

Joint Declaration for a European Stability and Growth Pact for Eastern Ukraine

Implement Minsk II – Initiate reconstruction - Create perspectives for a common economic space

The war in Eastern Ukraine has cost the lives of over 13,000 people since 2014. Hundreds of thousands have been wounded. Millions lost their jobs and property and were driven out of their familiar surroundings. The fate of the people of Eastern Ukraine is not only a national tragedy, it is a European tragedy: the rift runs through families, villages and cities, it runs through the country and even through our entire continent.

Ukraine and its people, in particular, pay a high daily price for this division, but all the countries of our continent – whether they are members of the EU or the Eurasian Economic Union or are located between these economic blocks – bear the burdens of this conflict.

War not only causes human suffering, it also devours enormous resources. The war has destroyed factories, broken international business links, seriously damaged economic life and the prospects of millions of people. Mutual economic sanctions have also had a negative impact on the economies of Ukraine, Russia and all the other countries involved in the conflict.

After more than five years of war, during which billions were spent on destroying values and prospects, it is high time to end this conflict and invest in the future of the people of Eastern Ukraine and thus also in the future of our continent. We therefore propose drawing up a European Stability and Growth Pact for Eastern Ukraine. In addition to Ukraine, Russia and the countries of the EU, many other member states of the Organization for Security and Cooperation in Europe (OSCE) should participate in this pact.

The implementation of the measures arising from the Stability and Growth Pact can begin once the conditions have been created for their proper and effective use. To this end, the weapons in Eastern Ukraine must be permanently silent, free elections must be held and the provisions of the Minsk Agreement must be enshrined in law and implemented.

Core elements of the Stability and Growth Pact are:

1. International Donors' Conference

Reconstruction in Eastern Ukraine is an international task. In order to seize the opportunity for lasting peace and reconciliation, an international donor conference should be organised in 2020 to raise money for the reconstruction of Eastern Ukraine. The OSCE, and in particular France and Germany as members of the Normandy Format talks, could take the lead. We are assuming an initial acute financial need of at least three billion euro.

These funds are to be used exclusively in the municipalities directly affected by the war and equally on both sides of the current line of contact.

2. Eastern Ukraine Reconstruction Fund

To ensure sound management of the funds raised at the donors' conference, a reconstruction fund should be set up at the European Bank for Reconstruction and Development (EBRD) or a similarly recognised international institution. Part of the fund money will be used to finance reconstruction projects directly in all war-affected areas in Eastern Ukraine, in particular, to restore the destroyed infrastructure between the separate parts of the country, thereby gradually creating the conditions for the return of private investors. This is intended to support the major efforts already being made by the Ukrainian state itself. This will require close coordination.

3. Credit offers for investors and trade

Investments in and deliveries to Eastern Ukraine will be subject to an increased default risk for years to come. This is why particularly attractive financing conditions are needed to mobilise private investors and promote trade. In order to make this possible, a second part of the funds from the Eastern Ukraine Reconstruction Fund is to be made available in the form of investment loans at particularly favourable conditions. Finally, a further part will serve to hedge the risks of private trade and credit transactions.

4. Special Economic Zone in Eastern Ukraine

The regions affected by the war not only suffer from the destruction of their infrastructure, but have for many years also failed to modernise their economies, which are focussed on coal, steel and heavy industry. At the same time, the reconstruction of the region is an opportunity to initiate the urgently needed structural change. We suggest that the war-torn areas on both sides of the contact line should be declared a large special economic zone for the period of reconstruction, with attractive settlement conditions for investors throughout the region. These include low taxes and rates, reduced land use fees as well as customs privileges and special lending conditions.

5. Business Advisory Council

To accompany economic reforms and projects, we propose the establishment of a Business Advisory Council (BAC) for Eastern Ukraine, consisting of representatives of business associations from Ukraine, Russia, the EU and all interested OSCE countries. The BAC is to advise the Ukrainian authorities on the reform process, support them in identifying priority projects, advise them on the economic reform process in the municipalities of Eastern Ukraine and act as a point of contact for private investors. A permanent secretariat should be established in the region to coordinate the work.

6. International Investment Conference

Once a year, the reconstruction of Eastern Ukraine and the investment opportunities there should be the focus of an international economic conference. The Business Advisory Council can provide support here. It would be conceivable to hold this annual international business conference in the context of high-ranking political meetings in Normandy Format, for example, in order to ensure a close exchange of views between business and the responsible politicians and to be able to address the demands of business to the politicians in a targeted manner.

7. Restoration of trade relations in Eastern Ukraine

In order to achieve sustainable economic growth in Eastern Ukraine, the region must be gradually reintegrated into national and international trade relations and value chains. A first step towards this is the complete normalisation of trade within the region and between the areas on both sides of the contact line. However, it is also necessary to restore normal trade relations between Ukraine, Russia, the EU and the Eurasian Economic Union.

8. Economic Triologue between the EU, Ukraine and Russia

In order to overcome existing conflicts and improve economic relations permanently, we propose a regular economic triologue of the responsible politicians and experts from Ukraine, Russia and the EU with the involvement of business associations. The current negotiations on a new gas transit agreement between Ukraine and Russia, mediated by the EU, could be the starting point for this. These talks should be consolidated and extended to include all existing controversial economic issues. The aim of this triologue is to develop sustainable energy relations, to dismantle existing barriers to trade and investment, including mutual sanctions, and to open up the prospect of a common economic area from Lisbon to Vladivostok. In the long term, it is necessary for the EU, the Eurasian Economic Union and the countries geographically located between these economic areas to agree on the dismantling of customs and visa barriers and the harmonisation of norms, standards and certification rules.

The initial progress made in relations between Ukraine and Russia in recent months has generated hopes that must not be disappointed now. We therefore call on the responsible politicians to become aware of their responsibility and now to do everything in their power to ensure that the peace process agreed in Minsk is quickly brought to a successful conclusion.

The longest war in Europe since the Second World War must end. Reconstruction can then begin as a common European reconciliation project. Even though it will be decades before the rift that is currently tearing through Europe is healed, the time has now come to build new bridges through which we can find each other again.



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