Will the Orange Revolution bear fruit?
EU–Ukraine relations in 2005 and the beginning of 2006
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1. Introduction

The Orange Revolution is over. In it, the Ukrainian society demonstrated its democratic credentials, its respect for the rule of law and its awareness of its right to free media. As a result of this, Ukraine has proved indisputably that it is a European state, not only in terms of geography but, most importantly, in terms of upholding key European values. This has been recognised as such by nearly all EU Member States.

However, although one of the immediate consequences of the Orange Revolution has been the characterisation of Ukraine as a European state, this has not led to an immediate change in the nature of the relationship between the two bodies. For example, despite the fact that the recently signed Action Plan (AP) was negotiated under the regime of president Kuchma, president Yushchenko’s government was given the option of ‘take-it-or-leave-it’: there was no scope for its renegotiation. Similarly, no significant change in the EU’s position towards a membership perspective for Ukraine can be expected in 2005.

This year and the beginning of 2006 are crucial for the future prospects of Ukraine’s integration with the EU. During this period Ukraine must prove that it can be a reliable partner of the EU, primarily by implementing the kind of basic reforms which pave the way to the EU (Ukraine cannot afford to repeat the mistakes of the Kuchma regime, namely of making
pro-European declarations without implementing any actions); similarly, the EU should be prepared to react to positive developments in Ukraine in 2005 and respond with proposals for moving towards some form of integration for Ukraine in 2006. In other words, Ukraine’s authorities have to implement reforms without any expectation of reciprocation on the part of the EU, in terms of an offer of a membership perspective. But, at the same time, if Ukraine was to perform well over the next 10 months, the EU should start an internal discussion about a vision of future relations with Ukraine which goes beyond that offered by the European Neighbourhood Policy (ENP).

In sum, 2005 and the beginning of 2006 are a period of tests for both sides. The EU and Ukraine need concrete results in bilateral relations. In doing so, they would establish the kind of mutual trust between partners which is indispensable for the future integration of Ukraine with the EU.

The time frame is limited for a number of reasons. Firstly, the Council agreed on 28 February 2005 to conduct the first review of the implementation of the EU–Ukraine Action Plan at the beginning of 2006. Secondly, Ukrainian parliamentary elections are due to take place in Ukraine in spring 2006; their outcome will be very important for the future of European aspirations of Ukraine.

This paper aims to explore the above mentioned issues and problems by:

Firstly, analysing the origins and effectiveness of the current framework governing the EU’s policy towards Ukraine, by focusing on different EU actors, namely the Council (Member States), the Commission and the European Parliament, each of which adopted a different approach to the Ukrainian question. Secondly, examining the record of the new Ukrainian leadership – especially the effectiveness of different governmental structures and personalities that are responsible for driving Ukraine’s integration with the
EU. Thirdly, highlighting the prospects and putting forward recommendations concerning EU–Ukraine relations, especially for 2005 and the beginning of 2006.

The overall question we seek to answer is: will the Orange Revolution bear fruit in EU–Ukraine relations?
The Enlarged EU and Ukraine – New Relations
2. EU Policy towards Ukraine – an Assessment

„The door is neither closed nor open.”
External Relations Commissioner Benita Ferrero-Waldner
on Ukraine’s EU membership perspectives,
Washington DC, 13 January 2005

Before the Orange Revolution

Early in 2002, Britain, the Nordic states, Austria and Germany were increasingly cognisant of the need for a framework for enhancing relations between the EU and Ukraine. As a result, later in the year, the British and Swedish foreign ministers launched a new framework known as the New Neighbours Initiative (NNI), aimed at Ukraine, Belarus and Moldova. Amongst them, Ukraine, as the most important of the EU’s post 2004 enlargement neighbours, was the target for these enhanced relations.

As the year went on, disquiet with the Initiative grew, with a number of Member States fearful of the danger that it might come to be considered a stepping-stone to membership. This was something no Member State was willing to contemplate. These fears were bolstered by negative developments in each of the targeted countries: not only did Belarus remain under dictatorship, but there was a notable slow down and even regression of the political transition process in both Ukraine and Moldova.
In addition, the NNI soon came to be perceived as having too narrow a scope as pressure started to be exerted by Mediterranean EU Member States to include Southern Mediterranean partners in the initiative. This was associated with the existing concern that EU enlargement of 2004 would diminish EU engagement and support for the Southern Mediterranean region. The second cause of disquiet over the NNI was the ‘Russia question’, as a number of Member States felt that an EU policy towards Eastern Europe which did not take Russia into account was incomplete.

In light of this growing array of concerns, at the European Council in December 2002 in Copenhagen the EU determined to widen the initiative to include the Southern Mediterranean partners and Russia as a result of which it was renamed the Wider Europe initiative.

Throughout, the Nordic Member States and Britain remained keen on strengthening ties with Ukraine and Moldova, as evidenced in the foreign ministers’ debate on Wider Europe in April 2003. Dennis MacShane, the British representative to the EU (the Minister for Europe), said it was difficult to see Ukraine with its ‘great European cities of Kyiv and Lviv’ as not part of the EU at some stage, while the Danish foreign minister said that Ukraine and Moldova had membership potential.

However, the widening of the initiative fundamentally altered its nature. A geographically, politically, culturally and economically diverse array of countries were collectively placed into the undifferentiated category of ‘neighbours’: European states which aspired to EU membership (such as Ukraine) were put into the same category as non-European states which did not have such ambitions.

From the EU point of view the Wider Europe initiative had become a framework for developing relations with countries without any current membership perspective. Ukraine ‘special’ status in the NNI framework had come to be downgraded to that of an ‘ordinary’ neighbour in the Wider Europe initiative.

Worse was to come for Ukraine when the notion of the European Neighbourhood Policy (ENP) emerged in 2004. While the Wider Europe communication of March 2003 at least made mention of Article 49 of the Tre-
Will the Orange Revolution bear fruit?

The nature of the EU’s relations with Ukraine has become an increasingly divisive issue within the EU. It entails two interrelated problems for the EU. Firstly, there is dispute as to the extent and the means with which EU ought to enhance its relationship with Ukraine. Secondly, there is disagreement as to whether the EU should acknowledge Ukraine as a potential Member State.

Two broad stances can be discerned on each of these issues. On the one side the mainly Northern and Eastern members of the EU favour a pro-active EU policy of engagement with Ukraine (the so-called E-11 caucus). On the other side are the Southern and (broadly) Western EU Member States which are against engagement. There are, however, important exceptions and nuances. Portugal is more favourably disposed to a generous policy towards Ukraine largely owing to a large Ukrainian minority living and working in Portugal. A more accommodating stance towards Ukraine has also been voiced by other Southern Member States such as Italy. For example, Prime Minister Berlusconi spoke in favour of eventual accession for Ukraine at the EU–Ukraine summit in October 2003. Crucially, not all of the new members are in favour of Ukrainian membership, and only seven of the ten states that entered in 2004 are among the EU-11 caucus (for example, Slovenia, Cyprus and Malta are not). Germany was reluctant to consider the membership question and wants to ‘digest’ the recent enlargement. Spain, the Netherlands and Luxembourg stated that early talk of membership would send the wrong message. Among Member States France is the most vociferous opponent of Ukraine’s membership in the EU.

These internal EU divisions on Ukraine have become more prominent as Ukraine has risen up the EU’s policy agenda. In fact these disagreements reflect broader divisions within the EU not only over the Neighbourhood Policy but more generally over the EU’s foreign policy. In particular, these divisions on Ukraine have been closely connected to policy towards other Eastern
neighbours, such as Russia. For example, Lithuania, after entry into the EU, initiated discussions with foreign ministers of 10 other Member States ahead of the EU foreign minister meeting in early October 2004. This included the three Nordic Member States, the three Baltic states, the Visegrad four and Austria (10 of these 11 have joined EU since the end of the Cold War). The informal dinner of the ‘EU11’ the day before the EU foreign ministers meeting called for more unity on relations with Russia and agreed on the need to give a ‘European perspective for Ukraine’. Several meetings were held, but have now been discontinued (at least in this format) due to criticism from the Commission and the Luxembourg presidency.

At the same time, there have been some notable instances of cooperation by key Member States. For example, German-Polish co-operation on EU policy towards Ukraine was a new and important phenomenon after enlargement of 2004. The Ministries of Foreign Affairs jointly prepared ‘Draft elements regarding a European policy for Ukraine’, presented on 12 October 2004. The document proposed a pro-active EU policy towards Ukraine, including a new agreement between the EU and Ukraine, flexibility in the existing visa regime, granting Ukraine the market economy status and a start of preparations for negotiations for the Free Trade Area. However, despite Poland’s desire to promote a discussion of a membership perspective for Ukraine, Germany ruled it out. Nevertheless, such co-operation stands out insofar as it involves a leading ‘old’ Member State and an important ‘new’ Member State. While on the one hand it was clear to the German MFA that a clear vision of EU-Ukraine relations after the enlargement of 2004 required an input from Poland, on the other hand, the Polish authorities were acutely aware of the fact that they would not be able to promote their proposals for EU policies towards Ukraine without Germany’s support.
EU position during the Orange Revolution

In light of the above-mentioned internal divisions, the unity shown by EU Member States towards the events which characterise the Orange Revolution was remarkable. Two things stand out in particular.

Firstly, the EU unequivocally rejected the official results after the second round of the presidential elections, results which were subsequently deemed to be falsified according to the Supreme Court of Ukraine.

Secondly, the EU statement, prepared by Dutch presidency, was published very early on in the ‘revolution’. The significance of each of these points lies in the fact that the EU Member States had individually and collectively deemed that the Orange Revolution represented a display of fundamental European values: a belief in democracy, a willingness to adhere to the rule of law and a desire for freedom from state oppression which they were willing to support.

In turn, the Orange Revolution presented the EU with an opportunity to act as a strong political player. It was an opportunity Brussels grasped. The participation of EU representatives such as Javier Solana and the presidents of Members States (Valdas Adamkus and Aleksander Kwasniewski) in a series of round table negotiations involving Mr Kuchma, Mr Yanukovych and Mr Yushchenko will go down as a high point for EU foreign policy, especially as EU actors were instrumental in not only starting the negotiation process, but, more importantly, contributing to a solution.

It should be noted that formal EU foreign policy mechanisms failed during negotiations in Kyiv: the Troika was not involved and the (Dutch) Presidency played a secondary role. At the same time the EU’s CFSP was bolstered not only by Solana’s participation in negotiations but also by the unwavering strength of the common position adopted by EU states. Indeed, the ‘non-formal’ character of the EU mission in Ukraine is increasingly seen as a possible template for the future of CFSP activities. The limitations of the Troika as a mechanism for intervention is exposed by the obvious fact that it
may not contain representatives of Member States which are in the best position to act (in cooperation with the EU minister of foreign affairs).

Crucially, the Ukrainian crisis demonstrated that newcomers can add value to the CFSP. This in turn makes it evident that EU enlargement does not necessarily imply a diminution of significance of the CFSP.

**EU position after the Orange Revolution**

In the immediate aftermath of the Orange Revolution, the Council adopted a rather conservative stance towards the evolution of relations with Ukraine. Above all, the majority of Member States were against the re-negotiation of the EU-Ukraine Action Plan which had been finalised under Mr Kuchma’s regime prior to the elections. It is however, noteworthy that all Member States were in favour of closer co-operation with Ukraine, although there was anything but a consensus on offering a membership perspective to Ukraine.

More specifically, Poland, Hungary and Lithuania have fought for a new formulation on Ukraine’s membership prospects, while Scandinavian countries have also been keen on promoting closer ties with Ukraine. In sum, more than 10 Member States have been keenly interested in the building of new relations with Ukraine.

In contrast, a number of EU leaders, including Luxembourg Prime Minister, the President of the European Council Juncker and German Chancellor Schroeder, have come out explicitly against talk of membership although Germany has now joined a group calling for a much more pro-active EU policy vis-a-vis Ukraine. As has been mentioned, France is the most reluctant to engage with Ukraine even further, and is adamantly against offering a membership perspective.

As ever, there are nuances. For example, after ‘Orange’, German-Polish co-operation on Ukrainian affairs, with the participation of Lithuania, continued. A German-Polish-Lithuanian paper was prepared in January 2005,
which while not proposing the offer of the prospect of EU membership, called for a more generous policy towards Ukraine.

The Commission has also been somewhat defensive in its stance towards Ukraine since the events of January 2005. Commissioner Ferrero-Waldner reiterated the oft stated view that the ENP and Action Plan are appropriate tools for EU–Ukraine relations and to this end, the Commission was intent on co-signing the Action Plan with Mr Yushchenko’s government, notwithstanding the fact that it had been negotiated with Mr Kuchma’s regime and agreed on some months prior to the presidential elections. Such behaviour is comprehensible for a bureaucracy. The Commission did not want to play an active role in the shaping of new EU–Ukraine relations after the Orange Revolution, but preferred to follow strictly the Council’s line.

As a result the Commission’s position is quite clear: it intends to focus on ENP for now. However, while it accepts that the ENP is not about membership, it does not a priori exclude membership in the long-term. In a similar vein, it recognises that Ukraine is a European country (and thus acknowledges its membership eligibility in principle) but simultaneously emphasises that there is much that Ukraine can do (i.e. needs to satisfy the Copenhagen criteria). While Ferrero-Waldner was adamant that Ukraine should not be given even distant membership prospects, and that EU will not initiate membership talks, she did refer to Ukraine as a European country.

In contrast to the above two bodies, the Parliament evidenced the most progressive stance. This is exemplified in the European Parliament Resolution on ‘The Results of the Ukraine Elections’ adopted on 13 January 2005. The resolution included more concrete proposals for closer co-operation with Ukraine than those emanating from either the European Council or the Commission and also alluded to an offer of a membership perspective for Ukraine. The resolution was voted for by 467 MEP versus 19 against and 7 abstentions. In other words, a highly significant number of MEPs from Member States which are technically against a membership perspective for Ukraine,
supported the resolution. Furthermore, this voting pattern implies that the Declaration received strong support from all the major political groups in the EP across the political spectrum.

There are however some differences between the three biggest political groupings in parliament. Ukraine’s EU ambitions enjoy their warmest support from the EPP, bolstered by the Liberals, which regard Mr Yushchenko as an ideological ally. The Socialist group has been relatively quiescent. It should be noted that some MEPs from old Member States who signed up to the Declaration thought they had signed up to too much.

In sum, the Orange Revolution experience was an important event for the recently enlarged EP. The Parliament has displayed real enthusiasm in support of Ukraine’s European aspirations, with the MEPs from newcomers playing a particularly prominent role. Most intriguingly, ‘Orange’ has given the EP an opportunity to display a hitherto unheard of prominence in the foreign policy of the European Union.

Due to the Orange Revolution, Ukraine became a subject of extraordinary interest in the media of the majority of Member States. The pro-active stance adopted by several Member States and the EP towards Ukraine, exhorting that EU–Ukraine relations be taken to a new level, meant a post-Kuchma Ukraine could no longer be ignored. The signing of an Action Plan in itself would not and could not reflect this new chapter in Ukraine’s relations with the EU. Additional, more ambitious proposals were needed. The response was a 10-point letter specifying additional measures to further strengthen and enrich the Action Plan, written by Solana and Ferrero-Waldner and adopted along with the AP on 21 February 2005. This will now be explored in more detail.

The Action Plan for Ukraine consisted of a range of often not clearly delineated demands by the EU, which were similar to those made of candidates whose relations with the EU were still in their early stages, yet which failed to propose adequate incentives for Ukraine. In other words, it is a do-
document which fails to reflect the hopes which Ukraine has vis-a-vis the EU. In this regard, it is perhaps indicative of the fact that the document was prepared before the Orange Revolution.

Any hopes that the Yushchenko government may have had for the ‘additional measures’ (hereafter the List) were soon tempered – the List has been criticised as being cosmetic and failing to add much which was new to reflect the new chapter in relations. Indeed, many of the items on the List are essentially re-formulations of the corresponding items in the Action Plan. For example, this is true as regards the restated EU support for Ukraine’s accession to the WTO and the language used on enhanced co-operation in foreign and security policy, (although the proposal to invite Ukraine to associate with EU declarations on foreign and security issues is not mentioned in the Action Plan).

While the List suggests considerable scope for an increase in the dynamism of EU–Ukraine relations, the terms used are vague and non-binding. For example, trade and economic relations, work on liberalisation of trade in steel products and textiles, and contacts to enable Ukraine to be granted market economy status, will be ‘intensified’, the review of the possibility of free trade will be ‘accelerated’, and the EU would ‘step up’ support to Ukraine for approximation to EU legislation.

Admittedly, some important concessions are made by the EU. While the Action Plan calls for ‘a constructive dialogue on visa facilitation, ... with a view to preparing for future negotiations on a visa facilitation agreement’, the List calls for consideration of options to facilitate the granting of visas in connection with ‘negotiations to be held... before the next EU-Ukraine summit’.

Similarly, there has been some notable flexibility regarding the implementation of the Partnership and Cooperation Agreement (PCA). In the first EU proposals in March 2003, full implementation of the existing PCA was considered a ‘necessary precondition for any new development’. Only then would the EU take into account any new agreements that would ‘build on’ and ‘supplement existing contractual relations’. The List demonstrates a considerable change to the EU’s position, calling as it does for ‘early consulta-
tions on an enhanced agreement..., to replace the PCA at the end of its initial ten-year period’ [i.e. in early 2008]. Such a commitment to the conclusion of a new upgraded agreement was one of key items on Mr Yushchenko’s wish list.

But progress on some of these key issues remains dependent on the fulfilment of a number of conditions specified in the Action Plan. ‘Early consultations’ on a new enhanced agreement will thus take place only after the ‘political priorities’ of the Action Plan are addressed. The granting of market economy status requires that a number of issues including price-formation and control of state aid in Ukraine are resolved. As in the Action Plan, it is emphasised that progress in negotiations on a readmission agreement is ‘essential’ for an agreement on visa facilitation. By implication, whether or not the List leads to a significantly strengthened bilateral relationship in the short term thus depends mainly on Ukrainian reform efforts.

The List also suggests Ukraine is likely to be higher on the agenda of the EU than was the case hitherto. On the issue of people-to-people contacts, Ukraine is to be given ‘priority access’ to the Erasmus Mundus student exchange programme, and a special internship programme for young Ukrainians will be considered. Relations will also be strengthened in key sectors, through the establishment of a high-level dialogue on energy issues, and through an upgrade in the dialogue on environmental issues. Ukraine will also figure in the planned extension of the Trans-European Networks.

A similar conclusion can be drawn from the provision calling for up to 250 million euro in loans to be made available to Ukraine from the European Investment Bank. This constitutes half of the total EIB funding available to the members of the Commonwealth of Independent States (CIS), and represents a clear shift in EU priorities towards Ukraine, and away from other CIS countries such as Russia, previously the only CIS country to receive EIB financing.

Indeed, the Action Plan and the List represent a sea change in the EU’s policy towards the CIS. Until now, Russia has been at the top of the EU’s policy priorities towards the CIS, with any new initiatives first developed with
Russia. The latter’s unwillingness to be a partner in the ENP means that relations with other CIS countries such as Ukraine are likely to be disaggregated from those with Russia.

While the List accelerates the deepening of bilateral relations with Ukraine envisaged in the Action Plan, many in the EU concur that this is a miserly response to the dramatic events in Ukraine in late 2004 and does not constitute significant support for a new Ukrainian government determined to move towards EU membership. Nevertheless, it is noteworthy that the EU has proposed a first review of the implementation of the Action Plan at the beginning of 2006.
The Enlarged EU and Ukraine – New Relations
3. The ‘new’ Ukraine’s policy towards the EU

“We avoid saying ‘tomorrow’, they avoid saying ‘never’”
Vice Premier O. Rybachuk, Brussels on Ukraine’s EU membership,
22 February 2005.

The new Ukrainian leadership embodies the ambitions of the Ukrainian nation, which not only perceives itself as European, but has proved itself as such, something which was evidenced by its willingness to actively defend common democratic values which it shares with its neighbours to its West. It should therefore be no surprise that president Yushchenko’s government is strongly committed to lead Ukraine into the European community of nations, reflecting the fact that Ukraine’s integration into the EU forms an integral part of new Ukraine’s national idea.

Admittedly, under President Kuchma Ukraine frequently declared its ambition of joining EU. However, it is evident to any knowledgeable observer of Ukrainian politics that there is a chasm between the European ambitions of Mr Kuchma and those of Mr Yushchenko. For Mr Kuchma ‘European ambitions’ were a tactical device with which he regulated his multi-vectoral policy of balancing between Russia and the West, lacking the political will to fulfil criteria of EU membership. Nothing could be further from the truth regarding the government of Viktor Yushchenko, which regards relations with
Russia as strategically important but is adamant about the European destination and future of Ukraine.

**The same goal – a change of tactics**

From the moment of its election it was evident that the new leadership was intent on attaining the European political, economic and social standards necessary for membership. While this was evidenced in the government’s confirmation of its objective of EU membership, a hitherto missing pragmatism was revealed in the change of tactics: general declarations were jettisoned and replaced by a commitment to policy targeted at EU membership.

Although in the immediate aftermath of the ‘revolution’ the new Ukrainian leaders proclaimed their intention to immediately submit an official EU membership application, in practice, the government has proved itself to be more pragmatic: it has committed itself to fulfilling the EU–Ukraine AP, thereby proving its seriousness, and has effectively agreed to defer any membership application until after the planned preliminary AP progress evaluation. In this way, the AP becomes the vehicle moving Ukraine towards an enhanced agreement.

In doing so, the Ukrainian leadership is effectively rejecting the recommendation that any debate regarding membership should be deferred to some (unspecified) point in the future. The very underlying philosophy of ENP fails to appeal to Ukrainian leaders, who stress the fact that Ukraine is a European state (i.e. part of Europe) and not a neighbour of Europe.

**First two months of the new government – overview**

The new Ukrainian government came to power on February 4 and an early evaluation of its programme suggests that its implementation of reforms reflects action and not mere rhetoric. The government commenced its anti-corruption campaign with an assault on its customs service (‘Stop smuggling’ campaign), widely perceived as one of the most corrupt state bodies in Ukraine. High customs duties (usually put in the 30–50% range with 100%
applied in some cases) and the non-regulated range of prerogatives of customs officials meant that corruption in customs service was almost inevitable. The immediate response of the government was to cut a large number of customs duties to 3–10%. In addition, the government modified the 2005 state budget by abolishing corrupt ‘special economic zones’ and the special taxation regimes in some industries (Ukraine’s automobile production preferential tax regime had been continuously criticised by the EU since its introduction in 1997). The new state budget has been positively evaluated by IFI experts and officials including World Bank and EBRD.

However, government changes in the budget sphere have caused serious concerns among representatives of small and medium business, which used to pay reduced taxes in the so called ‘simplified system’ of taxation. Some foreign investors (in particular Polish) have expressed some concern at the speed with which some of the changes to taxation have been introduced, arguing that it did not allow them sufficient time to prepare themselves.

The issue of how to deal with some of the privatizations which took place under the regime of Mr Kuchma remains confused. The official current position of the government is that there will be no reversal of privatisations, other than in the case of some very suspicious cases, such as the sale of the large metallurgy plant ‘Kryvorizhstal’ at a very reduced price to a consortium involving Mr Kuchma’s son-in-law. Nevertheless, the government stands by its announcement that it would not reconsider the privatisation deals of the 1990s and the threats to re-privatise up to 3000 enterprises, made by the Prime Minister in March have evaporated.

This is not to say that things are remaining as they were. This is made clear by the fact that a number of financial-industrial groupings are being subjected to numerous legal challenges in the courts. There is some evidence that the biggest oligarchs such as Victor Pinchuk and Renat Akhmetov are, in response, trying to sell at least part of their empires to Russian businesses. At the same time the new Ukrainian leadership has made it clear that it is not ‘going after’ big business, as the Russian president Vladimir Putin did against ‘Yukos’.
Ukraine has made significant strides as regards attaining WTO membership (the last sitting on this matter took place in Geneva in March). Experts say it’s realistic to expect Ukraine’s joining WTO in late 2005 – early 2006.

Crucially, the results of the new Ukrainian government’s commitment to greater transparency: the new Prime-Minister, Yulia Tymoshenko, has introduced open sittings of government (broadcast on TV); the media are encouraged to scrutinise government policies without fear of censorship.

At the same time significant changes are taking place in the Ministries of Interior and Defence as well as the Security Service of Ukraine. These formerly closed state bodies are being openly reformed.

In April 2005 the arrest of some high-ranking Ukrainian officials seemed to prove that the authorities are committed to the fight against high-ranking corruption. The governors of Donetsk and Ternopil Oblast (regional) Councils, Borys Kolesnikov and Anatoly Zhukinski were both arrested, accused of corruption, particularly in regard to the role they may have played in the falsification of elections. A demonstration organised by Mr Yanukovych in support of their release, soon fizzled out after gathering a maximum of 1500 persons in support.

While President Yushchenko declared that the murder of the journalist Georgy Gongadze had been solved (three former police officials have been arrested in connection with his murder) there is still some disquiet in Ukraine owing to the lack of transparency surrounding the whole affair, despite Mr Yushchenko’s commitment to its resolution. The mystery deepened considerably when the former Interior minister Yury Kravchenko, a key figure in the events surrounding the murder, committed suicide after leaving a note further pointing to the involvement of Mr Kuchma in the journalist’s death.

On the economic front, the major challenges for new government are currently the relatively high level of inflation (4.5% during January–March, triggered by extremely generous spending on pensions, salaries and welfare) and the slow down in GDP growth (5.4% in January–March compared to 12% in 2004). The government has tried to combine market and administrative measures to reduce price growth, especially in fuel prices. However, as
80% of the market in fuel is in the hands of Russian companies, this has taken on a political dimension, with some companies claiming that the government threatened to take them into state ownership if they did not comply. In addition, several changes to administrative regulations have caused some criticism on the part of businesses.

In sum, the government is proving itself proactive, though the full extent of its ability to promote wide-ranging reform in all areas of its remit remains open to be seen.

The government has been proactive in sending positive signals to the EU regarding its willingness to implement necessary change. The most overt of them has been a temporary abolition of visa requirements for the EU and Swiss citizens introduced from May 1, 2005 (until 1 September 2005) ostensibly to encourage visitors to come for the Eurovision Song Contest (May 19–21) which Ukraine is hosting as it was the winner of the contest in 2004. In fact the new visa-free regime is an experiment designed to attract more visitors to Ukraine, which if successful is likely to be extended. It is not a secret that the Ukrainian government hopes that this unilateral step will facilitate talks on the EU’s stance on the visa regime, which are due to take place within the framework of the AP. There is no doubt that Ukraine is looking for a gradual softening of visa requirements for Ukrainian citizens travelling to the EU, with long term hopes for visa free travel in the future.

Euro-integration institutions and new key personalities

While key figures in the new government share in the common goal of Ukraine’s membership of the EU, they diverge in terms of tactics and priorities for action. This issue is compounded by the fact that the structure of government in EU-related fields is in the process of being redeveloped.

Nevertheless, it is already clear that there are two key roles which will be responsible for the development of Yushchenko’s European policy.
The position of Deputy Prime Minister for European Integration has been introduced to co-ordinate all governmental activity related to the EU, most particularly the implementation of the Action Plan signed on 21 February 2005. The post holder is also responsible for managing the Government’s secretariat on European integration, which can affect the policies of all ministries. The first holder of this post is Oleh Rybachuk, who has been tasked with developing a new National Strategy of European integration in addition to ensuring the implementation of EU–Ukraine AP. In other words, he has been allocated the responsibility for European integration in the domestic domain.

Although the international responsibilities for EU integration have gone to the foreign minister, Borys Tarasyuk, Rybachuk is likely to be the key medium of communication between Kyiv and the EU institutions and leaders.

It is noteworthy that Mr Rybachuk, a member of parliament since 2002, is one of president Yushchenko’s closest advisers. Before this current appointment, he was chief of staff during Mr Yushchenko’s premiership (1999–2001) as he was during his presidential campaign. Mr Rybachuk developed close relations with Mr Yushchenko in the mid-1990s, when the former worked under the governership of the latter.

Despite this favourable status, Mr Rybachuk failed to gain the right to establish a new ministry (or governmental committee) on EU integration due to the Prime Minister’s opposition to this idea.

The second key post in terms of EU membership objectives is Borys Tarasyuk, the new foreign minister. As a former foreign minister (1998–2000) it was his fervent promotion of Ukraine’s integration in the EU and NATO that led to him eventually being removed from post. Yet as a result of that former period in office, he is widely known in EU institutions and has thus been able to hit the ground running. He has been tasked with mobilizing Ukraine’s diplomatic service, re-structuring it as necessary to fit in with Ukraine’s current policy objectives. Mr Tarasyuk’s long-term experience in the foreign service (since the 1970s) is a factor that determines both his strengths and weaknesses.
There are two other key posts important for EU integration, each of which is likely to gain a new prominence owing to the personality and status of the appointees. Anatoly Hrytsenko, the former President of the highly influential Razumkov Centre think-tank, has been appointed defence minister. Western-educated, he is one of the most pro-European members of the government, responsible for military reform, increasing defence capacity, promoting the inclusion of Ukraine into ESDP and integration into NATO. It is noteworthy that while in the 1990s he worked for National Security and Defence Council, he refused any offers of a position while President Kuchma was in power.

Serhiy Teryokhin has been appointed Minister for Economy Affairs and (until the end of April) European Integration. Together with Mr Rybachuk, they are responsible for finalising a WTO deal. His ministry lost the ‘European Integration’ appendix and become a ‘standard’ economy ministry responsible for key economic regulations (including customs, Free Economic Zones and taxation reforms). Mr Teryokhin is a more liberal reformist than the first deputy Primer Minister Anatoly Kinakh, who suggests a moderated approach to market regulation and taxation issues.
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4. EU–Ukraine relations – prospects

Prospects for 2005 and beyond

According to Ferrero-Waldner, 2005 will be the year of ‘delivery for the ENP’. In the case of Ukraine, the main goal will be the implementation of the ‘additional measures’ (List) agreed in February 2005.

In an ideal scenario, all specific items would be implemented within a year or so. This would include: conclusion of a readmission agreement, finalisation of a visa facilitation agreement, start of talks on the substance of a new upgraded framework agreement to replace the PCA in 2008; additionally, market economy status would have been granted to Ukraine. In addition, a high-level dialogue on energy issues would have commenced, Ukraine would be designated a priority in the Trans-European network, an event which would be followed up, for instance, with feasibility studies on priority projects and financing, the preparation of detailed plans for potential loans to be granted by the EIB, and perhaps most importantly, Ukraine would have become a member of the WTO. An agreement on the legal and financial aspects of Ukrainian participation in ESDP operations would have been concluded. A first review of the implementation of the Action Plan would have been prepared and the EU would be ready for new additional measures to the Action Plan.
Again, in the ideal scenario, the medium-term for the full implementation of the Action Plan would be by early 2008. This would coincide with the finalisation of the new upgraded agreement to replace the PCA, which expires in March 2008. In reality, based on previous experience involving similar agreements, time is already running out if a new agreement with Ukraine is to be negotiated and ratified by that time. In the case of the Europe Agreements and the EEA Agreement this process took, on average, three and a half years, while more recent agreements such as the Stability and Association Agreements and the Euro-Mediterranean Association Agreement took even longer to conclude. Indeed, in the case of the PCA between the EU and Ukraine, the process from the beginning of negotiations (in late 1992) to entry into force (in March 1998) took about five and a half years.

In the longer term, Ukraine’s government hopes to start negotiations on an association agreement with the EU (which is to reflect a membership perspective) as soon as any substantial success in the implementation of the AP has been detected, with the aim of completing association talks by the end of 2007.

The position of the EU (EU Member States, the Commission and the European Parliament)

Many Member States do not have a particularly strong interest in Ukraine specifically. Thus, their positions are likely to be more contingent upon internal developments in Ukraine than was the case with countries from Central and Eastern Europe.

Therefore, a significant change in the position of Member States towards Ukraine in 2005 is unlikely. However, if Ukraine were to introduce significant reforms, a chance in sentiment towards Ukraine in several Member States could be expected in 2006. The accession in 2007 of Bulgaria and, in particular Romania, which shares a border with Ukraine and Moldova, is likely to further shift the balance within the EU in favour of acknowledging Ukraine as a potential member of the EU.
The Commission will be focused on the technical aspects of the implementation of the Action Plan and ‘additional measures’. No initiatives can be expected on the part of the Commission.

Support within the European Parliament for acknowledging Ukraine as a potential member is probably less strong than the voting figures on the Declaration on Ukraine in January 2005 suggest. Indeed, many MEPS who voted in favour of the Declaration appear to be having second thoughts with some having come out in public arguing against acknowledging Ukraine as a potential member.

In fact the Declaration can be seen to be something of a peak in terms of pro-Ukrainian sentiments and a continued cooling can be expected. Despite this, a notably more positive attitude towards Ukraine permeates Brussels compared to before ‘Orange’.

Ukraine’s activity in the field of Euro-integration

The current government faces a number of obstacles in terms of its immediate EU-related objectives. Firstly, it has a limited time frame within which to act before the March 2006 parliamentary elections, after which, according to the amended constitution, a new government is to come into power. Secondly, it has to satisfy very high public expectations, for example in terms of spending on social affairs, especially in light of the gradually impending elections. Thirdly, there is considerable competition between major political components of the far-from-consolidated political machinery (the Cabinet of ministers, the National Security and Defence Council, the Secretariat of President are all likely to be competing for influence) as well as competition between strong political figures within the government (Mr Rybachuk, Mr Tarasyuk, Mr Kinakh, Mr Teryokhin, Mr Pynzenyk – the minister of finances, let alone the Prime Minister Tymoshenko who may be tempted to settle a few scores).

At the same time, the Ukrainian government is facing an fearsome reform agenda: administrative reforms are now being prepared; local and re-
regional administrations remain archaic; the judicial system is in desperate need of major structural reform.

Yet despite all of the above challenges, it is clear that Ukraine’s new government has proven itself in a number of key regards.

Firstly, Mr Yushchenko’s team is indubitably serious about the European integration of Ukraine, as evidenced by the creation of the post of vice minister for European integration and the ministerial appointments outlined above.

Secondly, it is evident that these appointees fully understand the core problems facing Ukraine in terms of the objective of European integration of Ukraine. More pertinently, they are acutely aware that these problems are rooted in domestic factors. The clearest evidence of this is provided by the strategy presented by Oleh Rybachuk firstly in Kyiv in March and then in Brussels in April, which is focused on domestic reform aimed at moving Ukraine closer to European standards.

Thirdly, the new authorities have shown that they are ready to push principal reforms (of the administrative, customs and taxation systems) immediately, not only for the benefit of Ukrainian citizens, but also in order to send the right message to Brussels.

Fourthly, the new government has taken into account the mistakes of its predecessors: Ukraine will not ‘bargain’ its European choice anymore by threatening a return to Russia if no response is forthcoming from Brussels. The new stance is already being implemented, as when on a visit to Berlin in March, Mr Yushchenko refrained from making demands for an immediate change in the position of the EU, something which was noted by his hosts.

Finally, Ukraine is already pursuing a more pro-European foreign policy at the expense of its pro-American policy, despite the fact that the USA is more active and favourable to the European aspirations of Ukraine than France and Germany are. Indeed, it is already clear that Ukraine is closer to France and Germany’s that the US’s position on the Iraq conflict. In addition, the Ukrainian leadership is far more focused on EU membership than NATO membership, as evidenced by the rhetoric of officials. If the EU fails
to take advantage of this attitude, Ukraine may reconsider this policy, especially if its European aspirations come to be circumscribed within the framework of the ENP.

In sum, one can expect that Ukrainian authorities will try to implement basic reforms in the next 10 months, before the parliamentary elections. But it is almost sure that they will not be able to do everything planned, first of all because of internal political pressures (in particular, the campaign before the parliamentary elections) and the bureaucratic inertia.
The Enlarged EU and Ukraine – New Relations
5. EU–Ukraine relations – recommendations

The recommendations differ insofar as some of them are general, while others are more detailed and specific. The only criterion for inclusion was their role in terms of contributing to moving EU–Ukraine relations forward in 2005 and the beginning of 2006.

Recommendations for Ukraine

- A series of new tactics are needed in order to create a new image of Ukraine in the eyes of the EU. Ukraine’s status as a European state is now so obvious to all and sundry that the Ukrainian authorities no longer need even mention it, and therefore should avoid doing so. While this may have been necessary under Mr Kuchma’s deeply un-European regime, to continue to repeat it would be counterproductive, in that it would serve little more than to remind people of that regime. Instead, the Ukraine authorities should highlight the implementation of any and every piece of reform, even the most minor, which brings Ukraine closer to the EU. There is little more valuable than tangible proof of Ukraine’s engagement in the Euro-integration process.

    Alas for Ukraine, it is the case that any state aspiring to membership of the EU will be judged according to higher standards than those the most recent new Member States were required to adhere to. Therefore the new
tactics of Ukrainian authorities will be extremely important in 2005, especially given the need to overcome the lingering ‘Ukraine fatigue’ in Brussels which set in under Mr Kuchma.

- Ukrainian authorities should establish a clear institutional structure dealing with European-integration process. The competencies of deputy Prime Minister Mr Rybachuk, minister of economy Teryokhin and minister of foreign affairs Tarasyuk now overlap. Their relative responsibilities need to be more clearly differentiated. In a similar vein, key ministerial players should avoid competing when it comes to the field of the European integration field, especially when they are abroad or have a foreign audience. The position of Ukraine towards the EU should be coherent even on minor issues.

- As was mentioned above, the new Ukrainian government is faced with a huge reform agenda. The extent to which European integration and the objective of eventual EU membership informs the reform process has yet to be seen. It is however already clear that any reform will require a much more comprehensive overhaul of the public sphere in Ukraine than merely introducing trade and economic regulations, as implied in the Blue Ribbon Report.

   It is evident that the complete convergence to EU standards (political and economic) is at best a very long-term proposition. The sequencing of the reform process thus becomes a critical issue insofar as it is important that Ukraine does not approach the approximation of legislation a la carte, but rather chooses the sequence of reforms in plans to introduce carefully in consultation with the EU, at a pace that the (hopefully significantly enhanced) institutional and administrative capacity of Ukrainian national, regional and local authorities are able to accommodate.

   In particular, to ensure a synergy between the public expectations and pro-integration policies, Ukraine needs to start identifying those parts of the *acquis*, the implementation of which would promote economic reforms
while at the same time improving the prospects for trade and investment with the EU.

More importantly, while the political will of the new leadership of Ukraine to implement change is beyond doubt, the institutional and administrative capacity to deliver on promises to the public and to fulfil its commitments vis-a-vis the EU remains critically low. The continued existence of a Soviet-esque public administration in Ukraine is a formidable obstacle to the introduction of any reforms, i.e. there is a massive gap between decisions at the top and actual behaviour of bureaucrats. (According to anecdotal evidence provided by Western journalists, this is more than evidenced by the fact that despite the government’s decision to drop the requirement for visas in April, at the beginning of May, this had still not percolated down to some of Ukraine’s embassies in the countries concerned). Comprehensive administrative reform of the state apparatus and developing effective policy making remain pivotal ingredients of success.

- Ukraine should set a more ambitious goal for trade aspects of a new agreement, which should replace the PCA in 2008. In particular, Ukraine should push for joining the EU customs union. Not only would this once more reiterate its commitment to European integration, but would also focus Ukraine’s efforts on the vast agenda involved in adopting EU rules, standards and policies. It could start by focusing on one of the more problematic areas such as customs or borders. It would of course also reduce the probability that Ukraine might revert back to a multi-vector foreign policy.

Recommendations for the EU

- There is a need to specify further the various provisions of the Action Plan, perhaps along the lines of the additional measure agreed in early 2005. Further ‘additional measures’ should be discussed later this year and be proposed at the beginning of 2006 along with a first review of the Action Plan. New EU proposals are politically indispensable because of the parliamentary
elections in Ukraine in spring 2006. Forces which favour the status quo ante and champion a pro-Russian orientation are likely to exploit the view that, in the words of Kuchma ‘Ukraine is not wanted in Europe’, with the aim of discrediting the government’s fixation with Europe.

- European Neighbourhood and Partnership Instrument, proposed in the ENP framework, needs to be developed to assist in bringing Ukraine close to European standards. Encouraging the process of twinning is a very positive move in the right direction. But the Instrument needs to be backed by substantial financial resources, specifically targeted at ensuring the implementation of the priorities of the AP and then the new Agreement.

- The year 2005 should be devoted above all to achieving concrete results in EU–Ukraine relations. But the EU should not neglect the longer perspective of EU–Ukraine relations and should start discussions within the EU about what its vision of future relations with Ukraine should be. (It is therefore especially important that Ukraine provides some tangible proof of its European aspiration by the beginning of 2006.) Obviously the main question facing Brussels is the notion of a membership perspective for Ukraine. The issue has become even more complicated in last months because of the amendment in the French constitution (March 2005), which binds French president to calling a referendum on any accession treaty in the future (excluding that of Bulgaria and Romania).

**Recommendations for the EU and Ukraine**

- Better co-ordinated assistance for Ukraine is vital. There are so many proposals from the Commission and Member States that they often overlap. A working group should be established to avoid overlaps and indeed to create synergy between intended programmes. This could take the form of trilateral co-ordination involving the Commission, Member States and Ukraine.
The EU should offer Ukraine access to the EIB lending in next months; Ukraine should prepare to absorb it. At the same time, Ukraine needs to ensure that the investment assistance coming from the EIB is open to scrutiny and that the process is transparent. This could also contribute to the creation of a basis for good governance. EIB funding could contribute to the creation of a positive image of the EU in Ukraine, primarily by highlighting the investment projects which have impact on the wellbeing of ordinary citizens.

- Rapid progress in negotiations on visa facilitation is needed. This issue should be one of the priorities in this year. The EU and Ukraine should achieve an agreement on visa facilitation no later than the beginning of 2006. The agreement will be an evidence of closer relations between the EU and Ukraine and a clear signal to the Ukrainian society that the EU will be more open to it. Indeed, this might become a prominent issue in the campaign leading up to the parliamentary elections in Ukraine.

- Immediate talks and early negotiations on a new upgraded agreement are needed. Time is running short if the EU and Ukraine are to discuss, negotiate, initial, sign and ratify a new substantially upgraded contractual agreement by the time the PCA expires in March 2008. However, it is not impossible. It took a little less than two years and nine months to conclude the process for the Europe Agreements with Bulgaria and Romania. It is very difficult to envisage this unless negotiations are launched this year. The EU needs to recognise that it has a unique opportunity to help shape and consolidate the political configuration of its Eastern neighbourhood, and become conscious of the fact that this is an opportunity that may soon pass unless it makes efforts to help Orange bear fruit.

- There is no doubt that closer co-operation on issues pertaining to the CFSP between the EU and Ukraine is welcome. There are two issues in particular which stand out as priorities, namely Transnistria and Belarus. Both issues are important for both sides. Ukraine should co-operate with the EU
on the Transnistrian question, especially in terms of the security of border between Ukraine and Transnistria. Ukraine should also adopt the EU’s position on Belarus as far as possible. The EU should organise regular consultations with Ukraine on each of these issues. Co-operation on CFSP issues will be a real political test for both sides and can contribute to the creation of mutual trust between the partners.
Selected publications issued in the project
The Enlarged EU and Ukraine:


More than Neighbours. The Enlarged European Union and Ukraine – New Relations. Policy Paper (2004). Recommendations related to relations between the enlarged European Union and Ukraine elaborated by the group of experts from the EU, the accessing countries and Ukraine.

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**Policy Paper 3: Pro-European Atlantists. Poland and Other Countries of Central and Eastern Europe after Accession to the European Union** (2001); edited by Grzegorz Gromadzki and Olaf Osica; published in association with the Center for International Relations. Available in Polish and English.


Policy Paper 7: An Overview of European (In)Security (2002); edited by Olaf Osica and Grzegorz Gromadzki; published in association with the Center for International Relations. Available in Polish and English.


Poland in the World: Challenges, Achievements, Threats (2003); address by the Polish Foreign Minister Włodzimierz Cimoszewicz, and the records of discussion featuring Jan Krzysztof Bielecki, Jerzy Jedlicki, Maciej Łętowski, Tadeusz Mazowiecki, Dariusz Rosati and Aleksander Smolar. Available in Polish and English.

The EU Enlargement and Neighbourhood Policy (2003); the proceedings of a conference organised by the Foundation in co-operation with the Polish Foreign Ministry; the publication includes the keynote addresses by Polish President Aleksander Kwaśniewski and Foreign Minister Włodzimierz Cimoszewicz, a summary of all sessions, and the Polish non-paper with proposals
on the future policy of the enlarged EU towards its new Eastern neighbours. Available in Polish and English.

Poland’s Foreign Policy: Continuation or a Break with the Past? (2004); publication containing a record of the debate organised by the Stefan Batory Foundation. The debate featured, among others, Włodzimierz Cimoszewicz, Lena Kolarska-Bobińska, Tadeusz Mazowiecki, Andrzej Olechowski, Dariusz Rosati and Aleksander Smolar. The publication also contains the results of a questionnaire on today status and priorities of Polish foreign policy, carried out among the politicians. Available in Polish and English.

New Geopolitics of Central and Eastern Europe. Between European Union and United States (2005); the proceedings of the conference organized by the Stefan Batory Foundation in co-operation with the German Institute for International and Security Affairs of the Foundation for Science and Policy, SWP, Berlin, and the European Studies Centre at St Antony’s College, University of Oxford. The publication includes statements of politicians and experts, followed by discussions, the addresses by Polish Secretary of State Adam D. Rotfeld and EU Commissioner Danuta Hübner, and a special lecture by the former US Secretary of State Henry A. Kissinger. Available in English.

Other publications on international relations

Belarus. Reform Scenarios (2003); a comprehensive study by Belarusian experts featuring proposals of political, economic, social, and educational reforms of the country. Available in English, Russian and Belarusian.

Belarus Catching up with Europe (2004); summary of the study elaborated by Belarusian experts featuring proposals of political, economic, social and educational reforms of the country and record of the discussion on
possibilities of realisation of the reforms in Belarus. Available in Polish, English and Ukrainian.

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