



NATO DEFENSE COLLEGE FOUNDATION

EASTERN EUROPE STRATEGIC TRENDS

October 2012

In depth analysis

Georgia, from roses to brooms

The Georgian Dream, the coalition headed by Bidzina Ivanishvili, a powerful tycoon, won general elections on 1 October, putting an end to the era marked by the supremacy of the United National Movement (UNM), the party belonging to the President of the Republic Mikhail Saakashvili.

The shift of the balance in the Parliament and the expiration of Saakashvili's second mandate in 2013 (he announced he won't run for a third term), could be seen as the final chapter of the political season inaugurated in 2003 with the so called Rose Revolution, the first of the three regime changes, fuelled by street demonstrations, that took place in the post-Soviet area. Ukraine and Kirghizstan's revolutions followed.

Under UNM's rule Georgia got mixed results, however overall assessment is positive. Advancements in the economy have been particularly strong. There has been a speedy growth, enhanced by radical reforms that attracted foreign investments and revolutionized the county's economy, which was on the brink of collapse before Saakashvili's ascent. These efforts, which have widened the perimeter of the middle-class but also increased the number of poor people, have been praised by the World Bank, whose Doing Business, an annual report focusing on improvement of business environment in the world, put the Caucasian county on the top of the rank twice.

By contrast, Saakashvili and his allies' foreign policy record isn't so valuable. They basically worked to roll Russia back and forge stronger ties with the West. Analysts argue that Saakashvili pursued this ambition with a wrong tactic, too muscular and sometimes provocative towards Moscow, which has great influence in Georgia and in the whole Caucasus. Saakashvili tried to get it all at once, while he would have carried on a long term approach, as Russia's leverages couldn't be wiped away in a while.

Moscow, which had a good relation with the previous Georgian regime, leaded by Edvard Shevardnadze, reacted to Saakashvili's policy by promoting an embargo on Georgian wine and mineral water, the most exported Tbilisi's products. Then tensions escalated, until a war broke out in August 2008. The Russians won easily and granted

Abkhazia and Southern Ossetia, two former Georgia's rebel provinces, with independence. Saakashvili's will to bring them back under Government's control vanished. NATO and the EU, which has supported Saakashvili's coalition and advocated Georgia's Euro-Atlantic integration, although without being in a hurry, couldn't do anything if not repeat that Georgia's territorial integrity must be respected. Moreover, the EU mediated the peace deal, which also included the deployment of a European observation mission.

The 2008 defeat would let one to give a bad assessment on Saakashvili's legacy. It would be too ungenerous. Today Georgia, although with its persisting weaknesses, is much better than it was before the Rose Revolution. There's a good ability to attract investors, young talented people have found their way in the society and dialogue with Russia, after the war, has been improved. Russia's recent accession to the WTO depended on the fact that Georgia lifted its veto, put after 2008 conflict, because it realized that Moscow's accession couldn't be treated with a political approach anymore, as it brings tangible benefits in trade.

Bidzina Ivanishvili can start from these successful records. He won elections because of UNM's decreasing electoral appeal and the prison scandal that broke out just few days before 1 October. Some footages, showing guards beating prisoners in Tbilisi's jail, were broadcasted by a couple of tv stations, one of them is controlled by Ivanishvili's associates. The scandal sparked protests. People gathered in Tbilisi's squares, bringing brooms with them. Brooms symbolized both the refuse of the violence in Tbilisi's jail (a guard hit a prisoner with a broom) and the will to sweep away Saakashvili's bloc.

It's not yet clear Ivanishvili's coalition political projects, but experts say that confirming some successful economic reforms carried on by the outgoing Government would be the best way to keep the country on track. As for foreign policy, experts forecast that Ivanishvili will work to improve relations with Russia, however without cutting ties with the EU and NATO, as he's aware that this could help Georgia to keep Russian influence below a harmful level.

Area Monitoring

Bosnia and Herzegovina

A political earthquake in the Serbian entity

The Alliance of Independent Social Democrats (SNDS), led by Milorad Dodik, the former Prime Minister and current President of Bosnia's Serbian entity, Republika Srpska (RS), scored a very poor result in local elections on 7 October. It retained only 15 out of 41 previously controlled municipalities.

The big winner of the competition was the Serbian Democratic Party (SDS), which gained the majority of many councils. The SDS was founded in 1989 by Radovan Karadzic, the wartime political leader of the Bosnian-Serbs, now on trial at the International Tribunal for Former Yugoslavia, based in The Hague. He's facing accusations of genocide and war crimes, alongside Ratko Mladic, the head of the Bosnian-Serbian army during the conflict (1992-1995).

Electoral outcome clearly shows that Dodik's party, which has dominated Bosnian-Serbian politics since 2006, has lost most of its consensus. The SNSD is supposed to lose also the majority in the RS Parliament in 2014, when Bosnian citizens will vote to elect the new members of the assemblies in both the entities ¹, as well as their representatives in the national Parliament.

There are different reasons behind SNSD's electoral fiasco. Corruption is the first. Some high-ranking members of the party have been accused of bribing by prosecutors over the last years. This has alienated voters' support. Also Dodik was put under investigation for the same reason, but accusations against him were dropped in 2011.

Radicalization of SNSD's political platform is another factor contributing to explain the setback. Once a moderate party, the SNSD has progressively embraced a very nationalist platform. Dodik has even advocated secession from Bosnia and Herzegovina. People punished this approach, which diverted attention away from a severe economic stagnation, showing a critical lack of jobs and investments.

By contrast, the SDS, which was born as a chauvinist party, has smoothed its attitudes over the last years and now puts more emphasis on people's daily needs and aspirations for a better life. Separatism doesn't seem its core business anymore. This, in theory, could be an encouraging message for elections in 2014. In the last years Bosnia and Herzegovina has been hostage of Dodik's radicalism, which according to many analysts have pushed cooperation between Serbian, Croat and Muslim parties at the state level to the lowest point ever and blocked vital reforms for enhancing European integration. If the SDS will defeat the SNSD also in 2014 and if its change is really genuine, dialogue among ethnic parties can return to acceptable levels and the country can move forward on the path to the Euro-Atlantic integration. Yet, also Muslim and Croat political forces should tone down their identitarian rhetoric, which has grown over the last years.

Hillary and Catherine in Sarajevo

Local parties' ability to overcome war legacies, focus on people's real needs and find agreements is the key to Bosnia's future. However the country also needs an external pressure to stay on track, observers argue. In other words, the West should show that bringing Bosnia into the Euro-Atlantic perimeter is still a major strategic goal, in

¹ The Federation of Bosnia and Herzegovina, commonly known as Muslim-Croat Federation, is the other ethnic body of the country.

spite of frustrations for Bosnia's political stalemates and mistakes made by the West itself in supervising Bosnia's transition.

The joint visit of Hillary Clinton and Catherine Ashton in Sarajevo, on 30 October, constituted an important reaffirmation of this mission. The American Secretary of State and the EU High Representative for Foreign Affairs and Security Policy, who met the three members of the Bosnian Presidency² and Valentin Inzko, the High Representative of the international community in Bosnia, warned against any attempts to split the country, asked local politicians to stop political fights and concentrate on reforms aimed at improving Bosnia's European ambitions. Clinton and Ashton, by visiting together Sarajevo, as well as Belgrade and Pristine, also showed that the US and the EU, even though sometimes they don't have the same approach, share a common vision for a stable Bosnia and for the anchorage of the Balkan region in the Euro-Atlantic area.

² The Bosnian Presidency is a collegial body formed by a Serb, a Croat and a Muslim. Chairmanship rotates every eight months.

Fyrom

Pressures mount on Gruevski's coalition

The Social Democratic Union of Macedonia (DSMS), the main opposition party, launched a harsh campaign against the Government, headed by the Nikola Gruevski, a charismatic conservative who also tops the hierarchy of the Internal Macedonian Revolutionary Organization – Democratic Party for Macedonia National Unity (VMRO-DPMNE), the strongest party in the Parliament. Gruevski was appointed Prime Minister after 2006 elections and since then he has won other two elections, in 2008 and 2011, both called before the expiration of the legislature.

The first step of DSMS's initiative was a no confidence vote in the Parliament. The DSMS filled the request by arguing that the Government is failing in keeping economy stable and shortening the path to the EU and NATO. MPs gathered on 6 October. The VMRO-DPMNE and its junior partner, the Democratic Union for Integration (DUI), the biggest party representing the interests of the Albanian minority (20% of the population), survived the vote without any difficulties.

Some weeks later DSMS's leader, Branko Crvenkovski, took another step, by organizing a big protest in central Skopje. Party's leaders asked for early vote alongside local elections, scheduled for March 2013. Thousands of people attended the rally.

Anyway Gruevski's support among citizens is still high and polls indicated that if Macedonians voted today, the current coalition would retain the power. Opposition, paradoxically, is more disunited. The DSMS is trying to create a unique front in order to gain electoral weight, but the Democratic Party of the Albanians (DPA), the second strongest Albanian parliamentary faction, refused for now to merge, as Crvenkovski's party proposed a Macedonian candidate coming from its own ranks for mayoral post in Struga, an important ethnically mixed city. The DPA wanted an Albanian front-runner.

Latest (non) news on name dispute

The EU Commission released its annual Progress Report on enlargement in October. For the fourth time, after 2009, 2010 and 2011, it stated again that Macedonia meets the political criteria to open negotiations and recommended the European Council to set a date without further delay. However, Macedonia won't move forward on the way to the EU, due to the unresolved name dispute with Greece, which has also frozen the former Yugoslav Republic's accession to NATO. Also the Atlantic Alliance has underlined several times that Skopje has fulfilled all the required conditions to join the club. Greece has always put its veto so far, both on NATO and European levels.

It seems there aren't yet sights of compromise between Macedonia and Greece. The first, which was provisionally named Fyrom after its independence in order to get a seat in the UN General Assembly, still continues arguing it will accept only a definitive name containing the word Macedonia. The latter still believes that the word Macedonia implies territorial claims over its homonymous region, of which Thessaloniki is the main city.

On 4 October, the Greek Government tried to seek a breakthrough by proposing to the Macedonian counterpart a joint memorandum of understanding, setting a framework to solve the dispute. Skopje announced it will reply soon, but analyst said it won't do it, because it perceives Athens's move as unilateral and thinks that the bad financial situation and the unstable political scenario affecting the Hellenic nation will prevent it to focus on the issue properly.

Religious wars

Nikola Gruevski and Tomislav Nikolic, the Serbian President, met on 26 October. They underlined the very satisfying degree of cooperation between respective countries and expressed the hope to continue the high-quality dialogue, which Nikolic's predecessor, Boris Tadic, has strongly pursued during its two mandates.

Yet bilateral relations are still affected by the long-standing dispute between the Serbian and Macedonian Orthodox churches. The Macedonian clergy unilaterally announced its autocephaly in 1967. Until then it worked under the jurisdiction of Belgrade's Patriarch. The Serbian Church had never recognized the move. Orthodox churches around the world support Serbian clerics. Nikolic and Gruevski, during their meeting, focused on this issue too. The Serbian President said he will try to convince the Serbian Patriarchate to let him work as mediator.

New investments on the horizon

The Government's effort to implement reforms and attract investments has remained constant also in the last couple of years, as *Doing Business*, the World Bank's annual report assessing measures and laws aiming at fostering economic dynamicity and business, showed. The research ranked Macedonia as one of the global top reformers in 2011-2012 (Poland got the first place).

Gruevski's coalition is now planning new steps to catalyze foreign direct investments. A law establishing a special technological industrial zone in Strumica and its district was approved by the Parliament in late September. Now the Government is carrying out procedures to open other similar zones in the cities of Kicevo, Tetovo, Prilep, Gevgelija, Rankovce, Struga and Radovis.

Another worthy news was the creation, announced on 19 October, of a special fund focusing on the growth of local small and medium size businesses, established by the Macedonian branch of Small Enterprises Assistance Fund (SEAF) and Macedonia 2025. SEAF is a program launched by the United States Agency for International Development (USAID) after 1989. Giving financial and logistical assistance to post-Communist Europe's economies was and still is its core business. As for Macedonia 2025, it's an association gathering managers with Macedonian origins working for international companies.

Kosovo

Grand Hotel, a big affaire

Kosovo's political field is still shaken by Dino Asanaj's death. Asanaj was the head of Kosovo's Privatization Agency and he was supposed to be a close ally of Hashim Thaci, the Prime Minister of the youngest post-Yugoslav State. He was found dead in his Pristine's apartment on June 14. Forensic exams revealed he committed suicide.

According to some media he deprived himself of life because prosecutors put him under investigation for corruption. Media, again, point out that he would have asked Remzi Ejupi, a businessman who owns 20% of the Grand Hotel, four millions euro in order to let the privatization of the Grand Hotel go ahead. The Grand Hotel, alongside Post-Telecom, KEK (the sole power company in the country dealing with electric distribution) and Trepca mines, is one of the companies that have recently undergone a new wave of privatizations, through which the State will sell its remaining stakes in those assets.

Behgjet Pacolli, a powerful businessman and a deputy Prime Minister, is the co-owner of the Grand Hotel. He was interrogated by police in September, as part of Asanaj's death investigation. He confirmed that he and Ejupi were asked for 4 million Euros, but said that the request came from other persons, among them some State officers and the son of former President Ibrahim Rugova.

After his remarks, Jakup Krasniqi, the Speaker of the Parliament, stated that the privation process should be stopped in order to verify whether it has really been undermined by shadow deals and corruption, which have emerged also in circumstances other than Grand Hotel case. Anyway, his voice seems isolated, as other politicians and members of the administration said the process must go on.

Observers underlined that corruption cases behind privatizations, somehow linked to rivalries between the main political clans, could further affect Kosovo's international credibility, raise some more doubts in Brussels about Pristine's ability to develop a

transparent bureaucratic system and keep away foreign investors, which are vital for a country that doesn't have products to export and where car washes represent 5% of the businesses. Worth noting that Madeleine Albright, the US Secretary of State during Kosovo's war, is one of the foreign investors who are supposed to buy stakes in Post-Telecom.

Invisible workers

Kosovo's economic scenario is already well-known. There is one of the highest unemployment rate in the whole Europe, there isn't a backbone of small and medium enterprises and the legacy of Yugoslav times, when Kosovo was the poorest part of the Yugoslavia, still affects the country.

Everybody knows also that grey economy and tax evasion are one of the main obstacles to the development of a healthy environment for improving ideas, new businesses and decent wages. Data and percentages on this front have always been supposed and lacked of accuracy. But some precise figures have recently emerged. It was reported, in October, that there's a discrepancy between data collected in 2011 census and the last bulletin released by Kosovo's Statistical Agency, according to which there are 250.305 persons registered as taxpayers, while census indicated that 280.454 citizens declared themselves as employed. If figures are correct, it means that almost 30.000 people work in the informal economy, that is 12% of workforce. This, some analysts calculated, brings the State to loss 20 million Euros a year.

Montenegro

The other side of Milo's victory

The Democratic Party of Socialists of Montenegro (DPS), which has ruled the country over the last twenty years, won general elections on October 14. The DPS drove a coalition called For a European Montenegro, consisting of other two very small forces, the Liberal Party (LPCG) and the Social Democratic Party (SDP), with a very limited influence on domestic politics. The alliance scored 45,6% of votes.

Although this outcome was expected, DPS's victory is different from the past, as the party, for the first time ever, didn't win enough seats to gain absolute majority in the Parliament. This depends from the good performance of two recently created parties, the Democratic Front and Positive Montenegro (PCG). The first, which took 22,82% of votes and 20 seats, is an electoral coalition promoted by the New Serbian Democracy (NOVA) and the Movement for Changes (PzP), which respectively had 8 and 5 MPs in the previous assembly. The second – 8,24%, 7 seats – was created few months ago by Darko Pakjovic, a former ecological activist.

Both the parties, during the campaign, asked for more administrative transparency and a harder fight against organized crime, two themes often raised up by the UE, which however has officially opened accession negotiations last June, saying that the country has showed some progresses, albeit not yet sufficient, on these fields.

The Democratic Front and Positive Montenegro got a boost from civil protests, the largest in twenty years, promoted in spring by the Network for Affirmation of the Non-governmental Sector (MANS), a very popular NGO. According to its leader, Vanja Calovic, DPS's strongmen use politics to serve their own economic interests instead of guaranteeing a better life for citizens. Many people attended rallies.

However, among opposition, there's also a ruinous setback. The Socialist People's Party (SNP), which has always been the biggest opposition party in the Parliament, lost votes and seats in comparison with 2009 elections (from 16,8% to 11,06% and from 16 to 9 MPs).

The new equilibrium in the Parliament will force the DPS to look for an agreement with some ethnic parties representing minorities' interests in order to form the new Government. A deal should come soon. Anyway, observers argue that this will make

the governance a bit complicate, as the DPS, a party that is not used to find compromises, will have to make some concessions to junior partners.

In the meantime, speculations about a Milo Djukanovic come back as Prime Minister are growing. He left the premiership in 2010, after a long and almost uninterrupted permanence on the top of the State, serving as Prime Minister (1991-1998, 2003-2006, 2008-2010) and President (1998-2002). After he resigned, Igor Luksic was appointed Prime Minister. Luksic is a faithful ally of Djukanovic and many people think the latter, from behind the main scene, has continued making all the most important political and economic decisions.

Do they really want NATO?

Montenegro joined NATO's Partnership for Peace programme after the 2006 referendum on independence, which let the country cut administrative ties with Serbia. Most of Montenegrin parties support NATO perspective, yet with different degrees of enthusiasm. DPS's leadership has recently stated that the country could officially be invited to join the Alliance in 2014.

It's not an unreal scenario. The problem is how to win people's support. While Montenegrins are in favour of EU integration, they don't support NATO perspective. A poll released at the beginning of October showed that only 31% of the population rates NATO membership as positive, a 4% drop with the percentage revealed by a similar research did in November 2011. NATO campaign against Milosevic's Yugoslavia, which hit some Montenegrin cities and military sites too, is the main reason behind citizens' (more than a third of them are ethnic Serbs) scepticism.

Serbia

Dialogue with Pristine. Is it a real chance?

Hashim Thaci and Ivica Dacic, the Prime Ministers of Kosovo and Serbia, met in Brussels on 19 October. It was a historic date, which marked the first official face-to-face between the Heads of Government of the two countries, after Kosovo's independence, unilaterally declared by the Parliament in 2008 and never recognized by Serbia.

The meeting between Thaci and Dacic, who is a former ally of Slobodan Milosevic, was brokered by the European Union. The two politicians were received by Catherine Ashton, chief of European foreign policy. Brussels wants to bring the two sides to sign agreements in fields like security, energy, trade and border checks, in order to promote a good neighbor policy. This is the condition that the EU has set for the start of accession talks with Serbia, which got candidate status in March.

Ashton seemed satisfied after the meeting and said there will be more rounds of bilateral talks, while the Prime Minister of Serbia stated that Serbia will look for a historic compromise with Kosovo.

Apart from his rhetorical excesses, Serbia actually needs to seek coexistence with Kosovo if it wants to fasten European integration, that is the only option to secure economic prosperity and political stability. Dacic must find a way to sell the compromise to his fellow citizens. Analysts say that in exchange for taking part in the EU-sponsored talks with Kosovo, he'll ask Brussels for a quick opening of accession negotiations, so that he can show how the Government is working hard to speed up European integration.

This tactic can work in the short term. After all, enhancing dialogue with Pristine is not traumatic, if this dialogue focuses on technical issues. But in the future, if it wants to join the EU, Belgrade should dismantle the so-called parallel institutions, a range of agencies funded by the Serbian Government (schools, town halls, currency, police) that make the northern part of Kosovo, where the Serbs represent the ethnic majority, an appendage of Serbia proper. This is the message that the German Chancellor, Angela Merkel, brought in Belgrade last year during an official visit.

Serbia is not yet ready to take this painful step, as it's still pursuing the same old strategy, denying Kosovo's independence and trying at the same time to fasten the way to the EU. "Both the EU and Kosovo" was the main slogan of Boris Tadic's 2008 presidential campaign. Nothing has dramatically changed, since then. Also Dacic and Tomislav Nikolic, Tadic's successor, advocate this strategy. In the long term it brings nowhere. Anyway, going back to current situation, the high level talks between Serbia and Kosovo, held under Europe's aegis, are a good chance to partially defreeze a frozen situation.

South Stream: mission accomplished

Russia's gas giant Gazprom and its Serbian counterpart, Srbijagas, the state-owned gas provider, signed a definitive agreement on South Stream on October 29.

South Stream is a 3.000 km pipeline that, running on the seabed of the Black Sea and then through the Balkan peninsula, will bring a huge quantity of Russian gas to Western Europe from 2015. The project was launched by Gazprom in order to bypass Ukraine, a key transit country, whose fees make the Russian gas more expensive, penalizing both Gazprom and its European customers.

The deal between Gazprom and Srbijagas was finalized on October 29. The project should attract as much as 1.9 billion of dollars in direct investments for Serbia. Belgrade's authority explained that construction of the Serbian tract of South Stream, which will cross Bulgaria, Hungary and Slovenia as well, will start within the end of the year. Analysts remark that the agreement deepens Serbia's dependence on Russia gas, but on the other hand gives the country a favorable position as an energy supply hub for the whole Southeastern Europe.

Worth noting that the Italian energy company ENI, Électricité de France and the German giant Wintershall are the three non-Russian stakeholders in South Stream Consortium, the joint venture managing the offshore tract of the pipeline.

Ukraine

General elections: no surprises

The Party of Regions, the political force belonging to the Head of State Viktor Yanukovich confirming its majority in the Verkhovna Rada, the national Parliament, by winning general elections. It secured 185 out of 450 seats. People voted on 28 October.

This outcome was largely expected. First because the most charismatic personality of the opposition, Yulia Tymoshenko, currently in jail, couldn't run as candidate. She

was convicted in October 2011 for having caused severe economic losses to the State after she brokered a gas deal with Russia in 2009. Prosecutors portrayed it as totally inconvenient.

Yanukovich's opponents stated many times that the trial was orchestrated by the President, who wants to keep his main rival out of politics. The trial was criticised by the EU, which described it as a sample of selective justice and remarked its political nature, however without mentioning Yanukovich's role.

Tymoshenko's absence negatively affected the electoral performance of the United Opposition (25,55%, 101 seats), a coalition of several parties created under the aegis of her own political structure, Fatherland. However it should also be mentioned that many Ukrainians who previously supported Tymoshenko or even took part in the so called Orange Revolution in 2004-2005, lost their enthusiasm due to unfulfilled promises made when she and Viktor Yushchenko, the former President, were in power. They failed to carry on radical economic reforms and improve people's quality of life. Russia's strong pressures can't be an alibi for this, citizens say.

Another opposition party, the Ukrainian Democratic Alliance for reform (UDAR), a centrist movement headed by Vitaly Klitschko, a very famous box champion, didn't match expectations and got only 40 MPs. UDAR, however, entered the Parliament for the first time. As well as Svoboda, an ultra-nationalist party that has a strong appeal in the Western part of Ukraine and got 37 seats in the new Parliament. Sometimes Svoboda has been linked to anti-Semitic and neo-fascist views.

The Party of Regions, in the new Parliament, doesn't have absolute majority. Yanukovich's party has two chances to look for it. The first is an agreement with the Communist Party, which took 32 seats in the new Parliament. Getting the support of all the independent MPs, around 40-50, is the alternative. It seems more viable, as basically they are hidden supporters of the Party of Regions. All of them were elected in the single mandate constituencies, where the President's party, through its own candidates or mavericks, won all the seats³.

Ukraine's current electoral system, approved in 2011, is mixed. Half of the deputies are elected in winner-takes-all constituencies, while the other through proportional rules on national basis. The opposition criticized the new law by saying that constituencies boundaries are established in a way that splits traditional electoral

³ Results are not yet definitive, as the Central Electoral Commission called for a repetition of the vote in 5 single-mandate constituencies. The number of the MPs belonging to each party could change if the new outcome will differ from the previous one.

basins and allows the Party of Regions to let its candidates win through abuse of administrative resources and powers in those municipalities controlled by Yanukovich's allies. Nonetheless, most of the MPs of opposition parties voted it in 2011. Basically as a lesser evil, otherwise the Party of Regions would have approved an even worse new code.

The Organization for Security and Cooperation in Europe (OSCE), an electoral watchdog in Eastern Europe and in the Balkans, reported in its preliminary post-election statement that in the single mandate districts some abuse of administrative resources have emerged.

Two lenders are better than one

Ukraine is trying to reactivate a 15 billion dollars loan granted by the International Monetary Fund (IMF) in July 2010. Kiev has got only the half of this sum so far. The IMF froze the loan in 2011, as it opposed the Government's choice to subsidize households' gas consumptions. Since then, there have been some unsuccessful attempts to break the stalemate. A new round of talk took place in Kiev from 26 October to 2 November.

Ukraine needs IMF's funds, as its economy is fragile. But Yanukovich also looks for other channels providing fresh money. The Government signed a deal with China, worth approximately 7 billion dollars, in August. These funds will be used for agricultural development and for clean coal technology, which should help Ukraine to limit its dependence from Moscow's gas. Yanukovich knows that the country must find alternatives to energy imports from Moscow, otherwise the Kremlin will continue having a leverage to blackmail Kiev.

Ukraine's President is trying to develop a foreign policy aimed at maintaining acceptable relations with the EU and the West, while avoiding a too much strong pressure from Russia, his best ally. Talks with the IMF and deals with Beijing somehow mirrors this policy. In the meantime, the IMF released at the beginning of the month its updated 2012 forecasts for Ukraine. Kiev's GDP will grow by 3%.