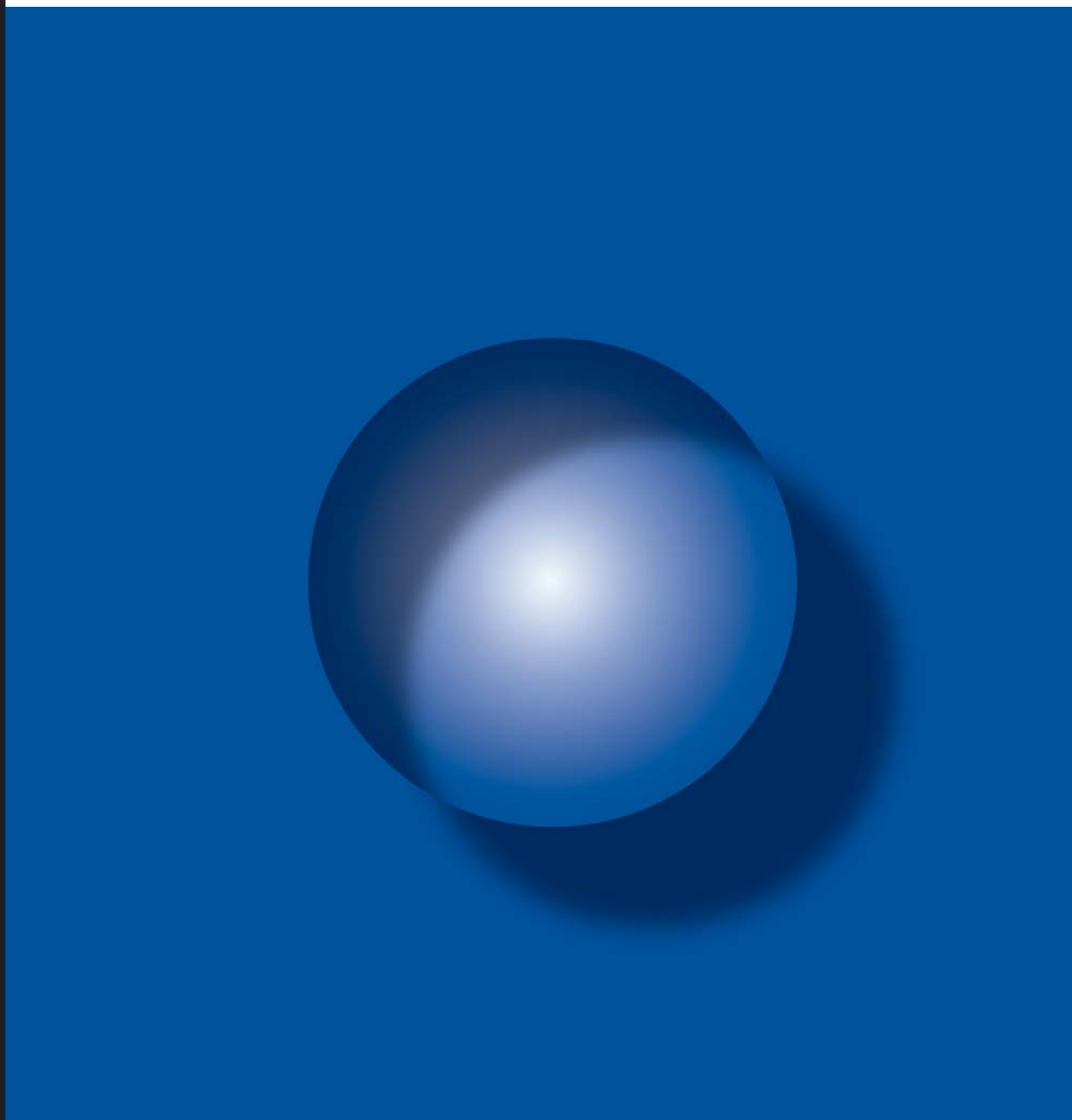
Ukraine in tomorrow's Europe

Arkady Moshes



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Executive summary

Among many challenges that the European Union will be facing in the post-enlargement context, the future of Ukraine will be one of the greatest. Too big a country to remain ignored, Ukraine will test the ability of the enlarged Union to adopt and implement long-term foreign policy strategies. The essential goal of the Union's policy should be to help in creating a strong, stable and democratic Ukraine without drawing insurmountable dividing lines along the common border and without adding complexity to Russian–Ukrainian and Russia–EU relations.

Today's Ukraine is a big puzzle. On the one hand, the country is politically stable. It has successfully avoided the risk of disintegration or internal ethnic conflicts and has established fairly good relations with all its neighbours. Political opposition has become a part of the country's political landscape. Ukraine's elites strongly express their European aspirations. On the other hand, transformation shocks have exposed the country to a large number of social ills and made Ukraine a latent source of soft security risks. A regime of managed democracy has been established. Pervasive corruption has penetrated all strata of the society. As a result, Ukraine has done very little to back up its integration claims with deeds. If left to its own devices, the country is very unlikely to complete the transformation in the direction of a functioning market economy and democracy.

Ukraine remains a part of the post-Soviet space. This makes Russian–Ukrainian relations an inalienable part of the puzzle. In the Putin years the linkage has become stronger than before, and Russia's influence in Ukraine has increased. Attempts to fully uncouple the EU's Ukrainian policy from its Russian policy would in practice not be feasible.

Relations between Ukraine and NATO are well developed. A

NATO perspective is open for Ukraine. However, for Ukraine, unlike Central European countries, co-operation with NATO and the EU is not a "two-lane road". For NATO, Ukraine's external policy matters much more than its internal policy. Co-operation with NATO will not improve Ukraine's economic situation.

Ukraine–EU relations are and will be affected by a number of factors that do not encourage bilateral interaction. Ukraine is economically unimportant for the Union as a whole. The constituency of member states that pay consistent attention to Ukraine is very small. It is very hard for the Union to define an itemized list of its interests in Ukraine that would go beyond self-protection from soft security risks, and focusing on this aspect may result in a philosophy of containment rather than one of engagement. The two bureaucratic cultures are hardly compatible: the EU culture is, in principle, result-oriented, while for Ukrainian bureaucrats the production of declarations and programs is more important than their implementation. Whereas EU enlargement raises the profile of Ukraine in Europe, attention will be drawn away from it by the integration of new members, the widening of the EU's external agenda to include the Balkans and Turkey and the expansion of the Russian portfolio.

The "Wider Europe – New Neighbours" policy is a fair and realistic approach to the EU's new eastern border. It does not raise false expectations regarding membership on the part of countries that are not yet ready for it. But the policy will only make sense if it aims to bring the neighbours closer to the EU, not to serve as an excuse to do little under the pretext of their inadequate performance.

The most promising way to proceed would be to recognize – unconditionally and now – the possibility of Ukraine's joining the Union in the distant future, when the country is ready, and then to measure progress in all spheres objectively. At the same time, efforts to change Ukraine should not depend on its membership prospects. Conditionality principles must be applied

consistently, and assistance must be rendered according to the fulfilment of commitments. The European Union should formulate an ambitious agenda on Ukraine, provided that the country's complete transformation would best serve the purpose of creating a united and secure Europe. The action plan should be targeted at preventing a widening of the "wealth gap" on the Union's eastern border, at promoting the interests of European private businesses in Ukraine and thus fostering a new business culture, at expanding co-operation with Ukraine in the areas of justice and domestic affairs, at fostering new elites, without which any changes of the personalities in power will be futile, and at paying great attention to social ills that need to be fought in Ukraine, not contained outside "Fortress Europe". Establishing trilateral co-operation with Russia in the spheres of energy transit and the control of illegal migration is of crucial importance.

Introduction

Among many challenges that the European Union will be facing in the post-enlargement context, the future of Ukraine will be one of the greatest. Too big a country to remain ignored, Ukraine will test the ability of the enlarged Union to adopt and implement long-term foreign policy strategies. The overall goal of the Union's policy in this context should be **to help create a strong and democratic Ukraine without drawing insurmountable dividing lines along the common border and without adding complexity to Russian–Ukrainian and Russia–EU relations**.

Instead of focusing on what should be done to achieve this manifold goal, however, current academic and political debate is concentrating on the issue of Ukraine's EU membership[1]. Although defining their vision on this issue is undoubtedly important for Ukraine and the European Union, the debate is still somewhat misleading. It creates the erroneous impression that Ukraine's transformation will need to be sought and assisted only if the country is one day to be admitted to the EU and that otherwise involvement will not be so necessary. Furthermore, successful reform is seen on the EU side as the homework to be done before Ukraine's European prospects can be recognized. This contrasts with the approach applied towards 2004 entrants, whose right to join the Union was never questioned as such and who were given considerable help in meeting membership criteria.

The manuscript was discussed in April 2003 at the Moscow Academic Conference of the Programme on New Approaches to Russian Security (PONARS), currently run by the Center for Strategic and International Studies (CSIS), Washington. I would like to thank my fellow PONARSians, particularly Olexiy Haran, Kyiv-Mohyla Academy, Olexander Sushko, Ukrainian Center for Peace, Conversion and Foreign Policy, and Celeste Wallander, CSIS, for their insightful comments. Some of the findings of the report were presented at the conference entitled "Building a Multi-Layered Europe" that was organized by the Bertelsmann Foundation in co-operation with the Gdansk Institute for Market Economies in Sopot, Poland, also in April 2003.

The purpose of this report is firstly, to analyse the most important factors that affect interaction between Ukraine and the European Union, factors which include the domestic situation as well as Ukraine's relations with Russia and with NATO, secondly, to address, on the basis of previous and current experience, some fundamental problems that the Union's policy towards Ukraine will be facing, and thirdly, to offer recommendations on how to promote a sustainable relationship between Ukraine and the European Union that would serve the interests of a stable, united and democratic Europe.

The report will argue firstly that, if left to its own devices, Ukraine is very unlikely to complete the transformation in the direction of a functioning market economy and democracy. This speaks for the consistent application of conditionality in EU policy. Secondly, to fully uncouple the EU's Ukrainian strategy from that pursued *vis-à-vis* Russia will not be feasible, and this conclusion means that deepening trilateral co-operation is required in several areas. Thirdly, Ukraine's co-operation with NATO, which is likely to develop, will be of little relevance for the country's relations with the EU. Fourthly, the New Neighbours policy, which is a fair medium-term approach to the area as long as it does not raise false expectations of countries that are not yet ready for membership, makes sense in the long run only if it aims to bring the neighbours closer rather than to avoid responsibility. In this connection it will be recommended that recognition of the possibility that Ukraine may join the Union in the distant future should be instrumentalized explicitly and unconditionally as an incentive for change and in preparation for greater EU involvement in the country. At the same time, we shall advocate the application of a set of practical measures in order to ensure reform in Ukraine, regardless of whether in two decades it is given a seat at the table in Brussels or remains "just" a neighbour.

Internal situation

Socio-political stability versus societal risks

At the moment, eleven years after Ukraine gained independence, the political situation in the country is quite stable. Firstly, the nation as a whole demonstrates no inclination for radical protest. Although the ruling elites and state institutions are largely unpopular, the emergence among the population of a strong movement dedicated to struggling for its rights is unlikely, either because people do not see the need for one, or because they do not expect their actions to change anything. According to a poll conducted in mid-September 2002 only 13 % of respondents believed that there was considerable social tension in their region; 4 % were afraid of serious conflicts, whereas 72 % thought the situation was either fully calm or that tensions were insignificant[2]. Another sociological survey revealed that only 6.4 % of respondents had ever taken part in authorized protest activities (11.8 % in Western and 7 % in eastern Ukraine). Of those surveyed, 11.8 % in western regions and 6.6 % in eastern areas said they were ready to participate in non-authorized activities, but only 3.7 and 1 % respectively had done so thus far. Forty-nine percent and 77.5 % respectively said they would never take part in authorized and non-authorized protest activities. Only 11.7 % admitted to having signed petitions, while 43.3 % said that they would never do this[3].

Secondly, Ukraine has thus far avoided the risk of ethnic conflict. Apprehensions that serious problems might be provoked either by the Russian minority, which made up 22.1 % of Ukraine's population at the beginning of the 1990s, or by the several-hundred-thousand-strong Crimean Tatar community that had returned from its exile in Central Asia, proved to be

exaggerated[4]. Furthermore, the national census of 2001 demonstrated important trends concerning people's self-identification, trends that were encouraging for Ukrainian independence. In particular, the proportion of people identifying themselves as Russians dropped to 17.3 %, revealing a decrease that did not correspond to demographic changes. Ethnic Ukrainians now make up 77.8 % of the population and constitute a majority in all regions and administrative units except Crimea[5]. And even in Crimea, an attempt by the local Communist leader Leonid Hrach to play pro-Russian and secessionist cards on the eve of the 2002 parliamentary elections was completely counter-productive: the Communist Party lost control over the local assembly.

Thirdly, the collision between the East and West of Ukraine – which caused the country to teeter on the brink of a split at the beginning of the 1990s – no longer threatens the viability of the state. Open confrontation between regional elites has gradually been replaced by a compromise relationship within the framework of which the East "takes care" of the economy, while the subsidized West strongly influences Ukraine's foreign policy and the state's course of action in the sphere of culture and education. The question as to whether Russian-speaking "red directors" from the East, when appointed to the office of Prime Minister, should address the nation in the state language, Ukrainian, is no longer an issue for debate. Voting patterns still differ enormously between East and West, but experts point out that the regional distribution of votes is becoming more even[6]. Currently, the standard *modus operandi* of the regions is to gain influence in Kiev and through it to project this influence onto the country as a whole rather than to squeeze benefits and concessions from "the centre" (this would be a valid description of the state of affairs in Russia).

Fourthly, stability is also a by-product of a stalemate in a game being played out between opposing political forces. In Ukraine, the Left is dominated by a (slowly weakening, but still powerful

enough) unreconstructed Communist Party, while the forces of the Right are heavily dependent on the electoral support of the nationalists, primarily in the western part of Ukraine. Both ideologies are repugnant to the majority of voters. It has been concluded on this basis that neither the right nor the left in Ukraine can govern alone[7]. Hence the *nomenklatura* plays an important balancing role.

The absence of major ethnic, social and political destabilization inside the country, as well as non-conflicting relations with its neighbours, should be praised as an important and highly commendable achievement of Ukraine's transformation – particularly if one remembers that ten years ago there was no shortage of apocalyptic scenarios concerning the country's future. In the international context, however, internal stability has paradoxically played a negative role in Ukraine's development, as the attention of the international community in general and European countries in particular has been drawn away from Ukraine towards areas where the need for urgent conflict-resolution was and still is felt to be greater.

Nevertheless, the present calm state of affairs may be deceptive only for non-experts. Ukraine is currently facing a number of problems and risks that in the long run threaten the very survival of this nation and in the meantime are a source of soft security challenges for Ukraine's neighbours. Even without wars or ethnic cleansing, and with only modest emigration following a significant return of Ukrainians in 1992–1993, the population of the country shrank by approximately 4 million people within just a decade. This was due to natural decrease: Ukraine's fertility rate is among the lowest in Europe, while its mortality rate is among the highest[8]. The number of people residing permanently in the country has become even smaller, as Ukraine has produced large waves of legal and illegal labour migration. Pendulum migration is now estimated to amount to as many as 5 million people annually, while up to 1,5 million may reside abroad[9]. The national

health service is permanently and drastically under-financed, so that the country cannot deal with TB and HIV epidemics that are spreading fast – accompanied or caused by large-scale drug abuse and prostitution. It is feared that by 2007–2009 every third inhabitant of Ukraine will have been infected by one or another of these two diseases[10]. Ukraine is highly unlikely to be able to cope with these risks, and external intervention is required.

"Manipulative democracy"

The present system of power and governance in Ukraine is one of a *status quo*. It serves the purpose of preserving the continuity of the regime, of keeping a critical number of representatives of incumbent ruling elites in power regardless of personality changes. It contains a vast potential for manipulating both voters' choices – which is more important than open electoral fraud – and the behaviour of people elected – not to mention that of those appointed. This mechanism enabled president Leonid Kuchma to get re-elected in 1999 despite far lower ratings than other candidates at the beginning of the campaign, and to win in the constitutional referendum of 2000. The system enabled pro-presidential forces (the "For United Ukraine" bloc and the United Social-Democratic Party), which lost the parliamentary elections of 2002, having received less than 20 % of the votes cast for the party lists, to create a majority, vote in their own speaker and form the cabinet.

The present system is based on several pillars. The first of these is the composition of the parliament. The *Verkhovna Rada,* Ukraine's supreme legislature, consists of 450 deputies. Half of these are elected from the parties, while the other half comes directly from single-mandate districts, where members of the party of power are quite often in a privileged position in terms of money, access to media, etc. MPs are free to change parties or

factions, even if they are elected on party lists. This gives the executive the ability to pressure, both by carrot and stick, individual deputies to defect from the opposition. The dynamics within the parliament elected in March 2002 are quite illustrative in this regard.

Changes in the composition of Ukrainian parliament (March 2002 – March 2003).

Party or bloc	Seats according to votes cast for parties	Single-mandate districts	Total seats after elections	Total seats as of March 2003
"Our Ukraine"	70	42	112	102
The Communist Party of Ukraine	59	6	65	60
"For United Ukraine"*	35	86	121	193
Bloc of Yulia Timoshenko	22	0	22	18
The Socialist Party of Ukraine	20	2	22	20
USDP	19	8	27	38
Other parties		12	12	N/A
Non-affiliated**		68	68	19

* After the elections, "For United Ukraine" split into 8 factions. The figure shown in the "March 2003" column is the total strength of these 8.
** The figure in the "March 2003" column shows the number of people that were not members of factions. Some of them could be members of political parties that did not have their own factions.

Governors in Ukraine are not elected but are appointed by the president. This is the second element of the manipulation mechanism, as it provides for the use of "administrative resources", an aspect which is hard to control from outside the system. Thirdly, the presidential administration enjoys wide powers and great freedom of action in Ukraine, and its role in political management depends mostly on the skills of the person in charge[11]. Fourthly, court decisions are influenced by the pref-

erences of the executive power. Although courts and individual judges occasionally behave in a fashion contrary to the wishes of the latter (for example, Yulia Timoshenko, an opposition leader, was released from jail by court decision in 2001 and later gained parliamentary immunity against prosecution), real judicial independence is far from being established.

Fifthly, the constellation of political forces and distribution of political power in Ukraine to a very large degree follows the balance in relations between oligarchic clans. Three business-political groups are the most powerful at the moment – the Donetsk clan, the United Social-Democrats (Kiev group) and the group centred around Kuchma's son-in-law Viktor Pinchuk and the President's old acquaintances from Dnepropetrovsk. A representative of the first clan, Viktor Yanukovich, became Prime Minister in November 2002; as of summer 2002 the second group, personified by Viktor Medvedchuk, runs the presidential administration; and in December 2002 the third group, in the person of Serhiy Tyhipko, "received" the position of Head of Ukraine's National Bank. To make the system even more complicated, the "big three" co-exist with a number of smaller groups and do not necessarily seek to eliminate them. Politically this is reflected in the split of "For United Ukraine" into eight factions. Each smaller group receives its part of the pie, and this ensures its interest in perpetuating the system. A noteworthy feature is that the mechanism allows the ruling groups to maintain working contacts (pursuing common business interests among people who temporarily find themselves to be political opponents) and, whenever feasible, to attract and accept business people from the opposition. Introducing changes to this fabric of complicated balances and informal relationships will be extremely difficult – and in the short to medium term, simply impossible.

Finally, the electronic media in Ukraine are almost totally controlled – either directly by the state or by the oligarchs. The situation in this sphere is being constantly monitored by the

Council of Europe[12], but it is improving very slowly, if at all.

If one excludes marginal parties, the Ukrainian opposition at present consists of the Communists, the Socialist Party, the Bloc of Yulia Timoshenko, (named after its leader, formerly an oligarch herself), and, with some reservations explained below, the bloc called "Our Ukraine". "Our Ukraine" is headed by the former Prime Minister Viktor Yushchenko, who enjoys the image of a liberal-minded pro-Western politician[13] and tops rating lists of likely presidential candidates. This extraordinary alliance, simultaneously having on its flanks pro-Russian Communists and extreme nationalists, is an anti-Kuchma or even anti-Medvedchuk force but not a pro-reform coalition; its protest is personalized. It has very little chance of winning the presidential elections due to take place in 2004. It is unable to nominate a common candidate or come up with a unified electoral message. But even if it could, the Communist electorate would not vote for Yushchenko, and vice versa.

The figure of Yushchenko and his bloc deserve special attention not only because this politician should be considered as a possible although by no means a predetermined winner[14] but even more so as he and his bloc represent a certain segment within the Ukrainian elites, being perceived as pro-European. The political niche occupied by "Our Ukraine" is quite specific, and an analysis of it provides the key to forecasting Yushchenko's behaviour if he is elected president.

The major characteristic of "Our Ukraine's" tactics is its refusal to unequivocally become an opposition force. In August 2002 only 33 % of the population and 30.2 % of experts viewed "Our Ukraine" as being part of the opposition, while 33.6 % and 25 % respectively disagreed with this thesis; 44.8 % of experts found it difficult to answer the question[15]. Yushchenko simultaneously maintains contacts with the radical anti-Kuchma opposition and the president, being closer to the former, but not exhibiting complete solidarity with it. Such a stand is logical for three

reasons. Firstly, for parties of western Ukrainian origin, it would be hard to accept excessively close co-operation with the Communists and thus run the risk of losing the electorate. Secondly, Yushchenko needs to prove to the country's bureaucracy of today that he is a player from the same team, not a radical reformer; otherwise they will use administrative resources against him on their own initiative in order to secure individual access to the benefits of the system. And thirdly, an important point is that the top level of the bloc includes too many of yesterday's Kuchma officials, with their addiction to *nomenklatura* status and their personal contacts with the party of power.

If this "semi-opposition" comes to power, it will have to *rearrange* the balance of compromises (Medvedchuk's "empire" will certainly be destroyed), but *not to remove* it completely. Eastern Ukrainian clans, the Donetsk first and foremost, will have to be paid off and the *apparat* kept satisfied; otherwise the whole system of governance will be in jeopardy. Inside the country, changes can be expected with regard to freedom of the media and the introduction of a proportional electoral system that in the long run would – probably – help in the evolution of the regime towards more democracy. But dependence on the loyalty of clans, both those well known at present and those that are likely to appear after the "victory dividend" has been paid to today's supporters, will not allow the situation to look qualitatively different.

Corruption

Top-down corruption is perhaps the strongest impediment to Ukraine's democratic development. In the rating of Transparency International published in 2002 Ukraine held 85th position among the 102 countries listed. According to an opinion poll, 60.5 % of respondents knew about cases of bribe-giving to ensure

the taking of lawful decisions, and 47.5 % were aware of this practice in the case of unlawful decisions[16]. The society's tolerance of corruption is very high, and it has penetrated the political process right down to the lowest level. The practice of handing out food and alcohol parcels in order to buy votes repeats itself at every election and elicits protests from observers or rivals, but rarely from the objects of such bribery.

In 2000, the State Tax Authority of Ukraine published data concerning the involvement of members of the Rada in commercial activities. A total of 364 deputies, or more than four fifths of the parliament, received official income from business. MPs were heads of 202 enterprises and founders of 473, and they were directly or indirectly involved in the activities of 3105. In 1999, the share of these enterprises in the country's imports was 25.3 % and that of exports totalled 10.1 %. Their indebtedness before the state budget to the state and local authorities was more than 4 billion *hrivnya* (about 800 million US dollars)[17].

Needless to say, this across-the-board corruption of political elites frustrates the electorate and complicates its process of choosing. As one expert noted, "the opposition, like the authorities, arrives at meetings in luxurious "Jeep" and "Mercedes" cars, in expensive suits (evidently not in accord with income declarations), which does not pass unnoticed by action participants"[18].

It is not realistic to believe that these elites are ready for changes, despite all their declarations, or that unless pressed from outside, they will adapt to the norms and standards of behaviour that are becoming increasingly common in EU Europe. Fostering new elites should therefore be seen as legitimate and urgent task for those who are genuinely interested in making Ukraine a reliable partner for Europe.

Ukrainian–Russian relations

What has changed?

During the period 2000–2003 the whole climate of Ukrainian–Russian relations has undergone profound changes. From a situation in which virtually not a single problem could be solved and one side's every move was greeted by the other with suspicion and a tendency to explain everything as due to political motives, the two countries gradually proceeded towards pragmatic interaction and succeeded in solving a number of sensitive issues. This positive evolution was based on the solid ground that had been forming in previous years[19]. Indeed, the ratification by Russia of the "big" political treaty on friendship, co-operation and partnership in 1999, in which the two sides recognized the territorial integrity of the other, was an important milestone indicating that Moscow had finally come to terms with the independence of Ukraine. The factor of Putin, who understands the strategic importance of major CIS states for Russia, should nevertheless be fully taken into account, as this understanding made Russia more ready for concessions and compromises.

Under Putin, Ukraine became a real, not merely a declared priority in Russian foreign policy. Political contacts between Moscow and Kiev at presidential and prime-ministerial level now take place approximately twice a month, and Putin meets Kuchma more frequently than any other foreign leader. In October 2001, Moscow found it acceptable to restructure the Ukrainian energy debt on terms extremely favourable to Ukraine[20], and the solution proved to be viable, since in return "the gas theft" from Ukrainian territory, common in previous years, was stopped. In October 2002, the Prime Ministers of Russia and Ukraine concluded framework agreements for the creation of an operational gas consortium with the task of managing the transit of Russian gas through Ukraine. Shares in the consortium are equally divided

between the two countries[21]. Heated debate over the "humanitarian agenda" was replaced by co-operation in the sphere of culture. The year 2002 was declared a Year of Ukraine in Russia, and 2003 a Year of Russia in Ukraine. In January 2003 in Kiev, Putin and Kuchma signed an agreement on the delimitation of the border between the two states. It was also agreed to discontinue, most probably from January 2004 onwards, the use of identification documents other than foreign travel passports in order to cross the state border; this had been Ukraine's preference for years[22].

It is certainly not the intention of the above remarks to suggest that bilateral relations are no longer experiencing any problems. There are in fact several fields in which the interests and approaches of the two states differ considerably. The most obvious of these at the moment is the trade regime. In 2001–2002, mutual protectionism on the part of the two states dragged them into a series of trade wars[23]. In the first half of 2002 alone, bilateral trade fell by 15.8 %[24]. In the autumn of 2002, the two sides lifted some of their reciprocal sanctions, but the situation did not return to its "pre-war" status. Ukrainian exports suffer to a much greater degree, and this is why Kiev is persistently seeking a free trade agreement with Moscow. However, it is unlikely that this agreement will be concluded in a bilateral format; this would run counter to the interests of the Russian state budget, which is now collecting revenues from taxes on crude oil exports to Ukraine. A certain degree of trade liberalization may follow WTO entry negotiations by both countries, but even membership of the WTO will not constitute a comprehensive solution. Ukraine rejects membership in a Russia-led EurAsian Economic Community, even though Moscow has indicated that in this case it would be ready to end oil taxes on Ukraine-bound exports. As for a new body, the creation of which was agreed upon by the leaders of Russia, Ukraine, Belarus and Kazakhstan in February 2003, it is too early to speculate on the legal and economic principles that

might enable it to function.

Another controversy concerns the issue of land border demarcation, as well as the drawing of maritime borders in the Sea of Azov and the Strait of Kerch. Without going into details, it can be said that compromise on the latter issue seems to be achievable in principle, although Russia still has its concerns that the delimitation of waters – rather than the drawing of a border line on the seabed only – would open these waters to third countries' (read: NATO) ships. As to the former issue, the situation is more sensitive. Demarcation, or the drawing of a border line on the surface, would be seen by Moscow as the emergence of another symbolic wall between Russia and Europe, and this is not acceptable, regardless of whether demarcation implies the construction of a fortified border and the introduction of a visa regime. Ukraine, by contrast, is interested in stricter control on its northern and eastern borders, and this may not eventually be possible without the building of a real barbed-wire fence in order to secure more liberal treatment of its citizens after the Schengen regime comes into force in Poland, even though a fortified border, let alone visas, will be unpopular in the eastern region of Ukraine as well.

Nevertheless, these and some other problems notwithstanding, Moscow and Kiev are no longer in a state of political conflict, and this new situation serves the interests of both countries. One aspect of this is that Moscow is afraid of the revival of the conflict in the case of changes in the personalities in power in Kiev. This fact maintains Russian interest in Ukrainian domestic politics and makes Moscow *de facto* an important player.

Growth of Russia's influence

Currently one can witness an increase in Russia's direct and indirect influence on Ukraine. This is related to or results from several simultaneous processes which have their own causes and

own dynamics but lead to similar results. In these circumstances, the freedom of action of the Ukrainian leadership is becoming more constricted – and this applies not only to the present leadership but to the future as well.

Firstly, Russian big capital has come to Ukraine. In 2000–2001, Russian companies received stakes in or control of four out of six Ukraine's oil refineries, and at the beginning of 2002 were estimated to control 40–50 % of the entire industry[25]. In 2002, Russian business groups purchased two large of mobile communications operators. In 2003, it was revealed that there was interest in investing in the modernization of the Ukrainian defence industry[26]. Ukraine's aluminium industry is almost totally controlled by Russian capital. Some representatives of the Ukrainian opposition regard this state of affairs as a threat to the country's national security[27]. The situation cannot, however, be viewed in black and white. The arrival of Russian capital ensured the stable operation of enterprises, making them part of vertically-integrated companies, and this served as a factor in Ukraine's economic recovery. No less importantly, Russian money was admitted to Ukraine on the basis of a wide compromise between business elites. This money went mostly to sectors that the Ukrainian state or the Ukrainian oligarchs were unable to develop (Russia is, for example, not present in the area of ferrous metallurgy, controlled by the Donetsk and Dnepropetrovsk groups), while the latter received better opportunities to pursue own interests on Russian markets. On average, Russian money is feared much less than it was in the 1990s.

Secondly, Russia has weakened Ukraine's former near-monopoly on the transit of energy, particularly gas, to Europe. Having failed to persuade Ukraine to lower transit tariffs, in 2001 Russia completed the construction of the by-pass oil pipeline to Novorossiysk. In 2002, the new pipeline re-routed about half of the oil flows that had earlier been passing through Ukraine. Developing the Baltic Pipeline System may, if necessary, absorb

another part of this export operation. Pipelines passing through Belarus to Poland, and across the Black Sea to Turkey, provide Russia with alternatives for gas transportation. In the new equation, Russia has thus gained the upper hand: Ukraine is vitally interested in preserving Russian energy transit, but for Russia, Ukraine will not necessarily be the key component any longer[28]. This will be an important factor indecision-making if it comes to the privatization of the Ukrainian gas transportation system[29].

Thirdly, in 2002, Ukraine started to deal more actively with those post-Soviet states that have declared their interest in various forms of integration with Russia. This is in sharp contrast with Ukraine's previous policy, aimed at obtaining the status of an "alternative leader on the territory of the former USSR"[30]. In January 2003, Leonid Kuchma took over the chair of the CIS, to become the first non-Russian formal leader of the Commonwealth. Earlier, Ukraine was accorded observer status within the EurAsian Economic Community; and in February 2003, as mentioned above, it agreed to take part in a new integration initiative in the post-Soviet space.

Naturally, the non-Communist opposition is seriously worried about these developments. It fears that "integration in the East" is incompatible with Ukraine's European option. These concerns seem legitimate and logical. However, it is at the same time necessary to look at the reasons for the present leadership's change of direction towards a post-Soviet space which might deal with the failure of all attempted alternative schemes. The GUUAM group, comprising Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova, is economically inefficient and irrelevant for Ukraine in security terms[31]. Ukraine's efforts to find a role in the transit of energy from the Caspian region proved futile, and a newly-built pipeline linking Odessa and Brody remains empty. Unless the project is extended as far as the Polish port of Gdansk, it has no chance of being economically sustainable; and in any case the

scheme will be too costly to operate in times of low oil prices because of the need to transfer the crude oil to and from tankers several times on the way. Regional co-operation with Central European countries produced only limited results, since Ukraine was a much lower priority for them in the context of their own steps towards European integration[32]. The clearer it became that EU enlargement would stop at Ukraine's western border, the lower became the expectations that could reasonably be entertained.

Fourthly, the Putin factor features strongly in Ukrainian politics, and this gives Russia additional means of leverage. True, the situation is rather complex. On the one hand, if one looks back over a longer period, one finds that Russia's ability to influence the internal political process in Ukraine is decreasing. In 1994, Moscow's favourable attitudes and pro-Russian rhetoric were a major contribution to Kuchma's victory. In 2002, Moscow's open support for the party of power and the Communists was not very helpful: for the first time in Ukraine's history, a coalition that included a number of quite problematic figures from the Russian point of view won the largest number of votes. On the other hand, winning presidential elections in the face of negative attitudes on the part of Moscow is still extremely difficult, if not impossible. Yushchenko is constantly seeking contacts with the Russian leadership, or at least with partner political parties, in the belief that this will enable him to prevent the image of "anti-Russian nationalist" from being used against him in Ukraine's East. On the eve of Vladimir Putin's visit to Ukraine in October 2002, the "Opposition Four" asked for a meeting with him. This was a symbolic recognition of the unique arbiter role currently played by Russia and its president[33].

The question arises as to whether these trends can be reversed in the case of a change of administration in Ukraine. A positive answer is fully possible only with regard to Ukraine's course within the CIS. But the success of such an attempt cannot be taken for

granted, as the factors that affected Kuchma's change of direction would not cease to exist. In other areas, a return to former patterns would be difficult and counter-productive for Ukraine. A revision of the results of privatization by means of political decisions would jeopardize Ukraine's investment prospects. The sustainable performance of the Ukrainian transit system is only possible on the basis of a scheme that would be acceptable to Russia, since Russia has or can create alternative ways of delivering energy to customers in Europe, by-passing Ukrainian territory, while Ukraine would have problems in finding a new buyer for its services. The re-emergence of politically motivated disputes would not strengthen the position of the government in a country in which, according to opinion polls, 33.2 % of the population consider relations with Russia, and 20.4 % those with the CIS states, as the highest foreign policy priority[34].

In strictly logical terms, the growing presence and influence of Russia in Ukraine can be regarded as impeding the latter's chances of integration into Europe as long as one assumes that Moscow, which has no declared interest in joining the EU, will in practice slow down any pro-European drift on the part of Ukraine. In practical terms, however, such apprehensions are premature and groundless. Tactics and timetables can be different – for instance, Ukraine may join the WTO ahead of Russia – but the long-term approximation of norms and institutional developments may turn out to be faster in the Russian case; it is not predictable at the moment. If consistent, this will mean the evolution of both countries in the same direction and within similar limits. Therefore, it makes sense for the EU to pursue individual policies towards Russia and Ukraine on individual issues. But attempts to fully uncouple approaches to both would not be feasible.

Ukrainian–NATO relations in the European context

Relations between Ukraine and NATO have developed actively and fairly successfully. Since 1994, when Ukraine became the first CIS country to join the Partnership for Peace, they have come quite a long way[35]. In 1997, at the Madrid summit of the Alliance, Ukraine and NATO signed a Charter on Distinctive Partnership and set up a bilateral Commission. In November 2002, during the Prague summit, the NATO–Ukraine commission adopted, along with other documents, an Action Plan reiterating that Ukraine's ultimate goal was membership of the Alliance[36]. The relevant decision of the National Security and Defence Council was taken earlier, in May of the same year, although less explicit declarations had been repeatedly made before then as well. The prospect of membership is open to Ukraine[37] despite the fact that the current Action Plan is not yet a *Membership Action Plan*.

This success story – as compared to relations between Ukraine and other international organizations – was based on an understanding of the importance of this relationship by both partners. For Ukraine, NATO served as the only available and working channel of interaction with the West, providing, among other things, a communication link with the United States. For NATO, the geopolitical importance of Ukraine was self-evident, and in order to prevent Ukraine's resuming interest in security co-operation with Russia, the Alliance had to provide tangible benefits in the form of both high-level political commitments and of assistance and training programs etc. extending right down to the level of the individual officer.

NATO involvement in Ukraine undoubtedly played a role in ensuring the country's political independence. Too much emphasis on geopolitical factors, however, produced a strong negative effect

as well. When the Ukrainian leadership realized that for NATO (to rephrase the conclusion of a leading British expert[38]), Ukraine's foreign policy mattered more than its internal policy, it made sure that co-operation would continue whatever might happen. And the calculations worked well, since NATO programs continued regardless of the domestic situation. In 2002, NATO yielded further. In autumn 2002, President Kuchma found himself under strong pressure from the US and Britain for his alleged personal involvement in the sale of weapons to Iraq. Ukraine was accused of not co-operating enough with the US–British inspectors, and US–Ukrainian relations were at their lowest ebb in many years. Even so, NATO did not dare to bar Kuchma from coming to Prague (as it did in the case of the Belorussian leader Alexander Lukashenko), where he took part in the summit of Euro-Atlantic Partnership Council.[39] Ukrainian diplomacy simply made it clear that Kuchma's absence in Prague would mean the cancellation of the bilateral commission's ministerial-level meeting as well. NATO could not do anything except to re-arrange the seating arrangement according to the French spelling of the countries involved; otherwise Kuchma would have been sitting next to George Bush and Tony Blair.

Inside Ukraine, attitudes towards NATO are rather mixed, and this, too, makes the government rather cautious and slow in moving towards membership[40]. NATO's war in Yugoslavia severely damaged the image of the Alliance in the country, and the US-led war in Iraq, although not a NATO operation, had a similar though weaker effect. Only 16 % of survey respondents in 1997, and 22 % in 1998, thought that NATO was an "aggressive military bloc". In December 2002 this figure grew to 34 %, although, in parallel, the number of those who saw NATO as a defence alliance also increased within this five-year period from 27 % to 32 %[41]. According to another source, the level of trust in NATO dropped from 39 % in June 2002 to 28 % in November[42]. In February 2003, in clear connection with the Iraq issue, the

number of respondents supporting Ukraine's NATO membership fell to 22 %, as compared to 27 % in December 2002, while the percentage of opponents grew from 33 % to 37.7 % (24 % found it difficult to answer)[43]. Particular account should be taken of the fact that people's preferences differ quite strongly as between the western and eastern areas of Ukraine. Hence the issue of NATO membership, if placed on the practical political agenda, may polarize the country and thus become a destabilizing factor.

Besides domestic unpopularity, formal attempts to achieve member status[44] – as opposed to co-operation – may complicate Ukraine's relations both with Russia and with Europe. In Russian–Ukrainian relations, this may re-ignite a major controversy on the issue of Russian troops stationed in Crimea. Military bases of non-member states are not allowed on territories of NATO members. This would mean (unless NATO made an exception in the case of Russia in view of their developing partnership) that in order to enter the Alliance, Ukraine would have to ensure the withdrawal of the Black Sea Fleet[45]. From the legal point of view, Ukraine can hardly do anything about the issue, as it is bound by bilateral treaties to provide bases for the Russian fleet in Sevastopol until 2017. At the moment it is hard to imagine that Moscow will agree to revise the treaty and withdraw from Crimea ahead of the agreed deadline.

Complications *vis-à-vis* Europe are, of course, less likely and may not be long term or profound. However, a famous statement made by the French President, Jacques Chirac, in February 2003 sent a signal to newly joining EU members and applicants that excessively enthusiastic support for the United States was not (and would not be) the best way to ensure their smooth integration into the EU, and this signal could not pass unnoticed in Kiev. Obviously, Ukraine would like by all means to avoid the hard choice between the US and Europe, NATO and the EU. Proponents, both inside and outside Ukraine, see European and Euro-Atlantic integration as inseparable. But if Kiev were to make

the choice, NATO would not necessarily be the first option[46].

The medium-term scenario for Ukraine–NATO relations is one of continued co-operation (maybe with some fluctuations), since both sides are interested in building it up and intensifying it. There are no grounds for believing that domestic factors may diminish the present interest of either partner. The longer-term scenario, including the issue of membership, will depend on the further evolution of NATO, Russia–NATO relations and the internal political process and defence reform in Ukraine. As regards the last issue, NATO is and can in future be of very great assistance to Ukraine, and successful reform within a decade or so is possible[47]. At the same time NATO, if it cares about the credibility of its policy, still has to define how it will assess Ukraine's progress towards meeting the political criteria for membership.

However, the model of "two-lane" integration, according to which movement on either the Euro-Atlantic or the European "lane" entails progress on the other as long as both lead to the same destination, will not necessarily work in Ukraine's case. Firstly, security co-operation with NATO may be considered in Europe as a sufficient anchor for Ukraine in the West and a sufficient safeguard against worst-case scenarios "*à la Brzezinsky*" in Ukrainian–Russian relations. These arguments, if needed, will be perfectly suited to proving the policy of minimalist interaction that, in a way, will be logical in view of the double challenge posed by the enlargement and internal reform of the EU. In addition, even large-scale co-operation with NATO is significantly cheaper than any serious "would-like" co-operation between Ukraine and the EU. Secondly, partnership between Kiev and NATO is practically irrelevant in helping Ukraine to meet economic criteria. As has been noted, a NATO connection will not make Ukrainian goods competitive on European markets[48]. Finally, European organizations will remain much more watchful and puritanical regarding political developments in Ukraine.

The EU and Ukraine

What went wrong?

Ukraine–EU relations also have a long (but less impressive and more problematic) history than those between Ukraine and NATO[49]. The EU signed the Partnership and Co-operation Agreement with Ukraine in 1994, several weeks earlier than it did with Russia, but it took nearly four years before the document entered into force – even though the ratification process in the EU was not facing any political impediments resembling Russia's war in Chechnya. This delayed entry into force of the PCA should have served as an early warning, signalling that making this relationship productive would not be an easy task.

Ukraine's official position is aimed at achieving EU membership. In 1998, Leonid Kuchma signed a document that outlined Ukraine's strategy for integration into Europe, and the main points of this strategy have been repeated many times at top level[50]. Ukrainian officials claim that the country will be ready for membership in 2011. In contrast, after considering for a while the hypothetical possibility of Ukraine's membership[51], the EU finally allotted it only neighbour status in Wider Europe.

Discernible mutual frustration normally involves the partner's perceived unacceptable behaviour. The EU legitimately points to the discrepancy between Ukraine's declarations and its very slow or non-existent progress in the legal, economic and political spheres. Ukrainian representatives retaliate, saying that by closing the European perspective, by putting the country into the same group as Belarus and Moldova, and so forth, the EU is discouraging pro-European forces and weakening the likelihood of successful integration – as if Ukraine's development towards democracy and the market was a matter of concern for Brussels

and not for Kiev, Lvov or Khar'kov. At the same time, very little attention is being paid to a number of fundamental problems that are relevant to this relationship and which cannot be solved by political decisions but only by long-term, consistent efforts.

The number one problem consists of the enormously different positions that the sides occupy on each other's scale of priorities. For Ukraine, the EU really is at the top. It is already the country's second-largest trading partner (some 20 % of trade), and after enlargement it may become the most important destination for Ukraine's exports. It is very positively perceived in the country and, despite the lack of detailed knowledge, has created the impression of a success story worth being part of. A recent survey indicated that 59 % of Ukrainians see a better future for their country within the Union, and only 10 % would be against membership[52]. For the Union, by contrast, Ukraine is economically unimportant, accounting for just 0.3 % of its trade[53], and in economic documents it features more as a recipient of assistance than of investment. The present-day constituency of interested individual member countries is also small and week. Apparently, only Germany and, with some reservations, Sweden and Greece have a sustained interest in Ukraine. The "Enlargement President", Denmark, decided to close its Embassy in Kiev during its tenure and held "its" Ukraine–EU summit as early as 4 July 2002, so that Ukraine would be off the agenda during the rest of Copenhagen's difficult term in office. And during the *Troika* visit to Kiev in February 2003, Greece, the following President, was represented by Deputy Foreign Minister – also an indication of priorities.

Secondly, it is very hard for the EU to formulate an itemized list of its interests *vis-à-vis* Ukraine. When this is done in a precise way, as it was in the case of shutting down the Chernobyl nuclear power plant, the Union's policy succeeds, although maybe later than is desirable[54]. The EU comes closest to such a formulation with regard to the file of soft security risks that may spill over from Ukraine; this is why justice and home affairs appear to be

the most promising fields of bilateral co-operation for the present. But even here the vision is incomplete. One way to define the EU's interests and goals involves containing the risks within Ukraine (or Belarus, Moldova or Russia, for that matter); quite a different definition would involve fighting these risks there. Needless to say, the resulting policies would be diametrically opposed. The first line of reasoning puts the emphasis on a fortified border, restrictions on travel and, more generally, a "Fortress Europe" mentality. The second line advocates inclusion rather than isolation, involvement rather than disengagement, the concept of a Europe wider than the European Union. Sailing between the two or combining them will not be possible in practice, since the underlying philosophies are in conflict.

Thirdly, the two bureaucratic cultures do not go well together. The Ukrainian culture is to a large degree a post-Soviet one; producing declarations and programs is more important for this culture than their implementation – as can easily be seen in the CIS. The EU culture is in principle more result-oriented, although recent developments raise some questions in this regard as well[55]. In addition, Ukrainian policy-making is uncoordinated. As of spring 2003, Ukraine's EU policy was formulated by the State Council on Issues of European and Euro-Atlantic Integration, Ukraine's Authorized Representative on European and Euro-Atlantic Integration (First Deputy Prime Minister Nikolai Azarov), the Ministry of Trade and European Integration, and the Ministry of Foreign Affairs. Specific issues were dealt with by an even larger number of actors. Justice and home affairs fell within the responsibility of eight different bodies[56]. As for the EU bureaucrats, the skills that they have learned since the fall of the Berlin Wall will obviously not work in negotiations with Ukraine, whose motivation to compromise, concede and deliver upon promises will be weaker than such motivation has been in Central Europe because of the lack of membership prospects.

Fourthly, the EU is now exposed to accusations of double

standards that undermine the credibility of the conditionality policy[57]. The decision that even if it demonstrates progress in meeting political and economic criteria and approximates norms, Ukraine will still be offered only economic rewards[58] does not stand up to the weight of logic: if such progress sufficed for Central Europe, why not for Ukraine? A far-sighted approach would, on the contrary, emphasize the single standard but make sure that progress was measured scrupulously and that criteria were not compromised.

What does enlargement change?

Enlargement does create a new situation in relations between Ukraine and the European Union. Theoretically, the importance of Ukraine for the Union should grow. The appearance of a line of direct contact will in its own right be a reason to increase interaction. On the one hand, the need to manage the negative consequences of enlargement for the movement of people, for cross-border co-operation and for trade between Ukraine and the EU's Central European and Baltic newcomers will demand non-traditional, innovative solutions and will not allow dialogue to be limited by bureaucratic exercises. On the other hand, the common border will create new opportunities for co-operation and bring with it financial instruments that were previously unavailable.

In connection with the above analysis, a particularly noteworthy aspect will be an increase in the internal EU constituency of countries for which Ukraine will be a real, not a declaratory priority. Besides Poland, which will be specifically examined below, this constituency will include Hungary and Slovakia with their clearly stated interest in Ukraine, an interest which goes beyond minority issues, as well as Lithuania, which will be ready to share with both Brussels and Kiev its experience of successful

post-Soviet transformation. In the future, Romania and Bulgaria may also join the pool of interested countries.

But parallel to this, enlargement also brings changes that will draw attention away from Ukraine. The process of "digesting" new members, of bringing their economic and living standards closer to those of their western and northern neighbours, will in any case be a lengthy and costly process. In addition, the enlarged EU will be set a new foreign policy agenda, which will include such complex issues as the future of the Balkans and of Turkey. Quite probably, relations with Russia will demand greater effort, both to manage the implications of enlargement and to improve the prospects for multi-layered co-operation. As a result, the amount of financial, political and diplomatic resources available for countries like Ukraine may shrink rather than grow.

In this respect, the terminology chosen by Brussels is not encouraging. Semantically, "neighbour" does not mean anything in addition to geographic proximity. "Neighbour" can be good or bad, interest-worthy or irrelevant. "Neighbour" is a much weaker term than "partner", a word that previously featured in bilateral documents. Dealing with eastern and southern (Mediterranean) neighbours within the framework of the same bureaucratic exercise only adds more confusion with regard to the substance of emerging policy.

The Eastern Dimension and Ukrainian–Polish relations

There is no doubt whatsoever concerning Poland's interest in promoting relations between the Union and Ukraine in addition to bilateral relations. By acting as Ukraine's "advocate" in the Union, Poland could gain a significantly more prominent profile in Brussels. On the basis of its historical and more recent experiences in the east of Europe, Poland can become an effective transmitter of the EU's policy towards new eastern neighbours.

Not least, Poland realizes that it may become the first victim of soft security problems if these spread from its eastern borders. Ukraine, in turn, is also vitally interested in maintaining this link.

Warsaw's policy is currently very proactive. In the bilateral format, Poland is trying to do its best to alleviate the negative implications of enlargement for Ukraine. During a visit to Ivano-Frankovsk in western Ukraine, Polish president Alexander Kwasniewski promised that the new visa regime that Poland would introduce to bring its policy into compliance with Schengen norms would be as liberal as possible and would include the issuing of free visas[59]. In order to symbolize the great importance of the relationship, Ukraine decided to declare 2004 the Year of Poland in Ukraine. It is expected that 2005 will be the Year of Ukraine in Poland. Simultaneously, Warsaw is trying to ensure that after enlargement Brussels will pay increasing rather than decreasing attention to new neighbours. Poland would like the EU to launch an Eastern Dimension policy along the lines of the Northern Dimension, successfully marketed by Finland upon its own accession to the EU.

The implementation of this policy, even if it is adopted and Poland is put informally in charge of it, is likely to face problems both internally and externally. There is no question that Poland does not possess sufficient resources to implement and maintain a large-scale policy of its own in the east of Europe. It will therefore have to compete for resources in Brussels, where a positive outcome cannot be taken for granted: as has been mentioned, the constituency in favour is not sufficient. Moreover, an Eastern Dimension will be widely seen as a rival to both the Northern and Southern Dimensions. In the process of multilateral lobbying and counter-lobbying, the initiative may well turn into a nice but empty political concept, a compilation of declarations with no recognizable agenda and no strong inventory. As a team player, Poland will have to discuss its unilateral initiatives with other

members. In addition, as Finnish–Russian experience shows, many things that are possible on the bilateral level do not succeed on the community level. Given all these considerations, one cannot exclude the possibility that Poland's potential for action involving Ukraine – and Belarus, for that matter – will decrease and become more limited.

Polish–Ukrainian rapprochement has its limitations as well. Significant anti-Polish sentiment is discernible in western Ukraine, and the present Ukrainian administration refrains from going against it. In spring 2002, Alexander Kwasniewski had to cancel his visit to Ukraine because strong local protest caused the authorities not to inaugurate a monument to Poles who died defending Lvov during the Civil War in the former Russian Empire. For the opposition, finding the right reaction will be even more difficult, as people holding such views to a large extent constitute the electorate of Yushchenko and Timoshenko. The period 2003–2004 will be a particularly sensitive time, as it is 60th anniversary of ethnic cleansing carried out by the Ukrainian Rebel Army against the Polish population of the Volyn region, and of the *Wisla* operation, when Ukrainians were expelled from their areas of residence in the vicinity of the border by the Polish authorities.

A constellation of domestic factors inside Ukraine adds complexity to the issue. Influential Ukrainian actors remain allergic to what they perceive as paternalistic attitudes on the part of Warsaw. Kuchma's administration has made it clear that it would not welcome Warsaw's willingness to become a mediator in relations between the president and the opposition[60].

Finally, it is worth repeating that interests of Ukraine and Poland are, after all, compatible but not identical. This was demonstrated in the 1990s on a number of occasions from regional integration to the absence of firm Polish "No" to the by-pass pipeline projects. This divergence of interests is bound to have some effect on future relations as well.

Conclusions: What is on the agenda?

Shaping the EU's Ukraine policy is like putting together a large jigsaw puzzle. The final word on the question of whether Ukraine may one day become a full member of the Union does not have to be spoken at the moment, but specific measures aimed at ensuring changes need to be taken right away, regardless of country's status in twenty years. Shutting the door to Europe on Ukraine after it has in principle been opened for Turkey, Albania and other countries of the Balkans, some of which are less stable and less economically developed than Ukraine, contradicts any logic. At the same time, the notion that development and democracy in Ukraine are totally dependent on membership prospects treats Ukrainians as objects rather than subjects of policy, and this is equally unfair.

It appears that the most promising way to proceed would be to recognize *now* the possibility that Ukraine may join the Union in the distant future, when the country is ready, and then to measure progress in all spheres objectively and without bias. Saying "maybe" should not only have the aim of encouraging pro-European forces; this step forward should also obligate them. Later, conditionality principles must be applied consistently, and assistance must be rendered according to the fulfilment of commitments.

The New Neighbours policy is a fair and realistic approach to the area. It does not raise false expectations regarding membership and correctly groups eastern neighbours together. At the moment Ukraine, Belarus and Moldova recognizably belong to the post-Soviet space, and the difference between them and Central Europe is much greater than the differences among them – and probably larger than it was in 1991. But this policy will only make sense if it aims at overcoming the gap mentioned, at

bringing these countries closer to the EU, and not at serving as a bureaucratic excuse to do little under the pretext of their inadequate performance.

Regardless of political preferences, it is not feasible in practice to uncouple the New Neighbours policy of the Union from that which it practises with regard to Russia. The guiding documents of the EU rightly point out this linkage. Russia is important both as an influential player in the area and as a country building its own partnership with Europe. Furthermore, practical solutions found in order to manage Russia's concerns with regard to enlargement – on the movement of people, for instance – will be applicable to other three states.

Russian–Ukrainian rapprochement can be exploited by the Union with particular regard to two issues. The first is energy transit, which may find its place in the Russia–EU energy dialogue. The other is justice and home affairs. The EU could encourage Russia and Ukraine to assume joint responsibility for their common border in order to better control illegal migration in both directions. Joint policing looks more promising, less politically painful for both sides and less expensive than a fortified dividing "fence". The EU should encourage the two sides to conclude readmission agreements, but it is even more important to assist Moscow and Kiev in negotiating such agreements with third countries that are the main source of illegal migrants passing through Russia and Ukraine to Europe and to provide them with the resources necessary to return the migrants to their countries of origin.

The European Union should redefine its interest in Ukraine on the premise that a united Europe is more valuable than "Fortress Europe" and that democracy and prosperity in its neighbouring countries are the best instruments in combating soft security risks. The specific tasks that would follow from this way of seeing things would include:

- **preventing the widening of the "wealth gap"**: recom-

mendations regarding the use of financial instruments available to the Union, such as assistance funds and programmes and the European Investment Bank, are well-known; however, these instruments will not be sufficient, due to overextension of the Union's resources; the mobilization of non-EU extra funds is needed, while the EU could take responsibility for co-ordination of expenditure of member states and other international organizations;

- **promoting the interests of European small and medium-sized businesses in Ukraine**: however small initially, these businesses will plant Western economic culture in Ukraine; more importantly, they will create jobs, and every single one of these will weaken the pressure of labour migrants inside the EU, which will ultimately constitute a contribution to soft security in Europe; businesses nowadays often cannot come to Ukraine because of corruption or protectionism motivated by special interests; this is where the EU can help, reaching out to the top political level in Ukraine and providing legal assistance;

- **building up co-operation with Ukraine in justice and home affairs**: this is the way to pass on to Ukraine European expertise and standards of behaviour in the sphere of law, and this is even more important than successful specific programs;

- **fostering new elites**: these are a precondition for building a pluralist society in Ukraine; contributing to this aspect by all means available is more rewarding than waiting for a change in the personalities in power;

- **paying great attention to social and societal ills**: otherwise in two decades Ukraine may really become a "physically sick man of Europe".

If a proactive policy towards Ukraine is pursued and if it produces results, in a decade from now it will hopefully be possible to address the question of Ukraine's joining the EU as a practical issue. If not, the Union may find itself living next to a difficult and disappointing neighbour.

References

[1] At the outset of the debate there were two schools of thought. One, manifested in statements by top EU bureaucrats such as Romano Prodi, the President of the Commission, and Guenter Verheugen, the Commissioner responsible for enlargement, in autumn 2002, tended to put Ukraine into one box with Belarus and Moldova and to create for them a category of "never-members". *Financial Times*, 18 September 2002, *La Stampa*, 15 October 2002. By contrast, the other school of thought, with supporters mostly in Poland and inside Ukraine, urged the Union to recognize Kiev's European choice, to open to Ukraine the prospect of membership and to develop relations with eastern neighbours in an individual way, although within a comprehensive framework. See "Eastern Dimension" Non-Paper of the Ministry of Foreign Affairs of the Republic of Poland; More than a Neighbour. Proposals for EU's Future Policy Towards Ukraine. Stefan Batory Foundation, Warsaw, 2003. Gradually, however, the positions of the sides became closer, and currently one can witness a debate between "not closed" and "open". The "Wider Europe" initiative, which is likely to become an official policy of the Union, speaks about no *mid-term* perspective of membership or a role in the Union's institutions, but it is no longer a categorical "Forever No". Wider Europe – Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours. Communication from the Commission to the Council and the European Parliament. Brussels, 11.3.2003. COM (2003) 104 final. As of May 2002, Commissioner Verheugen no longer excluded associate EU membership for Ukraine. *Ukrain'ska Pravda*, 8 May, 2003, website visited 9 May 2003.

[2] *Ukrain'ska Pravda*, 3 October 2002, www.pravda.com.ua, website visited 7 October 2002. The timing of the poll should be taken into account, as it was conducted on the eve of mass protest activities organized by the opposition across Ukraine, when the awareness of the public and interest to the issue were at their greatest.

[3] For details see Yu. Yakimenko. *Grazhdanskaya aktivnost' v Ukraine: obrecheny li my imet' to, chto imeem*. (Civil activity in Ukraine: Are we doomed to have what we are having). *Zerkalo Nedeli*, 26 October–2 November 2002.

[4] Problems regarding the latter issue cannot be fully excluded in the context of the global rise of radical political Islam, but in recent years the Ukrainian government has done a lot to stabilize the situation.

[5] *Ukrain'ska pravda*, 6 February 2003, website visited 7 February 2003.

[6] O. Haran. Ukraine's Domestic Politics. In: Ukraine. Our New Neighbour. Ed. by R. Kjærullf-Jørgensen. DUPI Report 2002/13, Copenhagen, 2002, pp. 9–10.

[7] A. Wilson. The Political Process in Ukraine. Democratization or Virtualization? In: The EU and Ukraine. Neighbours, Friends, Partners? Ed. by A. Lewis. London, The Federal Trust, 2002, pp. 49–50.

[8] For details see a very informative article by L. Shangina. *Demograficheskaya situatsiya v Ukraine: sostoyanie, tendentsii, prognozy*. (Demographic Situation in Ukraine: State, Trends, Forecasts). *Connections*, n.2, 2002, pp. 55–75.

[9] Among other things, emigration produced a notorious political consequence. It is widely believed by experts that the right to vote in the elections that is enjoyed by

people physically absent from Ukraine but registered as voters is abused to "improve" the results of the *nomenklatura*, or "party of power". Author's interviews in Kiev in February 2002.

[10] L. Shangina. Op.cit., p. 60.

[11] According to a presidential decree of March 6, 2003, the administration is responsible for providing organizational, legal, consultative, information, analytical and *other* support to the president in performing his duties and exercising his powers when representing Ukraine in international relations, as Commander-in-Chief and as a guarantor of the Constitution. The administration is also responsible for relations between the head of state and the parliament, the cabinet, central and local executive bodies, courts, political parties and NGOs. *Ukrain'ska pravda*, 11 March 2003, website visited 13 March 2003.

[12] For an analysis of the resolution of the CE Parliamentary Assembly see *Den'*, 1 March 2003.

[13] In some respects Yushchenko's image is based upon carefully cultivated political myths. For instance, many people in Ukraine take as an axiom the statement that economic growth in the country resumed in 2000 as a result of Yushchenko's policy. Very few people accept a more likely explanation: that it was economic growth in Russia, which had started a year before, and the consequent increase in Russian–Ukrainian trade that provided the major contribution to Ukraine's recovery. Very rarely is it asked why, if growth was a result of Yushchenko's policy, it continued after he resigned in 2001 and government policy changed. Furthermore, very few of his supporters like to remember that in spring 2001 the "liberal-minded" Yushchenko signed an address to the nation that compared anti-Kuchma campaigners with fascists.

[14] In my opinion, Yushchenko has a little chance of winning. An analysis can be found in A. Moshes. The Next President of Ukraine. Predicting the Unpredictable. PONARS Policy Memo N.265. CSIS, October 2002. Briefly, the argument can be repeated as follows. A) Yushchenko is unpopular in the eastern area of Ukraine, where his support is less than 10 % and where electorate is numerically much stronger than in the west of the country. B) He is an ineffective political manager, who to a large extent wasted his victory in the parliamentary elections. C) His coalition is too heterogeneous, so he has to spend much of his time cementing it. Lack of cohesion is reflected in a very unclear electoral message. D) Fundraising will be a problem for him, as "his" businessmen are vulnerable to the pressure of the law enforcement system since the origin of their money is as opaque as that of anybody else in Ukraine. E) Many people in Ukraine see him as a pro-American politician, and this works against him in connection with low support for the war in Iraq. As a result of all these factors, Yushchenko's rating is gradually decreasing – from some 30 % after the parliamentary elections to just 21.4 % in February 2003. *Zerkalo Nedeli*, 8–14 March 2003.

[15] *Zerkalo Nedeli*, 31 August–7 September 2002.

[16] I. Zhdanov. *Korruptsiya v Ukraine: sushchnot', masshtaby i vliyanie*. (Corruption in Ukraine: Essence, Scale and Impact). *Connections*, N. 2, 2002, pp. 39.

[17] Ibidem, p. 44.

[18] A. Gritsenko. *Tretii-nuzhnyi*? (In Need of the Third?). *Zerkalo Nedeli*, 8–14 March

2003.

[19] See A. Moshes. Russian–Ukrainian Rapprochement of 2001: How Viable? *Security Dialogue*, N. 2, 2002, pp. 159–162.

[20] The Ukrainian estimate of the amount of debt was accepted; this was 1,5 billion dollars short of Russia's original claims. The debt is treated as corporate and not national. No payment of the main sum is due before 2004, which is important because in 2003 Ukraine will have to pay large amounts of money to Western creditors. At the same time, in order to protect Russia from gas theft on Ukrainian territory, the two sides will annually agree on the amount of gas that the Ukrainian economy will need. This amount will be covered by Ukraine's own production, imports from Turkmenistan and transit fees paid by Russia in kind. This means that Russia will stop selling gas to Ukraine, making a further accumulation of debt impossible. Russia will service Ukrainian gas imports from Turkmenistan on the same conditions that Ukraine will apply to Russian exports to Europe.

[21] It is important to emphasize that these are shares of the operational consortium and not of the transportation system, which is owned by the Ukrainian state. Clarity is still lacking with regard to many details of the consortium's activities and to its legal and fiscal status in Ukraine. Follow-up negotiations are, however, proceeding on a regular basis. The outstanding details will most probably be clarified by the end of 2003.

[22] Kiev was seeking this agreement mainly as yet another symbolic confirmation of Ukraine's independence from Russia – but also in order to improve border control. Moscow was against it, because in Russia this measure would be highly unpopular as long as very few travellers to Ukraine were in possession of these documents and crossing the border on domestic IDs was more convenient. The change in Moscow's view can be explained by the decision to improve control over immigration and labour migration, a large part of which stems from Ukraine.

[23] See O. Antonenko. *Ekho torgovoi voiny*. (Echo of Trade War). *Kontekst*, 3 February 2002. Available at *Ukrain'ska Pravda*. 3 February 2003, website visited 4 February 2003.

[24] *Den'*. 20 August 2002.

[25] Estimates of Alexander Riabchenko, Head of the Commission on Privatization in the previous Ukrainian parliament. *Vremya Novostei*, 14 March 2002.

[26] Statement of Russian Prime Minister Mikhail Kasyanov after his talks with Viktor Yanukovich, *Ukrain'ska Pravda*. 9 March 2003, website visited 11 March 2003.

[27] *Zerkalo Nedeli*, 1–7 March 2003.

[28] This is already clearly manifested in Russian policy. Russian Ambassador to Kiev Viktor Chernomyrdin, for example, warned Ukraine in October 2002 that if it attempted to delay the implementation of an agreement on the gas consortium, Russia could return to the plan of by-pass pipelines. *Ukrain'ska Pravda*. 23 October 2002, website visited 24 October 2002.

[29] The Ukrainian gas transportation system includes 35,2 thousand km of pipelines, 122 compressor stations and 13 underground gas storage facilities. According to an estimate made within the INOGATE program, the system is worth 13,8 billion dollars. Its annual nominal through capacity is 170 billion cubic meters of gas. *Kommersant*, 6 September 2002. In the 1990s, the system was suffering from under-investment and

is now largely worn out. It looks certain to this author that without private investment Ukraine will not be able to maintain the system in working condition in the long run.

[30] This is how the goal was defined by governmental experts. *Ukraina 2000 i dali: geopolitychni prioritety ta scenarii rozvitku* (Ukraine 2000 and Beyond: Geopolitical Priorities and Development Scenarios). Kyiv, National Security and Defence Council of Ukraine, 1999, pp. 27–28, 62.

[31] GUUAM: Realities and Prospects. Ukrainian Center for Economic and Political Studies Analytical Report, *National Security and Defence*, N.7, 2001, pp. 2–45.

[32] See R. Wolczuk. Ukraine. Poland's Failing Project. In: The EU and Ukraine …, pp. 171–179.

[33] It is impossible to imagine former leaders of the national democrats in Ukraine, such as the late Viacheslav Chornovil, asking for an appointment with a Russian leader, and it is equally impossible to imagine present Communist leaders in Ukraine stating their interest in "monitoring" by the United States.

[34] *Ukrains'ka Pravda*, 27 December 2002, website visited 27 December 2002.

[35] Detailed analysis can be found in J. Onyszkiewicz. Ukraine and NATO. Center for International Relations, Warsaw, 2003; J. Sherr. Ukraine and NATO. A Reviving Partnership? The EU and Ukraine …, pp. 139–152.

[36] Membership supporters in Ukraine, however, criticize the administration for the inadequate wording, not to mention insufficient effort in this direction. See A. Gritsenko. *Chto poobeshchala NATO ukrainskaia vlast*? (What have the Ukrainian authorities promised NATO?) *Zerkalo Nedeli*, 25–31 January 2003.

[37] US Ambassador to Ukraine Carlos Pascual recently stated his assumption that in 2006 NATO would take a decision on the third wave of enlargement and that in 2008 Ukraine may "hypothetically" become a member. *Ukrains'ka Pravda*, 12 February 2003, website visited 13 February 2003.

[38] J. Sherr. Op. cit., p.141.

[39] Brussels did, however, withdraw its invitation to Kuchma to take part in the summit of the Alliance.

[40] In order to become NATO member, Ukraine will need to amend the Constitution to allow the deployment of allied troops. The present document, adopted in 1996, is based on the premise that Ukraine will remain a non-allied state; this was incorporated into preceding guideline foreign policy documents as a safeguard against potential attempts by Russia to drag the country into Collective Security System of the CIS. The Constitution prohibits foreign military bases on Ukraine's territory, with one provisional exception made specifically to allow the temporary accommodation of the Russian Black Sea Fleet. Given the attitudes of the population cited below, putting together a two-thirds majority in the parliament in favour of the amendment will not be easy.

[41] *Ukrains'ka Pravda*, 20 December 2002, website visited 23 December 2002.

[42] *Ukrains'ka Pravda*, 22 January 2003, website visited 23 January 2003.

[43] *Ukrains'ka Pravda*, 8 February 2003, website visited 10 February 2003. The polls cited were conducted by three different bodies. Absolute figures vary insignificantly, while trends coincide.

[44] Ukraine has never submitted a legally-binding application for membership, limiting itself to declarations.

[45] The question has, in fact, already been raised by the Deputy Secretary of Ukraine's Security and Defence Council, Sergiy Pirozhkov – in June 2002. *Nezavisimaya Gazeta,* 26 June 2002.

[46] About 30 % of respondents over the last two years say that the EU should be the highest item in Ukraine's foreign policy, while only about 3 % have the same opinion about the US. Maybe not coincidentally in this regard, Kuchma these days omits the US from the list of most important partners. See a report on his press conference in *Ukrains'ka Pravda*, 6 February 2003, website visited 7 February 2003. Opposition forces from different quarters were against sending a Ukrainian anti-chemical warfare battalion to the Persian Gulf after the US asked Ukraine to do so and the administration agreed to deploy the troops.

[47] I omit a rhetorical question as to whether democratic control over the armed forces is possible when the whole system of governance in the country is far from meeting democratic standards.

[48] J. Sherr. Op. cit., p. 142

[49] For details see I. Pidluska. Ukraine and EU. What Prospects for Integration? The EU and Ukraine…, pp. 183–197; EU Enlargement and Ukraine. Analytical report of the Ukrainian Center for Economic and Political Studies. *National Security and Defence*. N.11, 2001, pp. 2–38.

[50] Material can be found at the site of Ukrainian Ministry for Foreign Affairs. www.mfa.gov.ua

[51] In the conclusions of the Gothenburg summit of June 2001, Ukraine was mentioned in the section "The future of Europe", par. I, 14, unlike Russia, dealt with in the section "External relations". Presidency Conclusions. Gothenburg European Council, 15–16 June 2001.

[52] *Ukrains'ka Pravda*, 22 January 2003, website visited 23 January 2003.

[53] http://europa.eu.int/comm/external_relations/ukraine/intro/index.htm#tra

[54] Naturally, when an interest is seen as one of priority, the EU earmarks significant funds, and this helps to ensure reciprocity. In 2000 the Union committed 430 million euros to the Chernobyl shelter fund.

[55] The Wider Europe initiative suggests replacing the EU Common Strategy on Ukraine of 1999 with an Action Plan. This is obviously an attempt to avoid admitting the fact that implementation of the Strategy failed, analysing why it failed and initiating the policy all over again.

[56] I. Pidluska. Justice and Home Affairs Beyond Enlargement. What Kind of Border? The EU and Ukraine…, p. 243.

[57] Recent events have shown that conditionality might work in Ukrainian case. The Ukrainian parliament was tardy in amending the country's laws in accordance with recommendations of the FATF – Financial Action Task Force on Money Laundering. In January 2003, the FATF recommended that its members should introduce sanctions against Ukraine. By mid-February, the Rada had adopted all the necessary amendments. Implementation of the new legislation will be monitored at least until the end of 2003.

[58] In the wording of the communiqué: "in return for concrete progress demonstrating shared values and effective implementation of political, economic and institutional reforms, including aligning legislation with the *acquis*", the Commission offers the New Neighbours only a stake in the EU's Internal Market and promotion of the free movement of persons, goods, services and capital. Wider Europe…, pp. 5, 10.

[59] *Ukrain'ska Pravda*, 13 February 2003, website visited 14 February 2003. Ukrainian Foreign Minister Anatoliy Zlenko asked Hungary to follow in Poland's footsteps. *Ukrain'ska Pravda*, 25 February 2003, website visited 26 February 2003.

[60] In October 2002 an international conference was held in Warsaw, in the course of which Polish Prime Minister Leszek Miller proposed the organization of a dialogue between Ukraine's president and the opposition. Kuchma called this "interference in the internal affairs of Ukraine". *Ukrain'ska Pravda*, 8 October 2002, website visited 10 October 2002. It cost Poland some effort to repair the diplomatic damage.

DO YOU WANT TO KNOW MORE?

Since gaining independence in 1991, Ukraine has been given due attention in the academic world. A considerable amount of literature has been produced on various aspects of Ukraine's internal and foreign policy. However, until very recently, Ukraine's relations with the European Union and the country's place in Europe were largely outside the area of special focus. Two books of the highest analytical quality, Sherman Garnett's ***"Keystone in the arch: Ukraine in the emerging security environment of Central and Eastern Europe"*** (Washington DC, Carnegie Endowment for International Peace, 1997) and Tor Bukkvoll's ***"Ukraine and European Security"*** (London, Royal Institute of International Affairs, 1997), can be used to illustrate the fact that Ukraine's domestic situation and its relations with neighbours were approached through a security prism – this can be seen already in the titles of the books.

The growth of interest in the role that Ukraine could play in the sphere of energy transit resulted in a series of publications dealing more with general problems of the Ukrainian economy and consequently providing more detail on the country's economic ties with some EU member states. ***"Ukraine on the Road to Europe"***, edited by Lutz Hoffmann and Felicitas Moellers (Heidelberg, Physica-Verlag, 2001), is particularly recommendable in this regard.

But only the approaching EU enlargement made it necessary both for Ukrainian and European scholars to assess the bilateral relations in all their complexity. Ukrainian experts produced a report entitled ***"EU enlargement and Ukraine"*** (National Security and Defence, Kyiv, n.11, 2001) that analysed the positive and negative impact of the EU's appearance on Ukraine's western border, public attitudes towards the forthcoming changes, and possible strategies that Ukraine could follow. Edited by Ann Lewis, ***"The EU and Ukraine: neighbours, friends, partners"*** (London, Federal Trust, 2002) is an attention-worthy compilation providing good coverage of a range of topics that go beyond EU–Ukraine relations proper. A conference report entitled ***"Ukraine: our new neighbour"***, edited by Rikke Kjærullf-Jørgensen (Copenhagen, Danish Institute of International Affairs, 2002), is not only an indication of re-emerging interest in Ukraine but also a good, concise and up-to-date collection of articles on Ukraine's agenda of today.

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Ukraine in tomorrow's Europe

Arkady Moshes

This FIIA report addresses the issue of European integration of European Union's biggest New Neighbour, Ukraine, which will in the coming years test the ability of the enlarged Union to adopt and implement long-term foreign policy strategies.

The report argues firstly that, if left to its own devices, Ukraine is unlikely to complete the transformation in the direction of a functioning market economy and democracy. This speaks for the consistent application of conditionality in EU policy.

Secondly, to fully uncouple the EU's Ukrainian strategy from that pursued *vis-à-vis* Russia will not be feasible, and this conclusion means that deepening trilateral co-operation is required in several areas.

Thirdly, Ukraine's co-operation with NATO, which is likely to develop, will be of little relevance for the country's relations with the EU.

Fourthly, the New Neighbours policy, which is a fair medium-term approach to the area as long as it does not raise false expectations of countries that are not yet ready for membership, makes sense in the long run only if it aims to bring the neighbours closer rather than to avoid responsibility. In this connection it is recommended that recognition of the possibility that Ukraine may join the Union in the distant future should be instrumentalized explicitly and unconditionally as an incentive for change and in preparation for greater EU involvement in the country. At the same time, a set of practical measures should be applied in order to ensure reform in Ukraine, regardless of whether in two decades it is given a seat at the table in Brussels or remains "just" a neighbour.

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