

The Eastern Partnership

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Abstract: *This article reveals the real goals of the Eastern Partnership. Consequently, it will be an attempt to prove that the legendary choice of Ukraine between Russia and the European Union is actually a zero-sum choice. On one side, 'the European choice' means modernization (i.e. westernization) of politics, economy, society at a huge - not only financial – expense, according to EU principles. The modernization shall lead to structural transformations an economy of I Industrial Revolution character (a raw material- and energy-consuming economy) towards modern economy. This will also entail social costs of reconstructing the mentality of a society (both of those ruling and ruled). On the other side, remaining under Russian influence means for Ukraine a continuation of the status quo, that is vegetating not requiring, nonetheless, neither new outlays nor new pains or sacrifices. Undoubtedly, the conscious choice of the first option demands a consensus of the nation and its leading elite.*

Keywords: European Union, European neighbors, Russia, Ukraine, membership, acquis communautaire.

JEL Classification: F14, F51, F53

1. Introduction

Since 1 May 2004, the East European border of the European Union runs along the River Bug on the Polish side. The tradition of the River Bug as a border river dates a long way back. Once, under the Treaty of Tilsit in 1807, it was demarcating the borders between the Napoleon's French Empire and the Russian Empire. It reappeared again after World War I as a part of the so-called Curzon Line. Under the Molotov-Ribbentrop Pact from August 1939, it divided Poland (as the River Prut in Romania) between two invaders: Hitler and Stalin. Now, it separates the European Union from the Commonwealth of Independent States – a structure created on the ruins of the Soviet Union. The latest enlargements of the European Union eastwards, then, signified the end of an artificial, almost 60-year-lasting division of Europe; the result of the Germans' defeat in World War II and the Red Army's 'liberation' of Central and Southern Europe. That day (1 May 2004) the European Union was given an important task: no new division in Europe is permitted and the EU will not let it happen; this time not along the Berlin Wall and the River Elbe symbolizing this division, but along the River Bug. This is beyond the River Bug that new states were created, devoid of a crystallized civilization identity (contrary to Lithuania, Latvia and Estonia). In other words, the conscious choice of societies and their authorities is at stake: whether they want to belong to the circle of Latin culture or remain within the sphere of Byzantine and Turanian civilization¹, to which Imperial Russia and then its heir, the

¹ According to F. Konieczny, a Polish historiographer, each civilisation has its own specificity. He described it in his book *O wielości cywilizacji*, Cracow, 1935, published in the West under the title *On the Plurality of Civilisations*, London, 1962. The Turan civilisation was formed in Ancient Times on the territory of the Eurasian Steppe. According to F. Konieczny, this civilisation includes also, as a result of Eastern Slavic people's conquest by Mongol invasions, Russians and Cossacks (Turanian and Slavic civilisations: the

Soviet Union, belonged and now - today's Russia.

Except for the Czech Republic, the accession of Central European states to the European Union led to a change in their status. The Czech Republic is the only new Member State not having common borders with the EU. The status of the new members of the European Union towards their past neighbors has also changed. The latter have really become 'new neighbours' for the European Union states. It is especially significant for Poland and presumably for the Baltic states, Slovakia, Hungary and Romania. The questions that arise today are: will 'the new neighbors' (Belarus, Moldova, Ukraine, the Caucasus Republics) remain forever 'new neighbors' without any chance for full membership in the EU? Will they so remain territories of EU's political and economic expansion? Similar questions were asked by other EU members with reference to the states neighboring with the EU on the other side of the Mediterranean Sea – 'the neighbors of Europe'.

2. The history of the Eastern Partnership

The concept of the Eastern Partnership had been forming in specific circumstances.

First, the potential problems in European Union – Russia relations. The Partnership and Cooperation Agreement in force until 1 December 1997 was coming to an end and its new formula was blocked by a number of new EU Member States. Secondly, a rising pro-western orientation in such post-Soviet states as Georgia, Ukraine, Armenia, Azerbaijan, since 2009 in Moldova and in a smaller extent also in Belarus. The pro-western orientation in these states is focused on cooperation with the European Union.

The Eastern Partnership (EP) is an initiative aiming at further tightening and reinforcing the cooperation between the European Union and these states in the framework of the European Neighborhood Policy. Originally, the Initiative supposed to be profitable for both parties. For the states created after the dissolution of the Soviet Union, its principal aims were: further democratization of the states in the post-Soviet region and the introduction of the rule of law and free-trade market. The European Union has never promised membership to these states and has not even taken into consideration the possibility of enlargement. For the EU, the definitive aim of the Eastern Partnership, as understood by the European Commission, was to extend the EU's internal market offer to the states participating in it. 'All neighboring states should be given a perspective of entering the EU's internal market and further liberalization and integration in order to support the free movement of goods, services, people and capital (the four freedoms of the EU's internal market). If a state has reached this level, then it approached the European Union as close as possible while not being its member². We may say that the Eastern Partnership's offer duplicates the European Economic Area's model³. The Eastern Partnership itself, as the European Neighborhood Policy, does not encompass and does not foresee to include Russia in

Moscow and Cossack culture). According to F. Konieczny, all political activity within this civilisation is of a military character. Although it did not develop any science, it quickly absorbed all inventions from military science. Morality was not an issue for rulers. He included the Cossacks into the Turanian civilisation which he considered as deprived of morality, perishable and focused only on expansion. The expansion was organized by a group led by an individual who was governing a blind crowd obedient to its leadership.

² Dieter Schwab, *Ukraina i Unia Europejska – per aspera ad astra?* in: T.Kołodziej (editor) *Nowe Sąsiedztwo na Wschodzie poszerzonej Unii*, Publishing House ELIPSA, Warsaw, 2005, p.82

³ The EEA has been created for the cooperation with EFTA states, which really take advantage of these four freedoms as much as possible. They do not have, however, an impact on the formation of the *acquis communautaire*, what is actually the quintessence of EU membership.

its programme. Nevertheless, Russia does not want to be treated in one row with Armenia or Moldova and claims a right for privileged treatment⁴.

It is worth mentioning that already in 2003 Poland suggested the so-called Eastern dimension concept, deepening relations with EU's Eastern neighbors participating in the European Neighborhood Policy (Kołodziej, T.); however, these endeavours were incomprehensible for EU-15 and went beyond the outlined framework of the concept. The Eastern dimension concept – this time in the form of an Eastern Partnership – came up again within the European Union as late as in May 2008, once more thanks to Poland, supported by Sweden. The European Union decided to initiate the Eastern Partnership programme. This was due to European Neighborhood Policy limitations, which – according to EP initiators – did not constitute a sufficient formula for deepening the cooperation with the EU's 'European neighbors'. The Eastern Partnership initiative was lobbied, what may be fully understood, by Lithuania, Latvia and Estonia, as well as all states of the Visegrad Group. Germany has also played an important role in the creation of EP. During its European Union presidency in the first half of 2007, Germany has presented the 'EPS Plus' concept. The EP programme was also favored by the French foreign policy towards 'neighbors of Europe', crowned with the creation of Union for the Mediterranean⁵. This entailed the necessity to make an equivalent step towards 'European neighbors'. Moreover, in the European Union itself, the awareness of challenges and threats existing in Eastern Europe and Southern Caucasus was rising.

After the Russian-Georgian conflict in 2008 works on the EP accelerated significantly. Despite the difference in opinions as to assessing Russian Federation and its aspiration to strengthen its area of influence, EU states admitted that Europe may be directly affected by the political and economic destabilization and the unsettled conflicts in the EU's close neighborhood. Thanks to Sweden's active commitment in the modification of European Union 's Eastern policy, the area encompassed by the EP stopped to be perceived as a territory of only new Member States' interest. Making EP it priority, the Czech presidency in the first half of 2009 has also significantly influenced setting the programme in motion.

The Polish - Swedish Proposal - Eastern Partnership⁶ is a document expressing the essence of the Eastern Partnership. In June 2008, at the European Council Summit, the initiative was supported by the remaining European Union states' leaders.

⁴ Although Russia is the neighbour of EU and was invited to the European Neighbourhood Policy, the EU-Russia relations are included in a separate partnership. The Partnership and Cooperation Agreement signed in 1994 for 10 years was regulating among others economic and trade issues, the scientific and technical cooperation and rules of taking advantage of the space and the rules of the European Union-Russian dialogue. In May 2003, a document on strategic partnership in the so-called four common spaces was signed in St. Petersburg: common economic space, common space of freedom, security and justice, common space on external security as well as common space on research, education and culture.

⁵ The Union for the Mediterranean (fr. Union pour la Méditerranée), a partnership of EU Member States and states situated by the Mediterranean Sea, officially established during the conference in Paris on 13-14 July 2008. Seat: Barcelona. The members are 27 EU Member States and Albania, Algeria, Bosnia and Herzegovina, Croatia (until 1 July 2013), Montenegro, Egypt, Israel, Jordan, Lebanon, Morocco, Mauretania, Monaco, Palestinian Authority, Syria, Tunisia, Turkey. The proposal to form a cooperation branch first appeared during Nicolas Sarkozy's presidential campaign. After winning the elections, the French side started works over more concrete plans; finally, the president of France, Nicolas Sarkozy invited all Mediterranean leaders for the summit of EU leaders to France in July 2008. Nicolas Sarkozy treated Turkey partnership in the Union as an alternative for its membership in the EU. He was against the Turkish membership in the EU. He also considered the Union as a dialogue forum between Israel and its neighbours.

⁶ The Polish-Swedish Proposal - Eastern Partnership
<http://www.ms.gov.pl/files/PARTNERSTWO%20WSCHODNIE/1PL.pdf>,
http://www.pism.pl/biuletyny/files/20090430_556.pdf

On 3 December 2008, the project was accepted by the European Commission, which on its side offered among others: the creation of a free-trade area, the signing of Association Agreements, visa facilitations for citizens of states participating in the Partnership and an increase of financial means for this specific programme up to € 600 million (€250 mln from the European Neighborhood Policy ENPI, whereas € 350 mln from additional means).

The initiative was officially initiated at the first Eastern Partnership Summit in Prague, on 7 May 2009⁷ by the adoption of a Common Declaration.

The Eastern Partnership programme assumed an inclusion, through gradual steps, of Eastern European⁸ and South Caucasus states to the European Union policy and programmes as well as integration with the EU's internal market. EP was to constitute a forum for the exchange of information and experience between partner countries and fulfill the role of a mechanism for building trust. Within its framework, regular meetings between Presidents and Prime Ministers, ministers of foreign affairs, higher commissioners and experts were to be held. The following objectives were also set in the Programme: the establishment of a political association, the creation of free-trade areas between Member States and the EU, the gradual visa system liberalization, and in the future the establishment of a visa-free regime, the creation of a structure of multi-aspect cooperation with partner states within the following thematic platforms: democracy, good management and stability; economic integration and convergence with EU policies; energy security; human relations. It should be underlined that the above-mentioned Eastern Partnership objectives constitute a repetition of the European Neighborhood Policy's objectives and are its 'reinforced' version. No declaration was made on the ultimate goal, i.e partner states' membership in the European Union.

In May 2011, during the Hungarian EU presidency, another Eastern Partnership Summit was to take place in Budapest. However, due to other important events (G8 Summit and the 50th OECD anniversary), the meeting was postponed to autumn, when the presidency was taken up by Poland⁹. The Summit was organized in 29-30 September 2011, in Warsaw¹⁰.

The participants of the Warsaw Summit confirmed the European aspirations and the European choice of some partners and their commitment in building a deeply rooted and balanced democracy. It was claimed that partner states were introducing political and economic reforms, and the relations between EU and its East European partners were deepening significantly. In order to consolidate this tendency, EU and the majority of its partners engaged themselves in negotiations concerning the conclusion of Association Agreements, whose basic aim was the creation of Deep and Comprehensive Free Trade Areas - DCFTA after fulfilling appropriate conditions (mainly membership in WTO).

The projects in the framework of EP are financed by the European Investment Bank within the financing system – Eastern Partners Facility, supplementing the past EIB actions with investments in the Eastern Europe region.

⁷ The joint declaration adopted during the Eastern Partnership Prague Summit - Prague, 7 May 2009, 8435/09 (Presse 78), (OR.en)

⁸ The issue of including Belarus in the Eastern Partnership, and so inviting its representative, was raising controversies until the end. The invitation to the Prague Summit was addressed personally to the president Alexander Lukashenko only after a stormy discussion within the EU. Ultimately, Belarus was represented by the Head of Diplomacy.

⁹ The joint communication to the European Parliament, European Council, the European Economic and Social Committee and the Committee of the Regions, *A new response to a changing neighbourhood*, COM (2011) 303, 25.05.2011

¹⁰ <http://www.msz.gov.pl/Partnerstwo,Wschodnie,19887.htm>

At that time, EP achievements were considerable. We should mention the Integrated Border Management project – € 50 mln, within the works on the programme supporting small and medium-size enterprises (€ 57 mln for 2010-2013). Then, the East-Invest project was launched (€ 7mln) aiming at improving the investment opportunities in partner states and creating a network of contacts for facilitating business between EU and its Eastern partners. Next, the initiative Preventing Natural and Human-Caused Disasters (€ 6 mln) was launched. The initiative Increasing Energetic Performance and Environment Protection in Eastern Europe (€ 1,5 mln) was established in 2009. Complex Programmes of Institutional Development, aiming at providing help to partner states in the effective implementation of association and free-trade agreements constitute a practical support to them. € 173 mln in total were designed for the realization of all these projects.

Apart from government institutions, the Eastern Partnership also foresees the participation of parliaments, international organizations, local authorities, financial institutions and entities from the civic society area and private sector. One should also mention the following international organizations taking part in EP: the European Council with its actions in corruption-minded programmes and actions for judiciary improvement; the Organization for Security and Cooperation in Europe (OSCE) cooperating within human rights protection; the European Bank for Reconstruction and Development (EBRD) and the Organization for Economic Co-operation and Development (OECD) which are committed in the programme supporting small and medium-size enterprises in partner states. Non-governmental organizations have shown great interest in EP. In December 2009, the first session of the Forum of Civic Society EP with around 200 non-governmental organizations took place in Brussels. In May 2010, the non-formal Summit of Ministries of Foreign Affairs of the Eastern Partnership (EP) was held in Poland. Its official initiators were Spain and Poland. The Heads of Diplomacy from 33 states and the Commissioner for the Expansion and European Neighborhood Policy participated in the discussions. The main topics of the debates were: practical aspects of Partnership implementation including European Commission's plans and actions, the principles of financing, the time and methods for the realization of the initiative's subsequent stages, the possibilities of member and partner states' participation in particular actions and projects. The first EuroNest session took place on 3 May 2011 - an assembly of 60 representatives of the European Parliament and 10 Members of Parliaments from each parliament of the Eastern Partnership's states. The EuroNest Parliamentary Assembly is responsible for the dialogue between parliaments of particular countries engaged in the EP programme and the European Parliament. Systematic meetings of the EuroNest Platform are to create future EP action strategy and monitor the current activity.

The third Summit EU – Eastern Partnership's states, planned for autumn 2013, had to be the culmination of the whole process of changes in partner countries. The following was assumed among others:

- Signing of Association Agreements – AA. These are agreements signed by the EU with third countries, defining forms of closer cooperation. The agreement defines cooperation in such areas as foreign policy and safety, rights and freedoms, economy, sector and culture cooperation. The objective of these type of agreements is to mobilize partners to implement more European Union-like standards. Association Agreements should replace Partnership and Cooperation Agreements, in force since the end of the 1990s, agreements that define relationships between EU and EP states, excluding Belarus.

- Visa Regime Liberalization – leading to ultimate visa abolition. The Prague Declaration states for the first time that the lifting of visa obligation is a long-term goal

of the EU policy towards EP states. The introduction of visa-free traffic depends on the fulfillment of conditions of well-managed and secure citizens' mobility by partner countries. The achievement of this goal is possible through effective implementation of Visa Facilitation and Readmission Agreements, and then of a two-phase Visa Liberalisation Action Plan. Ukraine and Moldova are the most advanced states in this process – they are already implementing the Action Plans. In February 2013 an analogous Action Plan was granted to Georgia. At the beginning of 2012, Armenia and Azerbaijan began negotiation on Visa Facilitation and Readmission Agreements. Armenia has already signed the two agreements (in December 2012 the Visa Facilitation Agreement, and in April 2013 the Readmission Agreement).

• The creation of Deep and Comprehensive Free Trade Agreements – DCFTA. Although being part of Association Agreements, the DCFTA are negotiated separately. They are not standard agreements – those that Brussels has already signed several dozens in its history. They are longer, more accurate, they cover more spheres of cooperation than formerly admitted. DCFTA include more concrete, financially measurable cooperation aspects of above-mentioned states with Brussels. They cover issues related with lifting customs and quotas in the mutual trade of goods and services, lifting non-tariff barriers, acceptance of EU regulations in the area of public procurements, but also integration of partner states' commercial law with EU- principles and legal work (*acquis communautaire*)¹¹. Membership in the World Trade Organisation is a precondition for starting negotiations on the agreement. Consequently, Azerbaijan and Belarus cannot formally initiate the DCFTA-related talks. In February 2008, EU started negotiations with Ukraine, then at the end of 2010 - negotiations with Moldova.

No separate office or secretariat were created to handle Eastern Partnership - related matters. The General Directorate for External Affairs was entrusted with this task. As mentioned earlier, the institutional basis for cooperation are meetings of Heads of State and Government of EU's Member States and partner states called every second year. Their goal is to design general guidelines of cooperation. Once a year, meetings of Ministers of Foreign Affairs are held. Their objective is to monitor the realization of common projects and define the area of cooperation. In turn, under the guidance of the European Commission, high commissioners meet twice a year and handle reforms in the following areas: democracy, rule of law and stability, economic integration and convergences with EU sector policies, energy security, human relations. Thematic panels are to be held in between deliberations of above-mentioned assemblies. Alongside political integration, the EU has offered financial mechanisms in the framework of the Eastern Partnership. In the budget for the years 2007-2013, the states included in the Eastern Partnership had to receive around € 1 bln (Kapuśniak, T.) from the European Neighborhood and Partnership Instrument and loans from the

¹¹ An integral image of mutual (?) benefits resulting from AA and DCFTA implementation emerge from different sources. 'In a longer perspective, this will constitute an attempt to improve the macroeconomic indicators, such as GDP or the unemployment level. This is also a chance to build new business and trade connections and to intensify the existing ones. The increase of trade exchange, opening to new markets, forcing new competitiveness, getting to know operation mechanisms of the European business – these are specific perspectives awaiting businessmen and entrepreneurs. The chance for modernizing the economy, so much awaited by entrepreneurs and regular citizens; the modernization may lead to gradual westernization. After initialling the documents (AA, and especially DCFTA), the possibilities of pressure on European Union side become greater. The consolidation of groups striving for the implementation of regulations included in AA, and especially DCFTA, is certain. This will be a chance for them to realize profitable interests on European Union markets. The perspective of capital influx from EU states in the form of foreign direct investments shall be of considerable importance. This will be possible only when the investment climate improves; for that, decisions included in Association Agreements should be implemented.

European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD).

A preliminary evaluation of the programme 5 years after its operation confirms that the core objective of the Eastern Partnership is (was?) the stabilization of partner states and their 'getting more similar' to the states with a market economy and rule of law. Membership in the European Union was not a core objective. This attitude of the Communities towards the states (Partnership participants) that emerged after the dissolution of the Soviet Union resulted mainly from the fact that many Member States, especially the decisive ones, did not perceive them as fully-European, as part of Latin civilization. The European Commission itself was convinced that these states, and especially Ukraine, were members of the so-called Russia's 'near abroad' (Morawska, K.; Zieliński, A.). The European Union treated its own bilateral relations with Kremlin¹² as a priority. This slightly indecisive and even ambiguous attitude has undoubtedly influenced the limited results of the Partnership.

3. The position of Russia towards the Eastern Partnership

The Eastern Partnership, originally a technical platform for economic cooperation in the area of trade, tariffs, quantity limitations, foreign direct investments, was transformed into a real geopolitical game whose goal is dragging the former Soviet Union republics (that did not form part of the European Union) into the orbit of western influences and interests. However, Russia objects to this.

After the poor decade of the 1990s as regard to the achievements in foreign policy, Russia begins to become a player with more and more ambitions on the international arena. Consequently, Moscow's aspirations towards economic and political reintegration of the former Soviet Union territory are consistently rising. Russians include to this territory Eastern Europe and South Caucasus. The two - as intended by Kremlin - have to be finally included in the Custom Union of Russia, Belarus and Kazakhstan, created in 2010. According to Russia, this means subordinating these countries to its interests. Due to the conflict of interests, the rivalry between the European Union and Russian Federation about economic and political influences in the Eastern Partnership's states is legible. Thus, the fights for South Caucasus, Moldova, Georgia and especially Ukraine cannot be just limited to the technical and economic aspect or to the concept of creating a 'friendly' buffer, good neighborhood for the EU. This is a political battle for a new balance of powers on Eurasia territory. The EP states are situated in the middle of a geopolitical triangle created by Brussels, Washington and Moscow.

One Partnership weakness was the initial bad evaluation of the rival intentions. The strategic position of the Partnership's states was underestimated as to their being a strategic area for Russia as well. Russia does not give up voluntarily its influences and traditional economic connections. And the more weak Russia is, the more brutally it defends what belongs to her.¹³ In this defence, she has key arguments: the Partnership's states are dependent not only from Russian resources (especially energetic), but also from the Russian trade and labour markets. It is true that Brussels

¹² Russia has always perceived Ukraine as part of 'historic Russia' and 'a territory indigenously great-Russian'. If Western politicians accept this stance disseminated by Moscow, this only proves their poor knowledge of European history. The Russian statehood comes from Kievan Rus, so the Ukraine territory is the statehood cradle of today's Russia.

¹³ Russia would like to prevent a situation in which a competitive model of society and state appears in its neighbourhood, or even a civic society fully aware of its power. Prosperity, security and freedom in the neighbours – this is enough to trigger off a hostile reaction of Russia.

was each time underlining that the EP was in no account directed against Russia. Actually, despite that, Moscow, from the beginning, was considering EP as a threat for its interests in the states being part of the programme. No wonder that the inauguration of the Eastern Partnership programme at the Prague Summit was coldly welcomed by the Russian Federation. On 22 May 2009, President D. Medvedev expressed the Russian position on this issue at the EU-Russia Summit in Chabarovsk (several days after the Prague Summit). He stated that: 'Each partnership is better than a conflict. However, we are worried that some states try to use this structure as a partnership against Russia.'¹⁴

European strategists may have committed a geopolitical mistake. While drawing their plans, they assumed that only economic issues are at stake, the most important being to get these states as similar as possible to democratic states with a market economy. Consequently, Moscow should have no reason to object. Nevertheless, they did not consider the obvious issue that Russia cares more about the territory in question than the European Union: the above-mentioned initiative is moderately supported by European Union's powers and its leader – Poland was a faithful ally of Moscow only 20 years back.

Ukraine is an essential issue for Russia. Its potential – the GDP and demographic resources – is greater than the total potential of the remaining five Partnership's states-participants. To preserve the Russian status quo it would be enough if Ukraine remained away from European Union structures; and this is not so difficult to achieve. Ukraine is in debt, and the costs of transition from an obsolete, energy-consuming and non-competitive economy, indispensable for the fulfillment of all European Union' standards and requirements, are beyond its capabilities.¹⁵ Moreover, Russia is demonstrating its possibilities. On one hand, it has introduced a temporary blockade on gas deliveries and importation of Ukrainian products on its territory. On the other hand, it has offered a discount on gas price and a credit loan devoid of any conditions. Furthermore – the credit is higher than the total financial assistance for the Eastern Partnership in the years 2007-2013. Apart from hard political and economic instruments, Moscow is in possession of soft instruments – that is a very typical for this region model of state functioning, mentality (*homo sovieticus*), tradition, morals, religion, patriarchal culture, etc. Not only is it the heritage of a more than 70-year-lasting common Soviet nationhood, but also of belonging to the Turanian and Moscow civilization. Russia is not only more determined to preserve the status quo and is capable to invest more funds for the maintenance of Eastern Partnership's states; what's more, for most European Union states, Russia is a more important partner than Ukraine. Kremlin waited, bluffing the disrespect of the Partnership project until European Union negotiators agreed with Ukraine, Moldova, Georgia and Armenia on the final conditions of Association Agreements and turned to counter-offensive. Kremlin's moves included a short-term declaration of economic war aiming at displaying what awaits Ukraine if the later dares to disobey Russia. Kremlin does not resign either from other states ready for closer relations (even in a greater extent than Ukraine) with Brussels, applying similar instruments and means of pressure towards them and Ukraine, for example vine-importation ban from Moldova, threatening the Moldovans working in Russia with deportation etc.¹⁶ As opposed to Moldova, Russia

¹⁴ The press conference after the EU-Russia Summit in Khabarovsk, on 22 May 2009, source: EurActiv, The EU-Russia Summit without breakthrough, 22.05.2009

¹⁵ Experts estimate that Ukraine needs help in the amount of € 20 bln, whereas the European Union has only offered 500 million: either it can only afford this amount or it has estimated its interests with Ukraine up to that amount.

¹⁶ In other words, in a short time horizon, the EU is on a weaker position than Russia: in contrary to Russia, it

has a relatively moderate attitude towards Georgia as it is not in possession of so serious means of pressure.

These moves brought measurable results. Armenia, after trouble-free negotiations with European Union officials ended in August 2013, has unexpectedly undertaken the decision to withdraw from the negotiated contract and enter the earlier-mentioned Eurasian Economic Community customs union. This was done despite the fact that both groupings have clearly stated that it is not possible to get closer to both organizations at the same time. In face of a difficult and expensive, both for the states and the societies, getting closer to European Union structures, the alternative of integrating the Eurasian Economic Community may unfortunately appear to be much easier and less painful. This also entails a gradual – first economic, than political – subordination to Moscow. At present, practically no talks are held on further close-up of the remaining Eastern Partnership states to European Union, that is Belarus, Armenia and Azerbaijan. It seems that Russia and not the European Union has won the round in the battle for safe Eastern borders and/or new territories for expansion.¹⁷ The latest EU-Russia Summit held on 28 January 2014, lasting for only two and a half hours, has confirmed that. The Summit led to the arrangement of the protocol of divergences, but also to the decision: 'we made an agreement on conducting bilateral consultations on the experts' level on Association Agreements with the European Union within the framework of Eastern Partnership and their economic consequences for both parties' - the European Council President has informed after the meeting with the President of the Russian Federation Vladimir Putin.¹⁸ Thus, despite a significant cooling of relations between Russia and the EU, Russia has sorted out an issue of greatest importance. The interest is bilateral: a Ukraine away from the EU guarantees that N. Farage will not decimate the Tories and Marina Le Pen will not win the next elections in France.

4. The evaluation of the Eastern Partnership

As mentioned earlier, Deep and Comprehensive Free Trade Areas - DCFTA - supposed to be the main pillars of the Eastern Partnership, aiming at integrating legal, court and economic systems in the EP states with European Union standards and visa-free regimes.¹⁹

The slogans were noble, typical for the transition period: the rule of law, democracy, the development of civic society, multi-party system, free media, free market and liberal economy. These are, officially, the most important values for Brussels. For Belarus, Ukraine, Moldova and the Transcaucasian republics, these values are slightly exotic. A belief was held that bringing closer former Soviet Union

cannot blackmail the Partnership states. It may only put an offer and say: 'what a pity if you reject our offer'. At the same time Russia is saying: 'if you do not accept our offer, we will punish you'.

¹⁷ 'Europe is not able to face geopolitical actions linked with the imperial plans of Putin's Russia' – a politician of PiS when submitting a motion on rejecting the Minister of Foreign Affairs' information on the Vilnius Summit, '*PiS za odrzuceniem informacji Sikorskiego nt. szczytu w Wilnie*'. Portal in Polityka, added 12.12.2013

¹⁸ EU shall 'consult' with Russia the agreements in the framework of Eastern Partnership. PAP communication [Polish Press Agency – note of the translator] 28 January 2014. The newly appointed plenipotentiary of the German government on Russia Gernot Erler has openly stated before the Summit that 'the EU made a mistake as it had not analyzed the potential conflicts with Russia before putting forward the proposal of the so-called Eastern Partnership to such states as Ukraine. We have to be sure that we will avoid tensions between the Eastern Partnership and the Russian Customs Union.'

¹⁹ It is not a coincidence that law and judiciary constitute a priority. Without them, an efficient economy is not possible: in international relations, it manifests itself through the movement of goods and services and capital. The fourth freedom of the internal market, that is the free movement of people without visa, is not possible either.

republics to the European Union would weaken Russian neo-imperialist attempts. Russia as the heir of 'the homeland of world proletariat' was more explicitly committing itself in the reconstruction of the former empire. In turn, the above-mentioned states expected that this would help them to reinforce the multi-vector element in their foreign policy.²⁰

With time, the zeal of the states within the framework of the Partnership programme diminished. From the beginning, Belarus did not intend to hear about democracy as understood by Brussels. Mińsk has not been convinced neither by money nor extended projects. Azerbaijan and Armenia understand democracy in their own way, to put it moderately – in a not fully European way.²¹ Several months before the III Partnership Vilnius Summit, the President of Armenia Serzh Sargsyan announced that he chose integration with Russia, Belarus and Kazakhstan within the customs union. This was a prestigious blow for the Eastern Partnership programme. In turn, Georgia was approached with understanding, probably due to the conflict with Russia; we should support Georgia so it can survive. Finally, on 29 November 2013 on the III Eastern Partnership Summit in Vilnius only Georgia and Moldova initialled the negotiated Association Agreements covering the free-trade agreements. According to Jose Barroso, EU's goal is to sign both agreements as soon as possible in 2014, still before the end of the term of the running European Commission. 'The European Union wants your success and will support you.'²²

However, the way from initialing to signing is long and uncertain. The same pertains also to the European Union. So that the initialed agreements with Georgia and Moldova could enter into force, they should be signed and then ratified. The example of Ukraine which at the last moment withdrew from signing the agreement initialed a year earlier proves that it remains uncertain. Experts expect that Russia will shortly start trade wars in order to dissuade Georgia and Moldova from this idea, as it did previously with Ukraine. Moldova, being the most dependent on Russia and Russian gas, will be the first target. It goes through economic problems and a still unresolved dispute around the separatist Transnistria.²³

Initialing documents is a technical procedure, confirming their authenticity. A special ceremony was organized, however, to underline pro-European aspirations for both states. The Association Agreement is defined as the first step to European Union membership although there is no entry in it and no mentioning about possible admission to the Community. The more-than-a-thousand-page documents only define conditions to be fulfilled by each state striving for closer economic and political cooperation with the European Union.

As regard to the fourth freedom - the free movement of labour force – the European Union participants of the Vilnius Summit were satisfied with Moldova's achievements as to the fulfilment of the Visa Liberalization Action Plan's conditions. This opened the way to introduce a visa-free movement between EU and Moldova for those having biometric passports on 28 April 2014. The following were also signed: the

²⁰ The wish to break off with the unilateral dependency on Russia and the development of relations with the enemy to date, that is the European Union.

²¹ Furthermore, the lack of regulation over a whole range of regional conflicts allows to state that the Eastern Partnership has in no way changed their economic and social situation. EU does not represent for them any real alternative, and the 'diplomacy of values' led by it does not constitute an efficient way of settling regional problems and conflicts.

²² Polish Ministry of Foreign Affairs: the III Vilnius Summit on Eastern Partnership has ended (communication) PAP /added 29/11/2013.

²³ Moscow has put more pressure on Moldova by threatening to close the Russian market and cut off energy supplies. The Kishinev authorities have to include this in the profit and loss accounts of integration with EU, as it was previously done with Armenia and Ukraine.

Visa Facilitation Agreement between EU and Azerbaijan as a result of which the Azerbaijanis shall pay less for the visas. The application procedure for entry into EU states shall be easier and cheaper (Azerbaijan is, after Georgia, the second state from Southern Caucasus to have signed this document). A framework agreement was also signed with Georgia on the participation in military operations and civil missions within EU Common Security and Defense Policy. The Common Aviation Area Agreement on common air services was also initialled between the European Union and Ukraine. In behind-the-scene of the Summit, a bilateral meeting was held between the leader of the Polish foreign ministry and the leader of Belarus diplomacy, Uladzir Makiej. The Belarus party declared its readiness to enter into talks on visa facilitations with the European Union, including signing Readmission Agreement.²⁴

During the Summit, the goals for the Partnership until 2015 were also set, that is to the next Summit to be held in Riga. In the forthcoming years, the most important tasks should be, among others: the implementation of the Association Agreements, strengthening the democracy and the rule of law through the pursuit of reform of the judiciary, further economic integration, gradual introduction of visa free regimes, energy security and strengthening the multilateral dimension of the Eastern Partnership, encouraging civil society, and especially the business environment to action.²⁵ One may say that the above-mentioned goals constitute an interpretation of the essence of the association (integration) of partner states with the European Union.

Ukraine turned out to be the real failure of the Summit and probably of the whole Partnership programme. Although Ukraine has initialled the Association Agreement, it has declared – a few days before the final – that it will not sign the agreement. President Victor Janukovitch has unexpectedly accused Brussels that the European Union's financial assistance offer is a humiliating charity.²⁶ It does not compensate the economy-threatening losses resulting from the Russian embargo. The European Union expects too much. Moscow – as the former President suggested – requires less and gives more. Seen from this perspective, the association with the European Union would not be profitable and constitute a threat for Ukrainian authorities and oligarchy interests.²⁷ The riots that soon have spread across Ukraine led to the removal of the President and the taking over of the power by a new, pro-European team that will carry out elections in the end of May 2014. The reaction of Moscow led to the political destabilization of Ukraine and undermined its territorial integrity. With no firm position of Brussels and Washington, this may lead to the state federalization and even to its collapse. Regardless of the subsequent course of events, one may already claim (the next deliberations will be aimed at further justifying this claim) that at present Ukraine has practically no real choice between Russia and the European Union. Each choice has its advantages and disadvantages, both for the authorities and the society.

The evaluation of the Summit's results, made by its participants, were not that enthusiastic, and the disappointment was difficult to hide.²⁸ It was the first time that the

²⁴ Polish Ministry of Foreign Affairs: the III Partnership Summit has ended.... op.cit

²⁵ Press Releases, Joint Declaration of the Eastern Partnership Summit, Eastern Partnership: the way ahead

²⁶ Supposedly the then Primer Minister M. Azarov determined the help to Ukraine as ...'the alms for a beggar in the church-porch'.

²⁷ One may not exclude that the estimates made in the end of 2013, as well as the failure of pipelines ambitions of the European Union have actually created a fiction from the so-far promises of a mutually profitable partnership with Europe. It may have turned out that for a similar 'partnership' Ukraine would have to pay with a collapse in the national industry and foreign trade and the breaking up of traditional connections with Russia, which – moreover – remains the main supplier of energetic reserves.

²⁸ This is a very important moment in the relations of EU with Georgia and Moldova – said the Head of the European Council, Herman Van Rompuy during the ceremony in the Lithuanian capital. On their side, the European Union states and institutions showed their respect to the sovereign choice of our partners and did not put a pressure on them – he underlined. In turn, the host of the Summit, the President of Lithuania, Dalia

European Union has turned out not to be a sufficiently attractive partner for a negotiating state to sign an agreement on its conditions.²⁹ In the final declaration of the Vilnius Summit, the leaders – in quite a veiled manner – made a reference to Russian pressures on the Eastern Partnership states, expressing their understanding for ‘regional conditions’ that these states have to be up to.³⁰ The Head of the European Commission, Jose Barroso and the Head of the European Council, Herman Van Rompuy have criticized Russia more explicitly. Soon after the Summit, they both declared that ‘they strictly disagree with the position and actions of Russia’ in connection with the association plans of the EU and Ukraine. They also assured that due to the reinforcement of relations between the EU and its Eastern partners, their relations with the neighbours, for example Russia, will not suffer.³¹

Russia works hard to dispel ‘intruders’ from its sphere of interests. Among obstacles the Partnership is facing, apart from Russian pressure, we may mention the internal divisions within the EU itself. The Partnership is very important for Poland and Lithuania. It is less significant for Paris and Berlin. For the latter, good relations with Moscow matter more. From the Brussels’ perspective, this is one of numerous programmes on external cooperation. It is not in the least a priority. The internal policy aspects in partner states and the public opinion divisions are other EP limitations. The social support for European integration in Georgia, Moldova and Ukraine are not unambiguously overwhelming. Even if significant public support for pro-European orientation may be generated, one should not exclude that important political forces in these states would object to a decisive turn towards Brussels. The following phenomena support this scenario: absence of sufficiently prepared staff among non-governmental organizations in the states-beneficiaries; an inadequate informative action with reference to the profits/costs of the Partnership; a lack of information on the available means and actions; the appearance of virtual non-governmental organizations for the realization of originally fictitious projects; relatively small financial means foreseen for the realization of the Partnership (which are not even used up due to the lack of proper information on available means and a complicated system of admitting grants). Moreover, the schemes of application and settling the account turned out to be too difficult for entities not accustomed to functioning in the framework of a different bureaucratic model.³²

In the light of the above and the last Summit’s evaluation, one should think about the real balance of Partnership’s achievements five years following its implementation. The analysis will be carried out on two grounds: political and economic.

Grybauskaite underlined that initialling Association Agreements with Georgia and Moldova proves that the Eastern Partnership works. There were ups and down, but today we may say that Europe is extending – she said. The results of the Summit show that in the Eastern Partnership a rule governs ‘more for more’ – commented the Head of the Polish Ministry of Foreign Affairs, Radosław Sikorski. Cited after the Polish Ministry of Foreign Affairs: *The III Summit has ended*, op.cit.

²⁹ The position of Greece was totally different, 30 years earlier, in the negotiations with the European Union.

³⁰ Press Releases, Joint Declaration... op.cit.

³¹ Compare the interview of T. Horbowski with Jan Malicki, the Director of Studies for Eastern Europe, conducted in August 2010, www.studium.edu.pl, *Zaletą Partnerstwa Wschodniego jest to, że ono w ogóle jest!* ‘ Another element is the EU policy towards Russia and Russia towards the Eastern Partnership states. The main players in the EU do not want, as it is well known, to strain their relations with Moscow. This was proved after initiating the Eastern Partnership, when some EU states almost started to apologize for having created such a programme. Russia, on its side, as a matter of fact, demands to have an impact on the existence and course of the Eastern Partnership programme, although it is not entitled to it. The European Union, in turn, what may be of a little surprise, is ready to talk on this topic. Furthermore, it is ready to create new bodies and institutions as a remedy to it. Thus, the second element forming the future of the Eastern Partnership depends on EU weakness and Russian power (or alternatively the other way round...)

³² Compare A.Dołęga, *Partnerstwo Wschodnie – 5 lat porażki*, European Centre for Geopolitical Analyses.

4.1 Political ground

Many premises explain the relative failure on the political ground.

First, while preparing the Partnership programme, one has not taken into account that it would cover states and nations not formed in Latin civilization as Lithuania, Latvia and Estonia, but in Turanian civilization, in its two versions.³³

Secondly, democracy in its western understanding is slightly compatible with democracy as it is understood in the East.³⁴ That is why such catchphrases as democracy, development of civic society, admitting other parties in the political game, fighting off corruption, free media, free market and liberal economy, entrepreneurship, individualism only now push their way through to the mentality of these states' societies. For example, in Ukraine, the political parties so far were in fact businessmen's clubs. At present, we are witnessing the formation of the party 'Svoboda' - the first party with a specific ideology. There is a big chance that a formalized pro-European grouping will be formed. These are positive, creative actions, in the contrary to past spontaneous political activity in the form of mass protests and demands put forward to government elites.

Thirdly, in order to implement them, a conscious choice is required and acceptance from the state, that is both the governing and the governed people. It cannot be imposed from the outside. It goes without saying that the introduction of changes should be calculated for generations, and not years. As a matter of fact, European Union standards are better than the post-Soviet ones. Nevertheless, they are not universal – they cannot be implemented automatically in other countries. They were developed in specific conditions, in a particular time and it took several centuries to work them out in developed countries of North-Western Europe. It is hard to expect that they would catch on at once in countries with totally different traditions, that is in countries where democratic traditions, free trade, respect for law are lacking. This may be explained by the fact that still today in these countries the representatives of the former establishment are still in the government, whether they are former First Secretaries of State and their son (Azerbaijan) or kolkhoz directors (Belarus).

Fourthly, the European Union has put in its forefront such issues as: the state of law, an efficient judiciary system, without which one cannot even think about an effective trade or capital commitment. The latest two are precisely the weakest links in the political systems of the Partnership states. In other words, without a radical change in all these areas, the European Union may forget about its plan of economic expansion in Partnership states and Russia. Thus, all actions on the political ground, aiming at 'making similar' partner states with the European Union states is actually a battle for establishing European Union's rules of game on new markets and/or locations of foreign direct investments from European Union states. The European Union should be aware that work at the grass roots level in order to build a civic society that would understand these agreements and would guarantee their realization is more important than negotiations with governments and signing agreements.

Sixth, it is nonetheless easy to foresee the result of this supposed expansion on the economic ground. For the time being, let's just state that the *homo sovieticus* mentality shall never become the *homo sapiens* mentality, but – as observed in the 'new' European Union states – the *coca colens* mentality. The more enlightened citizens of these states are aware of this threat for the 'starving' consumers', traditional

³³ Turanian - Moscow or Turanian - Cossacks. See footnote 17.

³⁴ This is still visible in Poland, where more-than-a-century Russian rule and subsequently almost a 50-year-lasting Soviet Union rule led to big changes in political morals and nation's psyche.

and patriarchal societies where the the cult of the leader 'backa' (Dad) is still existent. As to oligarchs, there is no decisive answer; new competitiveness may bring success (if they are up to modernization) or bankruptcy.

Seventh, the Eastern Partnership basic aims and tasks have not yet been exhaustively defined. Democratic values and economic cooperation were mentioned in the first documents of the programme, but the final effects were not stated. Many politicians cannot, until today, explain accurately the sense of the whole notion. They limit themselves to general statements about the necessity to deepen the cooperation between the European Union and post-Soviet states. We still do not know what the real aim of the Partnership is: either the entrance of the Eastern European states within the orbit of EU, or political cooperation, or simply integration (that is subordination) in economic terms, without full membership in European Union. Unquestionably, what is euphemistically called 'the diplomacy of values', not explaining its aims clearly, conceals the real premises of European Union actions.

Last but not least, the Eastern Partnership has not promised membership in the European Union, even in a longer perspective, what would compensate both the governed people great efforts and sacrifices (conceivable initial reduction of the attained level of life, the necessity to adjust to a different, new reality) and the governing people endeavours (first limitation and then resignation from authoritarian rule). All declarations abounded in platitudes about help, cooperation, closeness, partnership and association. These catchphrases imply the necessity to adjust to new rules and principles, without possibility to establish them. This, however, is far from the popular saying 'nothing about us without us'. The Eastern Partnership's political failure was moreover caused by a lack of conception as to the participation of EU in solving partner states' numerous conflicts (Georgia, Armenia, Azerbaijan, Ukraine, Moldova) and the not regulated status of partner relations between EU and Russia, with reference to the Partnership programme.

To sum up, in geopolitical terms, EU wants to subordinate the neighbouring states. As a civil and postmodern superpower, it does not use army and violence, but law and money. However, it denies itself a significant instrument of influence: it does not offer membership. Irrefutably, enlargement-related fatigue, the economic crisis or financial problems are among the reasons for not offering membership. The last factor, particularly, is extremely important, as 'equalizing' these states to European Union standards requires great financial assistance. The European Union, nonetheless, is unable or unconvinced whether it really wants to take on the challenge. Thus, its financial commitment, especially in Ukraine, is limited. On the other hand, Russia tries to maintain and reinforce its sphere of influence in the region, using utterly distinct, more traditional instruments. In any case, its actions seem to bring more measurable effects than the EU policy, as maintaining these states within its orbit is much less expensive. If no change is required, then keeping up the status quo is enough.

4.2 Economic ground, that is Ukraine between Scylla and Charybdis.

The orientation of changes determined and stimulated on the political ground are essential for the achievement of particular profits on the economic ground. In order to understand what the benefits are and who their main beneficiary will be, one should carefully analyze the assumptions and content of the negotiated Deep and Comprehensive Free Trade Areas Agreement (DCFTA) between the EU and Ukraine.³⁵ It constitutes an integral part of the Association Agreement that was to be

³⁵ The analysis shall be conducted on the basis of data included in the article of R.Sadowski, *Perspektywy*

signed on the III Partnership Summit in November 2013³⁶. It may be signed in June 2014 after the May elections by the newly elected team. The agreement negotiated between the EU and Ukraine, as well as other ones arranged with other Partnership states (except for Belarus and Azerbaijan) is much more extended than the past typical free-trade agreements. This concerns not only the lifting of tariff and out-of-tariff barriers (which are small), but – of value – the acceptance of EU legal solutions and standards by Kiev in the framework of international cooperation. This is an obvious asymmetry of concessions and advantages, as the agreement includes a specific schedule of solution implementation and the adoption of European Union legislation (*acquis communautaire*), that is only concessions without specifying particular benefits for Ukraine.

A short analysis shall be made following the criteria of advantages and costs.

5. Advantages for the European Union

✓ The main EU priorities themselves in the negotiations on the free trade area with Ukraine³⁷ were designating the principal beneficiary. The prime concern is a closer integration of Ukraine with the European Union. The aim of this integration is the reinforcement of the political and economic stability. The integration is not understood as a member-to-be promise, but adaptation of Ukraine to the European model. This has to ensure stability in direct EU neighbourhood. The second most pressing matter is to secure the European Union interests of companies and investors by opening and liberalizing the Ukrainian market and adjusting it to the European model.

✓ The DCFTA is based on two key elements.

Firstly, it assumes trade liberalization through the lifting of tariff of duties, importation quotas and other barriers (legal, technical, procedural) in the trade exchange. It also presumes the liberalization of investment and services' regulation by Kiev.

Secondly, in this agreement, Ukraine commits itself to adopt the European Union

umowy o wolnym handlu UE-Ukraina, Comments of OSW [Centre for Eastern Studies] 18.10.2012.

³⁶ Negotiations of both agreements ended in December 2011. On 30 March 2012 the Association Agreement was initialled together with the first and the last page of the DCFTA.

³⁷ Enclosure nr 1. Chosen DCFTA assumptions:

- In case of some goods, the reduction of tariffs has to be done gradually for 10 years. Ukraine kept the possibility to apply defence mechanisms under certain conditions until 15 years from implementing the agreement, among others maintaining higher importation customs on chosen goods (e.g. cars)
- The EU maintained the amounts for certain agricultural and food products imported from Ukraine (e.g. meat, dairy products), and Ukraine for EU goods (e.g. beef, poultry, sugar).
- The agreement contains a schedule of accepting particular European Union regulations, among others concerning the sanitary and phytosanitary norms, technical regulations, custom procedures, investment law and rules of functioning of foreign companies, competition rules, state support for economic entities, rules regulating the functioning of certain trades in the services, including financial services, telecommunication, marine transportation, mail services, etc.
- Each party has to ensure the other party's companies the possibility to conduct business activity in its area, the same as its own companies and not apply discriminative practices, except for some trades (among other things mining, war industry, marine and air transportation). This concerns also public procurements, in which both parties have to treat mutually the economic entities as their own, and Ukraine has to adapt gradually its regulations to the Union regulations. At the same time, the Ukrainian regulations concerning the flow of capital and investment have to be liberalized.
- The protection of intellectual property and geographical indications; there are around 3000 goods from the European Union (e.g. cognac, champagne) and around 100 from Ukraine on the list of protected trade names.
- Procedures of solving problems should allow in a greater extent to influence the other party in case of not acquitting of agreement provisions. This is still a serious problem, especially in case of securing the rights of a EU states' company, operating on the Ukraine market.

law, norms and standards in the trade area.

✓ Ukraine commits itself to comply to future changes in the European Union law on a regular basis. Nonetheless, this does not influence the form of these changes. If one party does not acquit of the agreement's provisions, securing mechanisms shall be introduced, including the suspension of applied preferences. This, in the first place, has to increase the possibilities of European Union's influence on Ukraine.

✓ The agreement foresees an increase in European investments' security and the facilitation of conducting economic activity in Ukraine. The economic integration within DCFTA has to lead to the creation of similar conditions for conducting business and trade activity by companies on both sides. European Union regulations and solutions shall constitute the basis of these conditions.

✓ Companies from EU states may become more attractive and more competitive in comparison to Ukrainian companies. This is due to the abolition of mechanisms protecting Ukrainian companies and the levelling of the conditions related to conducting economic activity based on European Union's legislation. Ukrainian producers may threaten European Union entities' interests in some sectors, as for example agriculture, but the European Union has maintained mechanisms limiting their competition and kept the importation quotas in this area. The protection of intellectual property rights (i.a. trade marks, geographical signs) also aims at securing the interests of European Union's producers.

✓ Special procedures were introduced for settling disputes. They allow, better than at present, to protect the rights of European Union's states and companies on the Ukrainian market (and vice versa).

✓ Ukraine – among all Eastern European states - is considered as having the least business-like climate³⁸ and the greatest level of corruption. Consequently, it is essential to improve investment conditions. The EU is one of the most important trade partners of Ukraine. The unquestionable majority of direct foreign investments in Ukraine come from European Union states. In 2010, they amounted to 78,8%.³⁹

Comment of the Author:

Ad. 1/ The integration of Ukraine with the European Union market facilitates the access to this market. Actually, the latter is free to a certain degree. The reinforcement of political and economic stability lies not only in the interest of Ukraine, but also (and perhaps even first of all) in the EU's interest. It guarantees calm and peace on EU's Eastern borders.

Ad. 2/ No other comment is necessary. One may only spell it out that it is a total 'disarmament' of the weaker partner, that is Ukraine.

Ad. 3,4,5,6,7/ No other comment is necessary.

6. Advantages for Ukraine

➤ DCFTA implementation shall be significant primarily for Ukraine.

There is a great disproportion between these two markets. On one side, the European Union market with 500 million consumers, whose nominal GNP value in

³⁸ In the 2012 ranking *Doing Business* carrying research on the conditions of doing business, Ukraine was on position 152 out of 183 states all over the world, the lowest position in Eastern Europe, <http://www.doingbusiness.org/rankings>

³⁹ Data of the National Statistical Office of Ukraine (Ukrstat). To spice it up, more than ¼ investments (28,1%) were done by companies registered in Cyprus. This is a reinvested Ukrainian or Russian capital. This entails profits for those Russian and Ukrainian companies, which acting on the basis of European Union law, find themselves in a more comfortable situation than the Ukrainian capital acting according to the Ukrainian law.

2011 amounted to \$17,6 trillion. On the other side, a ten-time smaller Ukrainian market as to the number of consumers, which generates a GNP at the level of \$ 165 bln (54 position in the world).⁴⁰ The economic cooperation is much more important for Ukraine than the European Union. For Ukraine, the EU is the second trade partner after Russia (28,6% turnover in 2010). For the European Union, Ukraine is of second-rate importance (22 trade partner, 1,1% share in turnover).⁴¹ Kiev, in a great extent, had to accept the conditions placed by the European Union in DCFTA and the field of negotiation was limited. The agreement assumes that Ukraine will adopt a part of European Union's *acquis communautaire* and liberalize its trade and investment's regulations. The implementation of the agreement shall not influence European Union's legislation. In turn, it shall influence not only the Ukraine - European Union trade cooperation, but the functioning of the whole Ukrainian internal market.

➤ The lifting of tariff duties without deepened legal harmonization would have a much smaller importance for Ukrainian economy, owing to the trade preferences in force given to Ukraine by the European Union (within WTO and the Generalized Scheme of Preferences) and relatively low tariff duties. The economic integration with the European Union gives Ukraine a potential access to the European Union market⁴² and may also increase its exportation possibilities to world markets (i.a. thanks to the adoption of European Union norms in production and services). Simultaneously, it will contribute to a rise in competitiveness on the internal market, what shall be profitable among other things for Ukrainian consumers.

➤ The harmonization of the Ukrainian law with the EU law shall allow to improve the functioning of the Ukrainian legal system and limit corruption. It may also lead to the improvement of the business climate, greater access to new sources of financing (including foreign investments and foreign credits; it will reduce the costs of their contracting). The transfer of new technologies and their management methods shall allow to increase their productivity and production quality.

➤ The rising competitiveness generated by EU companies may stimulate effectively Ukrainian economy towards reforms and modernization. To stand against competitive European Union companies, Ukraine may have to create an energy-saving economy to reduce the production costs of very energy-consuming Ukrainian companies. Next, Ukraine may have to lower its dependency on the importation of energy resources and diversify its sources of economic growth. This may be achieved through the development of other branches of economy, for instance the sector of services or small and medium-size enterprises. For now, the economic growth relies on

⁴⁰ According to International Monetary Fund data for 2011, the value of the nominal GDP of all EU states amounted to \$17,6 trillion, whereas the first four biggest national economies are: 1. USA \$15,1 trillion, 2. China \$ 7,3 trillion, 3. Japan \$ 5,9 trillion; 4. Germany \$3,6 trillion; <http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/index.aspx>

⁴¹ (Eurostat and IMF) http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113459.pdf

⁴² One should underline the word 'potential', as the present basis for EU-Ukraine trade relations (signed in 1994 the Partnership and Cooperation Agreement, which entered into effect in 1998) assumes among others a limitation of applying discriminating rates and importation quotas, as well as bringing closer the Ukrainian legislation to the rules of the EU internal market. The EU has given Ukraine the clause of greatest privilege, as a result of which it was given similar preferences as the EU had given to World Trade Organization members (WTO). In 1993 Ukraine was included in the EU's Generalized Scheme of Preferences, which was facilitating the developing states to enhance exportation of some category of products to the EU market. With time, other Eastern Partnership states have obtained more profitable trade solutions. Moldova was included in the Autonomous Trade Preferences (ATP), which lifted EU customs on almost all goods apart from some agricultural and food products. In turn, the South Caucasus states were included in the GSP+ which established custom tariffs on a lower level than in case of Ukraine. Ukraine membership in WTO since 2008 was another step in trade liberalization with the EU. Ukraine has, among others, reduced its custom tariffs for EU products and has gradually limited some exportation customs to the EU.

big raw materials concerns (including metallurgy).

Comment of the Author

Ad.1/ A larger European Union market for Ukrainian products does not automatically mean an increase in exportation. Ukrainian exportation structure and the EU demand structure are not adjusted. Moreover, a generally lower quality of goods makes the reduction of price not always effective. The same occurred in Poland when the European Union market was opened asymmetrically for Polish exportation. Poland has not seen a dynamic increase in exportation and the reason was the one mentioned above. The above advantage is then just a simple verbal manipulation.

Ad.2/ This confirms the above statement that liberalization in the access to European Union markets shall bring little change to the Ukrainian exportation. However, the rise of competitiveness on the Ukrainian market is undoubtedly good for consumers (the *coca colens* phenomenon which appeared among others in Poland), not always for producers.

Ad.3/ There is a long way from the harmonization of law to the limitation of corruption. Changing the society's mentality and reducing the level of social consent to corruption is much more important. However, we should admit that the introduction of European Union norms and *acquis communautaire* reinforce Ukrainian independence from Moscow.

Ad.4/ The changes are going in the right direction. This is, however, a very long-term goal.

7. Costs – unfortunately only for Ukraine (the costs for the EU are vestigial)

➤ DCFTA implementation implies great administrative effort (in relation to *acquis communautaire* implementation) and financial means (both by the state and the company).

➤ In the initial period of DCFTA implementation, the competitiveness of Ukrainian entities may be limited due to the increase in the production costs. These are caused by the introduction of European Union standards. First of all, this will challenge small and medium-size enterprises. Some of them may be on the verge of bankruptcy. In a lower extent this may also affect big concerns belonging to Ukrainian oligarchs who export to the European Union market as they have already undertaken actions in order to adapt to European Union standards (production, ecology etc.). This, however, is not related with DCFTA.

➤ The European Union's offer that would compensate for the costs incurred by Ukraine is very limited. Apart from not precisely determined, potential benefits in a long-term perspective, there are no clearly determined short-term benefits. The Association Agreement and DCFTA do not presume a considerable increase in the financial or technical support from the EU side beyond what was offered within the Eastern Partnership and the European Instrument of Partnership and Neighbourhood as well as other European Union instruments (including the European Investment Bank and EBRD programmes).

➤ Concurrently, the possibility of increasing future EU assistance is called into question. This is linked with the crisis in the euro zone and some Membership States striving to reduce European Union expenditures (all the more that the Eastern Partnership does not belong to the priorities of EU states). Ukraine may also have problems with incurring costs of DCFTA implementation due to increasing economic problems and hindering the pace of economic growth.

➤ The integration of Ukrainian economy with a big and competitive European Union market requires a far-reaching vision and political will. For Kiev, the challenge

will be being up to significant competition and taking advantage of the chances ahead by finding a proper niche and developing new branches. As an example we may give the outsourcing sector of IT services, whose exportation reached in 2011 the value of \$1 billion and the annual growth at the level of 30-40% (the exportation value of this sector exceeded the value of arm exportation traditionally generating big profits).

➤ There is a significant discrepancy in the expectations and interests between Kiev and Brussels. DCFTA implementation may bring Ukraine potential profits in a long-term perspective, what however requires huge costs on Ukrainian side. In turn, for Ukrainian political elites, short-term political and economic profits are the most important. This is not guaranteed in the agreement. Due to the present crisis in the euro zone, there is no clarity what direction the European Union will take. This also raises doubts in Ukraine. The lack of perspective for membership brings up the question on the sense of implementing a considerable part of *acquis communautaire* in the situation when Ukraine shall not influence its shape.

Comment

Ad. 1,2,3,4/ No comment

Ad.5/ Outsourcing does not modernize the economy. This consists in hiring a cheaper (but very well qualified) workforce, what nevertheless finally leads to the reduction of unemployment.

Ad.6/And this is the core of the problem.

To sum up the deliberations thus far, one may risk to say that five years after implementing the Eastern Partnership, its achievements as a whole are very small. Azerbaijan is not interested in the Partnership and it is not obliged to. Its oil and gas resources make it possible. Armenia had to withdraw from the Partnership: the EU does not guarantee to secure Armenia from their Muslim neighbours. Belarus, in turn, does not want to be in the Partnership: it has its own vision of democracy, it is relatively self-sufficient. As to Ukraine, it seems that it resigned from signing the Association Agreement due to the pressure exerted by Moscow. Ukraine is the be or not to be of the empire at a time of restoration. The government oligarchy in Ukraine may have also proceeded to a sober evaluation: they became aware that Ukraine will not gain the competition with European Union companies as it would be realized in accordance with European Union rules and not Ukrainian rules. Unfair practices, embedded in Ukrainian reality, could not be applied. There are still two little, poor states, without resources, with a small production potential and a small market. Although they do not bring anything new to the game, Russia and the European Union fight for them: this is a matter of prestige.

For Ukraine, whose territorial integrity is threatened by Moscow, the loss and profit account of associating with the EU means that actually it is left without real choice: it finds itself between Scylla and Charybdis. To put it vividly, on one side the European Union tempts with 'catching up' to an elegant TGV⁴³, going ahead at a great speed, with no particularly defined aim, but in the right direction. Honestly speaking, however, this is only an invitation to stand on the train's steps. Perhaps one day it will be invited to go inside, to the second-class carriage. Furthermore, the train is not as attractive as it was in the past: it is going slowly, there are frequent stopovers and it is not as comfortable as it used to be. On the other side, Russia offers a decent seat in the familiar, shabby train 'elektrichka', which still drags along in the same direction. It does not walk away much from the initial station. The incurred discomforts shall not

⁴³ Train à grande vitesse

exceed the ones that the society has been used to since many centuries.

Thus, the basic goal of the Eastern Partnership has not been fully reached. The question whether Poland will remain a border state and the river Bug – the border line separating two worlds: the ‘European’ and ‘post-Soviet’⁴⁴ is left without answer.

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⁴⁴ TVP Parlament, 12.12.2013, *PiS chce odrzucenia informacji Sikorskiego nt. Szczytu PW*, ‘Europe has shown its fundamental weakness, it was not able to cross the border that was once delimited by Stalin in Yalta, it is still binding in the same form, from the Białowieża up to the River Bug line’, said the politician from PiS.