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## **Prospects for Ukraine in the Light of Criteria and Experience of Accession to the European Union**

**Abstract:** *Almost every round of enlargement of the European Communities and the European Union by adoption of new Member States sooner or later paved the way for consecutive rounds and each one became yet another element in building Europe. Present article explores the prospects for Ukraine in the light of criteria and experience of accession to the European Union. First the assessment is made of implementation and strengths of the classic accession procedure. Further the question of Europeanisation without accession is discussed. The readiness of Ukraine to fulfil the accession criteria is examined together with the critical comparison of transformation processes in both Poland and Ukraine (their political and economical scopes). The article concludes that the association of Ukraine with the European Communities through the Europe Agreement seems an alternative which, while tempting, remains rather unlikely. Considering the “integrating effectiveness” of Europe Agreements, striving for the inclusion of Ukraine in the future into that type of instrument over a mid-term perspective could become a leading goal of any efforts made by Ukrainian authorities and an objective of all sorts of endeavours and lobbying on the part of advocates of that country in the EU.*

Almost every round of enlargement of the European Communities and the European Union by adoption of new Member States sooner or later paved the way for consecutive rounds and each one became yet another element in building Europe understood as an area ruled by principles of democracy and market economy, where cooperation between countries favours the achievement of higher levels of welfare and security. There are no grounds to argue that the 2004 EU enlargement when a group of Central and Eastern

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European countries (as well as Cyprus and Malta) became new Member States, or that planned in 2007, *i.e.* the accession of Bulgaria and Romania, did not promote the same celebrated objectives. In fact, it was these rounds that managed to increase the area of security and stable economic growth of the whole continent like no other and on an unprecedented scale. Similarly, no other round of enlargement brought geographic and political dimensions of Europe so close together as the two rounds in question. However, there has been one major difference in ranges of those dimensions that nevertheless still remains: namely, geographic area that encompasses Belarus, Russia, Ukraine and Western Balkan countries as well as Iceland, Norway and Switzerland.

The EU Eastward enlargement, perceived by many Western European citizens as going “too far and too soon”, made the EU politicians and institutions search for new formulas and procedures for building “broader Europe” at the start of the present decade. However, the EU’s Neighbourhood Policy which is a result of these efforts, clearly fails to satisfy expectations of certain States and politicians who actually hoped for implementation of a classic procedure leading to full membership of Ukraine in the EU following the Orange revolution.

In this context one has to remember that in such historic moments responsible politicians make courageous decisions laying grounds for new international order for many years. It was such a historic moment that became the fundament for the re-unification of Germany, and then for the accession of Poland and other Central and Eastern European States to the EU. However, can political transformations taking place in other countries in the wake of disintegration of the former Soviet Union and of the totalitarian system benefit as well of that specific gratification in the form of the European Union membership? This issue is brought about by signatories of PASOS resolution who believe that “*opening the door for Ukraine’s membership would give an important signal for Ukrainians that their neighbours in the EU welcome their courage in fighting against fair elections with open arms*”.<sup>1</sup> Neither the debate taking place in the EU nor actions undertaken over the last couple of years gave any univocal or final answer to that question, and the process of the EU enlargement is principally being based nowadays on short-term political criteria and mid-term strategies.

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<sup>1</sup> *Ukraine’s European Perspective*, resolution of PASOS association, 10.01.2005 (PASOS – the Policy Association for the Open Society – is a network of 23 research centres operating in countries of Central and Eastern Europe and of Central Asia), <http://www.isp.org.pl>

## **1. Implementation and strengths of the classic procedure of accession**

When the European Community was established, its founding Member States declared in Article 237 of the Treaty of Rome that “*any European State may apply to become a member State of the Community*” and, in the preamble to the Treaty, called “*other nations of Europe, sharing their ideas, to join their efforts*” in the area of maintenance and strengthening of peace and freedom. The invitation was addressed to countries having democratic form of government. Moreover, as confirmed by the veto of France regarding the application of Great Britain in 1961 and in 1967, candidate countries have had to obtain unanimous acceptance of all present members. Soon after filing of first applications for membership in the EEC, in 1961, by Ireland (31.07), Great Britain (9.08) and Denmark (10.08) and before Norway did the same (30.04.1962), construction of the Berlin wall started (12-13.08.1961). At the same time, the Treaty of Rome used such notions as Europe and nations of Europe, which over time became synonymous with the notion of the European Community.

Provisions of European Treaties concerning the accession to the Community basically remained unchanged until today, the only important difference being their transfer, by decision made in Maastricht, to the Treaty on European Union, despite the EU not having acquired legal personality.

The possibility, provided for in Article 238 of the Treaty of Rome, of entering into association agreements resulted, as early as 1958, in applications being filed by Greece (8.06) and Turkey (31.07). The Association Agreement signed with Turkey on 12.09.1963 has been valid to this day. The one with Greece was concluded on 9.07.1961, however, in the wake of military *coup d'état* in that country in 1967, that cooperation remained frozen until 1974. Nevertheless, just one year later (12.05.1975), after having restored democratic rule, Greece filed an application for membership, in a subsequent year (27.07.1976) started negotiation on the accession which were concluded with success in 1979.

In 1962 applications for the association were filed by Spain (9.02) and then Portugal (18.05). However, official debate about cooperation could start no sooner than the end of dictatorship rule that lasted in those countries for several dozens of years. Liberalisation of trade between Portugal and the Community began on the basis of an Agreement on Special Relations signed in 1972, two years before the Carnation Revolution. In 1977 (28.03) Portugal applied for membership, which led to opening the process of negotiation on accession, lasting until 1985. Spain filed a similar application also in 1977 (28.07) and involved in negotiation since 5.02.1979, to finally sign the Treaty

on Accession on the same day as Portugal. Beforehand on the basis of a trade agreement concluded in 1970, both parties introduced significant reduction of customs tariffs for most industrial goods.

In the case of Greece, Portugal and Spain, despite serious political problems, no issue of operation of mechanisms of capitalist economy arose, especially considering that in 1960's all the countries in question achieved particularly high rate of economic growth. Whilst all of them had a status of relatively poor countries at the time they became the Community Member States, this was not seen as a major problem for the Common Market seeking new development opportunities. It should also be underlined that Greece and Portugal had been beneficiaries of the Marshall Plan which implied cooperation under the Organisation for European Economic Cooperation (OEEC).<sup>2</sup> Therefore, no question of a degree to which those countries were "European" ever really arose.

A special kind of association preceded another round of the EU enlargement – by the adoption of Austria, Finland and Sweden – in that case this was an association agreement with an international organisation EFTA on the establishment of the European Economic Area (EEA),<sup>3</sup> including the fundamental freedoms of the Single Market. The EEA was, by the way, preceded by many years of cooperation under the EEC and EFTA, including the creation of a zone of free trade in industrial goods. In 1994 Austria, Finland and Sweden ratified the Treaty on Accession and as of 1995 they became the EU Member States. In spite of the fact that the society of Norway rejected the Treaty on Accession in a referendum for already a second time, there is no doubt that should Norway apply once again for membership in the EU, the application will be considered positively.

The Europe Agreements concluded with Poland, Czechoslovakia and Hungary, signed on 16.12.1991, replaced classic association agreements and opened up a politically intensified category of association. Although none of the association agreements made until now guaranteed that the membership would be obtained, positive experiences of, among others, Central and Eastern European countries give firm reasons to believe that Europe Agreements may be treated as the best possible preface to actual accession and as a synonym of clear European prospect for a country. In effect of the conclusion of these agreements the Community soon became the major trade partner of the associated countries. A large part bilateral trade exchange between the EU and

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<sup>2</sup> OEEC was established in 1948 for implementation of the Marshall Plan. In 1961 it was transformed into OECD.

<sup>3</sup> The agreement on the establishment of EEA, signed in Porto on 2.05.1992, entered into force on 1.01.1994.

the associated countries in the area of industrial goods was liberalised long before their actual accession, thus making economic integration much easier.<sup>4</sup>

Applications for the membership, in the case of that group of countries, were filed at almost the same time as the Europe Agreements entered into force and the procedure leading to the accession, which started soon thereafter, effectively supported approximation rigors resulting from the association agreements. The condition of having to adapt to the requirements of the Europe Agreements led to the achievement of economic criteria of membership. It could be concluded, on the basis of these experiences, that *“the tighter the ties and the closer the prospect for membership, the larger is the influence of the European Union upon the process of internal transformation, which may be called beneficial intervention”*.<sup>5</sup> A set of conditions basing on the Copenhagen criteria as well as the promise of membership became the principal driving force of changes taking place in candidate countries.<sup>6</sup> Renouncement related with unpopular reforms were given reliable justification in the eyes of public opinion in the associated countries as a price for getting closer to the membership.

The lack of readiness or even ill-disposed attitude of Member States to adopt candidates resulted in an appropriate prolongation of the process of negotiation on accession which had been achieved through long transitional periods before real access is given to the Community market and to attractive Community policies. Such was the cause of lengthy negotiation period of Portugal and Spain as well as of preparatory periods lasting ten years in the case of Poland and Hungary and similar ones in the case of the rest of the Central and Eastern European countries. Time-consuming procedures allowed for development of adequate pre-accession strategies to discipline the candidates and to make necessary reforms adapting the European Union to new member composition.<sup>7</sup>

One particular case is that of Turkey, a country which after having gone all the way from the application for membership, filed in 1987, through

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<sup>4</sup> *Enlargement strategy and main challenges 2006–2007. Including annexed special report on the EU's capacity to integrate new members*, Communication from the Commission to the European Parliament and the Council, Brussels, 8.11.2006, COM(2006)649, p.19.

<sup>5</sup> *Non-paper regarding the future of the European Union* presented by Danuta Hübner, representative of the government of the Republic of Poland in the Convention, Brussels, 21.03.2002.

<sup>6</sup> M.Emerson, G.Noutcheva, *From Barcelona Process to Neighbourhood Policy. Assessment and Open Issues*, CEPS Working Document, No. 220/March 2005, p.12.

<sup>7</sup> For example the Essen Strategy (1994), Agenda 2000 and Partnership for the Membership (1997), the Treaty of Nice (2000) or a Luxembourg reform of the Common Agricultural Policy (2003).

negative opinion of the European Commission, attempts on the part of the EU to replace the status of candidate with another, less obliging one, convocation of the European Conference<sup>8</sup> and obtaining the status of candidate in December 1999, was finally invited to open negotiations in December 2004, but the process actually began only in October 2005. Turkey supported its position as a candidate country with putting its economy to a difficult trial by agreeing with the EU about introduction of full customs union.<sup>9</sup> Unfortunately, undeniable focus upon Turkey's economic relations with the EU has not been accompanied by equally consistent progress in meeting political criteria of membership by that country. However, irrespective of political controversies regarding potential accession of Turkey, fundamental measure indicating how big is the distance that divides Turkey from acquiring membership will be that of real progress achieved at the negotiation table over 35 areas. If this is found necessary, it will be possible to effectively stop the whole accession process on the basis of evaluation of achievements in negotiations.

Hence, components that constitute traditional procedure of accession, proven many times in practice, have been as follows:

- the association agreement, the aim of which is usually to create either full or partial (*e.g.* just for industrial goods) free trade zone and, potentially, also including political dialogue (as it was in the case of the Europe Agreements);
- the application for membership,<sup>10</sup> filed at an appropriate time, which has to be approved univocally by all the EU Member States. The process of considering such an application by the Commission may take as long as several years before it delivers its opinion (*avis*). In the case of Poland it took three years;
- invitation of the candidate to open the negotiations on the accession by the EU Council, preceded by an opinion given by the European Commission on a degree of meeting of membership criteria by the candidate; formally such opinion is not binding for the Council, but in practice it is assumed it has to be positive;

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<sup>8</sup> The European Conference met for the first time in London on 12.03.1998 at the level of heads of States and governments, but was boycotted by Turkey. Turkey participated for the first time in the Conference at ministerial level in November 2000 in Sochaux, when it already had the candidate country status.

<sup>9</sup> Customs union between Turkey and the EU entered into force on 1.01.1996.

<sup>10</sup> “*The EU Member States can easily be discouraged by a country which declares it desires to access to the EU but is far from meeting the requirements of political stability, territorial security and adequate economic growth*”. H.Grabbe, *The Process of EU Accession: What will it bring to Southeast Europe?*, Global Development Network Paper, The Vienna Institute for International Economic Studies, November 2003, p.3.

- negotiations on the accession covering the whole scope of the *acquis communautaire* (which, by the way, undergoes significant changes on an on-going basis);
- annual reports of the European Commission on progress made by the candidate country, with respect to the Copenhagen criteria;
- annual updating of priorities and obligations of the candidate countries and pre-accession financial aid on the part of the EU, implemented under the Partnership for the Membership;
- preparation and formulation of the Treaty on Accession, preceded by the approval of the European Parliament and univocal approval of the EU Council, followed by the signing thereof;
- participation in the activities of the EU bodies as active observer;
- ratification of the Accession Treaty by all Member States (*i.e.* by previous EU Member States and by the newly-adopted country), potentially supported by the Comprehensive Monitoring Report;<sup>11</sup>
- and, finally – entry into force of the Treaty on Accession.

The above procedure has been supported by additional instruments for mobilisation and control of the process of preparation of both parties for the enlargement, among which periodic Strategies for Enlargement published by the European Commission should be mentioned.

Individual treatment of candidate countries and parallel negotiation with a large number of States created intense competition between candidates<sup>12</sup> and, at the same time, attempt on their part to cooperate, usually with modest effectiveness. Transparent procedure of accession neither obliged the EU in the past to take any additional obligations towards candidates, apart from those resulting from implementation of consecutive stages of the procedure, nor does it nowadays

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<sup>11</sup> Comprehensive Monitoring Reports regarding Bulgaria and Romania were published by the European Commission on 25.10.2005 and 26.09.2006 and became the fundament for the Council to confirm the basic date of accession provided for in the Treaty on Accession, *i.e.* 1.01.2007, with a possibility of delaying that date by one year being assumed.

<sup>12</sup> The candidate countries belonging to the “Luxembourg group”, invited to negotiation in December 1997, to which the “Helsinki group”, invited in December 1999, was incorporated, competed for progress achieved in negotiation measured with number of negotiation areas concluded. In this ranking Poland, being the largest country in the group of candidates and one that had most problems in sensitive areas, was even seen as a hindrance by “small and rich” countries which hoped to access the EU sooner. See: A.Inotai, *The Reasons behind the Aggregate, “Big-Ban” Approach to EU Enlargement and the Dangers It Holds*, Institute of World Economics, Budapest 2000.

## 2. Europeanisation with no membership

Several years before Poland became the EU Member State, Polish politicians underlined the need to retain the door open for subsequent candidates from Eastern Europe,<sup>13</sup> not always specifying how many countries they had in mind or when such an accession should become reality. This was one of reasons that prompted Valéry Giscard d'Estaing to oppose the enlargement which he justified with a fear of proposals of “*permanent opening to new rounds of enlargement*” and argued that “*The Union must not slip down to a process that escapes control, has no longer any limits in time or space and in fact becomes a suicidal course*”.<sup>14</sup> Barriers for potential enlargement of the European Union further Eastwards were shortly defined by Heather Grabbe<sup>15</sup> who said that “*Belarus is too authoritarian, Moldova too poor, Ukraine too large and Russia too scary for EU to contemplate membership even in the distant future*”. All this seemed to suggest that declarations of being open to any subsequent enlargement of the EU to the East were in fact in sharp disproportion to unofficial strategy in the European Union.

Endeavours and political declarations, mainly on the part of Poland, made in reaction to the Orange Revolution in Ukraine were confronted with an evident lack of readiness of the European Union to change its strategy which had begun to shape already in the late 1990s. The strategy in question has been focused upon consolidation of efforts at reinforcing the ability to adopt new members, among other things through attempts to maintain and intensify economic development and to introduce an institutional reform. Moreover, it takes lengthy negotiation with Turkey into account (assuming they could take as long as second half of the next decade) as well as it does the process of negotiation on the accession with Croatia and gradual implementation of Agreements on Stabilisation and Association with subsequent countries of Southern and Eastern Europe.

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<sup>13</sup> “*As far as Ukraine and Moldova are concerned – countries that apply for accession to European structures, having a prospect for membership in the future may act as an essential stimulus for political elite and for their societies to continue the process of reform*” – from an address of Polish Foreign Affairs Minister Włodzimierz Cimoszewicz, *The policy of the enlarged European Union towards its new neighbours. Report from the conference held by the Stefan Batory Foundation in cooperation with the Ministry of Foreign Affairs of the Republic of Poland on 20–21 February 2003 in Warsaw*, Warsaw 2003, p.18-19.

<sup>14</sup> *The enlargement of the European Union and debate about its final shape. Meeting with Professor J.Lukaszewski*, Center for International Relations, “Raporty i Analizy” no. 5/2000, p.3.

<sup>15</sup> H.Grabbe, op.cit., p.1.



The Stabilisation and Association Process (SAP) the European Commission proposed to Western Balkan in 1999, presented at the summit in Zagreb in November 2000, provides for a framework of regional policy with an intent to support efforts of States of that region to introduce peace, development of democracy, respect for human rights, improvement of economic situation and the achievement of stability in the whole region. The SAP has been based upon a formula of progressive partnership and guarantees to all the countries of the region the prospect for membership in the EU in future. Under that perspective Croatia has been involved in negotiation on the accession, Yugoslavian Republic of Macedonia received an invitation to negotiate the same whilst Albania, Bosnia and Herzegovina, Montenegro and Serbia with Kosovo have been “potential candidates”, so in fact might be regarded as “potential members” of the European Union. The total population of all these countries together amount to *circa* 25 million and they generate total Gross Domestic Product at a level of around EUR 70 thousand million per annum. The purchasing power of their GDP is comparable to GDP of Finland (the population of which, however, is just above 5 million). Exchange with the EU accounts for the major part of those countries’ foreign trade exchange. In Croatia, the wealthiest of the group, 70% of total import is that from the EU and its trade deficit with that area reaches EUR 6 thousand million per year. Many arguments combined in the strategy of enlarging the European Union to determine the priority of that area over Eastern European countries.

Borders of Europe have been a subject of a political debate which is still open, so the issues of political evaluation of European status of Eastern European countries, including, in particular, Russia, Belarus and Ukraine should be left apart for a separate analysis. No matter which conclusions the debate in question might bring, it is still necessary to attempt an answer to distinguishing European aspirations revealed by one country – Ukraine. A complete answer should include possibilities and criteria for accession of Ukraine to the European Union. By clearly specifying the way leading to that point, that is, in other words, by defining a “road map” for Ukraine, the European Union, essentially, would have to manifest its decision on inviting Ukraine to membership, whilst in reality no such decision has been made. Therefore, as an answer to Ukraine’s expectations the European Neighbourhood Policy was proposed, although in fact progress achieved in its implementation is still quite remote from what would have been possible under the classic procedure leading to the accession. The ENP, even when largely diversified with respect to sixteen countries it covers, which are very different in political and economic terms, is going to remain a circle of integration with no prospect for true membership. Offering no such perspective for an European country which, formally, has the right to apply for the EU membership, may not only

undermine its pro-European (or specifically pro-EU) attitude, but also deprive the European Union of an influence upon the process of political and economic stabilisation in that country.

At the very beginning of Central and Eastern European countries endeavours for integration economic arguments against membership in the EU of countries being at a low level of economic development compared to wealthy Community were put forth, among others, by Richard Baldwin,<sup>16</sup> who suggested in his proposals a number of substitute concepts and less binding integrative organisations that would enable such countries to gradually advance onto more and more direct circles of integration, up to acquiring full access to the Single Market. However, experience of the Community provides strong arguments to criticise such an idea: after all, (even with comprehensive and intense economic support delivered by the Communities) it took several dozens of years for Ireland, Greece, Spain and Portugal to approximate to a level of the “economic union”.<sup>17</sup> After nearly three years since the EU Eastward enlargement it is evident that relatively fast accession provided to the present new Member States opportunities for much quicker and more balanced development than it would have been were they left beyond.

On the other hand, there may be no doubt that at present the European Union is neither interested in nor able to take on new obligations towards countries that guarantee no prompt political and/or economic success. It is in the interest of Ukraine to undergo an intense process of Europeisation which will provide a new, better fundament for redefinition or verification of its status towards the EU and will give new firm arguments to its political advocates.

### **3. Ukraine and the criteria of membership in the European Union**

Referring to the literal provisions of the Treaty on European Union, Ukraine as an European State cannot be denied a possibility to apply for membership in the EU and the European Neighbourhood Policy does not preclude it therefrom, either.<sup>18</sup> Therefore, the criteria precedent to the EU membership are appropriate and valuable signposts for political and economic changes introduced by Ukraine.

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<sup>16</sup> R.E.Baldwin, *Towards an Integrated Europe*, CEPR, London 1994.

<sup>17</sup> More on the same subject: W.M.Orłowski, *Droga do Europy. Makroekonomia wstępowania do Unii Europejskiej (On the way to Europe. Macro-economy of accession to the European Union)*, European Institute in Łódź, Łódź 1998, p.53-63.

<sup>18</sup> P.M.Kaczynski, P.Kazmierkiewicz, *European Neighbourhood Policy: Differentiation and Political Benchmarks*, EuroMeSCopaper, IEEI, Lisbon, No. 44/ September 2005.

Since June 1993 the Copenhagen criteria, adopted at that time by the European Council, have formed an essential and unquestioned set of requirements any candidate country has to meet. Accordingly, they should be a constant point of reference to Ukraine, as they have been to any country aspiring to the accession. Such countries have been evaluated (*avis*) and monitored in periodic European Commission's reports with respect to a degree of achievement of the criteria.

Political criteria (just as other ones – not based on specific indicators) may seem quite easy to attain, but in any multi-national country with poor democratic tradition facing social problems as well as irregularities in the way public administration operates – and Ukraine certainly is such a country – many reasons can be found for the meeting of such criteria to become a matter of concern.

It may be feared, in this context, whether ethnic conflicts in the Balkans have really been averted once and for all, but at the same time one might seriously hope that the general progress in Balkan countries, taking place in relation with an intense process of integration, should make it much easier to eliminate such threats. Accordingly, if a clear prospect arises for reaching progress on European scale, some political problems will lose most of their importance in the eyes of the Community politicians and institutions.

On the other hand, undeniable progress made by Ukraine in that respect, stimulated by the Orange Revolution, certainly require consolidation as well as permanent and clever promotion on both national and international forum.

The fundamental issue in Ukraine will be that of meeting economic criteria, especially as we consider the size of that country: its area (603.7 thousand km<sup>2</sup>) comparable to the area of the whole Iberian Peninsula, its population (46.48 million of inhabitants in 2005) which is more than in Poland or Spain, and its economy which includes vast but traditional extracting industry and enormous areas of extremely fertile but also seriously degraded agricultural land. Ukraine's Gross Domestic Product calculated according to the purchasing power parity (PPP) is comparable to that of Sweden or Austria, but when recalculated in *per capita* terms is only a little higher than GDP in Albania.

*“Existence of viable market economy and an ability to face the pressure of competition and market forces operating in the European Union”*, which has been the object of the Copenhagen economic criteria, requires comprehensive evaluation of economy – its levels of development, structure and dynamics. In each and every aspect Ukraine's economy has to go a very long way in order to earn true interest on the part of the European Union.

An important step on that way was made when Ukraine was recognised by the European Union (and in particular by the European Commission) as

a country having market economy status (MES) on 30.11.2005,<sup>19</sup> which opened up an opportunity for that country to acquire in a short time membership in the WTO<sup>20</sup> - an essential pre-condition to create a zone of free trade between the EU and Ukraine. Being awarded the status of market economy brings an important contribution to inclusion of Ukraine into international trade system, but is not yet equivalent with full approval for progress made on the way to real market economy.<sup>21</sup> In practice this decision protects Ukrainian exporters from the EU anti-dumping procedures.

In fundamental and real terms the process of integration is implemented informally through foreign trade and through inflow of foreign investments. The state of indicators in that area illustrates not only the scale of mutual relations, but also true motivations of both parties to involve in even closer cooperation.

According to the data of the IMF in the years 1996-2004 both the value of Ukraine's export and that of its import increased significantly, respectively from USD 14.4 thousand million to USD 32.7 thousand million and from USD 17.6 thousand million to USD 29.0 thousand million. However, over that period a share of export to EU-15 in total export from Ukraine decreased by 2.5 percentage points, but export from that country to Russia fell even more, (by 12.7 pp). Import to Ukraine from EU-15 increased during that period by 6.8 pp and that from Russia decreased by 8.3 pp, but still remained at a very high level (Table 1).

During the period in question the EU, enlarged by the adoption of a group of Central and Eastern European countries, was gradually becoming more and more important trade partner of Ukraine. However, an extremely significant political dilemma faced by Ukraine – that of choosing between Russia and the European Union – was not clearly solved in favour of the EU in terms of economic relations, since Ukraine remains dependent on Russia in supply in crude oil and natural gas.

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<sup>19</sup> Conclusion – Council Regulation amending the Council Regulation (EC) No. 384/96 on protection against dumped imports from countries not members of the European Community, Brussels, 30.11.2005, COM(2005) 623final.

<sup>20</sup> The status of market economy was also awarded to Ukraine by the United States, with the effect from 1.02.2006.

<sup>21</sup> The Commissioner Peter Mandelson pointed out several months before the decision regarding this issue was made by the European Commission, that MES is “*rather a technical indicator which largely determines our (i.e. EU's) attitude towards countries or enterprises which do not observe rules of fair competition in European markets*”. See: P.Mandelson, *Ukraina i kuszaca potega UE (Ukraine and the tempting power of the EU)*, “Gazeta Wyborcza”, 31.01.2005.

**Table 1. Changes in geographic structure of Ukraine's export and import in the years 1996–2004**

Countries and groups of countries	Export (%)		Import (%)	
	1996	2004	1996	2004
UE-15	22.2	19.7	15.4	22.2
CEE (UE-10)*	7.8	10.2	6.2	8.6
SEE**	5.9	5.6	3.2	2.1
UE-25	30.0	29.9	21.6	30.8
Russia	38.7	16.0	50.1	41.8
Other countries	25.2	46.5	25.1	25.2
Total	100.0	100.0	100.0	100.0

\* EU Member States since 2004.

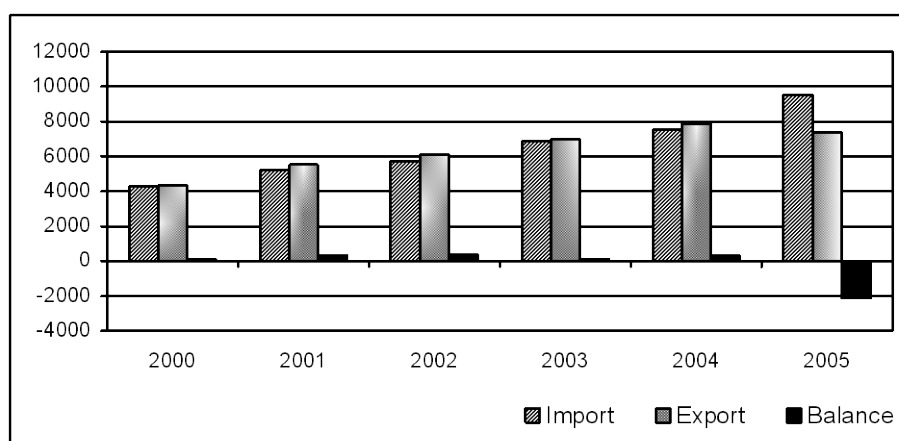
\*\* Southern and Eastern European countries: Bulgaria, Romania as well as candidates and potential candidates to the EU (including Turkey).

Source: International Monetary Fund (on the basis of: *The prospect of Deep Free Trade between the European Union and Ukraine*, Report for European Commission, Centre for European Policy Studies, Brussels 2006, p.34).

Moreover, serious changes in prices of basic products included in Ukraine's trade exchange with its most important partners also resulted, in the recent years, in significant variations of economic indicators. According to the Eurostat data in 2005 35.6% of the value (expressed in Euro) of Ukraine's import originated from Russia, compared to 32.9% from the European Union. Similarly, 27.2% of value of Ukraine's export was that to the EU market and 22.1% to the Russian market. In total, the value of the whole trade exchange of that country with the European Union and with Russia was at very similar levels. It should be emphasised in that context that all the countries that have become the EU Member States over the recent years already in the pre-accession period exchanged more than a half of their trade balance with the EU.

In 2005 Ukraine ranked at far 33<sup>rd</sup> place among countries from which import to the EU-25 originated, accounting for as little as 0.65% of total import, while Russia was one of the principal sources of supplies to the EU market with 9.1% of the value of total EU import. In the same year Ukraine was a receiver of 1.23% of the value of the EU export, while respective percentage for Russia was 5.3%. These data make it easier to understand how small is the role played by the EU's trade relations with Ukraine in the foreign policy of the European Union (treated as a whole). The dynamics of Ukraine's trade with EU-15, observed during the period of the last six years, is consistent with general dynamics of international trade (Diagram 1).

**Diagram 1. Trade between Ukraine and the European Union in the years 2000-2005 in EUR millions**



Source: Eurostat. The Author's own illustration.

The establishment of the free trade zone between the European Union and Ukraine, which may happen soon after the accession of that country to the World Trade Organization, seems one of the fundamental ways of its potential advance from a sort of doldrums of the European Neighbourhood Policy onto the road with prospects for real membership in the future, as this will certainly contribute to a growth of mutual trade volume.<sup>22</sup>

A similar role may be played by direct investments from the European Union which have accounted for over one-third of the total value of foreign direct investments made over the recent years in Ukraine. Their value has been increasing on a regular basis, despite many problems that complicate business making in that country.

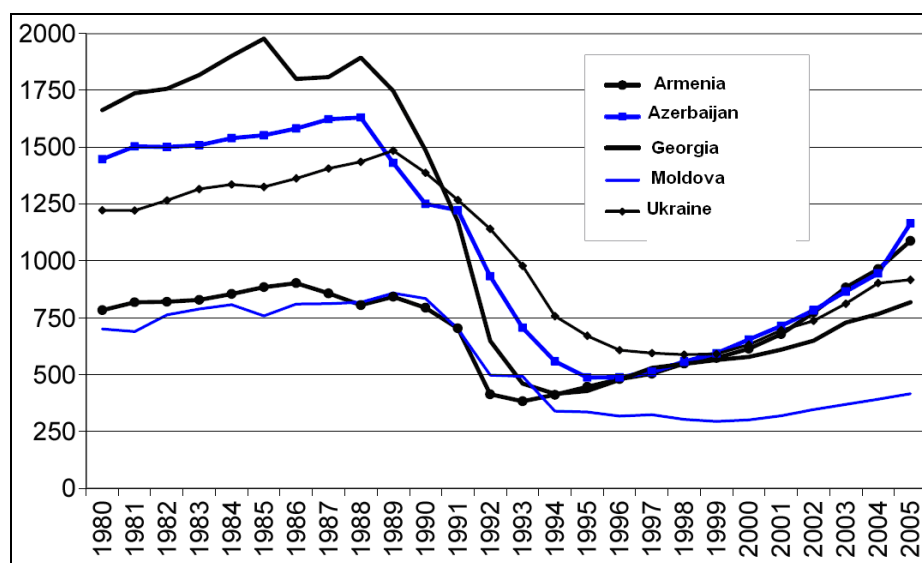
It is interesting to consider analysis indicating that inclusion of Ukraine to the Single Market in non distant future, taking into account very low costs of labour and the size of that country's economy, might contribute to a significant growth of competitiveness of the European Union on the global scale.<sup>23</sup> However, it seems that further EU enlargement is not really taken into consideration at present by any of its principal institutions from the point of view of a country's competitiveness in global economy.

<sup>22</sup> *The prospect of Deep Free Trade between the European Union and Ukraine*, Report for European Commission, Centre for European Policy Studies, Brussels 2006.

<sup>23</sup> *Ibidem*.

When Poland was beginning its process of transformation, its national income amounted to just half of that recorded in Ukraine. In effect of radical changes in geopolitical situation and real changes in the economy these days Poland has got national income almost twice as high as Ukraine. Just as it was in all the countries of the former Eastern block, after 1990 Ukraine's economy was undergoing deep recession lasting until 1999, as a result of which the real value of that country's GDP decreased by more than a half. A similar economic regression was experienced in the same period by Russia. Over the same span of time Poland, along with Slovenia, Hungary and Slovakia not only managed to rebuild their incomes, but to increase it considerably as well. Economic growth which started in Ukraine in 2000 allowed it to restore the value of its GDP to c. 70% in relation to the level seen in 1991.

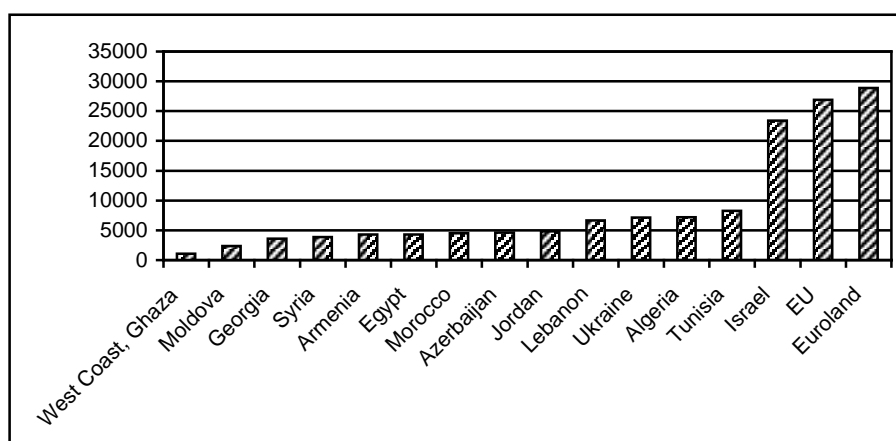
**Diagram 2. Changes of *per capita* GDP in USD in selected countries included in the European Neighbourhood Policy, in the years 1980-2005**



Source: *European Neighbourhood Policy: Economic Review of ENP Countries*, European Economy, European Commission, Brussels, June 2006, p.7.

Estimated *per capita* GDP for the year 2005 was at a level of USD 975 USD and was similar to that recorded in most Eastern European countries and in most countries covered by the European Neighbourhood Policy (Diagram 3).

**Diagram 3. Per capita GDP in USD (PPP) in countries included in the European Neighbourhood Policy in 2005**



Source: IMF in: *European Neighbourhood Policy: Economic Review of ENP Countries*, European Economy, European Commission, Brussels, June 2006, p.4.

In the face of these findings it is quite difficult to put forth economic arguments to justify that Ukraine – despite its aspirations – could soon be excluded from the zone of the European Neighbourhood Policy and included in a strategy having its potential EU membership in perspective. Nearly two years that have passed since the Orange Revolution are enough to observe many manifestations of political instability that result from doubts arising along the difficult process of transformation and from the necessity to choose between strategic directions of development and international cooperation.

#### **4. Waiting for social acceptance**

Every single round of the European Union enlargement based upon necessary support and approval expressed by societies of Member States for aspirations of candidate countries. Determined efforts of the Community institutions and of Member States' leaders were closely related in that context with attitudes taken by economic circles and evolving general public opinion, the three aspects mutually influencing and stimulating each other. Promotion of political and economic progress of candidate countries required some time and favourable political atmosphere. One of the most important factors contributing to an effective process of accession was that of winning, by candidate countries, of a significant social support from their own citizens. Poland was among the leaders in that respect.



As may be learnt from the public opinion surveys made in 2005 commissioned by Yalta European Strategy in selected EU countries and in Ukraine, the possibility of that country being adopted to the European Union in as many as six Member States won higher total support (51%) than among citizens of Ukraine (47%).<sup>24</sup> The highest support for Ukraine's potential membership was recorded in Poland (64%) and in Spain (59%), while the lowest in Germany (40%) and in the United Kingdom (44%). In Ukraine 34% of respondents declared themselves against the perspective of the EU membership, compared to very high percentage of opponents in Germany (52%), followed by France (38%), whilst in Poland and Spain opponents of Ukraine's accession accounted for only 18%. The study in question indicates that European perspective for Ukraine is also largely determined by the will and attitude of its own society.

As conclusion, the association of Ukraine with the European Communities through the Europe Agreement seems an alternative which, while tempting, remains rather unlikely. Considering the "integrating effectiveness" of Europe Agreements, striving for the inclusion of Ukraine in the future into that type of instrument over a mid-term perspective could become a leading goal of any efforts made by Ukrainian authorities and an objective of all sorts of endeavours and lobbying on the part of advocates of that country in the EU.

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<sup>24</sup> *Europeans and the accession of Ukraine to the European Union*, Yalta European Strategy/TNS Sofres, research paper/November 2005.