

EU - UKRAINE RELATIONS

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Contents

EU-Ukraine trade talks enter defining stage p.1
 Ukraine courts EU with end to land sale ban p.2
 Ukraine eyes direct Turkmen gas imports p.2

Ukraine ups ante in EU visa-free travel talks..... p.3
 Ukraine region tests EU lobbying water p.3
 Ukraine government split over EU 'democracy grants'..... p.4

EU-Ukraine trade talks enter defining stage

The European Commission appears ready to seal a trade agreement with Ukraine by the end of the year, giving Kyiv a helping hand in countering Russia's growing pressure on the country. However, uncertainty remains high.

An EU official who asked not to be named told EurActiv that Brussels was aiming to strike a free trade agreement at the EU-Ukraine Summit in December.

to participate to a conference in Yalta, Crimea, on Thursday (15 September) which will also be attended by Ukraine's President Viktor Yanukovich.

"I believe that in December the EU and Ukraine will sign a trade deal," commented Amanda Paul, Policy analyst on EU Eastern Neighbourhood at the European Policy Centre.

The reasons behind this fresh optimism mostly lie on the per-

Although Yanukovich is seen as very close to Moscow, he is unlikely to give up on these points, because "this will equal to the end of Ukraine's sovereignty and therefore the end of Yanukovich's power," said Viktor Zamiatin, journalist and commentator in several Ukrainian publications.

Also owing to this, Yanukovich's pro-EU stance has recently become more pronounced. In

bilateral negotiations to deepen cooperation.

Füle's advisors underline that "demanding challenges lie ahead", according to a Commissioner's press officer. "We expect [from Ukraine] important domestic reforms including high standards for fundamental freedoms and rule of law," the press officer adds.

Kyiv insists that its citizens should not need to apply for

Despite his recent statements, he remains dangerously close to Moscow as showed by the Black Sea Fleet deal (see background).

'Situation to be kept unclear'

The trial of former Prime Minister Yulia Tymoshenko, who is likely to be convicted, is also not making things easier in EU-Ukraine relations. The Commission and the President of the European Parliament, Jerzy Buzek, strongly criticized the trial.

A close observer of EU-Ukraine relations said that if Tymoshenko was indeed sent to prison, "very little" would remain on the bilateral agenda.

The court has just announced a break in the Tymoshenko trial hearings until 27 September. Members of the Ukrainian parliament, who are allies of Yuliya Tymoshenko, say that the delay in the court hearings may be linked to an attempt to create comfortable conditions for the Ukrainian government ahead of the Eastern Europe summit to take place on 29-30 September 2011.

Members of parliament believe that the verdict in the Tymoshenko case may be announced as early as 3 October 2011, as "the situation should be kept unclear as of 30 September, the day of the summit," wrote the Gorshenin Institute, an independent research centre in Ukraine.

A recent poll adds fuel to the fire. Although Ukrainians remain in favour of joining the EU in a hypothetical future, most of them are also showing nostalgic feelings towards the former Soviet Union when economic and social unbalances were less marked that they are now within the country.

More than ever the next few months will be crucial to define Ukraine's westward or Eastward path, diplomats said.



"The last few months have been a good period of negotiations," the official said.

An internal Commission note confirms that the latest round of EU-Ukraine negotiations for the establishment of a 'Deep and Comprehensive Free Trade Area', held in Kyiv at the end of June, "brought further progress on some open issues".

Enlargement Commissioner Štefan Füle has held several high-level meetings with the Ukrainian authorities in the last few weeks and is expected

ceived widening gap between Yanukovich and Moscow. By the end of the year, the gas price that Ukraine has to pay to Russia will indeed grow up to \$400 (€285) per 1000 cubic meters.

Kyiv cannot afford to pay such an amount, which is even above what some EU countries pay. Moscow has offered to lower the bill, but only provided that Ukraine gives up part of its gas transmission network and joins the recently inaugurated customs union between Russia, Kazakhstan and Belarus.

a commentary published on Ukraine's 20th anniversary of independence, the president openly said that Ukraine's future is as "a member" of the European Union.

Pending issues

However, many reasons for uncertainty remain. Russian pressure can prove difficult to bear if Ukraine is not sufficiently supported in Brussels, and so far a prudent approach has characterized

visas to visit the EU, but Brussels has linked the solution to the problem to a number of issues, including progress in democratic reforms and improvements in human rights.

The free trade agreement is also raising many eyebrows in Eastern European member states, which fear competition in some sectors like agriculture and the EU nascent biofuel industry.

On the other hand, Yanukovich's real intentions are still not completely clear.

Ukraine courts EU with end to land sale ban

As of next year, Ukraine will lift a moratorium on the sale of agricultural land, a move seen as an important step in opening up the country to potential foreign buyers. But legislation that would establish a truly modern land market is still lacking.

The parliament in Kyiv recently refused to prolong a moratorium which has prohibited land sales since 1992.

On 16 August, a parliamentary hearing took place on a new 'law on land', with the participation of scientists, civil society and foreign donors.

According to observers, Ukraine's President Viktor Yanukovich and his team are seriously intending to open up the land market within the next year or so.

The move could herald new opportunities for foreign investors. Ukraine has 42 million hectares of farmland and dwarfs the EU's largest agricultural nation, France, and its 29 million hectares.

It could also help Europe's

drive to lower food prices, as Ukraine harbours huge potential to increase farm yields by adapting to modern agricultural techniques. Ukrainian Prime Minister Mykola Azarov admitted that the productivity of Ukrainian agriculture is three to five times lower than in most EU countries.

However, experts warn that the move may backfire politically and may pose significant challenges, as there is no official cadastre or legal base for the sale of agricultural land.

For the time being, over half of Ukraine's seven million land owners lease their land (see 'Background'). More than two thirds are against putting an end to this practice, even if they were to give them a chance to sell their property.

But around 100,000 farmers have a strong interest in seeing a genuine land market emerge. Many would actually like to buy the land, which would then lease or use as collateral for business projects or bank loans.

According to Andrei Blinov,

chief editor of the newspaper 'Expert', illegal land sales have become widespread. Several independent Ukrainian economists quoted by Deutsche Welle confirm that a massive land black market has emerged in recent years.

Prices to skyrocket?

According to specialists, the price of land in Ukraine is currently hovering at around \$500-700 per hectare (€360-505). In comparison, the average price of arable land per hectare in France is €4,580.

Should a land market be put in place, the price of land could double in the first year and continue to increase afterwards, according to experts.

Vladimir Litvin, the speaker of the Ukrainian parliament, recently declared that before any talk of land sales, all the land that has been bought illegally should be returned to its former owners and a cadastre should be put in place.

Foreign threat?

Litvin's statement prompted contradictory reactions from independent experts. Vitaliy Bala, director of the Situation Modelling Agency, refused to rule out the risk of large swathes of territory ending up being owned by just a handful of people.

Other experts warned against the risk of foreigners buying up most of Ukraine's farmland, especially Russian citizens.

Nikolai Kalyujniy, president of Goszemaghenstvo, Ukraine's state authority for land, believes all such fears are unfounded. According to him, existing legislation clearly states that only Ukrainian citizens can own or buy land in the country.

But Blinov refuted this view. According to him, any foreigner can become a shareholder in a Ukrainian company, which can then buy Ukrainian land.

The Ukrainian state authorities may well in fact be the biggest player in the land market. According to Kalyujniy, the authorities will hold at least 30% of agricultural land as state property after the moratorium is lifted.

He warned peasants against selling their land and advised those who are entertaining such plans not to rush into selling to private owners, but rather to wait until prices rise.

Ukraine eyes direct Turkmen gas imports



Ukraine, embittered by Russia's unwillingness to cut prices for its gas, said on 12 September it would try to resume imports of the fuel from Turkmenistan.

On Monday, Ukrainian President Viktor Yanukovich arrived in the reclusive Central Asian nation of Turkmenistan, from which Ukraine bought natural gas directly until 2003. After that and until a 2009 gas deal with Moscow, Turkmen gas was sold to Kyiv via intermediaries.

"It is in Ukraine's interests to resume our full-scale cooperation in the oil and gas sector," Yanukovich told reporters in the Turkmen capital Ashgabat after holding talks with his Turkmen counterpart Kurbanguly Berdymukhamedov.

"We will work more actively on defining our goals and concrete projects, as well on the ways of implementing them, including the neighbouring countries, through which energy resources are transported."

Yanukovich did not elaborate.

Berdymukhamedov's word is final in his five million-strong nation, which holds the world's fourth-largest natural gas reserves. "We have at our disposal whatever is needed to bring our cooperation to a new level," he said, giving no further detail either.

Dependence on Russia

Energy-starved Ukraine, which buys up to 60% of the natural gas it consumes, has to import the fuel across Russia via the pipeline network of Russian gas export

monopoly Gazprom.

Besides buying gas from Russia, Ukraine also transports it on to Europe, and the row between Kyiv and Moscow is already evoking memories of similar disputes in recent years which cut gas supplies to European consumers in the winter.

Turkmenistan, Central Asia's largest producer and exporter of natural gas, is for its part keen to reduce its dependence on gas exports to Russia, supplies to which fell sharply in 2009 due to the global crisis.

In April 2009, Gazprom halted Turkmen gas imports until the start of 2010 after a pipeline blast disrupted flows.

Ashgabat, cherishing ambitious hopes to triple natural gas output to 230 billion cubic metres by 2030 and export 180 bcm, has sought to build alternative gas export routes.

The European Union said on Monday it had agreed to negotiate a treaty with Azerbaijan and Turkmenistan to bring their natural gas to Europe across the Caspian Sea.

The proposed pipeline, part of a planned corridor of links known as the Southern Corridor, is designed to reduce EU dependence on Russian gas imports.

In an attempt to boost gas exports and bypass Russia, Turkmenistan has boosted supplies to next-door Iran, launched a pipeline to China and made progress on the planned TAPI pipeline, designed to run to Pakistan and further to India via Afghanistan.



Ukraine ups ante in EU visa-free travel talks

Ukrainian President Viktor Yanukovich has made visa-free travel to Europe one of his country's top priorities. However, the EU is wary of a public opinion backlash and is linking the issue to improvements in Ukrainian democracy and the country's judicial system.

Judging by Yanukovich's recent public statements, solving the 'visa problem' has become one of the highest priorities of Ukraine's EU agenda.

Speaking in the Ukrainian parliament on 6 September, he said visa-free travel was of equal importance to securing a free-trade agreement with the EU.

Marking the 20th anniversary of Ukraine's independence in August this year, Yanukovich wrote in a newspaper commentary that the government would do "everything" to implement a national plan for achieving visa-free travel to the European Union.

The national plan was adopted following the EU-Ukraine summit of November 2010, which set requirements that the country must satisfy to win visa-free travel to the bloc (see 'Background').

Competition with Russia?

Independence celebrations

took place in August. On 16 July 1991 the parliament of the former Soviet Republic adopted the Declaration of the State Sovereignty of Ukraine. A month earlier, a similar declaration was adopted by the Russian Federation.



Russia too has embarked on a programme to achieve visa-free travel to the EU and according to observers, the two countries are competing to be first to achieve the goal.

"We hope that the European side will understand our potential and our limitations, and will help the citizens of Ukraine take advantage of their rights of freedom of movement," Yanukovich wrote.

The president also stressed

that in June 2012 his country will host the Euro 2012 football championships. This, he says, will be a chance for EU citizens to see the modern Ukraine, and for Ukrainians to have more contact with tourists and football fans.

Ukraine is co-hosting the Euro 2012 cup with Poland, its biggest EU neighbour, and fans hope that travel barriers will be dropped during the championships.

With a little help from its friends

Several EU members are sympathetic to Ukraine's bid to secure visa-free travel. The Visegrad nations – Poland,

the Czech Republic, Slovakia and Hungary – have called on the European Commission to allow special arrangements for Ukrainians visiting their country. The four Central European countries have sponsored feasibility studies on visa facilitation for citizens of Ukraine and Moldova.

A few days ago, Slovak Foreign Minister Mikulas Dzurinda said the Visegrad countries had asked Commission President José Manuel Barroso to endorse proposals according to which Ukrainians would be allowed to visit all four countries under a simplified procedure. Slovakia has lifted visa fees for Ukrainian citizens.

The Ukrainian ambassador to Poland, Markian Malskiy, said Kyiv was taking full advantage of Warsaw's experience in this field and that many Polish experts were helping Ukraine to meet EU requirements.

Blow from Europol

However, in May this year, Ukraine was dealt a blow by a report from Europol, the EU's criminal intelligence agency. According to the report, criminal groups in Ukraine, Moldova, Georgia, Russia and the Western Balkans were waiting for Bulgaria and Romania to

join the EU's Schengen border-free area to strengthen their foothold on European soil.

Ukrainian diplomats urged Europol to reconsider its conclusions. Aleksandr Sushko, head of the Ukrainian Institute for Euro-Atlantic Cooperation, said there was no link between the activities of criminal groups and the visa regime. Criminal activity from Turkey is on the rise despite the EU's tough visa regime with Ankara, he argued, quoted by Deutsche Welle.

According to Marta Jaroszewicz from the Centre for Eastern Studies (OSW), a Polish think-tank, the hardest task for Ukraine will be to meet the EU's expectations regarding values, democracy and the rule of law. Corruption remains the main barrier to Ukraine's development and modernisation, the courts are weak and the judicial system is inefficient, she wrote in a recent study published by EurActiv.

"For these reasons, the complete abolition of visas seems to be a long-term perspective, especially considering that many EU countries, which themselves are faced with the problem of migrants' integration, are rather sceptical about the further liberalisation of movement of people with their Eastern neighbours," Jaroszewicz wrote.

Ukraine region tests EU lobbying water

Vinnitsya, a Ukrainian region bordering Moldova, became the country's first to present its various advantages to the EU's Committee of the Regions in Brussels this week. Despite being an "absolute beginner" in the lobbying field, the Ukrainian region made a strong case for the country's EU accession.

A delegation from the Vinnitsya region (see background) presented its potential for investment yesterday (15 September) at a public event hosted by the Committee of Regions, the Union's assembly of local and regional representatives.

The region also took the opportunity to lobby for Ukraine to become a full-fledged member of the European Union.

This is the third time that a region in Ukraine, a country covered by the EU's Eastern Partnership initiative and which has not yet been

formally granted the prospect of EU accession, has come to Brussels in a lobbying effort.

The regions of Crimea and Lviv recently presented



to Brussels audiences their investment potential. However, Vinnitsya is the first to have chosen the Committee of Regions for its presentation.

Silke Toenshoff, a top official at the Committee of Regions, said that Ukraine was expected to become the first country in the Eastern Partnership

initiative to conclude a so-called 'Association Agreement' with the EU, the first step to strengthening bilateral relations that could open the door to

future membership.

Launched in 2008, the Eastern Partnership covers the EU's relations with Armenia, Azerbaijan, Georgia, Moldova, Ukraine and Belarus. The political situation in the latter, however, makes its status "dependent on its own choices".

Toenshoff said EU programmes should be as open as possible to those countries ahead of an Eastern Partnership summit scheduled in Warsaw on 29-30 September.

Nadiya Tsok, deputy head of Ukraine's mission to the EU, said his country was indeed the leader in the Eastern Partnership, but was striving for full EU membership as a long-term objective.

"Please regard us as a candidate country," she pleaded, adding that sceptics in "some EU countries" would be "beaten by history".

Tsok also paid tribute to the East European countries which have already become EU members and were now helping Ukraine and "showing the way" for Kyiv on its path to EU integration.

Vodka and sweets
Serhiy Tatusyak, head of the Vinnitsya regional state council, made an impressive presentation of the region's

potential. A number of companies operating in the region, which sponsored the event, were highlighted as the successful proof of "investment already working".

Several of them European owners - AKW Kaolin from Germany, Barlinek Invest (woodwork) from Poland, Sperko (pharmaceuticals) from Spain and Valrom (building materials) from Romania.

Two Vinnitsya-based companies, Nemiroff (a vodka producer) and Roshen (a confectionery firm) provided hard drinks and candy at a reception following the event. Ukraine has a powerful confectionery industry, which posed a challenge during negotiations for a free-trade area with the EU. However, diplomats told EurActiv that however difficult, a compromise had been found.

Tatusyak also extensively

Continued on Page 4

Continued from Page 3

highlighted the many attractions and tourist destinations in the region, some of which could be seen on the website www.pearls.vn.ua. Unfortunately, the website is only available in Ukrainian.

Tatusyak also stressed that Vinnytsia had an airport capable of receiving even the biggest airplanes, such as the Boeing 747 or the Airbus 380. He said the region was looking for an investor to develop the airport into a modern and powerful hub.

He also highlighted the agricultural potential of the region, recalling that in the not-so-distant past, Vinnytsia was providing 10% of the sugar in the former Soviet Union. Today, he said, new technologies had enabled the production of what he claimed was the cheapest sugar in Europe.

Asked by EurActiv if he feared the EU would sooner or later impose caps on this production, he said that he trusted the country's authorities as negotiators. Nadiya Tsok added that in EU circles, Ukrainians were regarded as "extremely tough negotiators".

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Ukraine government split over EU 'democracy grants'



As the European Union prepares to disburse additional grants to Kyiv under its new 'Endowment for Democracy' initiative, several key personalities in the ruling Party of the Regions have voiced hostility toward foreign aid, saying it "provokes unrest" and "weakens" the country.

NGOs in Ukraine have voiced concern over plans to introduce legislation banning foreign grants for civil society organisations.

A number of key personalities in the ruling Party of the Regions have recently denounced what they call "grant-eaters" – or NGOs which they accuse of using foreign funds for purposes which "do not correspond to the state's policies".

Toppling the regime?

Alexander Efremov, leader of the parliamentary group for the Party of the Regions, said that an "external investor" was planning to finance projects aimed at triggering a "North Africa scenario" in Ukraine.

"Today the world is strongly governed by information and thanks to the Internet any information can be blown up beyond all proportion. I happen to possess data that [US financier and philanthropist George] Soros has put aside funds to prepare [for] certain groups of Ukrainian youth [to] stage any scenarios they may have. This is what is being prepared for us," he is quoted as saying by independent

newspaper Zerkalo Nedeli.

Ukraine's Interior Minister Anatoliy Mogilev appears to share the same view.

"We have a number of gentlemen, specialised in absorbing foreign grants, who stage such developments because a strong Ukraine is not needed by anyone abroad," he said during a ceremony commemorating the Soviet Union's victory over Nazi Germany.

This line of thought was confirmed by the minister of education, youth and sports, Dmitry Tabachnik, who was quoted as saying on the occasion of student protests: "Those who provoke are those who pay – the foreign funds".

The Ukrainian ruling elite also appears to be turning against the press. Elena Bondarenko, an MP from the ruling Party of the Regions, lashed out against what she described as "Soros-like" providers of grants to journalism schools. "To train journalists on foreign money amounts to allowing a foreign army to set foot into your own country," she said.

Is aid ineffective?

It remains to be seen whether the government in Kyiv would be ready to go as far as banning foreign aid.

For one, Ukrainian president and leader of the Party of Regions, Viktor Yanukovich, has stated openly that his country wants to be part of the European Union. Refusing

European democracy grants which could pave the way for future EU membership would run contrary to that aim.

In fact, the EU is planning an even more ambitious effort to aid Ukrainian civil society under a new programme called 'the European Endowment for Democracy', which will seek to support political parties, non-registered NGOs, trade unions and other social partners (see 'Background'). An 'Eastern Partnership' summit to be held in Warsaw on 29-30 September is expected to disclose details of the new EU initiative.

According to the Ukrainian media, the country is benefiting from several Western programmes, the biggest donors being the European Union and the US government, but also the governments of the UK, the Netherlands, Germany, Sweden, Canada, Switzerland and Japan.

Since 1991 the EU has provided a total of €2.5 billion in support for Ukraine, and the amounts keep increasing, with annual financing growing from €47 million in 2002 to €116 million in 2009. The EU programme for 2011-2013 has a budget of €470 million for three years, mainly to bring the EU-Ukraine Association Agreement into force.

However, the use of European taxpayers' money to fund programmes in Ukraine is controversial. In the Ukrainian expert community it is commonly believed that these numerous European support

programmes in reality do not support the transformation processes that they are supposed to promote. This could substantiate to some extent accusations of "grant-eating".

Who is ineffective?

But data also show that Ukraine state institutions are in fact a bigger recipient of foreign aid than civil society and NGOs. Since the fall of the Soviet Union, a number of programmes have been put in place to assist judicial reform, equip courts with the latest technology and improve the transparency and efficiency of the Ukrainian state machinery.

According to Zerkalo Nedeli, an independent newspaper, if the government wants to criticise the "grant-eaters", it might as well criticise the state authorities too, which have eaten up millions in aid with little improvement to the judicial system. In spite of the investments, the newspaper says the judiciary remains corrupt, the prosecution is still opaque and lacks any kind of democratic control, the criminal procedure codes remain antiquated and the institution of the ombudsman is still as idle as ever.

On the contrary, the newspaper insists that foreign initiatives have played an important role in standing up for human rights and acted as a catalyst for state reforms, erecting new safeguards against potential state abuses.