

More than Neighbours

The Enlarged European Union and Ukraine – New Relations
Final Report

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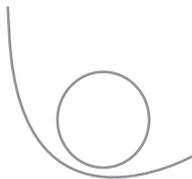
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Final Report



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1. Executive summary

1. Ukraine will become a direct neighbour of the European Union on 1 May 2004, when Poland, Hungary and Slovakia enter the EU. This creates new challenges and opportunities for the EU and Ukraine, which have agreed to strengthen their relationship.

2. Membership in the EU is one of Ukraine's main strategic goals. The EU has so far not acknowledged Ukraine as a prospective member of the EU. However, according to Article 49 of the EU Treaty, the EU is open to all European countries, and Ukraine is, after all, a European country. The EU's current position vis-à-vis Ukraine is unsustainable, as a matter of principle. Moreover, this position limits the EU's influence on developments in Ukraine, as it prevents the use of the EU's most powerful foreign policy instrument, namely the conditions of the accession process.

3. Ukraine's transition to a market-based liberal democracy is far from complete. Limited economic progress in recent years has been offset by negative political developments undermining the rule of law and the freedom of the media. This undermines the credibility of Ukraine and its purported European aspirations.

4. Ukrainian elites need to acknowledge that the prospect of membership is given as much as a reward for domestic efforts as a means to influence the pace and shape of reforms. Eventual accession is not determined by geopolitical considerations, but by the political, economic, legal and so-

cial situation in the candidate country. In short, European integration starts and ends at home. Declarations on Ukraine's European aspirations and demands to the EU for timetables for 'association' and membership are counterproductive, unless accompanied by serious efforts to fulfil the criteria for EU membership.

5. Ukraine should avoid making commitments that could prevent the realisation of their EU ambitions, for instance through full participation in the later stages of the Common Economic Space between Russia, Belarus, Kazakhstan and Ukraine in September 2003. Participation in a customs union with CIS partners is incompatible with EU membership.

6. This leaves the EU with a dilemma: acknowledging Ukraine as a potential EU member would be to reward the lack of reform, which would not be desirable. On the other hand, this deprives the Ukrainian people of their legitimate right as Europeans to take part in the European project.

7. The EU should acknowledge that Ukraine is, as a European country, a potential member of the EU. Though it should simultaneously be emphasised that it is neither inevitable nor likely to materialise in the foreseeable future. Ukraine does not currently fulfil any of the Copenhagen criteria, and may indeed be moving further away from fulfilling some of them, including those concerned with basic European values and principles.

8. In the short- to medium-term, the principal task is to strengthen the relationship through the progressive adoption by Ukraine of EU rules and standards followed by the gradual inclusion of Ukraine in EU policies.

9. The new members of the EU, and in particular those bordering Ukraine (Hungary, Poland and Slovakia), have a strong interest in playing a key role in strengthening EU policy towards Ukraine. Also, these countries have considerable experience of value to Ukraine, both as concerns how to successfully undertake the process of political and economic transition and how to deal with the challenges of EU accession. Ukraine could be included in many of the areas of co-operation among the Visegrad countries (Hungary, Poland, Slovakia and the Czech Republic), for instance through strengthened cross-border co-operation, including facilitation of the movement of people

between Ukraine and the Visegrad countries and the establishment of a joint peacekeeping force, Centreurofor.

10. A road map should be developed outlining specific steps towards Ukraine's integration with the EU. While a timetable with specific dates is not credible, as progress along the 'road' depends almost entirely on Ukraine itself, this road map could constitute the core of the Action Plans currently being developed as part of the 'Wider Europe' initiative.

11. The proposed road map consists of four distinct stages: beginning with a political declaration initiating the process, followed by a 'pre-association' stage, association and, possibly, finally candidate status. Clear benchmarks should be developed across all policy areas, spelling out the criteria that must be fulfilled in earlier stages to move further towards candidate status for Ukraine in the longer-term.

- Political declaration. The Action Plan should be accompanied by a unilateral political declaration by the EU. This should acknowledge that Ukraine – as a European country – is eligible in principle for EU membership. This declaration would further spell out the conditions for starting negotiations on an association agreement. The declaration should be published as soon as possible.

- Pre-association phase. Co-operation between Ukraine and the EU is continuously being expanded, but there is scope for a further strengthening in the short-term. Dialogue on security and defence issues could be expanded, as could Ukrainian participation in European Security and Defence Policy (ESDP) operations, with a significant role for Ukraine particularly pertinent in Transnistria. In the area of justice and home affairs (JHA), Ukraine could abolish visa requirements for EU citizens, while the EU should introduce the 'easy-visas' to facilitate movement of people across the Ukraine-EU frontier. In economics, market economy status and World Trade Organisation (WTO) membership for Ukraine could be accompanied by the removal of trade restrictions in areas of Ukrainian comparative advantage (for instance agriculture, steel and textiles), as well as a gradual removal of Ukrainian import tariffs. Furthermore, Ukraine could be im-

mediately included in a number of EU programmes and activities, for instance on education, research and culture, which represent long-term investments and should not be subject to any conditions beyond quality. Likewise, the EU should consider broadening existing mechanisms and creating new ones to support civil society development and assist in raising a new generation of pro-European activists. The decision to give responsibility for Ukraine and the Wider Europe to the Commissioner for Enlargement was good, and this division of responsibility should be kept in the new Commission in 2004.

- Association. The Partnership and Co-operation Agreement (PCA) is outdated and a new agreement is needed. The new agreement should incorporate the range of issues on which the EU and Ukraine already co-operate, for instance JHA and security and defence, which is not included in the PCA. The new agreement would also formalise and institutionalise the practices introduced in the pre-association phase (ESDP, Community programmes etc). Clear benchmarks must be established in order to make it possible to agree on objective grounds for implementation, which should be the subject of strict monitoring and enforcement mechanisms. Conclusion of this agreement should be subject to stricter criteria than under current EU association arrangements. These should be a 'softer' version of EU membership criteria, including the basic principles and values of the EU and all the political criteria. They should differ from the Copenhagen criteria mainly concerning economic and legal issues, for instance competitiveness of Ukrainian economy and approximation and implementation of the *acquis*, a process bound to take a long time. The association should develop step-by-step in line with the Europe Agreements. In trade, the gradual removal of EU barriers and Ukrainian barriers would lead to a free trade area followed by the gradual inclusion of Ukraine into the single market. Visa-free travel should be envisaged during the period of association. The progressive inclusion in institutions should be strictly conditional on the fulfilment of association criteria. Economic assistance should be increased and targeted towards making Ukraine 'EU compatible'.

- Pre-accession phase. Ukraine would need to prove sustained efforts towards reform and implementation of the association agreement in order to be acknowledged as a candidate for EU membership. Negotiations on Ukraine's eventual accession to the EU could commence following the implementation of the association agreement.

2. Introduction

2.1. Justification

EU security and stability is inherently linked with that of Europe as a whole. As was recognised in the Wider Europe Communication, interdependence – political and economic – with the Union’s neighbours is already a reality. Hence, security and stability in Europe largely depends on the policy of the EU towards the rest of Europe. As it is based on the principle of democracy and rule of law, the EU’s political and economic policy might give it particular leverage which facilitates the spread of these values and principles outside its boundaries.

So far, the EU has avoided this issue and adopted a policy of limited engagement with its future/post-enlargement Eastern neighbours, with the partial exception of Russia because of the importance of the latter and its common border with the EU.

The EU has placed greater emphasis on preventing instability impinging from outside, rather than on the need to export stability beyond the accession states. The EU’s policy towards Ukraine has been a mix of different policy measures stemming from the recognition that Ukraine is too big to be ignored, and fears of soft security threats emanating from the country. The latter agenda tends to reduce relations with Ukraine to problems of migration, borders and international crime.

From May 2004, Ukraine will become a direct neighbour of the enlarged EU as it borders three of the member states (Hungary, Poland and Slovakia). Given this long common border, the presence of ethnic minorities, long-standing historical ties and substantial cross-border co-operation it cannot effectively be cordoned off, and the EU should actively promote regional and sub-regional co-operation and integration as a means of ensuring political stability and economic development. The reluctance to embrace the challenge of Wider Europe would be detrimental to the objectives that the EU has set itself for Wider Europe, notably the promotion of stability, prosperity, shared values and the rule of law. Relations with Ukraine are key to the policies of the EU toward non-EU European countries. After Russia and Turkey, Ukraine is the biggest, in terms of size and population, non-EU European country and it has expressed a desire to join the EU.

The case of Ukraine is a litmus test for the EU's policy in Wider Europe. Undoubtedly, its membership aspirations raise a number of concerns within the EU. There is considerable fear of endless expansion and impending paralysis of EU institutions as a result of the 2004 enlargement, despite the reforms undertaken aimed at adapting institutions and procedures to accommodate the larger number of member states. Already the 2004 enlargement has put significant strains on the EU's institutions, internal cohesion and budget; further enlargement could trigger a backlash of public opinion. Given that the number of states offered the more or less clear prospect of membership include Bulgaria, Romania, Turkey, Croatia, Bosnia-Herzegovina, Serbia and Montenegro, Macedonia, Albania, as well as the members of the EFTA (Norway, Iceland, Liechtenstein and Switzerland), whose membership would be relatively straightforward, the question of how far enlargement can go is highly pertinent. So far, the EU has refused to extend the prospect of membership to two former Soviet countries, Ukraine and Moldova, while admitting the Baltic republics. In other words, despite their explicit desire to join the EU, only these two European countries have not even been offered the prospect of membership.

Undoubtedly, Ukraine has done a lot to undermine the credibility of its stated intentions. Ukraine's pro-European declarations have not so far been backed-up by deed, as evidenced by stuttering economic and political reforms. The 'stop-go' pattern of economic reforms, combined with evident violations of democratic standards and social deprivation on a massive scale, has created an image of Ukraine as a case of 'post-Soviet failure'. At the same time, however, Ukraine has not experienced the type of conflict or crises characterising the experience of several countries in the Western Balkans, something which, ironically, would most likely have pushed Ukraine higher up the EU's agenda.

Notwithstanding the declarations of the current leadership of the country, the pro-reformers in Ukraine look towards the EU to play a similar catalytic role that it did in stimulating the reform process in East-Central Europe. There, the political and economic transformation became equated with preparation for EU membership.

Given its geopolitical importance, Ukraine can play an important role in the EU's challenge of developing a Common Foreign and Security Policy (CFSP). It can do so by offering the EU an opportunity to develop a new policy, a common stance with an external partner in the enlarged EU, one including both new and old member states.

Moreover, Ukraine's importance for the EU stems from its location as a major transit route for energy (gas and crude oil) from Russia. Therefore, the security of energy supplies to much of the EU depends on the political and economic stability of Ukraine.

Ukraine is a European country of nearly 50 million people with a considerable economic potential. Yet, the country is far from stabilised, let alone democratic and prosperous, and the developments in the country are precarious. Ukraine has regressed in terms of democratisation for the last several years, but experienced steady economic growth since 2000. The next several years are likely to be decisive for Ukraine. At the same time, the realisation of Ukraine's economic potential and the resulting prosperity would have a considerable impact on Europe as a whole. As a mini-

mum, given its size and location, a successful Ukraine would be a good example for eastern Europe, and thereby could play a stabilising role in Wider Europe.

Overcoming the current impasse in Ukraine-EU relations, characterised by long-standing misunderstandings and accumulated frustration on both sides, would be of benefit for both the enlarged EU and Ukraine. The continuation of the present situation is detrimental to the objective the EU sets itself in Wider Europe and Ukraine's efforts to overcome its domestic challenges.

2.2. Aim and structure of the report

The March 2003 'Communication from the Commission on Wider Europe' and the draft Treaty establishing a Constitution for Europe opened the debate on the EU's role on the European continent. This report suggests that both Ukraine and the EU might benefit from a fundamental and comprehensive reappraisal of relations. It makes some wide-ranging policy proposals in order to foster closer ties between the two parties and various sub-parties (e.g. Ukraine and new member states).

The comprehensive nature of the report means that it is addressed to a wide range of readers, including EU officials, officials and opinion makers in existing member states as well as in the prospective member states that border Ukraine (Hungary, Poland and Slovakia) and, last but not least, Ukrainian authorities and opinion-makers.

The report is divided into three parts. Part One is actor-oriented. It consists of three agendas, namely: the EU's agenda for Ukraine, Ukraine's agenda for the EU, and EU-Ukraine relations in the agenda of the new member states. These agendas contain concrete and specific stipulations on how to structure mutual relations between Ukraine and the EU.

Part Two is issue oriented. It contains a number of recommendations for the key areas of co-operation between the enlarged EU and Ukraine, name-

ly economic co-operation, Justice and Home Affairs, CFSP/ESDP, Civil Society and Cross-Border Co-operation (CBC).

Part Three brings together the issues from Parts One and Two by offering a concise Road Map, which outlines steps for Ukraine's integration in the EU.

3. Three agendas

3.1. EU's agenda for Ukraine

3.1.1. Ukraine's Place in the EU's European policy

EU policy towards Ukraine should be considered in a wider context. The EU needs to address the process of foreign policy formulation following the upcoming, 'Big Bang' enlargement, as well as the proposed EU constitution. This new policy could be divided into two parts:

- European Affairs, which would include policy towards all European countries that are not members of the EU. There are currently three such groups: 1) countries currently acknowledged as candidates for EU membership (Bulgaria, Romania, Turkey), 2) European countries that at present do not seek EU membership (such as the remaining EFTA countries) and 3) countries for whom the prospect of membership is very distant (i.e. some Balkan countries, post-Soviet countries such as Ukraine, Belarus and Moldova). The countries covered by the prospective 'European Affairs Policy' are, needless to say, very different. The principle of differentiation would thus need to be a central element of such a new European policy.

- Global Affairs, where in the future the EU would like to figure as one of the main actors.

These two policies need different tools, as recognised in the proposed constitution of the EU, where a special article is proposed for the EU's

European neighbours. A new portfolio on 'European Affairs' could be one of the main tools in the implementation of 'European Affairs Policy' in the next Commission. The Commissioner on 'European Affairs' should be responsible for the negotiation process with candidates on the one hand, and for the development of relations with countries which will be in pre-negotiation positions on the other, as well as for relations with European states which are not seeking membership. The decision to put Enlargement Commissioner Günter Verheugen in charge of the Wider Europe Task Force, is a step in the right direction.

This proposed division creates particular challenges for relations with Russia. While important aspects of the relationship clearly pertain to 'European Affairs' (for example, the Kaliningrad issue), Russia wants to be a player in 'Global Affairs', and the EU-Russia relationship is likely to have a global component far beyond the EU's relations with its other European neighbours. In its strategy on the EU, Russia clearly underlines that it wants to be an equal partner with the EU as a whole, and that it does not seek either membership or association with the EU. Thus, a special arrangement needs to be worked out for relations with Russia, covering both their European and global aspects.

The Wider Europe Communication divides the post-Soviet space (excluding the Baltic States) into Russia and three Western Newly Independent States – WNIS (Ukraine, Moldova and Belarus). That distinction is reasonable: in terms of location, population and size, the latter three countries are unmistakably European countries, while Russia is a country-continent.

The post-Soviet space (excluding the Baltic States) has until now been regarded as rather homogenous by the EU, with assistance programmes such as Tacis designed for the entire CIS plus Mongolia. The idea of a 'special neighbourhood policy' for Ukraine, Belarus and Moldova implies that the EU should promote a more differentiated policy towards the CIS. Relations with Ukraine, for example, should not automatically be placed in the context of relations with Russia, as these countries have different strategic aims for their relationship with the EU. Likewise, the EU ought not to treat

Ukraine, Belarus and Moldova as a homogenous group, because the stance of each country towards the EU is different. In light of this heterogeneity, the EU could be more successful if it customised policies towards each of those countries.

Besides Russia, the position of Southern Mediterranean in the EU neighbourhood policy should be clearly defined. The Wider Europe Communication links this area with Eastern Europe (Russia, WNIS). But it is obvious that these two areas are very different and cannot be treated in the same way by the EU. The EU needs separate policies towards Eastern Europe on the one hand, and Southern Mediterranean on the other. There are two solutions: Southern Mediterranean could be a specific part of 'European Affairs Policy' or belong to 'Global Affairs' as one of the most important issues.

3.1.2. Prospect of membership

'Article 49 of the Treaty on European Union stipulates that any European state may apply to become a member of the European Union. In some cases, the issue of prospective membership has already been resolved. Accession has been ruled out, for example, for the non-European Mediterranean partners. But other cases remain open, such as those European countries who have clearly expressed their wish to join the EU'. This statement, included in the Wider Europe Communication, is a good starting point for future discussions on the prospect of membership for Ukraine.

The new EU members (Hungary, Poland and Slovakia for instance) will play a significant role in any debate on the ultimate geographic limits of the Union. The Commission clearly encourages such a role: 'This is a debate in which the current candidates must be in a position to play a full role'. The proposed EU constitution presents the same position as Article 49 of the Treaty on European Union.

There are no convincing grounds for denying the prospect of membership to Ukraine, given that the prospect has been extended to several other European states. Ukraine is a European country. According to the EU Treaty and proposed draft of the constitution, the EU is open to any European co-

untry. It follows that, as a matter of principle, Ukraine is a potential member of the EU. This should be acknowledged by the EU. It should be emphasised that in practical terms, Ukrainian EU membership is at best a long term perspective and recent developments have not significantly improved the prospects of being acknowledged as a candidate country by the EU. Undoubtedly, there are a number of reasons underlying the EU's reluctance to accept Ukraine as a potential member, perhaps mainly the internal situation in Ukraine.

The 2004 enlargement is going to put significant strains on the EU's institutions, its internal cohesion, and its budget. Further enlargement could cause a public opinion backlash. Nevertheless, despite the profound concerns on internal constraints, the list of potential members has been extended considerably in the last several years.

EU membership defines and underpins 'Europeanness' for all but a few European countries, which choose not to become members. For post-communist states, the very process of seeking membership in the EU has become the impetus for embarking on extensive political, administrative and economic reforms, despite the enormous costs and difficulties involved.

The EU's external policies have produced mixed results. But as a rule, the progress of transformation has been faster in those former communist bloc countries that have been offered the prospect of membership. The question of cause and effect is highly pertinent here because these countries may have embarked on reforms with similar determination without the prospect of membership. Nevertheless, it is evident that the EU has sought to ensure that any state eligible for membership is indeed ready for it, as reflected in the greater level of assistance to, and a more detailed blueprint for reforms for the accession countries. This is particularly evident when the policy for the Western Balkan countries is compared and contrasted with that for the WNIS.

On the one hand, enlargement is being widely viewed as the most effective foreign policy tool and actively used to promote reforms in East-Central Europe. On the other hand, this instrument is denied to some Europe-

an countries, like Ukraine, on the grounds that they have not implemented reforms.

3.1.3. The need for a new legal framework

The PCA is outdated

The Partnership and Co-operation Agreement (PCA) provides the current legal basis for EU-Ukrainian relations. The PCA was signed in June 1994, and entered into force in March 1998. The agreement is to be in force for ten years (i.e. until March 2008), and can from then on be renewed on an annual basis.

The PCA has not yet been fully implemented, which is presented by the EU as the principal argument against the creation of a new contractual basis for EU-Ukrainian relations. But most of the provisions of the PCA are so vague as to make this virtually meaningless. Additionally, there are several arguments in favour of a new legal framework for EU-Ukrainian relations.

First, both the EU and Ukraine have significantly raised their ambitions concerning the eventual scope and depth of integration since the PCA was negotiated in the early 1990s. Since 1998, Ukraine has had EU membership as a strategic aim, whereas the EU aims to upgrade its relationship with Ukraine within the context of its new Neighbourhood Policy.

Secondly, the PCA was negotiated on the basis of the Maastricht Treaty, which was signed in early 1992 and entered into force in autumn 1993. Integration within the EU has progressed significantly since then, through the enactment of the Treaty of Amsterdam in 2001 and the Treaty of Nice in 2003. Most notable are the strengthening of EU competencies in the field of justice and home affairs and in foreign, security and defence policy.

Thirdly, EU-Ukraine co-operation increasingly takes place beyond what was envisaged in the PCA; this is reflected by the emerging agenda. Whereas the PCA focuses mainly on economic issues, in practice the relationship is becoming much more comprehensive, with co-operation gradually, and in a somewhat ad hoc manner, progressing in areas not covered by the PCA. So far, this is most noticeable in the field of justice and home affa-

irs, although the two sides agree that there is considerable potential for enhanced co-operation also on foreign, security and defence policy, which is largely absent in the PCA.

In conclusion, the PCA is outdated, and a new legal framework is needed to manage EU-Ukrainian relations.

The need for a new agreement

The possibility of entering into new Neighbourhood Agreements is one of the key proposals of the Wider Europe Communication. The scope of these is to be examined after existing contractual agreements have been fully implemented. It is emphasised that these 'should not override the existing framework for EU relations' with the partner countries, and 'would supplement existing contractual relations where the EU and the neighbouring country have moved beyond the existing framework, taking on new entitlements and obligations'. These will initially be considered for countries whose co-operation with the EU has extended the furthest beyond the confines of existing agreements. The Communication implies, but does not explicitly state, that Ukraine is a strong first candidate to conclude a Neighbourhood Agreement. But considering the limited progress on PCA implementation, this is (at best) likely to occur in the medium-term.

The Wider Europe initiative will be further developed through the elaboration of bilateral Action Plans, as suggested by the Commission's Communication. Work on such Action Plans have been initiated and are to be completed in spring 2004, presumably including proposals for new Neighbourhood Agreements supplementing the PCA and other previous agreements.

Considering the nature and scope of any new agreement, it is likely to take several years to negotiate and ratify. Similarly, extensive agreements between the EU and third countries take an average of four years to complete – from the beginning of negotiations to its enactment. In the case of the PCA with Ukraine, this process took more than five years. As the PCA expires in little more than four years, it is high time to consider the future of the PCA. Combined with Wider Europe proposals, this will entail the pa-

parallel development of a 'new' PCA and supplementary Neighbourhood Agreements (to be negotiated from 2004 onwards). This plan for the development of parallel structures seems unnecessarily complex, considering that one of the principal aims of the Convention and the proposed new EU constitution is to simplify the EU system of governance. A better solution would be to merge the two processes and establish one new comprehensive agreement. If agreement is reached in areas not covered by the PCA before a new framework agreement is in place, interim agreements can be reached and later incorporated into a new comprehensive agreement supplanting the current PCA.

Institutional architecture

The institutional framework of almost all of the other (mainly association) agreements mentioned above are similar to that of the PCA; consisting of a ministerial council, a committee of senior officials assisted by a number of sub-committees of experts and a joint parliamentary committee. Few of the other agreements entail such high-level political dialogue as that accorded to Ukraine through the annual EU-Ukraine summits.

In the case of candidate states, supplementary mechanisms were established as part of the reinforced accession strategy through the creation of 'structured dialogue', which was later expanded to include other candidate states, and was given a more institutionalised structure through the creation of the European Conference in 1997.

With the prospect of enhanced EU-Ukraine co-operation, changes to the current PCA structure should be considered. With the prospect of the progressive integration of Ukraine, much of the additional co-operation is likely to focus on more technical issues, such as the adoption and implementation of the *acquis* in Ukraine, and its participation in EU programmes. With the current institutional structure, with relatively limited structured co-operation at lower levels, this new agenda runs the danger of creating congestion at higher levels. Summits and other high-level meetings are unnecessarily preoccupied with minor issues and technicalities that could and should be resolved at lower levels.

A new institutional structure should thus include more extensive contacts at lower levels. Considering the growing priority of legislative approximation and regulatory convergence, more extensive links between the Ukrainian parliament and EU parliamentarians, both at the European and the national level, should also be considered.

3.1.4. Step-by-step inclusion of Ukraine in EU policies

The process of the gradual inclusion of third countries in EU policies is well known from previous and current enlargement processes, as well as the integration between the EU and a number of non-candidate countries.

In economics, integration is seen as progressing in certain distinct stages, from 1) free trade in goods, to 2) customs union, to 3) an internal commodity market, to 4) a complete internal market and finally to 5) economic and monetary union. While generally following these phases, the specific sequencing of the process in the case of the EU's relations with its associates takes different forms.

Further, the degree of integration does not seem to depend upon the long-term goals for the relationship. Although the ultimate aim for candidate states is the most far-reaching among the EU associates, the Europe Agreements between the EU and the countries of Central and Eastern Europe provide for less integration in the short and medium-term than the agreements between the EU and the non-candidate EFTA countries. The general principle seems to be that candidates for EU membership are required to gradually adopt EU rules before accession and be in full compliance by the date of entry. However, implementation of the 'four freedoms' (the free movement of persons, goods, services and capital), EU competition and state aid policy as well as flanking measures, are to be completed several years after their accession to the EU.

EU agreements with countries going through the process of transition is a multistage process, with rather limited commitments on the date of enactment, and more ambitious aims to be achieved progressively and over the long-term. For the East-Central European accession candidates, adoption of

the *acquis* (which proved to be one of the most time-consuming tasks of the Europe Agreements) has been progressively pursued after the entry into force of the agreements. A typical example is the aim of establishing a free trade area or a customs union with an explicit timetable for its achievement, in contrast to the EU-Ukraine free trade area envisaged in the PCA.

In the case of the agreements with the EFTA countries, most of the *acquis* was adopted before and during negotiations. The ultimate aim of the agreements is essentially reached upon its entry into force, with only minor exceptions and limited transition periods. The extent of EU integration and the ‘completion’ of the Single Market thus limit progress in further integration and the development of relations with the EU. In other words, unlike in other association agreements, it is not dependent primarily upon progress on domestic reform in the associated country.

The ‘candidate’ model of step-by-step integration is clearly most appropriate for Ukraine. One could envisage a process of ‘regulatory convergence and approximation of legislation’ with limited and gradual introduction of the free movement of goods, services, capital and labour between the EU and Ukraine. To a certain extent, such a process represents a continuation of the process Ukraine is currently pursuing as a result of the PCA and its aspirations to join the WTO, with Ukraine agreeing to the fundamentally asymmetric ‘accession candidate principle’; to join a club one must abide by its rules.

While the stages of integration and the gradual inclusion of Ukraine in EU policies is so far spelt out most clearly in the field of economics, similar models should also be developed in other areas. The EU has, for instance, made detailed arrangements for the participation of non-EU member states in the ESDP, primarily aimed at non-EU NATO member states and EU accession candidates, which should be extended to Ukraine.

In the field of JHA, a similar step-by-step approach could be specified concerning the movement of persons. In the case of Ukraine, a first stage could consist of facilitating travel while maintaining visa requirements. In the second stage, visa requirements would be lifted, with Ukraine’s eventual association with the Schengen regime in the third stage.

3.1.5. Participation in the EU institutions

A much more controversial issue than the gradual inclusion of Ukraine in EU policies is the extent to which this is accompanied by Ukraine's participation in EU institutions. EU leaders, such as Commission President Romano Prodi, have frequently invoked the phrase 'everything but institutions' to describe the desired relationship between the EU and its new neighbours. The Wider Europe proposals reiterate this position, stating that the medium-term goal of the new Neighbourhood Policy is 'not... to include a perspective of membership or a role in the Union's institutions'.

However, many of the EU association arrangements entail the participation of representatives of the associated state in EU institutions. The most extensive participation by non-EU representatives are found in the numerous EU programmes, for instance the Framework Programmes for research and development and educational programmes such as Socrates. Through the European Economic Area (EEA) agreement, the EFTA EEA states participate in more than thirty such programmes, and a supplementary feature of the accession process has been the gradual participation of candidate states in these programmes. The Wider Europe Communication envisages increased participation in EU programmes and expansion of programmes for the countries covered by the new EU Neighbours Policy, for instance through an opening of the European Research Area now being established. Ukraine should of course be a prime target of this expansion.

There are a growing number of EU autonomous agencies such as the European Environmental Agency, Europol and the European Food Safety Authority. EU associates also participate in some of these programmes, with their status ranging from full member via 'associate' to observer. Similar arrangements should be considered for the inclusion of Ukraine in these agencies.

Some EU associates have also been accorded the opportunity to participate in 'decision-shaping' in the EU. The most notable example of this is the participation of representatives of thirteen non-EU member states – candidate states – in the Convention elaborating a constitution for the EU. The EFTA EEA states participate in more than two hundred of the committees assisting the

Commission in preparing new EU legislation through the EEA agreement, increasingly also open to accession states. Ukrainian experts and officials should be allowed similar access in areas of enhanced EU-Ukraine relations, following the gradual step-by-step integration of Ukraine in EU policies.

3.1.6. A new approach to financial assistance

Fundamental change of EU assistance policy towards new eastern neighbours including Ukraine is indispensable. There are strong arguments – the size and proximity of Ukraine to the EU; the relative poverty of Ukraine vis-à-vis the EU; and the precariousness of positive political, economic and societal developments in the country – in favour of increasing EU economic and financial assistance to Ukraine.

Current assistance programmes

To date, EU economic assistance to Ukraine has been channelled primarily through the Tacis programme. The distinctions between the assistance offered through this programme with that provided through analogous programmes to EU accession candidates on Ukraine's western border (Phare, ISPA and SAPARD programmes) are very marked, clearly reflecting the priority accorded to the enlargement process.

There are large differences in terms of the amounts of financial assistance provided. In the 2000–2006 financial perspective, the enlargement candidates will receive almost 1200 Euro/capita from the EU budget, while Ukraine and the other CIS countries will receive only 13 Euro/capita. In 2002, the EU projected 77 million Euros in assistance to Ukraine, which accounts for less than 2% of the EU's external actions budget, excluding aid to accession candidates. Compared with the previous budget, Ukraine and the other CIS countries saw their share of economic assistance drop slightly in the 2000–2006 EU financial perspective, primarily due to increases in aid to the Balkans. Although this allocation is slowly reducing the economic disparities between the candidates and the EU, it also contributes to widening the socio-economic gap between Ukraine and candidate countries. However, considering the inflexibility of the EU budget and the massive demands

placed on it due to the next enlargement, unless Ukraine is acknowledged as a potential EU membership candidate and thus eligible for enlargement funds, EU assistance to Ukraine is unlikely to increase within the current financial perspective (2000–2006).

The different groups of programmes also provide different types of assistance. Whereas candidates receive substantial investment support, the Tacis programme provides mainly technical assistance to Ukraine, although the share for investment support was increased in the current Tacis regulation. Financial and technical assistance to EU candidate countries aims to prepare them for membership and is specifically targeted towards enhancing their ability to implement EU acquis. The Tacis programme, by contrast, consists mainly of generic programmes and projects for the transition to market-based democracies similar to the assistance provided by international financial institutions (IFIs) such as the World Bank, the International Monetary Fund (IMF) and the European Bank for Reconstruction and Development (EBRD).

Although Tacis is frequently criticised, it should be emphasised that the programme has brought tangible benefits to Ukraine, with the nuclear safety programme representing a notable success story. However, Ukraine's new status as a direct neighbour of the EU, combined with the prospect of an upgraded relationship with the EU, entails different challenges for which the current Tacis approach is less than suitable.

New types of assistance

The limits of the Tacis programme are recognised by the European Commission. A New Neighbourhood Instrument has been proposed in connection with the Wider Europe initiative and further elaborated on in the Communication: 'Paving the way for a New Neighbourhood Instrument'. But this proposal should be seen only as a first step towards a final solution.

Unfortunately, the New Neighbourhood Instrument is designed almost exclusively for border areas of new EU neighbours. Since negative effects of EU enlargement will be more strongly felt in western Ukraine, great emphasis should therefore be placed on cross-border projects in western Ukraine, creating a bridgehead for safe investment activity there. In light of the

long common border between Ukraine and the enlarged EU, and considering the growing importance of JHA within the EU, JHA should become a more central part of EU economic assistance to Ukraine. But EU assistance in the field of cross-border co-operation should be seen as only one component of the EU assistance framework for Ukraine. In the case of countries such as Ukraine, a new assistance programme should cover the country as a whole. The upgraded EU-Ukrainian relationship could benefit from assistance programmes targeted towards challenges more specifically linked to the process of European integration and the EU, leaving other sources such as the IFIs to provide more generic transition assistance. Increased EU assistance should for instance focus more on aiding Ukraine in bringing its laws in line with the EU *acquis*, as suggested in the Wider Europe Communication. A new assistance programme specifically targeted to Ukraine based on the Phare and ISPA programmes of assistance to candidate countries should constitute the core of EU assistance policy towards Ukraine. In particular, assistance should support the new agreement (see section 'Needs for the new legal framework'), the way that Community Assistance for Reconstruction, Development and Stabilisation (CARDS) does for the Stabilisation and Association Agreements in the Western Balkans.

Investment-oriented assistance, similar to Phare and ISPA programmes, is indispensable because in its Wider Europe Communication the European Commission has offered the prospect of a stake in the EU's Internal Market as well as further integration and liberalisation in order to promote the free movement of persons, goods, services and capital (i.e. 'four freedoms'). Ukraine cannot participate in 'four freedoms' without upgrading its infrastructure – therefore, EU assistance in this field is needed.

This kind of assistance could help in promoting good governance, one of the most important problems in Ukraine. EU assistance, similar to Phare and ISPA programmes, would need transparency, which very frequently doesn't currently exist in public life in Ukraine. Investment-oriented assistance needs real co-operation between EU and Ukrainian bureaucracy, which can be more fruitful than training under Tacis projects. Finally, such assistance

ce needs engagement of Ukrainian public funds, what can help in better allocating public financial resources. Investment-oriented assistance in those sectors crucial for ordinary people (infrastructure – roads and rails, drinking-water supplies, treatment of wastewater) could play a significant role in the creation of a positive image of the EU in Ukraine.

As far as the EU's priorities are concerned, and although a shift towards more investment support may be desirable, institution and capacity building remains an important challenge for Ukraine, and one which requires mainly technical assistance. The development of civil society in Ukraine is crucial for the realisation of Ukraine's 'European choice'; therefore the EU should support that process. Assistance could originate both from the EU and particular member states' funds. It would also be advisable to assure as much involvement as possible from non-governmental organisations (NGOs) from EU member states in the implementation of projects in Ukraine.

The EU should better co-ordinate its effort towards Ukraine. One option that would increase assistance but leave the EU budget alone, which is especially important in the period 2004–2006, would be to allow the European Investment Bank (EIB), the EU's financing arm, to extend its operations to Ukraine, as mentioned in the Wider Europe Communication. Furthermore, the fragmented system of EU assistance, whereby more than half is provided bilaterally by the EU member states and through various IFIs, entails problems of duplication and co-ordination, and limits the potential political impact of such assistance. The Commission and member countries should be in continuous contact regarding assistance to Ukraine.

3.2. Ukraine's agenda for the EU

3.2.1. The need for a clear strategy towards the EU

To date, Ukraine has failed to develop a clear strategy towards the EU. In many respects its policies seem to consist mainly of declarations that are insufficiently co-ordinated between institutions. Being mostly limited to foreign policy declarations, Ukraine's pro-European aspirations have made lit-

tle impact on the domestic policy agenda. Lacking a positive domestic reform record, Ukraine has lost much credibility in the EU. Moreover, Ukraine's simultaneous policies towards Russia/CIS seem to contradict its strategy vis-à-vis the EU.

Homework as a first step

Ukraine needs a clear strategy towards the EU based on an understanding of the nature, dynamics and prerequisites of European integration. In order to give substance to its pro-European aspirations, the Ukrainian political elites need to move beyond their exclusive focus on security benefits. In relations with the EU, the preoccupation with geopolitics has proven misplaced and has marred Ukraine's priorities vis-à-vis the EU. Since independence, the Ukrainian elites have highlighted Ukraine's 'geopolitical significance' to the West and have been complacent believing that Ukraine was simply 'too important to fail'. Ukraine shows a limited understanding of the fact that the EU is a community of values joined by shared commitments and solidarity – and misunderstands the fact that EU membership is not just about rights and entitlements but also about common values and credible commitments. Ukrainian political elites have to fully realise and accept that for the EU-Ukraine's democratic development and economic performance matter more than its geopolitical import, even though the latter cannot be disregarded.

Ultimately, commitment to European integration depends on the progress of domestic Europeanisation. Therefore, to give credibility to its intentions, European integration needs to become a domestic priority in Ukraine. Ukraine's domestic reforms, which have largely floundered, need to be re-invigorated. A clear commitment by the Ukrainian political class to the ideals espoused by the EU – democracy, the rule of law and the respect for human rights – needs to be demonstrated. Moreover, the incomplete record of economic reforms, recent economic growth notwithstanding, still casts doubt on Kyiv's commitment to a functioning market economy. The 'European choice', which has been of limited interest to Ukrainian politicians and bureaucracy, needs to become the mantra spurring domestic change. As demonstrated by

reforms undertaken by East-Central Europe countries in anticipation of EU accession, European integration requires extensive institutional and policy reform at the domestic level. European integration is primarily a challenge for domestic policy making. Furthermore, it needs to be recognised as such by the Ukrainian public at large. It is thus necessary to elaborate a strategy on informing society about the process of European integration.

Ukrainian officials should avoid making conflicting pronouncements on their goals vis-à-vis the EU. Such pronouncements result from competition between the bodies involved in European integration, such as the Ministry of Economy and European Integration (MEEI) and the Ministry of Foreign Affairs (MFA), evidenced by their conflicting reactions to the New Neighbourhood/Wider Europe initiatives in the spring of 2003.

Such statements should also be tempered by a realistic assessment of what can be achieved, backed up not only by domestic reform, but also by an explicit willingness to compromise. Demands for benefits from the EU, for instance for asymmetric trade concessions, should be balanced by similar Ukrainian concessions in other areas, for example through the removal of visas for EU citizens while such requirements remain in place for Ukrainian citizens travelling to the EU.

The 'Direct Approach' to the EU

If Ukraine is committed to European integration, a 'direct approach' to the EU is the only feasible strategy. Driven by their private interests, some business circles in Ukraine favour closer economic ties with Russia and advocate going 'to Europe together with Russia'. As a result, Ukraine's integration with the EU is linked to an increase in Russia's economic co-operation with the EU. While ensuring good relations with neighbouring countries is a pre-condition for closer relations with the EU, explicitly linking Ukraine's progress to that of Russia undermines the credibility of Kyiv's 'European choice'. Indeed, participation in a 'Common Economic Space' (CES) with Russia, Ukraine, Belarus and Kazakhstan would be incompatible with EU membership were plans to establish a customs union be implemented. In contrast to Ukraine, Russia has not declared its intention of joining the EU and is in-

terested only in selected sectoral co-operation, such as trade, energy and security. The latter is clearly a narrower set of objectives than Ukraine's intention of becoming a fully-fledged member. Therefore, the strategy captured by the slogan 'to Europe together with Russia' reflects an important qualification to Kyiv's policy towards the EU, implying that it is Russia's policy towards the EU and its desire for closer ties that will set the pace and scope of Ukraine's integration with 'Europe'. The pursuit of this strategy undermines Ukraine's strategic objective.

Undoubtedly, Ukraine has an interest in the further liberalisation of foreign economic ties with other CIS member states (the agreement on the CES represents the most recent attempt in this direction). But only insofar as it does not jeopardise the prospect of integration with the EU, which – in the long-term – is Ukraine's way out of the current deadlock of stalled reforms towards greater political stability and economic prosperity. The achievement of this goal depends on Ukraine's determination to integrate with the EU rather than simply becoming an addendum to Russia's relations with the EU.

At the same time, a 'direct way' to the EU is not an anti-Russian policy. Rather, given the diverse objectives expressed by Ukraine and Russia vis-à-vis the EU, their respective strategies have to be pursued separately. This should not be seen as a 'zero-sum game': being pro-EU does not mean being anti-Russia, as both seek closer relations with the EU. It is in Ukraine's interest to take advantage of opportunities for enhanced regional-level co-operation, depending on the balance of costs and benefits and opportunities arising, rather than seeing the option in terms of 'either-or' between Russia and the EU.

Ukraine's integration with the EU does not rule out the deepening of economic co-operation between Ukraine and Russia, as long as they adhere to the transparent and recognised principles of international trade (i.e. the WTO principles). Nevertheless, it should also be recognised by Ukrainian decision-makers that diverting scarce resources, away from the task of EU integration, to the setting up of a free trade zone within the CIS area casts doubt onto Ukraine's intentions. Given that Ukraine has a long way to go to prove

its commitment to the EU, any simultaneous commitment within the CIS area weakens its case vis-à-vis the EU in the capitals of the member states.

To date, Ukraine's efforts to integrate with the EU have been limited to foreign policy declarations. However, in order to lend credibility to Ukraine's European vocation, these declarations need to be bolstered by a detailed programme of domestic reforms. It is important to emphasise that such reforms should not be considered as diplomatic concessions to the EU, but as essential requirements for Ukraine's transition to a modern European state. The following sections focus therefore mainly on domestic Ukrainian issues.

3.2.2. Political reform

The objective aim of political reform is to increase the legitimacy of power. The very idea of political reform cannot be limited to constitutional changes since broader changes are needed, for example the role of political parties needs to be strengthened.

The 1996 Ukrainian Constitution was a result of a compromise between the president and the parliament (*Verkhovna Rada*). The president appoints the prime minister with the consent of the parliament. The parliament can also influence the government by rejecting the government's general strategy, or by voting down the government in a no-confidence vote. However, the appointment of ministers does not formally demand the consent of parliament and, consequently, does not reflect the clearly identified parliamentary majority. Moreover, the president may dismiss the prime minister without parliamentary approval. Thus, the president exercises control over the government, but avoids responsibility (the government tends to be blamed for policy mistakes). This situation makes the governmental system unstable and ineffective. As a result, interactions between the branches of power and within the parliament, as well as the political decision-making process, often lack transparency, accountability and predictability. The corollary of this situation has been the domination by the executive and a highly asymmetrical distribution of political power, something which renders constitutional 'checks and balances' ineffective.

At the same time, as the parliament is not sufficiently structured along party lines, there is a danger that a shift to the parliamentary model would not, at least in the short-term, result in a stable government. It seems that the Ukrainian system can be more easily adjusted to resemble the French mixed systems through the formation of a coalition government based on parliamentary majority and by increasing the parliament's responsibilities and real powers.

It is understandable that benefits and disadvantages of any amendments to the Constitution have to be carefully weighed, regardless of the expediencies of the electoral cycle. It has to be stressed that any attempts to postpone the 2004 presidential and the 2006 parliamentary elections entail violating the Constitution with serious repercussions for Ukraine's international standing in general and aspirations vis-à-vis the EU in particular.

There is a possibility of compromise between the major political parties over the most important constitutional change: on the formation of a government based on parliamentary majority, which can only be removed by a 'constructive vote of no-confidence' with the simultaneous appointment of a new prime minister.

Other important changes might include the following:

- appointments and dismissals of members of the government or heads of other central executive bodies should only be done by consent of the prime minister (thus, the 'vertical' of executive power would remain in force);
- the president might have the right to appoint the ministers of defence, foreign affairs, domestic affairs and emergency situations, but with the consent of the prime minister. Otherwise, the government loses its integrity, and incentives for coalition building will be lessened (as these positions are attractive for coalition partners).

At the same time, the president may have the right to dismiss parliament and to set new elections, if a government is not formed within a certain period (30–60 days); The formation of a new government should be connected not to the election of a new president, but to the election of a new par-

liament; The president may dismiss the Prosecutor General only with the consent of parliament.

A crucial element of reform is the development of strong parties and parliamentary caucuses. Therefore, financial support to parties represented in parliament may be provided. In European democracies there are different types of electoral systems. The present Ukrainian mixed system was introduced on the eve of the 1998 election and it was a clear step forward (as the previous strict-majority system favoured the non-affiliated post-communist nomenklatura). Nevertheless, election results in single-mandate districts are still more open to administrative interference than elections on party lists. Thus, it seems that in Ukrainian conditions the next logical step towards a parliament structured along party lines is the adoption of a proportional electoral system. One of the options would be to introduce a proportional system with regional lists. However, in this case, the existing threshold (4%) should be applied to the results of a party in the whole of the country.

The package of new laws, important for the adoption of political reforms, include laws on parliamentary procedures, on the Cabinet of Ministers, on the presidency, amendments to the laws on local state administrations, on the Central Electoral Committee. Also, since there is no law on impeachment of the president, it is almost impossible to realise this constitutional provision. Legal definitions of the status and functions of the presidential administration (president's staff) are also absent, these provisions may be included in the new law on the presidency. In general, rights of the bodies created by the president, the prime minister and ministries, and by parliament must be clearly defined by law and strictly observed. It is likewise important to restore the political neutrality of the head of the National Bank of Ukraine (NBU), which needs to be manifestly independent from other branches of power.

3.2.3. Public administration reform

Public administration reform has been declared a primary task of the Ukrainian authorities since the first years of Ukrainian independence. In 1998,

a commission appointed by President Leonid Kuchma prepared the ‘Concept for Administrative Reform’. Yet, one of the Concept’s main provisions – the adoption of laws that regulate public administration – has been only partially implemented. Without an adequate legislative framework, the pace of administrative reform in Ukraine largely depends on the political motives of the president rather than on the logical merits of the Concept. For example, the draft law on the Cabinet of Ministers has been vetoed by the president seven times since 1997, and returned to parliament for consideration. Although the ‘Concept for Administrative Reform’ is in many aspects outdated, after some revisions it could still serve as a blueprint for reform.

Decreasing of political influences

To minimise political influences in administrative reform, as well as to add a systemic character to the reform, it is advisable that the aforementioned laws, which are yet to be adopted, should include the following regulations:

- procedures for the role of parliamentary factions in the appointment of ministers (until the constitution is amended to allow for parliamentary endorsement of ministers);
- structure and procedures for the creation of executive bodies, including ministries, agencies and state committees;
- procedures for co-operation between the cabinet and advisory bodies under the president, including safeguards against the excessive influence of the latter in the work of the former;
- regulations on administrative justice (the structure of courts, provisions for their independence, rules and procedures of the administrative process);
- upgrade of the status and elaboration of procedures of the Central Administration for Civil Service as a controlling agency within the executive branch that would have supervisory powers over both the lawfulness of activities of servicemen and protection of their rights;
- procedures for the competition to the civil service, to ensure it is contest-based and merit-based employment;

- procedures for monitoring, prevention and fighting against corruption, strict legal formulations and their enforcement (e.g. mandatory tax declarations by entire families of those holding top governmental posts), and co-operation with civil society organisations in the fight against corruption.

To ensure the systemic implementation of laws, it would be advisable to create a ministerial position in charge of administrative reform, following the example of Central and Eastern European states.

Reform of local government

On its accession to the Council of Europe in 1995, Ukraine undertook the obligation to ratify and implement the 1985 European Charter on Local Self-Government. Despite the fact that the law on local self-government was enacted in 1997, and was followed by the law on state administration (1999), the system suffers from a number of shortcomings. There is overlap and lack of clarity between the functions of appointed and elected bodies. At the regional and local levels, state administration (subordinated to the president) tends to overshadow local self-government bodies and undermine the principle of local government in Ukraine. State administration should be limited to the regional (*oblast*) level, whereas the local level (*rayons*) should be fully self-governing.

The administrative structure of Ukraine is quite outdated (founded on the Soviet party-based division), so local communities, *rayons* and *oblasts* cannot accumulate sufficient resources and suffer from excessive centralisation of public functions. The regions and/or districts should be enlarged, which would consequently reduce their number. In this case, changes to constitution should be approved. While there are different schemes with different arguments, it is understandable that the main aim is to increase the competencies of regions and districts.

The constitution granted the *rayon* and *oblast* branches of the state administration the unusual competency of drafting the budgets of their areas, and implementing them after the endorsement by respective councils. Such a provision made the state administration the core bodies in their areas, thus

diminishing the role of self-government and placing the state in control of local matters. The main taxes are collected and distributed through the central budget, which causes delays and breeds corruption. This system also discourages municipalities, *rayons* and *oblasts* from searching for more effective fund-raising methods. The situation was somewhat improved in 2001, when the new Budget Code provided for automatic (direct) distribution of personal income tax and some duties to the local budgets.

It would be advisable to deprive state administrations of budgetary competencies, instead transferring these to the executive committees of *rayon* and *oblast* councils. The state administration should monitor the adherence to law, co-ordinate the implementation of nation-wide programs in their territories and co-ordinate the elaboration of regional development programs. Thus, the local government and state bodies would divide competencies more logically. Unfortunately, the main proposals for political and constitutional reform, put forward in Ukraine by fall 2003 (both presidential and parliamentary), do not include such provisions. It is important to adopt laws that: clearly divide state and municipal lands; define procedures for the creation and activity of communal enterprises; regulate state land cadastre; regulate administrative services and social services and provide a basis for increasing local competencies and control over budgets.

In sum, the precise competencies of local government and state bodies are not clearly divided, which generates conflict. Thus, it is necessary to divide the spheres of responsibility more precisely, especially where budgetary matters are concerned, property management, and other areas where administrative competencies of local self-government and local administrations contradict each other.

3.2.4. Economic reforms

Ukraine, benefiting from favourable economic conditions, and having good prospects for 2004, should proceed with a set of economic reforms. The steps that should be undertaken in order to deepen integration with the EU countries in the context of economic reforms are ones that support

stable economic development, with the emphasis on continued efforts towards joining the WTO.

Ukraine's economic recovery of the last few years derived from earlier reforms. Although the post-1998 revival of economic activity was possible due to a combination of factors, some of them having a temporary character, the wise policy steps also started to bring results in 2000. Appropriate steps were taken in privatisation, deregulation, hardening budget constraints and good co-ordination of macroeconomic policies. The introduction of simplified taxation – responsible for moving part of unregistered economic activity to the official sector – was another example of beneficial reform. The effects demonstrated themselves in high rates of growth, low inflation, re-monetisation of the economy and increased confidence in the domestic currency and in the economic policies of the government in general.

During 2003, some positive developments in the field of economic policy – such as corporate tax reform and the introduction of a low, flat base Corporate Income Tax rate of 13%, as well as lowering of the base Value Added Tax (VAT) rate – took place. The continued efforts to join the WTO are also worth noting.

Further steps

To ensure that the current economic growth is sustained, further steps are needed. Ukraine should continue its efforts toward ensuring macroeconomic stability, contract enforcement, and adherence to international standards in trade and capital regulations. Economic development should be supported by moves in the two ways. The first consists of measures that influence the overall economic climate in the country and have longer-term perspectives, while the second refers to better managed macro-economic policies. Thus, it is proposed that the following steps should receive priority on the reform agenda:

- Fiscal policies: the first is the elimination of numerous tax preferences, especially under VAT, and the removal of accumulated VAT arrears. The arrears undermine tax obedience, exports and general perceptions of the rule of law. Also, there is a need for social sector reform, and this can only

be done if – together with Personal Income Tax rate reduction – the taxable base is broadened. This should be a short-term priority.

- The energy sector needs special attention as it has accumulated significant amounts of tax and payment arrears and is a source of large inefficiencies. Despite the fact that cash payments increased to a level of 100%, the sector managed to build up a stock of debts toward suppliers. The privatisation process should be advanced in the energy sector. According to the last IMF Country Report estimate, Ukraine’s stock of debts and arrears generated by state-owned energy companies is at 12% of GDP. This issue also requires immediate attention.

- There is a need for strengthening supervision within the banking sector, as it remains fragile; the share of non-performing loans is relatively high, and the authorities are unwilling to close banks that do not meet prudential regulations. If steps in this direction are not undertaken, further credit expansion – needed to support growth and further re-monetisation – cannot be sustained. The most critical problems of the banking sector at the moment that need to be addressed in the short and middle-term are the following:

- lack of power of regulatory authorities to discipline large and/or politically connected banks;
- low accountability of supervisors;
- heavy reliance on supervision while relevant information is not fully available to the public;
- poor protection of creditor rights and no current mortgage law;
- banks are vulnerable to demand shocks as 40% of their resources are short-term deposits;
- the central bank is the only source of liquid funds in the case of a short-term fluctuation in cash flow.

- Privatisation should be continued in a transparent manner. This should be considered as both a short and medium-term goal. As has already been made apparent in the data, private manufacturing firms outperform state-owned ones in Ukraine. Moreover, the presence of foreign direct investors brings desirable managerial practices, improves overall investment

climate and allows financing of budget deficits. In spite of booming economic activity, the investment climate in Ukraine is still perceived as unfavourable, as shown by increasing capital flight from the country. So for this reason, it is critical to work on its improvement. It is likewise important as the recent privatisation plans have not been met, and the external demand for Ukrainian plants looks weak.

- A long-term strategy for the agricultural sector should be developed. Although land reform has clearly yielded some positive results, the greatest impact remains to be seen. It looks that the best time to reform agriculture – two years of good harvest – are partly lost. It is still unclear whether the sector will be able to repay the credits received in 2002–2003. The policy towards this sector over 1999–2002 cannot be considered a fundamental reform effort, but rather a series of improvised steps. This needs to be changed if the economy is to profit from agricultural production in which Ukraine possesses a comparative advantage.

Prudent monetary policies

In terms of macro-economic policy, prudent monetary policies are needed at present in order to curb inflation. Previous increases of liquidity in the form of unchecked interventions and lowering of capital requirements for commercial banks – together with subsequent reversal of seasonal food price decreases and the rise of the minimum wage – led to accelerated inflation in recent months. Consumer prices grew by over 7% year-on-year in July 2003, and by nearly 6% in August. Given further growth of money supply and seasonal trends, it is possible that inflation can reach 10% by the end of the year. Inflation thus becomes unstable. Suffice it to recall that at the end of 2002 there was a deflation, and inflation mounted quickly in a couple of months. The NBU should measure inflation more closely by increasing its understanding of monetary transmission mechanisms. It should be remembered that the limited pass-through on prices after the currency crisis of 1998 was a result of good monetary management. As a result, inflation was reduced. Conversely, volatile inflation rates are reminiscent of the high and unstable inflation rates

of 1993–1995, and thus can threaten reversal of the trends towards confidence in domestic currency. Although the main sources of the July inflation figures are not explained by monetary factors, further monetary expansion can support its gradual rise. Inflation expectations can be formed irrespective of the sources of price rises. In the sphere of exchange rate policy, the NBU should proceed as it has declared (i.e. allowing more exchange rate flexibility and adopting direct inflation targeting over the perspective of a couple of years).

3.2.5. Legal and judiciary reform

A stable and coherent legal system

The legal system should above all be stable and cohesive. Ukrainian laws often contain ambiguous provisions, creating uncertainty about their proper implementation. Legal relations, which should be governed by laws, are often stipulated in decrees and other normative acts. Taking into account the above-mentioned circumstances, citizens are poorly informed about their rights and duties. In order to improve the legislative process, the following measures are necessary:

- legislative level rules for drafting and adopting legal acts as well as normalising law-making techniques must be codified;
- staff and financial assistance must be provided for the implementation process in order to provide for a proper assessment of the economic and legal consequences of enforcing legal acts, including technical;
- general and sectoral planning for legislation must be developed – including the calculation of expenses on drafting and implementing legislation and the inclusion of these costs into the state budget;
- legislation already enacted must be systematised in order to remove inconsistencies and bring the existing legislation into conformity with newly-adopted/impending legislation;
- the foundations of the legal system must be based on laws (many are still stipulated only in decrees and other normative acts);

- the transposition of certain foreign law institutes into Ukrainian legislation, often without taking into account Ukrainian conditions and laws, must be avoided;
- a unified legal terminology must be adopted for the entire legal system.

Despite some positive trends in judicial and legal reform, many important issues are not yet stipulated, and new laws often contradict existing ones. The recently adopted law on the judiciary illustrates some of the problems of judicial and legal reform in Ukraine. Firstly, the aforementioned law unnecessarily cancelled the law on commercial courts; consequently, several aspects of the commercial courts' activities are not regulated at all. It will therefore be necessary to re-draft and adopt a new law on commercial courts. Secondly, the new law on the judiciary provides for the establishment of specialised courts – administrative and others (e.g. juvenile, family, financial, bankruptcy courts, etc.). It will be necessary to provide legislative and material grounds for the activities of these courts. Thirdly, the law on the judiciary has a number of inconsistencies. For instance, according to Article 24, the head of the local court is obliged to undertake certain actions to appoint public jurors. At the same time, participation of public jurors is not provided for local courts in this law.

An independent judiciary

In order to enhance the independence of judicial power, all possible means of exerting pressure on judges by, or on behalf of the executive branch through bribery, blackmail, threats and/or interference in the due process of law (for instance by claiming that someone is guilty by publishing slanderous articles before the ruling of the court) should be outlawed. To this end, appropriate working and personal security conditions should be provided for judges, including the formation of security forces under the authority of State Court Administration.

An important guarantee of court's independence is the principle of the 'immovability' of judges. The proposal to appoint judges for ten-year terms

with the possibility of reappointment goes against the ‘immovability’ principle, and should be reconsidered.

The Constitutional Court of Ukraine plays an important role by interpreting the Constitution of Ukraine, safeguarding the principle of the rule of law and providing a balance between the branches of power. In order to enhance its role in the protection and enforcement of fundamental human rights and freedoms, it is necessary to introduce a process of constitutional appeal, which is used in many democratic countries.

The Constitution provides a balanced mechanism for the formation of the Constitutional Court by the three branches of power. This approach is necessary to ensure its political neutrality and, what is more important, its impartiality. Under these circumstances, the proposal to deprive the Congress of Judges of Ukraine of its right to appoint one-third of Constitutional Court members, and to share this right between the parliament and the president, seems to be unreasonable and could lead to a confrontation between the legislative and executive branches, thus potentially creating imbalance in the mechanism of division of power.

In order to harmonise the legislation on prosecution with the Constitution and with European standards, it is necessary to take the following steps. First of all, it is necessary to cancel the function of supervisor enforcing and implementing laws and to make appropriate amendments to the Law on Prosecution. Secondly, the proposals to grant the office of the prosecutor the right to supervise the enforcement of rights and freedoms of citizens, thus giving the prosecutor a general supervisory function, absent in democratic systems based on the principle of rule of law, should be withdrawn. The court should be the only institution to have the final jurisdiction over the enforcement of rights and freedoms of citizens. Thirdly, it is necessary to deprive the prosecutor of the right to handle pre-trial inquiry, as the latter is not stipulated within the Constitution. To this end, a system for pre-trial inquiry bodies and relevant legislation should be established.

The implementation of law and the quality of the judiciary

The low level of implementation of court decisions obviously diminishes their effectiveness. In practice, only one-third of all decisions are carried out. This is due to the high pressure of work, low professionalism, inadequate technical and material maintenance of the 'Implementation Service' and the absence of procedure for certain categories of court decisions and judgements.

To improve this situation, there should be an increase in the number of staff as well as financial assistance for the 'Implementation Service'. It is also important to make appropriate amendments to Ukrainian legislation in records management and on the 'Implementation Service' concerning procedures for certain categories of court decisions.

Proper material, technical and financial support is the key precondition to the satisfactory functioning of judicial power. Unfortunately, this basic requirement is not fulfilled in the Ukraine. Courts, in their majority, are situated in ill-equipped dilapidated buildings; elementary working conditions and financing are absent.

The quality of the administration of justice strictly depends on the selection and training of professional judges. Their work experience in the legal sphere should be increased considerably from the present three-year requirement. There is also a need to generally improve the education of judges and lawyers. To this end it is necessary to:

- increase accreditation requirements for law faculties and law schools;
- provide in the legislation the obligation to prepare lawyers only in specialised high schools or university faculties;
- develop appropriate post-graduate programmes.

Finally, the further development of legal and judicial reform requires that more attention be paid to international and European law and legal practices. For instance the working methods employed by judges of the European Court of Human Rights should be studied and implemented; the Convention on Human Rights, and other international treaties signed and ratified by Ukra-

ine should be implemented and enforced. Therefore, organisations of lawyers-consultants who are specialists in European and human rights law should be founded. In this matter, the Supreme Court of Ukraine should enhance its activities in clarifying and defining its practices in these areas.

3.2.6. Development of Civil Society

Civil society in Ukraine has developed rapidly in the last decade. About 35 000 NGOs existed in Ukraine in 2003, up from only 4000 in 1995. However, the third sector has still not achieved the level needed to play a decisive role in public life. There are still many obstacles impeding its growth and functioning in Ukraine.

The government habitually over-regulates NGO activity. Philanthropy and volunteerism are insufficiently developed and are usually connected with elections. This can be explained by the increasing possibilities for active persons to find self-fulfilment in NGOs, since here they can begin to influence local life and decision-making. Local authorities have also started to express interest in NGO activities aimed at helping the poor, children or the disabled. At the same time, authorities sometimes use NGOs to legitimise their own decisions. Some of these organisations supported by the executive or associated with government-connected interest groups represent GONGOs ('governmental' NGOs) or QUANGOs (quasi-NGOs).

The legal basis for NGO activity is outdated, as it is based on the 1992 Law on Associations of Citizens, the 1997 Law on Charity and Charitable Organisations and various governmental regulations. A draft Law on Non-profit Organisations passed its first reading in October 2000, but since then it has not been taken up by the parliament. Registration of NGOs remains quite complicated. Thus, the adoption of the new law is an urgent priority. Another fundamental issue for civil society is the absence of a law regulating lobbying, which in practice prevents the legal participation of interest groups in politics.

There is no clear financial management regulation of NGO activities. Double book-keeping is common as a means of avoiding excessive Ukra-

inian taxation. Although NGOs may earn income for activities specified in their statutes, tax bodies frequently refuse to recognise certain activities as non-commercial, even if money was spent on non-profit activities or on the general maintenance of the organisation. New legal acts should be adopted and implemented to stimulate the charitable activity and to lessen the tax burden on NGOs.

The government should develop special programmes to support NGOs (i.e. involving them into public research on the vital issue of self-government). At the same time, it is important to have transparent competition for governmental funds and to involve independent experts with recognised authority in their field in review commissions.

Most NGO resources are concentrated in the capital and in some regional centres. These resources may be used for supporting NGO activity on the regional level, especially in eastern and southern Ukraine. Coalition building among NGOs may become one of the priorities for third sector development. Of special importance is the trilateral co-operation at the local level between authorities, businesses and NGOs, although the independence of NGOs should of course not be compromised. Local and regional councils may stimulate civic activity by adopting norms on public meetings, public hearings, local NGO initiatives and so forth.

The campaign against corruption is of special importance. Ukrainian NGOs spread anti-corruption awareness materials and hold public discussions. Yet, the relatively low budgets of these projects (supported mainly by western donors) and absence of interest from the authorities prevents them from reaching the wider public. There are, however, some positive examples. Although admission exams to universities are considered highly corrupt, the effectiveness of computerised evaluations of applicant tests at the University of Kyiv-Mohyla Academy has been widely acknowledged.

Ukrainian NGOs can play an important role in safeguarding democratic standards. They were very active during the 2002 election. The All-Ukrainian Monitoring Committee, established in December 2001, informed the public on the fairness of the campaign. On the eve of the 2004 presidential elec-

tion, the role of NGOs in monitoring this process should be especially supported. It is also advisable to create a council of human rights groups, which will serve as a consultative and co-ordinating body and will co-operate with the parliamentary ombudsman and authorities. After the 2002 parliamentary election, several parliamentary committees and ministries created advisory boards that include NGO representatives. These steps increase transparency, the role of NGOs in public debate and in drafting laws. One of the main problems of the Ukrainian third sector is the lack of domestic sources of funding. Therefore, western support to Ukraine's civil society and independent mass media remains crucial.

3.2.7. Freedom of media

Independent media play a key role in the process of democratic transformation in post-communist states. Thus it has attracted considerable attention from the EU and other international bodies. The freedom of the media is one of the most sensitive political issues for Ukraine.

The importance of this sphere has increased in recent years, when numerous cases of violence against journalists (including murders) in Ukraine were disclosed. There is freedom of speech in Ukraine, but not freedom of media. In its annual 2002 report on media freedom in the world, Freedom House put Ukraine in the group of 'non-free' countries (earlier it was 'partially free'). New crimes against journalists and the arrival of non-official government instructions for media (*temniki*) were the major reason for this.

In Ukraine, the private media sector represents the major part of national and regional media. However, owners usually depend on their links with the authorities, therefore media controlled by them are unlikely to be prepared to express views not corresponding to those of the authorities. At the same time, a small number of genuinely independent media continue to work both on the national and regional levels. A number of opposition newspapers, such as 'Svoboda' (Freedom), 'Vecherniye Vesti' (Evening News) are available – especially in big cities. Even though, in many cases, these newspapers serve particular political aims, they remain the only so-

urce of critical information on the authorities. In 2003, the new private TV studio NBM was established (it is now the fifth channel). Its owners are representatives of the opposition block 'Our Ukraine'. This channel covers Kyiv and some big cities. Its news, 'Express-Inform', is approaching European standards. Despite decreasing pressure on the media since 2002, the authorities still place impediments to some independent broadcasting agencies and newspapers.

As a result, there is an acute lack of live commentary on political developments on Ukrainian television. Live discussions between ruling politicians and their opposition counterparts are no longer aired. On the most popular TV channels (especially those controlled by the current head of the presidential administration, Viktor Medvedchuk), systematic bias in favour of the authorities are observable.

Recently, some essential steps were made in developing Ukrainian legislation in accordance with European standards thanks to the efforts of the Parliamentary Committee for the Freedom of media. In particular, a clear definition of 'censorship' was provided by law in 2003, with censorship itself being strictly prohibited. Despite this, problems in implementing existing legislation on them media remain.

In order to ensure freedom of the media, the following measures are necessary:

- investigations of the murders of journalists and violations of media rights must be completed;
- state TV and radio must be transformed into truly public TV and radio companies;
- legislation providing for transparent rules for the media market must be enacted;
- new laws (usually submitted by security structures to parliament) which aim to limit journalists' rights or to establish punishments for investigative reporting must be blocked and not adopted;
- transparency of the ownership of media must be guaranteed, the real names of media owners must be exposed;

- the authorities must stop submitting instructions to the media (so-called *temniki*, the existence of which was confirmed by journalists several times during 2002–2003)
- existing limits on foreign ownership of Ukrainian media should be lifted.

3.2.8. The rule of law

Despite the fact that the principle of rule of law is stipulated in Article 8 of the Constitution and in a number of other legislative acts, its substance has not been finally defined either in the doctrine or in practice. One of the most pressing problems in Ukraine is the recognition of the supremacy of human rights and freedoms over the state and the direct effect of the Constitution and its provisions, which determine the rights and freedoms of individuals. The Ukrainian courts should directly implement the principle of rule of law.

The legal system and law enforcement should correspond to the principles of legal certainty and proportionality, which form the basis of legal order in the EU and its member states. In order to provide the effective implementation of rights and duties by the citizens, there is a clear need to upgrade the society's level of legal awareness. Educational institutions, NGOs, and the mass media should play significant roles. Individuals should be informed about their rights and possess means to protect them. In particular, access to court and legal assistance should be guaranteed, including legal assistance to the poor.

Implementation of the rule of law also depends on law enforcement agencies. In this regard, there is a need for reforming internal affairs bodies in order to fulfil Council of Europe recommendations concerning the transfer of the passport service and some other functions from the Ministry of Internal Affairs to other institutions.

Corruption is the result of, among other factors, the inadequate functioning of state and social institutions, legal and economic systems and represents a societal reaction to the inadequate functioning of the state. In

order to cope with those negative phenomena it is necessary to adopt the following measures:

- introduce proper remuneration for civil servants;
- conduct information campaigns in order to illegitimatisate instances of corruption;
- adopt appropriate recruitment procedures to ensure high professional and moral standards among civil servants;
- introduce transparency into the decision making process of state bodies, especially concerning economic matters;
- reduce the tax burden and simplify tax procedures;
- promote and enforce transparency and competitiveness in the system of public procurement and in the privatisation process;
- improve the system of economic and financial control and counteract legalisation of illegally obtained profits.

3.2.9. Approximation of Ukrainian legislation to EU law

The process of adapting Ukrainian legislation to EU rules and regulations, the *acquis communautaire* is a key element of Ukraine's European integration. This should cover the legal system in general and include current legislation, the drafting of new legislation, law enforcement and procedural rules. In order to ensure the effective implementation of the adaptation process, there is a substantial need to involve all branches of power: parliament and executive bodies at the law drafting stage, judicial institutions at the law enforcement stage. Adaptation is not an isolated process, and must be accompanied by legal, judicial, administrative and economic and other reforms.

Close co-operation between Ukraine and candidate countries is of utmost importance at every stage. The candidate countries' White Book could be a general guide for Ukraine through the process of adaptation.

Some initiatives should be introduced with the intent of improving institutional co-operation and capacity for the process of transition. According to current legislation, the draft examining its compliance with EU le-

gislation covers only drafts elaborated by the government. Therefore, it is necessary to make the examination of drafts initiated by any party obligatory. The implementation of this process could be entrusted to the governmental body responsible for co-ordinating the adaptation process. The same procedure should be required for amendments, proposed by MPs, to draft legislation that is to be harmonised with EU *acquis communautaire*. This function can be placed within the competencies of the Committee for European Integration, or the relevant department in the parliamentary Chancellery.

In order to significantly improve institutional capabilities in various aspects of adaptation, the philosophy of staff training, information flow and financial assistance needs to be changed. Taking into account Ukraine's great shortage of staff specialised in EU legislation, the following steps are possible:

- a national concept for the professional training of civil servants in the areas of European law and European integration could be elaborated;
- the introduction and/or improvement of studies on European law and integration in institutions of higher education in Ukraine, including inviting professors from leading European universities;
- establishing European language studies for civil servants engaged in adaptation;
- introducing an obligatory programme on European law in the training of judges and lawyers;
- discussing with the EU possibilities of expanding educational and twinning programs for Ukraine, involving EU institutions such as the Commission, the European Parliament and the European Court of Justice.

In the field of information support of adaptation process, the following measures should be taken:

- a website in Ukrainian containing information about European integration, development of relations between the EU and Ukraine, official EU documentation and the state of implementation of the National Pro-

gram on Adaptation of Legislation should be established. It will provide state bodies, educational centres and the wider Ukrainian public with access to EU legislation and other relevant information.

- state bodies involved in the adaptation process should be provided with direct and easy access to EU documentation, including access to the EU database – CELEX – and official EU legal paper issues.
- key EU legal documents should be published and disbursed in Ukrainian.
- unified rules for EU legal translation should be elaborated and enforced and a centralised translation system should be established. A detailed EU glossary in Ukrainian should be compiled with participation of relevant Ukrainian and European linguistic institutions.

3.3. EU-Ukraine policy in the agenda of New Members (Hungary, Poland, Slovakia and the Czech Republic)

3.3.1. The main arguments

There is a number of factors justifying the active engagement of the new EU member states generally, and the Visegrad countries in particular, in the formulation of EU policy towards Ukraine.

First of all, once the Visegrad countries join the EU, Hungary, Poland and Slovakia's eastern borders with Ukraine will become part of the European Union's eastern border. The process of building this border and the related opportunities and risks will fall on the three Visegrad countries. Therefore, they must play a key role in re-shaping the character of the new EU border; in fact, they will be responsible for determining whether it becomes a new iron curtain or a line of co-operation.

The most important transport corridors – road transport routes, railway lines and oil and gas pipelines – that connect the Ukraine with western Europe run through Poland, Slovakia, Hungary and the Czech Republic. Ukraine shares a transit oil and gas pipelines system with the Visegrad countries, which is of strategic importance for EU energy security

as it connects Russian, Central Asian and Caspian basin energy producers with EU consumers.

Ukraine has established unique ties with the countries of East-Central Europe, which stem from cultural, linguistic and historical closeness, as well as geographic proximity. The Hungarian, Polish and Slovak minorities in Ukraine, and vice versa – the Ukrainian minority in Poland and Slovakia, are important factors that reinforce this closeness. These ties allow for a better understanding of the realities in these countries and for more effective co-operation, particularly on the local community and NGO levels.

The Visegrad countries share with Ukraine a common totalitarian past in the eastern bloc. From this perspective, they are best qualified out of all the members of the enlarged EU to share with Ukraine know-how on post-communist political transformation and market reform. First, they are direct neighbours of Ukraine; second, they are close to Ukraine culturally and linguistically, and finally, they successfully passed through the difficult transition and modernisation process over the last decade, which is still an on-going challenge for Ukraine.

EU-Ukraine relations could present an important part of a new agenda of regional co-operation within the Visegrad Group. The political objectives of Visegrad co-operation focused since its establishment on the promotion of the Visegrad countries' readiness for and contribution to European and Euro-Atlantic integration. Hungary, Poland, Slovakia and the Czech Republic worked together and assisted each other in preparations for EU and NATO membership. As the priority of regional co-operation is achieved, the Visegrad Four are now looking for new objectives aimed at ensuring the Visegrad area as one characterised by political stability and economic prosperity, which is open to co-operation with other countries in the region, including East-Central European countries. Relations with Ukraine within the EU-Ukraine context could become one of the pillars of a new Visegrad agenda for years to come.

The following are the main problems in EU-Ukraine relations that require a change in the EU approach toward Ukraine from a Visegrad perspective. The Visegrad countries are firmly interested in:

- more flexibility in implementation of the Schengen regime. The implementation of Schengen legislation along the eastern borders of new member states, required within the EU accession process, helps to solve major problems of the EU related to the security of the common integrated area of free movement of persons, goods, investments and services. On the other hand, it has a negative impact on bilateral relations between new member states and their eastern neighbours. The Schengen regime must ensure the EU border closed and safe against illegal activities from third countries, but at the same time it should become as open as possible for economic co-operation and human contacts between countries on both sides of the EU external border.
- more active involvement by Ukraine in EU eastern policy. Ukraine must be engaged in the ongoing EU-Russia talks on the creation of a Common European Economic Space, which is in fact a road map for gradual liberalisation of foreign trade between the EU and Russia. The same relates to EU-Russia dialogues in some other fields, for instance energy.
- more focus on supporting democratisation and civil society in Ukraine. So far, EU policy towards Ukraine has focused on contacts with authorities on the central level. However, the assumption that proper relations among leaders will guarantee the genuine advancement of Ukraine to the EU has proven to be illusory. Important agreements concluded by leaders have failed to lead to changes in the attitudes and mentality of the people in Ukraine, and such changes are indispensable for achieving a lasting understanding. Helping Ukraine in its post-communist transition, the EU should refocus its aid policy in favour of supporting civil society and local self-governance at the expense of state development programs, or at least make its support more balanced.

3.3.2. Export of know-how

The first and most tangible contribution of the Visegrad countries for the preparation of Ukraine to participate in the process of European integration is the transfer of juridical and practical know-how on the associa-

tion and accession processes that have been just experienced by those countries. All the Visegrad states have at their disposal developed structures of civil servants training for the purpose of those processes. It would be logical and natural to use those structures to train Ukrainian civil servants in the same subject, starting with the well-known principle – first train the trainers.

Administrative bodies responsible for the process of European integration that were in charge of co-ordinating that process in the Visegrad countries on a national level (like the Polish Office of the Committee for European Integration) should organise special units charged with the transfer of know-how to the Ukrainian counterparts. The establishment of special international workshops at the central administration level for the civil servants of central administrative bodies should be considered. Units responsible for the European co-ordination of the activity of a given ministry exist in each ministry of the Visegrad countries. The employees of those units should meet in regular working conferences with their Ukrainian colleagues to share their experiences.

In the case of the new EU members in East-Central Europe, the development of local and regional government was an essential component in the transition towards the building of modern European state and society. As seen in the previous chapter (Ukraine's agenda for the EU), Ukraine has taken only limited steps in this direction. The Visegrad countries could provide know-how in this process. As far as regional centres of European information and the training of local government administration are concerned, the lack of funding can be the main obstacle to develop that kind of activity. Thus, EU financial support would be very desirable.

The experience of Visegrad countries in developing civil society could also be transferred to Ukraine. Visegrad NGOs already have considerable contacts with their counterparts in Ukraine, which should be expanded.

Extension of higher education to new parts of the society is an important factor in building civil society. Academics and students have always been active as citizens. The number of students in Visegrad countries has grown

enormously since 1989. The knowledge of young people is the most important factor for the long-range success of the reforms. The Visegrad countries should create a special programme for students allowing Ukrainians to study in the Visegrad countries. Significantly, these programmes should ensure that students are allowed to transfer their credit points won in the Visegrad countries to their home (Ukrainian) university and to continue studies without losing that semester. This programme should also allow students from Visegrad countries to study in Ukraine.

3.3.3. Infrastructure

Transport networks between the Visegrad countries and Ukraine constitute a hub in the transport network connecting the EU with Russia, Central Asia and the Caspian basin. In order to facilitate human contacts and economic co-operation between the EU and Ukraine, the current communication and transport infrastructure between the Visegrad countries and Ukraine must be essentially extended and modernised.

Ukraine shares with the Visegrad countries transit oil and gas pipelines system, which is of strategic importance for the EU energy security as it connects Russian, Central Asian and Caspian basin energy producers with EU consumers. Thus, security and safety of energy network infrastructure on the territory of Ukraine and Visegrad countries is of strategic importance for the EU. With the establishment of an EU-wide internal energy market and related policies, security of energy supply is principally an issue for the EU as a whole. However, the Visegrad countries could play an important role in increasing EU security of energy supply through diversification of energy sources and transportation routes. The Visegrad countries have an interest in the development of pipelines through their territories for supplies from the Caspian oil and natural gas fields. The Odessa – Brody oil pipeline contributes to this, regardless of whether it is extended to Płock and Gdańsk or connected with the southern branch of the Druzhba pipeline. It should thus become one of the priorities for EU assistance in the field of energy networks provided to external partners.

Transport networks (road and rail) connecting Ukraine with the EU cross through the territory of the Visegrad countries. However, the existing transport infrastructure, especially in the border regions of eastern Hungary, Poland and Slovakia and western Ukraine is outdated and suffers from under-investment. Additionally, only two of the ten new multi-modal corridors, which were added to the existing transport corridors within the EU to meet the EU enlargement needs, connect the Visegrad countries directly with Ukraine. (These are Corridor III: Berlin – Cracow – Lviv – Kyiv, and Corridor V: Venice – Ljubljana – Budapest – Uzhgorod – Lviv – Kyiv.) The underdeveloped transport infrastructure in eastern parts of Hungary, Poland and Slovakia will become a barrier for EU–Ukraine economic relations and human contacts. The EU must consider its modernisation in developing future Trans-European Networks (TEN) projects. Only three of the ten corridors connect western Europe with eastern Europe, while the remaining seven corridors are aimed at improving connections on a north-south axis. It is in the interest of the Visegrad countries that the EU places greater emphasis on east-west connections, in particular those linking Ukraine to the EU.

3.3.4. Justice and Home Affairs (JHA)

In order to make the eastern border of the enlarged EU safe against illegal activities, the EU and Visegrad countries must improve the security of the eastern peripheries of the EU through modernisation of border infrastructure and increased quality and numbers of border services and police. It is necessary to organise common training programs on border protection standards and rules in the EU involving representatives of border services from the Visegrad countries and Ukraine. Such programs must also include representatives of the police and judicial organs aiming at facilitating co-operation and co-ordinated actions in the field of JHA. The Visegrad countries should support the idea of having permanent liaison officers from Ukraine at the respective border control units on their border with Ukraine and vice versa.

The Visegrad countries should consider the option of establishing common Visegrad border control units on their borders with Ukraine. Czech, Polish and Hungarian servicemen would be invited to serve in the border control units of Slovakia on the Slovak-Ukrainian section of the border; Slovaks, Czechs and Hungarians could serve in Poland, and Czechs, Slovaks and Poles in Hungary. This Visegrad experience could consequently be utilised by the EU in advancing its plans on the common EU border service in the years to come.

In the long-term perspective, these Visegrad, and subsequently EU common units could later be merged with Ukrainian border guards through the establishment of a common border guard service on the Polish-Ukrainian, Slovak-Ukrainian and Hungarian-Ukrainian borders. The Visegrad countries must help Ukraine as far as its qualifying for full participation in the system of early prevention of illegal migration is concerned.

In parallel with the above initiatives, the EU and the Visegrad countries particularly must aim at making the future EU-Ukraine border as open as possible, physically, culturally and psychologically for Ukrainian citizens who want to cross it legally. Actions taken in this direction must include the modernisation of the consular infrastructure and information campaigns on visa obtaining procedures. A particularly important objective is to provide special training of the representatives of border services in Visegrad countries themselves in terms of their honest and respectful attitude toward persons who cross the border. Officers of these services are those who will represent the EU to travellers; their contact with these services may impinge on their perception of the entire EU.

The long-term priority for the Visegrad countries must be assisting Ukraine in moving from the EU list of 'visa countries' to the 'visa free' list. Although this process will depend much on internal developments and reforms in Ukraine itself, there are some possibilities for taking actions and policies in the JHA field that should be seriously considered and initiated by the Visegrad countries aiming at making the visa regime as flexible as possible in the short-term and middle-term. Furthermore, the Vi-

visegrad countries must aim at making their visas accessible to Ukrainian citizens by reducing or removing the visa fee and improving consular services. So long as Ukrainian citizens are required to have visas to enter the EU, Visegrad countries could initiate co-ordination of consular services of EU member states on the territory of Ukraine to make their visas accessible in as many regional centres as possible. Another solution, which will improve accessibility of visas for Ukrainian citizens with permanent residence in regions far from Kyiv or western parts of Ukraine, is to move the process of obtaining visas to border crossing points; making sure, however, of adequacy of latency time for visa applicants once they come from more distant regions of Ukraine.

The Visegrad countries will be authorised to issue their national long-term visas for third country citizens (multiple entry visas valid for one year with six-month residency) even after their entry into the Schengen regime. This should be applied to maintain cross-border co-operation and movement of residents of bordering regions with natural long-term economic and human ties.

Since March 2001, Slovakia has liberalised its visa regime with Ukraine (imposed in June 2000), apart from other implemented measures. For example, the permanent residents of 83 villages on both sides of the border were granted special exemptions from the regular visa regime. Residents of those villages are granted multiple-entry visas (valid for one year with six-month residence) free of charge. This option should be seriously considered by the other Visegrad countries in terms of its eventual application on Ukrainian citizens living in border regions along the future EU eastern border. However, it would be a viable option only provided that Ukrainian authorities prove their ability to ensure that the issuing of residence certificates for Ukrainian citizens in the regions in question is transparent and free from abuse. Concomitantly, commonly the Visegrad countries must lobby within the EU that such solutions do not represent any threat to the internal security of the Schengen area. The European Commission recently proposed measures to facilitate such cross-border traffic.

The Visegrad countries must also consider an option to develop a common visa policy within the Schengen regime following a Polish model (visa for Ukrainian citizens free of charge) or Slovak special solutions for residents of border areas as mentioned above.

The Visegrad countries must take an active part in the EU JHA debate in the years to come. This should aim at correcting certain ‘Schengen stereotypes’ still prevailing in EU countries, which follow public moods and perceptions rather than realities on the ground. Thus, the key purpose of visa procedures – as it is understood in the EU and consequently handled in the Schengen acquis – is to eliminate the risk of illegal immigration. However, the Slovak – Ukrainian experiences learned over the three ‘visa years’, backed-up by facts, makes the following counter-argument: the link between visa regime and the protection of borders against illegal migration from third countries is completely unfounded. These are two different effects that should be treated differently and should be addressed by different policies and actions. The visa regime has had a significant impact on the legal movement of persons through the Slovak-Ukrainian border since it was introduced in June 2000, and especially the reciprocal travel of citizens of both countries. However, it has had practically no impact on the flow of illegal migration from third countries on the Slovak-Ukrainian border. It is in the common interest of the Visegrad countries that experiences like this are properly communicated to the EU public, as this will lay the foundations for eventual changes of EU visa policy, making it more flexible and in accordance with realities on the ground.

The Visegrad countries will be largely responsible for managing the external land border of the enlarged EU. However, this is a task performed for the benefit of the entire EU and the burden, financial and otherwise, should therefore be distributed evenly across the EU. The EU as such should therefore provide additional assistance to the Visegrad countries to perform this task, and support them in implementing the measures presented above.

3.3.5. Foreign, Security and Defence Policy

The establishment of multinational military units for international operations are essential components in the development of European military capabilities, both in the context of NATO and in the EU European Security and Defence Policy (ESDP). The Visegrad countries, and to some extent Ukraine, are part of these developments. Closer co-operation between the Visegrad countries and Ukraine in creating multinational military units could become an important element in European efforts in this field.

Co-operation between two Visegrad countries (Hungary and Poland) and Ukraine in peacekeeping already takes place. A Polish-Ukrainian peacekeeping battalion (UKRPOLBAT, with approximately 750 troops) has been active in Bosnia and Kosovo. There is also the Ukrainian-Hungarian Tisza battalion. Poland, Slovakia and the Czech Republic agreed in 2001 to create a Polish-Slovak-Czech brigade consisting of three battalions by 2005, with 2500 troops.

France, Italy, Spain, and Portugal have created regional Mediterranean European intervention forces known as Eurofor (land operations) and Euromarfor (maritime operations). Thus, the pattern to follow is ready for the Visegrad countries and Ukraine. These countries could create Centreurofor as a regional component available to the ESDP.

It is worth including the Baltic States to Ukrainian-Visegrad military co-operation as well. There, a Polish-Lithuanian battalion (LITPOLBAT) already exists and a Lithuanian platoon (30 soldiers) has already taken part in the Polish-Ukrainian KFOR contribution in Kosovo, in 2000. Polish, Ukrainian, Hungarian, Slovak, Latvian and Lithuanian contingents in a multinational brigade in Iraq is a first example of such practical co-operation in a post-conflict stabilisation mission. The troops are trained in a real service and that experience, due to the double subordination (NATO/EU) system of the EU intervention forces, may be useful for future EU-led operations. Such an extended Centreurofor could constitute a considerable contribution to the ESDP.

As a minimum, Centreurofor would consist of 2000 Polish troops, 1800 Ukrainian forces, a Polish-Czech-Slovak brigade of 2500 troops, LITPOLBAT, which consists of 780 troops, a Hungarian battalion of approximately 600 soldiers and a Latvian company consisting of 100 troops. As a maximum, Centreurofor could consist of a full Polish brigade of 4000 troops (promised as the Polish contribution to the ESDP), a Ukrainian contingent of 1800 troops, UKRPOLBAT with its 750 soldiers, a Polish-Czech-Slovak brigade of 2500 troops, LITPOLBAT (780), a Latvian company (100), and a Hungarian battalion with 600 troops. Centreurofor would thus consist of at least 7800 troops, and may include as many as 10 530 troops, including a sizeable Ukrainian contingent. This would constitute a considerable contribution to the EU intervention force, initially planned to consist of 60 000 troops.

3.3.6. Visegrad assistance for Ukraine

In addition to assistance provided by the EU, the Visegrad countries should consider using their own resources to maintain and expand co-operation and reciprocal people-to-people contacts between themselves and Ukraine. This could take place bilaterally or through joint efforts, for instance through the International Visegrad Fund (IVF).

Since its establishment in May 2000, the IVF supports numerous projects promoting regional co-operation among the Visegrad countries in fields such as culture, science, education, exchange of young people and cross-border co-operation. Although a small project – known as Visegrad Plus – has been established to include non-Visegrad countries, the bulk of the funding provided is limited to the Visegrad countries. The IVF programmes, and the Visegrad Plus project in particular, should be expanded to facilitate co-operation and people-to-people contacts between Visegrad countries and Ukraine. These should focus especially on co-operation between NGOs and among local and regional governments, which would complement EU assistance programmes.

Although development assistance is funded directly by national governments and provided bilaterally, there is considerable scope for co-ordination

of the policies of the Visegrad countries in the aid provided bilaterally to Ukraine. Co-ordination of development assistance to Ukraine within the Visegrad Group could prevent duplication of efforts. Furthermore, such co-ordination could create synergies, multiplying the effects of still rather modest individual assistance capacities of the Visegrad Group.

4. Main areas of integration

4.1. Economy

4.1.1. Trade

The EU is an important trading partner for Ukraine. Almost 25% of Ukraine's exports go to the EU, while imports from the EU account for approximately 20% of total Ukrainian imports¹. Ukraine is of marginal importance to the EU as a trading partner, however, accounting for approximately 0.3% of total EU external trade. Ukraine's exports to the EU consist mainly of agricultural products and semi-finished products, especially from the metallurgical industry, originating from enterprises which have not been restructured and represent relics of the Soviet command economy. EU exports to Ukraine, on the other hand, consist of finished products, mainly machinery, chemical products, transport and textiles.

EU enlargement will considerably increase the importance of the EU in Ukraine's external trade. While the CIS will remain the main source of imports to Ukraine, mainly due to imports of energy, the enlarged EU will become Ukraine's principal market for exports, account for approximately 40% of total Ukrainian exports. As trade with Ukraine is more significant for the new members, the importance of Ukraine as a trading partner of

¹ The numbers are based on figures from the Ukrainian State Committee of Statistics and the European Commission.

the EU will increase though still constitute a small share of total EU external trade. The accession of East-Central European countries to the EU is likely to increase trade between Ukraine and the EU, as tariff barriers will be reduced to the EU-level. This will be partially offset by a decrease in Ukrainian exports to the EU due to the introduction of EU product standards in the new member states which many Ukrainian exporters will be unable to comply with.

The main trade issues in EU-Ukraine relations concern the recognition of the market status of the Ukrainian economy by the EU, Ukraine's accession to the WTO and, in a longer-term perspective, the creation of a free trade area, as envisaged under the PCA.

In the short-term, priority should be accorded to the recognition of Ukraine's status as a market economy and Ukraine's accession to the WTO. Progress has been made on WTO accession recently, although important issues remain unresolved. In terms of EU-Ukraine relations, WTO is a precondition for further trade liberalisation and is in the interest of both the EU and Ukraine that the WTO negotiations are concluded quickly.

The granting of 'market economy status' has become a major issue on the EU-Ukraine agenda. The EU currently grants market economy status to Ukrainian companies on a case by case basis. This allows these companies to use their own statistics in case the EU initiates anti-dumping procedures. Conferring such a status on the Ukrainian economy as a whole would have a limited impact on the EU economy, but would be politically important in Ukraine. The EU's unwillingness to confer such a status on Ukraine weakens the position of pro-European reformers in Ukraine and fuels perceptions of exclusion. The EU's 2002 decision to confer such a status on Russia already raised such perceptions.

Although average EU tariffs on imports from Ukraine are very low, significant restrictions remain in areas where Ukraine has a comparative advantage, such as in steel, textiles and agriculture. Progress in liberalisation in these areas have recently been made, for instance the removal of quotas on Ukrainian export of textiles to the EU. This process should be speeded

up and broadened to include agriculture. As in the case of market economy status, the overall impact on the EU would be limited, while the impact in Ukraine could be considerable.

This liberalisation process should remain asymmetrical as the Ukrainian economy in general, and sectors such as automobiles, agriculture, mechanical engineering, and radio-electronic industry in particular, would be unable to withstand the competitive pressures of the EU market. In a medium to long-term perspective, this asymmetric trade regime should be gradually removed as part of the creation of a free trade zone.

The agreement on co-ordination of steps within the framework of the Common Economic Space with Russia, Belarus and Kazakhstan is likely to slow the process of creating a free trade area with the EU. Therefore, it would be more advisable to transform the rules of economic relations in the format of 'the four', on basis of the WTO. Such an approach would permit to check fears concerning 'integration in two directions'.

One of the ways to develop trade structure is by increasing the share of services. This has considerable growth-potential as Ukraine is a potential exporter for tourism, transport, the construction sector and the informational sphere. In addition, these kinds of economic activities run much smaller chances to be subjected to anti-dumping investigations and other restrictive procedures.

Development of trade relations is an important precondition of political rapprochement. These processes are: approximation of legislative base, establishing and strengthening permanent contacts between representatives of business elites, mutual understanding of common interests, as well as a common vision of the ways of mutual development.

4.1.2. Investment

To date, Ukraine has failed to attract a significant amount of foreign investments. This can be attributed to its comparatively unfriendly investment environment, high political risks, and a prolonged transformation recession. All foreign investors in Ukraine face more or less the same problems,

and it is difficult to identify the specific problems of investors either from the EU or candidate countries. In terms of the origin of foreign direct investment (FDI), to date, Ukraine has received more or less significant amounts of FDI from EU countries, while the scope of FDI from EU accession countries is comparatively low, both in absolute and relative terms. The latter can be explained by the fact that outward FDI of most of these countries has been limited overall.

In principle, foreign investors enjoy either 'nation' or 'most-favoured nation' treatment. Additionally, Ukrainian rules and regulations grant specific privileges to foreign (as well as Ukrainian) companies investing in projects in the so-called Special Economic Zones and Priority Development Territories.

Ukraine has recently taken clear steps towards a systemic improvement of the investment climate. However, quite extensive list of problems remains that must be addressed. Improvement of the investment climate must be seen as an integral part of further reform efforts. In order to improve the situation, Ukraine has to undertake significant efforts aimed at improving economic policy-making process in general and improve the regulatory environment in specific sectors.

There is an urgent need to clearly delimit the two principal functions regarding policy-making in the field of FDI. These are, first, to ensure FDI regulation by drafting relevant legislative and regulatory acts and norms, and, secondly, to establish and maintain direct relations with the actual and potential investors, including assistance in solving problems related to establishing, doing and terminating business in Ukraine. Such delimitation is necessary in order to assign the proper roles to different governmental agencies and to consider the necessity of creating new institutions responsible for carrying out these two functions.

Ukraine should elaborate a coherent and consistently implemented investment promotion strategy. This strategy must be based on careful assessment of the current state of the Ukrainian economy and international investment trends. Such a strategy would include the following tasks:

- developing a coherent investment promotion strategy to which all Ukrainian authorities subscribe;
- simplifying interaction between foreign investors and Ukrainian authorities by considering the creation, for instance, of a 'one-stop shop' that obtains for foreign investors all required licences, approvals and permits from the authorities in charge;
- assisting foreign investors in case of difficulties with Ukrainian authorities;
- facilitating an ongoing and systematic policy dialogue between foreign investors in Ukraine and investment policy makers;
- enhancing both Ukraine's image abroad as an attractive investment location and the image of foreign investment in Ukraine as an agent of growth;
- promoting investment projects in Ukraine abroad;
- promoting linkages between foreign investors and domestic suppliers.

4.1.3. Ukraine in the EU energy policy

Energy supplies from Russia and the Caspian basin are increasingly important for the EU, as its internal sources are depleted and demand for external sources of supply grows. Ukraine's geographical location and available infrastructure makes it an indispensable element in ensuring the EU's security of energy supplies. However, geopolitical considerations are prominent in the energy policies of the CIS countries. In addition, the interests of upstream, transit and downstream countries sometimes might contradict each other. Therefore, the establishment of bilateral or in some cases trilateral dialogue between consuming, transiting and producing countries is needed in order to enhance the security of supply.

The EU-Ukraine relations in the energy sector should be built on the provisions of the Energy Charter Treaty that envisages that relations are built on principles of non-discrimination and co-ordination of energy policies. The EU-Russia energy dialogue must be brought in line with this Treaty and

the INOGATE programme, which aims at developing regional strategies for the NIS countries in dealing with modernisation of existing energy oil and gas pipeline networks, and harmonisation of the partner states' respective legislation with the EU energy standards. Similarly to the EU-Russia energy dialogue, the INOGATE programme should be intensified and more focused in the years to come on specific fields of co-operation, namely facilitating identification of appropriate transit energy routes from the Central Asia and Caspian basin to the EU markets through territories of Ukraine and the Visegrad countries.

The three priorities of the Tacis Indicative Program 2002–2003 in the field of energy networks focus on supplies of Russian gas and oil to the EU. It is in common interest of the Visegrad countries, Ukraine and the EU that energy producer countries in Central Asia and Caspian basin also achieve status of strategic energy partners of the enlarged EU.

Transporting oil from the Caspian basin to Europe: the role of Ukraine

Increase of oil production in Caspian basin raises the question of optimal oil transportation route. The very crowded Bosphorus Straits will not allow handling additional oil in several years due to both congestion problems and Turkish anxieties on environmental security.

After the completion of the Odessa–Brody pipeline, Ukraine has the required infrastructure to transport Caspian oil to Europe. Caspian oil-producing states have shown interest in pumping oil from Odessa to Europe. Currently, this is the route that would allow the Bosphorus to be bypassed and could be successfully realised due to the following factors:

- the congestion of the Bosphorus Straits will prevent additional oil transport from the Black Sea to the Mediterranean;
- increasing costs of transportation by sea/tanker due to enforcement of new EU regulations;
- recognition by the European Commission of the pipeline as being of Pan-European importance.

Russia prefers other options, and is lobbying for using the Odessa–Brody pipeline for Russian oil transported through the pipeline in the other direction – to Odessa and through the Bosphorus. Although pumping Russian oil in the southern direction would increase transit fees to the Ukrainian government over the short-term, it might result in huge long-run losses. The competition for Caspian oil transit is very strong and even the temporary transport in a southern direction is likely to speed up the development of other routes bypassing the Bosphorus in Bulgaria and Romania.

Ukraine should promote the Odessa–Brody connection as a means to transport Caspian oil to Europe, which would increase the diversity of transportation routes and thus improve the energy security of the EU. The EU is expected to be a major consumer of Caspian oil, and Russian monopoly on its transit is not in the EU's interests. In order to enhance its energy security especially in new member states, the EU has to further promote the Caspian oil transit through the Odessa–Brody pipeline as well its extension to Polish Płock, as proposed by Ukraine and Poland and supported by the European Commission.

In the current situation, the EU and Poland might provide help by promoting the pipeline among European and US companies that have contracts on oil extraction in the Caspian basin. The first announcement regarding the signing of a transport contract between an oil producer and European consumers would be a huge step forward towards the success of the project.

Natural gas transit to Europe

An increasing share of natural gas is being imported from Russia to the EU, mainly via Ukrainian territory. Ukraine has to prove that it will remain a reliable transit country. Although the illegal siphoning of gas was stopped in 2000, and the issue of Ukrainian import gas debts was solved, a number of additional steps should be taken. The absence of accidents in the past does not automatically mean that the interruption of natural gas supply will not happen in the future.

The EU might assist Ukraine in increasing reliability of gas transit through its territory. The technical audit of the Ukrainian gas transit system, financed

by EU in the framework of INNOGATE program, was an extremely useful step in this direction. However, the policy implications from such audits should be made more transparent and far-reaching. The results of a recent technical audit were not disclosed to either the EU or Ukrainian public, while they should be the road map for the rehabilitation and development of the system. Full incorporation of the technical audit results into Ukrainian investment decisions would confirm Ukraine as a reliable transit partner. Therefore, European and Ukrainian public should be widely informed on such studies and their implications.

The creation of an international natural gas consortium, which would operate Ukrainian pipelines, might be considered a step in the right direction. However, the process of its creation remains non-transparent, which limits the involvement of reliable Western investors. The inclusion of such investors would increase the availability of funding and persuade consumers of the reliability of natural gas supply from CIS countries. In order to ensure energy security and diversification of natural gas supply, as well as to avoid possible tensions between partners, Ukraine should include additional provisions on gas transit through Ukrainian and Russian territory into the statutory documents of consortium as called for by the Energy Charter Treaty. Moreover, the duration of the management contract, the investment obligations of the members of the consortium, the tariffs for Russian gas transit and import and their possible changes, employment guarantees and detailed procedure on withdrawal from the consortium in case of failure to fulfil its commitments should also be included in the consortium agreement.

The EU should further raise the issue on non-discriminatory gas transit from Russia and the Caspian basin within the framework EU-Russia Energy Dialogue. As a major Russian trade partner, it has substantial leverage to negotiate with Russia over transit routes for the natural gas produced by Russian oil companies and coming from the Caspian basin according to the provisions of the Energy Charter Treaty.

4.1.4. Transport

Ukraine is included in only two of the ten Pan-European multi-modal transport corridors, as well as one of the three Pan-European Transport Areas. Only three of ten corridors connect Western Europe with Eastern Europe, while the remaining seven corridors are aimed at improving connections on the north-south axis. In order to integrate Ukraine more closely with the enlarged EU, the EU should place greater emphasis on east-west connections in general and those linking Ukraine directly to the EU in particular.

A recent report from the European Commission identifies several transport projects connecting EU member states with Russia, Belarus, Ukraine and Moldova as 'worthy of consideration'. However, the EU aims first of all at improving transport connections within the EU single market between member states, and none of the above-mentioned projects were included in a set of four lists of priority transport projects that should be implemented by 2020. The EU's stated principle is that 'selected projects have to be on a main trans-European axis of the enlarged Europe'. It is hard to imagine the 'main trans-European axis of the enlarged Europe' without cities such as Kyiv, Moscow or Minsk. The EU should therefore revise its priority projects to include transport networks in Ukraine.

In order to extend the transport corridors between Europe, the Southern Caucasus and Central Asia, supported within the TRACECA program since 1995, a parallel program for the EU and Ukraine would be a very important element in supporting economic co-operation and human contacts between the EU and Eastern Europe.

The objectives of a program which would link the TRACECA corridor with central and western Europe should be as follows:

- recognition of Ukraine's needs in terms of transport and communication;
- identification of those investments that would best contribute to the improvement of communication between EU member states and their Eastern neighbours;

- providing expert support to projects of specific measures;
- helping to find investors (also among the financial institutions). Such a program would fit into the idea of increasing the capacity of the Eurasian transport corridors, as designed by the EU.

4.2. JHA and Labour Market Access

4.2.1. Friendly Border Policy

Justice and Home Affairs (JHA) is of growing importance for the EU and also for Ukraine's integration with the EU. The co-ordination of a whole array of legal, administrative and technical measures between the EU and Ukraine should take place under the scheme of the Friendly Border Policy aiming at fostering closer ties, through, amongst others, eliminating barriers to the movement of people while at the same time enhancing security. This Policy requires the commitment and concerted efforts of both parties, without which it will be impossible to establish mutual trust.

Ukraine needs to implement domestic reforms aimed at improving its internal security and fulfilling its obligations toward the EU in order to become a trustworthy partner. Ukraine has to pay considerable attention to secure its borders and strengthen its law enforcement mechanisms in order to be a credible partner. Also, Ukraine needs to demonstrate its commitment by adopting asymmetrical solutions towards the EU wherever possible. For example, Ukraine should reconsider its visa policy vis-à-vis the EU and unilaterally remove visa requirements for EU citizens. Furthermore, Ukraine needs to adopt the following measures: concluding a readmission agreement with the Schengen Group, more vigorous implementation of existing readmission agreements with Hungary, Poland and Slovakia, and greater efforts in fighting cross-border crime such as human trafficking, smuggling of illegal immigrants, drugs and arms. At the same time, it is also important that Ukrainian border services become more efficient and customer-oriented to counteract the perception of being a backward, post-Soviet country which treats visitors as a nuisance.

The focus on the formation of the EU as a community of ‘internal security’ has forced insistence on the security a tight external border. This has led to the lack of consistency between border security and the pursuit of the CFSP, which aims to foster closer ties with countries like Ukraine. Therefore, to overcome this discrepancy, the management of external border and immigration policy, which affects lives of many ordinary citizens in neighbouring countries, should be a priority requiring comprehensive review. Results of such a review should help to formulate precisely the content of the Friendly Border Policy. This will be highly symbolic as well as a genuinely tangible expression of the will of an enlarged European Union to engage in special relationships with its direct neighbours.

Amongst other measures, the creation of a friendly border requires the application of a variety of legal, administrative and technical measures, which would facilitate travel to EU countries and ensure fast and efficient arrangements at the external border. The crucial challenge is to implement a friendly border agenda while maintaining the security functions that are so essential to the external frontier. Such a compromise has traditionally been perceived as a commendable idea but impossible to put into practice without undermining security. To achieve both objectives, a more sophisticated approach toward immigration by the EU is needed while reliance on traditional anti-immigration components of external border regime are decreased.

4.2.2. Movement of people – visa issues

The overarching objective in Ukraine-EU relations should be the removal of barriers to the movement of people between the enlarged EU and Ukraine. In the short term, this requires mitigating the negative consequences of the introduction of visas by the new member states and easing entry requirements. Visa-free travel between Ukraine and the EU should be the strategic goal of integration. For example, the concept of visa-free travel as a long-term objective has been repeatedly raised in the context of EU-Russia

relations since 2002, and should also be proclaimed for Ukraine. Even though no time-line can be specified at this time for the EU side, the EU should spell out the list of conditions that Ukraine needs to fulfil in order to be taken off the Schengen ‘black’ visa list, similar to the way the issue was approached in cases of Romania and Bulgaria. In the meantime, the EU and Ukraine should adopt a variety of short and medium-term measures. They are outlined in the following sections.

Redefining visas

Visas are widely cherished both by public opinion and government officials as a safeguard against unwanted immigration and cross-border crime. While this instrument is known to be largely ineffective in this respect, it has become so ubiquitous that alternatives tend to be dismissed out of hand. In cases of the EU and Ukraine, the burden that visa procedures create for both parties is significant. EU member states need to commit considerable administrative and financial resources to secure efficient functioning of consular services in Ukraine and, taking into account the size of Ukraine, they should have consular outposts in other locations if they care about the quality of service to Ukrainian nationals. As this is not the case at present, the lengthy and cumbersome process of getting a visa is one of the most important factors contributing to the prevailing feeling of being discriminated against, being regarded as second-class Europeans, among the population of Ukraine.

Introduction of visas by the new member states – an obvious step under Schengen flanking measures – is perhaps perceived as the single most important consequence of EU enlargement by Ukrainian society, which directly contributes to ambivalent feelings towards that process. Nearly ten times more border crossings were recorded between Ukraine and its western neighbours, on the basis of non-visa regulation in 2002, than visits to the current EU member states. Due to its practical and symbolic importance, alleviating negative consequences of visa regimes and neutralising lingering fears should be one of the key elements of EU policy towards Ukraine. While the elimination of visas for Ukraine should become one of the main long-term

strategic goals of the EU's policy towards Ukraine, in the short-term the crucial challenge is to make visas easily accessible.

Lodging and examining visa applications

Reduction of queues and shortening of the average time between submitting an application and collecting a visa should be one of the operational priorities of the Friendly Border Policy. These issues should be the subjects of regular consular co-operation. A variety of organisational and technical measures, which could help to achieve the following measures, should be adopted:

- visa applications that could be downloaded from the consulates' websites
- the possibility to submit an application by mail or via a tourist agency
- 'one stop visa': possibility to submit documents and collect visas the same day
- introduction of time limits for consular officials for processing visa applications (e.g. two days)
- introducing a numbered queue system, or appointments at a specific time, to reduce queuing, where necessary.

The introduction of such measures will require improvements in the Schengen Information System (SIS), and of other data collection systems, to enable the immediate verification and comparison of data. Personal interviews and requirements for supporting documentation should not be considered a general rule but rather an exception. Alternatively, such 'regular' procedures could be conducted only when a person applies for a Schengen visa for the first time and then the visa could be issued immediately after an interview. Otherwise, visas should be issued in a simplified procedure unless there is evidence of a prior illegal stay on Schengen territory, record of criminal activities or other obviously negative considerations.

Local border traffic visa

The Commission's recent proposals on simplified local border traffic (for nationals who reside in border areas of countries the nationals of which are not exempted from visa requirement) is a promising departure from current Schengen inflexibility.

Development of *acquis* on local border traffic, with respect to neighbouring countries such as Ukraine, could become not only a practical tool that will make the life of people living in border regions much easier, but also an important political gesture giving very positive input into EU-Ukraine relations. In order to fully utilise this potential, local border traffic should be translated into legislation and then operationalised not too long after the introduction of visas by Poland and Hungary in autumn 2003. It would be advisable to issue a policy declaration on the part of the EU confirming its will to put in place such mechanism. In order for the future EU-Ukraine relations to be meaningful, local border traffic should not be limited to 50 km from the border but should cover the whole of regions adjacent to the EU's external border. Such a solution would help to match the possible demand and minimise the abuse. Its effective implementation could alleviate fears among the current member states and set the ground for liberalisation of issuance of standard Schengen visas to Ukraine under the framework of Friendly Border Policy. A similar approach to long-term national visas paves the way to elimination of visas in the future.

European Consular infrastructure

The consular networks of EU countries will expand as the result of enlargement, at the same time however, the demand for visas will sharply rise as all of Ukraine's western neighbours will require visas. In the framework of the Wider Europe initiative it seems legitimate and rational for both new and old EU members to think in terms of EU consular infrastructure, which should be adequately developed along the EU's external land border. Such policy could be developed gradually. The first step could be co-ordination between consulates of EU member states to allow Ukrainian citizens apply for visa at the nearest consular outpost, irrespective of what

is the main country of destination. (according to the Schengen acquis this is currently possible only in exceptional circumstances) The second step would be to introduce Euro Consulates, as a visible expression of good-neighbourly policy. A pilot Euro Consulate could be opened in Lviv, the main city of western Ukraine, just 70 km from the border of the enlarged EU. Such a consulate would not only provide efficient visa service on behalf of all member states but could also serve as an EU information and resource centre accessible to students, local officials, NGOs, business people and general public. Last but not least, it could be the testing ground for direct co-operation of national consular services and the feasibility of their potential integration.

Consular infrastructure should be increasingly seen as a common responsibility. Financial burden sharing should not be limited only to the future project of Euro Consulates but should support new member countries that would be primarily responsible for implementing the Friendly Border Policy, i.e. adequately equipped consular services.

Shifting balance from visas to border checks

Technological and organisational advancements already allow to shift the balance for protection of borders to border checks in the medium-term. These include an improved quality of information within the SIS, wide use of portable terminals with instant access to SIS, easy-to-use magnetic readers for passports with a magnetic code and the technical ability to print visa stickers, as part of the passport verification process. Such improvements could limit the use of traditional visas issued by consulates only to two categories of persons: those who travel for the first time and have to undergo regular visa procedure and those who want to reduce the risk of refusal of entry, and the related losses due to the travel expenses incurred, and therefore prefer to apply for a visa in the traditional manner. The inspection of passport documents with the use of a reader while travelling in both directions, would allow an immediate determination of whether the duration of the visit had been exceeded.

Ukraine's reciprocal measures

Facilitated access to visas, involving policy and institutional modifications by the EU, requires reciprocal activities on the part of Ukraine that demonstrate its genuine interest in co-operation. Ukrainian policy-makers have to come to terms and communicate to the public that traditional reciprocity, based on full symmetry, cannot be the case in relations with the EU, as is indeed already the case with trade barriers. The first promising step has been already made: Poland and Ukraine concluded an agreement whereby Polish citizens will continue to enjoy visa-free travel to Ukraine, while Ukrainian citizens will be granted multi-entry Polish visas free of charge.

Such arrangement could be a model solution for relations between all EU countries and Ukraine. Because the EU requires visas from Ukrainian citizens, Ukraine also requires visas of EU citizens, regardless of the 'objective' need for such control measures. However, the principle of asymmetry, with the removal of visa requirements for EU citizens travelling to Ukraine before visa requirements for Ukrainian citizens travelling to the EU are lifted, should be adopted by Ukraine, as has been the case with some Balkan countries. Even if EU visa requirements have not been lifted for Serbia–Montenegro, the latter has removed the visa requirement for EU citizens. This measure would form a vital step towards visa-free regime between Ukraine and the EU.

In addition, Ukraine should adopt other measures in preparation for the visa free regime with the EU. Ukrainian passports should be technologically upgraded to reduce the risk of successful counterfeit and falsification. While the standards of border controls and border surveillance with Russia do not directly concern potential privileges for holders of Ukrainian passports, they are of crucial importance to the overall credibility of Ukraine as a partner in preventing and fighting new security threats related to illegal migration, cross-border crime and terrorism. A time-table for developing border infrastructure with Russia should be developed and observed. Taking into account improved EU-Russia relations it should not necessarily create tension in Russian-Ukrainian relations. Furthermore, investments into

Ukraine's northern and eastern borders should be supported by the EU to reflect their importance for overall European security.

4.2.3. Labour force accession

Access for the citizens from non-EU member states to legal jobs in the European Union is possible but limited. At present, regulation of labour migration remains the prerogative of individual member states, and central EU bodies have limited competencies in this field, even though the formation of an EU-wide policy in the field of external labour migration is envisaged. Therefore, there will be a transition of regulating mechanisms from the bilateral to EU-Ukraine level.

In relations between the EU and non-member states a number of precedents have already been set solving the problem of temporary job placement of these states' citizens. These provisions should be extended to Ukraine. Both Ukraine and the EU need to adopt regulations that would correspond to the situation in Ukraine and EU's labour markets.

Ukraine and the EU should develop and sign an agreement on mutual protection of labour markets. The agreement should provide transparent and stable opportunities for legal job placement for citizens of Ukraine, as well as liability for rendering assistance for a guest workers' timely return to Ukraine and observance of all contract provisions. Labour migration should be facilitated by the creation, through joint efforts, of a database of organisations and enterprises acting as intermediaries (from both sides) between job seekers from Ukraine and employers from the EU. Legal terms should be defined, and reciprocal agreements should be signed, to avoid double taxation of guest workers.

EU member states should create opportunities for legal temporary job placement for citizens of Ukraine by establishing quotas as for its individual countries, taking into consideration the needs of corresponding segments of labour markets. These quotas can be seasonal, sectoral and/or general. The size of the quotas can be the subject of negotiations carried out by experts, with subsequent submission to government approval.

Ukrainian authorities should elaborate and introduce an integrated approach to exit labour migration. This needs to include: the collection and publication of reliable statistical data on exit labour migration; assessment of regions in Ukraine where exit migration is greatest; combat crime connected with organisation of illegal exit migration, including giving of spurious visas, invitations, and sham contracts; create facilities to harness positive experiences of labour migrants who return to Ukraine, such as centres for innovation and entrepreneurship that would provide help in starting one's own business, investment of the funds, searching of partners and so forth. As part of reciprocal measures vis-à-vis the EU, Ukraine should facilitate access to its own labour market for EU citizens by easing bureaucratic requirements, such as registration etc.

NGOs in the EU and Ukraine could play a significant role in this field by carrying out information campaigns aiming to highlight legal opportunities for labour migration to the EU member states, as well as the potential dangers awaiting illegal migrants. They should also engage in the protection of rights of the workers in the EU.

Enhancing opportunities for temporary labour migration will decrease permanent migration and existing widespread abuses of the visa system by Ukrainian nationals. Many citizens of Ukraine use tourism, studies, business or family visits as a pretext to obtain a visa but in fact are going to work. In most cases they have no intention of immigrating to an EU country, but rather go to find temporary employment (often in informal sectors of economy due to restrictions placed on labour migration). This is a specific feature of migration from the EU's neighbours to the EU. As long as Ukrainians retain the possibility of obtaining employment for specific periods of time, with the possibility of periodically returning home, they tend not be inclined to become traditional immigrants and make every effort possible to maintain legal status. Therefore, by providing easy access to visas, EU member states minimise the risk of many Ukrainians falling into the trap of illegal migration.

4.2.4. Border management

Development and upgrading of border crossings

The effects of investments on the EU-Ukrainian border (often with EU funding) are frequently limited, as they are not matched by similar efforts on the Ukrainian side of the border infrastructure. Lack of financial resources has resulted in a bottleneck phenomenon: the wide lanes and upgraded border facilities on the EU side of the new EU-Ukrainian border that are not available on the Ukrainian side. The incompatibility of border facilities, combined with inflexible, less service-oriented approach of Ukrainian border services, results in long waiting times and poor service on the border, irrespective of how well-developed the infrastructure on the new member states' side of the border is.

The new funding, committed by the EU for tightening of the external border to candidate countries and raised during Copenhagen summit (December 2002), is almost entirely directed toward border surveillance and security standards of border checks. Capacity of border crossings, in terms of the number of people who could cross the border in a reasonable amount of time, has traditionally not been an issue of concern for EU officials responsible for Schengen *acquis*.

Improving standards of border crossing and reducing waiting times at the border should become key objectives of the Friendly Border Policy. There would be three main instruments to achieve this objective: expansion of border facilities on the Ukrainian side of the border, establishment of the new border crossings and measures that would improve the efficiency of Ukrainian border guards. The enlarged EU should engage financially in the process of developing infrastructure of the existing border crossings on the Ukrainian side of the border and support the establishment of new border-crossing points.

Implementation of agreements on joint border-checks should become standard because it reduces overall waiting time on the border, puts pressure on counterparts not to slow down controls and more generally helps

to change mentality. Last but not least, it could reduce corruption. Based on the successful model of Polish-German co-operation, where officials from the Polish and German Border Guards closely collaborate, similar contact points should be established on the future EU-Ukraine border. Specific measures within the Friendly Border Policy should also provide for the elimination of all Soviet style features of border procedures, such as iron gates that are still used on the Ukrainian border crossing to regulate the traffic.

EU responsibility for external borders

A pro-active policy on European borders, which wisely combines elements of control with facilitating cross-border movement, has to become the responsibility of the EU as a whole, and not just that of the countries along its external frontier. The idea of European border guards could be a positive step forward. The placement of individual officers from the member states in border guard units on the EU's external borders could be an effective instrument of fostering the concept of common European responsibility and promote mutual trust between member states. Placement of border guards from member states other than Hungary, Poland and Slovakia on the Ukrainian-EU border would have a positive long-term educational effect, bringing a specific neighbourly perspective to the mind-set of border officials across the EU.

4.2.5. Co-operation between law enforcement agencies

Human trafficking, notably of women for prostitution and children for sexual exploitation, money laundering, arms and drug smuggling are important international crimes in the EU, some of which originate in Ukraine and/or involve Ukrainian nationals.

Counteracting these soft security threats requires intensive collaboration between the EU and Ukraine. Organised criminal groups are increasingly operating across borders and are forming international networks to assist their criminal activity; this calls for a strengthening of co-operation between law enforcement authorities within the European Union and Ukraine in order to develop appropriate response.

An effective approach to these problems should include common monitoring, both counteractive and preventive measures, based upon mutual information access and permanent co-ordination of actions, including the following:

- the strengthening of co-operation in identifying, freezing, seizing, confiscating and possible sharing or returning of assets, the prevention and control of money laundering, the counterfeiting of documents and currency, trafficking in and smuggling of persons, illegal immigration, illegal trafficking in drugs, trafficking in stolen property (including for instance motor vehicles and cultural artefacts), computer related crimes including those using the Internet, high technology crime, corruption and economic crime.
- Monitoring of 'risky' businesses, in particular, mediation in job placement, which often serves as a cover for human trafficking.
- Co-operation in the detection of 'chains' of women trafficking for the purpose of sexual exploitation, both directly from Ukraine to EU and through the Balkans or Turkey, as well as women from third countries passing through Ukrainian territory.
- Continuation of financial and legislative monitoring, which aims to push Ukraine to European standards in the struggle against money laundering with a clear perspective of Ukraine's full membership in FATF.
- Strengthening co-operation within the framework of intergovernmental organisations, such as the United Nations, the International Criminal Police Organisation (INTERPOL), the World Customs Organisation, the Baltic Sea Task Force Against Organised Crime and the Budapest Group.

In addition, the EU should consider the following measures:

- Engaging Ukraine in the activities of the EU's multilateral bodies in the sphere of law-enforcement – such as Europol (exchange of operative information); European Police Chiefs' Task Force (top-level inter-personal communication); European Police College (training of personnel).

- Inclusion of Ukraine into newly established networks – such as the European Crime Prevention Network and Crime Prevention Forum, which were launched in 2001, with the aim of spreading knowledge of best-practice policing methods and bringing together all the people interested in the fight against crime right across Europe.
- Inviting Ukraine into permanent programmes of police co-operation – such as the OISIN programme to enhance co-operation between law-enforcement agencies; the STOP II programme to increase contacts between professionals working to tackle trafficking in human beings; the Falcone scheme for the training and exchange of people fighting organised crime and the Octopus programme to tackle corruption in East-Central Europe.

In addition to the recommendations in the sections on ‘Legal and Judicial Reforms’ and ‘Rule of Law’, Ukraine should carry out the following measures:

- fully implement legislation necessary for Ukraine’s entry into FATF;
- carry out anti-corruption programs in the law-enforcement and judicial systems;
- create and realise a governmental program on overcoming human trafficking and sexual exploitation;
- combat crime connected with the organisation of illegal migration, including providing false visas, invitations, and contracts;
- create adaptation centres for victims of human trafficking returning to Ukraine from abroad.

4.3. Common Foreign and Security Policy (CFSP)/ European Security and Defence Policy (ESDP)

4.3.1. EU-Ukraine dialogue on foreign, security and defence policy

EU foreign policy has developed considerably since the main elements of EU-Ukraine relations were established in the first half of the 1990s. Altho-

ugh integration is still lagging behind in this field compared with other policy areas, the development of the EU's CFSP in recent years provide considerable scope for enhanced EU-Ukraine co-operation. Indeed, foreign, security and defence policies are areas where Ukraine could make a significant contribution to EU policies.

The first (modest) strengthening of the CFSP were introduced by the Amsterdam Treaty, and include the establishment of a High Representative for CFSP with a policy unit for early warning and policy planning, a new EU policy instrument, the Common Strategies, and the incorporation of the West European Union into the EU framework. This was followed by the establishment of the ESDP, consisting of an EU force of 60 000 troops to be deployed for so-called Petersberg tasks (peacekeeping, humanitarian operations, etc.). The proposed EU constitution includes a proposal to create of an EU foreign minister, and the EU has recently elaborated its first EU security strategy.

An elaborate mechanism for consultation and dialogue between the EU and third countries has been established as part of the ESDP. These structures have been created mainly for non-EU NATO members and EU accession candidates, although a separate dialogue has also been established with Russia. The structured security dialogue takes place in two formats: 15+6 and 15+15², with more extensive consultation in the former format. Consultations with Russia are more frequent, but involve only the EU troika, and only take place at the level of senior officials. An agreement was reached in 2002 on establishing a Ukrainian military liaison to the EU Military Staff in Brussels.

Ukraine should be included in the EU's structured security dialogue with third countries. A revision of the current format will in any case be required after the 2004 enlargements of the EU and NATO. The two separate formats currently in place will for instance become redundant, with both configura-

² 15+6 refers to the 15 EU member states and the six non-EU NATO members Poland, Hungary, the Czech Republic Iceland, Norway and Turkey. 15+15 includes also the remaining 9 EU candidates.

tions becoming the same: 25+5³. One could here easily envisage the inclusion of Ukraine in this numerically diminished group of associated non-EU states.

The candidate countries, as well as other European countries, frequently associate themselves with EU foreign policy declarations (the so-called CFSP statements), adding further weight to the statements. To this end, the EU should consult with the potential associates before issuing the declaration, further adding to the dialogue between them. Ukraine should be consulted on these statements, and be given the opportunity to regularly associate itself with EU foreign policy declarations. One could also consider consultations and common positions in international organisations like the UN, the OSCE and the Council of Europe.

4.3.2. Participation of Ukraine in ESDP operations

Although the EU member states had made only limited progress towards achieving the so-called ‘Headline Goals’ by the end of 2002, the ESDP was declared ‘operational’ on schedule on 1 January 2003. This followed a last-minute agreement on EU-NATO relations and the participation of third countries – the so-called Berlin Plus agreement – before the Copenhagen summit in December 2002. Three operations have so far been initiated, with two still ongoing as of late autumn 2003:

The first ESDP operation – the EU police mission in Bosnia – started on 1 January 2003 for an initial period of three years, taking over from the UN’s police task force. The aim is to establish sustainable policing arrangements in Bosnia-Herzegovina through monitoring, mentoring and inspection activities. The operation consists of more than 500 police officers from over thirty countries: the fifteen EU Member States as well as eighteen other countries. Ukraine participates with five police officers.

The second operation – named Concordia – was launched in Macedonia on 31 March 2003. Initially intended to last for six months, this has curren-

³ The 25 refer to the EU member states as of 1 May 2004. The five are Iceland, Norway, Turkey, Romania and Bulgaria.

tly been extended until mid-December 2003. The operation includes 350 military personnel from 27 countries. All EU member states except Denmark and Ireland participate in the mission, as well as fourteen non-EU countries.

Operation Artemis was conducted in eastern Congo from 12 June to 1 September 2003, with France taking the lead as the 'framework nation'. The operation included approximately 1 800 troops. Thirteen EU member states (excluding Luxembourg and Denmark), as well as four non-EU states, contributed to the operation.

Ukraine offers considerable potential as a contributor to ESDP operations, beyond the five Ukrainian police officers involved in the EU's police mission in Bosnia. First, Ukraine has considerable experience in international peacekeeping operations. Ukraine participated in peacekeeping missions in the Balkans from the very beginning of international operations there. The Ukrainian military contributed international efforts in Croatia, Bosnia, Macedonia and Kosovo (KFOR). Ukrainian peacekeepers are involved now in international forces in Lebanon and Sierra-Leone under the framework of the UN. Currently Ukraine is involved in military operation in Iraq, having fifth largest contingent there.

Secondly, Ukraine could make a notable logistical contribution in areas where the EU is unable to reach its own requirements. One should in this context mention Ukraine's contribution in the military operation in Afghanistan in 2001–2003. Ukrainian military transport aircraft were required to move European (primarily German) military units and equipment to Afghanistan. The success of this effort was the reason why nine European NATO members decided in June 2003 to lease Ukrainian Antonov transport aircraft on a permanent basis. The crucial role of Ukrainian air transport capability proved during Afghanistan operation should be further politically exposed and used to promote the image of Ukraine as a contributor to the ESDP as well as to NATO.

In cases where operations in the former Soviet Union are to be considered – as is now the case for Moldova and the Transnistrian conflict – Ukra-

ine is politically well situated to play a central and perhaps bridge-building role in cases where Russian participation is politically difficult and where Russian sensitivities prevent EU-only operations. A more active EU policy towards the dispute in Georgia (Abkhazia) could for instance benefit from closer co-operation with Ukraine. In these cases Ukraine also has a linguistic advantage of use to the EU. Ukraine's geographical location also makes it potentially useful for logistical purposes in case of operations in for instance the Caucasus or Central Asia.

Although Ukraine could already today make these contributions, the potential for EU-Ukraine co-operation on ESDP would be greatly enhanced by the rapid transformation and modernisation of Ukraine's armed forces. This potential is likely to grow steadily over the coming years and not be fully realised until the medium- or long-term.

4.4. Civil Society

4.4.1. EU assistance to Ukrainian Civil Society

In addition to Tacis, non-governmental organisations and academic institutions can obtain support from the European Commission under the European Initiative for Democracy and Human Rights (EIDHR). Since 1993, 55 micro-projects and 70 macro-projects have been implemented in Ukraine and most of the grants were received by NGOs.

However, in comparison with US funds working in Ukraine, support from the EU is much less available for the Ukrainian third sector. EIDHR competition takes place only once a year and its procedures are time-consuming (considering projects and realising contracts takes up to eight months). Governmental and private American organisations work in Ukraine in various directions, while priorities of the EC programmes which can be used by Ukrainian NGOs are less differentiated by topics and their rules are less flexible. That is one of the reasons for which international co-operation of Ukrainian NGOs is very much US-oriented and support from the EU and member states plays a lesser role. Many initiatives that are focused on

EU-Ukraine co-operation and promotion of the EU in Ukraine are still supported by US funds.

The international co-operation of Ukrainian NGOs should be broadened and diversified. Various projects of Ukrainian NGOs implemented in the last years through support of US institutions, closely coincide with EU priorities for Ukraine (human rights advocacy, freedom of media, monitoring of election process) and could be supported in the framework of the EIDHR. While US engagement in supporting civil society in Ukraine, especially for initiatives related to political (or politicised) issues, is at times met with suspicion EU engagement would be perceived as rather neutral. Requirements of European Commission programmes could also have a positive impact on the Ukrainian third sector as organisations, while trying to meet these requirements, would increase their knowledge and understanding of the EU.

In order to improve availability of the EU assistance and enhance the capacity of Ukrainian NGOs to absorb it effectively the following measures should be adopted:

- to co-ordinate information policy of the European Commission Delegation to Ukraine with activity of member states in Ukraine (such as embassies, consulates and cultural institutes). For example, a network of British Council offices in four cities of Ukraine could be used for information meetings and dissemination of publications on EU assistance programmes;
- to promote information on EU programmes through various European funds and organisations working in Ukraine. All of them could co-operate in publicising information about EU programmes and about the results of projects implemented in Ukraine with assistance from the EU;
- to use internet resources used by Ukrainian NGOs: pages on information portals for NGOs and on web-pages of resources centres devoted especially to the topic of co-operation between the EU and the Ukrainian third sector;

- to create databases of projects supported through EU programmes, promotion of the results of these projects in NGO newsletters and in this manner sharing experiences between NGOs that participated successfully in EU programs;
- to elaborate special training programmes for NGOs that would increase their capacities;
- to provide information on Ukraine and its third sector intended especially for European donors and NGOs available through Ukrainian embassies in the EU countries and vice versa.

4.4.2. Involvement of Ukrainian NGOs in co-operation on the pan-European and regional levels

Ukrainian NGOs are weakly engaged in international co-operation. Despite the fact that they have numerous contacts with western partners, this is, to a large extent, a donor-recipient relationship.

There is a need for co-ordination between governmental and non-governmental bodies, which provide assistance to Ukraine. Clear and co-ordinated information policy about all opportunities offered by a given country for NGOs, media organisations, academic institutions and individuals should be provided. Co-operation between the British Embassy, Department for International Development and the British Council in Ukraine can serve as an example of well-co-ordinated activities.

Given the current needs of Ukraine, further development of programmes focused on promotion of democratic institutions and procedures and on political education is required. As the German example shows, this is the role that European foundations can successfully play by involving in their projects Ukrainian policy-makers, think tanks and academic circles.

Another field of co-operation should be assistance in better linking the third sector with the whole of society. Notwithstanding the growing number of NGOs in Ukraine, which demonstrates development of the third sector, knowledge about NGOs and their activities remains low in the society and there is a threat of self-isolation of organisations from

their environment. European NGOs could provide their Ukrainian partners with models and methods how NGOs can work in and for community and to promote good standards and a high degree of professionalism in the third sector.

Regional co-operation is especially well developed between the Ukrainian third sector and Poland and Slovakia. Thanks to geographical and linguistic proximity, contacts with both these countries are easy to establish and maintain. Over ten years of co-operation between Ukraine's third sector with neighbouring countries resulted in a network of contacts with organisations, institutions and individuals. East-Central European partners are important for the Ukrainian third sector, not only because there are the nearest or because they can serve as intermediaries in co-operation with the West, but because they have unique experiences of transformation, which can be adapted to Ukrainian conditions. For this reason, promotion of East-East partnership in grant making programmes open for Ukraine is of a great importance. Some practices and forms used in Ukrainian-Polish and Ukrainian-Slovak co-operation should be especially recommended, as they resulted in multiplied effects:

- Internships in several small, local organisations co-ordinated by one experienced NGO. Contacts established this way resulted in starting international co-operation by local NGOs and further bilateral projects with the Ukrainian partner;
- Co-operation between universities and NGOs. Fellowship programmes and internships offered to students from Ukraine should include the presentation of the third sector in the given country. This creates a network of links, which can be used in the interns' further professional and public activity.
- Joint projects in the CIS area. Implementation of the results of bilateral Polish-Ukrainian or Slovak-Ukrainian projects in further work with organisations from Central Asia turned out to be especially successful. Ukrainian NGOs can also play an important role in developing co-operation with Belarus.

- Involving NGOs from Ukraine in bilateral projects with west European partners. Polish organisations served in this manner as intermediaries between Ukrainian NGOs (which were sometimes not experienced enough to establish contacts with West European partners by themselves) and organisations from Germany (which sometimes were not interested in establishing direct contacts with Ukraine).

4.4.3. Searching for a model of efficient NGO collaboration

Organisational structures that already exist on regional level may be modified to strengthen international co-operation. There exist two structures whose experiences can be used: the Open Society Institutes (OSI) and the Regional Environmental Centres (REC) for Central and Eastern Europe that have offices in Poland, Ukraine, Hungary and Slovakia (as well as in other CIS countries). OSI has a network of organisations throughout East-Central Europe and the CIS, which would facilitate co-operation between Ukraine and its neighbours, while the RECs also provide a framework for international co-operation. Some European foundations also have their offices throughout the region (for example, the Konrad Adenauer and the Friedrich Ebert Stiftung foundations) but unlike OSI or REC, they do not conduct regional programs. However, they could:

- co-ordinate their work in Kyiv, Warsaw, Bratislava and Hungary,
- conduct projects under two or more countries offices (joint seminars, research projects) involving partners from the region,
- conduct (regular) meetings (conferences, etc.) focused on regional issues.

There are pan-European NGO structures that can be more effectively used by Ukrainian organisations. There are three projects of the European Foundation Centre (EFC): Grantmakers East Group, Orpheus Civil Society Project and Enlargement Task Force. As the most important European link for donors, EFC provides Ukraine's third sector with the opportunity of representation and participation on European level. At present, there is only one donor organisation from Ukraine, the International Renaissance Foundation,

which fulfils EFC membership criteria and participates in the network. However, Ukrainian NGOs could actively use the EFC structure for dialogue with European partners by creating a coalition of the third sector, which could co-operate with Ukrainian representatives in the EFC (at least, as some kind of consultative body).

Ukraine's membership in the EFC is desirable since it would give the possibility to participate in discussions concerning donor strategy for the New Europe and present the expectations of the Ukrainian third sector.

On the regional level, Ukrainian NGOs should more actively use information and communication opportunities offered by the Orpheus Civil Society Project and involve other organisations into the network. Moreover, the resource centres should try to become Orpheus CSP Centres or Information Points. This status can be achieved by complying with certain technical requirements and general criteria.

The development of indigenous Ukrainian donors is a long-term priority. International co-operation of Ukrainian NGOs would be more intensive if the financial contribution in bilateral projects by Ukrainian partners was increased. It is especially important for the further development of co-operation with East-Central European countries since, following their accession to the EU, opportunities to support co-operation with Ukraine will considerably abate owing to the withdrawal of US funds.

4.4.4. Education

Assistance for higher education institutions in Ukraine is provided in the framework of the Tempus programme, which supports partnerships and mobility between universities in the EU and the NIS countries. At present, 20 Joint European projects are being implemented in Ukraine. New opportunities will arise when the new scheme of the Tempus, Structural and Complementation Measures, launches in 2004. It is designed for short-term projects (up to one year) and has simplified application requirements. These opportunities should be used to strengthen co-operation and exchange between academic circles from Ukraine and the EU. Regional co-operation in

education has been developed in various forms, especially with Polish universities and NGOs.

Support for education should be provided by:

- Expanding EU Socrates and Erasmus educational programmes to Ukraine;
- Exchanges between universities (which could be supported by Structural and Complementation Measures, which is open for group activities);
- Promoting internships, especially short-term and specialised in order to prevent the brain drain phenomenon;
- Providing support to partnership projects between universities in the EU and Ukraine in the development of education programmes. Projects should be undertaken in collaboration with the Ministry of Education to ensure implementation of programmes in the Ukrainian education system. Partnership with smaller university centres (in the regions) should be especially developed;
- Offering small grants to support educational initiatives undertaken by NGOs (innovations in education, distance learning, small community schools, multicultural education in the border regions).

Supporting centres for European studies. Elaboration of curricula for European studies at universities should be the task of the European Commission Delegation to Ukraine, Moldova and Belarus.

4.5. Cross-border co-operation (CBS)

Border regions tend to suffer from being on the political periphery and often are characterised by relatively low population density, low socio-economic growth and limited infrastructure. All this is true for the border regions between the enlarged EU and Ukraine. South-eastern Poland, eastern Slovakia and eastern Hungary as well as western Ukraine are the most underdeveloped regions of their respective countries. This factor is one of the obstacles to effective cross-border co-operation (CBS) between these countries.

Another important issue is the difference in political system – centralised in Ukraine and to a great extent decentralised in its western neighbo-

urs. In Ukraine, the real power of local authorities is very limited. Even the regional (*oblast*) authorities have very limited competencies when compared to their Hungarian, Polish and Slovak counterparts. For example – border-crossing stations in Poland are the responsibility of the voivodship (regional level) while in Ukraine they only report to the central authorities. This difference in competencies of regional authorities is a real obstacle in organising any kind of CBC. This kind of co-operation is usually important on the local level and perceived as the key issue by local authorities while it is not necessarily among the priorities of the central authorities. The elaboration and implementation of territorial-administrative reform is needed in Ukraine in order to clearly delineate responsibilities of different levels of government. The regional development strategy, designed to foster CBC in border regions should be implemented.

EU enlargement and the introduction of the Schengen regime will have the greatest impact on the regions along the EU's future eastern border. Nevertheless, there is an acute lack of awareness of opportunities arising from enlargement. In order to overcome this deficit and increase its engagement in the areas along its new external border, the EU should create EU regional offices along its external border in the new member states and Ukraine. These regional offices would:

- offer a direct channel of communication to and for EU decision-makers;
- become a direct point of contact with regional and local authorities and other regional actors;
- conduct on-going informational campaigns to deepen the understanding of the EU and highlight opportunities arising from enlargement (e.g. for collaboration with partners from the member states and funding opportunities).

4.5.1. Development of Euroregions

Several Euroregions with Ukrainian participation have been established, modelled on western European initiatives, such as the Carpathian Eurore-

gion (which includes parts of Hungary, Poland, Slovakia and Romania) and Euroregion Bug (which includes parts of Poland and Belarus). Despite some achievements, Euroregions have not lived up to expectations mainly because of lack of financing and indecisiveness as well as the lack of experience among local and regional governmental bodies.

Nevertheless, Euroregions remain key instruments for CBS between Ukraine and the enlarged EU. They promote dialogue between the regional political elites, provide fora for the transfer of know-how, which then serves to boost institutional capacity, and promote development and contribute to increasing the prosperity of territories which have yet to overcome the effects of socio-economic underdevelopment and political marginalisation. However, the full potential of Euroregions in these key regards has yet to be realised.

In order to increase its efficiency and flexibility, the Carpathian Euroregion needs to be reduced in size or divided into several smaller Euroregions. Lviv *oblast* has very little common interests with, for example, the Marmaros region of Romania while they both are included in the Carpathian Euroregion. Euroregion Bug seems to be more flexible and have a better institutional framework for effective co-operation. The EU should harness the potential of the Euroregions along the future external border of the enlarged EU by:

- assisting the countries in question in developing local and regional government structures that are capable of engaging and managing CBC;
- setting up a dedicated task-force to support Euroregions through the co-ordination of the EU's various activities and funding opportunities and programmes (including the elaboration of the New Neighbourhood Instrument);
- promoting the creation of multicultural educational programmes for the border communities (in particular in Euroregions with large ethnic minorities) to raise awareness of neighbouring cultures and co-operation to stimulate the preparation of studies on socio-economic development;

- promoting ecological projects on both sides of the future EU-Ukraine border, cleaning of the Bug and Tisza rivers for example.

4.5.2. Co-operation on regional planning and building co-operation capacity

When developing a cross-border relationship on the local level, the important issue is the acquisition of relevant basic knowledge by representatives of local authorities of procedures and particularities on the other side of the border. This knowledge should concern, first of all, the legal system of neighbouring country, EU regulations and possibilities to get funds for local development. Local governments need to be prepared to co-operate with NGOs that can provide invaluable help both in terms of strategy planning as well as fundraising.

It might be beneficial to organise a scholarship fund for local government officials or representatives from both sides of the future EU-Ukrainian border in order to raise their qualifications and prepare them to identify problems and solve them co-operatively. Such common education would also result in good personal relationships and contacts, which are especially valuable, and valued, in small local communities.

In order to make the cross-border co-operation effective, local governments on both sides of the borders need to have compatible prerogatives. The decision making process should be moved as low in the administrative hierarchy as possible.

In East-Central Europe international regional planning is only in the early stages of development. There are examples of such activity on Slovak-Hungarian or Polish-Slovak borders, but co-operation between Ukraine and new EU member states is far from satisfactory. Euroregions seem to be a good institutional framework for cross-border spatial planning. In Euroregion Bug there is a Working Group on Spatial Development, Communication and Transport (with the head office in Lublin). Carpathian Euroregion does not even have a similar structure.

It is recommended to create cross-border working groups on spatial development on the district and regional levels tasked with creating local and regional plans. These plans should be co-ordinated with national ones, so there is a need for co-operation between ministries responsible for spatial planning on both sides of future EU-Ukrainian border. The creation of institutional frameworks for this kind of co-operation is especially important in light of EU declarations to give the financial support to bilateral or multi-lateral cross-border projects from Interreg/Tacis funds. Such newly created institutions need to be prepared to apply for these funds and be capable of absorbing them effectively and efficiently.

4.5.3. Tourism

The border regions between Ukraine and the new member states can potentially become a very attractive destination for tourism. The natural assets of these areas are unique landscapes, fragments of primeval forests, sites for rare flora, animal and human refuges and partly preserved folk culture and traditional architecture.

One of the projects that aimed to take advantage of this beautiful region and exploit its tourist potential was the East Carpathian Biosphere Reserve. However, this has not been successful either in attracting tourists or as an instrument to develop infrastructure. When planning the development of Carpathian region's tourist potential, it would be beneficial to use the experience of Polish-Slovak and Polish-Czech borderland: international tourist routes on the border, marked areas where tourists can stay without the formal procedure of crossing the border etc. For example Kremenaros, the mountain where three borders meet (Polish, Slovak and Ukrainian), would be a great place to organise such an international tourist border-crossing station. Initially, the promotion of tourism in this region requires more good will and vision than investments. However, later investments will be crucial in order to make possible the building of, for example, a network of shelters, hostels and other tourist-oriented infrastructure.

5. A Road map for the EU and Ukraine

Below we offer a 'road map' for Ukraine's integration with the EU, divided into distinct stages. It is emphasised that this is not a timetable with specific dates since progress on the road map depends primarily on Ukraine's reform efforts. It is thus a matter for Ukrainian authorities to determine how quickly to move towards the end of the road map, which is requisite if Ukraine is to be considered a credible candidate for EU membership.

5.1. Political Declaration

As part of its Wider Europe initiative, the EU is currently developing an Action Plan for its relations with Ukraine, to be completed in spring 2004. The finalisation of this Action Plan should be accompanied by a political declaration by the EU. In order to send a clear signal of the European prospect for Ukraine, this should be declared prior to the presidential elections scheduled for late October 2004. The enlargement of the EU in May 2004 provides an appropriate moment for such a declaration. At the latest, this declaration could be made by the European Council at their summit in October 2004.

This declaration should take the form of a purely political statement by the EU designed to deliver a strong, unambiguous message of the importance of Ukraine to Europe. It should explicitly acknowledge that Ukraine, as a European country, is eligible for EU membership as a matter of principle. Equally important, it should state that, in light of the current state of

reform, Ukraine is regarded as moving further away from being considered a candidate for EU accession.

The Action Plan should spell out a detailed road map of future relations. A new contractual arrangement between the EU and Ukraine should be a central staging post along this ‘road’. This agreement should considerably upgrade Ukraine’s relations with the EU. The political declaration should spell out clearly the conditions for opening negotiations on a new agreement.

5.2. Implementation of conditions for negotiating a new agreement

The above mentioned conditions should be broader, more explicit, and more ‘political’ in scope than the mainly technocratic requirements of the PCA. The conditions for starting negotiations on a new agreement should build on the EU’s own experience of previous and current enlargement processes and the requirements of the Council of Europe. However, as the end-goal at this stage is less than EU membership, and in order not to attenuate the mobilising effect of political conditions, these should be more limited than the criteria required of prospective EU candidates.

They should, for instance, be more limited in economics and in areas where reform is by nature a protracted process, for instance public administration and judicial reform. It should focus on the implementation in Ukraine of basic European political principles and practices as absolute requirements for moving ahead with the road map. This would include significant measures to ensure the freedom of the media, free and fair of elections, improve human rights and the justice system.

The upcoming presidential elections provide an opportunity on many of these counts, by granting the opposition equal access to the media, reducing the political control over state media, eliminating the abuses for political aims of the judicial system and ending persecution of private business associated with the opposition through taxation and the legal system. In addition, it should also include current short-term priorities, such as WTO ac-

cession. Ukraine should also be warned that the 'Common Economic Space', planned between Ukraine and three CIS states, is incompatible with eventual EU membership.

It should be underlined that all the possibilities inscribed in the Declaration, which would pave the way to a new agreement, should be made conditional, and come into force only after the necessary steps have been taken by Ukraine in the implementation of political and economic reforms. The detailed and explicit set of priorities as well as built-in conditions would lead to step-by-step integration only if, or when, Ukraine fulfils its objectives and obligations, subject to evaluation and continuous monitoring mechanism.

5.3. The new agreement

The new agreement could be modelled on the association agreements signed by the Central and Eastern European states in the early 1990s, especially given the desirability of a strong 'political dialogue'. Borrowing from the more recent agreements signed by Western Balkan states, the new agreement with Ukraine should embrace JHA and CFSP issues, as well as incorporating more recent developments such as the creation of the ESDP. Similarly to the other agreements mentioned above, progressive step-by-step integration should be an integral part of the new EU-Ukraine agreement, specifying the conditions required for further integration and inclusion of Ukraine in EU policies.

One would thus, for example, move gradually towards a free trade area, followed by a customs union and inclusion in the single market. Similar steps could be envisaged for the movement of people, with removal of Ukraine from the visa 'black list' followed by the gradual liberalisation of movement towards the long-term aim of inclusion in the Schengen regime. The agreement should provide for extensive Ukrainian participation in EU programmes and inclusion in the numerous committees assisting the Commission in preparing new legislation.

5.4. Candidate status and accession negotiations

In order to be acknowledged as a candidate for EU membership, Ukraine would need to prove sustained efforts towards implementation of this new agreement. The opening of accession negotiations should depend on full implementation of the agreement coupled with the fulfilment of the Copenhagen criteria.

Abbreviations and acronyms

CARDS – Community Assistance for Reconstruction, Development and Stabilisation
CBC – Cross-Border Co-operation
CES – Common Economic Space
CFSP – Common Foreign and Security Policy
CIS – Commonwealth of Independent States
EBRD – European Bank for Reconstruction and Development
EEA – European Economic Area
EFC – European Foundation Centre
EFTA – European Free Trade Association
EIB – European Investment Bank
EIDHR – European Initiative for Democracy and Human Rights
ESDP – European Security and Defence Policy
FATF – Financial Action Task Force on Money Laundering
FDI – foreign direct investment
IFIs – international financial institutions
IMF – International Monetary Fund
INOGATE – Interstate Oil and Gas Transport
ISPA – Instrument for Structural Policies for Pre-Accession
IVF – International Visegrad Fund
JHA – Justice and Home Affairs
KFOR – Kosovo Force
LITPOLBAT – Polish-Lithuanian battalion
NBU – National Bank of Ukraine
NGO – non-governmental organisation
OSCE – Organisation for Security and Co-operation in Europe
OSI – Open Society Institutes
PCA – Partnership and Co-operation Agreement
Phare – Poland and Hungary: Action for the Restructuring the Economy (assistance programme for Central and East European countries)
REC – Regional Environmental Centres
SAPARD – Special Accession Programme for Agriculture and Rural Development
SIS – Schengen Information System
Tacis – Technical assistance Programme for the Commonwealth of Independent States
TRACECA – Transport Corridor Europe Caucasus Asia
UKRPOLBAT – Polish-Ukrainian battalion
WNIS – Western Newly Independent States
WTO – World Trade Organisation

Titles published to date under the project
The Enlarged EU and Ukraine include:

More than a Neighbour. Proposals for the EU's policy towards Ukraine, edited by Grzegorz Gromadzki, Oleksandr Sushko, Marius Vahl and Kataryna Wolczuk, Warsaw 2003. Available in English and Ukrainian

Йоанна Конечна, **Поляки–українці, Польща–Україна. Парадокси стосунків між сусідами за даними соціологічних досліджень**, [Joanna Konieczna, Poles and Ukrainians, Poland and Ukraine. The Paradoxes of Neighbourly Relations], Варшава–Київ 2003. Published in association with the Center for Peace, Conversion and Foreign Policy of Ukraine

European Integration of Ukraine as Viewed by Top Ukrainian Politicians, Businessmen and Society Leaders According to Standard Interviews, Warsaw 2003. Available in English and Ukrainian, published in association with the Center for Peace, Conversion and Foreign Policy of Ukraine

More than Neighbours. The Enlarged European Union and Ukraine – New Relations, Policy Paper, edited by Jakub Boratyński, Igor Burakovsky, Boris Dodonov, Alexander Duleba, Grzegorz Gromadzki, Olexiy Haran, Małgorzata Jakubiak, Joanna Konieczna, Iryna Kravchuk, Wolodymyr Nahirny, Oleksandr Sushko, Marius Vahl, Kataryna Wolczuk, Anna Wróbel, Przemysław Żurawski vel Grajewski in collaboration with Michael Emerson, Zsuzsa Ludvig, Rostyslav Pavlenko, László Póti

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Recent publications in the series **On the Future of Europe**

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Policy Paper 1: Overcoming Alienation; Kaliningrad as a Russian Enclave Inside the European Union (January 2001); edited by Grzegorz Gromadzki and Andrzej Wilk; published in association with the 'Borussia' Culture Society and the Center for International Relations. Available in Polish and English.

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Policy Paper 6: New Neighbourhood – New Association Ukraine and the European Union at the beginning of the 21st century (March 2002); edited by Bogumiła Berdychowska, Przemysław Żurawski vel Grajewski and Grzegorz Gromadzki; published in association with the Faculty of of International Studies and Political Science – University of Łódź, and the Polish-Ukrainian Forum. Available in Polish, English, Russian and Ukrainian.

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Poland in the World: Challenges, Achievements, Threats (September 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.

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.

Other publications on international relations

Polska–Ukraina. Współpraca organizacji pozarządowych [Poland–Ukraine. Co-operation of Non-Governmental Organisations] (September 2003); a presentation of Polish organisations' experience of co-operation with Ukraine, a description of activities and major institutions; published in association with the Education for Democracy Foundation. Available in Polish.

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.