

## **Op-ed by Commissioner for Enlargement and European Neighbourhood Policy Štefan Füle**

Since Ukraine became independent 22 years ago, it has undergone a remarkable journey. It has developed from being a Socialist Soviet Republic to being a confident European country with a clear commitment to pursue modernisation through democratic reforms, respect for the rule of law, sustainable development, a liberalised economy, and a dynamic civil society.

And we, the European Union, always stood by Ukraine in these efforts. Since the independence in 1991, the EU has supported Ukraine's transformation with over 3,3 billion euro of grants and another substantial amount in loans, making us the largest international provider of technical and financial assistance. This assistance was planned to be further stepped up in 2014-2020. This is on top of around 10,5 billion euro in loans provided by the European Investment Bank and EBRD and sizable bilateral assistance provided also by the Member States.

Clear expression of our joint will and commitment to get closer and to develop even deeper ties was the preparation of the Association Agreement, including the Deep and Comprehensive Free Trade Area. This would have been demonstrated with the signature at the EaP summit in Vilnius.

Then, last Thursday the authorities decided otherwise. We took note of the decision of the Government of Ukraine to suspend the process of preparation for signature of the Association Agreement/DCFTA. The reasoning for this decision makes clear that it was motivated by national security considerations of Ukraine, and by the wish to renew the trade lost over the last months with the Russian Federation and other members of the CIS and Customs Union.

It is thus clear that this step is a response to a series of measures taken by the Russian Federation which have severely reduced bilateral trade and have inflicted economic hardship on many Ukrainian citizens. These measures are groundless as Russia would also benefit from the new opportunities stemming from the Association Agreement.

Let me also underline that the DCFTA does not require a Ukrainian company to make a choice as to which market it produces goods for or sells goods to. There is no choice to make between Russia or the EU and neither is anybody asking Ukraine to renounce its traditional free trade agreement with Russia. It is entirely normal practice for companies to produce goods for different markets. Take the automobile industry for example where standards differ between US, EU and Japan and where producers sell variants on all 3 markets.

I regret this decision which was taken just a few days before the Vilnius summit. The EU and Ukraine were taking the final steps to enable the possible signing of this Agreement at the Eastern Partnership Summit in Vilnius, including through the reforms adopted over the last months with the aim to strengthen democracy and the rule of law. This would have been the culmination of the path bringing Ukraine and the EU closer to each other, the process that President Yanukovich, then Prime Minister, helped to start in 2007.

Ukraine's journey of modernisation still faces many challenges. Ukraine is the European country with the second-lowest "ease of doing business" and the highest "perception of corruption", which underlines the need for courageous reforms. Economic models show that modernisation and investment go hand-in-hand. In this respect, we have recently seen some impressive, but frankly totally unfounded, speculations about the alleged cost of Ukraine's modernisation.

Regrettably, it is exactly the other way round because Ukraine's decision to suspend the preparations for AA signature will not be without a cost: many of these new opportunities for the country and its citizens will now be delayed.

The EU-Ukraine Association Agreement is about enhancing the process of modernisation. It would reinforce Ukraine's sovereignty by strengthening its international standing, unlocking fully the country's immense potential.

We are confident that this would be a better deal for Ukraine than the status quo. The signing of the most ambitious agreement the EU has ever offered to a partner country would send a clear signal to investors worldwide as well as to International Financial Institutions that Ukraine is serious about its modernisation pledge and becomes a predictable and reliable interlocutor for international markets. As High Representative/Vice-President of the Commission Catherine Ashton made clear in her statement on Thursday it would have provided a unique opportunity to reverse the recent discouraging trend of decreasing foreign direct investment in Ukraine – and would have given momentum to negotiations on a new Stand-By Arrangement with the International Monetary Fund.

The EU's commitment to bring EU-Ukraine relations to a new level, opening up new opportunities through enhanced freedoms and prosperity for the Ukrainian people, remains firm.

The EU will be ready to resume the preparations for the signature of the Association Agreement as soon as Ukraine will be ready to resume its path towards political association and economic integration with the EU for the benefit of its citizens. The door to signature of the AA remains open for the future once conditions are ripe.