



## Is Ukraine turning away from Europe?

Marius Vahl\*

*Ukraine is tired of waiting. No one, not even a petty bureaucrat, has said they want Ukraine in the EU. And I say to those who are in a hurry, if they asked me to join the EU today I would refuse.*

Leonid Kuchma, 30 September 2003

As Ukraine prepares for presidential elections on 31 October, the sentiments expressed by President Leonid Kuchma last autumn seem to be widely shared by Ukraine's political elite. The unwillingness of the EU to acknowledge Ukraine as a potential member of the Union is often interpreted as the result of anti-Ukrainian feelings in the EU and dominates any discussion on the EU's new European Neighbourhood Policy, in which Ukraine is one of the principal partners.

Complaints about the absence of an EU membership prospect have been a prominent feature of the foreign policy debate in Ukraine ever since EU membership was declared a strategic goal of Ukrainian foreign policy in 1998. In the past, however, such statements were not followed by any significant changes in Ukrainian foreign policy. By contrast, such criticisms are now accompanied by measures that may appear to signal a change in Ukrainian foreign policy, distancing itself from its avowed 'European choice' and moving towards closer relations with Russia and the other countries in the Commonwealth of Independent States (CIS):

- In May, Ukraine and its three CIS partners Russia, Belarus and Kazakhstan agreed to move forward towards creating a 'common' or 'single' economic space, in spite of warnings from the EU that this could endanger Ukraine's European aspirations.
- May also saw the privatisation of Kryvorizhstal, one of Ukraine's largest steel plants. The process was construed in such a way as to favour domestic investors with close links to the government, foregoing better offers from foreign investors. The process was widely criticised, both inside Ukraine and abroad.

- In June, Ukraine rejected the draft Action Plan, the principal instrument of the EU's European Neighbourhood Policy, aimed at strengthening relations between the EU and its neighbours.
- In July, the Ukrainian government made last minute changes to its new military doctrine, removing the sentences stating that membership of the EU and NATO was the ultimate goal of Ukrainian policy, leaving a much vaguer formulation of aiming at 'Euro-Atlantic integration'.
- In August, the Ukrainian government decided to go ahead with the construction of a controversial canal on the Danube delta, in spite of protests from its neighbour (and future EU member) Romania and the European Commission.
- In September, Prime Minister Viktor Yanukovich stated that Ukraine had been "humiliated" by the EU's unwillingness to acknowledge its membership aspirations and that it would no longer seek an early promise of membership prospects from the EU, but would focus on limited short-term agreements.

Although this seems to indicate a shift in Ukrainian policy, other interpretations of these developments are also possible. One is to see the recent decisions as tactical moves aimed at a domestic audience, as part of the presidential election campaign. Another interpretation would be to see this as the end of Ukrainian illusions about the EU and Ukraine's prospects for rapid integration and the beginning of a more realistic approach to European integration. The objective of this paper is to assess these three alternative explanations of recent developments in Ukraine and its foreign policy.

### Contents

Is Ukraine turning to the East? .....	2
Just part of the presidential election campaign? .....	3
From EUphoria to pragmatism? .....	4
What does this mean for Europe? .....	4

\* Marius Vahl is Research Fellow at CEPS. Unless otherwise indicated, the views expressed are attributable only to the author in a personal capacity and not to any institution with which he is associated.

### Is Ukraine turning to the East?

It is often asserted that as a result of the 'rejection' by Europe and the EU, Ukraine should *instead* seek cooperation and integration with Russia and its partners in the CIS.

Ukraine has recently entered into a number of agreements with Russia, some of which run counter either to the EU's expressed interests or Ukraine's officially stated 'European choice' or both. In July 2004, the Ukrainian government agreed to allow Russian oil through the Odessa-Brody pipeline into the Black Sea, a decision that was criticised by the EU. The pipeline was initially intended to be used for oil transport in the opposite direction, bringing Caspian oil to European markets and avoiding the congested Bosphorus straits. The latter is of growing importance to the EU in light of Turkey's progress towards EU-accession negotiations. In May, the Ukrainian and Russian foreign ministers agreed to coordinate policy towards the EU, regardless of the fact that the two countries have widely diverging long-term goals for relations with the EU. Whereas Ukraine seeks an association agreement with the EU in the medium-term as a staging post towards the ultimate goal of full membership, Russia is seeking neither association nor EU membership.

The extent of Russian-Ukrainian rapprochement should not, however, be exaggerated. There have also been disputes between Ukraine and Russia, notably the Tuzla island incident at the beginning of 2004, related to disagreements over the exact location of the frontier between Russia and Ukraine in the Sea of Azov, on which there is no agreement.

The most widely cited example of an Eastern turn in Ukrainian foreign policy was the decision to join three CIS partners in creating a Single Economic Space (SES) in September 2003. The SES is envisaged as an economic union to be developed in stages, with a free trade area followed by a customs union, leading in the end to full economic union. At an SES summit in May 2004, the four presidents initiated the drafting process of a number of agreements on the creation of an SES, and more than two dozen agreements were endorsed at a summit in September 2004. The agreements, including those on the simplification of travel procedures and the introduction of harmonised VAT rates, are to be signed in 2005, with work on creating a free trade area to be undertaken from the middle of 2005. The Commission warned Ukrainian leaders as early as September 2003 that implementation of the later stages of the planned SES could endanger further integration with the EU.

The SES is not the first ambitious, multilateral economic-integration project in the former Soviet Union. Previous agreements on a CIS Customs Union and more recently a Eurasian Economic Community, as well as a host of bilateral agreements among CIS members, have not been implemented. Many observers expect the same to happen with the SES. The widely diverging statements made by the four leaders in Yalta seem to provide support for the

sceptics. President Vladimir Putin called for the creation of the "legal foundations" of the SES, and predicted that by 2005-06, there would be agreements that include "pursuing a common foreign trade policy, setting common customs tariffs, forming a unified competitive environment and creating a single regulatory body". President Kuchma said that the "creation of the large-scale free trade zone without reserves and restrictions is the primary task on the path to forming the Single Economic Space". Yet in September 2003 Ukraine had already indicated its reservations concerning the later stages of the SES, notably on an eventual customs union, by stressing that its participation in the SES should not conflict with its ambitions for WTO and eventually EU membership. The President of Kazakhstan, Nursultan Nazarbaev, stated that the next step would have to be the creation of a customs union, "otherwise I don't understand what we are going to do next". By contrast President Alexander Lukashenko appears rather indifferent about the SES, noting that Belarus is already more integrated with Russia through the Union of Belarus and Russia (UBR), and that the SES will have limited impact on Belarus.

Whether the latest CIS integration initiative will be implemented remains to be seen. Ukraine has been a reluctant member of the CIS from the beginning, and has not previously participated in CIS integration schemes. Indeed, in the late 1990s Ukraine was the instigator of the now largely defunct group known as GUUAM (consisting of Georgia, Uzbekistan, Azerbaijan and Moldova in addition to Ukraine), frequently seen as a potential rival to the Russian-dominated CIS. Although the symbolic political significance of the Ukrainian decision to be part of the SES should not be ignored, the reservations to participate fully are equally notable, and may indeed become an important obstacle to the development of the SES.

Opinion polls seem to support the impression of a modest, rather than a major shift in Ukraine's foreign policy orientation. In 2001, EU membership received almost twice as much support as membership in the UBR. Two years later, support for the EU had fallen by a third, while support for the Eastern vector had grown, making the two alternatives approximately equally attractive to the Ukrainian public (see Table 1). Nevertheless, support for EU membership remains high. Some 55% were in favour of EU membership and only 18% were against it in a survey conducted in May 2003.<sup>1</sup> Ukraine's inclusion in the Union of Belarus and Russia receives stronger support than the EU, with 69% of respondents in favour and 19% against. Yet support for the Western and Eastern vectors is remarkably similar if those who answered 'don't know' are omitted, with 75% in support of EU membership and 78% in favour of joining the Union of Belarus and Russia.

---

<sup>1</sup> See Joanna Konieczna (2004), *Europa outside EU: Meet your new neighbour, Ukraine*, Institute of Sociology, University of Warsaw, 26 April.

Table 1. Public opinion on foreign policy orientation of Ukraine

	Western vector	Multi-vector	Eastern vector
2001	32	51	17
2003	22	55	23

Source: J. Konieczna (2004), op. cit.

Notes: Western vector – yes to EU, no to UBR; multi-vector – yes to EU, yes to UBR; Eastern vector – no to EU, yes to UBR. Those who were ‘uncertain’ (32% in 2001 and 33% in 2003) and those against both (5% in 2001 and 2% in 2003) have been omitted from these figures.

### Just part of the presidential election campaign?

Many of the Ukrainian observers who are sceptical about the SES regard Ukraine’s decision to participate merely as part of the presidential election campaign, rather than a serious shift in Ukrainian foreign policy. The first round of voting will take place on 31 October. It is expected that a second round of voting will be required, pitting the current Prime Minister Yanukovich against opposition leader and former Prime Minister Viktor Yushchenko. While the latter leads in the opinion polls, the prime minister, with the help of the machinery of the administration, has been gaining ground in recent months. According to a recent poll, Mr Yushchenko would receive 38% in a second round, and Mr Yanukovich 34%. A large number of voters (28%), however, are undecided and the race for the Ukrainian presidency remains open.

The election campaign has been dominated by the conduct of the campaign itself, notably the attempted poisoning of Mr Yushchenko, rather than policy issues. Nevertheless, integration with Russia and/or with Europe and the West has become an important underlying theme in the debate between the two principal contenders. The recent shifts in Ukrainian policy by the government are interpreted as aimed at gathering support for the pro-government candidate Mr Yanukovich from the mainly Russian-speaking population in Eastern Ukraine, where a foreign policy that is principally oriented towards cooperation and integration with Russia has considerable public support (see Table 2). The Russian decision to scrap VAT on energy exports to Ukraine as a first initiative of the SES, representing \$800 million in lost revenue for Russia and a subsequent gain for Ukrainian importers, is seen as a way for the pro-government candidate to be supported by voters in Eastern Ukraine and for Russia to achieve a more Russian-friendly government.

Table 2. Regional differences on Ukrainian foreign policy orientations

	Western vector	Multi-vector	Eastern vector
West	61	31	8
Central	19	60	21
South & East	9	59	32

Source: J. Konieczna (2004), op. cit.

Note: Those who responded as ‘uncertain’ have been omitted from these figures.

Assessments of the significance of the upcoming elections diverge widely. At one end of the spectrum are those who see few prospects for any significant change in Ukrainian foreign or domestic policies, regardless of the outcome of the elections. According to this analysis, the current political and economic system is too entrenched to allow any fundamental change during the next presidency. At the opposite end are those who regard the elections as a turning point in Ukrainian history. In this second analysis, Ukraine is faced with a stark choice: to either turn towards a prosperous European democracy with Mr Yushchenko or towards an authoritarian, pro-Russian regime under Mr Yanukovich. While the differences between the two candidates in terms of both foreign and domestic policies are indeed significant, there are a number of reasons why these differences are unlikely to be as great in eventual Ukrainian policy as predicted by many analysts.

In the case of a Yushchenko victory, the new president could be expected to start his period in office with a number of spectacular changes, such as announcing Ukraine’s withdrawal from the planned SES as well as initiating a pro-reform agenda. But he is likely to face stiff opposition from the entrenched elites – among the oligarchs and regional elites along with the administration apparatus – if, as expected, he attempts to undertake genuine economic and political reforms. A protracted political battle would likely ensue and it is uncertain whether control over the executive branch in Kyiv is sufficient for Mr Yushchenko to prevail. The parliament now appears as less of an obstacle to a President Yushchenko following the recent defections from the pro-presidential group in parliament in early September, which previously were in majority and were expected to support Mr Yanukovich. This also entails that the amendments to the Ukrainian Constitution proposed by President Kuchma, which would reduce the power of the presidency in favour of the prime minister, are unlikely to pass.

The conduct of the government during the election campaign, with widespread discrimination in the media and attempts at applying ‘administrative pressure’ to ensure victory for Mr Yanukovich, falls far short of European democratic standards. But it seems unlikely that a Yanukovich presidency would take the country far down a more authoritarian path, similar to developments in most former Soviet republics.

First, while aspects of the political reform agenda (or lack thereof) of the current administration are a cause for serious concern, the verdict on the economic policies of the current administration is more mixed. Its policies on corporate governance, with the privatisation of Kryvorizhstal as the most blatant example, leaves much to be desired from a European perspective, as does the pre-election decision to double pensions and student grants. Nevertheless, the sound macroeconomic policies introduced while Mr Yushchenko was prime minister (1999-2001) have been maintained and have made an important contribution to the improved economy of Ukraine, which currently enjoys double-digit growth rates.

## 4 | Marius Vahl

Second, the identification of Mr Yanukovich with President Kuchma and his supporters should also be qualified. His appointment as prime minister was primarily because of his close connection with powerful groups in the Donetsk region in Eastern Ukraine and the fact that he was *not* part of the pro-Kuchma camp, nor was he the preferred presidential candidate of President Kuchma and his supporters.

Third, and in spite of the changes to the military doctrine, it should be noted that the current government continues its commitment to further Euro-Atlantic integration. While Mr Yanukovich is also committed to the SES, as long as or until integration in the CIS moves beyond political rhetoric and summits become more than photo opportunities for their leaders, cooperation with its CIS partners will not constitute an obstacle to Ukraine's integration with the EU. Given the record of CIS integration, this seems unlikely to happen.

Crucially, even if the pro-government forces wanted to turn Ukraine towards a more authoritarian direction, it is unlikely that they would be able to prevail. Ukraine is both politically and economically far more pluralistic than most former Soviet republics (with Moldova as perhaps the only exception), and it is unlikely that a Yanukovich government would be able to increase an authoritarian influence. The widely condemned and largely unsuccessful attempts to curb the freedom of the media by the presidential administration provide one example of the pluralism of Ukraine. A Yanukovich victory, however, would enable the current regime – which has been in power for a decade – and those who benefit from it to more deeply entrench their positions, making further reforms gradually more difficult.

### From EUphoria to pragmatism?

A third explanation of the apparent shift in Ukrainian foreign policy favoured by more optimistic pro-European forces is to view the current disillusionment as the end of the 'romantic' period of Ukraine's European choice and the beginning of a more pragmatic and realistic approach towards European integration. This is seen in the growing realisation that achieving EU membership – the main long-term foreign policy objective of Ukraine – is principally a matter of domestic policy, exemplified by the increasingly widespread use of the phrase 'Europeanisation starts at home'.

This realisation is not limited to the opposition, as indicated by Prime Minister Yanukovich's recent statements that Ukraine would not be seeking any early promise of membership prospects from the EU. In this context it should also be noted that the changes in Ukraine's military doctrine were made just after President Kuchma returned from the EU-Ukraine summits in early June and the NATO-Ukraine summit in late July. Indeed, the gist of this argument has been made by none other than Ukrainian president himself, which he began by stating, "Let's stop talking about becoming an EU member, let's just put before us the aim of reaching European standards".

That notwithstanding, geopolitical perspectives largely detached from the realities of European integration remain prominent in the discourse on Ukraine's European policy. Foreign policy debates typically focus on Ukraine's geo-strategically important position and the need for Ukraine to balance (or alternatively be a bridge) between two great powers, the EU and Russia, as indeed this policy brief is an example. This is also apparent in the striking lack of interest in discussing concrete policy proposals, such as those of the recent Commission strategy paper on the EU's European Neighbourhood Policy.

### What does this mean for Europe?

The question posed in the title of this policy brief – is Ukraine turning away from Europe – is potentially misleading, as it implies that Ukraine has at some stage turned towards Europe. While true in rhetoric since the late 1990s, it is not the case either in terms of the actual conduct of Ukrainian foreign policy or the development of domestic reforms in the last few years. The recent actions of the Ukrainian government should be interpreted in this light, as a relatively minor recalibration of Ukraine's multi-vectoral foreign policy. Such a multi-vectoral orientation received by far the greatest public support in Ukraine in 2003, more than the Western and the Eastern alternatives combined. Given the great differences in public opinion in Western and Eastern Ukraine, a multi-vectoral foreign policy also makes electoral sense.

As far as the elections are concerned, the most extreme scenarios appear unlikely, be it a fundamental shift towards full Europeanisation under a President Yuschenko or an the emergence of an authoritarian, pro-Russian Ukraine under President Yanukovich. The benefactors of the Kuchma decade are deeply entrenched in the power structures of Ukraine, and are likely to constitute a considerable obstacle for reforms under Mr Yuschenko. For precisely this reason, a Yanukovich regime would, however, have less interest in vigorously pursuing reforms. But Ukraine has probably moved too far down the path of reform and is too open and pluralistic to allow a fundamental reversal towards an authoritarian regime as happened in Belarus under President Lukashenko and, to a lesser extent, in Russia under President Putin. Regardless of the outcome of the elections, finalising the economic and political transition process in Ukraine will take a long time, which it increasingly realises. Recent statements by Ukrainian leaders may indicate that the EU's message that it is unwilling to discuss membership for the foreseeable future has finally been acknowledged, if not accepted, and that one could expect a new realism in Ukraine's approach to the EU. The presidential contest is thus more about the speed and scope of reforms than the basic direction in which Ukraine will move over the next few years.

The apparent change in Ukraine's European policy towards a more pragmatic approach may appear to facilitate the dialogue between the EU and Ukraine, at least in the short term. It is, however, unlikely that the question of

membership will disappear from the bilateral agenda, regardless of who wins the presidential elections. Furthermore, it needs to be recognised that the perceived lack of EU support is making reforms more difficult. The EU and Ukraine could easily find themselves in a vicious circle, as the subsequent lack of reform in Ukraine will ease the pressure on the EU to provide any EU-accession prospects for Ukraine, whose lukewarm attitudes make reform in Ukraine even more difficult, etc. While the pluralism of Ukraine is likely to prevent a shift towards authoritarianism, modern democratic Ukraine is fragile and susceptible to long-term erosion. Such a development within one of its most important neighbours is not in the interest of the EU.

Regardless of the merits of Ukrainian criticisms of the European Neighbourhood Policy, its reception in Ukraine indicates that the EU has already missed one opportunity to foster the reforms in Ukraine that the EU ultimately seeks.

The EU now needs to ensure that it sends the appropriate signals concerning the conduct of the elections. If the elections are not free and fair and the government uses the administration machinery inappropriately to guarantee the victory of Mr Yanukovich, this should have clear and immediate consequences for relations between the new Ukrainian president and the EU. This result should not lead to a reduction in support for the country as such, but a shift in support away from the regime towards civil society, to ensure that Ukraine remains pluralistic. If on the other hand the elections are free and are followed by steps towards pro-European reform, the EU should reciprocate, above all by making sure that the Action Plan moves the bilateral relationship significantly and noticeably beyond the current state of affairs.

# About CEPS

Founded in 1983, the Centre for European Policy Studies is an independent policy research institute dedicated to producing sound policy research leading to constructive solutions to the challenges facing Europe today. Funding is obtained from membership fees, contributions from official institutions (European Commission, other international and multilateral institutions, and national bodies), foundation grants, project research, conferences fees and publication sales.

## Goals

- To achieve high standards of academic excellence and maintain unqualified independence.
- To provide a forum for discussion among all stakeholders in the European policy process.
- To build collaborative networks of researchers, policy-makers and business across the whole of Europe.
- To disseminate our findings and views through a regular flow of publications and public events.

## Assets and Achievements

- Complete independence to set its own priorities and freedom from any outside influence.
- Authoritative research by an international staff with a demonstrated capability to analyse policy questions and anticipate trends well before they become topics of general public discussion.
- Formation of seven different research networks, comprising some 140 research institutes from throughout Europe and beyond, to complement and consolidate our research expertise and to greatly extend our reach in a wide range of areas from agricultural and security policy to climate change, JHA and economic analysis.
- An extensive network of external collaborators, including some 35 senior associates with extensive working experience in EU affairs.

## Programme Structure

CEPS is a place where creative and authoritative specialists reflect and comment on the problems and opportunities facing Europe today. This is evidenced by the depth and originality of its publications and the talent and prescience of its expanding research staff. The CEPS research programme is organised under two major headings:

### **Economic Policy**

Macroeconomic Policy  
European Network of Economic Policy  
    Research Institutes (ENEPRI)  
Financial Markets, Company Law & Taxation  
European Credit Research Institute (ECRI)  
Trade Developments & Policy  
Energy, Environment & Climate Change  
Agricultural Policy

### **Politics, Institutions and Security**

The Future of Europe  
Justice and Home Affairs  
The Wider Europe  
    South East Europe  
    Caucasus & Black Sea  
    EU-Russian/Ukraine Relations  
    Mediterranean & Middle East  
CEPS-IISS European Security Forum

In addition to these two sets of research programmes, the Centre organises a variety of activities within the CEPS Policy Forum. These include CEPS task forces, lunchtime membership meetings, network meetings abroad, board-level briefings for CEPS corporate members, conferences, training seminars, major annual events (e.g. the CEPS International Advisory Council) and internet and media relations.