David A. Jones*

A WIDENING POLITICAL ECONOMY? FREE TRADE BETWEEN THE EUROPEAN UNION AND THE UKRAINE: SOME THEORETICAL PRIORITIES AND METHODOLOGICAL CONSIDERATIONS

Key Words: European Neighbourhood, Ukraine, Free Trade

The European Union (EU) has established the European Neighbourhood Policy (ENP), one main objective of which is to entice EU neighbours from its South and its East to join the EU either as Member States or as favoured trading partners. The Ukraine borders the EU on its East. It is both a neighbor of the EU and a major gateway from the EU into what was the Soviet Union. The Western sector of the Ukraine once was a part of Poland to the Easternmost Kurzon line, until 1945. One question is whether the ENP facilitates or hinders closer economic ties between the EU and the Ukraine, in terms of both goods and services, and whether the ENP status quo should be maintained or changed. What should be the paramount criteria?

The EU has concluded Free Trade provisions with Algeria, Egypt, Israel, Jordan, Libya, Morocco, Palestinian Authority, Syria, and Tunisia, none of which aspire to EU membership, except for Morocco all of which are rather far away from its borders, and none of which has received a Common Foreign and Security Policy (CFSP) invitation except for Jordan that has prevaricated in accepting the same. It has yet to conclude Free Trade provisions with Belarus or Ukraine, both of which border Poland on the Eastern EU frontier, or with Armenia, Azerbaijan, Georgia, Kazakhstan, or Moldova, all of which are its neighbours on the Eastern European continent, and all of which except for Kazakhstan have accepted CFSP invitations and do aspire to EU membership. Arguably, the EU has prioritorised its objectives backwards, looking first to Africa and the Middle East but last to the Eastern stretches of Europe, confusing the European neighbourhood with an African habitat.

Research questions.

This paper is intended to address preliminary questions concerning the extent to which the ENP is supported by a broad-base of EU member states? Only four member states: Germany, Hungary, Italy, and Poland appear to engage in robust trade with Ukraine, for example (Table 1). The question is why? Seemingly, the other 23 member states, or many of them, are not trading significantly with Ukraine, as but one example, and therefore are not seriously supporting the ENP. Is the reason a fear of competition? Which member states are the most reluctant to trade?

The Gross Domestic Product (GDP) of Ukraine for the year 2008 at USD 4,318 was far lower than Libya, just under Algeria and Tunisia, but well higher than Egypt or Morocco[1]. The Gross National Income (GNI) Purchasing Power Parity (PPP) of Ukraine for the same year at

[1] International Monetary Fund (IMF). 2008. World Economic Outlook Database. Oct.

* Prof. dr., University of Warsaw

USD 6,810 reflected the same comparison with the African nations referenced, but Azerbaijan, Belarus, and Kazakhstan ranked higher than Ukraine[2]. Arguably, the EU should be concerned that Ukraine, its next door neighbour, not lag economically behind its more distant European neighbours or be outshone by African nations.

A similar criticism was made recently when the EU concluded a Free Trade Agreement (FTA) with the Republic of Korea ahead of an FTA with China, India, Japan, which at least one economist explained as being justified to avoid weakening the World Trade Organisation (WTO) framework[3]. This explanation would not appear to be valid as pertains to Ukraine. Similarly, the European Commission's explanation for failing to conclude an FTA with any ASEAN nation out of an appreciation of the difficulties involved in pursuing regional agreements[4] does not seem to apply to Ukraine, either, unless suddenly Ukraine has become a region in itself. On the contrary, North Africa and the Middle East are regions.

One reason for the EU's affection for trading with countries outside of its neighbourhood, and perhaps the primary reason for this situation, is disagreement amongst the member states as to whether trade with a given neighbouring country, such as Ukraine, will benefit or harm them as individual countries, regardless of whether this trade stands to benefit the European Community collectively. For example, agricultural products imported from Ukraine into the EU may stand to benefit manufacturing countries of Western Europe but harm, at least in perception, countries of Eastern Europe that both abut Ukraine and produce their own agricultural products in substantial quantity. Technological products imported from Ukraine into the EU may stand to benefit other Eastern European countries that otherwise would import internally from Western Europe, but the same imports may be seen to compete with and consequently harm Western European countries that export large quantities of manufactured products at higher prices. All of this smacks of what one might call member state protectionism.

Even if an FTA is signed between the European Union and third countries, this is not a panacea in and of itself. According to Olivier Prost, a partner at the law firm Gide Loyrette Nouel's Brussels office and former director of the legal affairs division at the World Trade Organisation (WTO), "signing the FTA does not mean the elimination of trade remedies," because the parties could continue to impose trade barriers even after the signing, especially if at least one of them is perceived by the other not to be a market economy[5].

One area of EU trade policy in general concerns intellectual property rights (IPRs), and it has been criticized for being fragmented. Fredrik Erixon of ECIPE has argued that such fragmentation has stifled EU trade policy as "an effective tool to spur cross-border integration of innovations[6] Derivative of this criticism is the question whether fragmentation has stifled cross-border EU-Ukraine integration of innovations. The author herein will argue that it has done so. A survey of patents and other intellectual property protections of technology documented that sharing intellectual property can be more profitable than hoarding it[7].

[2] World Bank. 2008. World Development Indicators Database. 17 Oct.

[3] Evernett, Simon J. 2007. "'Global Europe': an initial assessment of the European Commission's new trade policy," www.evernett.com, 10. http://www.evenett.com/research/articles/ECNewTradePol.pdf (Accessed 16 October 2011).

[4] European Commission (EC). 2010. "Report on progress achieved on the Global Europe Strategy, 2006-2010," www.trade.ec.europa.eu, 9 http://trade.ec.europa.eu/doclib/docs/2010/november/tradoc_146941.pdf (Accessed 17 October 2011).

[5] Vietnam business News (VBN). 2011. "EU import laws could hurt Viet Nam exports," Vietnam Business News (VBN). 15 Jul. http://vietnambusiness.asia/eu-import-laws-could-hurt-viet-nam-exports Accessed 14 November 2011

[6] Erixon, Fredrik. 2011. "Value for money: Getting Europe's trade and IPR policy right," ECIPE Occasional Paper No. 1/2011, 2. Brussels: European Centre for International Political Economy.

[7] The Economist. 2005. "An open secret: sharing intellectual property can be more prof¬itable than keeping it to yourself". The Economist, 22 October.

Another area of EU trade policy involves the balance of payments. From the standpoint of the EU, trade in goods was positive: in the year 2010, EU exports to Ukraine were €17.3 billion and EU imports from Ukraine were €11.4 billion, mostly primary commodities, agricultural products, and some machinery[8]. The EU is concerned that this balance in its favour could change: The EU is the Ukraine's largest trading partner.

One EU or 27?

In order to conceptualise fully the reality of an expansion of a widening political economy through new Free Trade Areas (FTAs) on the European Union's eastern front, or anywhere, one must view the European Union (EU) as 27 trading blocks, not merely as one. This is because the Pareto efficiency can only be measured in terms of its impact on each EU member state as an individual entity, and not in terms of the EU as a 27-member trading block.

This statement is true regardless of whether in fact the EU itself is an FTA, a customs union, a common market, or an economic and monetary union (EMU), all of which it claims to be, but most of which in reality it is yet to be. The EU is not yet fully an EMU because only 17 of the 27 EU member states have joined the Euro Zone (Euro Area): of the "old Europe," the United Kingdom, Denmark, and Sweden are not members, and only five of the member states that joined the EU since 01 May 2004 have joined the Euro Zone (Cyprus, Estonia, Malta, Slovakia, and Slovenia). It is not entirely an economic union because it lacks substantial harmonization of economic and social policies sufficient to ensure effective free movement and harmonization of macroeconomic policies that in turn are sufficient to ensure that trade flows are not distorted. It is not really a common market because, although capital moves rather freely within the EU itself, labour movement encounters obstacles, particularly in professional services. In fact, the EU is yet to become even an FTA unto itself, because some barriers to internal trade in goods remain, although they were supposed to have been removed.

Hill and Wallace have observed that "European foreign policy is a 'system of external relations', a collective enterprise through which national actors conduct partly common, and partly separate, international actions."[9] To this, it must be remembered, many EU member states have conducted bilateral relations with third countries that are parallel to the relations between the same third countries, as a domaine réservé allowed under EU laws[10]. Sometimes, these parallel bilateral relations have resulted in "special relationships"[11] that in turn are or appear to be perceptions amongst the EU partners involved that trade with particular third countries is a zero-sum game: for them to win, other member states must lose, and when other member states win, they themselves must lose. In this context, the perception controls the behaviour, not the reality, regardless of the accuracy of the perception.

Against this economic reality, it must be obvious that member states are not equal in terms of whether external trade generally or external trade with any particular country leaves them

[8] European Commission (EC). 2011. Trade. Ukraine. http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/ukraine (Accessed on 16 October 2011).

[9] Hill, Christopher, and William Wallace. 1996. "Introduction: actors and actions," in Hill, Christopher, ed. 1996. The actors in Europe's foreign policy. London and New York: Routledge, 5.

[10] Manners, Ian, and Richard G. Whitman. 2000a. "Introduction," in Manners, Ian, and Richard G. Whitman, eds. 2000. The foreign policies of European Union member states. Manchester: University of Manchester Press, 5. See also Tonra, Ben, and Thomas Christiansen. 2004. "The study of EU foreign policy: between international relations and European studies," in Tonra, Ben, and Thomas Christiansen, eds. 2004. Rethinking European Union foreign policy. Manchester: University of Manchester Press, 1.

[11] Gardner Feldman, Lily (1984), The Special Relationship between West Germany and Israel, Boston, London, Sydney: George Allen & Unwin, 256-257.

better off or worse off, nor do they perceive themselves as being equally better off or worse off, either. Further, this reality seems unlikely to change in the foreseeable future, at a time when some member states feel differentially threatened by the unrealistic pattern of consumption they witness within their neighbouring member states.

As but one example, Ukraine is a neighbour of the EU, and the 27 EU member states import form and export to Ukraine in very different patterns, as Table 1 below reflects. Cyprus and Germany are the two largest EU investors in Ukraine, at USD 8,5 and 6,6 billion respectively[12]. Not surprisingly, Germany increased its imports from Ukraine in 2010 to Euro 280 from 259 in 2009, and increased its exports to Ukraine to Euro 909,2 in 2010 from 820,8 in 2009, although this created a trade deficit increase from -561,8 to -629,3. In addition, Italy increased its imports from Ukraine to Euro 419,7 million in 2010 from 311,7 million in 2009, but decreased its exports to Ukraine from Euro 277,7 million in 2009 to 260,8 million in 2010, keeping a positive balance of trade at Euro 159,8 million. The other large trading partners of Ukraine were Poland, Hungary, and Italy. Poland increased its imports from Ukraine to Euro 216,4 million in 2010 from 143,8 million in 2009, and increased its exports to Ukraine to Euro 625,4 million in 2010 compared with 508,7 million in 2009, ending up with a negative balance of trade of Euro -409 million. Hungary increased its imports from Ukraine to Euro 216,4 million in 2010, up from 143,8 million in 2009, and increased its exports to Ukraine from Euro 508,7 million in 2009 to 625,4 million in 2010, absorbing a negative balance of trade at Euro -164,6 million. Italy increased its imports from Ukraine to Euro 419,7 million in 2010 compared to 311,7 million in 2009, but set off this increase with a decrease in exports to Ukraine of Euro 260,8 million in 2010 compared to 277,7 million in 2009.

Most of the other EU member states imported and/or exported much less from/to Ukraine in 2009 and 2010, reflecting a different (lower) level of confidence in Ukraine as a trade partner. Between 2009 and 2010, total EU imports from Ukraine rose by only about Euro 100 million, but total EU exports to Ukraine increased by more than Euro 600 million, leaving a negative balance of trade at Euro -1413,5 million in 2010, up from -965,7 in 2009 (Table 1). This evidences some increase in the perception by a number of EU member states that Ukraine is their competitor, and apparently in response they avoided a major increase in imports (13 member states decreased their imports from Ukraine, some sharply so). Only about half (14) of the EU member states increased their imports from Ukraine at all, several states barely so. Nineteen member states increased their exports to Ukraine. In doing so, Denmark went from a positive to a negative balance of trade with Ukraine, and Lithuania more than doubled its negative balance of trade from Euro -38,9 million to -83,8 million.

It is important to mention that both Germany and Poland, the two strongest supporters of Ukrainian accession to the EU and largest importers from and exporters to Ukraine, may be said to have a "special relationship" with Ukraine. One evidence of this is their expectation of energy supplies from or through Ukraine, especially in winter, exemplified in their support for the Odessa-Brody-Gdańsk oil pipeline[13]. On the contrary, most of the EU member states that decreased their trading with Ukraine appear not to have any such "special relationships" themselves, and seem also not to find those between Germany and Poland on the one hand and Ukraine on the other.

[12] Mission of Ukraine to European Communities. 2011. "An analysis of the Ukraine-EU trade in some commodity groups for the period April 1. 2009 to April 1. 2010 shows a continuing tendency to exceed the volume of EU exports to Ukraine over EU imports from Ukraine goods with greater added value," www.ukraine-eu.mfa.gov http://www.ukraine-eu.mfa.gov.ua/eu/en/publication/content/47296.htm (Accessed 12 November 2011).

[13] Polish Ministry of Foreign Affairs. 2001. The Eastern policy of the European Union in the run-up to the EU's enlargement to include the countries of Central and Eastern Europe – Poland's viewpoint. Warszawa: Ministerstwo Spraw Zagranicznych. 13 Jan., 21.

Table 1
The dynamics of European Union trade with Ukraine
(Year 2010 compared with Year 2009)
(in millions of Euro)

European Union Member State	EU Imports from Ukraine		EU Exports to Ukraine		Commodity Circulation		Share of EU Member State's Trade with Ukraine, %		The Balance of Trade	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
Austria	76,6	92,4	95,5	163,5	172,1	255,9	3,50%	4,60%	-18,9	-71,1
Belgium	54	45,9	79	90,5	133	136,4	2,70%	2,40%	-25	-44,6
Bulgaria	217,3	119,2	16,2	19,3	233,5	138,5	4,70%	2,50%	201,1	99,9
Cyprus	12	7,6	0,6	1,4	12,6	9	0,30%	0,20%	11,4	6,2
Czech Republic	66	145,4	97,8	150,3	163,8	295,8	3,30%	5,30%	-31,7	-4,9
Germany	259	280	820,8	909,2	1079,8	1189,2	21,90%	21,30%	-561,8	-629,3
Denmark	35,8	26,3	34,5	36	70,3	62,2	1,40%	1,10%	1,3	-9,7
Estonia	14	14,9	16,5	15,4	30,6	30,3	0,60%	0,50%	-2,5	-0,5
Spain	162,6	124,7	41,4	47,6	204	172,3	4,10%	3,10%	121,2	77,2
Finland	15,7	6,5	68,7	60,7	84,4	67,2	1,70%	1,20%	-53	-54,2
France	116,5	74	126,5	145,2	243	219,2	4,90%	3,90%	-10,1	-71,1
Great Britain	35,7	43	125,2	101,9	160,9	144,9	3,30%	2,60%	-89,6	-59
Greece	46,5	29,6	9,8	10,7	56,3	40,3	1,10%	0,70%	36,7	18,9
Hungary	84,4	107	159,8	271,6	244,2	378,6	4,90%	6,80%	-75,4	-164,6
Ireland	1,5	0,3	5,1	5,5	6,5	5,7	0,10%	0,10%	-3,6	-5,2
Italy	311,7	419,7	277,7	260,8	589,4	680,5	11,90%	12,20%	34	158,9
Lithuania	24,3	26,9	63,2	110,8	87,5	137,7	1,80%	2,50%	-38,9	-83,8
Luxembourg	0	0,3	1,3	5,7	1,4	6	0,00%	0,10%	-1,3	-5,4
Latvia	23,7	21,7	17,6	17,1	41,3	38,8	0,80%	0,70%	6,1	4,6
Malta	2,8	1,1	0	0,1	2,8	1,2	0,10%	0,00%	2,7	1,1
Netherlands	124,9	84,2	148,1	207	273	291,2	5,50%	5,20%	-23,2	-122,8
Poland	143,8	216,4	508,7	625,4	652,5	841,9	13,20%	15,10%	-364,9	-409
Portugal	13,3	32,5	2,4	3,8	15,6	36,3	0,30%	0,60%	10,9	28,7
Romania	51,9	70,4	72,5	109,2	124,4	179,6	2,50%	3,20%	-20,6	-38,8
Sweden	8,6	12,2	55,9	40,3	64,5	52,5	1,30%	0,90%	-47,2	-28,1
Slovenia	3,7	1,7	43,6	35,5	47,3	37,2	1,00%	0,70%	-40	-33,7
Slovakia	78	84,4	61,4	57,4	139,4	141,8	2,80%	2,50%	16,6	27
Total	**1984,2**	**2088,4**	**2949,9**	**3501,9**	**4934,1**	**5590,2**	**0,00%**	**0,00%**	**-965,7**	**-1413,5**

SOURCE: Mission of Ukraine to European Communities. 2011. "An analysis of the Ukraine-EU trade," www.ukraine-eu.mfa.gov http://www.ukraine-eu.mfa.gov.ua/eu/en/publication/content/47296.htm (Accessed 12 November 2011), tr. by the author.

Economic improvements.

The anticipated result of the European Neighbourhood Policy is to increase trade between the EU and its neighbours. From an EU viewpoint, this would stimulate growth in neighbouring state economies, and increase the quality of life amongst the residents there, as well as increase the attraction of neighbouring nations to join the EU in the near future. In fact, overall EU trade with Ukraine has barely increased between the years 2009 and 2010, and among half the member states trade actually has decreased. This does not show widespread commitment to the ENP at all.

Economic improvements come in different theoretical sizes and shapes. According to legal economist David Friedman, "altruism" may produce different outcomes in the minds of different observers[14]. What this means is that we can and do have different definitions of economic efficiency: the Kaldor and Marshall definitions are not equivalent[15]. Does increased trade between some EU member states and a neighbouring state such as Ukraine come at the expense of other EU member states? Do increases in imports particularly, but possibly also in exports, by some EU member states make the other EU member states, or some of them, economically worse off? Even if not factually, do the recalcitrant EU member states believe that this is so? What can be done? What options are optimal?

Pareto efficiency, Pareto improvement.

A Pareto efficiency exists when at least one party is made economically worse off as a consequence of another party being made better off. The absence of a Pareto efficiency (Pareto inefficiency) exists when no party is made economically worse off as a result of any other party being made better off, which in turn offers an opportunity for a Pareto improvement. The latter is a reallocation of resources that will make at least one party better off without making any other parties worse off. When no further Pareto improvements are possible, the result is Pareto optimal.

Some EU member states clearly believe they are economically better off by both importing from and exporting to "third" countries such as Ukraine, and a few EU member states appear to believe they are better off either importing from or exporting to the same. The other EU member states seem to harbour a different perspective, believing they are worse off doing either form of trade, and some may conclude they become worse off when other EU member states engage in this trade, whether their sister EU member states import from, export to, or both import from and export to these countries, and regardless of whether the trading practices of their respective sister EU member states create positive or negative balances of trade for those states themselves or for the EU collectively. This situation requires a Pareto improvement.

Marshall efficiency, Marshall improvement.

A Marshall efficiency and a Marshall improvement are different from, and may exist in the absence of, a Pareto efficiency or a Pareto improvement. As David Friedman noted:

The term "economic improvement" is used in economics to refer to three different, but closely related, things. A Pareto improvement is a change that makes somebody better off and nobody worse off. A potential Pareto improvement--sometimes referred to as a Kaldor improvement--is a change that would be a Pareto improvement if combined with a suitable set of cash transfers among those affected. A net improvement in the sense used by Marshall--what I have elsewhere called a Marshall improvement--is a change whose net value is positive, meaning that the total value to those who benefit, measured as the sum of the number of dollars they would each, if necessary, pay to get the change, is larger than the total cost to those who lose,

[14] Friedman, David. 1988. "Does Altruism produce Efficient Outcomes? Marshall vs. Kaldor," The Journal of Legal Studies 17:1, 1-13.

[15] Ibid., 13.

measured similarly. For each definition of improvement we can construct a corresponding definition of efficiency. A situation is (Pareto/Kaldor/ Marshall) efficient if it cannot be (Pareto/Kaldor/Marshall) improved[16].

Put differently, a Marshall efficiency exists when more parties are better off than are worse off, so the net effect of an allocation of resources, including its transaction costs, is positive. Much of the controversy surrounding the European Neighbourhood Policy and its more wide ranging counterpart, the Global Europe Strategy, boil down to the difference between positive (what is) and normative (what ought to be) economic efficiency, both production efficiency and utility efficiency in the way David Friedman contrasted these concepts[17]. This means, as Friedman noted, referencing the Hicks-Kaldor criterion[18], that an improvement in the eyes of Alfred Marshall[19] ("Marshall improvement") may not be a "Pareto improvement" at all[20].

Germany and Poland should exercise a leadership role in the initiation of compensation to their sister EU member states that have resolved to diminish their imports from and/or exports to Ukraine and other "third" party states situated contiguously to the EU's Eastern and Southern boundary lines. For Germany, its doing so would be simply to increase its existing commitment to Ukraine, parallel to its rather immense FDI there.

The Kaldor-Hicks condition.

Fundamentally, Kaldor-Hicks efficiency is reached when a Pareto optimal outcome is achieved by an exchange of resources from the parties who are made better off to the parties who are made worse off, such that the latter are restored to where they were originally and no longer are any worse off. In the context of this paper, in order for the ENP to work efficiently, member states of the EU that become better off through trade with third party states such as Ukraine should compensate other EU member states that have become worse off as a consequence thereto or which perceive they are worse off. For example, Germany, Hungary, Italy, and Poland should consider compensating other EU member states, particularly those that decreased their trade with a particular third party, in this case Ukraine.

The Scitovsky paradox.

Then there is the Scitovski Paradox, which contends that although the gainer can compensate the loser for making a change in allocation, the loser can do the same thing by compensating the gainer to return to the original position[21]. As Scitovski noted, "[a]ll the welfare propositions of the classical economists – viz., competition, free trade, and direct taxation -- … [have] not always been realised. They are all based on the principle that given the total quantity of utilised resources, they will be best distributed among different uses if their rates of substitution are everywhere and for every person equal; for only in such a situation will each person's satisfaction be carried to that maximum beyond which it cannot be increased without diminishing someone else's."[22] The same should hold true when one substitutes country or international trading partner for person in the same context.

---

[16] Ibid., 1.
[17] Friedman, David. 1999. Price Theory. Cincinnati: Thomson South-Western Publishing Co.
[18] Kaldor, Nicholas. 1940. "A Note on Tariffs and the Terms of Trade," Economica. Nov.
[19] Marshall, Alfred. 1920. Principles of Economics. London: MacMillan & Company, Chapter 6.
[20] Friedman, David. 1999. Price Theory. Cincinnati: Thomson South-Western Publishing Co.
[21] Scitovsky, Tibor. 1976. The Joyless Economy: An Inquiry into Human Satisfaction and Consumer Dissatisfaction. Oxford: Oxford University Press.
[22] Scitovsky, Tibor. 1941. "A Note on Welfare Propositions in Economics," The Review of Economic Studies 9:1, 77-88.

In the context of this paper, the "third" countries including Ukraine that trade with the EU member states should compensate those EU member states that deem themselves to have become worse off by reason of trade between these "third" countries and other EU member states. In this manner, the end result will be a pan-EU perception that the ENP is efficient and workable, plus that accession of Ukraine and similarly-situated "third" countries East and South of the current EU borders is desirable and viable in the near future.

Conclusion

Several conclusions flow from the within research, as follow:

1. Trade between member states of the European Union (EU) varies considerably both in terms of imports and exports, but more especially in terms of imports.
2. Germany, Hungary, Italy, and Poland enjoy large trade with Ukraine, both imports and exports, and Bulgaria enjoys a large import trade, but not a large export trade.
3. Germany and Poland, at least, have visible "special relationships" with Ukraine, and it appears that this is one reason why Germany's foreign direct investment (FDI) in Ukraine is so large, and why Germany and Poland have large trade with Ukraine.
4. Any Free Trade Agreement (FTA) between the European Union (EU) and an outside country ("third country") must include the realisation that, at least initially, any such FTA will have to function as 27 different FTAs bundled into one: a separate FTA for each EU member state.
5. This is a major reason why the European Neighbourhood Policy (ENP) implementation slowed down, and why EU FTAs with other European countries to its East and South have yet to materialise; this in turn is a major reason why the ENP status quo requires some change..
6. What this means is that some EU member states must expect to realise burdens whilst other EU member states may realise benefits from an FTA with any given third country.
7. To compensate for this, a Marshall, Kaldor/Hicks exchange of resources is required.
8. An optimal exchange of resources would be for EU member states that receive benefits from free trade with "third" countries such as Ukraine should share part of their benefits with other EU member states that incur, or think they incur, burdens from such free trade by other member states.
9. This may mean also that "third" countries such as Ukraine should consider sharing some benefits they receive from EU member states that are their largest trading partners with other EU member states that are decreasing their trade, and especially with EU member states that are decreasing their imports.
10. As a variation of the Scitovsky paradox, the "third" countries themselves such as Ukraine should share a part of the benefits they receive from EU member states such as Germany and Poland that are their large trading partners with other EU member states that seem recalcitrant to trade with them, in order to bolster the ENP and speed up their accession to the EU.

References

1. Erixon, Fredrik. 2011. "Value for money: Getting Europe's trade and IPR policy right," ECIPE Occasional Paper No. 1/2011. Brussels: European Centre for International Political Economy.
2. Evernett, Simon J. 2007. "'Global Europe': an initial assessment of the European Commission's new trade policy." http://www.evenett.com/research/articles/ECNewTradePol.pdf (Accessed on 16 October 2011).
3. The Economist. 2005. "An open secret: sharing intellectual property can be more prof¬itable than keeping it to yourself". The Economist, 22 October.

4. European Commission (EC). 2010. “Report on progress achieved on the Global Europe Strategy, 2006-2010.” http://trade.ec.europa.eu/doclib/docs/2010/november/tradoc_146941.pdf (Accessed on 17 October 2011).
5. European Commission (EC). 2011. Trade. Ukraine. http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/ukraine (Accessed on 16 October 2011).
6. Friedman, David. 1988. “Does Altruism produce Efficient Outcomes? Marshall vs. Kaldor,” The Journal of Legal Studies 17:1, 1-13.
7. ________. 1999. Price Theory. Cincinnati: Thomson South-Western Publishing Company.
8. Gardner Feldman, Lily. 1984. The Special Relationship between West Germany and Israel, Boston, London, Sydney: George Allen & Unwin.
9. Hicks, John. 1939. “The Foundations of Welfare Economics,” The Economic Journal 49:196, 696-712.
10. Hill, Christopher, and William Wallace. 1996. “Introduction: actors and actions,” in Hill, Christopher, ed. 1996. The actors in Europe’s foreign policy. London and New York: Routledge, 1-16.
11. International Monetary Fund (IMF). 2008. World Economic Outlook Database. Oct.
12. Kaldor, Nicholas. 1940. "A Note on Tariffs and the Terms of Trade,” Economica. Nov.
13. Manners, Ian, and Richard G. Whitman. 2000a. “Introduction,” in Manners, Ian, and Richard G. Whitman, eds. 2000. The foreign policies of European Union member states. Manchester: University of Manchester Press, 1-16.
14. ________. 2000b. “Conclusion,” in Manners, Ian, and Richard G. Whitman, eds. 2000. The foreign policies of European Union member states. Manchester: University of Manchester Press, 243-273.
15. Marshall, Alfred. 1920. Principles of Economics. London: MacMillan & Company.
16. Mission of Ukraine to European Communities. 2011. “An analysis of the Ukraine-EU trade in some commodity groups for the period April 1. 2009 to April 1. 2010 shows a continuing tendency to exceed the volume of EU exports to Ukraine over EU imports from Ukraine goods with greater added value,” www.ukraine-eu.mfa.gov http://www.ukraine-eu.mfa.gov.ua/eu/en/publication/content/47296.htm (Accessed 12 November 2011).
17. Polish Ministry of Foreign Affairs. 2001. The Eastern policy of the European Union in the run-up to the EU’s enlargement to include the countries of Central and Eastern Europe – Poland’s viewpoint. Warszawa: Ministerstwo Spraw Zagranicznych. 13 Jun.
18. Scitovsky, Tibor. 1941. “A Note on Welfare Propositions in Economics,” The Review of Economic Studies 9:1, 77-88.
19. ________. 1976. The Joyless Economy: An Inquiry into Human Satisfaction and Consumer Dissatisfaction. Oxford: Oxford University Press.
20. Tonra, Ben, and Thomas Christiansen. 2004. “The study of EU foreign policy: between international relations and European studies,” in Tonra, Ben, and Thomas Christiansen, eds. 2004. Rethinking European Union foreign policy. Manchester: University of Manchester Press, 1-9.
21. Vietnam business News (VBN). 2011. “EU import laws could hurt Viet Nam exports,” Vietnam Business News (VBN). 15 Jul. http://vietnambusiness.asia/eu-import-laws-could-hurt-viet-nam-exports Accessed 14 November 2011.
22. World Bank. 2008. World Development Indicators Database. 17 Oct.