
THE EUROPEAN UNION NEIGHBOURHOOD POLICY TOWARDS UKRAINE

Linas Linkevičius*

Abstract

Ukraine with its size, population, geopolitical standing and ambivalent external orientation is an important element in evaluating the impact of European Union (EU) initiatives in the former Soviet Union. The post-“Orange revolution” developments have only strengthened this ambition. This country constitutes a critical test case and challenge for the viability and success of the EU’s neighbourhood policy. The present article provides an extensive study on the development of the European Neighbourhood Policy (ENP) towards Ukraine. It presents an analysis of the evaluation of the relations between Ukraine and the EU, and the role of Russia as an obstacle in the rapprochement of Ukraine and the EU. The analysis also accurately presents the role of other EU member-states concerning the issue of EU enlargement.

Introduction

In recent years, the EU’s role as a regional power in “the wider Europe” has become one of the main priorities of EU foreign policy. As mentioned in the European Security Strategy, the EU needs to extend the benefits of economic and political cooperation to its neighbours in the East while tackling political problems there and enlargement should not create dividing lines in Europe.¹ The ENP has established an overall strategy for all neighbouring countries, with the aim of creating a “ring of friends” around the Union.² The ENP marks a step towards creating a more coherent approach, but it provides a more general

* **Linas Linkevičius** is a Desk Officer of International Operations Section in International Relations and Operations Department at the Ministry of National Defence of the Republic of Lithuania, Vilnius. E-mail: linas.linkeviccius@kam.lt. The article is based on the core paper which was completed during the International Training Course at the Geneva Centre for Security Policy in 2008.

¹European Union, *European Security Strategy: A Secure Europe in Secured World*, 12 December 2003, <<http://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf>>.

²The European Neighbourhood Policy was first outlined in a Commission Communication on Wider Europe in March 2003, followed by a more developed Strategy Paper on the European Neighbourhood Policy published in May 2004. This document sets out in concrete terms how the EU proposes to work more closely with these countries. As part of its report on implementation, in December 2006, the Commission put forward proposals as to how the policy could be further strengthened, and on 5 December

framework, which does not as such help to address the specific challenges in the Eastern neighbourhood.³ The formulation of an EU policy towards these region countries was further complicated by their close ties with Russia, which was determined to keep the former Soviet areas within its sphere of influence.

The ENP, as an alternative mechanism designed to offer coherent policy-making in the cross-pillar context of relations with the EU's strategically important neighbours, does not rely on new instruments but rather offers a way of integrating existing instruments via "soft" frameworks (European Council and Council Conclusions and Commission policy papers among others), with a view to enhancing security and stability at its periphery.⁴ The main objective of the ENP is the mutual interest of the EU and its neighbours in promoting reform, the rule of law, stable democracies and prosperity – prosperity, security and stability – throughout the neighbourhood of the enlarged European Union.⁵

Ukraine is the most vocal state in the neighbourhood proclaiming its desire to join the EU. Ukraine remains the EU's leading partner in the Eastern neighbourhood, and negotiations have already begun on an enhanced agreement, which should cover deep free trade, visa facilitation, energy dialogue, cooperation in justice and home affairs and links to the Common Foreign and Security Policy (CFSP).⁶ Ukraine's democratic progress has been rather good, although its achievements have not been consolidated yet.

In the words of Commissioner Ferrero-Waldner, "the ENP is not an enlargement policy. It does not close any doors to European countries that may at some future point wish to apply for membership, but it does not provide a

2007 the following document was issued: Communication from the Commission A Strong European Neighbourhood Policy.

³ Altogether, the EU's policies towards the East cover 12 countries which we can divide into four categories of countries: (1) Russia, (2) Ukraine, Belarus and Moldova, (3) three South Caucasus countries – Armenia, Azerbaijan and Georgia, and (4) five CIS countries in Central Asia. The Eastern dimension of the ENP naturally includes Ukraine, Belarus, Moldova and three South Caucasus countries.

⁴ Copsy N. and Mayhew A., "European Neighbourhood Policy: the Case of Ukraine", *SEI Seminar Papers Series No1. 2006 Sussex European Institute*, < http://www.sussex.ac.uk/sei/documents/sei_seminar_papers_n_o1_.pdf>, 03 04 2008.

⁵ European Commission, The Policy: Frequently asked questions, European Neighbourhood Policy <http://ec.europa.eu/world/enp/faq_en.htm>.

⁶ Emerson M., Noutcheva G. and Popescu N., "European Neighbourhood Policy Two Years On: Time indeed for an "ENP plus"", *CEPS Policy Brief No126, March 2007, Centre for European Policy Studies*, <http://shop.ceps.eu/download.php?item_id=1479>.

specific accession perspective either”.⁷ It is predicated that enlargement is not anticipated for these countries, many of which are not in, or seen as being in, Europe, but that the EU has strong interest in creating a framework within which to export much the same peace building effect that enlargement has produced.⁸ The practical benefits of the prospect of membership have been proven by the successful transition of Poland, the Baltic states and other new EU members. Once the pre-accession process is underway, it creates a strong motivation and determination in the candidate states, especially in neighbouring countries to carry out political and economic reforms. From the very beginning, one of the central aims of European integration has been securing peace in Europe. In that respect, enlargement has been one of the most successful EU policies.⁹ Even though it is understood in Ukraine, for example, that the adoption of EU norms is necessary for the country in any case, having the perspective of membership would create an incentive of unique strength. The candidate status also confers very concrete economic gains such as increased foreign investments and trade, which are spurred on by an improvement in political stability and the rule of law.

This paper will concentrate on the perception of the European Neighbourhood Policy towards Ukraine from both parties: the EU and Ukraine. Analysing the official EU documents, independent analytical materials and statistical data we will try to find important factors which could accelerate (the role of new member states in EU-Ukraine relations) or determine (i.e. Russia) current relations between the EU and Ukraine and to predict future developments.

⁷ Ferrero-Waldner B., “To launch first seven Action Plans under the European Neighbourhood Policy”, Press Conference, 9 December 2004, <http://ec.europa.eu/external_relations/news/ferrero/2004/sp04_529.htm>.

⁸ Crisis Group, *EU Crisis Response Capability Revisited*, Europe Report No160, 17 January 2005, <<http://www.crisisgroup.org/home/getfile.cfm?id=1614&tid=3220&type=pdf&l=1>>.

⁹ Rehn O., “A stronger Europe through deepening and widening”, *EPP Conference on Enlargement and consolidation of the European Union*, 8 April 2008, <<http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/08/184&format=HTML&aged=0&language=EN&guiLanguage=en>>, 21 03 2008.

1. The EU's agenda towards Ukraine

In the Partnership and Cooperation Agreement (PCA) of 1 April 1998 the EU and Ukraine committed themselves to establishing a partnership which provides for close political and mutually beneficial trade and investment relations together with economic, social, financial, civil scientific, technological and cultural cooperation.¹⁰ Following the events which led to the “Orange revolution” at the end of 2004, under President Yushchenko Ukraine has pursued an agenda of ambitious reforms in order to root democracy and the market economy firmly in the country. Of the new EU Eastern neighbours, the question of offering the prospect of membership is most urgent in the case of Ukraine. The country has been requesting it for many years, but while political and other criteria remained far from fulfilment, it was fairly easy and justifiable for the EU to say “no”.¹¹ The “Orange revolution” and the victory of democratic forces in the presidential election of late 2004 changed many things. The strong expression of commitment to democracy and the “European choice” made by Ukrainians during the “Orange revolution” came as a surprise to the EU and most outside observers. The new president, Viktor Yushchenko, has defined membership of the EU as a top priority under his leadership. Ukraine has been seeking EU membership since Yushchenko came to power, when he has declared that Ukraine aims to start accession negotiations in 2007, but it didn't happen.¹²

After “Orange revolution” EU foreign policy chief Javier Solana and external relations Commissioner Benita Ferrero-Waldner stated that Ukraine had made a “strategic choice” for reform and Yushchenko's inauguration opened up new possibilities, so there is a need to “find the right actions to support this choice in concrete terms”.¹³ Nonetheless, the Union has so far refused to treat Ukraine as a potential member state. It underlined that the adopted Action Plan offers

¹⁰ European Commission, *Ukraine Country Strategy paper 2007-2013*, European Neighbourhood and Partnership Instrument, <http://ec.europa.eu/world/enp/pdf/country/enpi_csp_ukraine_en.pdf>.

¹¹ Gromadzki G., Lopata R. and Raik K., “Friends or Family? Finnish, Lithuanian and Polish perspectives on the EU's policy towards Ukraine, Belarus and Moldova”. *FIIA report 2005. The Finnish Institute of International Affairs*, <http://www.upi-fiaa.fi/document.php?DOC_ID=127#FIIA-report_12.pdf>.

¹² Brand C., “Ukrainian President Viktor Yushchenko called on the European Union to commit by 2007 to membership talks for his country”. *Associated Press*, 26 January 2005.

¹³ On 24 January 2005 Mr Javier Solana, High Representative for the Common Foreign and Security Policy and Mrs Benita Ferrero-Waldner, Member of the European Commission sent a letter addressed

enough substance and concrete goals for the relationship. According to some analysts, there are several reasons why the EU is reluctant to speak about membership for the new Eastern neighbours. Firstly, Ukraine, as well as Moldova and even more obviously Belarus, are far from satisfying the membership criteria. Secondly, there is serious concern about the ability of the Union to absorb an ever-increasing number of members. It is feared that the EU will simply not be able to function with over 30 member states (including the Western Balkans countries that are already seen as potential members). Thirdly, there is a considerable amount of “enlargement fatigue” in the Union, coupled with a feeling that the focus should now be on the still remaining candidates (i.e. Croatia) and the development of existing policies and structures. And last but not least, the EU – especially some of the big member states – is concerned about the views and reactions of Russia.¹⁴

The EU offers for its neighbours a privileged relationship, building upon a mutual commitment to common values (democracy and human rights, rule of law, good governance, market economy principles and sustainable development), however the most important factor – future membership in the EU – is not an objective in this case. Already mentioned analysts argue that the main common denominator in the ENP is the extension of EU values and norms to neighbours through conditionality. Whereas conditionality has worked effectively for countries that have had membership within reach, there is no evidence of effective conditionality in other EU external relations. They notice how the ENP without membership on offer can avoid establishing new divisions in Europe.¹⁵

According to Andrei Zagorski the instruments of conditionality developed and applied by the EU towards the Commonwealth of Independent States (CIS) have generally not proved to be efficient. In many cases the EU was unable to use its leverage to make a difference in the region, especially when developments in the CIS went wrong. In particular, the linkage between democrati-

to Mr Jean Asselborn, Minister for Foreign Affairs of the Kingdom of Luxembourg related to concrete proposals for ways to strengthen cooperation with Ukraine.

¹⁴ Gromadzki G., Lopata R. and Raik K., “Friends or Family? Finnish, Lithuanian and Polish perspectives on the EU’s policy towards Ukraine, Belarus and Moldova”. *FILA report 2005. The Finnish Institute of International Affairs*, <http://www.upi-fia.fi/document.php?DOC_ID=127#FIIA-report_12.pdf>.

¹⁵ Ibid.

zation, cooperation and technical assistance from the EU, which was build into the concept of the PCAs, has not worked as well as initially hoped.¹⁶

Though Ukraine lacks official status as a candidate country, many observers are of the view that the Ukraine will, one day, join the EU. 55% of all respondents in Germany, France, Italy, Spain, Poland, and the UK say that they would be in favour of Ukraine joining the EU with around a third (34%) saying they would be against. It is important to note, however, that there is greater support within the EU for Ukraine's accession than there is for Turkey's (40%).¹⁷ To date, the EU's reaction to the "Orange revolution" has been very modest in terms of concrete policy proposals. Notable shifts have taken place, however, with respect to preparing visa facilitation, starting consultations on a new enhanced agreement, strengthening dialogue on energy issues, and promoting people-to-people contacts. One of the main practical priorities of EU-Ukrainian relations now is to move towards a free trade area. In order to advance in this issue, Ukraine first had to receive market economy status (the EU in 2005 and the US in 2006 have granted Ukraine market economy status) and join the WTO (Ukraine became the full-fledged 152nd member of the World Trade Organization on 16 May 2008).

The EU is the Ukraine's largest trading partner and its largest market, it has replaced Russia as Ukraine's foremost commercial partner and accounts for about one third of its external trade. In 2006, Ukraine's total trade in goods with the 25 countries of the EU amounted to around 26.6 billion euros, a figure which has been growing steadily since the economic crisis in 1998 and which constitutes 9% growth year over year. The EU is by far the largest foreign investor in Ukraine with its growing share every year (71.7% by the end of 2005). Foreign direct investment flow from EU 25 amounted to 5.5 billion euros in 2006 compared to just above 230 million euros in 2003.¹⁸ However there is huge trade disbalance between the EU and Ukraine – in 2006 the EU absorbed 25% of Ukraine's exports worth 8.7 billion euros and provided 42%

¹⁶ Zagorski A., *Policies towards Russia, Ukraine, Moldova and Belarus*, In *European Union Foreign and Security Policy: toward a neighbourhood strategy*, edited by R. Dannreuther, 2004, p. 79-97. Routledge.

¹⁷ Yalta European Strategy, *Yalta European Strategy Survey, January 2007*, <http://yes-ukraine-old.finport.net/en/survey/January__2007.html>.

¹⁸ European Commission, *Bilateral Trade Relations with Ukraine*, <http://ec.europa.eu/trade/issues/bilateral/countries/ukraine/index_en.htm>.

of its imports worth 17.8 billion euros.¹⁹ Ukraine made significant progress in achieving more predictable and safer investment climate, which is essential to attract higher levels of investment. However, according to the European Commission, further improvements to this end are necessary. The main obstacles faced by EU investors so far has been frequent changes in regulations, lack of transparency, failings in implementation and enforcement of laws, discriminatory regulation and corruption.²⁰

In 2006, the European Commission proposed a new enhanced agreement with the Ukraine that would include the negotiation of a free trade area to strengthen the economic integration between the two economies. WTO membership is the necessary foundation for such an agreement.

Some analysts argue that Ukraine should no longer participate in the ENP, a policy initiative where the majority of its members are not within geographic Europe.²¹ As Charles Grant pointed out, Ukraine's continued membership in the ENP should be premised on a status different to ENP members who are not in Europe and therefore have no legal right under the 1957 Rome Treaty to join the EU.²² Geographic distribution of the ENP members reflects the fact that the EU's policy towards Ukraine is ill conceived.²³ ENP members include non-European states in Northern Africa and the Middle East as well as three European countries: Ukraine, Moldova, Belarus and three countries from South Caucasus²⁴ – Armenia, Azerbaijan and Georgia. The ENP does not include the

¹⁹ European Union, "EU and Ukraine agree terms for Ukrainian WTO accession", *Press Releases IP/08/57*, 17 January 2008,

<<http://www.europa.eu/rapid/pressReleasesAction.do?reference=IP/08/57&format=HTML&aged=0&language=EN&guiLanguage=en>>.

²⁰ European Commission, *Bilateral Trade Relations with Ukraine*, <http://ec.europa.eu/trade/issues/bilateral/countries/ukraine/index_en.htm>.

²¹ "Strategy And Tactics Of Euro-Atlantic Integration", *Kiev Ukraine News Blog* 13 January 2008. <<http://blog.kievukraine.info/2008/01/strategy-and-tactics-of-euro-atlantic.html>>.

²² According to Charles Grant, article 49 of the EU's Rome treaty limits membership to "European" countries. North African countries are not in Europe and so cannot join. Grant C., *Europe's blurred boundaries, Rethinking enlargement and neighbourhood policy*. Centre for European Reform, October 2006, <http://www.cer.org.uk/pdf/p_696_boundaries_grant_29.pdf>.

²³ Orange Ukraine, *Euro-Atlantic Intergration and European Intergration*, January 10 2008, <<http://orangeukraine.squarespace.com/journal/2008/1/10/ukraine-euro-atlantic-intergration-and-european-intergration.html>>.

²⁴ In 2004 EU has included Armenia, Azerbaijan and Georgia in the ENP. According to the Crisis Group Report (2006), the increased EU activity in this region was proposed mostly due to the unresolved Nagorno-Karabakh, Abkhazian and South Ossetian conflicts which have the potential to ignite into full-fledged

Western Balkans (with Stabilization and Accession Agreements, and declared membership perspective) or Turkey (a candidate for membership since 2005) while Russia has excluded itself, preferring to conduct a bilateral relationship with the EU.

From the EU perspective the country-specific approach within the ENP provides flexibility and differentiation, and there are as many possible responses as there are partner countries. According to Communication from the Commission “A Strong European Neighbourhood Policy” the enhanced agreement currently being negotiated with Ukraine, the ongoing discussions with Morocco on an “advanced status” and with Israel on an upgrading of relations demonstrate this differentiation. The further the policy evolves, the more pronounced this differentiation will become.²⁵

According to Benita Ferrero-Waldner, European Neighbourhood Policy is a strategic policy to support the reform agenda in EU partner countries and bring more prosperity and stability to Europe’s neighbourhood. The implementation of Action Plans is supported by significant EU assistance, through the new European Neighbourhood and Partnership Instrument, the EU will provide almost 12 billion euros in grant assistance in the neighbourhood until 2013. That is 32% more than in the previous financial framework to support reform priorities and build stronger Cross-Border Cooperation.²⁶ In 2007, 144 million euros in EC assistance has been allocated for Ukraine (120 million euros under the National Programme and 22 million euros from the Governance Facility). EC National assistance budgets to Ukraine have tripled over the last years from 40 million euros in 2002 to 120 million euros in 2007.²⁷ In Table 1 we can find data about European Commission assistance to Ukraine from 1991 to 2006.

wars in Europe’s neighbourhood. However, geographic proximity, energy resources, pipelines and the challenges of international crime and trafficking make stability in the region a clear EU interest.

²⁵ European Commission, *A Strong European Neighbourhood Policy*, Communication from the Commission, COM(2007) 774 final, <http://ec.europa.eu/world/enp/pdf/com07_774_en.pdf>.

²⁶ Ferrero-Waldner B., “The European Neighbourhood Policy and the Regions”, Structured Dialogue – Committee of the Regions. SPEECH/07/829, 18 Decembre 2007, <<http://www.europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/07/829&format=PDF&aged=0&language=EN&guiLanguage=en>>.

²⁷ European Commission, *The European Neighbourhood Policy Fiches on Partners*, ENP Conference On Strengthening the ENP, 3 September 2007, <http://ec.europa.eu/world/enp/pdf/enp-country-2006_en.pdf>.

Table 1. EC assistance to Ukraine, 1991-2006 (in million euros)*²⁸

	1991-1998	1999	2000	2001	2002	2003	2004	2005	2006	Total
TACIS National Programme	407**	38.6	48	43	47	50	70	88	100	892
TACIS Nuclear Safety (incl. Chernobyl Shelter Fund and UKR G7 Action Plan)***	304	50.3	3.5	69.4	44	46.6	34.3	28.4	40.3	621
TACIS Cross-border Co-operation****		5.2	1	5.5	0.5	3	3	18	4	40.2
TACIS Regional Programme****		3.7	6	9.1	10.5	6	6	8.7	tbc	50
Fuel gap	-	-	25	20	20	-	-	-	-	65
ECHO (humanitarian assistance)	12	6.3	1.3	0.9	0	-	-	-	-	20.5
Macro-financial assistance (loan)	565	-	-	-	110	-	-	-	-	675
Human rights (EIDHR)		0.2	-	1.3	0.6	0.6	0.5	1.8	0.95	5.95
Migration (AENEAS)	-	-	-	-	-	1.3	-	1.5	tbc	2.8
Anti-landmines	-	-	-	-	-	-	7	-	-	7
Contribution to STCU		3	4.5	4	4	4	4	5.5	5	34
Total	1288	107	89.3	153	237	112	125	152	150	2413

* 2006 figures indicative and not available for each item

** Overall figure for technical assistance in 1991-98 (mostly Tacis) Source: AIDCO A/1

*** Includes both national projects and estimated share of multi-country projects, 2005 and 2006 Chernobyl allocations still subject to possible modifications.

**** Estimated pro-rata share for Ukraine in cross-border and regional programmes.

Ukraine is seen as an important actor which could have a positive impact in solving the Transnistria conflict. EU identifies important role of Ukraine in strengthening co-operation on regional and international issues, conflict prevention and crisis management. According to the EU-Ukraine Action Plan, “Ukraine will continue its constructive efforts as mediator in the settlement process to solve the Transnistria conflict in Moldova”.

Therefore, the question why is it important for the EU to recognise Ukraine as a major regional player in relation to other Eastern neighbours of the Un-

²⁸ European Commission, *Ukraine Country Strategy paper 2007-2013*, European Neighbourhood and Partnership Instrument, <http://ec.europa.eu/world/enp/pdf/country/enpi_csp_ukraine_en.pdf>.

ion pertains to several important reasons. Firstly, the already-mentioned strategic importance for the EU to strengthen and ensure prosperity and security in the neighbouring countries. Secondly, the settlement of frozen conflicts in the Eastern neighbourhood with the valuable support from Ukraine.²⁹ Thirdly – the security of energy supply to the EU countries from Russia through Ukraine. It could be one of the most important issues in relations between EU and Ukraine. As mentioned in the European Security Strategy, energy dependence is a special concern for Europe. Europe is the world's largest importer of oil and gas. Imports account for about 50% of energy consumption today. This will rise to 70% in 2030. Most energy imports come from the Gulf, Russia and North Africa.³⁰

Jose Manuel Barroso, President of the European Commission, stated that reinforcing energy security in the EU-ENP area is a key priority for cooperation with EU neighbourhood partners. At the European Neighbourhood Policy Conference on 3 September 2007, he put forward Ukraine as an excellent example how to develop strong energy relations in this region.³¹ A Memorandum of Understanding (MoU) on energy between the EU and Ukraine was signed in December 2005 and is presently being implemented. This MoU foresees increased cooperation in this area and the potential future integration of EU and Ukraine energy markets – this will increase Ukraine's ability to introduce crucial reforms in the gas, oil, coal and electricity sectors and help bring the safety of Ukraine's nuclear power plants in line with international standards. As stated in the Communication from the Commission to the Council and the European Parliament "An Energy Policy for Europe", the Energy Community Treaty³² already acts as the basis for an emerging regional energy market, and

²⁹ First of all it pertains to the Transdnistria conflict where the EU and Ukraine need to cooperate closely. The Border Assistance Mission (EUBAM), launched in December 2005, helps with the management of the Moldova and Ukraine border, including with the implementation of the Joint Customs Agreement of 2006. EUBAM assists in addressing issues such as smuggling, illegal trafficking, including of human beings, and also makes a contribution to finding a solution to the Transnistrian conflict.

³⁰ European Union, *European Security Strategy: A Secure Europe in Secured World*, 12 December 2003. <<http://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf>>.

³¹ Barroso J.M.D. "Shared challenges, shared futures: taking the neighbourhood policy forward", European Neighbourhood Policy Conference, 3 September 2007.

³² The Energy Community is a process that aims to extend the EU internal energy market to the South East Europe region. The Energy Community Treaty was signed in Athens on October 25, 2005. The main goals are to create a stable and regulatory market framework capable of attracting investment; to

should seek to extend gradually beyond the EU and the Western Balkans to incorporate neighbours like Moldova, Norway, Turkey and Ukraine.³³

The year 2008 for the EU will be challenging because of the necessity to re-new relationship with Ukraine (as well as other two partner countries – Moldova and Israel). According to the new EU strategy paper on ENP published on 5 December 2007, a roll-over of the current Action Plans for one year, with no change in substance, appears to be the most pragmatic way of continuing work on the Action Plans, pending the outcome of the negotiations of a new agreement with Ukraine (or any possible future arrangements with the Republic of Moldova and Israel). In any event, Action Plans are updated by agreement between the parties when this is required to maintain their operational value.³⁴ It means that the EU does not have a clear vision on how to continue the partnership with Ukraine so far, and did not formulate a policy for future cooperation with Eastern neighbours. At least there is no decision yet made to propose a membership perspective for Ukraine. A new agreement with Ukraine will much depend on the coalitions between countries inside the EU, between countries which support Ukraine's closer and faster integration process in the EU and those countries which want to slow down this process.

2. The role of new member states in EU-Ukraine relations

The discussion over a specific policy towards the new Eastern neighbours that came to border the EU in May 2004 started well before the first Eastern enlargement. The views inside the EU and among the former candidate countries have been divided ever since the Eastern neighbourhood issue appeared on the EU's agenda in 2001. The Eastern candidate countries (currently new members) favoured the idea of a separate Eastern policy or "Eastern Dimension" – with reference to the Finnish Northern Dimension (ND) initiative that

create a single regulatory space for trade; to enhance security of supply; to improve the environmental situation and to develop electricity and gas market competition on a broader geographical scale.

³³ European Commission, *An Energy Policy for Europe*, Communication from the Commission to the Council and the European Parliament, COM(2007) 1 final.

³⁴ http://ec.europa.eu/energy/energy_policy/doc/01_energy_policy_for_europe_en.pdf.

³⁴ European Commission, *A Strong European Neighbourhood Policy*, Communication from the Commission, COM(2007) 774 final, <http://ec.europa.eu/world/enp/pdf/com07_774_en.pdf>.

had been established as an EU policy in the late 1990s. The strongest proponent of the Eastern dimension was Poland.³⁵

Even before Poland's entry into the EU, Polish authorities tried to submit proposals concerning the EU's Eastern policy. In 2002, the Polish Ministry of Foreign Affairs prepared a non-paper on EU policy towards Eastern neighbours where it outlined the Eastern Dimension concept.³⁶ The geographical scope of the Eastern Dimension included Ukraine, Belarus, Moldova and Russia. It was quite evident that the paper prioritized relations with Ukraine, Belarus and Moldova, whereas Russia played a secondary role. Yet, the Eastern Dimension concept proposed by Poland failed due to the Wider Europe concept accepted by the EU before Poland's accession to the Union. After joining the EU Poland's activities towards Eastern neighbours stayed the same: this country's government continues to support further EU enlargement beyond its borders, with special focus remaining on Ukraine. President Lech Kaczynski on repeated occasions is continuing to confirm that his country is interested that "doors to Europe" be open for Ukraine, and that the European Union broaden in future, it means that Poland's policy concerning Ukraine remains unchanged.³⁷ Poland provides assistance to Ukraine of approximately 3-4 million euros per annum, in particular in the following areas: public administration reform, support for local government and economic reforms.³⁸

Lithuania is also seen as strong advocate for faster and closer integration of the Eastern European countries in the EU. Lithuanian President in its State of the Nation Address in 2008 reiterated that his country will continue to support Ukraine's "aspirations to join the family of European nations as fully fledged members".³⁹ According to the FIIA Report, Lithuania started to develop its vision for future relations with Belarus, Ukraine and Moldova at the turn of 2002. This vision was based upon what had been achieved in Lithuania and in the region during the previous decade, and it was structured around three main

³⁵ Cimoszewicz W., "The Eastern Dimension of the European Union. The Polish View", The EU Enlargement and Neighbourhood Policy Conference, 20 February 2003, <<http://www.ms.gov.pl>>.

³⁶ Ibid.

³⁷ UNIAN, "Poland to support Ukraine's EU membership in future", 17 January 2008. <<http://www.unian.net/eng/news/news-231332.html>>.

³⁸ European Commission, *Ukraine Country Strategy paper 2007-2013*, European Neighbourhood and Partnership Instrument, <http://ec.europa.eu/world/enp/pdf/country/enpi_csp_ukraine_en.pdf>.

³⁹ Adamkus A., "State of the Nation Address to the Seimas of the Republic of Lithuania by H. E. Mr. Valdas Adamkus, President of the Republic of Lithuania", 2008.

goals. First, Lithuania's borders should be among the most friendly and cooperative in all Europe. Second, the common interests with the Eastern neighbours in regional economic growth and prosperity must be strengthened. Third, it is in Lithuania's foremost interests that its neighbours are democratic and peaceful both internally and in their relations with other neighbours.⁴⁰

During Ukrainian political crisis in 2004 Poland and Lithuania, already as EU member states, played a significant role in negotiations. Their contribution was very crucial not just for the solving crisis itself, but it also showed the ability of the new EU member states to bring added value to the ENP. However, it would be unfair not to mention the other EU countries which support Eastern dimension of the ENP as well. Also the most obvious partners are the other Baltic, Nordic and Visegrad⁴¹ countries that have already developed relatively active bilateral relations with Ukraine, Belarus and Moldova and have taken a similar, proactive position towards this area in the EU. From the EU-27 Sweden, the United Kingdom (UK), Denmark, Germany, the Netherlands, the Slovak Republic and Poland provide assistance to Ukraine.⁴² Assistance is focused on strengthening democracy, economic and social reform, and the environment, HIV/AIDS and public administration reform, independent media, combating human trafficking, and so forth.

It is crucial to include Germany in the group of countries promoting the EU's policies in the East. Without the backing of Germany, the Eastern and Northern member states would hardly be able to receive sufficient support for their positions in the Union.⁴³ Germany has developed intensive bilateral cooperation with Ukraine since the beginning of the 1990s to help strengthen democracy, the rule of law and market economy reforms. From 1993 to 2004, the Federal Government granted Ukraine support totalling approximately 115

⁴⁰ Gromadzki G., Lopata R. and Raik K., "Friends or Family? Finnish, Lithuanian and Polish perspectives on the EU's policy towards Ukraine, Belarus and Moldova". *FIIA report 2005. The Finnish Institute of International Affairs*, <http://www.upi-fiaa.fi/document.php?DOC_ID=127#FIIA-report_12.pdf>.

⁴¹ The Czech Republic, Hungary, Poland and Slovakia.

⁴² "Friends or Family? Finnish, Lithuanian and Polish perspectives on the EU's policy towards Ukraine, Belarus and Moldova". *FIIA report 2005. The Finnish Institute of International Affairs*, <http://ec.europa.eu/world/enp/pdf/country/enpi_csp_ukraine_en.pdf>.

⁴³ Gromadzki G., Lopata R. and Raik K., "Friends or Family? Finnish, Lithuanian and Polish perspectives on the EU's policy towards Ukraine, Belarus and Moldova". *FIIA report 2005. The Finnish Institute of International Affairs*, <http://www.upi-fiaa.fi/document.php?DOC_ID=127#FIIA-report_12.pdf>.

million euros under its TRANSFORM programme. The budget for 2005/2006 was 48 million euros.⁴⁴

Unlike new member states, France has opposed a drift towards the more authoritative expression of a “European perspective” (such as the one offered to the Balkans in 2000). France sees the upcoming negotiation about an enhanced agreement with Ukraine with the same reluctance. Although France, like Portugal and Spain, is particularly sensitive to this question, it is by no way isolated with its Mediterranean orientation.⁴⁵ The UK and Germany, which generally see the perspective of further Eastern enlargements more positively, recognize the present obstacles.

The last EU enlargement creates a clear shift of resources eastwards. During the next financial framework (2007-2013), the 100 million inhabitants of the new member states (including Bulgaria and Rumania) will receive 150 billion euros (only through regional funds). The 100 million inhabitants of the candidate countries (Turkey and the Balkans) will receive 10 billion euros (as pre-accession aids). And the 400 million inhabitants of the southern and Eastern neighbourhood (including Russia) will only receive 10,5 billion euros through the new neighbourhood instrument.⁴⁶

In Table 2 we can find the exact numbers of the EU assistance to the three Eastern neighbours (except South Caucasus) and compare them with the EC assistance to Russia, the whole Eastern neighbourhood, Poland and the Mediterranean region. There is considerable difference between EU support for Mediterranean countries through MEDA program and Eastern neighbours – Ukraine, Belarus, Moldova and Russia. The difference is approximately 1 billion euros per financial year period. For example in the period 2000-2003 East-

⁴⁴ European Commission, *Ukraine Country Strategy paper 2007-2013*, European Neighbourhood and Partnership Instrument, <http://ec.europa.eu/world/enp/pdf/country/enpi_csp_ukraine_en.pdf>.

⁴⁵ Historically, culturally and by geographical location, France is a Mediterranean country, a maritime power and has thus - along with other southern members of the EU - emphasized the southern dimension of the European Neighbourhood Policy. More specifically, it is concerned that the ENP can potentially create a divergence between the East (asking for a European perspective) and the South (being more and more left outside of European developments).

⁴⁶ Overhaus M., Maull H.W. and Harnisch S., “The New Neighbourhood Policy of the European Union, Perspectives from the European Commission, France, Germany, Poland, Ukraine and Moldova”, *Foreign Policy in Dialogue Volume 7 No19, 27 July 2006, A Quarterly Publication on German and European Foreign Policy*, <<http://www.deutsche-aussenpolitik.de/newsletter/issue19.pdf>>.

ern neighbours received through the TACIS program 1,3 billion euros, whereas MEDA total – 2,4 billion euros.

Table 2. EU assistance (millions euros) to the three Eastern neighbours (except South Caucasus), compared with assistance to Russia, the whole Eastern neighbourhood (TACIS), Poland and the Mediterranean region (MEDA).⁴⁷

	1991-1994	1995-1999	2000-2003	2004-2006	Planned 2007-2013	Total
Belarus*	61	93	52	16 (04-05)		222
Moldova*	73	92	73	n/a		238
Ukraine*	171	298	483	128 (04)		1 080
Russia*	865	1 426	711	n/a		3 002
TACIS total	1 757	2 464	1 300	1 800		7 321
Poland**	809	931	3 970	2 808		8 518
MEDA total	n/a	3 435	2 400	2 900		8 735
ENPI planned					14 900	14 900

* EU assistance to Belarus, Moldova, Ukraine and Russia includes the TACIS programme, macroeconomic assistance, humanitarian assistance and food delivery programmes.

** EU pre-accession assistance to Poland includes the PHARE, SAPARD and ISPA programmes.

3. Ukraine’s agenda towards the EU

The consensus about the European choice of Ukraine had been formulated in the Declaration about State Sovereignty of Ukraine adopted by the Parliament on 16 July 1990 and the resolution of the Verkhovna Rada “On implementation of the Declaration of State Sovereignty of Ukraine in Foreign Relations”, of 15 December 1990.⁴⁸ Ukraine’s attitude towards the EU was very clear from the very beginning, when the country became an independent state, and still it

⁴⁷ Gromadzki G., Lopata R. and Raik K., “Friends or Family? Finnish, Lithuanian and Polish perspectives on the EU’s policy towards Ukraine, Belarus and Moldova”. *FIIA report 2005. The Finnish Institute of International Affairs*, <http://www.upi-fiaa.fi/document.php?DOC_ID=127#FIIA-report_12.pdf>.

⁴⁸ Verkhovna Rada of Ukraine, “Declaration about State Sovereignty of Ukraine”, Passed by the Verkhovna Rada of the Ukrainian Soviet Socialist Republic, 16 July 1990. <http://gska2.rada.gov.ua/site/postanova_eng/Declaration_of_State_Sovereignty_of_Ukraine_rev1.htm>.

has very high public support – in a recent poll, more than 63% of Ukrainians said they were in favour of joining the bloc.⁴⁹ It is obvious that Ukraine would get many benefits from the membership, and economic for most. Ukraine's membership in the EU would probably have impact not just on this country's security situation, but also would spread values to those region countries, which aspire to a wider integration with the EU, for example to Moldova.

Ukraine wants a full membership in the EU and first of all it needs the same type of Association Agreement as the Europe Agreements offered to Central East European Countries. From the perspective of Ukraine, ENP is a disappointment because it includes the country into the same group as Morocco and other Mediterranean countries which do not have a clear European perspective (as is the case with Ukraine). Such a perception of the ENP was evident from numerous statements and comments by Ukrainian policy-makers and analysts.⁵⁰ As Iryna Solonenko points out, although the political elite in Ukraine was not satisfied with the long-term prospects of the ENP, it realized that without it and successful implementation of the ENP EU-Ukraine Action Plan any further rapprochement towards the EU, which ultimately includes an accession perspective for Ukraine, would be impossible. Therefore Ukraine accepted the ENP as a short-term and intermediate framework and has tried to make the best use of the opportunities offered by it.⁵¹

After "Orange revolution" Ukrainian government asked the EU to revise the ENP Action Plan and propose another one, adapted to the changed political situation in the country. Ukraine signed the ENP Action Plan supplemented with the 10 points on 21 February 2005.⁵² The signing of the ENP

⁴⁹BBC, "Ukrainians dream of EU future", 28 January 2008, <<http://news.bbc.co.uk/2/hi/europe/7212672.stm>>.

⁵⁰Overhaus M., Maull H.W. and Harnisch S., "The New Neighbourhood Policy of the European Union, Perspectives from the European Commission, France, Germany, Poland, Ukraine and Moldova", *Foreign Policy in Dialogue Volume 7 No19*, 27 July 2006, *A Quarterly Publication on German and European Foreign Policy*, <<http://www.deutsche-aussenpolitik.de/newsletter/issue19.pdf>>.

⁵¹Ibid

⁵²10 points were offered by the EU High Representative for Foreign Affairs, Javier Solana, and Foreign Commissioner Benita Ferrero-Waldner after the Orange Revolution. Without going as far as to offer a membership prospect to Ukraine, these 10 points offered to Ukraine new incentives such as EU support for Ukraine's WTO accession and granting Market Economy Status, the starting of negotiations on a facilitated visa regime for Ukrainians, increasing EU assistance, including in the fields of democracy, the rule of law, legislative approximation, support for the strengthening of civil society and people-to-people contacts, and additional funding from the European Investment Bank.

Action Plan marked the new stage of the approximation of laws process in Ukraine. For example in area of protection of human rights and fundamental freedoms the Ukrainian government took efforts to join multilateral conventions, Verkhovna Rada ratified the Council of Europe Civil Law Convention on corruption. Through ratifying this convention Ukraine obtained membership in the GRECO group (Council of Europe group of countries against corruption). In economic and social areas the Ukrainian executive and legislature made serious efforts to liberalise national services market and to accelerate structural reforms.⁵³ According to Joint Evaluation Report, over the three years of implementation of the EU Ukraine Action Plan, good progress has been made in numerous areas of cooperation: democratic parliamentary elections⁵⁴, the launch of negotiations on a new Enhanced Agreement, including a Free Trade Area as a core element, the finalisation and entry into force of agreements on visa facilitation and readmission⁵⁵, the launch and positive cooperation with the EU Border Assistance Mission, the close cooperation on energy issues and of most recently the finalisation of Ukraine's long accession process to the WTO.⁵⁶ In the field of energy, especially after gas supply conflict between Ukraine and Russia in 2006 and recently in March 2008, it is important to mention that Ukraine has paid off its debts to Russia for its gas imports and completely settled the accumulated debt for natural gas.⁵⁷

Former Ukrainian president Leonid Kuchma answering the question as to what extent Ukrainian membership of the EU would meet the country's inter-

⁵³ Copsey N. and Mayhew A., "European Neighbourhood Policy: the Case of Ukraine", *SEI Seminar Papers Series No1. 2006 Sussex European Institute*, < http://www.sussex.ac.uk/sei/documents/sei_seminar_papers_n_o1_.pdf>, 03 04 2008.

⁵⁴ OSCE-led International Election Observation Mission concluded that early parliamentary elections, which were held in Ukraine on 30 September 2007, were conducted mostly in line with international commitments and standards for democratic elections and confirmed an open and competitive environment for the conduct of election processes.

⁵⁵ The Verkhovna Rada of Ukraine, on 15 January 2008, ratified the agreement between Ukraine and the European Union on liberalization of visa regulations and readmission (the EU introduced a facilitated visa regime for Ukrainians on 1 January 2008 and has pledged to provide 30 million euros to Ukraine this year to set up accommodation centers for readmitted migrants).

⁵⁶ European Commission, *EU-Ukraine Action Plan*, Joint Evaluation Report, March 2008, <http://ec.europa.eu/external_relations/ukraine/docs/ukraine_eu_joint_evaluation_2008_en.pdf>.

⁵⁷ On 28 April 2008 Ukrainian Prime Minister Yulia Tymoshenko stated that Ukraine has paid off its debts to Russia for its gas imports and completely settled the accumulated debt for natural gas. Russian Prime Minister Viktor Zubkov stated that settling the debts opened the door for talks on a longer-term supply contracts (Reuters, 28 April 2008).

ests, stressed that before his country joins the EU Ukraine must tackle three basic tasks at home: first, become a viable state, second, have a competitive economy and, third, become a nation with an established national identity. Such integration presupposes an active policy not only towards the West but also towards the East and an all-round deepening of cooperation with Russia. The EU is not interested in having a Ukraine that is separated from Russia by a “Chinese wall”.⁵⁸

Ukraine’s policy towards European integration changed after the “Orange revolution” and has differed from the policy under Kuchma’s presidency. Besides, Ukraine’s so-called multi-vector foreign policy was rather contradictory.⁵⁹ A very evident example was Ukraine’s decision in September 2003 to join the Single Economic Space with Russia, Kazakhstan and Belarus, which envisaged the creation of a customs union and supranational institutions in the medium-term perspective. Kiev’s decision to operate the Odessa-Brody pipeline “in reverse mode” also met with clearly negative response. This decision contradicted declared Ukrainian objectives towards the EU.⁶⁰ After the “Orange revolution” and the signing of the ENP EU-Ukraine Action Plan in February 2005, the Ukrainian authorities made it clear that they were aware of the necessity to develop an internal dimension of the country’s European policy. There is the unity of all Ukrainian power branches regarding the European and Euro-Atlantic bid, which is supposed to be very important signal for the EU countries regarding Ukraine’s intentions to continue integration process with the EU.⁶¹ It is also very important to mention that the finalization of discussions on Kiev’s

⁵⁸ RIAN, “Leonid Kuchma: I am concerned by the uncertain prospects for the country’s development”, 15 January 2000, <<http://en.rian.ru/analysis/20080115/96824988.html>> .

⁵⁹ Overhaus M., Maull H.W. and Harnisch S., “The New Neighbourhood Policy of the European Union, Perspectives from the European Commission, France, Germany, Poland, Ukraine and Moldova”, *Foreign Policy in Dialogue Volume 7 No19, 27 July 2006, A Quarterly Publication on German and European Foreign Policy*, <<http://www.deutsche-aussenpolitik.de/newsletter/issue19.pdf>> .

⁶⁰ The Odessa-Brody pipeline (with a further extension to Poland) was to become one of the first energy transportation routes from the Caspian and Central Asia region to Europe as an alternative to those controlled by Russia. A result of the pressure from the Russian Federation, in 2004, the Kuchma government agreed to operate the pipeline in the reverse direction from Brody to Odesa.

⁶¹ On 18 January 2008 Ukrainian Foreign Minister Volodymyr Ohryzko met EU Commissioner for External Relations and European Neighbourhood Policy Benita Ferrero-Waldner and discussed drafting a new enhanced agreement between Ukraine and the EU and the issue of implementation of the visa facilitation agreement. During the meeting, the Ukrainian Foreign Minister stressed the unity of all power branches regarding the European and Euro-Atlantic integration (Ukrainian radio 2008).

accession to the World Trade Organization, followed a joint letter of Ukrainian President Viktor Yushchenko, Prime Minister Yulia Tymoshenko and Parliament speaker Arseny Yatsenyuk sent to NATO Secretary General Jaap de Hoop Scheffer, asking him to put Ukraine on the Membership Action Plan (MAP) at the April summit in Bucharest 2008.⁶² ⁶³ It means that Ukraine's new government is continuing the integration in the Western Organizations, and these two events just proved the chosen road.

However, despite successful recent developments in the EU-Ukraine relations, there are many criticisms from Brussels towards Ukraine on its efforts made so far to carry out the necessary reforms. The EU is concerned with the lack of progress towards economic and political transformation in Ukraine, as well as with the security threats, such as nuclear safety, organized crime, drug trafficking and illegal immigration, the spread of diseases and environmental pollution. This gap in mutual expectations between the EU and Ukraine has become a source of mutual frustration and controversy.⁶⁴ The European Commission states that progress has been made in various areas since 2005, but implementation of reform strategies has lagged behind since the beginning of 2006, mostly due to long pre- and post-election periods of political instability.⁶⁵ The long lasting political crisis after Ukrainian Parliamentary elections in 2006 suspended the economical development, reform process related to the integration into the EU. According to Roman Petrov, foreign investors were concerned about the situation in Ukraine, they were worried about economical instability and asked Ukrainian government to ensure two major guarantees: 1) certain degree of predictability of the governmental policy towards investors, and 2) high standards of equality between all players on the market.⁶⁶

⁶² Ukrainian radio, "Ukrainian Foreign Minister conveyed letter to NATO Secretary General Jaap de Hoop Scheffer in Brussels", 18 January 2008, <<http://www.nrcu.gov.ua/index.php?id=148&listid=58919>>.

⁶³ NATO countries in Bucharest summit did not reach the consensus and MAP was not proposed to Ukraine, however in the final Declaration countries agreed that Ukraine as well as Georgia "will become members of NATO", and "MAP is the next step on their direct way to membership".

⁶⁴ Zagorski A., *Policies towards Russia, Ukraine, Moldova and Belarus, In European Union Foreign and Security Policy: toward a neighbourhood strategy*, edited by R. Dannreuther. Routledge, 2004, p. 79-97.

⁶⁵ European Commission, *ENP Progress report Ukraine*, Communication from the European Commission to the Council and European Parliament On Strengthening the European Neighbourhood Policy, COM(2006) 726 final, <http://ec.europa.eu/world/enp/pdf/sec06_1505-2_en.pdf>.

⁶⁶ Copsey N. and Mayhew A., "European Neighbourhood Policy: the Case of Ukraine", *SEI Seminar Papers Series No1. 2006 Sussex European Institute*, <http://www.sussex.ac.uk/sei/documents/sei_seminar_papers_n_o1_.pdf>, 03 04 2008.

Andrei Zagorski argues that EU-Ukrainian cooperation can hardly be seen as a success story, and not just because of poor progress and limited systemic effect of this cooperation. The EU-Ukraine “strategic partnership” is an unfortunate example of a relationship between two sides pursuing very different agendas, with Ukraine’s aspirations being much more ambitious than the EU is prepared to accept.⁶⁷

European Commission President Jose Manuel Barroso recently urged Ukraine to achieve political stability and economic reforms so as to have an EU future. Barroso at the meeting with Ukraine’s Prime Minister Yulia Tymoshenko stated that political stability based on democracy and the rule of law was key to allow Ukraine to speed up political and economic reform: “We are confident that political stability can become a reality in the Ukraine ... Ukraine is getting closer and closer to the European Union.” Therefore Tymoshenko reiterated promises to make Ukrainian politics honest and transparent after international observers repeatedly said the country was plagued by corruption: “We have wasted time, we have not always done our homework. Our government fully intends to make up for lost time.” The Prime Minister also assured that Ukraine would not use its WTO membership as a lever against Russia.⁶⁸

4. Russia – an important factor influencing Eastern dimension’s development

Russia does not participate in the ENP, and has a special status in its relations with the EU. According to Vsevolod Samokhvalov, one of the reasons behind Russia’s refusal to participate in the ENP was the fact that the latter has been elaborated and introduced without any involvement on Russia’s part. Another reason was that the post-Soviet states were regarded in the ENP as a legitimate object of EU policies. Moscow felt that it had the urgent task of preserving Russia’s influence in the post-Soviet Space (PSS).⁶⁹ We can assume that Russia’s

⁶⁷ Zagorski A., *Policies towards Russia, Ukraine, Moldova and Belarus*, In *European Union Foreign and Security Policy: toward a neighbourhood strategy*, edited by R. Dannreuther, 2004, p. 79-97. Routledge.

⁶⁸ REUTERS, “EU urges stability in Ukraine for closer ties”, 28 January 2008 <<http://uk.reuters.com/article/oilRpt/idUKL2839974620080128?pageNumber=1&virtualBrandChannel=0>>.

⁶⁹ Samokhvalov V., “Relations in the Russia-Ukraine-EU triangle: “zero-sum game” or not?” *European Union Institute for Security Studies*, No 68, September 2007 <<http://www.iss.europa.eu/occasion/occ68.pdf>>.

importance in its relations with the EU is determined by the couple of reasons: 1) Russia is an important economical partner (i.e. energy supply); 2) It is the biggest neighbour of the EU; 3) The enlargement policy of the EU outreaches more and more PSS countries.

Instead of participating in the ENP, Russia received from the EU a proposal to cooperate by creating in the long term four “common spaces” in the framework of the Partnership and Cooperation Agreement: 1) economy, 2) freedom, security and justice, 3) external security, and 4) research, education and culture.

Energy policy has become an important aspect of the ENP and of relations between the EU and Russia, especially since Moscow decided to cut the supply of gas to Ukraine and other client countries.⁷⁰ According to the new agreement between Ukraine and Russia, Ukraine is paying a much higher price for imported gas from the beginning of 2008.⁷¹ This crisis has shown how dependent European countries still are from Russian gas.

Russia supplies Europe with a quarter of its natural gas. Some 80% of that is transported via pipelines that run through Ukraine.⁷² The issue of energy security is now a major factor in Russia-EU relations. As a consequence, the EU has started to develop an energy strategy which includes an external component – other regions and neighbouring countries. The diversification of supplies plays a major role, in particular through countries of the European neighbourhood. The energy dimension is important to the Russia because this is one of the few fields where Russia can negotiate with Europe on an equal footing. Keith Smith argues that if Ukraine were to open up its energy sector by using market prices and reducing barriers to foreign investment, it would reduce Russia’s influence on economic policy decision making in Ukraine and might even induce Russia to introduce additional reforms into its own energy sector. A dynamic, efficient

⁷⁰ The dispute between Russian state-owned gas supplier Gazprom and Ukraine over natural gas prices started in March 2005 (over the price of natural gas and prices for the transition of Gazprom’s gas to Europe). The two parties were unable to reach an agreement to resolve the dispute, and Russia cut gas exports to Ukraine on 1 January 2006. The supply was restored on 4 January, when a preliminary agreement between two gas companies was settled.

⁷¹ UNIAN, “Ukraine macroeconomic situation-November 2007”, 14 January 2008, <<http://www.unian.net/eng/news/news-230729.html>>.

⁷² BBC, “Ukrainians dream of EU future”, 28 January 2008 <<http://news.bbc.co.uk/2/hi/europe/7212672.stm>>.

energy sector is a major prerequisite of Ukraine's development into a vibrant market economy that will rapidly improve living standards.⁷³

The issue of democracy and human rights also remains high on the agenda of Russia-EU and Ukraine-EU relations, that's why actual relations with both Russia and Ukraine remain low on the EU's agenda.⁷⁴ As a result, no proper priority considerations have been formulated, and little effort has been made to elaborate a comprehensive strategy towards Russia and Ukraine which would take into account the current situation in both countries and the complicated relations between the two states.⁷⁵

There is a perception that by introducing the concept of Wider Europe and the ENP, the EU has effectively penetrated the region which Russia considers to be the sphere of its vital national interests. Vsevolod Samokhvalov argues that both the EU and Russia have been pursuing their own strategies with the same goal in mind – shaping the PSS according to their vision. Both parties have declared that they were not competitors but partners. The very fact that both the EU and Russia have chosen to act in the PSS with different objectives in mind will inevitably bring them to the point where their strategies and methods will generate certain tensions or even serious problems in their bilateral relations.⁷⁶

Together with just discussed political and economical issues it is very important to mention cultural and identity factors which play an important role in the debate on the general character of foreign policy in Ukraine, as do interest groups lobbying for a pro-Russian or a pro-European orientation. According to Iyaylo Gatev, the realisation that the ethno-cultural foundations of Ukrainian national identity are closely bound up with the external orientation of the Ukrainian state has made foreign policy a priority for national-minded Ukrainians. Western Ukrainians are deeply suspicious of Russia's intentions towards Ukraine and opposed to any form of integration with Russia as harmful to the consolidation of Ukrainian identity, while nationalists see membership in the EU and NATO as a firm guarantee of remaining outside Russia's sphere of influence. Ukrainians on the eastern side of the country see themselves as being

⁷³Smith K. "Ukraine's energy challenges – net assessment", *US-Ukraine Business Council* Washington, D.C., 9 January 2008 <<http://en.for-ua.com/forum/read.php?10,44793,44810>>.

⁷⁴Interview with an official in the Council of the EU, Brussels, November 2006: Vsevolod Samokhvalov

⁷⁵Samokhvalov V., "Relations in the Russia-Ukraine-EU triangle: "zero-sum game" or not?" *European Union Institute for Security Studies*, No 68, September 2007 <<http://www.iss.europa.eu/occasion/occ68.pdf>>.

⁷⁶Ibid.

Eastern Slavs and profess close historical, cultural and linguistic ties to Russia.⁷⁷ It is also important to mention that if Ukraine were to join the EU, together with the ethnic Russians of the Baltic States, the EU would have 8.5 million Russians, i.e. 6% of Russia's population.

From 1991 up until the present day the political process in Ukraine has been characterised by constant swings between these two paradigms: "pro-independence" versus "pragmatism". Whenever the Ukrainian nationalist elite tried to implement the pro-independence programme, pragmatists pointed to its negative consequences, such as disrupted production chains, lost markets in Russia etc. Ukrainian society, and indeed sometimes the elite themselves, were not prepared to pay the economic and political costs of the "pro-independence" choice.⁷⁸ Iyaylo Gatev maintains that far from feeling threatened by Russian capital, Ukrainians have come to rely on business contacts with Russia for the continued operation of their enterprises. The view that Russia is a more promising welfare provider and potentially an integration partner of choice has also been reinforced by the lack of major Western investment in Ukraine.⁷⁹

Conclusions

The ENP is trying to remove the membership issue from the agenda, however the key question that the EU has to answer within the next few years remains: will it offer the prospect of membership to Ukraine? Therefore ENP cannot succeed unless the prospects for accession are clarified. At the same time the ambiguity of the ENP and the lack of clear priorities in the EU-Ukraine Action Plan can be seen as an opportunity, because despite its character as a regional policy it follows an individual approach which depends to a large extent on progress and the initiative of individual ENP countries. Despite the critics according to which Ukraine's path to European integration has not been as rapid as envis-

⁷⁷ Gatev I., "The EU's New Neighbourhood Policy Towards Ukraine", European Foreign Security Policy Conference, LSE, 2-3 July 2004. *University of Bath*, <<http://www.lse.ac.uk/Depts/intrel/EFPC/Papers/Gatev.doc>>.

⁷⁸ Samokhvalov V., "Relations in the Russia-Ukraine-EU triangle: "zero-sum game" or not?" *European Union Institute for Security Studies*, No 68, September 2007 <<http://www.iss.europa.eu/occasion/occ68.pdf>>.

⁷⁹ Gatev I., "The EU's New Neighbourhood Policy Towards Ukraine", European Foreign Security Policy Conference, LSE, 2-3 July 2004. *University of Bath*, <<http://www.lse.ac.uk/Depts/intrel/EFPC/Papers/Gatev.doc>>.

aged following the “Orange Revolution”, the progress Ukraine has made over the last year already opened the door for a new stage of EU-Ukraine relations and put Ukraine in some ways ahead of other ENP countries. However 2008 will be a decisive year in this context when the first Action Plan will expire and a new EU-Ukraine Agreement will substitute the current Partnership and Cooperation Agreement. Starting from 2008, Ukraine can either move to a new stage of its relationship with the EU, which would have a very different quality, or remain one of many countries within the ENP. Ukraine’s new government, which was elected on the 30 September 2007, has to continue reforms and to put more efforts for closer cooperation with the EU, has to work hard and to show the real results, not just ambitions.

Ukraine’s membership in the EU could have a positive impact on security situation in the region, especially for those countries, which aspire to a wider integration with the EU, for example Moldova, Georgia, and it is likely that the settlement of Transnistria conflict would accelerated much faster. Even Russia will be affected if due to integration Ukraine were to open up its energy sector by using market prices and reducing barriers to foreign investment: it would reduce Russia’s influence on economic policy decision making in Ukraine and might even induce Russia to introduce additional reforms into its own energy sector.

Many of the EU member states have different approaches toward the ENP that is why the EU could throw its weight behind the activities of individual member states that have the necessary expertise. One of the ways to pursue an efficient Eastern policy is for the EU to support the efforts of individual members. Whereas the European Union will, likely and naturally, have primary responsibility in shaping relationships with, and developments, in the Eastern neighbourhood, therefore a common approach amongst the member states on how to deal with Russia in a future is needed.