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EU-Ukraine: looking beyond fair and transparent elections

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The future of the EU-Ukraine cooperation is dependent not only on how parliamentary elections are conducted, but also on Ukraine's progress with implementing reforms based on Association Agenda. It appears that the only positive scenario for Ukraine is to start unilateral implementation of the Association Agreement (AA) even before it is signed by the parties. This step would yield practical benefits for the country's weak economy and become an evidence of Kyiv's persistence in European integration.

DO ELECTIONS MATTER?

The European Union and Ukraine reached a low point in their relations in 2012. Persecution of opposition leaders in Ukraine overshadowed EURO-2012 with the EU politicians boycotting the games and postponing the signing of the Association Agreement (AA) and the Free Trade Agreement (FTA). Brussels made it clear that economic cooperation will be based on Kyiv's commitment to European values. If Ukraine's 28th October parliamentary elections are not called fair and transparent, Kyiv is likely to face greater political and economic isolation from Brussels.

The fair elections would however be only an initial step in a series of many to be taken by Kyiv to convince its European partners to make the Association Agreement a reality. First, the coming elections will not change the balance of power unlike recent elections in the country. Though the intrigue remains, the current polls indicate the Parliament would look much the same (even literally as most of the current deputies want to be reelected again). If opposition wins and manages to form a majority, the President still would have enough authority for his opinion to be taken into account. If Ukrainian elections are deemed fraudulent, this would mean much more time lost for Ukraine in renewing political and economic cooperation with the European Union.

Second and most importantly, the coming elections would not necessarily make Ukraine better in doing reforms. Regardless the outcome of elections, the country will have same underperforming public administration to implement the Association Agreement Agenda and the economic reforms.

thy business competition. It seems the European Union will be adamant on Ukraine meeting these conditions given that the IMF learned it hard way with country's unfulfilled promises. However, unlike IMF's specific recommendations and clear benefits of resumed cooperation, the European Union's requirements and appeal for Ukraine are much less so.

Eurozone problems weakened the European Union's appeal and capacity to transform. Economic crisis is damaging bilateral trade and politicians on both sides now talk about raising barriers to market entry rather than about aiming at the four freedoms. It is likely that the European Union would increasingly focus its efforts and funds on its internal re-integration rather than on its neighboring countries. There is already strong opinion among some member states that Brussels gave too much advances to Kyiv since the Orange Revolution and more unconditional integration would be disastrous for the Union's economic stability.

Despite the Eurozone crisis and its poorly performing neighborhood policy, the European Union continues to be a powerful gravity center for its neighbors. The core economies of the European Union continue to be among the most competitive globally. Even the most troubled member states have achieved visible economic and social progress since their membership. Authors of a recently published World Bank study claim the European Union was a successful "convergence machine". There is no doubt that the spreading of the four freedoms could have a significant transformative impact on Ukraine's economy, which already has a large share of trade with the European Union and extensive links with its financial and banking sector.

PREREQUISITES FOR UKRAINE

While expecting the release of Ukraine's opposition leaders from prison, the European Union also wants to be confident such practice is not possible in the future. Therefore, the judicial reform is another important conditionality: enforcement of the rule of law is to ensure not only fair political competition but also heal-

BARRIERS TO UKRAINE'S REFORMS

The Ukrainian government and businesses realize they need reforms to stay in power and to grow respectively. They are also aware about the likely negative consequences of Ukraine's political and economic isolation. In fact, a number of important sectoral reforms have been launched over the past two years.

Any achieved progress was however completely overshadowed by the large-scale capturing of the lucrative state (and sometimes privately owned) assets by the powerful business groups. One possible explanation is that the national elites think they can afford to postpone economic reforms for some more time. Yet, it becomes increasingly obvious that the country does not have much time as external and domestic economic situation deteriorates quickly.

More importantly is that Ukraine does poorly in both marketing and administering reforms. First, the government continuously fails to mobilize supporters of the planned changes and compensate opposing interest groups. In fact most governments nowadays have to make unpopular decisions and deal with public protests of unhappy citizens. Ukraine's government rarely backs the reform initiatives by information campaigns and usually ignores the feedback from the stakeholders. Besides, very active civil society has few channels of influencing government decisions as public consultations procedures are not developed and followed. Ukraine is said to become more authoritarian recently. However, alternatively put, government has not yet mastered instruments of democratic governance.

Second, Ukraine's public administration is failing the reform agenda. Part of it has to do with its poor capacity but also inadequate governance and control. The ministries can publicly announce policies that are not aligned with the President's economic reform programme and mid-level staff sabotage instructions from the top without any consequences. Without sufficient accountability and independence institutions become captured by businesses. This leads to monopolized markets and higher barriers to investments and reforms in general.

MAKING THE FIRST STEP: UNILATERAL EUROPEANIZATION

Ukraine can already begin implementing its AA commitments as if it was signed and ratified by the European Union. It is not an entirely uncommon practice: a few years prior to becoming a World Trade Organization member, Ukraine slashed down its import duties in line with its negotiated commitments. Obviously, the AA extends much beyond simply lowering custom duties to liberalize trade and requires more time to implement required policies. Yet, the European Union-designed reforms could have a greater positive impact on Ukraine's weakening economy. It is therefore makes perfect sense that Kyiv start honoring the text of the agreement, which both parties have finalized, as soon as possible.

The European Union does it right when it exerts pressure on Ukraine to honor the basic democratic principles. However, it would be wrong for Brussels to design half-way partnership solutions until Ukraine is deemed ready for a deeper economic and political integration. The European Union transformative power seems to bring positive effects in other countries only in the pre- and post-accession mode.

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