

THE LITHUANIAN INITIATIVE: UKRAINE 2027

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On 20 February 2017, the Committee on European Affairs of the Seimas of the Republic of Lithuania organised a comprehensive informal discussion focused on Lithuania's support for Ukraine. Both the discussion and the subsequent joint meeting of the Seimas Committee on European Affairs and the Seimas Committee on Foreign Affairs held on 3 March 2017 approved a *Marshall Plan for Ukraine*, an initiative of support for Ukraine introduced in a *non-paper* on *A New European Plan for Ukraine*, which was drafted by Andrius Kubilius, Gediminas Kirkilas and Petras Vaitiekūnas. By now, the initiative has been thoroughly presented in a number of Western capitals and in Ukraine, and has become a key instrument in kick-starting the Western and domestic investment support for Ukraine's economy. It has also provided a good learning opportunity for Lithuanian politicians and diplomats and facilitated their efforts to promote and implement their own ambitious geopolitical projects and, to this end, explore effectively the benefits of Lithuania's membership of the EU and NATO and its tremendous contribution towards developing a partnership with Ukraine.

Next year is the year of elections in Ukraine, in Lithuania, and in the whole of the European Union. As momentum for fundamental decision-making is growing, it is vital to effectively seize this window of opportunity in both Ukraine and the EU to make certain that the geopolitical matters particularly important for both us and Ukraine are not pushed aside. Rather, on the contrary, they have to be given a fresh impetus. It is therefore crucial to review and properly assess the progress of the *Marshall Plan for Ukraine* initiated in 2017 and the lessons learnt, as well as to agree on new key geopolitical initiatives for the coming decade which would help to keep both Ukraine and the West motivated to assist reforms in Ukraine and support Ukraine's efforts of becoming a successful European country.

This *non-paper* thus offers, firstly, a general overview of the experience gained in implementing the *Marshall Plan for Ukraine* by reiterating clearly the geopolitical importance of our support for Ukraine and, secondly, puts forward a new key geopolitical initiative for the next decade which we have so far referred to as the *Ukraine 2027*.

What was the geopolitical effect of Lithuania's support for Ukraine?

1. The non-democratic, authoritarian, kleptocratic and aggressive Russia poses the greatest geopolitical threat to the security of both Lithuania and the whole of Europe. In 2017, the United States of America issued their National Security Strategy where Russia (and China) was directly identified as a major threat to the security of the US. However, many experts claim that Putin's authoritarian regime itself would mainly be threatened by the success of Ukraine and by the soft power

a successful Ukraine may wield by influencing the opinions of ordinary Russian citizens, thus helping them become aware of the losses Russia sustains while it stays under Putin's aggressive rule. It is therefore obvious that the main aim of Putin's regime is to prevent the success of Ukraine. Meanwhile, the main task at hand for the West in assisting post-Putin Russia's transformation into a democratic non-aggressive state is also clear. They have to invest, as of now, into Ukraine's long-term success by all economic and political means possible. Western investment into Ukraine's success is almost the only geopolitical instrument in the hands of the West to inspire positive change in Russia after Putin (for more information, see article *The Lithuanian initiative: Western Strategy Towards Russia* by Andrius Kubilius and Gediminas Kirkilas (<https://www.delfi.lt/news/ringas/politics/andrius-kubilius-gediminas-kirkilas-lietuvos-iniciatyva-vakaru-strategija-rusijos-atzvilgiu.d?id=78184951>), and statement of *President Valdas Adamkus Conference 2018: Russia and Europe after Putin*.

2. Due to its geopolitical situation and historical experience, Lithuania is particularly interested in seeing positive change in Russia, which is the only way for Lithuania to fundamentally ensure its security and develop normal neighbourly relations. We can therefore safely assume that mobilisation of Western support for Ukraine, which would serve as a means of implementing Western policy of support for Russia's transformation, is the main objective of the Lithuanian foreign and security policy.

3. It is obvious that the success of Ukraine will primarily depend on Ukraine itself. However, its success will also be determined by the motivation of Western politicians to continue supporting reforms in Ukraine. It is crucially important to demonstrate to the Ukrainians the actual, attractive and widely understandable goals they can achieve if they continue on the path of reforms. Meanwhile, Westerners need to see real progress made by Ukraine in continuing reforms and achieving success.

4. Since the end of World War II, the West and Europe have gained experience with assisting young and weak democracies in resisting the destructive influence of the Kremlin. Historically, the West had only two geopolitical instruments that proved to be effective. One of them was the 1947 Marshall Plan, while the other one was the European enlargement, particularly after 1990. The success of reforms in the Baltic States and other new European countries was determined by the fact that since the very beginning of the reform process, right after the democratic change of 1990 in our countries, the European Union offered us a prospect of EU membership, which was an attractive and understandable mega goal to be achieved. This was the basis for a national consensus and motivation to pursue reforms. The EU thus followed its "carrot and stick" approach where it offered us a very attractive opportunity coupled with strict punishment for failure to deliver results.

Why does Ukraine need a Marshall Plan right now? Progress of the *Marshall Plan for Ukraine* in 2017–2018 and future prospects for its implementation

1. Unfortunately, for well-known and understandable reasons, the EU is not yet in a position to offer any membership prospects to Ukraine. Therefore, Lithuania has proposed a *Marshall Plan for Ukraine* as an intermediate flagship initiative, consisting of EUR 5 billion per year in investment in the real economy conditioned on the continuation of reforms. This would provide for a much faster growth of the Ukrainian economy. With this volume of investment, the current annual growth rate of 1–2 % of GDP could go up to as much as 6–7 % of GDP. Obviously, such an increase in economic growth would also affect ordinary Ukrainians, as this would naturally translate into new jobs, new roads, new ports, new private investment, and much more.

2. The progress and prospects of the *Marshall Plan for Ukraine*: after 18 months of intensive engagement with both Ukraine and the West, the pace of implementation of the Initiative is gaining momentum and becoming a reality (cf.: Annex: *Marshall Plan for Ukraine. Achievements and Prospects*).

3. Lithuania's role in further implementation of the *Marshall Plan for Ukraine*: the initial success and new opportunities provide good prospects for the consolidation and institutionalisation of Lithuania's support to Ukraine in the form of new institutional platforms. The expected growth of the economic and political potential of Ukraine over the next decade can be compared to a compressed spring effect. Thanks to reforms, the Ukrainian economic growth is already gaining momentum, with large investors like IKEA, Arab foundations, and Norwegian funds coming to invest in the country.

Over the next 10 years, Ukraine may experience a substantial political and economic change. Lithuania currently has a very good political presence in Ukraine and is recognised by Ukrainians as the most politically important friend, but long-term institutional partnership platforms and traditions developed thereby on the basis of this long-term presence are still lacking. Our failure to create such institutional platforms now can lead to the loss of a host of highly attractive opportunities that can open up in Ukraine over the next 10 years.

Some of the platforms referred to above are necessary in order to institutionalise the role of Lithuania in the implementation of the *Marshall Plan for Ukraine* in future (cf.: Annex: *Marshall Plan for Ukraine. Achievements and Prospects*); other platforms are needed in order to implement Lithuania's proposed new geopolitical initiative, *Ukraine 2027*. We need to consolidate the existing instruments of support for investment that proved their merit in Lithuania and transfer this experience via a unified platform of know-how in a coordinated way through the Central Project Management Agency (CPMA), INVEGA, Public Investment Development Agency (VIPA), the Lithuanian Private Equity and Venture Capital Association (VCA), and other entities. The platform could act as a public-private partnership providing advice on investment management and implementation of reforms, and also transfer Lithuania's experience in the area of management of financial engineering instruments which could be adapted to the EU's investment under the Reform Contract for Investment, implementation of

the EU's External Investment Plan in Ukraine, as well as for earmarking adequate funding for the cause in the upcoming EU Multiannual Financial Framework (2021–2027). It is also important to provide in Lithuania for an efficient centralised, consistent and sustained long-term mechanism for planning the development aid and financial assistance to Ukraine.

What happens next? A window of unique geopolitical opportunities due to open up after 2025. Lithuania's initiative *Ukraine 2027*.

1. Lithuania's ambition for the coming decade is not only to support Ukraine and contribute to positive transformation in Russia through building on the success of Western support for Ukraine, but also to create long-term partnership platforms between Lithuania and Ukraine.

2. **The main idea behind the new Lithuanian initiative *Ukraine 2027*: Europe will be in an exceptional geopolitical situation after 2025, and Lithuania needs to make best use of the situation in a way for the European Union to adopt specific decisions in 2027 on specific prospects for Ukraine's accession to the European Union, as well as on the accession prospects for Georgia, and, possibly, Moldova during Lithuania's second Presidency of the Council of the European Union.** This will be a new, big and highly attractive "carrot" both for Ukrainians and for us to continue with our engagement.

3. The main geopolitical circumstances poised to determine the success of *Ukraine 2027*:

(a) Under the currently announced plans of the EU, the Union's enlargement to the Western Balkans will be completed in 2025. As a general rule, at the same time as it completes an enlargement phase, the EU draws the guidelines for a new coming enlargement phase. This was the case in 2003 when the Athens Treaty of Accession to the European Union of 10 European countries was signed, together with the Thessaloniki Declaration, which declared that the EU would next enlarge to the Western Balkans.

(b) In 2025, a year after the elections in Russia in 2024, we will have a clear picture of the situation in the country. Under the current Constitution, Russia should elect a new President, but Vladimir Putin may no longer be elected. However, many experts consider that this constitutional requirement will be amended to allow Putin remain in office for at least 15 to 20 years more, as is the tradition in Russia. In short, by 2025 it will be already clear whether we will see a post-Putin Russia or a Russia with Putin in place for further 15 years;

(c) The German Chancellor Angela Merkel, while visiting Tbilisi, at a meeting with students on 24 August 2018, made a statement which, apart from coinciding with our vision, also inspired confidence that *Ukraine-2027* can really work. In her reply to the question of students from the University of Tbilisi, Chancellor Merkel made a very rational and encouraging comment concerning the European perspective of Georgia. She said Ukraine and Georgia had the most promising European

perspective, but both the European Union and Ukraine with Georgia needed one more decade to get duly prepared for that. This decade would be up by either 2027 or 2028. However, if a motivating *Ukraine 2027* initiative is launched already now, the coming ten years can become a very smooth and straightforward period of continuation of the necessary reforms both in Ukraine, in Lithuania, and throughout the EU.

(d) The EU Presidencies in 2025–2028 will be strategically favourable for our cause, with the Polish Presidency of the Council of the EU in the first half of 2025, followed by the Lithuanian Presidency in the first half of 2027, and the Latvian Presidency in the second half of 2028. Lithuania will have an opportunity to take the lead and create an alliance of the three countries for the implementation of the *Ukraine 2027*.

(e) In 2029, the *Ukraine 2027* initiative can culminate with a dedicated EU summit in Lutsk, Ukraine, organised to mark the 600th anniversary of the first congress of European leaders held in Lutsk in 1429.

Lithuania's preparation for the implementation of *the Ukraine 2027 initiative*

1. In order to implement the *Ukraine 2027* successfully by 2027, and in order to achieve all the geopolitical objectives set out under the Initiative both in Ukraine, in the West, and in Lithuania, we need to start our work in Lithuania without delay. A detailed Plan and a Group (a dedicated national committee) in charge of drafting the Plan and overseeing its implementation are required for the implementation of the Initiative. The design and implementation of the Plan should be supported by adequate funding from the state budget, although the Plan is also likely to attract private funding for its implementation during the rollout phase.

2. Timeline for the *Ukraine 2027 Implementation Plan*. Key **policy** actions for the short and medium term:

(a) 2018–2019 Establishing the *Ukraine 2027* firmly on the Lithuanian, Ukrainian, and Western geopolitical agenda: the Seimas resolution, international resolutions, publications, visits, and seminars;

(b) 2018–2019 Developing the *Western Strategy Towards Russia*, an initiative designed to demonstrate that Ukraine's success is a crucial Western instrument to support positive transformation in Ukraine;

(c) 2018–2019 Establishment of the Lithuanian *Ukraine 2027 Interagency Committee* and the *Ukraine 2027 International Coordination Group*;

(d) 2018–2019 Making effective use of various international formats in which Lithuania is involved, including the Baltic Assembly, the Baltic Council, the Assembly of the Seimas of the

Republic of Lithuania and the Sejm of the Republic of Poland, the Assembly of the Seimas of the Republic of Lithuania and the Verkhovna Rada of Ukraine, the partnership with the Nordic Council; and various EU formats, such as COSAC, the European Parliament, the Congress of the European Parties, etc. for the implementation of *Ukraine 2027*;

(e) 2020 *Ukraine Reform*, an International Conference in Vilnius (London in 2017; Copenhagen in 2018; and Canada in 2019);

(f) Annual hosting of international *Ukraine Meetings* (similarly to *Snow Meetings*) in Lithuania, focused on the preparation of Ukraine and the Western Community for the implementation of *Ukraine 2027*;

(g) Lithuania's partnership with a range of international Western think-tanks established in Ukraine and in the West, for example, with the German Marshall Fund, to support the organisation of international conferences in Kharkiv and other regions in Ukraine;

(h) Establishment of a centre of excellence named the *Lithuanian House of Ukraine* in Vilnius and in Kiev. This would be the main think-tank to support the implementation of the Strategy both in Lithuania, in Ukraine, and in the West;

(j) Annual informal discussions on the *Ukraine 2027 Strategy* at the Seimas Committee on European Affairs;

(k) Timeline for the coming decade:

- (1) 2025 The EU's Warsaw Declaration (modelled on the 2003 Thessaloniki Declaration): announcement that Ukraine and Georgia are to become members of the EU because they meet the Copenhagen criteria;
- (2) 2027 EU's Vilnius Declaration: Ukraine and Georgia are announced as candidate countries;
- (3) 2028 EU's Riga Declaration: the first negotiating chapters are opened;
- (4) 2029 EU's Lutsk Declaration: progress in negotiations is seen as good; the year 2035 is announced as the preliminary date of accession.

3. Timeline for the *Ukraine 2027 Implementation Plan*. Core short and medium-term **economy-related** actions:

(a) Lithuania must fully exploit its economic and institutional potential in both Ukraine and the West for the implementation of the *Marshall Plan for Ukraine*. Firstly, Lithuania needs to become a founding member, together with other donors (Canada, EIB, EBRD, the World Bank), of a specialised department in the Office of the Prime Minister of Ukraine, which should take up further leadership and supervision over the implementation of the Initiative. Secondly, Lithuania needs to become Ukraine's

donor country, which would allow Lithuania to participate in donor coordination events (for more details, cf.: Annex: *Marshall Plan for Ukraine. Achievements and Prospects*). Secondly, Lithuania also needs to continue intensive work in the West in order to build on the success of the first year of implementation of the Initiative by making use of both new and existing EU instruments;

(b) Strong and active association of *Lithuanian Investors in Ukraine* is necessary. To that end, the work of the Lithuanian Chamber of Commerce in Ukraine needs an overhaul. There is a need for a real Western-standards-based *Lithuanian Business Chamber*, capable of hosting large-scale economic events both in Ukraine and Lithuania, as well as providing valuable expertise to Ukrainian, Lithuanian and Western political communities alike;

(c) CPMA, INVEGA, VIPA and other Lithuanian agencies of the kind should further intensify the sharing of experience with Ukraine by coordinating their activities and actively participating in the implementation of *Ukraine –2027*;

(d) Strategic political partnership between Lithuania and Poland could take the form of cooperation with the Polish Development Bank and the EIB in order to assist in the launch of the *Ukraine Development Bank* in Ukraine and its integration into European structures;

(e) In 2019, joint involvement with the German Marshall Fund is necessary for the development of the *Kharkiv Initiative* for support to innovative business, which could later be replicated in other regions as well.

(f) Lithuania needs to have a clear strategy of how to boost investment in Ukraine's economy:

– In order to encourage Lithuania's investment in the Ukrainian economy and cooperation between various Lithuanian and Ukrainian institutions, a special unit within the Lithuanian Government needs to be established to coordinate such efforts and collect information on the projects and reforms carried out in Ukraine;

– Lithuania should ensure that a common EU guarantee facility for exports and investment in Ukraine is created, as Lithuania alone cannot provide the financial instruments that the financial institutions of major EU countries can offer;

– The Lithuanian Government should encourage major public undertakings to look for investment opportunities in specific sectors of the Ukrainian economy:

- the Lithuanian railways “Lietuvos geležinkeliai” could invest in freight terminals, hire or production of wagons, and repair of locomotives;
- the Lithuanian oil company “Klaipėdos nafta” could invest in the oil and gas business in Ukraine;

- the Lithuanian energy distribution network “Lietuvos energija” could invest in renewable green energy or waste incineration in Ukraine;
- The Lithuanian Government should invite Lithuanian small and medium-sized business to join international funds, in particular, the Baltic and Scandinavian investment funds, in order to jointly invest in projects that are covered by EU guarantees.

Benefits of *Ukraine 2027*

1. **Benefits for Ukraine:** *Ukraine 2027* should become an essential incentive for Ukraine to meet the Copenhagen criteria by 2027 in order to allow the EU to declare Ukraine as an EU candidate country during the Lithuanian Presidency of the Council of the EU. This would be a major historical achievement both for Ukraine and for the EU. Ukraine has to become aware that this is a unique opportunity not to be missed, as nobody knows when it can arise again.

2. **Benefits for Lithuania:** this is a unique opportunity to target Lithuania’s geopolitical strategy towards reaching a clear objective, as well as to institutionalise the country’s partnership with Ukraine for decades beyond 2027.

3. **Benefits for the West:** *Ukraine 2027* provides an opportunity for keeping the West motivated to continue supporting Ukraine, for measuring Ukraine’s progress against clear Copenhagen criteria, and for transforming the *Western Strategy Towards Russia* into a clear agenda of support for Ukraine’s success.

Lithuania’s Strategic Communication in Ukraine and in the West

1. Lithuania should take the initiative and launch a campaign of pro-Western strategic communication in Ukraine ahead of the elections. The key message is this: **the West supports the people of Ukraine**. The West backs Ukraine’s economic transformation. An effective intake of EUR 8 billion of the “old funds” and continuation of reforms after the elections will bring “fresh money” into the Ukrainian economy. The year 2027 is the year of the Lithuanian Presidency of the Council of the EU and the year of EU decisions on the EU membership prospects for Ukraine.

2. Intensive strategic communication in the West is equally needed: it should involve the creation of a political and expert network, engagement with think-tanks, and publications in the leading analytical media, including *FT*, *NYT*, *Economist*, etc.