

Where are Ukraine - EU Relations heading for?

Mai 2006

On 5 May 2006, a few weeks after the first parliamentary elections following the "Orange Revolution" in Ukraine, the EU-Office of Friedrich-Ebert-Stiftung organised the second **Experts' Roundtable on EU-Ukraine relations**. These informal meetings bring together senior officials from policy planning units of Foreign Affairs Ministries in EU member states, independent researchers and policy analysts specialised in EU-Ukraine relations as well as EU officials. The latest meeting focused on

- a) the consequences of the election's results for Ukraine's domestic and foreign policy and
- b) their impact on future of EU-Ukraine relations.

It assembled among others experts from Germany, United Kingdom, Poland, France and Ukraine.

The following is a summary of the meeting.

Ukraine's Domestic and Foreign Policy

Domestic developments: Only five out of the 47 parties that run for the first free parliamentary elections in independent Ukraine passed the 3% threshold: Party of the Regions (Janukovic) = 32%, Orange Bloc (Timoshenko) = 22%, Our Ukraine (Juschenko) = 14%, Socialists (Moroz) = 6%, Communists (4%). This is a positive outcome that will strengthen the party system. The results of the elections should not be considered as a defeat of the Maydan Bloc. They rather illustrate stabilisation of power between the reforming and the pro-Russian bloc. Regional division

(East-West) is not as clear as estimated by the foreign observers.

The elections were free and democratic, they represent a convincing victory for democracy. This cannot be overestimated! The contrast with Russia could hardly be more striking: In Ukraine we have a free press, a functioning opposition, the respect of basic human rights, progress towards the rule of law etc. Ukrainian officials underline that these factors are a mayor step towards fulfilling the key priorities of the ENP (European Neighborhood Policy) "Action Plan".

The transformation process in Ukraine will have a positive impact on neighbouring countries. Ukraine is establishing itself as the only democratic post-Soviet country, apart from the three Baltic States. It constitutes a role model for Moldova, Belarus, Georgia, Azerbaijan, Armenia and the Central Asian Republics.

The parties are in the process of forming a government. A coalition government between the Orange Bloc, Our Ukraine and the Socialists is the most likely outcome of these proceedings. Julia Timoshenko is in a strong position to negotiate the post of the prime minister, even though "Our Ukraine" holds against this. The option for a "grand coalition" between Janukovic's and Juschenko's party should not be dramatised. However, this would have strong impacts on the foreign policy of Ukraine. Negotiations are under way and follow traditional procedures similar to those in Western Europe. But for Ukraine it is a new experience. It may therefore take longer, before a new government is going to be formed.

According to the Constitution, negotiations may take up to two months.

The long lasting talks on coalition building raise concerns in some EU capitals about the political stability in Ukraine. Western partners hope that there are deep substantial debates and that emphasis is given to political programs and contents rather than to personalities and posts.

The constitutional reform gave way to a new political system that has never existed before. Power is now more balanced between different bodies: government, president and parliament. This means more pluralism but also more need for coordination and might cause managing problems in the first months for the new coalition.

Foreign Policy: The outcome of the elections is unlikely to change the key orientations of Ukraine's foreign policy: EU membership remains the long-term goal. NATO membership is the medium-term objective to be achieved before 2010, despite misgivings by the Socialists. WTO membership is the short-term objective to be attained before the end of 2006.

Foreign policy is also concerned by the constitutional reform: the President retains important powers in the fields of foreign and defence policies (similar to the French system), as he nominates the ministers of foreign affairs and defence. The parliament has to approve them. However, while political parties had rather a symbolic role in foreign policy before 2006, they now have a new chance: consensus in parliament is necessary for the implementation of foreign policy acts, especially when they concern internal aspects like economic, social or fiscal reforms.

The challenge for Ukraine's foreign policy is to find a balance between its relations to Russia and its relations to the EU. Some EU capitals see this "multi-directionality" as a chance for Ukraine to be a relay between East and West, others as a danger. The Russian factor should not be under-estimated.

Expectations from the EU and its member states in terms of Ukrainian foreign policy are clear: supporting actively Western positions, i.e. in the trans-Nistria conflict and in Belarus,

are considered as a litmus test for EU-Ukraine relations.

Ukrainian policy analysts judge that Ukraine's approach towards EU will inevitably damage the country's relation with Russia. Russia tries to exert diplomatic pressure on Ukraine whenever the latter aligns on "Western positions". Ukraine therefore pays a price for moving West. A solution of this dilemma is only to expect if Russian regime changes.

Ukraine and Russia have a series of bilateral issues to settle: delimitation of maritime borders (Azov Sea), rights accruing to Russia from the lease of Sevastopol, demarcation of 2000 km (!) of land border, better functioning of border controls, preventing illegal border crossing, future of the trade relations (Free Trade Agreement or Customs Union) and the future of energy cooperation (price of gas and transit fees).

Perspectives for Ukraine–EU Relations

According to high EU officials, the Partnership and Cooperation Agreement (PCA) negotiated more than 10 years ago between EU and Ukraine is not automatically ending after its initial 10-years period. But it is renewable. However, EU wants to give a sign to the positive developments in Ukraine after the parliamentary elections. The Commission has therefore elaborated a "EU/Ukraine Enhanced Agreement non-paper" which is currently discussed among EU member states. This enhanced agreement shall replace the PCA as soon as the latter has expired and as political priorities of the ENP Action Plan have been addressed. It aims at deepening the political dialogue and promoting common values with Ukraine, at establishing a "deep free trade area" and at promoting gradual economic integration of Ukraine in the EU Internal Market (energy included). It also includes close cooperation in the area of justice, freedom and security (fight against organised crime, including trafficking in human beings and drugs, fighting corruption and money laundering, fight against terrorism).

Ukraine's expectations on the new agreement concern especially trade relations and visa regime facilitation.

The EU share in Ukrainian external trade is only 32% and Ukrainian exports continue to suffer from EU antidumping procedures. The objective therefore is to establish a "deep" free trade area

under which Ukraine will also have to align its regulatory framework on EU standards and practices (from public procurement, to health and environmental standards, intellectual property protection, competition rules etc.).

Facilitating travel is also an important priority for Ukraine. Why should Ukrainians citizens as direct EU neighbours continue to require visas, but not those from distant Venezuela?

From official EU point of view, cooperation between EU and Ukraine in the framework of ENP has so far been successful, especially in sector policies and in foreign policy. Ukraine has been the most effective of all ENP countries in implementing agreed reforms. This pragmatic way of small steps should be continued, as well by the new Ukrainian government. There are still lots of areas of the Action Plan within the ENP that have to be implemented and further fields of cooperation should be elaborated. The EU does not envisage inserting a membership perspective into the new agreement.

For Ukraine, EU membership remains the final goal: Ukrainians feel European. The ENP approach of the EU which puts Ukrainian on the same level with Moroccans is not accepted by the public and has no attraction for them. Ukrainians want to belong to the EU, not only be a neighbor of it.

ENP offers "everything but institutions" – a situation with which Norway lives very well for many years. However, the situation is not comparable, as Ukraine does not have the free choice to stay outside!

Ukraine needs a positive signal from the West to continue reforms. EU's demands on Ukraine are very high, close to those for EU membership ("sticks") but there are not enough "carrots".

Alternatives to full membership and additional incentives for Ukraine should be explored: So far, the European Parliament's proposal (6 April 2006) to negotiate an "Association Agreement" is the most progressive one. Methods of differentiated integration should be elaborated, financial means increased and additional institutions for "decision shaping process" developed.

Ukraine has to be aware of the internal challenges the EU is currently facing: "digesting" the ten new member states, the growing "enlargement fatigue" among EU citizens, the lack of public support for the European integration project, the urgent need for reform of its institutional system.

The EU and its citizens are not ready to think of further enlargement. In addition to this, there are other countries queuing for enlargement who have – in contrast to Ukraine - a clear membership perspective: Turkey, Croatia, Republic of Macedonia, Serbia and Montenegro, Bosnia & Herzegovina and Albania.

However, it does not seem coherent that Turkey can become an EU member while Ukraine is kept outside.. Ukraine should not be taken hostage for EU internal problems.

Brussels, 6 May 2006

Eberhard Rhein, senior policy advisor at the Brussels based think tank **European Policy Centre (EPC)** participated in the debate and comments as follows:

"The apprehensions about Ukrainian membership are exaggerated, provided both sides take the long-term view. What are the problems of Ukrainian membership, say at the horizon of 2020-25?"

- *The sheer number of member states and the stress for the institutional system: The EU will have to confront this formidable issue already for the Western Balkans and Turkey.*
- *Migration from Ukraine into the EU: By 2020 the demographic situation in the EU 30 will have deteriorated substantially. The EU will be happy to welcome Ukrainian workers. Moreover, if necessary, a 10-year transition period might be envisaged so that free circulation of labour would not intervene before 2030 or beyond.*
- *The burden for the EU budget: By 2020, the EU budget will look very different from today. Regional funding within the EU 15 will have come to a halt; even several of the new member states (such as Cyprus, Malta, Slovenia, Estonia or Czech Republic) should no longer be beneficiary countries. Agricultural policy will have changed profoundly, with more financial responsibility retransferred to member states.*

Ukraine's no. 1 priority is to put its house in order, economically, politically and socially. It will have to concentrate on domestic reforms so as to accelerate economic and social development and reduce the welfare gap with its Western neighbours. This will require more (foreign) investments, improved infrastructure and more R&D spending. Privatisation will have to continue. The outcome of the elections, if followed by the appropriate government programme, should attract more capital from EU countries.

The EU should show comprehension for the Ukrainian wish to join. It should be happy about its continued attractiveness and should encourage Ukrainians to prepare for membership; even it cannot presently guarantee the final outcome. Anyhow, as a democratic European country with a market economy, Ukraine is entitled to ask for accession when it considers being ready for it. That constitutes the essential difference with the countries of the southern Mediterranean countries.

In conclusion, in such a long-term perspective it would be a huge mistake to exclude Ukraine from membership, provided it will live up to European values and standards, as it has courageously done during the past 18 months."

Echoes to the Experts' Roundtable:

*" This meeting was a timely one and very helpful. The discussions permitted to the EU experts to better understand the internal processes in Ukraine as well as foreign policy priorities of major political forces representing in the newly elected parliament. It is worth to continue these kinds of round tables in a limited circle with the participation of experts and policy makers of most influential EU member states." **Kostiantyn Yelisieiev, Deputy Head of the Mission of Ukraine to the EU***

*"...an outstanding contribution to conceptualize security and stability in Europe as a whole. Bringing together analysts and policy planners from the region together with driving forces of an EU eastern policy has been a platform for a constructive debate - also to think beyond. It would be a pleasure to continue this cooperation." **Dr. Iris Kempe, Centre for Applied Policy Research (CAP) , Munich***

*"It was a productive five-hour meeting where some 20 well-versed individuals discuss very openly, without the usual bureaucratic and diplomatic inhibitions. Among the many Brussels meetings it constitutes to my opinion one the most productive formats." **Eberhard Rhein, European Policy Centre (EPC), Brussels***