

The EU rescues its eastern policy

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On 21 March, the European Union signed the political part of the Association Agreement with Ukraine. The economic part, including the Deep and Comprehensive Free Trade Area (DCFTA), is planned for signature by 1 November 2014. Meanwhile, on 11 March the EU unilaterally abolished the duty for Ukrainian goods by granting the country Autonomous Trade Preferences (these cover 95% of industrial products, and the trade preferences in the form of increased tax-free limits covered 83% of agricultural and food products). On 5 March an aid package worth €11 billion was granted. The Union also stepped up its activity towards Moldova and Georgia, by bringing forward the signing of Association Agreements with them from August to the end of June at the latest; and on 7 March, the EU decided to abolish visas for Moldovans.

Commentary

- The political part of the Association Agreement signed with Ukraine provides for an increase in the coordination and institutionalisation of cooperation, including in the areas of foreign and security policy, migration, and support for political reform in Ukraine (the first meeting in the political dialogue should take place in April). The EU's rapid signature of this document is an expression of its political support for Kyiv.
- Nevertheless, only the economic part of the AA, including the DCFTA, will bring about measurable results and real integration. This assumes that Ukraine will adopt a significant part of EU legislation, and will allow the mutual opening and integration of markets. The economic part was not signed at this time due to the EU's concerns that Ukraine will be unable to meet these obligations. The EU is waiting for the validation of the government after the elections (so that the signed contract cannot be questioned). There is also visible reluctance on the part of some EU member states to deepen integration with Ukraine because of the political crisis in the country and concerns about the reaction of Russia. Germany, among others, is of the opinion that there will have to be an agreement with Russia on implementing the Agreement, in order to avoid negative consequences for Ukrainian-Russian trade and EU-Russian relations. On the other hand, introducing the DCFTA will be a big challenge for Ukraine itself, whose economy would have to bear the high costs of adapting to EU standards, and cope with open competition from EU member states.
- The EU's attitude towards the crisis in Ukraine is primarily to offer it political support. However, it is not prepared to increase its funding. The sum of €11 billion already agreed

should be distributed within seven years, and a significant portion of this amount will be loans. Of this total, €8 billion is the ceiling of the support from the EIB and the EBRD. Aid from the EU budget amounts to €3 billion, of which €1 billion is new. The EU is also lobbying for support from the IMF to the tune of \$15 billion.

- The EU's acceleration of its activities towards its eastern neighbours has been brought about by Russia's aggressive policy towards the countries of the region. The EU is trying to minimise failures in its neighbourhood policy (not only in the East but also the South). The increased tempo of signing the Association Agreements is also aimed at hindering Russia's attempts to block EU integration. At the same time the Union, which has been criticised for its inaction, is trying to strengthen its position in the eastern neighbourhood, which has been severely tarnished as a result of Russian pressure on the region's countries (military intervention in Ukraine; economic pressures on Moldova; Armenia's withdrawal from signing the Association Agreement).