

Yanukovych's Self Defeat in Vilnius

By Anders Åslund

“Viktor Yanukovych departed from history.” That was how *Ukrainskaya Pravda* summarized the European Union (EU) Eastern Partnership Summit in Vilnius on November 28-29th. In the end, the EU and Ukraine signed no document, while important Association Agreements were initialed with Moldova and Georgia.

Because of his peculiar behavior throughout the negotiation process, Yanukovych himself will bear the blame for the disappointment in Vilnius. The last year has been a tale of his reckless irresponsibility. The very latest — ordering riot police to clean Kyiv's Independence Square from peaceful demonstrators the night after the Summit merely underlines Yanukovych's lawless nature.

The EU and Ukraine completed their negotiations on the Association Agreement (which includes a Deep and Comprehensive Free Trade Area agreement) already in November 2011. This deal would have given Ukraine a unique access to the European market, reformed the country's state apparatus, and attracted vast foreign direct investment. Yanukovych's problem was that the Association Agreement was not only a trade agreement, but also a broad political and legal accord, based on the key European values of democracy and the rule of law. Accordingly, in December 2012, the European Council of foreign ministers formulated eleven conditions of largely legal and political nature that Kyiv had to fulfill if

the EU was to sign the Association Agreement in November 2013.

Up until September of this year, Yanukovych ignored these conditions. Then, all of a sudden, he adopted a legislative plan to enact all of them by the November deadline. Yanukovych's actions were sufficiently convincing to persuade Ukraine's three democratic opposition parties to join him in the effort. Presumably, Yanukovych was prompted into action by the trade war initiated by Russian President Vladimir Putin in August, which blocked exports from key Ukrainian industries. Russia and the EU each account for one-quarter of Ukraine's exports, and so far this year exports to Russia have fallen by at least twenty five percent. The Kremlin also insists on maintaining prohibitively high prices for its gas exports to Ukraine. At the Yalta European Strategy conference in September, Putin's personal advisor Sergey Glazyev even publicly threatened that Russia would put Ukraine in default, should Kyiv go through with the EU Association Agreement.

Putin clearly frightened Yanukovych, not least because his own disastrous economic policies have made the Ukrainian economy highly vulnerable. While Kyiv has accrued large budget and current account deficits, the President's main preoccupation seems to be ensuring that a group of young businessmen — the “Yanukovych family” — acquires as many companies as possible.

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Yanukovich's control over the courts and law enforcement has facilitated this process. In fact, Ukraine's legal standards have deteriorated so much that Western-style banking is no longer feasible. Half of the West European banks in Ukraine have been sold in fire sales, and those remaining are currently on the market.

It seemed nothing short of peculiar that such a robber regime adopted a score of good European laws on democracy and law enforcement. Yet, Yanukovich knew his limit. All but two of the laws demanded by the EU have been adopted, but these two are the critical ones. The first is the draft law on the prosecutor's office. As it stands, the prosecutor remains superior to the judge (a remnant of the old Soviet order), so without a new law, none of the changes in the law enforcement system really matter. The second law was to allow former Prime Minister Yulia Tymoshenko to travel abroad for medical treatment. After Yanukovich defeated Tymoshenko with a slight margin in the February 2010 presidential election, he had her sentenced to seven years in prison in a purely politically-motivated proceeding. It appeared that Yanukovich had decided to go to Vilnius without fulfilling these final two conditions, hoping to be allowed to sign the agreement in any case.

Yet, in an eleventh hour U-turn, the Ukrainian government adopted a decree halting the effort to sign the European Association Agreement on November 21st, one week ahead of the Vilnius Summit. Moreover, the government publicly blamed the decision on the costly Russian trade sanctions. Earlier in November, Yanukovich traveled to Russia for two long meetings with Putin. While no agreement resulting from these meetings has been made public, guesses are that abolition of the trade sanctions, a lower gas price worth four billion dollars a year, a few billion dollars of Russian bank loans and Russian purchases of some Ukrainian

companies could be part of a deal. Still, the prospects of Russian compensation are dim because Putin has persistently demanded that Ukraine first joins the Customs Union of Russia, Belarus and Kazakhstan, which remains unlikely.

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With Ukraine failing to sign the Association Agreement, Putin appears to have won a geopolitical victory, but it may be a Pyrrhic one. The Kremlin has antagonized the EU, which issued a statement asserting that it "strongly disapproves of the Russian position and actions." But Russia exports four times as much to the EU as to the former Soviet republics, and the EU is already pursuing serious anti-monopoly actions against Gazprom.

Yanukovich still went to Vilnius, where in the last minute he astoundingly demanded that the EU provide Ukraine with 160 billion Euros through 2017 in compensation for the costs of adopting European standards. Although nobody took that demand seriously, negotiations between Yanukovich and EU leaders continued into the morning of November 29th. Until the last few hours, First Deputy Prime Minister Serhiy Arbuzov maintained that Ukraine would definitely sign the agreement, which ultimately it did not.

It is of course regrettable that the EU and Ukraine did not sign the Association Agreement, but the outcome is not all bad. First, Yanukovich has now lost all credibility, at home and abroad. The latest Ukrainian opinion polls before Vilnius showed that only 17 percent would vote for him in a presidential

election, and that number is likely to fall further. The risk of a serious financial crisis, which was already high, has risen. Possibly, the Vilnius Summit marked the real end of Yanukovich's presidency. His Chief of Staff resigned in protest to the police violence on Independence Square, and many of his parliamentarians have already defected. More resignations are likely.

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Second, the EU is keeping the door to Ukraine open. The Association Agreement remains on the table, and the country's next presidential election is scheduled for March 2015 — if Yanukovich collapses elections may occur much earlier. A new president can then sign the agreement. Ultimately, the EU proved united and stuck to its standards when it should have.

Third, Moldova and Georgia did initial their Association Agreements, demonstrating that their governments cherish European values more and fear Putin less than Yanukovich does.

Fourth, Putin and his Customs Union look more unattractive than ever.

Finally, the public protests that erupted throughout Ukraine on November 21st have reignited civic action in the country. On November 26th, the initiative moved from the old opposition parties to a novel, massive student movement. Ukraine is now facing a revolt of the young in favor of European integration and against corruption. In the end of the day, this might prove the most important outcome of the aborted Association Agreement signing — one that could truly transform Ukraine.

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