

Can the European Union Help Ukraine to Succeed? Reforms, the Russian Factor and Implications for the Eastern Neighbourhood

[Published on 26 Dec, 2016](#) by Henrik Hallgren and Iryna Solonenko

Introduction

The European Union (EU) is in the process of reassessing its interests and reprioritising its foreign policy objectives, towards its neighbours as well as globally. In November, the European Commission (EC) after months of consultations with various stakeholders in the Member States (MS) and the neighbourhood released its initial vision for a reviewed European Neighbourhood Policy (ENP). By June 2016, High Representative Federica Mogherini is due to prepare the direction for a new EU Global Strategy to replace the Security Strategy released back in 2003. This work is taking place in the turbulent context of instability in many of the EU's neighbours in the south and east. To achieve more tangible results in the Eastern Neighbourhood, the EU is confronted with the need for greater differentiation among the six Eastern Partnership (EaP) countries. In doing so, it must ensure that cooperation with the less committed EaP countries does not compromise the European values. It is also confronted by the Russian interference in the EaP countries, disrupting the EU's agenda in the common neighbourhood. Ukraine should be seen as a country where the EU has a chance once again to test its 'transformative power' and its ability to protect its interests. More broadly, the EU also has to find a way to redevelop relations with Russia, not only in the short run by countering pressure on EU MS and the neighbourhood, but also by actively seeking a long-term relation, where the common neighbours are not faced with the need to take sides.

This paper argues that the EU's support to Ukraine's transformation has made a difference, but that it must remain high on the agenda and that the EU needs to demonstrate more commitment to the process. The EU also needs to clearly define its interests in the region, including a vision for development of its long-term relations with Russia. The paper starts with an overview of the EU's policy towards Ukraine and Russia since the early 1990s. It shows that the EU's policy towards these countries has evolved from an initial priority on relations with Russia to a situation where the EU has come to realise that assisting Ukraine's transformation into a well-governed country also currently means withstanding Russian pressure. It shows that the EU has been able to develop effective short-term solutions, but it overlooked some risks and needs to tackle those. Finally the paper takes a closer look at domestic developments in Ukraine, emphasising the role the domestic factors have played in Ukraine's balancing act between the EU and Russia and today's consensus with respect to a pro-European course. This course is not only about external orientation, but about building and affirming a social contract based on European values. Supporting this consensus in Ukraine, which might not yet be sustainable, should be one of the EU's primary objectives.

EU, Russia, Ukraine: From expectations to contestation

Before looking at the current challenges facing EU policy towards Ukraine, it is necessary to revisit the development of relations in the EU-Ukraine-Russia triangle. Our brief overview shows that the assumption underlying the policy of cooperation developed in the 1990s, namely that the newly independent European states, Russia and the EU were moving towards a partnership

based on common values, turned out to be false. Russia's active contestation of the EU's activities in the EaP countries has made it clear that it had a different vision of the relationship and of the future of the common neighbourhood. Today the EU faces a situation where it not only needs to revisit its interests and redefine its policy towards Russia, but also to stand ready to protect its goals and policies in the Eastern Neighbourhood.

Until the launch of the ENP in 2004, the EU pursued what can be termed a 'Russia first' policy. Different policy tools and arrangements were offered first to Russia and only later to Ukraine.¹ The launch of the ENP in 2004 marks the point when the EU attempted to align its policies towards the entire neighbourhood, including Russia. The Wider Europe Communication of the European Commission published in March 2013 was addressed to all EU neighbours in the east and the south, including Russia.² Russia, however, declined to become part of the policy, and the ENP Communication of May 2014 excluded Russia. Instead, the EU showed some readiness to accommodate Russia's ambitions. At the Summit in May 2003, the EU and Russia agreed to cooperate on creating what was termed Four Common Spaces.³ In May 2005, both sides adopted a single package of road maps for the creation of the Common Spaces, which determined the agenda for co-operation between the EU and Russia for the medium-term. Importantly, although the ENP and the Four Common Spaces were two distinctive policies politically, they were very similar in essence, both being based on provisions of the EU *acquis communautaire* and funded with the same financial instrument, the European Neighbourhood and Partnership Instrument (ENPI), launched in 2007.

With the ENP, the EU for the first time became an actor in Ukraine's domestic reform process. Through the signing of the EU-Ukraine Action Plan in February 2005, the EU offered Ukraine a comprehensive list of reforms ranging from democracy and the rule of law to technical standards. Despite being too long and not properly prioritised,⁴ it gave Ukraine some constructive 'homework'. Although the Action Plan and its successor document, the Association Agenda, were largely ignored by political elites, they became important reference documents for civil society and served as guidance for action to mid-level bureaucracy.⁵

¹ See Solonenko, I. 'The EU's 'Transformative Power' beyond Enlargement: the Case of Ukraine's Democratisation'. European Research Working Paper Series Number 21, The University of Birmingham European Research Institute, 2007
<http://www.eri.bham.ac.uk/documents/research/wp21-solonenko.pdf>

² The reference to the three Caucasus countries – Georgia, Armenia and Azerbaijan, was missing at this point, but the three countries were already included in the ENP Communication released in May 2004.

³ A common economic space; a common space of freedom, security and justice; a space of co-operation in the field of external security; and a space of research, education, and cultural exchange.

⁴ Karen E. Smith, 'The outsiders: the European Neighbourhood Policy', *International Affairs*, 81 (4), 2005, pp.757-773.

⁵ See Kataryna Wolczuk, 'Implementation without Coordination: the Impact of EU Conditionality on Ukraine under the European Neighbourhood Policy', *Europe-Asia Studies*, Vol. 61 (2), 2009, pp. 198 -207. See also Iryna Solonenko, 'European Neighbourhood Policy Implementation in Ukraine. Domestic Context Matters', in: E. Lannon (ed), *The European Neighbourhood Policy's Challenges*, College of Europe, P.I.E. Peter Lang, 2012, pp. 345-379.

Russia perceived the EU differently, namely as asymmetrically imposing its agenda, unacceptable both because of disagreement on conditionality clauses and because Russia as a matter of principle wanted treatment as an equal partner.⁶ Instead of convergence, the 2000s became a period of increasing mutual disenchantment for Russia and the EU. Russia's foreign policy came to stress safeguarding of state sovereignty rather than norms and governance, which are precisely the areas where the EU has been successful as a foreign policy actor. With increasing restrictions on political freedom and since official Russia does not subscribe to (the same interpretation of) the EU's values, the EU has sometimes viewed the Russian elite as unrepresentative of the interests of Russian society. To the Russian leadership, conversely, the EU's value-based agenda became little more than a pretext for the pursuit of the national interests of stronger member states.⁷ In 2010 the dialogue on Common Spaces was therefore supplemented with the EU-Russia Partnership for Modernisation, which became the focal point for cooperation, but had a less ambitious agenda. Especially during Putin's third presidential term, little common ground remained outside certain fields of technical cooperation.

Thus, the EU's attempt to align its policies towards all eastern neighbours, including Russia, resulted in *de facto* decoupling of the EU's Ukraine policy from that towards Russia. The ENP and the four Common Spaces, although of similar design, emerged as two different policy frameworks. Meanwhile, Russia through the years offered different alternative cooperation and integration projects, in which Ukraine chose to stay on the side-lines.⁸ Without going into detail of the Russia-Ukraine relationship during this period, one can nevertheless note that Russia rarely officially objected to Ukraine and other eastern neighbours having become a part of the ENP and signed Action Plans with the EU.

The launch of the Eastern Partnership in 2009 made a difference and marks a third period of the EU-Ukraine-Russia triangle relationship. This was the first time the Russian leadership vocally objected to an EU initiative within the post-Soviet space.⁹ Although the EaP did not bring anything new to Ukraine – it simply offered to the other EU's eastern neighbours the instruments Ukraine already had as a part of EU-Ukraine bilateral agenda – the initiative signalled to Russia that the EU had a clear strategic interest in the region. Russia's stance softened over time as Russia saw that the EU's offer was rather vague and of a long-term nature. Yet, one can say

⁶ Keukeleire, S., & Delreux, T. *The Foreign Policy of the European Union*, Palgrave Macmillan, 2014, pp. 279-282.

⁷ Often quoted are military interventions against a third country, such as the broad interpretation of the UNSC resolution on Libya by some EU members in 2011.

⁸ Russia consistently attempted to deepen integration within the Commonwealth of Independent States (CIS), which was created in December 1991 as a part of the collapse of the Soviet Union and in 2000 created the Eurasian Economic Community (EEC). Ukraine never ratified the CIS Treaty to become a fully-fledged member of CIS and became an observer of the EEC instead of joining it.

⁹ For instance, Russian Foreign Minister Sergey Lavrov said that the EaP initiative meant the EU was trying to establish its sphere of influence in the Eastern Neighbourhood, while other voices from Russia said that the EU should consult Russia when it comes to initiatives affecting Russia's 'traditional interests'. See Arkadi Moshes, 'Russia's European Policy under Medvedev: How Sustainable is a New Compromise?' See *International Affairs*, Vol. 88, No. 1 2012. See also Susann Stewart, 'Russia and the Eastern Partnership. Loud Criticism. Quite Interest in Cooperation', SWP Comments 7, May 2009. Available at: http://www.swp-berlin.org/fileadmin/contents/products/comments/2009C07_stw_ks.pdf

that the launch of the EaP provided a strong impetus for a rethink of Russia's strategy in the 'near abroad', which developed into the formation of the Eurasian Economic Union (EEU).¹⁰

The fourth period was marked by Russia's active engagement aimed at preventing Ukraine from signing the Association Agreement (AA), intensified in the summer and autumn of 2013 when the prospect of a signature at the Vilnius EaP Summit became realistic. During this period the EU promoted reforms in Ukraine to enable the signature. Simultaneously Russia was campaigning to persuade Ukraine to join the Eurasian Economic Union, the way Armenia had decided to do in September, despite its long negotiations of its AA. Eventually, Russia undercut the EU by offering to Ukraine an effective combination of sticks (threat of a trade war) and carrots (the promise of a multi-billion dollar loan and gas price discounts).¹¹ Under pressure, the government suspended the intended signing in November, but the Euromaidan protests that lasted from November 2013 until February 2014 eventually changed the scenario Yanukovich opted for.

From this time at the latest, the EaP region in reality became contested ground between the EU and Russia, despite the EU until this date trying to avoid zero-sum reasoning. Against its intentions and without political preparedness, the EU has become a geopolitical actor in Eastern Europe. It acts through its considerable soft power and instruments such as targeted reform assistance, conditionality and increased economic and societal links. Russia and the Eurasian Union do not offer a corresponding approach of structural change. Instead, the annexation of Crimea and military intervention in the East are signs that Russia has lost the power of attraction even to those parts of the ruling elite through which it could earlier exercise its influence over Ukraine's domestic and foreign affairs.

Bringing Ukraine into focus: the role of domestic factors

The debate about the EU-Ukraine-Russia relationship has often been based on the assumption that Ukraine has little or no agency of its own. This assumption may be dangerous, since it overlooks the importance of domestic developments in Ukraine and not only how they reinforce or disrupt the EU's and Russia's leverages, but which repercussions they might have for the EaP region and Russia. An effective EU policy towards Ukraine should be informed by domestic factors and actors and based on stronger alignment with those actors whose agenda and values coincide with those of the EU.

Until the Revolution of Dignity, as the Euromaidan is often called in Ukraine, and the outbreak of the war with Russia, Ukraine lacked a clear sense of direction, both at the level of political elites and in society. This accounted for the lack of consistent foreign policy and the instrumentalisation of foreign policy in domestic politics. Different political parties and presidential candidates exploited regional differences and ambiguities public opinion on external

¹⁰Rilka Dragneva and Katarzyna Wolczuk, 'Russia, the Eurasian Customs Union and the EU: Cooperation, Stagnation or Rivalry?', Chatham House Briefing Paper REP BP 2012/01, 6 August 2012.

¹¹The action plan, signed on 17 December, involved Russia investing \$15 billion in Ukrainian government bonds and an initially substantial gas discount to be reviewed quarterly. The plan in essence became void after the end of the Euromaidan.

orientation¹² and therefore the pro-Russian versus pro-European/NATO narrative was always high on the agenda in election campaigns. At the same time, open discussions about national interests and real choice, which would be about values and the need for reform, were rare. The lacking sense of direction at the level of the political elite and that in society as a whole were closely intertwined. The actions (often manipulative) of the political elites were backed up by ambiguity in the society and at the same time reinforced this societal disorientation, creating a vicious circle.

Another reason, accounting for the instrumentalisation of foreign policy was the fact that in effect independent Ukraine evolved and consolidated as a 'captured state'. This phenomenon, when reforms stall and produce a system with stable rent-seeking opportunities was well described by Hellman.¹³ In the case of Ukraine a system evolved, where a handful of rich men have owned most popular and influential TV channels and financed political parties, allowing them to have their interests represented in decision-making in parliament and government, while preserving monopolistic control of entire sectors of the economy. This has enabled decision-making by a small clique of political and economic actors without proper parliamentary and societal consultations. In the absence of strong formal institutions, informal networks and decision-making have played a crucial role.

The Revolution of Dignity, the conclusion of the Association Agreement with the EU and the Russian aggression in Ukraine have dramatically changed the situation. Although many systemic problems remain and Ukraine is still struggling with endemic corruption, lack of political will and ineffective system of governance, a number of new important trends have taken root. Those trends are not yet sufficiently mature to guarantee a dismantling of the old system and produce a new social contract, European in its essence. Importantly, however, they clearly indicate that the EU-Russia dichotomy as the issue of geopolitical choice and external orientation no longer exists in Ukraine.

First, a strong civic identity, as opposed to ethnic or regional identity has evolved in Ukraine. This started already during the Euromaidan protests, as a lot of Russian-speaking citizens of Ukraine joined the protests and the protests took place all over Ukraine, including in the eastern and southern regions, the traditional Russian-speaking electoral base of Viktor Yanukovich. With the Russian aggression this trend accelerated significantly to the extent that being pro-Russian has become *mauvais ton* in Ukraine. Thus, by the end of 2014 63% of citizens felt 'very proud' of being citizens of Ukraine (as compared to 48% a year before) and this situation is

¹² For instance, most opinion polls conducted in the years before the Euromaidan showed that simultaneously over one third of citizens supported closer ties or accession of Ukraine to the European Union and to the union of Russia and Belarus (and later the Customs Union/Eurasian Economic Union (EEU)). See opinion polls of Razumkov Centre between 2002 and 2015 at http://www.razumkov.org.ua/eng/poll.php?poll_id=305 and for regional distribution between 2000 and 2007 see Razumkov Centre (2007), *Ukraine-EU: From the Action Plan to An Enhanced Agreement* (Kyiv: Ukrainian Centre for Economic and Political Studies; Europa Institut at the University of Zurich), p. 205. http://www.uceps.org.ua/img/st_img/statti/Ukraine-EU_2007_eng.pdf.

¹³ Joel S. Hellman, 'Winners Take All: The Politics of Partial Reform in Postcommunist Transitions', *World Politics*, Vol. 50, No. 2, 1998, pp. 203-234.

similar all over Ukraine, irrespective of the region (with the exception of Donbas).¹⁴ In parallel, growth of support for European integration dramatically increased in the course of 2014 and 2015. Whereas support for joining the Union of Russia and Belarus prevailed over the support for joining the EU most of the time in the past 10 years, by July 2015, 51% supported joining the EU, while only 17% favoured joining the Eurasian Economic Union (EEU).¹⁵ This pro-European orientation, coupled with the growth of civic identity and patriotic sentiments, allows us to talk about the formation of a political nation in Ukraine with a clear sense of direction towards the EU.

Second, focus of the political debate has shifted from geopolitical orientation to the domestic reform process and this discourse has become more substantial and elaborate. A parallel development is that attention in Ukraine has very much shifted away from the EU membership prospect and blaming the EU and external actors for not supporting Ukraine enough. Ukrainian society seems to have become more mature, in the sense that it has recognised that the sources of change and responsibility are inside the country.¹⁶ Where dissatisfaction with the West still persists, it has to do with the failure to recognise Russian aggression and the lack of pressure on Russia from the West.

Third, Ukrainian society has become less paternalistic and ready to take things into its own hands. According to public opinion polls, after the Euromaidan, the trust in civil society among the broader public for the first time since Ukraine's independence exceeded the distrust.¹⁷ Moreover, voluntarism has mushroomed in Ukraine. According to an opinion poll, some 77% of Ukrainians provided support to the army and to internally displaced persons between May and September 2014.¹⁸ Strong civil society in terms of assisting the authorities with reform expertise, but also exercising pressure and watchdog functions,¹⁹ as well as booming investigative journalism are additional aspects of the a new reality in Ukraine. Due to strong investigative journalism, many corruption cases have been brought to public attention.²⁰ Civil society in

¹⁴ See the poll conducted by the Democratic Initiatives Foundation and Razumkov Centre in July 2015.
<http://dif.org.ua/en/polls/2015a/zovnishnja-politiemnja-.htm>.

¹⁵ Ibid.

¹⁶ There are no public opinion polls on this issue, but political discourse and that in the media indicate this shift.

¹⁷ See the results of the public opinion poll carried out by the Kyiv International Institute of Sociology and Zerkalo Nedeli [Mirror Weekly] in December 2014, Narody Vlast [Power to People], at: <http://opros2014.zn.ua/authority>.

¹⁸ Support took many forms, including financial contributions, donations of clothing, food, medicines, etc, and participation in voluntary activities. For more details, see the poll the web-page of Democratic Initiatives Foundation at http://dif.org.ua/ua/commentaries/sociologist_view/32anizh-miski-zhiteli.htm.

¹⁹ More analysis on civil society in Ukraine after the Euromaidan can be found in Iryna Solonenko, 'Ukrainian Civil Society from the Orange Revolution to Euromaidan: Striving for a New Social Contract', Institute for Peace Research and Security Policy at the University of Hamburg/IFSH (ed.), *OSCE Yearbook 2014*, Baden-Baden 2015.

²⁰ Some of the most prominent resources include Corruptua.org, Nashigroshi.org, Slidstvo.info or Programme 'Skhemy' [Schemes] of Radio Free Europe – www.radiosvoboda.org.

Ukraine has also become a source of renewal of the political class by becoming part of the government and parliament,²¹ where they jointly promote important reform initiatives.

It was due to civil society pressure, coupled with external pressure from international donors, that important reforms were initiated. To mention a few: public broadcasting was introduced with an independent editorial board to set an example of quality and impartial coverage; institutions aimed at countering corruption were established (most notably, the Anti-Corruption Bureau, which is supposed to fight high-level corruption), while new public procurement regulations made bidding more competitive and transparent; initiatives aimed at ending monopolies in some sectors of the economy and revising state subsidies to businesses were launched; laws making the information about media ownership and end beneficiaries of companies public were passed; a law on state funding to political parties was adopted; reform of the natural gas market is well underway and thanks to introduction of market prices it has already helped to diminish corruption; a new police force was launched in several pilot cities.

These reforms coupled with above mentioned societal developments mark important steps in the direction of getting away from the system of captured state towards a more accountable, transparent and inclusive system of governance. One has to be aware of the risks though. These developments might not yet be sustainable, since the resistance of the old structures and actors to reforms is rather strong, while society is getting disillusioned with the slow pace of changes. Despite overwhelming pro-European consensus, the ambiguity is still there. For instance, in the south and the east of Ukraine, EU support is only roughly 10% higher than support for joining the EEU (39% vs. 26% and 37.5% vs. 26% respectively)²², while the amount of those who cannot make up their mind in these regions equals 35-36%, meaning that many who earlier supported joining the EEU are now undecided. This means that the room for self-serving manipulative politics is still there.

This suggests that while it is important that the EU helps Ukraine to withstand Russian pressure and aggression, domestic developments in Ukraine equally deserve attention. In the longer run, only a well-governed and stable Ukraine will have a chance to stay immune to external destabilisation efforts.

Can the EU protect its interests in the eastern neighbourhood: Ukraine as a test

To succeed as a stable, prosperous and well-governed European country Ukraine needs support from the EU. This support works in three related dimensions. First, financial and expert resources are needed for financial stabilisation and for supporting the reform process. This effort is largely directed by the AA. Second, in order to implement and sustain reforms, conditionality and pressure on political elites and cooperation with reform-minded groups in society should be

²¹ A group of such MPs in the Parliament (mostly coming from civil society, media and private sector), although they belong to different factions, created an inter-factional group called 'Euro-optimists'. See <https://www.facebook.com/EuroOptimists>.

²² The temporarily occupied territories retaken by Ukraine make an exception. Here slightly more people support joining the EEU (34%) than the EU (31.5%).

part and parcel of the assistance. Third, Ukraine needs the EU's assistance in order to withstand Russia's destabilisation efforts in the short run.

Since the end of the Euromaidan, the EU has done much to help Ukraine in these three dimensions. The EU accelerated its efforts to support the reform process in Ukraine. It granted €3.4 billion of macro-financial assistance in 2014-2015, the largest macro-financial assistance programme ever awarded to a non-EU country. Additionally, apart from ENPI funding for Ukraine worth up to €1 billion for 2014-2020, the EU activated one of its flexible support instruments for transition processes and approved a Special Measure worth €365 million in grants financed under the ENI. Overall, the EC estimates the EU's financial assistance to Ukraine for 2014-2020 at €11 billion.²³ In addition to substantial financial assistance, the EU created the Support Group for Ukraine, which provides expert assistance for reforms – an unprecedented step for a country outside the EU. The EC also helped to organise the International Conference on Support for Ukraine in April 2015, while the European Parliament launched a special mission to study the needs of Ukraine's parliament, the Verkhovna Rada, in the reform process.

The EU has also become more active in employing conditionality in order to stimulate political will when it is missing. The freezing of budgetary support to Moldova in July, conditioned on the formation of a new government and IMF compliance, is a sign to all AA signatories of the EU's readiness to make use of its instruments. In Ukraine, conditioned financial aid recently played an instrumental role in refining the composition of the commission responsible for selecting the anti-corruption prosecutor. This type of engagement is very important, as it complements the pressure of domestic reform-minded actors. The EU is an important donor and its opinion matters in Ukraine, so by using its leverage wisely and on a daily basis it may temper ill-advised decision making and reform backlash.

Finally, the EU has played an important role in supporting Ukraine to withstand external pressure. The EU has been criticised for being unprepared to resist Russian aggression, but the unity around economic sanctions after the downing of flight MH17 in July 2014 can be seen as not only as a testament to EU commitment to basic principles of international law, but as an unusual display of common foreign policy.

After Russia voiced concerns over the Ukrainian Association Agreement, the EU agreed to postpone the coming into force of the Deep and Comprehensive Free Trade Area (DCFTA) with Ukraine until 2016. However, it declined to renegotiate the text according to Russian demands and started the process of ratification of the AA. The EU unilaterally opened its market for Ukrainian products as of April 2014, *de facto* starting to implement its part of the AA. This in some measure helped Ukraine to compensate for lost trade with the Russian market.²⁴ The EU

²³ For a detailed analysis of EU assistance to Ukraine since the Euromaidan see Jan Jakub Chromiec and Nicole Koenig, Supporting Ukraine's Difficult Path Towards Reforms, Jacques Delors Institute Berlin. Policy Paper 143, October 2015. <http://www.institutdelors.eu/media/ukrainekoenigchromiecdienoct2015.pdf?pdf=ok>

²⁴ These 'autonomous trade preferences' meant that the EU started the process of lowering its tariffs earlier than Ukraine. The effects on the Ukrainian economy are difficult to estimate. After an initial increase of 25% (y/y) in exports to the EU in the first two months after implementation, exports plummeted in 2015, including to the EU, in connection with the sharp

also launched the trilateral EU-Russia-Ukraine Association Agreement dialogue to address the Russian concerns. The EU Trade Commissioner has engaged in intense discussions with her Russian counterparts to ensure that Ukraine's economy will not suffer retaliatory measures when the DCFTA comes into force in January.²⁵

In another area of common interest, the EU has engaged in lengthy trilateral negotiations on gas supply. In June 2014, Gazprom cut the supply to Ukraine due to unpaid debts, but the real issue, as in repeated gas disputes since 2005, was disagreement over contractual terms, repeatedly a victim of domestic and foreign policy. Gas flow was restored after the negotiations, but the EU also organised reverse supply of gas to Ukraine mainly through Slovakia, which, in combination with substantial support for energy efficiency projects, serves to increase Ukraine's energy independence. A notable example of the EU's recognition of the new confrontation in Europe is the creation of a task force to counter Russian disinformation. Its activities, however, have so far been limited, testifying again to the fundamental unwillingness in the EU to play by the rules of "Cold War" confrontation.

Ultimately, so far the institutions of the EU have failed to secure Ukraine. It was not the EU, but individual member states – or individuals – who were instrumental behind solutions at key junctures, such as the agreement which led to the escape of Yanukovich or the Minsk process to stabilise the situation in east Ukraine. What is important, however, is that the EU has so far showed unity around support for these actions.

Concluding remarks

The current situation in the EU's eastern neighbourhood is unusually challenging. The six EaP neighbours have very diverse aspirations and an effective policy requires a differentiated approach, something the ENP review recognises. Russia, meanwhile, has through its actions made clear that it does not subscribe to the same vision for the common neighbourhood, nor to many of the principles of earlier cooperation. The common neighbourhood, and Ukraine in particular, became the stage where this realisation played out. Ukraine emerged after the Revolution of Dignity, or Euromaidan, as a country with a stronger national identity and a pro-European orientation, yet experiences a difficult struggle between that part of society which aspires to a new social contract and actors with vested interests, benefitting from stalled reforms. At the same time, it is a victim of its larger neighbour's unwillingness to accept Ukraine's sovereign choices, whether it comes to the domestic system of governance or external cooperation partners.

economic downturn. See e.g. EU Co-Operation News, *EU trade official: Ukraine's exports to the EU rose to 13% of GDP*, 1 March 2015: <http://euukrainecoop.com/2015/03/01/eu-export/>

²⁵ Ukraine e.g. has preferential trade agreements with Russia, which could be abrogated. Despite a drop of over 40% in trade volumes y/y in 2014, Russia is still Ukraine's most important trading partner with \$22 billion. See also CEIC, *The Economic Implications of Ukraine-Russia Trade Relations*, CEIC Russia Data Talk, 8 July 2014. <http://www.ceicdata.com/en/blog/economic-implications-ukraine-russia-trade-relations#sthash.9K2iZ5VE.dpuf>

Ukraine presents a crucial challenge for the EU, as well as an opportunity to prove its ‘transformative power’ and its ability to protect its goals and interests in the neighbourhood. Large parts of the Ukrainian people took to the streets and some lost their lives for the chance to transform the country, a process in which the Association Agreement with the EU is seen as an important tool. Many more lives have been lost in a military conflict, and borders have been altered in the EU’s neighbourhood. But public opinion in Ukraine has become more pro-European than ever before and all major political parties are currently in consensus with respect to European integration. The political elites are under pressure to implement the necessary reforms, and the EU as an important development partner has leverage, but also a stake in this process.

In many ways the EU has been able to respond to these challenges, as shown in this paper. What is required now is a sustained and strong commitment to Ukraine’s transformation, where the EU provides financial, advisory and technical assistance in reform development and, no less importantly, in strengthening capacity of implementation and impartial enforcement. Ways to achieve this include exercising conditionality and supporting actors who aspire to change, today mostly active or originating in civil society, while continuing to strengthen institutions as safeguard against vested interests. The ability of Ukraine to transform into a well-governed country will result from winning smaller and bigger battles between these actors every day, every week and every month.

The EU also needs to actively relate to external destabilising behaviour, including by helping to make sure that reforms remain the top priority and do not become hostage to the conflict. Currently the Minsk agreement provisions politically block important decentralisation reform legislation from being adopted. Further, it is crucial that the EU sticks to its commitments – the credibility of an actor aspiring to promote values hinges on consistency. This applies in particular to the sanctions, which are up for renewal every six months and must remain in place as long as conditions on the ground remain, also to deter from a repeat scenario elsewhere in the region. Tying sanctions to implementation of the Minsk agreement makes it easier to reach EU consensus, but is also a risk. The fundamental problem with the Minsk agreement is that under current conditions it is hard to see a solution where all signatory parties would consider it implemented. Therefore, initiatives for a post-Minsk agenda are needed now to create conditions for the implementation of the agreement itself.

This in turn inevitably requires a renewed strategy for relations with Russia; opportunities-oriented, but liberated from wishful thinking. Recent discussions and hesitation over contacts with the Eurasian Economic Union is a sign that this process is only just starting. The EU in its policy towards Russia needs to actively seek opportunities for rebuilding trust within the current constraints, while at the same time not compromising the EU interests in the neighbourhood. Among the most important of those remains the protection of each country’s right to determine its own future.