affairs of Ukraine, the International Centre for Policy Studies (Ukraine) and the Institute for Economic Research and Policy Consulting (Ukraine).

We wish to thank the magazine “Glavred”, the newspaper “Den” and the news agency “UNIAN” for informational and media support.

Finally, we are grateful to Stephan De Spiegeleire, Ihor Burakovskyy, Hlib Vyshlinski, Dimitrios Triantaphyllou, Nick Kochan, Mats Hellstrom, Olga Shumylo, Ihor Dolgov, Yuliya Nikolaichuk and Ann Merrill for their contributions.

CONFERENCE SUMMARY

NEW REALITIES

A golden era of peace and prosperity seemed just around the corner, when the outbreak of the global crisis pre-empted the *End of History*.¹ The values of liberal democracies have come under fire and have even been accused of being the root causes of the crisis. The democratic model itself has been challenged in the renewed competition between Western democracies and authoritarian regimes like China: indeed, the economic successes of authoritarian states have made their development model seem like an attractive alternative. Many developing countries, in particular in the Black Sea and Caspian Sea region, have been hard hit by the downturn and their economies are likely to remain in deep crisis. The crisis has thus raised the risk of a democratic backlash, especially in those countries where democratic institutions are not yet fully consolidated.

Over the last 20-30 years, economic growth, combined with other factors such as democratization and the international community's larger security efforts, has contributed to a spectacular decline in armed conflicts across the world. But the recession is threatening to reverse the positive effects of economic growth on international security.

All these questions were debated by the participants of the international conference titled "World in Crisis: Security Challenges and Implications for Wider Europe".

The global economic and financial crisis brought about dramatic changes in world affairs, and its effects are likely to be long-lasting. Countries across the world have designed enormous rescue packages and taken unprecedented measures to protect their economies and stabilize the international system. One conference participant called this "storm behaviour": as in a natural storm, people look for shelter to protect themselves from immediate danger - but the real damage only becomes visible once the storm has passed.

The crisis may have unleashed a storm, but it has also created opportunities for positive change. It is up to the world's political and economic elites to seize this opportunity to build a stronger, healthier, and more stable world order.

The recession has underlined the growing interdependence of world economies. The economic collapse in the industrialized world spread to the rest of the world with the speed of the domino effect. Still, while no country has been immune to the downturn, to call the crisis "global" would be an overstatement. Economically speaking, a recession means negative GDP growth for two or more consecutive quarters. Thus, countries like China, where economic growth slowed down but did not stop, are not in a recession. In-

1 Francis Fukuyama, *The End of History and the Last Man* (The Free Press, 1992)

deed, whereas developed economies have contracted to a degree unseen since the Great Depression, China's growth has remained robust. The World Bank estimates that China's performance is likely to make it the world's second-largest economy in the near future.

Conference speakers agreed that while the global crisis did not set off the global power shift, it has certainly accelerated it. The replacement of the G-8 by the G-20 for economic issues has confirmed the growing importance of emerging economies in the global system of economic governance. This new format now includes countries like China, India and Brazil and is, without doubt, better suited to addressing the challenges brought about by the recession.

But even more importantly, the crisis marked the end of the unipolar world and revealed a new balance of power, which was characterized by several speakers as the decline of the West and "the rise of the Rest."² The world is not what it was two years ago. Great-power politics and ideological competition are returning to the world stage. To rephrase Robert Kagan, geopolitics is in again, and geoeconomics is out.³

But there is also another reason why the world is a different place, and that is globalization. The current crisis erupted in one part of the world, and quickly spilled over to the rest. In today's globalized world, there are no safe havens from threats like climate change, terrorism, state collapse or proliferation of weapons of mass destruction. In making this painfully obvious, the recession may have acted as a wake-up call for world leaders.

A NEW SECURITY ENVIRONMENT

Conference participants identified several trends likely to shape the future world order. Although these trends emerged prior to the crisis, several speakers argued that the crisis might have accelerated their return to the international scene. These key trends confront countries with new realities and strategic choices, and they shape the priorities of global and regional security organisations.

A shift in the global balance of power: Emerging economies have formed new power centres, and they can reasonably claim a larger role in world affairs. The international system, including multilateral financial and economic institutions, reflects the balance of power of the 20th century and is neither acceptable to the new world powers, nor able to tackle the challenges posed by the global crisis.

The rise of the Rest has intensified competition for spheres of influence among world

2 Fared Zakaria, The Rise of the Rest (Newsweek, May 2008)

3 Robert Kagan, Is Democracy Winning? (Prospect, May 2008)

powers. In wider Europe, Russia, emboldened by the wealth it has accumulated in recent years, has moved to regain its sphere of influence in the region. Moscow has not shied away from aggressive tactics, even engaging in a war at the expense of good relations with the West. Its recent proposal for a European Security Treaty, unveiled by President Medvedev in November 2009, is another attempt to reshape the regional security architecture.

In contrast, the EU is consumed with internal problems, such as double-digit unemployment, social unrest and fiscal constraints, which make it less able to pursue an active outward agenda in the neighbourhood. Several speakers noted a paradigm shift in the EU's relations with its neighbours as a result of the global crisis. The EU now wants countries in the neighbourhood to take responsibility for their own futures, instead of waiting for the EU to come to the rescue and solve their problems. Although the economic crisis has highlighted the need for reform in the European neighbourhood, governments in the region seem to be focused more on the pursuit of rescue funding than on reform. Thus the EU's power of attraction is severely limited.

A return to power politics: The global crisis has exacerbated economic disparities between countries. Transition economies in wider Europe have been hard hit, and their recovery is expected to be slow. The EBRD estimates that the outputs of Ukraine and Armenia are likely to shrink by double-digit figures. In contrast, Azerbaijan's economy has been skyrocketing in recent years, and despite the crisis it is expected to grow by 8% next year. And as conference participants noted, economic imbalances lead to conflicts. The wealth that Azerbaijan has accumulated in recent years puts it in a position of power vis-a-vis Armenia, whose GDP is expected to have declined by 18% in 2009. Thus, Azerbaijan's wealth gives it leverage for breaking the status quo in Nagorno-Karabakh.

Frozen conflicts in the Black Sea and Caspian Sea region are attractive terrain for renewed power struggles. And when countries in the region opt for power politics, regional security organisations find themselves sidelined. In the debate on the role of OSCE in the recent conflicts in Abkhazia and South Ossetia, speakers took opposing positions. One side argued that the OSCE demonstrated its irrelevance to solving regional security problems, while the other insisted that the concept of cooperative security is workable only when contracting parties agree to work together on the basis of shared values and a shared vision of the future.

A return to ideological competition: Several emerging economies adhere to capitalist market values but have not evolved politically. Authoritarian states like China and Russia have liberalized their markets and directed the resulting incomes toward strengthening the state's grip on political life. The Russian leadership has come up with the notion of "sovereign democracy," which provides an alternative ideological model to



SUMMARY REPORT

Western-style democracy. It was noted that the ideological predominance of Western democracies is increasingly questioned by political elites across the world, including in Europe.

NATO has often been at the heart of these competing worldviews. In the Black Sea and Caspian Sea region, divergent views on the meaning of democracy and the conflicting security interests of key regional players contribute to growing criticism of NATO and its role in the region. Although regional security is viewed differently, security threats are the same: the proliferation of weapons of mass destruction, climate change, terrorism, etc. During conference discussions, it was argued that failure in Afghanistan could create a global security threat, and that Russia's interest in NATO's success in Afghanistan was an objective reality.

COPING WITH THE CRISIS

The global crisis has provoked similar reactions around the globe. Some have been innocuous but others, if left unchecked, could impact the global security environment.

Populism: Protectionist measures have been taken and populism has been on the rise. High unemployment rates have become major political liabilities; labour markets were thus among the first areas where governments introduced populist measures.

Populist tendencies have been seen all over the world. For example, in Ukraine, stimulus spending has been driven by a mixture of economic realities and political pressures. In the US, rising popular discontent over the high salaries of top bankers prompted the increase of taxes on executive bonuses. Participants argued that this measure is mainly driven by populist considerations, as it is unlikely to substantially benefit the state budget. Populism may bring short-term political benefits, but in the long run it may backfire.

Reforms slowed but not reversed: In many countries, especially in countries with transition economies in the Black Sea and Caspian Sea region, governments' attention to reform was diverted to immediate rescue measures. Although these rescue measures may address the fiscal implications of the global crisis, they may also prove short-sighted: future economic growth will require fundamental reforms to be sustainable. In conference discussions, easy international funding was compared to a morphine shot: it relieves the pain without eliminating the need for major surgery. If conditionalities are ignored and the importance of reforms is downplayed, sustainable economic growth is unlikely to occur.

A similar position was expressed with regard to the IMF. It was argued that the IMF cre-

ates a dependence on external funding and thus hinders development.

On the other hand, it was also maintained that the crisis will not lead to a backlash against reform. Some predicted that the pace of reforms will slow down as a result of the crisis, but that there will be no major reversals. However, it was admitted that fiscal constraints will make reform difficult for many transition countries. Thus, it may take longer before wider Europe becomes free and democratic, as well as stable and peaceful.

Democracy backlash: The collapse of the government in Reykjavik was a disturbing moment for political elites worldwide. It demonstrated the political risks inherent in the popular discontent provoked by the global crisis. Several countries inside the EU have been shaken by social unrest. However, most experts started to ring the alarm bell when economic difficulties threatened to inflate political instability in countries outside the EU. Neighbourhood countries found themselves in dire economic situations, and their ability to withstand internal political pressures was uncertain. While EU countries have consolidated institutions, neighbourhood countries have weak political institutions and immature democratic traditions.

The example of Latvia came up in conference discussions. In Latvia, a young scholar was arrested for allegedly spreading rumours and false information about the dangers of keeping money in banks, especially in his country's currency. If a democracy backlash cannot be ruled out of within the EU, then developments in the newly established democracies that surround it must be watched with even greater attention.

Economic nationalism: During the crisis, classic protectionist measures were taken. However, in comparison to the recent Asian and Latin American crises, the current crisis has been less dramatic. The findings of a joint WTO, OECD and UNCTAD study prepared for the G-20 meeting in autumn last year noted policy slippage in certain areas, but asserted that there was no high intensity protectionism in reaction to the crisis.

Conference participants warned of the risk of economic nationalism turning into political nationalism. For example, in Ukraine, it gave way to a revived debate on potential re-nuclearization. In countries hard hit by the crisis, economic difficulties have contributed to a growing sense of insecurity. In Ukraine, the leadership is looking for security guarantees from its partners, and if they are not forthcoming, the question of re-nuclearization may return to the fore.

A NEW BEGINNING?

The crisis is a decisive moment. Mitigating it requires a great deal of energy and resources. Conference participants raised many important questions about the implica-

tions of the recession on security in wider Europe. Economic troubles heighten the risk of democratic backlash, and economic imbalances between countries in the region threaten to make power politics increasingly attractive. Populism and nationalism undermine regional cooperation and challenge the role of multilateral institutions. The world order based on cooperation and multilateral institutions may be jeopardized by mounting competition between world powers. This may lead to balance-of-power politics. All these challenges combined may be detrimental to the concept of collective security in wider Europe.

On the other hand, the crisis also represents an opportunity for a breakthrough. It is a chance to make radical changes that will produce positive effects.

The recession demonstrated that the current financial architecture is outdated and unable to meet new global challenges. The weight of emerging economies in the global economy can no longer be discounted; the world's financial architecture must therefore be reviewed. The current system reflects the world order that emerged in the second half of the last century. Today, it is challenged by the rising Rest. The world order needs to be adjusted to today's realities, and the global crisis has only accelerated this process. This is an opportunity to build a new world order that will be acceptable to and accepted by all.

Javier Solana was cited saying that solutions must be global because the current crisis is global. In today's increasingly interdependent world, no country has been spared the negative effects of the recession. The solution must thus involve the collaborative efforts of all. The crisis is an opportunity to develop multilateral responses that will lay the groundwork for a new system of global governance.

When economies were growing, governance was not a priority. Today, the crisis has created a demand for governance and reform, both domestically and internationally. For developing countries in wider Europe, this is an opportunity to conduct much-needed reforms to ensure that future economic growth is sustainable.

Sustainability is at the core of stability. The global crisis highlighted the vulnerabilities of rent economies. The rent economies of countries like Russia or Azerbaijan are dependent on the global appetite for energy resources, which has decreased as a result of the crisis. For these countries, the sustainability of future growth will depend on the government's ability to diversify the economy. On the other hand, countries like Ukraine or Moldova need to build more energy-efficient economies to ensure sustainable growth. The global crisis is a real opportunity to make strategic choices to ensure future prosperity.





EXPERT FOCUS

PLENARY SESSION I: GLOBAL CRISIS AND NEW REALITIES

- **What Is The Crisis? What Are We Dealing With?**
- **Global Order Or Disorder?**
- **Global System Of Economic Governance – Modification Or Substitution**
- **International Security In The Post–crisis World: Will New Superpowers Appear?**

The global crisis showed that today there is no hegemon in the world. New centres of influence appear. All European countries, including members and non-members of the European Union, must unite if we want the European continent to form a powerful centre of influence. Otherwise, we will be left behind again. We were behind the United States, and in ten years we will be behind China.

It is easy to predict how events will develop: they will develop dynamically. Dynamic developments will mean one thing: capturing new markets, capturing new spheres of influence, the rise of new “super powers”. I hope that the European continent will not be left behind after the economic crisis. For us – all of Europe, members and non-members of the European Union - this is a chance to take the lead.



Arseniy YATSENYUK,
Member of Parliament,
Leader of Party *Front*
***Zmin*, Founder of Open**
Ukraine Foundation

Full texts of presentations are available at: <http://ksf.openukraine.org/en/2009/materials>

The last eighteen months have been the most turbulent in recent European history. These months have included economic and financial crises, energy disputes, ecological and environmental problems, rising political tensions, diminishing trust, accusations from neighbours, and, finally, war in Europe. This century has seen its first war on the European continent and, hopefully, the last.

Since this war, we have lived in a different world. In fact, Russian officials call it a new reality. They say that they will not move back from recognition of the so-called new states. New realities emerge in international relations. However, one can see a difference when one country (for example, one as big and powerful as the Russian Federation) is trying to impose a new reality on the entire international community.



Valeri CHECHELASHVILI,
Secretary General, Organi-
sation for Democracy and
Economic Development –
GUAM



Traian CHEBELEU,
Deputy Secretary General,
Permanent International
Secretariat, BSEC

Building consensus for global order requires a rules-based approach. It also requires complementary action among all existing multilateral institutions: a universal international organisation, ad-hoc fora like the G-20, G-4 and other G formats, and regional economic cooperation organisations. They all contribute to a global system of economic governance. The idea is to build upon existing institutional mechanisms and make them interact and operate more flexibly, rather than invent a completely new system of world economic governance.



Pirkka TAPIOLA,
Senior Adviser, Policy
Unit, Council of the
European Union, General
Secretariat

NATO is not a global organisation and will not become global in the future. There is no political will and no resources to do that. People often believe that NATO will become a gendarme for the world. This is not on the agenda and this will not be on the agenda for the next 20 years.

However, NATO is part of globalisation, and we have to think globally. We have many understandings of security, many understandings of democracy, many understandings of societies and cultures. But we have the same problems: proliferation of weapons of mass destruction, terrorism, rogue states, environment-related issue, and cyber-terrorism.

If we fail collectively in Afghanistan, it may create a global security threat for all societies, including Ukraine. Today, the security of Europe is being dealt with somewhere in Kabul and Kandahar.

The crisis has given us a real opportunity. We have seen the lack of separation between business and politics. We have seen weak politics, strong business and even chaotic politics. It was fine as long as the global market was functioning, as long as things were going forward and as long as the economy was growing. The governance factor was not needed that much for economic growth. Now, that's gone. In the time of crisis, business needs governance and countries need governance to build their futures. Now, there is a fundamental opportunity: not just for Ukraine specifically, not just for the region, but for transition economies in general. There is a demand for governance and there is a demand for reforms. Actions must be taken now.



Michel DURAY,
Head of the Outreach
Countries Section, Public
Diplomacy Division, NATO

Unfortunately, today Ukraine is in a security vacuum. Ukraine is between the two large groups. On one side, there is NATO. On the other side, there is the Collective Security Treaty Organisation.

The question of Ukraine's security is a great challenge for its diplomacy. First steps in addressing this challenge have already been made. We have very active dialogue on the Association Agreement with the EU. For the first time in the EU legal practice, we included into the text of the agreement a separate article, providing for political guarantees of Ukraine's security.

In addition, we are working with our key strategic partners, particularly with the United States. During the recent visit of the Minister [of Foreign Affairs of Ukraine], we discussed ideas on how we could strengthen the security guarantees that were given to Ukraine in 1994 in the context of the Budapest Memorandum. The Budapest Memorandum was good, but we would like to have a Budapest Memorandum "Plus".



Kostiantyn YELISIEIEV,
Deputy Foreign Minister
of Ukraine



PLENARY SESSION II: POLITICAL AND SECURITY RISKS ARISING FROM THE GLOBAL CRISIS: WHAT IMPACT ON THE BLACK SEA REGION AND THE EUROPEAN UNION

- **What New Priorities Will The Global Crisis Bring Onto The Regional Security Agenda?**
- **Dealing With Domestic Instability And Insecurity: Will The Existing Regional Frameworks/Instruments (NATO, EU, OSCE, BSEC) Be Up To The Challenge?**
- **Economic Security – A New Challenge?**
- **Political Radicalization And National Egoism: Is Democracy At Risk?**

Today, the security of wider Europe is as critical as it has never been before. The OSCE failed to perform its functions in places like Kosovo, Abkhazia and South Ossetia. There is a fundamental crisis for the OSCE. It is time to raise the question of a new Helsinki process – Helsinki-2. Here, we must have an ambitious objective: this process must be named the Kyiv initiative and it should take place in Ukraine.

...

In crises, there is a request for consensus, not for confrontation. In Europe, there is a request for a more corporate European security, not for confrontation. We must restructure our brain and understand that the position "we will be with you against someone" is not what's needed now.



Oleksandr CHALYI,
Deputy Foreign Minister
of Ukraine (1998-2001)



Oleksandr PAVLYUK,
Head of External
Co-operation,
OSCE Secretariat

The OSCE is a mirror of those issues that exist in European security. An organisation is a sum of its parts, its member-states in other words. If there is no consensus among member-states, no organisation can reach its goals, be it the OSCE, NATO, the EU or GUAM. Collective security can exist only when countries agree on a set of values and have a common vision of their future. If countries have no common vision and disagree on values, collective security is problematic.

The Helsinki process should not be replaced by Helsinki-2, but it has to transform into Helsinki-Plus. There is no need to abandon or change the obligations undertaken by the member-states of OSCE, but there is a need to reinforce their implementation.

...

During the crisis, we talk more about interests and less about values. The values of liberal democracy are increasingly challenged. Some argue that it was liberal democracy that led to the crisis. It marks a remarkable change: 40 years ago the OSCE Charter of Paris for a new Europe recognised democracy as “the only system of government of our nation”.



Stephan De SPIEGELEIRE,
Senior Scientist, The
Hague Institute for
Strategic Studies, the
Netherlands

One of the implications of the crisis is what I call “democratic backlash”. Scholars are concerned about the ability of new and less consolidated democracies in Eastern and Central Europe to avoid political breakdowns, especially in the context of sharp drops in incomes and increased unemployment. National jingoism has also been on the rise.

As a result of the economic crisis, democratic turbulence cannot but trouble the EU. The EU is concerned about the situations in its member-states, and this has an impact on the EU’s power of attraction beyond its borders. In these uncertain times, the state of the Union’s relations with its neighbors to the East reflects or mirrors its state of mind – somewhere between the perseverance of national egoisms and the need for joint coordinated strategies.

Many people, especially in this part of the world, think that security is linked to institutions, and that membership can solve security problems. However, there is a lot of homework to do before joining these institutions. In Western Europe, after the incredible disaster of the World War II, countries had to reconstruct themselves first and membership in institutions was a final step. We cannot reverse this causality.



Dimitrios
TRIANANTAPHYLLOU,
Director General, Interna-
tional Centre for Black Sea
Studies, Greece Economic
Cooperation

Markets are stabilising, and the financial crisis seems to be passing. The problem now is the risk of induced problems due to reactions. Unemployment is going to increase political pain. There will be continued credit defaults. There may be new shocks and inflation risks, less in terms of consumer inflation than in asset inflation and asset bubbles. There are going to be challenges in converting from what has been public driven stimulus into a more private driven recovery.

Infrastructure is one of the key points as we look towards transitioning from stimulus spending to more private spending. Infrastructure is a great investment opportunity, an opportunity to create jobs and future growth. For Ukraine, Euro 2012 is a real opportunity. But what are the principal challenges? First comes corruption. There have to be assurances that the infrastructures will actually be built. Secondly, there is a need for regional approach. Three European transport corridors intersect in Ukraine. There are a lot of different Black Sea transportation ideas and projects. Without international cooperation, and if the balance moves back to a national approach, these types of infrastructure projects are likely to be unrealised.



James GREENE,
Senior Advisor,
US-Ukraine Business Council



Suren MOVSISYAN,
Senior Expert, Research and
Development Unit, Inter-
national Center for Human
Development, Armenia

In the South Caucasus, there is no regional cooperation. Cooperation initiatives come from the Western states or international organisations, but not from the states in the region. Countries are involved in different projects but there is no regional cooperation.

PLENARY SESSION III: EU/BLACK SEA REGION: ECONOMIC POLICY RESPONSES TO THE GLOBAL CRISIS. SOCIAL AND POLITICAL DIMENSIONS OF THE CRISIS MEASURES

- **Policy Responses: Economic Nationalism Or Protectionism? Populism Or Pragmatism?**
- **State Support During The Economic Crisis: Market Stimuli And Social Policies**
- **Regional And Global Economic Policy Coordination: How Much Do Political Divisions Matter?**
- **Labour Market And Migration Policies Under Pressure: What Reforms Are Needed?**
- **Consequences Of Rising Social Tensions**

What kind of economic growth will emerge in the future? In parallel to the economic crisis, there is a climate crisis and global warming that will probably force changes in traditional living standards and consumption patterns. It has been said that if all the people in the world lived by “western standards”, it would require so many resources that we would need three globes – not just the one we live on!



Mats HELLSTROM,
Minister of Trade of
Sweden (1983-1986,
1994-1996),
Governor of the Province
of Stockholm

While many transition countries suffer from large output declines, economic and political systems have been surprisingly resilient in almost all respects. Currency and banking system collapses were avoided, even in very hard-hit countries. Net capital outflows were much smaller than in the previous crisis, for example in Asia in the 90s. There were no uncontrolled currency collapses and no runs on the banking system (with the possible exception of Kazakhstan). Banking systems kept functioning in all countries throughout the crisis.



Alexander PIVOVARSKY,
Senior Economist, Office
of the Chief Economist,
European Bank for
Reconstruction and
Development

Why is there relative resilience this time? One of the reasons is the role of European institutions in Eastern Europe. Other reasons include greater support from IFIs and the stabilizing role of international banks. Much money came to the region through foreign banks, rather than wholesale markets. These foreign banks had no choice but to support their subsidiaries in the region.



Gulshan PASHAYEVA,
Head of Foreign Policy
Analysis Department, Cen-
tre for Strategic Studies
under the President of the
Republic of Azerbaijan

Azerbaijan is not very integrated into the global financial system. Azerbaijan has no well-developed stock market. For all these reasons, Azerbaijan was less affected by the crisis.

However, challenges may arise in the event of prolongation of the global financial crisis. The question is whether Azerbaijan's economy will resist the adverse effects of the crisis. Much will depend on future policy with regard to the diversification of Azerbaijan's economy and the reduction of its dependence on oil revenues.



Petru VEVERITA,
Managing Director,
Foundation for Social
and Economic Research -
CASE Moldova

The anatomy of the crisis is rather simple: easy credit, bad loans, weak regulation and supervision of complex financial instruments, loss of credibility and trust and, finally, financial panic. However, the channels of transmission of the crisis are different. Although developing countries are less integrated into global financial markets, the poorest countries are hit harder due to slow export growth, reduced remittances and low commodity prices. The crisis may also lead to the reduction of private investment inflows. This means that weak economies are less able to cope with international vulnerabilities.



PLENARY SESSION IV: WHERE TO GO FROM HERE: RETHINKING CURRENT POLITICAL AND ECONOMIC MODELS

- **A New Financial Architecture?**
- **Managed Growth Rate – Future Prospects?**
- **Coping With Security Risks During A Period Of Economic Crisis: Ways Forward**
- **The Economic Crisis And The Economies Of The Black Sea Region: Boosting Reforms Or Riding The Storm**
- **Is There An “Ideal” Model Of Anti-Crisis Policy?**



Dmitriy SOROKIN,
First Deputy Director,
Institute of Economics,
Russian Federation

Should Russia be involved in designing a new global financial architecture considering its share in global finances? Russia could disappear from the global financial markets, and nobody would even notice. In my opinion, two factors will shape the new global financial architecture.

First, we should not rush in replacing the dollar as a world currency and, hence, rush to reduce America's role in the new global economic and financial architecture. Second, there is no need to exaggerate the role of China. There is no need to talk about the Chinese threat. China is in a period of extensive growth. In the 1930s, the Soviet Union's economy was growing while the whole world was in a deep crisis. It is only after the transition from extensive to intensive growth that all the problems will come to the surface. The Chinese leadership is well aware of that.



Ihor MITYUKOV,
Managing Director,
Morgan Stanley Ukraine

Azerbaijan's economy is rather primitive, but it will keep growing for some time. Existing energy contracts will bring 150 billion dollars over the next ten years. In addition, there might be other sources of revenue, such as the well-known Nabucco pipeline.

Lenin said that all conflicts arise from imbalances in economic development. Azerbaijan has no reason to share its wealth with Armenia. The wealth Azerbaijan will be accumulating in the next several decades will give us a stronger negotiating position – just like tanks on our soil made Armenian diplomats feel more comfortable in the 1990s. Times have changed, and prosperity again is more than tanks. That is why Azerbaijan will not engage Armenia in regional economic cooperation, although political and civil society dialogue must be sustained and developed. This is our view. I would like to re-emphasize, though, that these imbalances can both bring us closer to a peace deal and lead to the renewal of war.

Will the dollar disappear as the dominant currency? No. But even if it happened, it would take several years before a new system could be built. Too many financial flows, too many tools, and too many assets are measured in this currency. In my opinion, the US economy will take off and grow faster than other economies, and the role of the dollar will not diminish.



Ilgar MAMMADOV,
Co-Founder, Republicanist Alternative civic union, Azerbaijan

Georgia has harmonized its legislation with the EU. Georgia wants a deep and comprehensive free trade agreement with the EU. Georgia needs European life standards. However, speaking of an economic development model, Georgian authorities prefer the Singapore model. Singapore has no economic regulations and limited democracy.



Revaz SAKEVARISHVILI,
Leading Expert,
Economic Policy
Research Centre, Georgia







for Wider Europe



MEDIA FOCUS



December 22, 2009

Opportunities of kind crisis

Mikola Siruk

"...Stephan De Spiegeleire, senior scientist at the Hague Institute for Strategic Studies, pointed to the lack of research on the links between economics and security. In his opinion, economics get a lot of attention while security gets little attention, even at the national level. The Dutch expert noted that security issues must be part of economic research.

In Ukraine, few politicians understand that Kyiv must have a more active position in its dialogue with the EU. This was underlined by Arseniy Yatsenyuk, a presidential candidate, who was present at the conference. He maintained that "Kyiv is disappearing from the political map: Washington talks to Brussels about Kyiv, or Brussels talks to Moscow about Kyiv. And this is our fault. Everybody maintains active dialogue with their partners. And Ukraine is about to be bypassed by North and South Stream. Very soon Ukraine's transportation system will solve the problem of scrap metal..."



December 17, 2009

Ukraine is the only European country not to have been offered eventual membership in the EU – Kostiantyn Yelisieiev

Yana Lemeshenko

"...Today, Ukraine is the only European country - and this has been acknowledged by the EU – to have openly declared its membership ambitions but not been offered eventual membership in the EU", said Kostiantyn Yelisieiev, Deputy Foreign Minister of Ukraine.

Arseniy Yatsenyuk, founder of Open Ukraine Foundation and presidential candidate in Ukraine's elections, noted that the EU is not ready for negotiations on Ukrainian membership. "My position is very clear: if the EU is ready for negotiations, then we are ready too. But I understand that the EU is not ready", he emphasized.

In his view, Ukraine needs to create a new realistic relationship with the EU: no declarations but concrete actions..."



December 21, 2009

“Michel Duray: “Ukraine-NATO relations go deeper than military and technical cooperation”

Bohdana Kostuk

"...According to Vladimir Rakhmanin's words, the high level of representation at the Forum proves that energy security is an integral part of international trade, international policy in the Black Sea-Caspian region and on an all-European level as well. Vytautas Nauduzas, Deputy Minister of Economy of Lithuania, stressed that energy relations connect states of different regions stronger than historical relations. There are no absolutely energy-independent states. Even Russia has needs from its energy partners - modern equipment for oil extraction, timely payments for energy carriers' transit and so on..."



December 17, 2009

Chalyi knows where look for answers on Ukraine's security

Bohdana Kostiuik

"...Former Foreign Minister of Ukraine (1998-2001), Oleksandr Chalyi noted that Ukraine must rethink its security to address today's challenges.

"Today, we must become a key element in the security architecture of wider Europe. The OSCE must become a new powerful pan-European security organisation", he added.

Chalyi argued that Ukraine is the only large European country whose security challenges were not resolved after the end of the Cold War..."



КОМСОМЛЬСКАЯ ПРАВДА

В У К Р А И Н Е

December 19, 2009

The end of illusions: Ukraine is increasingly frustrated with the formalities of European integration

Dmitriy Yatsenko

"...Arseniy Yatsenyuk affirmed once again that there is a need to review Ukraine's European integration policy. At an international security conference in Kyiv, he noted: "The European continent must realize that Europe is not only the 27 member-states of the EU. A united Europe could become a very powerful centre of influence. Our common goal, together with the EU, Russia and other countries, is to become stronger. We must make every effort to achieve this."

With regard to Ukraine's cooperation with European countries, Arseniy Yatsenyuk stated: "We have to live and develop. This is why we need to establish a new format for cooperation. We need a bilateral visa-free regime, free circulation of goods, jobs and services, as well as political dialogue. Ukraine is a country with Christian and European values. We need joint high-scale economic projects, starting, first of all, with the energy sector..."



December 17, 2009

Arseniy Yatsenyuk does not see the end of the economic crisis

Sofia Pyschschyk

"...Presidential candidate, Arseniy Yatsenyuk, does not see the end of the economic crisis. He made this statement at an international conference in Kyiv.

"There are political declarations that proclaim the end of the economic crisis. However, I doubt that it is over. If the price of gold is going up, and the price of oil is going down, there is one conclusion: the world remains in stagnation. If unemployment grows, it means that the economic crisis is still with us", he maintained..."

CONFERENCE AGENDA

Kyiv, 17 December 2009

Venue: "President Hotel", 12 Hospitalna Street (Conference-Hall, 1st floor)

8:30–9:00 *Participant registration and press accreditation*

9:00 – 10:45 **Plenary Session I**

GLOBAL CRISIS AND NEW REALITIES

Suggested topics:

- *What is the Crisis? What Are We Dealing With?*
- *Global Order or Disorder?*
- *Global System of Economic Governance – Modification or Substitution*
- *International Security in the Post-Crisis World: Will New Superpowers Appear?*

Moderator: Oleksandr SUSHKO, Research Director, Institute for Euro-Atlantic Cooperation, Ukraine

Opening remarks: Petro POROSHENKO, Minister of Foreign Affairs of Ukraine

Speakers:

Arseniy YATSENYUK, Member of Parliament, Leader of Front Zmin Party, Founder of Open Ukraine Foundation, Ukraine

Valeri CHECHELASHVILI, Secretary General, Organisation for Democracy and Economic Development – GUAM

Traian CHEBELEU, Deputy Secretary General, Permanent International Secretariat, BSEC

George LOGUSH, Director General, KRAFT Foods, Ukraine

Michel DURAY, Head of the Outreach Countries Section, Public Diplomacy Division, NATO HQ

Pirkka TAPIOLA, Senior Adviser, Policy Unit, Council of the European Union, General Secretariat

Discussant:

Andriy YERMOLAYEV, Director, Centre of Social Studies "Sophia", Ukraine

10:45 – 11:15 Coffee Break

11:15 – 13:00 Plenary Session II**POLITICAL AND SECURITY RISKS ARISING FROM THE GLOBAL CRISIS: WHAT IMPACT ON THE BLACK SEA REGION AND THE EUROPEAN UNION****Suggested topics**

- *What New Priorities Will the Global Crisis Bring Onto the Regional Security Agenda?*
- *Dealing with Domestic Instability and Insecurity: Will the Existing Regional Frameworks/Instruments (NATO, EU, OSCE, BSEC) Be Up to the Challenge?*
- *Economic Security – A New Challenge?*
- *Political Radicalization and National Egoism: Is Democracy at Risk?*

Moderator: Andrzej KARKOSZKA, Managing Director, Central and Eastern Europe, Aerospace, Defence and Security Market, PriceWaterhouseCoopers, Poland

Speakers:

Boris TARASYUK, MP, Chairman of the Verkhovna Rada Committee on European Integration, Ukraine

Oleksandr PAVLYUK, Head of External Co-operation, OSCE Secretariat

Stephan De SPIEGELEIRE, Senior Scientist, The Hague Institute for Strategic Studies, the Netherlands

Oleksandr CHALYI, Deputy Foreign Minister of Ukraine (1998-2001)

Dimitrios TRIANTAPHYLLOU, Director General, International Centre for Black Sea Studies, Greece

Discussants:

James GREENE, Senior Advisor, US-Ukraine Business Council

Suren MOVSISYAN, Senior Expert, Research and Development Unit, International Center for Human Development, Armenia

13:00 – 14:00 Lunch

14:00 – 15:45 **Plenary Session III****EU/ BSR: ECONOMIC POLICY RESPONSES TO THE GLOBAL CRISIS. SOCIAL AND POLITICAL DIMENSIONS OF THE CRISIS MEASURES****Suggested topics**

- *Policy Responses: Economic Nationalism or Protectionism? Populism or Pragmatism?*
- *State Support during the Economic Crisis: Market Stimuli and Social Policies*
- *Regional and Global Economic Policy Coordination: How Much Do Political Divisions Matter?*
- *Labour Market and Migration Policies under Pressure: What Reforms Are Needed?*
- *Consequences of Rising Social Tensions*

Moderator: Ihor BURAKOVSKYI, Director, Institute for Economic Research and Policy Consulting, Ukraine

Speakers:

Mats HELLSTROM, Minister of Trade of Sweden (1983-1986, 1994-1996), Governor of the Province of Stockholm

Alexander PIVOVARSKY, Senior Economist, Office of the Chief Economist, European Bank for Reconstruction and Development

Petru VEVERTA, Managing Director, Foundation for Social and Economic Research - CASE Moldova

Discussants:

Gulshan PASHAYEVA, Head of Foreign Policy Analysis Department, Centre for Strategic Studies under the President of the Republic of Azerbaijan

Igor POKANEVYCH, Head of WHO Office in Ukraine

15:45 – 16:15 Coffee Break

16:15 – 18:00 Plenary Session IV**WHERE TO GO FROM HERE: RETHINKING CURRENT POLITICAL AND ECONOMIC MODELS****Suggested topics**

- *A New Financial Architecture?*
- *Managed Growth Rate – Future Prospects?*
- *Coping with Security Risks during a period of Economic Crisis: Ways Forward*
- *The Economic Crisis and the Economies of the Black Sea Region: Boosting Reforms or Riding the Storm*
- *Is there an “Ideal” Model of Anti-crisis Policy?*

Moderator: Marcin SWIECICKI, Director, UNDP Blue Ribbon Analytical and Advisory Centre

Speakers:

Dmitriy SOROKIN, First Deputy Director, Institute of Economics, Russian Federation

Ihor MITYUKOV, Managing Director, Morgan Stanley Ukraine

Iulian CHIFU, Director, Conflict Prevention and Early Warning Center, Romania

Viktor PYNZENYK, Minister of Finance of Ukraine (2005-2006, 2007-2009); Minister of Economy of Ukraine (1992-1993)

Discussants:

Ilgar MAMMADOV, Co-Founder, Republicanist Alternative civic union, Azerbaijan

Revaz SAKEVARISHVILI, Leading Expert, Economic Policy Research Centre, Georgia

19:00 Dinner/Reception at Restaurant “O’panas”

CONFERENCE

Initiative of:



Partners:



Donors:

