

END NOTE

EU, UKRAINE HOLD ANNUAL SUMMIT

By Taras Kuzio

The EU and Ukraine held their seventh annual summit on 7-8 October in Yalta. The EU is expected to accept 10 new members next year and a further two to three countries -- Romania, Bulgaria, Croatia -- in 2007. The EU's new neighbors in the western Balkans and Turkey are also on a medium-term membership track if they implement deeper reforms.

In contrast, the EU has not offered future membership to the four western CIS countries -- Russia, Belarus, Moldova, Ukraine -- which also lie geographically in Europe and are therefore theoretically eligible to seek EU membership themselves under Article 49 of the EU Treaty, which allows any European state to join. Of the four western CIS states, only Ukraine and Moldova seek EU membership, with Ukraine also additionally seeking NATO membership.

The summit issued a 26-point joint statement that covered a wide range of issues, including next year's expected EU enlargement; EU assistance to Ukraine; implementation of the Partnership and Cooperation Agreement; and regional conflicts in Bosnia, Moldova, Iraq, and Israel-Palestine.

The statement also focused upon concrete policies that Ukraine should be working upon. These areas include reform of the judiciary and "strengthening and ensuring stability of democratic institutions, the rule of law, and respect for human rights." These political areas are precisely where Ukraine has regressed during Leonid Kuchma's second term in office since 1999. Jan Virsma, head of the EU's delegation to Ukraine, Belarus, and Moldova, said in an interview in "Zerkalo Nedeli" on the eve of the summit that Ukraine's current leaders are not interested in pursuing reforms or rule of law.

In contrast to these political areas where Ukraine has fared badly, the statement recognized "progress" in the implementation of economic reform and Ukraine's stable economic growth. Nevertheless, the statement continued to point to the need for further tax and banking reform, and the strengthening of the independence of the National Bank.

Ukraine's ruling elite has fewer problems in pursuing economic reform, as they are the winners in the transition from communism. As for the National Bank, its independence is in jeopardy under its new chairman, Serhiy Tyhipko, who is also head of one of the three main oligarch parties, Labor Ukraine.

The statement also stressed the need for reform of the energy sector. This was most vigorously pursued under the Viktor Yushchenko

government in 1999-2001, a factor that led to growing oligarch criticism and the government's dismissal in April 2001. Former head of Naftohaz Ukrayiny Ihor Bakay has admitted that most Ukrainian oligarchs made their capital in the 1990s from the resale of Russian energy. Energy reform is not likely to be seriously pursued while the head of the presidential administration is Viktor Medvedchuk, whose Social Democratic Party-united party is widely believed to financially gain the most from corrupt energy deals.

The statement raised the importance of the further development of the Eurasian oil transportation corridor, which would bring Azerbaijani Caspian oil to Poland and Western Europe. Ukraine has completed the construction of the Odesa-Brody pipeline, which links the Black Sea to the former "Druzhba" pipeline. But Russia is intensively lobbying for the new pipeline to work in reverse by bringing Russian oil from Brody to Odesa, a step the EU (and the United States) have warned against.

President Kuchma's exasperation over the EU's reluctance to offer Ukraine the prospect of future membership is one factor behind his promotion of the CIS Single Economic Space (EEP) just prior to the summit. As Kuchma bemoaned, "How much longer can we be kept on the doorstep [of the EU]? None of the [EU] officials have said Ukraine is wanted in the EU." The EEP was only briefly mentioned in one sentence in the 12th point of the post-summit statement. The EU believes that as long as the EEP does not evolve from the level of a free-trade zone it will not create a barrier to Ukraine's integration into the EU, whereas the EU would view an EEP Customs Union more negatively.

In May, Kuchma optimistically predicted that Ukraine would be offered EU associate membership at the October summit, presumably because he would like to claim credit for obtaining associate member EU status in his second term in office. On the eve of the summit, Deputy Foreign Minister Oleksandr Chalyi repeated the claim that associate membership is being discussed by the EU.

However, this statement proved to be premature, as European Commission President Romano Prodi and current EU President and Italian Prime Minister Silvio Berlusconi expressed at the summit the hope that Ukraine could join the EU in the future, without mentioning a specific time frame.

But Dr. Dov Lynch, a research fellow at the EU's Institute for Security Studies, warned: "The EU must follow political developments very closely over the next few months until the elections. 2004 is a turning point in Ukrainian politics and the EU must ensure that it is the right turning point, one that moves Ukraine closer to realizing its European ambitions than it has until now." Dr. Lynch continued: "Political declarations of support for free and fair elections, technical assistance to ensure that these are fulfilled, tacit warnings of what might happen to the relationship are required from Brussels. EU attention on Ukraine must be firm and steady. Ukraine must ensure that the elections are free and fair and that their results are respected to the highest degree."

The summit statement also raised the question of the EU's deeper involvement in supporting Ukrainian reforms through its "Wider Europe" initiative launched in March. Progress in justice and home