

## The Failure of the EU's Ukraine Policy

### It is time to offer Ukraine real prospects for membership

by Ewald Böhlke and Maria Davydchyk

*Brussels has lost sight of the most important foreign policy concern: providing security and prosperity in its immediate neighborhood. Instead, it is fixated on the wellbeing of Ukraine's former prime minister, Yulia Tymoshenko, and has imposed the condition of her release. Now, the government in Kiev has provisionally called off signing an association agreement that was planned for Vilnius at the end of November.*

Although both the European Union and Ukraine are stressing that they want to sign an agreement, no signing ceremony will be taking place at the upcoming summit on the Eastern Partnership this November 28–29 in Vilnius. Kiev has now proposed establishing a three-way commission with Russia to focus on trade relations among the EU, Ukraine, and Russia.

Talks on a comprehensive association and free trade agreement had already been launched in 2007. After the 12th EU summit in September 2008, French President (and EU Council president at the time) Nicolas Sarkozy set the goal of striving for an association with Ukraine, using the military clash between Russia and Georgia as an opportunity to give more attention to Ukraine's desire to join the Union.

#### Ukraine needs a clear perspective on integration

Even today, however, the EU has been unable to make up its mind about holding out a genuine prospect of membership to Kiev. As a compromise solution, there was close cooperation within the framework of the Eastern Partnership, with which Brussels hopes to stabilize its neighboring regions. The present agreement, however, now seems like a de facto invitation to

join the EU, because it almost completely covers the requirements for full membership. This in particular—entry into the EU—is exactly what Ukraine continually said was its strategic priority, and the government in Kiev actually does see it as the key to development and security.

The lack of accord on the nature of the cooperation—association or membership—needs to be dealt with quickly. After the initial stages of the comprehensive association agreement in 2007, it is now time for Brussels to show its eastern neighbor the prospect of real membership. That will allow the country to mobilize the forces it needs to cope with the powerful economic and social transformation it faces.

#### The EU must position itself as a reliable partner for Ukraine

And indeed, the economic problems the country faces are anything but small. According to information from the International Monetary Fund (IMF), Ukraine's economic growth in 2013 was just 0.4 percent; 1.5 percent is predicted for 2014. Public debt amounted to 134.4 billion dollars at the end of the first half of 2013—in other words, 75.7 percent of the national gross domestic

product. Ukraine's creditworthiness is very small indeed. Conditions for investors are far from ideal. The World Bank's current "Doing Business" report ranks Ukraine 112th among 189 countries. According to the country's statistics agency, the average monthly income is EUR 290, with pensions averaging EUR 130 per month.

It is hardly surprising that many Ukrainians—about eight million, according to estimates by the United Nations—thus leave their homeland to seek work abroad. That is a tremendous figure, considering that the country's working-age population is just 22.5 million. The government in Kiev recognizes that a free trade agreement with the EU would bring a preponderance of advantages, but very few Ukrainian products are able to compete in the EU. Moreover, Kiev anticipates that there would be an impact on employment in major areas such as the chemical industry and in mechanical engineering.

Ukraine's continued economic interdependence with the Russian market presents an additional and important challenge. Were Ukraine to separate itself from the hitherto primary market for its products, sectors like the air and petrochemical industries would go into a tailspin. At the moment, Ukraine exports 36.1 percent of its products to countries in the Commonwealth of Independent States (CIS). The countries of the Customs Union—Russia, Belarus, and Kazakhstan—are its most important trade partners. Compared to this, just 26.2 of Ukraine's exports go to the EU. Imports to Ukraine are about equal: about 35 percent on either side.

Moreover, Ukraine suffers heavy corruption and is burdened by inefficiency in its government and its courts. Most Ukrainians see these ailments as the cause of the country's social, economic, and political instability.

The EU's current policy is far from adequate for helping its neighbor overcome these problems. The planned abolition of customs duties that would result from the free trade agreement would indeed benefit those Ukrainian exporters who have already delivered

goods to the EU, but the competitive pressure on other business sectors would certainly grow. Complying with higher European standards calls for sweeping modernization. The Ukrainian government estimates that it needs about 160 billion euros in investments, but up until now neither an immediate strategy for financing from the EU side is in sight, nor are there prospects for private investments on this scale.

Up until now it has been impossible to move beyond the general lack of communication between the EU and Russia, to say nothing of the mutual threats. Brussels has failed in the past years to coordinate its conversations with Russia and Ukraine. Moscow for its part, as before, categorically rules out the notion that Ukraine can simultaneously join the EU and be a member of the Russian-led Customs Union.

So far the EU has had no effective tools, however. Nor has it had the determination to support Ukraine in broad modernization of its administrative and judicial structures or to ensure that EU policies can in fact be implemented.

The present EU policies are on the way to failure because they do not address Ukraine's own problems, because the country's institutions have neither been willing to nor capable of implementing them, and because they do not respond to the expectations of Ukrainian society.

A tailor-made integration policy is essential

In addition to this, Brussels is overlooking the chance to involve Ukrainian society in the country's modernization. And yet this is one of the most important lessons gleaned from the EU's eastward expansion in 2004–2007. At the time, the PHARE program aimed through investments to bring acceding countries' industry and infrastructure, as well as standard of living, up to the overall level of the European Community.

For Ukraine, economic modernization and raising social standards are the issues central to its relations with the EU. To help stem an additional rise in unemploy-

ment, the EU would above all have, to support small and mid-sized businesses, a very important sector in Ukraine. On top of this, it is important to develop strategies for those branches of industry that are clearly not keeping up with competitive pressures on the European market. Finally, special attention should be given to restructuring certain regions that depend exclusively on one type of industry.

It would be important therefore for the EU to offer Ukraine not only the prospect of membership but also to prescribe a carefully crafted Ukraine policy geared specifically toward the country's own needs. European integration would in the long term be good for Ukraine, enabling it to create a new culture of thinking and, through competition on the common market, prepare the ground for innovation and development—something that lies in the interest of Ukraine and Russia alike.

### The EU should play by its own rules

Instead of this, the case of former Prime Minister Yulia Tymoshenko is preventing the EU from getting a clear view of these real challenges. The EU incorrectly considers the debate surrounding Tymoshenko as an indication of the state of Ukraine's progress in the area of rule of law. Ukraine must overcome the practice of selective, politically motivated justice if it is to come closer to EU's legal standards and the *acquis communautaire*. Precisely the opposite is taking place, however, in the case of the former prime minister. Rather than support yet another case of selective justice, the EU should demand independent due process in accordance with the rule of law.

Even more important would be for the EU to look closely at Ukraine's party system and scrutinize the

business activities of a number of its top politicians. In addition, Brussels has to realize that Tymoshenko's release would in no way change the difficult conditions that opposition parties face.

### The association agreement as a first step

Although Ukraine's problems have been obvious for a long time, the EU has up until now been incapable of developing an appropriate Ukraine policy. Not only are the member states at cross purposes with each other here, but the conditions for an active European external action are at present most unfavorable. Crippled by its own debt crisis, the EU is above all preoccupied with itself.

The EU may be trying to stimulate political progress in Ukraine by following its current principle of "more for more," by which Brussels rewards reform performance by providing additional assistance. In doing so, however, it is arousing expectations and nurturing delusions that have nothing to do with the country's reality.

A prospect of joining the European Union would be a driving motivation for restructuring Ukrainian institutions, society, and economy. The association agreement on the table is indeed a prerequisite for a successful trade partnership with the EU. However, Ukrainian society's readiness for reform can only be steered so far. Of much greater importance would be to offer the country a clear European perspective and to follow an integration policy that hews more realistically to Ukraine's own social and economic needs.

Maria Davydchuk <davydchuk@dgap.org>

Translation: Miranda Robbins