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Ukraine at crossroads after rejecting EU pact

President Yanukovich is struggling to balance Ukrainian, Russian and European priorities

[Taras Kuzio](#)



Protesters in the Ukrainian capital, Kiev, set up a tent camp to demand the signing of a key pact with the European Union. Genya Savilov/AFP/Getty Images

On Nov. 21, the Ukrainian government decided to cancel plans to seek an association agreement with the European Union, which would have led to Ukraine's economic integration into the continental bloc but stopped short of membership. The decision sparked mass protests reminiscent of the Orange Revolution nine years ago against alleged electoral fraud in the country's 2004 presidential election. The E.U. was ready to sign a trade and cooperation agreement at a summit in Vilnius, Lithuania, for the Eastern Partnership, which governs the relationship between the E.U. and six former Soviet republics, including Ukraine. In response to the decision, 100,000 Ukrainians who support further European integration have set up tents in the center of Kiev, Ukraine's capital, and plan to demonstrate until President Viktor Yanukovich signs the agreement.

The stumbling block for Yanukovich was the E.U.'s demand for the release of Yulia Tymoshenko, a former prime minister and a leader of the opposition party, as a condition for signing the agreement. In a letter sent from prison and [read](#) by her defense lawyer, Tymoshenko said she has gone on an extended hunger strike in solidarity with the protesters. She was sentenced in October 2011 to seven years in prison and a three-year ban from public office on charges of abuse of office in signing a 2009 gas contract with Russia.

After taking office in 2010, Yanukovich sought to balance Ukraine's foreign policy by cooperating with both Russia and the E.U. in the hopes of extracting financial assistance from both. But recently he has shifted to a more European orientation. He came to power campaigning on a pro-Russian platform and making concessions to Russia on many of its demands, such as extending the Black Sea fleet base in Sevastopol and scrapping Ukraine's pursuit of NATO membership. In return, he expected Russia to revise the 2009 gas contract

and reduce the price of its gas — both of which the Kremlin refused to do. That led to sour personal relations with his Russian counterpart, Vladimir Putin, who is competing with the E.U. over Ukraine in what Russia sees as its natural sphere of influence in Eurasia.

Eastern Partnership

The Eastern Partnership was unveiled in 2009 by Sweden and Poland, with the backing of Britain, Hungary and the three Baltic republics: Lithuania, Latvia and Estonia. It offers six republics of the former Soviet Union limited integration rather than full E.U. membership. Unlike previous agreements that the E.U. offered to Southern and Eastern European states such as Spain and Poland, the partnership provides the former Soviet republics with limited association, with a framework for integration and trade access to the European market under the Deep and Comprehensive Free Trade Agreement. Under its terms, Ukraine — along with two other European former Soviet republics, Belarus and Moldova — could be eligible for E.U. membership under the founding Rome Treaty if it successfully undertakes numerous reforms. The other three members of the Eastern Partnership — Azerbaijan, Armenia and Georgia — are in the Trans-Caucasus region, outside Europe, and therefore have a difficult claim to membership.

Europeans remain divided over the future of the partnership agreement. While Poland is supportive, Western European countries such as Germany, France, Belgium and the Netherlands have been receptive but cool to the initiative. Italy and Spain remain uninterested, given their focus on domestic financial challenges and immigration problems along their southern borders. Countries that are less enthusiastic about the Eastern Partnership will likely drag out the agreement's ratification process in the European Parliament until all the E.U.'s conditions, including the release of Tymoshenko, are met.

Unlike Europe, Russia understands that for Eurasian elites, power and money will always trump European values.

Ukraine needs additional assistance to conduct rigorous and unpopular political, legal, economic and energy reforms to fulfill the association agreement's prerequisites. However, the economic crisis in Europe is leading Brussels to offer very reduced financial incentives to Ukraine, compared with the assistance it provided to previous candidates from Southern and Eastern Europe. Yanukovich and his prime minister, Nikolai Azarov, face a stark choice: either receive gas subsidies and loans from Russia in the short term, at the cost of transferring assets like Ukraine's gas pipelines to Moscow, or work on expensive reforms now, in the hope of future benefits from European integration and trade.

Yanukovich and other Ukrainian leaders anticipated that the initial investment costs for E.U. membership would be high, although they underestimated Putin's harsh response. Nevertheless, they did not expect the E.U. to be less accommodating than it was for recent inductees. Ukraine blames the E.U. for not offering sufficient financial compensation to cover economic losses from Russian blockades or to offset the high cost of gas imports from Russia. As a result, a large part of eastern Ukrainian industry is at a standstill. The crisis threatens to turn voters away from Yanukovich's authoritarian Party of Regions in the 2015 and 2016 elections.

The Tymoshenko dilemma

Yanukovich is also caught in another very difficult dilemma of his own choosing. His longtime opponent Tymoshenko lost the 2010 presidential election to him by a margin of only about 3 percentage points. She was arrested along with other members of her government almost immediately after Yanukovich came to power. The E.U. and the U.S. condemned her imprisonment as a selective use of justice, maintaining that it should be elections, not courts, that punish politicians for mistakes.

Yanukovich fears that Tymoshenko, if freed from jail, would pose a threat to his re-election bid in March 2015. But there are other signs that his Tymoshenko problem is here to stay. The largely student- and youth-based Ukrainian opposition has taken up her pro-European stances. The street protest over the decision to put the E.U. pact on hold is another ominous event that will haunt his political career. In the 2004 Orange Revolution presidential election, which brought the party of Tymoshenko's ally Viktor Yushchenko to power, Yanukovich was defeated by a coalition of protesters and defectors from ruling elites and the security forces.

As it is, the association agreement with the E.U. will remain frozen until Tymoshenko is permitted to travel to Germany for medical treatment and she is permanently freed. While Yanukovich might grant her the medical trip, he is unlikely to reverse her conviction, since that would politically signal his weakness to Ukrainian elites — a dangerous proposition on the eve of a presidential election.

Sour diplomatic relations

Despite a looming economic and financial crunch, the Ukrainian government is reluctant to implement fiscal and monetary reforms proposed by the International Monetary Fund because they are deeply unpopular and would hurt the president's uncertain re-election chances. Without an association agreement with the E.U. and a commitment to financial reforms, it is unlikely that the IMF will agree to a new assistance package to alleviate Ukraine's recession, dire financial situation and threat of currency devaluation — much of which has been brought on by Yanukovich's poor economic and financial policies. Relations between Ukraine and the West are in poor shape, with U.S. Secretary of State John Kerry canceling a scheduled trip to Ukraine next month.

Power and party politics, rather than a full consideration of Ukraine's national interests, ultimately blocked the country's European integration. Despite the decision, Yanukovich is unlikely to turn fully eastward and join the Commonwealth of Independent States Customs Union, the forerunner of Putin's revived European Union alternative, the Eurasian Union. However, Russia is exerting leverage by seeking joint control of Ukraine's gas pipelines, which represents perhaps Yanukovich's only option for cheaper gas that could help alleviate pressures on his government's already strained budget.

Ultimately, Yanukovich believes he can continue to strike a balance between Russia and the rest of Europe, even though both are demanding that he commit to one side. His final decision will rest with what he thinks will boost his re-election chances in 2015. Russia — unlike Europe — understands that for Eurasian elites, power and money will always trump European values.

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