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## MAKING A DIFFERENCE

WHY AND HOW EUROPE SHOULD INCREASE ITS  
ENGAGEMENT IN UKRAINE

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## Executive summary

- The fate of the transformation in Ukraine is important for Europe. If successful, Ukraine could positively affect the prospect of the systemic change in Russia and would serve as a linchpin of democratization and stabilization in the region stretching from Belarus to the Caspian Sea. A reformed and economically transparent Ukraine could play a significant role in Europe's strategy of diversifying its energy supplies.
- Since the Orange revolution, Ukraine has demonstrated progress in its reforms. The parliamentary elections in March 2006 confirmed that the majority of the population remained supportive of further change. All in all, the country has a fair chance of succeeding.
- At the same time, the challenges are many and the transformation could still fail or stall, particularly if in Europe the reforms are viewed predominantly as a domestic Ukrainian issue, a "homework" rather than as a joint endeavour.
- European engagement in Ukraine should increase further. Europe could do more to transfer its expertise in transition and adaptation, to help Ukraine address its energy concerns and to make sure that the bilateral relations go beyond cooperation and develop into an integration pattern.
- Depending on the progress made, the question of Ukraine's EU membership might have to be addressed sooner or later as it has proved to be the most powerful tool for transformation.

As the wave of euphoria in the West caused by Ukraine's Orange revolution subsided, the question of whether the country was getting any closer to realizing the major aspiration of the victors – a future in the united Europe – became extremely topical.

On the one hand, it would be totally incorrect to say that nothing changed in relations between Ukraine and the European Union. On the contrary, the intensity and quality of cooperation increased in practically all spheres during the process of implementing the joint Action Plan. In December 2005 the EU recognized the market status of Ukraine's economy, which was a sign of acknowledgment of the transformation which was underway. Europe was in solidarity with Ukraine when the latter faced a crisis in its energy relations with Russia at the beginning of 2006. On the other hand, however, the EU remains extremely reluctant to discuss even a remote and hypothetical possibility of Ukraine's membership of the Union.

Certainly, Brussels' attitudes and concerns are not difficult to understand. The EU, as they say, already has "too much on its plate". It has yet to fulfil integration promises given to the Balkan countries, not to mention Turkey. And all this comes at a time when the disturbing consequences of the previous enlargement have not been overcome and the search for national solutions to external problems as opposed to common policy is not a rare phenomenon. Many member states would like to avoid complications with Russia, which would hardly be possible if Ukraine were to be given a membership perspective. Some capitals do not like the idea of expansion eastwards as they think that eastern enlargements make the EU more open to the influence of the United States. Against this reasoning, the group of Ukraine's advocates that consists of several Central European and Baltic states does not look powerful and skillful enough to lobby their case successfully.

Practical policy is based on the assumption that transformation will take decades. While this may be true, it is important to prevent this assumption from becoming an excuse for not acting properly today, as it may then become a self-fulfilling prophecy. In 2005 the chance to ensure the break-

through in reforms in Ukraine was not utilized fully. This happened mostly for internal reasons, but Europe could be assigned part of the blame as it did not demonstrate the necessary sense of urgency and did not go beyond the confines of the slow-to-react European Neighbourhood Policy or ENP.

The forthcoming Finnish EU presidency, the first since the end of Ukraine's electoral cycle, may determine the course that EU Ukrainian policy will take for the medium-term period. Among other things, Finland is tasked with preparing a meaningful bilateral summit, which will, again, be the first meeting of its kind in an EU capital since the Orange revolution.

On the eve of the Finnish EU presidency, this paper argues that the European Union and its member states should further increase their commitment in Ukraine, improve the effectiveness and visibility of their actions and pursue a policy that not only encourages but substantially helps Ukraine to complete its transformation work. Europe cannot afford to be, or to appear indifferent to the outcome of reforms in Ukraine for a number of reasons. First, Ukraine matters to Europe. Second, it has a fairly good chance of succeeding. Third, the transition there can still fail or stall, if the country is left to its own devices, which would hardly be in the interests of Europe.

## **The strategic case**

Up until recently, Europe had difficulties in understanding the importance of Ukraine. On the one hand, while not playing power politics on its periphery and building a partner relationship with Russia, the EU was not keen to adopt the well-known argument of Zbigniew Brzezinski, according to which Russia without Ukraine would cease to be an empire – an argument that implicitly valued Ukraine as a potential bulwark against its eastern neighbour. As it turned out, Europe's cautious stance was justified, as the prioritization of geopolitics by other international actors had undoubtedly contributed to the emergence of the oligarchic system under Ukraine's former president, Leonid Kuchma.

On the other hand, apart from issues of nuclear safety – it is, after all, the country of Chernobyl – soft security risks coming from Ukraine were, relatively speaking, not too challenging. Compared to the conflagration in the Balkans or even to the Baltic states with their Russian-speaking minorities, Ukraine looked peaceful. The economic growth that started in 2000 and has continued ever since has further stabilized the situation. Hence the country did not receive a negative prioritization either.

At the moment, however, the situation is changing. Ukraine can be viewed primarily through the prism of opportunities. To start with, Ukraine possesses a huge demonstrative potential vis-à-vis Russia. If it could be proven that a large post-Soviet country with a multi-million strong Russian population could modernize and prosper not by means of strengthening the “power vertical” but by gradually adapting to democratic norms and values, there is an increasing likelihood that Russia might one day follow suit. In the foreseeable future, intensive contacts between Russian and Ukrainian people will be preserved, which makes it possible to count on the transfer of positive experience.

The success of transition in Ukraine would usher in a critical contextual change for achieving the goals of European policy in Belarus, Moldova and the whole Black Sea region, as Ukraine can serve as an anchor and a key link of regional stabilization and democratization. Now that the countries of the Caucasus are included in the ENP, this fact should not be underestimated.

Finally, a reformed and economically transparent Ukraine could play a significant role in Europe’s strategy of diversifying its energy supplies and constructing new transit connections to the energy resources of the Western Caspian. It is in this capacity that the future of Ukraine now matters for Europe, perhaps, most immediately and tangibly.

## The scoreboard

In the first year and a half since the Orange revolution, much has been achieved in Ukraine. Most importantly, the majority of the population remained supportive of the pro-reform choice. At the parliamentary elections of March 2006 the support of the former Orange coalition combined fell just short of the 52 per cent that Viktor Yushchenko had garnered in December 2004, notwithstanding the fact that his own party now got 14 per cent only. Their opponents, led by the 2004 presidential candidate Viktor Yanukovich, were supported by 32 per cent of the people. They won the elections, if one counts party results individually, but failed to approach the level of 44 per cent, reached a year earlier.



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Free and fair elections were held. The relative victory of the opposition attests to this fact better than any reports by international observers. Competing media add to the pluralism in the country.

The controversy between Ukraine’s eastern and western regions, traditionally and simplistically viewed as pro-Russian and pro-European, did not become antagonist. Moreover, a coalition between the parties of Yushchenko and Yanukovich remains a possibility in the new parliament, which would have been unthinkable immediately after the revolution.

A constitutional reform entered into force, which, briefly put, made Ukraine a parliamentary-presidential republic. The new balance of power, redrawn in favour of the parliament, differentiates Ukraine from other post-Soviet countries and brings it closer to Central European models.

The omnipotence of oligarchs was weakened. Political forces that used to rely on the notorious “administrative resource” were marginalized. At the same time, an all-out conflict between power and big business was avoided. Apparently, there is an on-going search for a new compromise that should

be based on the adherence to the rule of law in the economic sphere, including issues of privatization, and the possibility for commerce to benefit from the pro-European image of the current administration in securing access to European markets.

The foreign orientations of Ukraine changed radically. The country abandoned the so-called multi-vector policy and declared Euro-Atlantic integration a priority. The elites have almost arrived at a consensus on the need to strive for EU membership, which was clearly manifested in the parliamentary campaign. Ukraine has joined the EU effort on democratization in Belarus and on finding a solution to the conflict in Transnistria. Kiev has obtained a clear perspective of NATO membership. The Membership Action Plan for the country's entry into the Alliance can be launched as early as autumn 2006.

Ukraine gained the initiative in relations with Russia. Although it remains economically dependent on Russia, Ukraine no longer seeks Russia's approval or even acquiescence on internal, bilateral or wider international issues. The centrifugal drift in the relationship between the two states is accelerating.

## Challenges ahead

Still, the situation can be best understood with the help of the "yes-but" approach. Yes, principal changes are irreversible and there is no way back to the past, but the challenges are many and it would be too premature to predict a triumphant march of reforms.

The quality of governance remains a major concern. The Orange team is split and the confidence between Yushchenko and other reformist leaders, Yulia Timoshenko first and foremost, is undermined. The political reform complicates the relations between legislative and executive branches and makes cooperation between the president and the prime minister impossible at times. In the corruption ratings Ukraine finds itself ranked over one hundred, which opens up avenues to all sorts of shady influences. The economy could slow down further, negatively affecting the reforms, whereas the administrative interference, practised by the cabinet of Timoshenko in 2005, could repeat itself.

Managing the issue of Ukraine's membership of NATO may become a serious challenge. At the moment the majority of the population is against this option and it is not clear how the government plans to change public opinion. If the perception emerges that Ukraine can be admitted to the Euro-Atlantic *security* zone precisely in order to deny it entry into the European *prosperity* zone, frustration among the people will only grow. What impact this would have on the course of transformation is largely unpredictable.

A conflicting agenda may dominate the Ukrainian-Russian relations. Ending the privileged economic relationship will be very painful for Ukraine's economy, which used to enjoy low energy prices. Controversies may grow on a large number of issues from Russian military bases in Crimea and non-delimited maritime borders to humanitarian issues, combining to bring elements of instability to Ukraine's political situation. The main political treaty between Russia and Ukraine, the Treaty on Friendship, Cooperation and Partnership, expires in 2007. Under certain circumstances, it may not be automatically extended, which would raise a number of questions, not least the one about Russia's recognition of Ukraine's territorial integrity.

## What to do?

The presidential elections in 2009 will pose further challenges to the reforms in Ukraine. The following can be done to help the country meet them.

European engagement in Ukraine should be primarily focused on the systemic internal transformation, not on consolidating foreign policy choices. There should not be grounds for suspicions that Europe is simply playing a zero-sum game with Russia in the shared neighbourhood. All developments in Ukraine ought to be scrupulously monitored. If the policies conducted by Kiev look dubious and incompatible with European standards, the criticism should be public, transparent and firm. No impression should be created that slogans of Euro-Atlantic integration may be used to obtain support vis-à-vis Russia.

The transformation in Ukraine will require a massive transfer of expertise in adaptation. This experience is available both in the new member states of the EU and in some old members. But the work has to be coordinated and financed.

The European Union could help Ukraine address its energy concerns. Even in the short term, the Ukrainian economy would benefit enormously from the introduction of energy-saving technologies, the means for which could partly come from Europe. In the longer run the EU and Ukraine share a common interest in building a new infrastructure for the transit of Caspian energy.

It is important to create success stories in bilateral relations that would prove the emergence of the integrative pattern. Large numbers of Ukrainian students and civil servants could be educated and trained in Europe to facilitate the adoption of European norms in the country. A special mechanism for consultations could be set up to give Ukraine a de facto seat at the CFSP table, when questions of direct relevance to it are discussed. Most evidently, a profound liberalization of the visa regime in EU countries for Ukrainian citizens could be considered. *En route* to these and other success stories, the list of potential incentives may put conditionality in EU policy to work.

Sooner or later, depending on the progress made, the question of Ukraine's EU membership will have to be addressed. The membership incentive worked in ensuring the success of the transformation in Central Europe. There is every reason to believe that it would also work in Ukraine.

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