

Залучення Сходу Європи: український виклик

Проект здійснювався з грудня 2010 по липень 2011 року за підтримки German Marshall Fund. Його основною метою було визначення шляхів допомоги інтеграції України до європейських інституцій.

Випуск № 8

Association Agreement Negotiations

UKRAINE-EU RELATIONS CLOSE TO THE CRUCIAL JUNCTURE: IS ASSOCIATION AGREEMENT REALLY AROUND THE CORNER?

The topic of European integration within the context of the on-going negotiations on FTA and Association Agreement *per se* continues to occupy one of the central places in Ukraine's domestic political discussions. As we have mentioned earlier, new impetus to this debate was given by the forceful attempts of the Russian leadership to lure this country into the Russia-dominated Customs Union and derail Kyiv's attempts to reach a new qualitative stage in its relationship with the European Union – first and foremost via comprehensive FTA that is opening the door for Ukraine's "real time" economic integration into the European market.

So far, President Yanykovich and the rest of the Ukrainian ruling class were able to hold their ground: in all their public pronouncements and during the latest official contacts they stressed that Ukraine is ready to develop its cooperation with the Customs Union only on the basis of the "3+1" formula. This position is being considered in the Custom's Union member states as a rejection of the membership offer. What has been noticeable of late – appearance of the more coherent message about incompatibility of FTA with the full-fledged participation in the Custom's Union delivered by a number of Ukraine's officials. This has been accompanied by the numerous assertions of Kyiv's desire to finalize Association Agreement negotiations by the end of 2011. Same political line was confirmed during our contacts with the high-ranking representatives of the Yanukovich Administration.

There's a quasi-consensus in Ukraine among those close to negotiations or monitoring them that outstanding issues on the table of negotiating are not insurmountable. It appears that they boil down to rather limited number of problems in three areas: agriculture, energy and transportation.

In agricultural sector disagreements center on some aspects of geographical denominations (progress was achieved, but, according to available information, Ukraine is not ready to include into coverage several brands of Ukrainian wines and cognac as a category), quotas for Ukrainian agricultural exports, price formation making many Ukrainian products less competitive and export duties introduced in some cases by Ukrainian authorities. In energy sector negotiators allegedly spar over the disputes settlement procedures, which are directly related to the transit of Russian energy sources through the territory of Ukraine, regime of non-residents' investment into exploitation of Ukraine's national resources and what was termed by Ukrainian leader "trade aspects of energy". Kyiv demands that its enterprises be allowed to operate on the European market of automobile transportation. However, in spite of this insistence we feel that Ukrainian experts are aware that Brussels was not going to change its negative position on this issue as it didn't differ from the position taken by EU during previous negotiations with accession countries. In addition to that list, in his Annual Address to the Parliament President Yanukovich mentioned instruments of trade protection (anti-dumping measures) and impact upon trade of social and environmental protection policies.

In any case, positions of the both sides seem to be well defined and margin for maneuver and further compromise are extremely limited: looks like the negotiations are at the stage of major trade-offs. In our opinion, Ukrainian government, if it aspires to wrap-up negotiations soon enough will have to make several concessions, as at this stage EU shows no appetite to modify its approach to the outstanding issues. The "silver bullet" may be furnished by an agreement on the "political message" – traditionally the most contentious part of all EU-Ukraine principal documents. Readiness on the part of EU to agree to the language acknowledging, even in the most general and "blurred" form Ukraine's membership perspective might facilitate the process

of “ironing-out” of other differences and will be a potent weapon in countering rhetoric of the opponents of Ukraine’s pro-European choice within the country and abroad. To move the process forward next official round of negotiations in June should produce tangible results.