THE EU AND THE EASTERN NEIGHBOURS:
DEMOCRACY AND STABILIZATION WITHOUT ACCESSION?

Istituto affari internazionali (IAI)
Centro studi di politica internazionale (CeSPI)
Rome, 29-30/V/2006

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Istituto Affari Internazionali

International Conference

The EU and the Eastern Neighbours: Democracy and Stabilization without Accession?

Rome, 29-30 May 2006

In cooperation with

THE POLISH INSTITUTE OF INTERNATIONAL AFFAIRS

CPCFPU
CENTER FOR PEACE, CONVERSION AND FOREIGN POLICY OF UKRAINE

Kindly hosted by

Centro Alti Studi Difesa (CASD)
Palazzo Salviati, Piazza della Rovere 83, Rome

PROGRAMME

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SEMINAR

(Working language: English)

MONDAY 29 MAY

14:00-14:15 **Welcome address**

- *Gianni Bonvicini*, Director, Istituto Affari Internazionali (IAI), Rome
- *Ferruccio Pastore*, Deputy Director, Centro Studi di Politica Internazionale (CeSPI), Rome

14:15-14:30 **Introductory note**

Giuseppe Scognamiglio, Head of Institutional and International Relations, Unicredit, Rome

14:30-16:30 FIRST SESSION

PROSPECTS FOR DEMOCRATIC CONSOLIDATION AFTER THE ORANGE REVOLUTION

Chair: *Ettore Greco,* Deputy Director, Istituto Affari Internazionali (IAI), Rome, and Visiting Fellow, The Brookings Institution, Washington

- *Domestic reform and European integration in Ukraine after the Orange Revolution*
  Kataryna Wolczuk, Director and Senior Lecturer, Centre for Russian and East European Studies, University of Birmingham
- *The Foreign Policy implications of the Orange Revolution and the 2006 elections*
  Taras Kuzio, Visiting Assistant Professor, The George Washington University, Washington
- *Lessons learnt from the political transformation of Central and Eastern Europe*
  Andrzej Szeptycki, Research Fellow, Polish Institute of International Affairs (PISM), Warsaw

Discussants:

- *Olena Prystayko*, Project Director, Centre for Peace, Conversion and Foreign Policy of Ukraine, Kiev
- *Anatol Lieven*, Senior Research Fellow, New America Foundation, Washington
- *Rosa Balfour*, Senior Research Fellow, Centro Studi di Politica Internazionale (CeSPI), Rome

Discussion

16:30-17:00 ***Coffee Break***

17:00-19:00 SECOND SESSION

GEOPOLITICS AND SECURITY IN EASTERN EUROPE

Chair: *Sławomir Dębski*, Head of the Research office, Polish Institute of International Affairs (PISM), Warsaw

➢ *Transnistria: cooperation or competition in the mediation of the conflict?*
Dov Lynch, Research Fellow, Institute for Security Studies, Paris

Discussants:

- *Claus Neukirch*, Spokesperson, OSCE Mission to Moldova, Chisinau
- *F. Stephen Larrabee*, Senior Political Scientist, Rand Corporation, Washington
- *Igor Munteanu*, Director, Institute for Development and Social Initiatives (IDIS), Chisinau
- *Maurizio Massari*, Counselor of the General Secretariat, Ministry of Foreign Affairs, Rome

Discussion

➢ *Energy and Politics in Eastern Europe*
Enno Harks, Senior Expert Energy & Resources, Global Issues Department, German Institute on International and Security Affairs (SWP), Berlin

Discussants:

- *Arkady Moshes*, Senior Researcher, The Finnish Institute of International Affairs, Helsinki
- *Oleksandr Sushko*, Director, Centre for Peace, Conversion and Foreign Policy of Ukraine, Kiev
- *Adam Eberhardt*, Research Fellow, Polish Institute of International Affairs (PISM), Warsaw
- *Michael Emerson*, Senior Research Fellow, Centre for European Policy Studies (CEPS), Brussels

Discussion

20:00 ***Dinner***

TUESDAY 30 MAY

9:00 -11:30 **THIRD SESSION**

EUROPEAN STRATEGIES FOR POLITICAL CHANGE IN EASTERN EUROPE

Chair: *Rosa Balfour,* Senior Research Fellow, Centro Studi di Politica Internazionale (CeSPI), Rome

➢ *Overview*
Hugues Mingarelli, Director, Responsible for Eastern Europe, Southern Caucasus and Central Asia, DG External Relations, European Commission, Brussels

➢ *EU democracy promotion in Eastern Europe*
Kristi Raik, Researcher, The Finnish Institute of International Affairs, Helsinki

➢ *EU initiatives for regional cooperation and border management*
Oleksandr Sushko, Director, Centre for Peace, Conversion and Foreign Policy of Ukraine, Kiev

➢ *The EU's borders and the ENP*
Michele Comelli, Research Fellow, Istituto Affari Internazionali (IAI), Rome

Discussants:

- *Vladymir E. Ulakhovich*, Director, Belarusian State University, Center for International Studies, Minsk
- *Sławomir Dębski*, Head of the research office, Polish Institute of International Affairs (PISM), Warsaw
- *Mykola Riabczuk*, Research Associate, Centre for European Studies, University "Kyiv-Mohyla Academy", Kiev and Visiting Lecturer, Columbia University, New York
- *Christopher Hill*, Director, Centre of International Studies, Cambridge University

Discussion

11:30 –11:50 **Keynote address**
Adam D. Rotfeld, Former Polish Minister of Foreign Affairs, Warsaw

11.50-12:00 ***Coffee Break***

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ROUNDTABLE
(Simultaneous translation Italian/English)

12:00-13:30 **THE EU AND THE EASTERN NEIGHBOURS: TOWARDS POLITICAL STABILIZATION AND ECONOMIC DEVELOPMENT**

Chair: *Silvano Andriani*, President, Centro Studi di Politica Internazionale (CeSPI), Rome

Stefano Silvestri, President, Istituto Affari Internazionali (IAI), Rome

- *Andriy Fialko*, Independent Expert, former administration member of the President of Ukraine, Kiev
- *Hugues Mingarelli*, Director, Responsible for Eastern Europe, Southern Caucasus and Central Asia, DG External Relations, European Commission, Brussels
- *Ferdinando Nelli Feroci*, Head of Cabinet, Ministry of Foreign Affairs, Rome
- *Lapo Pistelli*, Member of the European Parliament
- *Umberto Ranieri*, Member of the Italian Parliament, House of Deputies
- *Adam D. Rotfeld*, Former Polish Minister of Foreign Affairs, Warsaw
- *Giuseppe Scognamiglio*, Head of Institutional and International Relations, Unicredit, Rome

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***To be confirmed**

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The EU and the Eastern Neighbours:
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Domestic Reforms and European Integration in Ukraine

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Domestic Reforms and European Integration in Ukraine

By Kataryna Wolczuk[1]

Introduction

In the aftermath of the Orange Revolution Ukraine's relations the EU took on a new dynamic. Many observers envisaged that the EU would find it difficult to ignore Ukraine's membership aspirations after its unambiguous defence of European values during the tumultuous events of winter 2004 in Ukraine. They believed that the 'Hour of Europe'[2] in Ukraine would be reciprocated by an 'Hour of Ukraine' in Europe. But even though Ukraine finally appeared on the cognitive map of many European leaders, this has not led to the breakthrough in relations that had been hoped for in Ukraine. The EU has stoutly resisted opening the 'membership question' and insisted on conducting relations under the framework of the European Neighbourhood Policy (ENP), which by-passes the whole issue of membership. The main instrument of the ENP is the jointly agreed Action Plan (AP), which consists of a long list of objectives that Ukraine is required to achieve before any deepening of integration can take place.

Thus Ukraine finds itself in a difficult position. The Ukrainian authorities have to implement the challenging economic and political reforms outlined in the AP in order to have any hopes of achieving their goal – obtaining a membership perspective. However, the implementation of these reforms pose a formidable challenge for the country that has yet to overcome not only the legacies of communism but also a decade and half of deterioration state institutions and public standards since the collapse of the USSR. The Orange Revolution has brought fresh winds of change but reforms have often given in to contingencies of prolonged electoral campaigning. At the same time, reforms – conducted under the banner of European integration - are being implemented without any guarantee that they will actually lead to the offer of a membership perspective in the short, medium or long-term, something which weakens the mobilising impact of the AP. Nevertheless, aware of 'enlargement fatigue' within the EU, Ukraine is eager to make the best of a 'bad deal', and by implementing the AP prove its Europe-worthiness. Even though, progress has been mixed, the 'Roadmaps' developed to enact AP priorities represents the closest to a detailed governmental programme that Ukraine has even seen. The key question is whether the new coalitional government – operating in a new constitutional framework - can sustain the momentum in reforms when moving onto more taxing parts of the AP.

[1] The author gratefully acknowledges the support from the British Academy (Grant number SG-38537) for research on Ukraine-EU relations under the European Neighbourhood Policy.

[2] C. Stephen, 'Will Ukraine finally be 'the hour of Europe?', *the Scotsman*, 3 December 2004.

The 2006 Parliamentary Elections

The 2006 parliamentary elections in Ukraine were uniformly judged to be 'free and fair' thereby underscoring the democratic achievements of the Orange Revolution. However, the actual results spawned diverse interpretations. Initially, especially outside Ukraine, many analysts were quick to pronounce them as indicative of the failure of the post-Orange forces and the victory of the 'blue' Party of Regions. Headed by Victor Yanukovych the former Prime Minister and presidential candidate implicated in massive fraud during the 2004 presidential elections, the party gained a plurality of votes[3] (see table 1). However, the 'Regions' (even if teamed up with another anti-Orange party, the Communist Party of Ukraine) did not get a majority. The overall balance between the Orange and Blue forces remained largely intact. With 42 per cent of the vote the post-Orange forces still have a lead over their anti-Orange competitors.

Table 1. Results of the March 2006 Parliamentary Elections in Ukraine

№	Parties	% of Votes	Totall Number of Votes
1	**Party of Regions**	**32.1**	**8 148 74**
2	**Bloc of Yulia Tymoshenko**	**22.2**	**5 652 87**
3	**Our Ukraine Bloc**	**13.9**	**3 539 14**
4	**Socialist Party of Ukraine**	**5.6**	**1 444 22**
5	**Communist Party of Ukraine**	**3.6**	**929 59**
6	Bloc of Natalia Viternko 'People's Opposition'	2.9	743 70
7	People's Bloc of Lytvyn	2.4	619 90
8	Ukrainian People's Bloc of Kostenko and Plyushch	1.8	476 15
9	Party 'Viche'	1.7	441 91
10	Civic Bloc of PORA and Party and Reforms Party	1.4	373 47
11	Oppositional Bloc 'NE TAK!'	1.0	257 10

Source: Central Electoral Commission of Ukraine

Note: parties which passed the 3 percent threshold are marked in bold.

[3] However, despite being number one on the electoral party list, Yanukovych is only the official face of the party, which mainly represents the business interest of the Donbas elites.

The 2006 parliamentary election are seen as the fourth round of the disputed 2004 presidential elections during which Yushchenko was defeated not by Yanukovych but by his sister-in-arms, Yulia Tymoshenko, who she took over the mantra of 'Orange' on the wave of the protest vote.

Many are puzzled by the apparent collapse of the unity of the Orange 'team' without appreciating the context in which this disparate array of forces came together. They basically united in order to prevent the reincarnation of the Kuchma regime into Yanukovych presidency. Once this was achieved, the full scale of the differences on programmatic issues and political strategies of these forces came to the fore. These differences and the split up of the broad-church Orange coalition was a natural and thus largely unavoidable phenomenon. Yet the style in which it happened in Ukraine in September 2005 and resulting publicised tensions and animosities (itself a by-product of the newly gained freedom of the media) inflicted considerable damage on the image of the 'Orange team', something which dramatically affected Yushchenko's popular support. Thus, the results of the 2006 elections reflect the damaging re-alignment of post-Orange elites and disappointment with, the pace of change in Ukraine since the Orange Revolution. In March 2006 the Orange electorate voted for the acceleration of the campaign against the vestiges of the old regime.

The elections reconfirmed the regional profile of most Ukrainian parties, with the Tymoshenko bloc enjoying the widest geographical spread of support. Her bloc won in the largest number of regions (13 oblasts and the city of Kyiv). She came first in many oblasts of central Ukraine, thereby confirming the tectonic shift in Ukrainian politics whereby central Ukraine increasingly resembles western Ukraine in its political profile (as opposed to the pro-Yanukovych eastern Ukraine). Yushchenko's Our Ukraine carried only three oblasts of western Ukraine. Besides the shift within the post-Orange forces, the election results also indicated the consolidation of the anti-Orange electorate. The Party of Regions capitalized on, and indeed fuelled, the sense of exclusion from the 'Orange project' prevailing in eastern and southern Ukraine, something which the post-Orange forces have failed to address. Regional polarisation persisted as the Party of Regions won in nine geographically concentrated regions (oblasts) with an average of 55 percent. The parliamentary elections demonstrated the maturity of the Ukrainian electorate which once again rejected phantom political entities (utilising formidable resources to gain votes for elite groupings representing little more than narrow business interests), thereby rendering – what Wilson refers to as - 'virtual politics' of limited use in securing representation in national political institutions in Ukraine.[4]

Because of prolonged political campaigning which characterised the period between the 2004 presidential and 2006 parliament, the elections cannot be regarded as representative of elite behaviour and their commitment to European integration. However, the elections do not end the profound political uncertainty in Ukraine. There is no 'business as usual' to be returned to.

[4] See S. Rakhmanin, 'Fate of Political Parties?' *Dzerkalo Tyzhnia*, 1-7 April 2006 and A. Wilson, *Virtual Politics: Faking Democracy in the Post-Soviet World* (Yale University Press, 2005).

Coalition Politics and Constitutional Framework

Even though Ukraine may have avoided the political instability that characterised the country over last several years, profound uncertainty remains as to how political actors will operate under the new rules of the game resulting from the constitutional reform, given its often unclear and/or contradictory nature.

When it was adopted back in 1996 the constitution was more of a manifesto of statehood and a milestone in the state-building process. Yet the quality of the constitution as a legal framework as opposed to a political manifesto was much more dubious. In particular, the design of the legislative-executive relations put the branches of power on a collision course, something which led to stalemates and confrontation.[5]

Sensing the threat of a loss of presidency to the opposition, Kuchma and his entourage sought to engineer a change to the constitution and shift power to the parliament, which they believed would be a more docile instrument in their hands. They failed to turn the draft into law at the time of its inception, but exploited the opportunity presented by the Orange Revolution to get it implemented.

The constitutional reform is often described as a shift to a parliamentary system, away from the semi-presidential system as envisaged by the 1996 constitution and the system which led to the abuse of power by president Kuchma. *Sensu stricto*, however, Ukraine still remains a semi-presidential republic, similar in the overall design to that which exists in Poland under the 1997 constitution. However, the mixed system may *de facto* evolve towards a pure parliamentary system, depending on how the presidency behaves as a political actor. Yet, in the case of Ukraine the evolution towards a parliamentary system is hampered by the fact that not only the parliament is far from ready to use its new constitutional powers effectively, but also because the reform has not been sufficiently comprehensive and consistent to clarify the executive-legislative relations.

The constitutional design flaws include weak links between parties, deputies and the government. In classic parliamentary systems ministers are appointed from members of the coalition, which commands the parliamentary majority. Yet this essential element of a parliamentary system is weakened by the fact that upon taking up posts in the executive branch, politicians are obliged to give up their parliamentary seats. Despite the overall strengthening the role of the parliament in forming the Cabinet, this measure weakens the accountability of politicians by undermining their links with parliamentary coalition and parties. Also, the constitutional reform reintroduced the so-called imperative mandate which prevents deputies from leaving factions of parties on whose lists they were elected to parliament in an attempt to dissuade deputies from migration between factions and thereby improving faction and party discipline. However, by the same token the factions have been deprived of the possibility to excluding deputies on their own accord, even when deputies persistently dissent from the party and faction line. Inadvertently, the imperative mandate, as introduced by the constitutional reform, undermines the central role of political parties in functioning of the parliament. These and other design flaws and inconsistencies carry the risk

[5] K. Wolczuk, *The Moulding of Ukraine: The Constitutional Politics of State Formation* (Budapest: Central European University Press, 2002).

of perpetuating an uncertain political environment in which the 'rules of the game' are so unclear that end up being contested on a daily basis.

Five parties crossed the three percent threshold required to obtain seats in the Verkhovna Rada. But none of them achieved the majority needed to form a new government under the amended constitutional rules. Even though the Party of Regions obtained plurality, its result (186 seats out of 450) was insufficient to form a majority, even after adding the votes of Communists (21 seats). With 244 seats the post-Orange coalition would command a simple majority (226 votes) needed to adopt most decisions within the Rada.

Constitutional reform and the lack of a winner with a clear-cut majority entail the need to form a governing coalition. Coalition negotiations following the elections have been protracted and cumbersome. Yet this is a pivotal process in terms of elaborating and mastering consensus on policy principles and appointment strategy. For the Ukrainian parties this requires a move from electoral slogans to policy principles. Thus besides carrying a (vague) promise of overcoming disunity within post-Orange forces, the coalition negotiations create a significant precedent in political development of post-Soviet Ukraine. The negotiations force political forces to shift their focus from electoral promises to actual governing. This entails not only elaborating and agreeing on key policy goals but also the need to enter binding political agreements – a new phenomenon in Ukraine and *a sine qua non* of political stability and predictability in a parliamentary system. In post-Soviet Ukraine, politicians regularly underwent the test of the 'ballot box' even if those in power tried to control the outcome of that test. Yet the periods between elections lacked programmatic policies and accountable policy-making. 2006 may be a breakthrough in that respect.

Domestic Politics and European Integration

Insofar as relations with the EU are concerned, the 2006 parliamentary election has had a two-fold effect. On the one hand, they indicated the irreversibility of democratic changes induced by the Orange Revolution. This is most vividly illustrated by the fact that the presidential party (i.e. the presumed 'party of power') secured a mere third place without resorting to tilting the playing field in its own favour with help of infamous 'administrative resources'. The democratic credentials of Ukraine, which have been widely acknowledged by the international community, stimulated progress in Ukraine-EU relations. In particular, the conduct of 'free and fair' elections was one of the key political conditions of the AP, the fulfilment of which was a precondition for opening negotiations on a new enhanced agreement according to the List of Additional Measures, which accompanied the signing of the AP in February 2005. The new agreement is to replace the outdated PCA at the end of 10 year period of its functioning. On the other, however, the prolonged electoral campaign has taken attention away from, and hence slowed down, the implementation of other priorities of the AP. So far, apart from the parliamentary elections themselves, the achievements in the implementation tend to be confined to the foreign policy domain (see below) owing to the efforts of the Ukrainian Ministry of Foreign Affairs, which is strongly focussed on Europe. With regard to other domestic priorities the record has been mixed, reflecting pre-occupation of the governing elites with the electoral contest.

Nominally, European integration remains firmly on the agenda as none of the five parties elected to parliament dispute this goal. Ukraine begins to resemble East-Central European countries. In essence, throughout the post-communist period, in East Central Europe the pivotal choice was between joining the EU and staying outside. In a similar vain, no alternative framework for political integration is seriously contemplated amongst the mainstream political actors in Ukraine.

However, the actual priority assigned to European integration by the various parliamentary parties differs significantly. For example, the Party of Regions, while not ruling out membership of the Union in the long-term perspective, puts a premium on securing access to the European common market through the Free Trade Area. No doubt, even though European integration is regarded as desirable, owing to the absence of the much-vaulted positive signal from 'Brussels', it remains a somewhat abstract and distant prospect for many Ukrainian politicians. As a result, it tends to be taken over by shorter-term priorities.

The formation of the new government and its coalitional composition after the March 2006 elections entails all kinds of delays, deals and compromises, which will impede the speedy implementation of the more taxing parts of the AP. However, the creation of a parliamentary coalition responsible for the appointment of the Cabinet of Ministers at least carries the promise of forming stable links between parliament and the Cabinet in order to ensure support for necessary legislation and policy measures.

Integration with the EU has always been shaped by domestic political dynamics but in the East-Central European countries the political class was driven by an overarching goal and vision, which accounts for a continuity of policy despite (only too) frequent changes of government. The overarching goal of 'returning to Europe' was taken outside the brackets of everyday political contestation. This is crucial because the success hinges not only a long-term vision but has to be underwritten by a sustained commitment and capacity to enact wide-ranging political and economic reforms regardless of vacillation of day-to-day politics and electoral cycles.

So far in Ukraine such a deep consensus and commitment amongst all mainstream actors exists only on the issue of Ukrainian independence.[6] This simply ceased to be a subject of political contestation even though this was far from unanimously endorsed by the political class in the early 1990s. In Ukraine, European integration – although not contested by main political actors – has not yet become a priority for most of them to command such a consensus. This is because the long-term nature of this project and a lack of clear-cut prospect even in the longer tem makes *Evrointegratsia* a project too abstract to 'focus minds' of many politicians in Ukraine.

One of the most important and urgent tasks that the Ukrainian authorities face is setting up the institutional framework for coordinating issues of European integration. Under Kuchma, a number of institutions, bodies and councils were created but their respective spheres of competences remained unclear, something which fuelled competition and a lack of overall coordination and accountability. The state apparatus remains starved of skilled bureaucrats,

[6] The fact that the radical left-wing Party of Natalia Vitrenko which campaigned on the 'East Slavic' platform scored less than 3 percent during the 2006 parliamentary elections is illustrative of the lack of support for this stance amongst the Ukrainian electorate too.

knowledgeable in various aspects of European integration. Acute shortages of competent Ukrainian civil servants continue to hamper cooperation with the EU. Any policy initiative of the new elites is likely to be frustrated and their impact limited until long-standing problems troubling Ukraine's administrative apparatus, such as such as inefficiency, corruption, poor coordination and lack of resources are dealt with.

Despite the tangible political will of the new governing elites, so far the task of creating an institutional framework for dealing with European integration has fallen victim to political contingencies of re-alliance within the post-Orange elites. Following the Orange Revolution, the post of the deputy Prime Minister was created and vested with responsibilities for coordination of European integration. Oleh Rybachuk, Yushchenko's close ally, obtained that portfolio. Following his departure to become the head of the secretariat of the president, the post was abolished. Responsibility shifted to the Governmental Committee for Coordination of European Integration headed by the Minister of Foreign Affairs. In a hierarchical culture of bureaucracy, the fact that the Committee is led by just one ministry (and traditionally not the most powerful one) puts severe constraints on its ability to influence other sections of the government. Various alternative frameworks, often based on the experience of the new member states, have been considered but the decision has been left to the new government. In the meantime, without clear political leadership on European issues within the Cabinet, implementation of the AP was effectively left to middle level bureaucrats. Questionable personnel policy in diplomatic missions representing Ukraine in Brussels and capitals of member states also often jeopardises Ukraine's effectiveness and credibility within the EU.

Key documents adopted by Kuchma such as the 1998 'Strategy on Ukraine's Integration with the European Union', which formally proclaimed membership of the EU as Ukraine's long-term strategic goal and listed the key priority areas for integration, remains in force (and are posted on the MFA webpage). On the one hand, this continuity prevents an inflation of documents and underscores the commitment to implementation rather than mere declarations. On the other hand, by relying on the documents which were little more then mere declarations at the time of their adoption, the 'Orange team' have risked perpetuating the bureaucratic culture of disregard for formal documents. No doubt, European integration is only one of many areas where this characteristic has been only too apparent in Ukraine, but such continuity with the previous regime weakens the galvanising effect that European integration is supposed to have on the pace of domestic transformation in post-Orange Ukraine.

Ukrainian business has not taken clear and consistent position on Ukraine's relations with the EU. The distinction between the business and political elites tends to be somewhat blurred as all parties which secured seats in the new Verkhovna Rada have been 'infiltrated' by business elites. Although no businesspeople take an overtly anti-EU position, their level of interest and strategy tends to depend on specific business interests. Viktor Pinchuk, one of Ukraine's richest tycoons, advocates Ukraine's membership of the EU and to this end has created and funded the Yalta European Strategy (YES). As a rule, however, Ukrainian business favours a much more pragmatic approach without much consideration for the longer-term objectives. An example of this is the Industrial Union of Donbas, which regards politicians' insistence on granting Ukraine a membership perspective as counter productive

and getting in the way of more pragmatic gains that can be derived from closer but selective economic integration with the Union through a Free Trade Area.

Given the above conditions, the prevailing consensus on European integration is unlikely to be translated into a swift and effective enactment of the AP whatever government (if any) emerges from the coalition negotiations. This raises the importance of pressure, monitoring and assistance from the Union and member states for keeping up the momentum of change.

The Ukrainian Public and European Integration

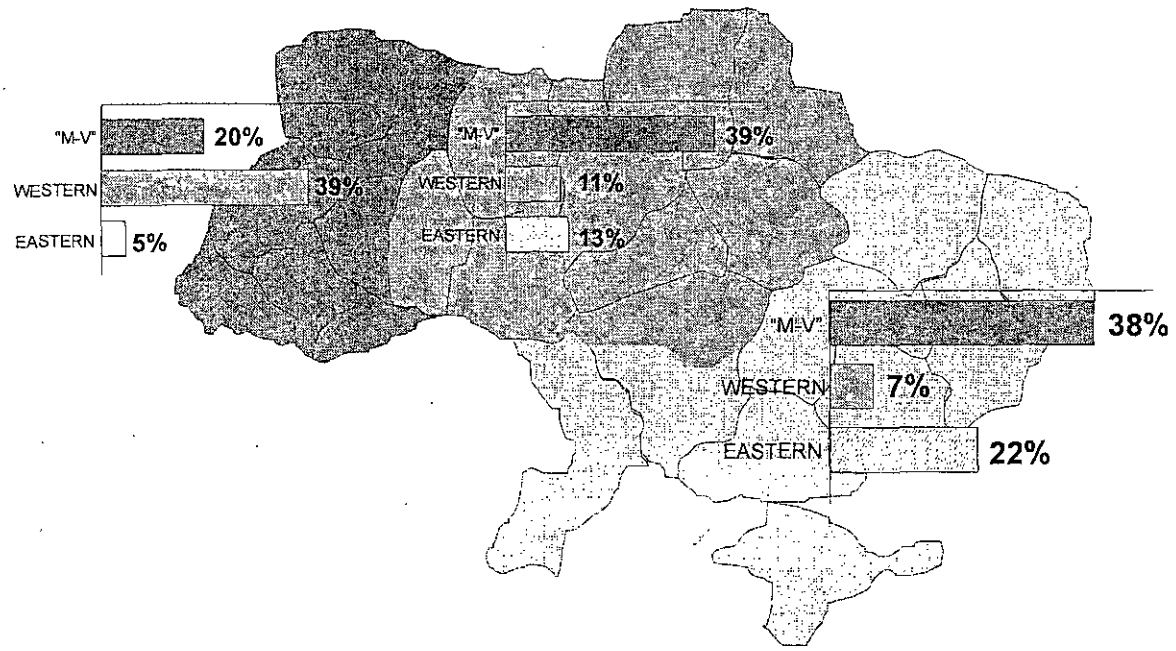
Having outlined the elite-level and institutional dynamics, the question then emerges to what extent the Ukrainian public comprises an active force in foreign policy making in general and European integration in particular.

In the late 1990s, Ukrainian ruling elites proclaimed the 'European choice' without any real public debate on the issue. However this proclamation was not at odds with public opinion, which was largely supportive of the European orientation. The EU is held in high esteem and Ukraine's membership is seen as desirable. But at the same time Europe is not the exclusive choice of Ukrainian citizens. Even though there is a high level of support for European integration (55 percent), the alternative option, the Eastern vector, tends to command an even higher level of support at (68 percent in a 2003 survey). However, nowhere in Ukraine does the exclusive 'Eastern option' command the highest support, something which indicates the Ukrainian public has not been overly oriented towards Russia and the regional grouping dominated by it. In fact, Ukrainians want to 'have it all', as evidenced by simultaneous support for closer integration with Russia (and Belarus) by approximately one third of the Ukrainian population. These multi-vectored preferences suggest that even though the public in general is keen on European integration, it sees no contradiction between seeking EU membership and closer political and economic ties with Russia/CIS. According to Michael Emerson, Ukraine finds itself in overlapping integration spaces[7]; the Ukrainian public seems to not only recognise this but actually favours participating in these different, essentially incompatible, integration projects.

The regional differences in foreign policy preferences is also very pronounced (see figure 1). Three regions could be distinguished in 2003: western, central and south-eastern. It is worth emphasizing that in none of the regions, even in the eastern part of Ukraine, did the Eastern orientation command majority support in 2003.

[7] M. Emerson, 'Introduction' in M. Emerson (eds.) *Democratisation in the European Neigbhourhood* (Brussels, Centre for European Policy Studies, 2005), p. 5.

Figure 1. Regional distribution of support for the western and eastern vectors in 2003



M-V – multi-vectored orientation

Western – Western orientation

Eastern – Eastern orientation

Data: Batory Foundation, 2003

In post-Orange Ukraine, therefore, the political elites face a challenge of operationalising foreign policy at the time when societal preferences cannot be realistically enacted. This is because the conditions and speed of integration along western and eastern vectors are almost fully determined not by Ukraine but by other parties, namely Russia and the EU, respectively.

However, the fact that apparent disparities on foreign policy orientation between the political class and society are significantly mitigated by societal disinterest in foreign policy issues in general, something which leaves the Ukrainian elites with a relatively free hand when it comes to foreign policy formation. European integration tends to be an elite-driven project across Europe[8] and Ukraine is not an exception in that respect.

[8] This phenomenon has been common across Central and Eastern Europe where most opinion-makers, including political parties, tended to be more positively inclined towards the EU than their national public notwithstanding the high level of popular support in most of these countries for joining the Union. G.Pridham, *Designing Democracy. EU Enlargement and Regime Change in Post-Communist Europe*, London, Palgrave, 2005), p.176.

Ukraine-EU Relations: Dynamics since the Orange Revolution

2005 witnessed an intensification of ties between Ukraine and the EU. The Union and Ukraine signed several significant agreements (on energy, aviation and a satellite navigation system). The Union granted market economy status to Ukraine according to EU Basic Antidumping Regulation, something that has been long sought by the Ukrainian government. Also, the EU and Ukraine opened negotiations on a visa facilitation agreement, which would make it easier and cheaper for some groups in Ukrainian society, such as diplomats, students and scholars, to enter the Schengen zone. However, this intensification has only taken place in specific sectors and has not eliminated the sense of lack of coherence and purposefulness in EU's policy towards Ukraine.

In assessing the first year of the implementation of the AP, the EU representatives praise Ukraine's achievements without papering over the failures. On the one hand, they criticise a lack of serious reform, particularly in the economic sphere and fighting corruption. They also point to Ukraine's slow progress in negotiation for WTO membership (Ukrainian authorities aimed to join the WTO in 2005) owing to the opposition from various business interests in the parliament and the modest achievements in other areas, such as reform of the judiciary and the fight against corruption. But, on the other, they stress tangible successes, especially on political and foreign policy priorities of AP. Amongst the recognised successes were clearly the 2006 parliamentary elections, which were acknowledged as 'free and fair'. Indeed, Ukraine is now held up as an example that democracy in the former Soviet Union is a reality and not some abstract goal for a distant future. The fact that Ukraine is playing a constructive role in the Transdnistrian conflict in a way which is compatible with EU's Common Foreign and Security Policy, and that it has mostly adopted the common EU line as evidence by Ukraine's alignment with CFSP statements and declarations is welcome in Brussels.

Regardless of the composition of the new parliamentary coalition, no radical revision of the foreign policy objectives is likely. However, the question is over the determination with which the already formulated objectives will be acted on. In particular, to what extent external priorities vis-à-vis the European Union will guide domestic policy making? This hinges on whether the new government will adopt a 'principled' or 'pragmatic' approach i.e. the latter amounts to giving priority to the interests of groups close to the government without much consideration for their consistency and the external image of Ukraine, very much as was the case during Kuchma's presidency. Although the fact that the foreign and defence ministries belong to the presidential portfolio carries the promise of greater consistency, the lack of the active support of the parliament in the pursuit of closer integration with EU may result in the parliamentary opposition and *ad hoc* alliances objecting to specific legislative initiatives and governmental reform measures.

The adoption of the AP prompted the Ukrainian government to adopt the so-called 'Roadmap' – a comprehensive document stating how, when and by which institutions the priorities of AP are to be implemented. Even though the AP is a document too general to guide policy making, the fact that it was 'translated' into the 'Roadmap' indicates the mobilising impact that the AP has had on domestic policy making. Through the AP the EU stepped in to provide much needed (even though still excessively vague) policy guidelines for the Ukrainian authorities.

However, post-Soviet political, economic and administrative structures, institutions and practices in Ukraine remain inefficient and make it more difficult for the EU's policy guidelines to be acted on in Ukraine. Even though Ukraine has no declared Euro-opponents, domestic barriers to reforms – a prerequisite of bringing Ukraine closer to 'Europe' - mean that challenges ahead of the new authorities are formidable.

Making European integration a pivot of domestic reforms in Ukraine is frustrated by the dislike of the ENP. Even the name of the policy invokes indignation as the very term 'European neighbourhood' locates Ukraine outside (the boundaries of) Europe. Ukrainians also feel that the EU did not know how (and perhaps was reluctant) to positively respond to the Orange Revolution. Even though, in recognition of the momentous change in Ukraine, the EU provided symbolic support by adopting a List of Additional Measures in February 2005, in Ukraine these are regarded as an inadequate response to Ukraine's defence of 'European values' during the Orange Revolution.

Yet it is the absence of the membership perspective, which fundamentally weakens the attraction of the ENP in the eyes of Ukrainians. By repeated declarations, Ukrainian authorities under Kuchma turned the prospect of membership into a real litmus test of EU's genuine commitment to Ukraine, and thereby vastly restricted the mobilising potential of any alternative arrangements. The incentive of inclusion in the internal market – the key 'carrot' of the ENP - even though generous from the EU's point of view, falls short of the expectations of the Ukrainian elites and society.

The prolonged crisis-like situation in Ukraine may facilitate the domestic adaptation to 'Europe' although the elite is unlikely to accelerate 'Europeanising policies' without a clear signal that Ukraine is welcome in Europe. The prospect of membership provides a powerful symbolic tool enabling the elites to embark on political and economic reforms. As Grabbe has pointed out, the EU's actual influence on any given policy area in East Central Europe was often exaggerated because both the EU and policy makers in the accession states had a vested interest in doing so.[9] Nevertheless, in East Central European countries, reforms have been legitimised by the imperative of European integration. Therefore, in order to facilitate the acceptance by Ukraine of the EU's agenda setting through conditionality, Ukraine's membership of the EU – however long-term – would have to be perceived as a real prospect. Only this would legitimise the use of the substantive leverage – the monitoring of compliance with the EU's policy prescriptions. Given the massive scale of necessary reforms in Ukraine, only high adaptational pressure from outside is likely to entail broadly defined Europeanisation of the country.[10]

While the Union eschews any calls for a European perspective for Ukraine, it needs to make the ENP success. This can work to Ukraine's advantage. Now in its second year, the policy has relatively little to show for it. *The Economist* went as far as describing it as a 'mess'.[11] Indeed, from the Mediterranean perspective it is unclear what value it added to the already

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[9] H. Grabbe, 'Europeanisation Goes East: Power and Uncertainty in the EU Accession Process', in Featherstone, K. and Radaelli, C. (eds.), *The Politics of Europeanisation*, (Oxford: Oxford University Press, 2003), pp. 303-330.

[10] K.Wolczuk, 'Integration without Europeanisation: Ukraine and its Policy towards the EU', *Robert Schuman Institute Working Paper*, October 2004, available at http://www.iue.it/RSCAS/Publications/

[11] 'A Weakening Magnet', *the Economist*, 1 April 2006, p. 40.

established framework of the Barcelona Process. Ukraine has been the most committed in implementing its AP, thereby enabling the EU to claim that the ENP makes a difference in the Union's neighbourhood. On the other hand, the Union has limited room for manoeuvre in singling out Ukraine within the policy that covers almost of all EU neighbours. Whatever is offered to any neighbouring country which is subject to the ENP may set a precedent and a chain reaction thereby creating excessive demands and expectations. There is therefore a tendency to tread carefully and avoid significant differentiation to prevent such a scenario, despite 'differentation' being one of the pivots of the ENP.

Even though Ukrainians have been disappointed by EU's intransigence on the membership issue, they do not always appreciate the extent to which the ENP represents a sea change in the EU's policy towards the former Soviet Union. Up until recently Russia has been at the top of the EU's policy priorities towards the Commonwealth of Independent States. Any new initiative was first developed and tested with Russia. Now relations have been decoupled, if not entirely than to a more significant extent than ever before. However, Ukraine's caution on this may be justified insofar as this de-coupling is not irreversible. Large member states of the EU continue to see Russia as the main partner and aim to create a sense of inclusion by linking policy initiatives towards Russia with the initiatives towards other post-Soviet states.

It is difficult for the Ukrainian authorities to present relations with the EU as a 'success story'. Even though they initially hoped that this would be the key international success, the authorities have now realized that they instead have to put more emphasis on developing closer ties with NATO. Ukraine already has a healthy relationship with NATO and in the short-to-medium terms it stands a good chance of becoming a member of the Atlantic Alliance. Under Kuchma, NATO treated Ukraine with caution but was quick to react to Yushchenko's election: he was, for example, the only non-allied leader invited to the NATO summit in February 2005 in Brussels. Ukraine expects to be able to join NATO as early as 2008.[12]

No doubt, the implementation of European standards necessary for accession to NATO will also benefit Ukraine as it pursues the 'European perspective'. Even though EU criteria for integration are much more stringent and comprehensive, there is a high degree of complementarity between NATO and EU conditionality, despite the lack of a formal linking mechanism between the two organizations. Perhaps more importantly, Ukraine's accession to NATO would provide an opportunity to become more familiar with the expectations connected with membership in western institutions. The prospect of NATO membership is the success story that the Orange coalition may have to contend themselves with.

Conclusions

Ukraine's elites see the pro-European orientation as part of the strategy for the modernisation of the country, alongside a more remote relationship with Russia. This 'civilisational choice' and associated reform agenda makes Ukraine stand out in the former Soviet Union with the

[12] R. Wolczuk, 'Ukraine: To the EU through NATO?'. *New Europe Review* at http://www.neweuropereview.com/

partial exception of Moldova and Georgia. With Russia and Belarus eschewing democratisation and closer integration with the EU, it is only Ukraine out of the 'Slavic trio' that has pegged its domestic reforms to integration with the EU.

Despite calls for moving from declarations to implementation, the new authorities have found it difficult to close the gap between the rhetoric and deeds. In particular, while Yushchenko proclaims the European vocation for Ukraine, he himself has lacked the political machinery and political management skills to deliver on his promises. The 'Orange elite' failed to dislodge vested interests, to deal with the bureaucratic inertia and to curb widespread corruption as domestic reforms have been hampered by infighting within the Orange coalition. The record is mixed and setbacks have been and will continue. While the parties which secured places in the 2006 parliamentary elections may not object to membership of the EU, they differ on how much this should be a priority. The new coalitional government is likely to find it difficult to formulate and enact a clear set of policies. Thus, a robust monitoring mechanism from the EU is required to ensure that the implementation of the AP is not derailed.

With the ENP the EU stepped in to provide much needed guidelines for domestic policy making in Ukraine. But the lack of incentives (i.e. a membership perspective) combined with the formidable domestic obstacles to implement reforms are not problems that will be easily overcome. Yet despite these challenges so far Ukrainians have been keen to seize the opportunity to prove themselves 'good pupils' vis-a-vis the EU. Ironically, the authorities intend to use the policy that was devised to bypass the issue of membership altogether as the vehicle which will move them closer to a membership perspective. Despite being conceived as an alternative to enlargement, the ENP is used as a stepping stone towards it by Ukraine. This explains why, despite precarious domestic developments and reservations about the ENP, the country has actually embarked on and persists with implementing the AP. The case of Ukraine indicates that the EU's ENP can only make a difference in its neighbourhood if and when target countries wish to go beyond it.

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Ukrainian Foreign and Security Policy Since the Orange Revolution

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Ukrainian Foreign and Security Policy
Since the Orange Revolution

By Taras Kuzio PhD

Ukraine's security policy will not change its strategic goals under President Viktor Yushchenko. Ukraine under Kuchma had already outlined a desire for EU and NATO membership in 1998 and 2002 respectively, but these goals had never been backed by domestic policies and both NATO and the EU had refused to consider Ukraine as a candidate for membership. What will fundamentally change under Yushchenko will be a shift towards an *ideological* commitment to Ukraine's domestic policies to meet NATO's requirement that countries complete an individually tailored Membership Action Plan (MAP) and the Copenhagen Criteria required for EU membership. Since Yushchenko's election, NATO has evolved towards accepting Ukraine's candidacy for membership while the EU has continued to remain passive; in other words, little has changed from the Kuchma era when NATO had an open door policy and the EU a closed door policy. Under Yushchenko, Ukraine will no longer use a vacuous and constantly shifting 'multi-vector' foreign policy that serves the interests of the president and a narrow group of ruling elites, as was the case during Leonid Kuchma's decade in power, rather a foreign policy based on the country's national interests.[1]

The paper is divided into three sections. The first surveys Yushchenko's foreign policy priorities in such areas as seeking membership in the WTO, NATO and the EU. The second section investigates the degree of domestic political support for Yushchenko's foreign policy priorities. The third section discusses the influence of international factors for the success of Ukraine's post-Orange Revolution foreign and security policy.

Yushchenko's Foreign Policy Priorities

Yushchenko's immediate foreign policy priorities upon being elected were four fold. First, to improve US-Ukrainian relations and return them to the 'golden era' of the 1990s under President Bill Clinton when Ukraine was the third largest recipient of US assistance. [2] US Ambassador to Ukraine John Herbst predicted that, 'We expect not only the revival of friendly ties that existed between our states seven-nine years ago, but the establishment of a qualitatively new level of relations'.[3] This step was accomplished after Yushchenko's visit to Washington in April 2005. During the visit the Bush administration backed Ukraine's entry into NATO's Intensified Dialogue on Membership, the precursor step before an invitation to a NATO Membership Action Plan (MAP). After his visit to the US, Yushchenko reinstated the goals of NATO and EU membership in Ukraine's military doctrine, goals that had been removed by Kuchma in July 2004.

Second, to graduate from the Soviet-era Jackson-Vanick amendment that restricts the ability of the US to trade with Ukraine. The Soviet era legislation tied US trade to the USSR's willingness to permit the emigration of Jews. Ukraine graduated from the amendment on the eve of the March 2006 elections.

Third, to obtain political recognition of Ukraine's market economic status, a status Russia received in 2002. The EU and US granted Ukraine market economic status in December 2005 and February 2006 respectively.

Fourth, to obtain membership in the WTO. Ukraine began adopting legislation required by the WTO in June 2005, showing for the first time its real intention to combat intellectual piracy. Ukraine should join the WTO by the end of 2006, ahead of Russia. The Party of Regions, Tymoshenko bloc and Our Ukraine, who together control 396 out of 450 deputies in the 2006 parliament, will support WTO entry.

Towards NATO Membership

The Yushchenko administration understands membership in NATO as a stepping stone to future membership in the EU. This view is therefore different to that raised by national democrats in the 1990s where NATO membership was supported as a means to counter a Russian threat that manifested itself in an unwillingness to accept Ukrainian sovereignty or its borders. NATO membership is potentially achievable after 2010 while membership in the EU could only become a possibility if the EU evolves towards accepting Ukraine as a potential candidate. The gap between NATO and EU membership for Turkey is instructive of how Ukraine's relations with both institutions could evolve.

Ukraine has a decade long active relationship with NATO through Partnership for Peace (PfP) and bilaterally with the USA and Britain in the 'Spirit of PfP'. Ukrainian military servicemen are studying in 14 countries, none of which are Russia. The largest number are in the USA (65), Germany (18), France (6) and the UK (5). Language training is being undertaken in Canada (26), Hungary (18), USA (14), Slovenia (10), Austria (6) and elsewhere.[4] Ukraine should be invited to upgrade from Action Plans, yearly plans introduced in 2003 when NATO's relations with Ukraine were too poor to permit an invitation into the MAP process, to a MAP by the November 2006 NATO summit in Riga. Annual Action Plans in place since 2003 have pursued similar goals of all-round domestic reforms to a MAP and therefore Ukraine could quickly transfer from an Action Plan to a MAP. Ukraine has fulfilled many of the conditions to be invited into a MAP: long-term cooperation within PfP, contribution to the US-led coalition in Iraq, the holding of 'free and fair' elections in 2006, and the creation of a pro-reform Orange parliamentary coalition and government.

After the 2006 elections, Vice President Dick Cheney and Dr. J. D. Crouch II, Assistant to the President and Deputy National Security Advisor, both advised President Yushchenko of the condition of a 'democratic' (Orange) parliamentary coalition in place for the Bush administration to support Ukraine joining the WTO and obtaining a NATO MAP. A senior NATO diplomat echoed these sentiments, 'Assuming that the new government came in committed to working towards NATO, you could say by Riga that they had done enough to get into the membership action plan'. The US and other NATO members wish to support Ukraine's fledging democracy, reward it for holding free elections and, without explicitly

stating this, protect it from predatory, authoritarian Russia.[5] NATO's pro-active approach is therefore fundamentally different to that of the EU's passivity.[6]

The third - and final - round of NATO enlargement will be more complicated and time consuming than that of the first and second in 1997-1999 and 2002-2004 respectively. Croatia, Albania and Macedonia are taking longer to complete their MAP's than countries admitted into NATO in the first and second waves when the average time-frame for MAPs was only four years. The 2008 NATO summit will be devoted to enlargement and four or five countries in the MAP process (Ukraine, Croatia, Macedonia, Albania and possibly Georgia) could be invited that year to join NATO in 2010. The Bush administration wishes to leave office with Ukraine's emerging democracy inside NATO: 'the United States has finally determined its position on Ukraine's prospective NATO membership. The US will support it in every possible way and call upon the other allies to help to assist Ukraine to integrate into the alliance'.[7] With authoritarianism on the rise in Belarus and Russia the contrast between these two countries and a democratic Ukraine is encouraging high level support in the US for Ukraine's early entry into NATO, but not into the EU.

The Orange revolution has improved Ukraine's image in the West and particularly in Washington at a time when Russia's international image is on the decline. This changed image could be seen during Yuschenko's visit to the USA in April 2005 when he was given the honor of speaking to both houses of Congress. Ukraine's democratic transition was re-started after the Orange Revolution, and it also has no unresolved border or ethnic disputes that could block Ukraine's NATO membership (unlike Georgia and Azerbaijan). NATO does not view Russia's stationing of the Black Sea Fleet in Sevastopol until 2017 as a factor hindering Ukraine's accession to NATO.

Ukraine's drive to NATO will succeed or fail depending on two domestic issues of concern - political support and public opinion – rather than on international factors as the international climate is precipitous for Ukraine's entry into NATO. There is strong support at the Ukrainian executive level for NATO membership beyond the empty rhetoric of the Kuchma era. The Ukrainian parliament is in favour of cooperation with NATO, as was the case under Kuchma, but is divided over seeking membership. Support within the 2006 parliament for cooperation with NATO will have support among the three largest factions, the Party of Regions, Tymoshenko bloc and Our Ukraine. The Party of Regions states it is in favor of cooperation with NATO and points to Russia also cooperating with NATO through the Russia-NATO Council. Yanukovych reaffirmed the Party of Regions intention to fulfill Ukraine's international obligations.[8] At the same time, the Party of Regions stance on NATO, and foreign policy in general, is still in a state of flux.

During the Kuchma era, centrists backed cooperation with NATO. Following their defeat in the 2004 elections, the Party of Regions and other centrists joined the left in voting against cooperation with NATO. The Communists and centrists (including the Party of Regions) voted against November 2005 and February 2006 parliamentary votes on NATO using Ukrainian long-range air transport and permitting foreign troops to exercise in Ukraine. Under Kuchma, NATO had long used Ukrainian heavy lift aircraft and NATO troops had been permitted to train during Ukraine's decade long cooperation with NATO's PfP under Kuchma. The votes against these two areas of cooperation with NATO by former pro-Kuchma centrists were defied logic NATO pays for the lease of long range aircraft and training grounds.

Beyond cooperation, support for Ukraine's NATO membership is limited to only two of parliament's factions, the Tymoshenko bloc and Our Ukraine, who together do not control a majority of seats (210 out of 450). The Party of Regions, the largest faction in parliament, is currently opposed to NATO membership, a position that they continue to insist will not change. As an ideologically amorphous and eclectic group, the pro-business wing of the Party of Regions, which controls 50-80 of its 186 deputies, could evolve towards a neutral or positive position on NATO membership. This would be strategically imperative to provide a greater than fifty percent support inside parliament for NATO membership beyond the Our Ukraine and Tymoshenko bloc factions. The *potential* for the Party of Regions to evolve in its foreign policy stance exists. Presidential adviser Vera Ulianchenko believes that agreement can be reached between the three political forces in the Orange camp on NATO and the CIS SES.[9] Yanukovych has also hinted that the Party of Regions could compromise over NATO membership if it were invited to join a parliamentary coalition and government.[10] Former Kuchma First Adviser Serhiy Levochkin was even more optimistic that the Party of Regions would change their views on NATO membership over the course of the five year parliament :

> 'I believe and know that the position of the Party of Regions, Our Ukraine and BYuT on NATO and the formation of the SES (CIS Sngle Economic Space), the idea of the movement of the country to the EU, and the role and place of Ukraine in the international system concur in many areas'.[11]

Ukraine is the first post-communist state where there is no support for NATO membership anywhere on the political left. The two left-wing factions in parliament, the pro-Orange Socialists (SPU) and anti-Orange Communists, both agree on opposing Ukraine's membership of NATO. Although it has only 54 deputies, the SPU is an important constituency of the Orange camp. The SPU, which won seven per cent in the 2006 elections, has common policy objectives with other members of the Orange coalition on democratization and battling corruption, but would be in opposition on issues of land privatization and some market economic reforms. The SPU claims it is in favor of EU membership, as do the majority of Ukraine's political parties.[12] At the same time, many of the reforms that the EU would demand as part of the Copenhagen Criteria for membership would be opposed by the SPU. The SPU also continues to back Ukraine's non-bloc status, thereby remaining opposed to NATO membership.[13]

A second problematic factor is public opinion, although we should state at the outset that public opinion plays little role in the formulation of Ukraine's security policy.[14] Yushchenko has promised to hold a referendum on NATO membership, although closer to the date of accession. Referendums on NATO membership are held during the year of entry which, in Ukraine's case could be potentially in 2010. Former National Security and Defense Council Secretary Poroshenko upheld the need for a referendum in the future as only 35 per cent of Ukrainians backed NATO membership. 'Public opinion polls indicate that if a referendum were held tomorrow, the majority of the population in Ukraine would not support it', he admitted.[15]

Table 1. Support and Opposition to NATO Membership (%)

	West	Centre	South	East
Support	31.3	20.6	6.3	7.2
Opposition	32.1	53.2	79.7	77.6

Razumkov Ukrainian Centre for Economic and Political Studies Opinion Poll (Ukrayinska Pravda, 24 February 2006).

In Yushchenko's first year in office, 39 per cent of Ukrainians believed that NATO membership ran counter to Ukraine's national interests and 21 per cent believed membership upheld the country's interests. The view that membership ran counter was highest in the east (72 per cent) and south (45 per cent).[16] The 1999 NATO campaign in Kosovo, the 2003 Iraqi invasion and anti-American campaign launched by the authorities during the 2004 elections has damaged Ukrainian support for NATO membership. Throughout the 1990s, when Russia continued to remain a threat to Ukraine's borders and sovereignty, support for NATO membership in Ukraine had been stable at a third of the population, with another third of Ukrainians opposed and a third undecided. By the end of the Kuchma era this one third of support had dropped to 21 per cent, ranging from a high of 38 per cent in western Ukraine to only 4.9-4.2 per cent in the east and south, two Russophone regions dominated by the Party of Regions.

Ukraine will have three years (2007-2010) during the MAP process to undertake an information campaign funded and directed by the state. Although there has been a NATO Information and Documentation office in Kyiv since 1997, it received little financial or other forms of assistance under Kuchma. After Yushchenko was elected little has changed; an initiative by the Washington-based Center for Strategic and International Studies to re-launch the US-Ukrainian Advisory Group active in the 1999s failed because of Ukraine's unwillingness to allocate funds, a condition of a US foundation which had agreed to finance the project. Ukraine needs to prioritise the issue of public opinion as a strategic priority in its quest for NATO membership by 2010. The state programme to inform the public on Euro-Atlantic integration has suffered from a traditional problem of weak institutional capacity. Although the State Committee for Radio and Television was allocated funding to conduct a public information campaign this has been weak with few real activities in 2006, aside from a conference and the preparation of reports. One commentary believed that, 'the neglect by the State Committee for Radio and Television of Euro-Atlantic integration verges on sabotage'. It is the, 'the most outrageous example of a central body of executive government ignoring the national interests of the state'.[17] The Ukrainian state is 'the least effective administrator' in preparing the country to join NATO.

If Ukraine is successful in reviving support for NATO membership to the same levels it had in the 1990s this would resemble a similar starting point for a NATO information campaign to that found in some other central European countries (Hungary, Czech Republic, Slovenia) who were also initially lukewarm on joining NATO. The potential to increase support for NATO membership exists within the one third of Ukrainians who were undecided in the 1990s and the 28 per cent who currently believe that membership is *partially* in Ukraine's national interests (compared to 21 per cent who see membership as upholding them).[18]

Support for NATO membership did not improve after Ukraine's troops were pulled out of Iraq ahead of the 2006 elections.

The EU's Continued Closed Door

During the Orange Revolution and after Yushchenko was elected, there was widespread optimism in Ukraine and the West that this would lead to a breakthrough in Ukraine's membership prospects in the EU[19]. One of the driving forces in the Orange Revolution had, after all, been the desire to move *away* from Russia and *towards* 'Europe'. Ukraine's newly elected leaders were self confident that, unlike under Kuchma, the speed of reforms and the reality of a new, Orange Ukraine, would give the EU little choice but to move towards a NATO-style open door policy. Then Deputy Prime Minister for European integration, Oleh Rybachuk, threatened to, 'undertake an orange revolution in Brussels' if the EU continued to ignore Ukraine. Rybachuk was eager to launch a two-year drive to fulfill the Copenhagen Criteria required for EU membership. 'I can understand Ukraine's entry into Europe as my life's aim', Rybachuk confessed.[20]

Speaking to the Parliamentary Assembly of the Council of Europe (PACE) Yushchenko claimed that Ukraine's future lies inside Europe because, 'We, along with the people of Europe, belong to one civilization'. Yushchenko told PACE, 'The realization of the strategy of our foreign policy aim is membership in the European Union.' Domestic reforms in Ukraine to assist integration will 'become a real, and not a declarative, reality,' a clear jab at the vacuous multi-vector foreign policy rhetoric of the Kuchma era. To applause and laughter Yushchenko told PACE that, after his reforms, Ukraine will have changed so much that the EU itself will ask, 'Why are you, such a fantastic place, not yet in the European Union?'

Yushchenko had initially looked optimistically at the 2005-2007 period as a three year transition to an accession treaty. During these three years Ukraine would prove its commitment to the EU's 'core values' by fulfilling the EU's European Neighborhood Policy (ENP) Action Plan, signed in February 2005. The EU has not made clear how long Ukraine should 'prove' its commitment to democratic values before the EU opens the door to membership. It is also unclear if Ukraine will be able to continue to sustain its commitment without the 'carrot' of EU membership as an inducement. The ten year EU-Ukraine Partnership and Cooperation Agreement (PCA), signed in 1994 but not going into force until 1998, will also end in 2007. It is still unclear what the EU would offer Ukraine in 2008 to replace the PCA and the three year ENP Action Plan. Ukraine would seek to include in any new agreement some commitment from the EU to an open door policy that gave Ukraine a long-term membership option.[21]

Working in Ukraine's favor are a different European perception of Ukraine following the Orange Revolution, steady progress in democratic reforms and the likelihood of joining NATO, which is usually seen as the stepping stone to EU membership. The European Parliament has also strongly lobbied the EU to open its door to Ukrainian membership and new post-communist states are strong advocates of Ukraine's membership in both NATO and the EU. There is also greater support in Europe for Ukraine to join the EU than for Turkey. 55 per cent of Europeans support Ukraine's membership of the EU, 10 per cent more than they do of Turkish membership. The highest support is to be found in Poland at 77 per cent with Britain and France also surprisingly high at 49 per cent and 58 per cent respectively.

Only Germany had a greater number opposed than in favor of Ukrainian membership. The survey organizers concluded that, 'People who are against Turkish membership but who accept Ukraine feel it belongs to the European area. They see Turkey as outside their geographic area'. [22] In the eyes of many western Europeans, Ukraine's Christian culture trumps Turkey's Islamic identity.[23] The situation is very different among west European EU members who continue to seek an end to any further EU enlargement beyond Bulgaria, Romania and possibly Croatia in 2007-2008. Enlargement fatigue is an issue that influences attitudes towards the EU within both the left and right political spectrum in Germany and France.

Although public opinion within the EU, support from new EU members and progress on democratic reform work towards improving Ukraine's EU prospects, a breakthrough in EU-Ukraine relations since Yushchenko's election has failed to materialize. Two factors account for this. First, internal crises in the EU. Second, continued complacency towards Ukraine's EU membership objectives.

First, Ukraine's Orange Revolution and democratic breakthrough came at a difficult time for the EU and some western European member states who are in the midst of difficult crises. The EU enlarged by ten new countries in 2004, eight of whom were post-communist with a further two or three post-communist states joining in 2007-2008. The enlargement process has not been welcomed in western Europe as France has found it difficult to come to terms with a widened EU. Since the 1960s, when Charles de Gaulle instituted a unilateralist foreign policy and withdrew France from NATO's military arm, Paris's vision of the EU was that of an extension of Paris. As long as France was at the center of the EU then the EU was not seen as a threat to French national identity. A Gaullist vision of the EU as a deepened European and world power competing internationally with the USA came unstuck with enlargement. France also failed to introduce the domestic shock therapy that Margaret Thatcher introduced against the 'sick man of Europe', as Britain was called until the 1970s. With a widened EU and a US hyper power willing to conduct foreign policy outside the UN, France is in the midst of a deep sense of angst about its national identity. That an enlarged EU is different to a Gaullist EU came to the fore in 2003 during the crisis in Trans-Atlantic relations prior to the US-led intervention in Iraq. Central European and Baltic states set to join the EU a year later followed Britain's and Spain's lead and backed the US in the Iraqi crisis. France had come to realize that an enlarged EU would now include 8, and later 10 or 11, pro-US and pro-Atlanticist countries.

The most notable outcome of this crisis and angst over national identity was the rejection in France and the Netherlands of the draft EU constitution. The EU has always been an elite-driven project which has rarely consulted with the public, causing what has been described as a democracy deficit (turnout to European parliamentary elections have always been low). The Euro has only been introduced in EU member states where referendums have never been held; where a referendum has been permitted the Euro has been routinely rejected.

Added to these difficulties has been Turkish membership because of its size, large population, relatively low socio-economic development, and religion. Opposition to Turkish membership is particularly strong in western Europe as the addition of Turkey, creating an EU stretching from Eire to Iran, would spell the end of a deepened Gaullist EU. At the same time, it would be understood as a victory for the British vision of the EU as primarily a free trade zone with limited delegation of national sovereignty to Brussels.

Second, the EU continues to remain complacent towards Ukraine's membership objectives. The EU seeks to not offend the reformist leadership in Ukraine by continuing to keep the door closed while pretending it has slightly opened. This has been confusingly formulated by EU External Affairs Commissioner Benita Ferrero-Waldner as 'The door is neither closed nor open'. EU Commission President Jose Manuel Barroso repeated a refrain commonly heard under Kuchma that the onus was on Ukraine:

> 'Our door remains open, the future of Ukraine is in Europe. The best way to get there is not to talk about EU membership all the time but achieve concrete results, show commitments to European values and standards'.[24]

The EU has continued to treat Ukraine as part of its Neighborhood Policy, instituted in 2003 with all of the EU's new neighbors after its enlargement. The only change to the Action Plan was the addition of an additional ten-point addendum. The inadequacy of these steps were already evident when the policy was unveiled in 2003 when it placed Ukraine on the same level as northern Africa and Israel, which are not part of Europe and therefore have no right to join the EU, and Russia, which has never declared its intention to seek EU membership. The EU has remained unmoved in not being willing to adapt to the reality of change on the ground in Ukraine. Luxembourg's Prime Minister Jean-Claude Juncker, who took up the EU's rotating presidency in January 2005, said, 'I can only warn against offering Ukraine the prospect of full membership'[25].

Impact of Domestic Factors on Foreign Policy

Five political forces entered the 2006 parliament and there is little consensus among them over the course of Ukraine's foreign policy. As Yulia Mostova wrote, 'Half the country wants to be like Belarus and the other half like Europe'.[26] With constitutional reforms introduced in early 2006 the power of parliament has increased and therefore it is important to survey the attitudes of parliament's political groups towards NATO and EU membership.

Ukrainians are not divided over membership of the EU which regularly obtains between 50-60 per cent support inside the country. Only the Communists in parliament, the smallest of the five factions with 21 deputies, oppose Ukraine's membership of the EU. Obstacles to EU membership lie outside Ukraine in the EU which does not see Ukraine as a member. The opposite is the case for Ukraine's aspirations to join NATO which is unpopular domestically but has international support in key Western countries and NATO member states.

The Left

During the 1990s when the left controlled parliament they were unable to influence the course of Ukraine's foreign policy. The left (Communists and SPU), with even fewer seats in the newly elected parliament (54), will continue to have little influence over Ukraine's foreign policy orientation and decision making process. During the 1990s the Communists had the largest parliamentary faction but were unable to block Ukraine's extensive cooperation with NATO or push Ukraine towards deeper integration in the CIS.

The SPU was included in the two Orange governments (Yulia Tymoshenko, Yuriy Yekhanurov) and has provided strong support in combating corruption and promoting democratisation. At the same time, the SPU voted throughout 2005 with the Communists *against* legislation required for WTO membership. The SPU also agrees with the Communists in opposing Ukraine's NATO membership. Indeed, Ukraine is the first potential NATO aspirant member where the entire left, both pro and anti-Orange, is *against* Ukraine joining NATO. In other post-communist states the post-communist left, such as former Polish President Aleksandr Kwasniewski, supported NATO membership.

National Democrats

Since Yushchenko's 2004 election the executive has been dominated for the first time by the centre-right which has traditionally been more pro-Western and critical of Kuchma's vacuous multi-vector foreign policy. Yushchenko will continue Kuchma's policy of attempting to balance maintaining good relations with Russia when orienting Ukraine towards Euro-Atlantic integration and, like Kuchma, Yushchenko wants to anchor Ukraine in the West 'without overtly antagonizing Russia'.[27] During the course of Kuchma's two terms in office, Russia increasingly did not regard Kuchma as anti-Russian, especially during his second term. Russia did not see Kuchma's support for NATO and EU membership as a real threat because Moscow never considered these strategic goals outlined by Ukraine to be feasible while Kuchma was in power.

In contrast, Russia has always seen Ukraine's national democrats as 'anti-Russian'. Russia lobbied for Borys Tarasiuk to be replaced as Foreign Minister under the Yushchenko government and he was removed in October 2000 (Tarasiuk returned as Foreign Minister under President Yushchenko). Russia's attitudes towards Yushchenko were clearly seen during the 2004 elections when Russia intervened to block Yushchenko's election, including a suspicion that Moscow was involved in his poisoning. Russia did not intervene in three other 'coloured' revolutions in Serbia, Georgia and Kyrgyzstan. Although Yushchenko is perceived as 'anti-Russian' by Moscow, this image is largely absent within NATO and the US. Ukraine's Euro-Atlantic integration will only be supported by the West if Ukraine's membership of NATO and the EU will be undertaken by Ukraine if it minimizes the damage this does to the West's relations with Russia.

Although national democrats have been consistent in their support for Euro-Atlantic integration they are represented in the 2006 parliament by a different political force to that under Kuchma. Many long-standing national democrats failed to enter parliament when the Yuriy Kostenko-Ivan Pliushch and Pora-Reforms and Order blocs lost the 2006 elections. National democrats are represented in the 2006 parliament by two of the five factions – Our Ukraine (81 deputies) and the Tymoshenko bloc (129 deputies). The Our Ukraine bloc continues to have a national democratic wing, as evidenced in Tarasiuk's Rukh being one of five parties in the bloc. Our Ukraine also has a large constituency of prominent businessmen, such as the Solidarity Party led by Petro Poroshenko, and the Party of Industrialists and Entrepreneurs, led by Anatoliy Kinakh. Our Ukraine's main weakness is that it failed to become a united pro-presidential party, as Yushchenko called for when it re-named itself in 2005 to the People's Union-Our Ukraine. The five parties that make up Our Ukraine are marginal and without Yushchenko as Honorary Chairman it is doubtful Our Ukraine would

be supported by large numbers of voters. The predominance of business groups over national democrats in Our Ukraine has made it more pragmatic, less anti-Russian and inclined to balance Euro-Atlantic integration with other domestic and foreign policy concerns.

The Tymoshenko bloc is a more ideologically amorphous group, both national democratic and centre-left in its socio-economic outlook. On foreign policy issues the Tymoshenko bloc is nebulous. The Tymoshenko bloc's 2006 election programme was typical of this lack of a clear position which was so common during the Kuchma era. Ukraine's foreign policy, it wrote, should work, 'In the name of one's nation, on the basis of peaceful, equitable, mutually profitable, economic relations with all states...' The country's national priorities should be clear and always defended.[28] The Tymoshenko bloc can occasionally adopt foreign policy stances that are 'nationalist', seeking a third way that is *neither* pro-US or pro-Russian. Similar to Our Ukraine, the Tymoshenko bloc is disinterested in deeper integration in the CIS and supports WTO and EU membership, although it is more cautious on NATO membership. The Tymoshenko bloc has stated its unwillingness to give its backing to NATO membership unless public support improves.

Centrists

The only centrist political force in the new parliament are the Party of Regions who have the largest faction with 186 deputies. As the most ideologically amorphous party in parliament, the Party of Regions has the most contradictory and confusing positions on foreign and security policy. To describe it as 'pro-Russian' is a misnomer as centrist parties in the Kuchma era traditionally were *neither* pro-Russian nor pro-Western, but pro-their private and regional interests. As roofs (*kryshy*) for business, regional and corrupt interests the pro-Kuchma centrists were solely interested in the Ukrainian state pursuing domestic and foreign policies that were of benefit to their business interests. Ukraine's two centrist presidents from 1991-2004 therefore pursued a constantly vacillating multi-vector foreign policy which changed depending on the fortunes, whims and personal calculations of the president and his political supporters. In the Krawchuk (1991-1994) and first Kuchma terms (1994-1999) the centrists were allied to national democrats, leading to a pro-western foreign policy. In Kuchma's second term the centrists were isolated and national democrats were in opposition, leading to a foreign policy oriented towards the CIS.[29] At the same time, during Kuchma's second term this pro-CIS orientation did not reduce cooperation with NATO or halt the dispatch of troops to support the US-led invasion of Iraq, the invasion of which Russia adamantly opposed. Ukraine declared its intention to seek NATO membership during Kuchma's second term.

The Party of Regions entered the post-Kuchma era with contradictory foreign policy baggage. Ukraine declared its official intention to seek NATO membership four months prior to Yanukovych becoming Prime Minister in November 2002 and as Prime Minister he never opposed the official position on seeking NATO membership. This was also the case with Viktor Medvedchuk, head of the Social Democratic united Party (SDPUo) and presidential administration during the last two years of Kuchma's rule. After Yushchenko's election both the Party of Regions and the SDPUo sought to use anti-NATO sentiment to obtain votes in the 2006 elections. During the 2006 elections the Ne Tak! (Not This Way!) election bloc, dominated by the SDPUo, conducted an anti-NATO campaign and collected signatures to

hold a referendum. Yanukovych only raised the holding of a referendum on NATO membership after Yushchenko came to power (and not when Yanukovych was Prime Minister). Yanukovych argued that a referendum was required because 80 per cent of Ukrainians were opposed to NATO membership; yet, such a figure had not changed since the Kuchma era and therefore it was unclear why there was an urgent need for a referendum only after Yushchenko came to power.[30] Calls for referendum's on NATO membership had never been made by the SDPUo and the Party of Regions during the Kuchma era and their raising of this demand in 2005 was a calculated move to win public support in Russophone eastern and southern Ukraine.

Although Ukraine had the third largest contingent of troops in Iraq (and the largest non-NATO contingent) and officially sought NATO membership, the Kuchma authorities launched an unprecedented anti-American campaign in the 2004 elections in an attempt at undermining Yushchenko's candidacy, reminiscent of the pre-détente Leonid Brezhnev era of the USSR. The anti-American campaign was part of an overall return to Soviet ideological tools, such as spy mania and forcing school pupils to write letters against 'American imperialism', used in desperation by the authorities in a vain attempt at blocking Yushchenko's election. The neo-Soviet, anti-American campaign in the 2004 elections was orchestrated with the assistance of Russian political technologists working for the Yanukovych team. Their support from Russian President Vladimir Putin led to a *Russianisation* of Yanukovych's foreign and security policy in six areas:

1. Soviet-style distrust of the USA;
2. Opposition to NATO membership and an unclear position on continued cooperation with NATO;
3. Integration into the WTO and EU only together with Russia;
4. Disillusionment with integration into the EU and the lack of Ukraine's acceptance in 'Europe';
5. Strong support for deeper integration into the CIS Single Economic Space;
6. Coordination of Ukrainian foreign security policy with Russia in the CIS and in international affairs;

Yanukovych believed that EU and NATO membership would ruin Ukraine's economy and military-industrial complex.[31] His views also exhibited an eastern Slavic inferiority complex vis-à-vis the West: 'I am against converting Ukrainian citizens into a cheap European workforce that obtains Ukrainian wages at European prices while paying European taxes'.[32] A Yanukovych election leaflet portrayed EU membership as leading to the 'liquidation of our economy'. NATO membership, on the other hand, would pull Ukraine into 'military adventures', a reference to NATO's bombing of Kosovo and the US-led intervention into Iraq.[33] The election of Yanukovych to succeed Kuchma as Ukraine's President would have meant the continuation of a vacuous multi-vector foreign and security policy. The greater *Russianisation* of Ukraine's security policy would have led to Ukraine reducing its reservations about greater integration into the CIS while continuing to be skeptical about the possibilities of integration into 'Europe'. Greater coordination of Ukraine's and Russia's security policies, long a Russian long-term objective, would have been tantamount to

Ukraine returning to a status of Russia's 'younger brother' in international affairs as Russia would have gained a second vote alongside Belarus in international organisations. Under Kuchma, Ukraine backed Russia's demands that the OSCE reduce down its election monitoring and human rights activities and focus instead primarily on security issues.

The Party of Regions is in favour of economic reform because it is dominated by oligarchs and businessmen, and it will therefore vote in favour of economic reform regardless of whether it is in government or in opposition. In 2005-2006 the Party of Regions voted against WTO legislation as a protest vote against Yushchenko, a stance that will now change into a pro-WTO position. More problematical are the Party of Regions attitudes towards NATO and the CIS. During the 2004 presidential and 2006 parliamentary elections, Yanukovych and the Party of Regions campaigned in favour of greater integration into the CIS SES. In 2003-2004, when Our Ukraine and the Tymoshenko bloc were in opposition, they described Ukraine's involvement in the CIS SES as 'treasonous'. President Yushchenko has changed this adamant hostility to the stance pursued by Kuchma in only agreeing to stage one of the CIS SES – a free trade zone and Ukraine's official position has continued to be opposed to stages two and three – monetary and customs unions. The Party of Regions campaigned in favour of going beyond Kuchma's stance and joining stages two and three, without describing these additional stages. These two stages would rule out integration into the EU as no country can be in two customs unions at the same time.

A second problem with the Party of Regions is its negative attitudes towards NATO membership, a stance that will be more difficult to change than its contradictory attitudes towards the CIS SES and EU. Senior Party of Regions official Mykola Azarov said, 'Yushchenko is pulling (Ukraine) into NATO which we are against. We are for the CIS SES, Yushchenko is against'.[34] Ukraine's choice of which parliamentary coalition is established will influence the manner in which NATO and the EU will look upon Ukraine. An Our Ukraine-Party of Regions coalition would send the wrong signal to the NATO and the EU that the Orange Revolution was in retreat. The EU is already passive in its attitudes towards Ukraine and an Our Ukraine-Party of Regions coalition would give sustenance to EU members who do not want Ukraine to join the membership queue. An Our Ukraine-Party of Regions coalition would also confirm to Ukraine-skeptics inside the EU that Ukraine's Orange Revolution was *not* a democratic breakthrough. Yushchenko's alliance with a political force hostile to NATO membership would also lead to a postponement of NATO offering Ukraine a MAP, meaning Ukraine would not be invited to join NATO at its 2008 enlargement summit.

Influence of International Factors on Foreign Policy

Ukraine's membership of NATO is unlikely to create great difficulties for NATO. The US is a strong advocate of Ukraine's membership of NATO and the US position is backed by NATO's post-communist European members. Both the Bush administration and the Democratic Party support Ukraine's NATO membership. Some western European NATO members may wish to placate Ukraine's desire for Euro-Atlantic integration by offering it NATO membership in order to give the EU a greater opportunity to postpone opening its

door to Ukraine. Since France withdrew from NATO's military arm in the 1960s it has less influence in NATO than it possesses in the EU.

Russia has been a consistent opponent of NATO enlargement, which Ukraine welcomed. Former Foreign Minster Yevgenniy Primakov drew a 'red line', the border of the former USSR, at which NATO enlargement should not cross. NATO's enlargement to the three Baltic states in 2002-2004 crossed Primakov's 'red line'. NATO enlargement to Ukraine would again cross Primakov's 'red line', but for the first time into what Russia considers its exclusive sphere of influence, the CIS.

Although critical of enlargement, Russia has continuously cooperated with NATO through the Permanent Joint Council (1997-2002) and the NATO-Russian Council (2002). NATO-Russian relations only briefly deteriorated between March 1999, when NATO bombed Serbia, and September 2001, when Islamic terrorists attacked the USA. Following the terrorist attacks, Vladimir Putin sought to align Russia with the US in the Global War on Terror (GWOT).[35]

Although strongly opposed to NATO enlargement into the CIS, Russia has only a limited number of instruments that it could attempt to use to thwart Ukraine's NATO membership. If Ukraine were to be on track to join NATO in 2010, the Russian Black Sea Fleet would be effectively inside NATO for seven years until the twenty lease expired in 2017. NATO does not see the Black Sea Fleet as an obstacle to Ukrainian membership and considers it a bilateral issue between Russia and Ukraine. Russia has also threatened to end military industrial cooperation with Ukraine in the event of NATO membership but the economic and social effect of such a step would be difficult to gauge until it actually occurred.

Russia's limited capability of thwarting Ukraine's NATO membership were discussed by Bukkvoll who showede how Russian policies towards Ukraine in three key areas have failed.[36] First, Russia has failed to develop a coherent policy towards Ukraine because it has not been able to psychologically accept Ukraine's independence or the separate existence of a Ukrainian people. This national identity issue came to the fore in the 2004 Ukrainian elections when Russia intervened on a great scale in support of Kuchma's successor, Yanukovych, and to thwart Yushchenko's election. Russia did not look upon its actions as 'intervention' as Ukraine, in Russian eyes, is not a 'foreign' country. Russia condemned Western 'intervention' while justifying its own actions as 'brotherly' support.[37]

Second, attempts to incite Russian-speakers to mobilize against central government policies have not been successful. Eastern Ukrainians have traditionally been passive in Ukraine, as seen during the Orange Revolution. Separatism in the Crimea has been marginalized since 1995 and is no longer a threat to Ukraine's territorial integrity.

Third, and possibly the most serious potential Russian leverage, is the use energy pressure Ukraine. Such policies were first used in the first half of the 1990s over the Black Sea Fleet and more recently in 2006 to influence the 2006 elections and 'punish' Yushchenko. The use of energy for political and geopolitical purposes is difficult for Russia to pursue for three reasons.

First, Ukraine under Yushchenko is also in favour of raising energy prices to 'market levels'. If these price increases are undertaken gradually over the next five years, Russia would lose its ability to use cheaper priced energy as a form of geopolitical pressure. Ukraine's current

price of $95 per 1,000 cubic metres of gas is slightly lower than the price paid by central Europe and the Baltic states ($110).

Second, although Ukraine is a 'gas junkie' dependent on Russia for its energy supplies, Russia is also dependent on Ukrainian pipelines to transport its energy to Europe.[38] 80 percent of Russian gas is transported through Ukraine, a figure which will only decrease to 60 percent after the northern pipeline is built from Russia to Germany. Therefore, as the January 2006 gas crisis showed, it is difficult for Russia to close supplies to Ukraine without also closing them to Europe.

Third, Russia also seeks to be seen in the West as a reliable supplier of energy and raised energy security as a key issue during the July 2006 G8 summit in St.Petersburg. The EU and US believe that the use of energy for political pressure is impermissible and during the January 2006 gas crisis supported Ukraine, not Russia. Vice President Cheney told the Community of Democratic Choice meeting in Vilnius:

'No legitimate interest is served when oil and gas become tools of intimidation or blackmail, either by supply manipulation or attempts to monopolize transportation. And no one can justify actions that undermine the territorial integrity of a neighbour, or interfere with democratic movements'.[39]

Russia has refrained from threatening Ukraine over EU membership because the issue is purely theoretical and the EU, unlike NATO, does not have a negative image in Russia. Russia has allies in western Europe with whom it has good relations that are often at the expense of Ukraine. France, in particular, has a reputation in central Europe and Ukraine of Russophilia and a willingness to talk to Russia over their heads. French and German leaders have built personal relationships with Vladimir Putin in an attempt at forging a closer alliance with Russia against the Bush administration's 'unilateralism'.

The Russia factor plays a role in western Europe blocking consideration of Ukraine as a future member. EU deepeners are blocking the EU from fashioning a new open door policy to Ukraine while EU wideners would like the EU to move towards NATO's open door position to provide external support for Yushchenko's administration. The Russia factor also plays a powerful role in perpetuating the view in western Europe that Ukraine is a non-European state. Under Kuchma this was easy to accomplish as, despite loud claims to Ukraine's links to European geography, culture and history, its domestic policies were decidedly non-European. The EU never provided membership as an option for the twelve former Soviet states who joined the CIS, unlike the three Baltic states who never wanted any truck with the CIS. 'Europe', which is often subsumed as the EU, was understood as only extending as far as the western border of the CIS which was understood as 'Eurasia'.

Attitudes towards the EU are not unanimous in the CIS; only Western-leaning Ukraine, Moldova and Georgia seek EU membership with Russia and Belarus never having expressed any interest in EU (or NATO) membership. The EU has though, been unable – or unwilling – to fashion a policy to Ukraine that takes into account this major difference between itself and the other two eastern Slavic states. Brussels and Paris have preferred to deal with Russia, Ukraine and Belarus as one CIS Eurasian group. The EU's policy has differed from that of NATO and the US which treated Ukraine as a 'central European' state, as in the 1997 Charter, and eligible for membership. The EU has in effect placed CIS outside Europe' and in inside Eurasia, thereby making it ineligible for membership, while NATO and the US have

de facto ignored the CIS's boundaries. EU Commissioner Guenter Verheugen forsaw that in two decades all of Europe would be members of the EU, except Ukraine and other CIS members.

These Russophile views in western Europe are not found in post-communist Europe's new EU and NATO members. Ukraine's membership of the EU is supported by post-communist and Scandinavian EU members. Poland supports Ukrainian integration into NATO and the EU to provide it with security on its eastern flank: 'Without the prospect of EU membership, Ukraine will drift towards closer relations with Russia'.[40] Former Solidarity leader and Polish President Lech Walesa was an early visitor to the Orange Revolution, Poland and Lithuania hosted round-table negotiations, and former Czech President Vaclav Havel sent two statements of support to Yushchenko. Ukraine's allies in the EU include all eight of the new post-communist members, led by Poland. Austria, Finland, and Sweden also support Ukraine's EU membership. Poland, which had backed Turkish membership, has broken ranks with Britain by lobbying for Ukraine to be invited to join the EU at the same time as Turkey. Poland has become a major lobbyist for Ukraine in NATO and the EU, and Ukrainian troops in Iraq between 2003-2005 served under Polish control. At a February 2006 summit to celebrate the 15th anniversary of the Visegrad Group (Poland, Czech Republic, Slovakia, Hungary) the group stated its readiness to back Ukraine's Euro-Atlantic integration.

In the post-communist era, Germany was supportive of Polish membership of NATO and the EU to secure its eastern flank. Poland sees a Ukraine inside the EU and NATO as the best way to secure stability on its eastern flank and provide a buffer between itself and Russia. This has been a long standing Polish geopolitical goal first elaborated in the inter-war period as *Miedzymorze*, the need for the region lying between Germany and Russia to cooperate in the face of these two large threats. Since World War II, the German threat is no longer an issue but post-communist Europe remains fearful of Russia, especially under Russian President Putin. Poland had been fearful of a 'Belarus-Lite' emerging on its eastern flank, which, Warsaw believed, Yanukovych's election would have secured.

New EU members are acutely aware that the success of their reforms in the 1990s was due to the EU holding a 'carrot' of future membership. Central Europe and the Baltic states signed Association Agreements with the EU that provided for potential future membership. New EU members do not believe that reforms in Yushchenko's Ukraine are sustainable in the medium term without such a 'carrot'. The EU has though, not provided any 'carrot' to Ukraine or other CIS states who were always treated differently with PCA that never held an option of membership. The CIS was also treated differently through the TACIS program that received far less financial and technical support than the PHARE program for central Europe.

The EU cannot indefinitely insist on Ukraine under Yushchenko continuing to pursue reforms to 'prove' its commitment to 'European values', as it did to Kuchma, with the pretense that Ukraine can succeed in its reforms without the offer of future membership. The offer of EU membership was a crucial external stimulant in persuading post-communist states with the prospect of membership to stay the course as reforms are inevitably unpopular and damaging to at the ballot box. As a post-soviet state, the reforms required in Ukraine will be far more unpopular than in post-communist Europe, making the need for an external stimulant even greater for Ukraine. The EU's decision to dangle membership in front of the western Balkans -- and possibly Turkey -- while denying it to Ukraine under Yushchenko is untenable in the medium to long terms. None of the four western Balkan states – Serbia-

Montenegro, Macedonia, Albania, Bosnia-Herzegonia – have a clear timeline for membership. Nevertheless, the prospect of membership has been offered to ensure there is no return to the inter-ethnic conflicts of the 1990s. There is no rationale for offering four western Balkan states membership while continuing to deny it to Ukraine as such a policy merely rewards ethnic violence in the Balkans and penalizes the lack of it in post-Soviet Ukraine.

Conclusions

Ukraine's declared strategic goals of EU and NATO membership have been in place since 1998 and 2002 respectively and Yushchenko has continued these membership goals set out by his predecessor, Kuchma. At the same time, this continuation in the strategic goals of Ukrainian foreign and security policy masks a break between the Krawchuk-Kuchma and Yushchenko era's that will influence the domestic content and degree of energy driving Ukrainian foreign and security policy. The Krawchuk and Kuchma era's adopted a vacuous multi-vector foreign policy that was confusing, contradictory and ideologically empty. Ukraine's multi-vector foreign policy was not driven by 'domestic influences' or public opinion but by foreign and security policy changing to accommodate itself to the objectives and personal interests of Kuchma and his oligarch allies. Ukraine's multi-vector security policy was vague because of the ideological amorphousness of the centrist camp. Both Presidents Krawchuk and Kuchma were disinterested in *either* Euro-Atlantic or Russian-CIS integration, regardless of their rhetoric in favor of either trajectories.[41]

The election of Yushchenko moves Ukraine to a more ideologically driven foreign and security policy that is focused on adopting the domestic reforms that would move Ukraine beyond the empty rhetoric of Euro-Atlantic integration that existed under his two predecessors. Under President Yushchenko, Ukraine has set its sights on the country's full integration into the full panoply of Western institutions: WTO, NATO and the EU. Yushchenko has gone further than his predecessors in describing NATO as an institution, membership of which would provide Ukraine with security guarantees. Speaking at the October 2005 Ukraine-NATO commission, Yushchenko was equivocal, 'Arising from the fact that NATO is an active guarantor of stability in Europe, Ukraine is preparing for full membership in this organization'.[42] NATO has reiterated its open door policy, a policy that has always distinguished it from that of the EU. NATO General Secretary Jaap de Hoop Scheffer outlined Ukraine's membership in NATO as a stepping stone to EU membership, as it traditionally has been with earlier aspirants. 'NATO is ready to assist in providing all manner of assistance and support to this state (Ukraine) in this area', Scheffer said.[43]

NATO and the EU have advised Ukraine that they want the pro-Euro-Atlantic integration rhetoric of the Kuchma era to be backed up by 'action'. 'Actions speak louder than words', Scheffer said.[44] But, only NATO has backed this call for 'action' with the 'carrot' of membership. Four areas were signaled out by NATO that Ukraine should target. Ukraine should prove itself by holding free and fair elections in 2006, uphold the rule of law, there should be more resolute action against corruption, and improve public support for NATO membership. Ukraine held free and fair elections and the rule of law, and democratization in general, are moving ahead. The think tank Freedom House upgraded Ukraine from 'semi-

free' to 'free' in 2006, the first CIS country to receive this designation. The battle against corruption is less successful, especially in the energy sector.[45] Meanwhile, the Ukrainian authorities have devoted insufficient attention to increasing public support for NATO membership.

The EU has continued to remain complacent and passive towards Ukraine's membership objective and Ukraine under Yushchenko has seen little progress in its attempt to be taken by the EU as a potential candidate for membership. The EU's closed door policy under Kuchma has only slightly opened, if at all. EU Commission President Jose Manuel Barroso told visiting Prime Minister Yuriy Yekhanurov that, 'Our door remains open' and 'The future of Ukraine is in Europe'.[46] In the same manner as NATO, Barroso reiterated the importance of 'action' by Ukraine to back up membership goals. Ukraine should, 'show its commitments to European values and standards', Barroso advised.[47] But, the EU has not made it clear how long Ukraine should prove this commitment to democratisation ('action') before obtaining a clear signal of membership prospects. If reforms continue to be implemented by an Orange parliamentary coalition and government following the 2006 free and fair elections, Ukraine will seek to include some obligation, however opaque, of future membership in any new agreement to replace the PCA and ENP Action Plan.

The holding of free and fair 2006 elections shows the gradual consolidation of Ukraine's democratic progress after the Orange Revolution. At the same time, there is little evidence of a consolidated cross-elite position on Ukraine's foreign and security policy within parliament. The two left factions oppose WTO and NATO membership. The greatest contradictions are inside parliament's largest faction, the Party of Regions, between businessmen and Slavophile, former Communist voters. The Party of Regions will now move to support WTO membership and may back away from full membership of the CIS SES, in effect, returning to Kuchma's position of only agreeing to step one, a free trade zone. Russia will though, not agree to a free trade zone with Ukraine if it refuses to integrate into the CIS SES Monetary and Customs Unions. The Party of Regions is again pursuing contradictory foreign policies as its call to fully participate in the formation of the CIS SES would not be supported by the majority of parliament. It is therefore more likely that Russia, Belarus and Kazakhstan will proceed with integration in the CIS SES without Ukraine. During the 2006 elections the Party of Regions also claimed that greater participation in the CIS SES would lead to an improved gas deal. Again, it is not clear that Russia would agree to subsidise gas prices in Ukraine when it is raising prices throughout the CIS, including in pro-Russian Belarus and Armenia.

In order for Ukraine's progress towards NATO membership to be successful the Party of Regions needs to adopt a more neutral or supportive position. Party of Regions business and economic elites could move in this direction if they are convinced that NATO membership is a stepping stone to EU membership (as it has traditionally been). Moving the Party of Regions away from a negative towards a more neutral position on NATO membership is the strategic impediment of Ukraine's foreign and security policy during Yushchenko's first term in office and the life of the 2006-2011 parliament as the Party of Regions dominates Russophone eastern and southern Ukraine where opposition to NATO membership is greatest. Our Ukraine and the Tymoshenko bloc could become the bedrock of Ukraine's pro-NATO orientation but, they alone cannot push Ukraine into NATO and their only possible partner in this goal is the Party of Regions. Through the 2006 elections the Party of Regions

has stuck to its current stance of opposition to NATO membership. Senior Party leader Ivan Rybak said, 'We do not want to be rushed into the question of Ukraine's entry into NATO',[48] indicating that the Party of Regions could gradually change its stance over the course of the 2006-2011 parliament.

Ukraine's membership of WTO is likely to take place in 2006, ahead of Russia. Ukraine could receive a MAP from NATO leading to an invitation to membership in 2008 and entry into NATO in 2010.[49] Both foreign policy objectives – WTO and NATO – will require cooperation between the two Orange and Party of Regions parliamentary factions in the face of opposition from two left factions. Successful entry into the WTO and progress towards NATO may grudgingly force the EU to change its passivity towards Ukraine, assuming democratisation continues to proceed inside Ukraine.

The election of Yushchenko has led to Ukraine being considered only for WTO and NATO, but not EU, membership. NATO membership could become a stepping stone for future EU membership, as in the case of Spain and Poland. But, it could also be indefinitely postponed, as in the case of Turkey which applied for EU membership in 1987. Some Western European EU members are in favour of the EU's 'borders' being defined after the next round of enlargement to south eastern Europe, effectively excluding Ukraine and the CIS from the EU (and Europe). Democratic consolidation in Ukraine is unlikely to take place if the country is only a member of NATO, but kept outside the EU. Democratic and economic reforms in Ukraine without the 'carrot' of EU membership are unsustainable in the medium to long terms.

Footnotes

[1] See Tor Bukkvoll,'Private Interests, Public Policy. Ukraine and the Common Economic Space Agreement', *Problems of Post-Communism,* vol.51, no.5 (September-October 2004), pp.11-22.
[2] On the Kuchma era see Taras Kuzio, 'Ukraine's Relations with the West: Disinterest, Partnership, Disillusionment', *European Security*, vol.12, no.2 (Summer 2003),pp.21-44.
[3] *Kievskiy Telegraf*, 25-31 March 2005.
[4] *Defence-Express*, 27 October 2004.
[5] Daniel Dombey and Tom Warner, 'Nato Lines Up Ukraine as New Member', *Financial Times*, 26 April 2006.
[6] See Kataryna Wolczuk, *Integration without Europeanisation: Ukraine and its Policy towards the European Union, EIU Working Papers, RSCAS no.2004/15* (Florence: Robert Schuman Centre for Advanced Studies, European University Institute, 2004) and T.Kuzio, *EU and Ukraine: a turning point in 2004?, ISS-EU Occasional Paper* (Paris: Institute for Security Studies-EU, December 2003).
[7] Tatiana Silina, 'Have Vision and Act', *Zerkalo Nedeli/Tyzhnia*, 29 October-4 November 2005.
[8] Viktor Yanukovych, 'Peremozhtsiv sudiat?', *Zerkalo Nedeli/Dzerkalo Tyzhnia*, 8-14 April 2006.
[9] *Ukrayinska Pravda*, 28 April 2006.
[10] V. Yanukovych, 'Peremozhtsiv sudiat?', *Zerkalo Nedeli/Dzerkalo Tyzhnia*, 8-14 April 2006.
[11] Interview with Serhiy Levochkin in *Ukrayinska Pravda*, 28 April 2006.
[12] See Anna Makhorkina, 'Ukrainian political parties ands foreign policy in election campaigns: Parliamentary elections of 1998 and 2002', *Communist and Post-Communist Studies*, vol.38, no.2 (June 2005), pp. 251-267.
[13] See SPU statement on NATO membership available on www.spu.org.ua, 28 February 2005.

[14] See Victor Chudowsky and T. Kuzio, 'Does Public Opinion Matter in Ukraine? The Case of Foreign Policy', *Communist and Post-Communist Studies*, vol.36, no.3 (September 2003), pp.273-290.
[15] *Interfax*, 29 June 2005.
[16] *Zerkalo Nedeli/Tyzhnia*, 14-20 May 2005.
[17] Tatiana Silina, 'Ukraine's Long Way to NATO', *Zerkalo Nedeli/Dzerkalo Tyzhnia*, 29 April-12 May 2006.
[18] Ibid.
[19] Typical headlines were by Gareth Harding, 'Time for the European Union to Back Ukraine', *United Press International*, 23 November, Anatoliy Lieven, 'Europe Has Moral and Strategic Reasons to Reach Out to Ukraine', *The Times*, 28 December 2004, Stefan Wagstyl, 'Ukraine to Press Ahead in Drive to Join EU', *Financial Times*, 10 June and Daniel Dombey and Chrystia Freeland, 'Turkish EU talks Give Hope to Kiev', *Financial Times*, 9 October 2005.
[20] *Ukrayinska Pravda*, 18 January 2005.
[21] *Ukrayinska Pravda*, 7 March 2005.
[22] *The Guardian*, 24 March 2005.
[23] See the survey at http://www.yes-ukraine.org/en/survey/november.html
[24] *Associated Press*, 6 October 2005.
[25] *The Times*, 10 December 2004.
[26] Yulia Mostova, 'Choosing or Losing?', *Zerkalo Nedeli/Dzerkalo Tyzhnia*, 25-31 March 2006.
[27] Matthew Kaminski, 'Viktor Yushchenko. An Accidental Hero', *Financial Times*, 17 December 205.
[28] www.byut.org.ua
[29] See T.Kuzio, 'Neither East nor West: Ukraine's Security Policy', *Problems of Post-Communism*, vol.52, no.5 (September-October 2005), pp.59-68.
[30] Nick Holdsworth, 'Ousted Prime Minister Yanukovych Eyes Revenge as Orange Revolution Sours', *Sunday Telegraph*, 12 March 2006.
[31] *Ukrayinska Pravda*, 12 February 2005.
[32] *Ukrayinska Pravda*, 29 October 2004.
[33] *Financial Times*, 26 October 2004.
[34] Interviewed in the *Kyiv Post*, 10 March 2006.
[35] See John O'Loughlin, Gearoid O Tuathail, and Vladimir Kolossov, 'Russian geopolitical storylines and public opinion in the wake of 9-11: a critical geopolitical analysis and national survey', *Communist and Post-Communist Studies*, vol.37, no.3 (September 2004), pp.281-318 and Thomas Ambrosio, *Challenging America's Global Preeminence. Russia's Quest for Multipolarity* (Aldershot: Ashgate, 2005), Ch. 7, 'Russian-American Relations after September 11th', pp.129-148.
[36] See Tor Bukkvoll, 'Off the Cuff Politics – Explaining Russia's Lack of a Ukraine Strategy', *Europe-Asia Studies*, vol.53, no.8 (December 2001), pp.1141-1157.
[37] See T.Kuzio, 'Moscow Continues to Undermine Democracy in Independent Ukraine', *Jamestown Foundation, Eurasian Daily Monitor*, vol.2, no.89 (6 May 2005) available at http://www.jamestown.org/publications_details.php?volume_id=407&issue_id=3323&article_id=2369714 and T.Kuzio, 'Russia and State-Sponsored Terrorism in Ukraine', Parts 1 and 2, *Jamestown Foundation, Eurasian Daily Monitor*, vo.1, no.90 and 91 (22 and 23 September 2004)available at http://www.jamestown.org/publications_details.php?volume_id=401&issue_id=3078&article_id=2368544 and http://www.jamestown.org/publications_details.php?volume_id=401&issue_id=3079&article_id=2368569
[38] See Roman Kupchinsky, 'Ukraine: An Unrepentant Gas Junkie', *RFERL News Feature*, 17 January 2006 available at http://www.rferl.org/featuresarticle/2006/1/713D3DF6-BB10-4C3B-8630-2096AAB3F5B0.html
[39] Vice President's Remarks at the 2006 Vilnius Conference, Office of the Vice President, 4 May 2006 available at www.whitehouse.gov/news/releases/2006/05/20060504-1.html. See also Hohn D.McKinnon and Gregory L.White, 'VP Cheney Turns up Rhetorical Heat on Putin', *The Wall Street Journal*, 5 May 2006.
[40] Polish MEP Janusz Onyszkiewicz cited by *United Press International*, 23 November 2004.
[41] See T.Kuzio, 'Neither East nor West: Ukraine's Security Policy', *Problems of Post-Communism*, vol.52, no.5 (September-October 2005), pp.59-68.

[42] *Ukrayinska Pravda*, 19 October 19, 2005.
[43] Ibid.
[44] *Reuters*, 7 October 2005.
[45] See T.Kuzio, 'Gas, Corruption and non-transparency', *Kyiv Post*, 10 May 2006.
[46] *Financial Times*, 9 October 2005.
[47] *Associated Press*, October 6, 2005.
[48] Interview in *Stolichni Novyny*, 26 April 2006.
[49] Defense Minister Anatoliy Grytsenko foresaw a MAP invitation in September 2006 and membership in 2009 (*Interfax-Ukraine*, 5 July 2005).

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Lessons from the Transformation of Central Europe

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Lessons from the transformation of Central Europe

By *Andrzej Szeptycki*

1. Transformation of Central Europe

Seventeen years after the beginning of changes in Central Europe[1] it may be useful to look back at this period in order to find out what benefits this transformation brought to Western European states. The answer to this question will show whether Europe should support the politico-economic transformation in its direct neighbourhood (especially in the post-Soviet area), or whether such policy would bring no tangible results. As this subject is very broad, particular attention will be paid to Poland and Ukraine although the experience of other Central European and post-Soviet states will be also taken into account.

Peace and Security. Before 1989 the potential aggression from the communist bloc (of which Central Europe was a part) was a major threat for the Western world. At least since the Harmel Report (1967) and the Helsinki Final Act (1975) the Western countries wanted to establish dialogue and promote the transformation ("third basket" of the CSCE) of their Eastern neighbours. After the collapse of the Soviet bloc the menace of the communist aggression disappeared. Nevertheless the situation in Central Europe remained a subject of great concern for the Western countries – mainly because of the Balkan wars, but also because of other problems (the situation of Russian minority in the Baltic states, tensions between Hungary and its neighbours etc.). During last seventeen years these problems were in great part solved – not without the help of the Western countries. In 1994 – 1995 the EU and the CSCE/OSCE presented the Stability Pact for the Europe, which helped considerably to lower tensions between Hungary and Slovakia, Hungary and Romania or Romania and Ukraine. The EU played an important role in improving the situation of the Russian minority in Latvia and Estonia (1999). In the first half of the nineties the war in Yugoslavia became a symbol of inefficiency of the international security system. Nevertheless in the second part of the decade the engagement of NATO and EU contributed significantly to the stabilisation of Western Balkans. Today the situation in Central Europe is no more a subject of concern of Western European countries – first, because it is no more perceived as a threat, second because after the 11th September 2001 new menaces arose.

Economic cooperation. The end of the communist regime, the liberalisation of internal market and foreign trade in Central European countries and finally the dissolution of Comecon led to the reorientation of Central European economies. Western countries gained access to new markets of about 125 million consumers (Western Balkans included) which developed generally faster that the Western Europe. In the years 1995 – 2005 Polish GDP rose twice as fast as in Germany and 60% faster than in Italy (Poland – 70%, Italy – 44%, Germany – 35%)[2]. Western European countries strengthen commercial ties with their Eastern

[1] By the term "Central Europe" we shall denote all the post-communist states in Europe with the exception of the CIS countries.

[2] Annuaire Eurostat 2004. Le guide statistique de l'Europe. Données 1992-2002, Luxembourg: Office des publications officielles des Communautés européennes 2004, p. 118.

neighbours. In 1990 the exports of 15 then and future members of the EC/EU to the CEEC-6[3] represented only 1,24% of their foreign trade. In 1997 exports to the CEEC-10[4] rose to 4,23%. This evolution was beneficial mainly to region's direct neighbours but also to other countries. In 1997 Austria exported 13,55% of its goods to Central European states, Germany (the main economic partner of the Central European countries) 7,26%, while Italy 5,05%[5]. Central Europe became also attractive for Western European investors. In 1995 the direct investments in all of the Central European countries (5,5 billion ECU) represented 11,6% of the EU countries FDI outside the European Union[6]. At that time, the Western European countries (EU and non-EU members) represented 60 – 80% of foreign investments in most of the Central European countries[7]. It is to be noted once again that the transformation of this region was potentially profitable for all Western European countries. A very good example may be France which became at the end of the nineties the first investor not only in Romania (which was its traditional partner) but also in Poland. In 2004 French direct investment in this country exceed 16 billion USD representing almost 20% of FDI in Poland[8].

Common values, common projects. The transformation of Central European countries led to the adoption (or re-adoption) of Western standards and values by these states. In the first half of the nineties most of the Central European countries entered the Council of Europe[9] which was a proof of their commitment to democratic values and human rights. Each new member had also to adhere to the European Convention on Human Rights and Fundamental Freedoms. Poland joined the Council of Europe in 1991. During its first six years of its membership it ratified more than 50 Council's conventions and agreements, among them the European Social Charter[10]. The Central European countries established also direct contacts with NATO hoping that in future they could join this organisation. The cooperation within the framework of the NACC/EAPC and the Partnership for Peace, common peace-keeping missions and finally the accession to the Alliance led to significant changes in the post-communist countries such as the introduction of the civilian control over the military forces or the transparency of national defence planning and budgeting processes. They also strengthened ties between the Central European states and their Western neighbours thanks to day-to-day contacts. Both sides were also interested in the development of other forms of cooperation in order to promote European unity and solve common problems in the fields of the environment, the fight against crime, cross-border contacts and so on. This aim was to be realised with the help of such new structures as the Central European Initiative (1989), the Weimar Triangle (1991), the Baltic Sea States Council or the Black Sea Economic Cooperation (1992).

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[3] Poland, Czechoslovakia (later Czech Republic and Slovakia), Hungary, Romania, Bulgaria.
[4] CEEC-6 plus Slovenia and the Baltic states.
[5] F. Breuss, *Costs and Benefits of the EU enlargement in Model Simulations*, "IEF Working Paper" (Research Institute for Economic Affairs University of Economics and Buisness Administration, Vienna), June 1999, No 33, p. 13, www.economics.uni-linz.ac.at.
[6] Ibidem, p. 14.
[7] F. Lemoine, Integrating Central and Eastern Europe in the European Trade and Production Network, "Working Paper" (The Berkeley Roundtable on International Economy), July 1998, No 107, p. 40, www.berkeley.edu.
[8] Rocznik 2004, Warszawa: Polska Agencja Inwestycji Zagranicznych 2005, p. 9.
[9] Croatia joined the CoE in 1996, Bosnia and Herzegovina in 2002 and Serbia and Montenegro in 2003 (The Council of Europe's Member States, www.coe.int).
[10] I. Wyciechowska, Polska w Radzie Europy, (w:) S. Parzymies, I. Popiuk-Rysińska (ed.), Polska w organizacjach międzynarodowych, Warszawa: Scholar 1998, p. 84 – 85.

Social contacts. The end of the Cold War and the democratic transformation of Central Europe allowed the renewal of social ties between the two sides of the continent. The abolition of visa regime for Western European countries' citizens at the beginning of the nineties, the development of modern tourist-oriented infrastructure as well as comparatively low prices attract more and more tourists from the West to Central Europe. Other people go there for business reasons. On the other hand Central European citizens seek jobs in Western Europe. Their presence in the old EU countries is often disapproved by their inhabitants. In 2005 "the Polish plumber" even became the negative hero of the referendum campaign in France which led to the rejection of the Constitutional Treaty. Nevertheless it should be stressed that the Central European countries do not only send to Western Europe low-qualified workers, but also high class specialists, university teachers, doctors and so on who were educated in their countries, but who prefer to work abroad for financial or career reasons. Moreover the immigrants from the Central European countries do not have such problems with the integration into the Western European societies as the people from other parts of the world which seems important in the light of last years events in France or in the Netherlands.

Europe's position in the world. The transformation of the Central Europe and the reunification of the continent strengthens its position in the world affairs. Although the Central European countries are not as rich as their Western neighbors and not as populated, their populations (125 million) count for $1/4 - 1/6$ of the European population depending if we take into account the CIS members or not. Because of their geographical position, the Central European countries have a direct influence on the situation in the Baltic Sea, the Black Sea and the Adriatic. In the last years the first one became a sort of the European *mare nostrum*, while still twenty years ago it encompassed the communist states, the NATO members and the neutral countries. Italy on its side has an interest in the stabilization of the Western Balkan countries so that the Adriatic may follow the same path. Most of the Central European states are either neighbors of Turkey or of the CIS members. For this reason they may play a particular role in the relations between these countries and the Western Europe. If in case of Turkey, the role of Bulgaria is secondary (may be because it now focuses on the EU accession process), Poland and the Baltic states try the lead an active policy towards the post-Soviet space. Last but not least one shall not forget about the cultural dimension of the reunification of Europe thanks to which it could rediscover its cultural richness and diversity which may become an important asset in the era of globalisation.

This analysis shows that the transformation of Central Europe was highly beneficial for the Western European states. It was due to mainly to internal factors, nevertheless the engagement of the Euro-Atlantic institutions also played an important role, especially in the countries which had to deal with important internal and external problems after 1989 (such as the Balkan states). For this reason the Western European countries should actively support the transformation in the neighbourhood areas, especially in the Eastern part of Europe, i.e. in the post-Soviet countries. If in case of Belarus, the politico-economical transformation will probably not start before some years, there is no doubt that such process has already commenced in Ukraine. The transformation of this country started already in the nineties, nevertheless it was the Orange Revolution in 2004 and its consequences which reaffirmed Ukraine's will to follow its Central European neighbours' path.

2. Transformation of Ukraine

Peace and Security. During the last fifteen years Ukraine resolved the most important internal and external problems which presented a potential threat for it or for its neighbours. In 1994 Ukraine (like Belarus and Kazakhstan) agreed, not without the pressure of the Western countries, to give away its post-Soviet nuclear weapons it had inherited after the collapse of the USSR. In 1997 it signed the interstate treaty with the Russian Federation. This document was of high importance for Ukraine as it recognized this country as an independent state and permitted to resolve some important Russian – Ukrainian problems, such as the division of the Black Sea Fleet. A year later Kyiv came to an agreement with the Crimea which dreamed of greater autonomy and/or secession from Ukraine. After the Orange Revolution in 2004, the Yushchenko team adopted an active policy in order to solve the problem of Transnistria. In this case the cooperation with Moldowa, Russia and the EU is particularly important. Ukraine aims also to finish the process of demarcation of borders with Russia and Belarus. The lack of progress on this issue is due mainly to the positions of Alexandr Lukachenka and Vladimir Putin. In 2004 the threat of secessionist or rather autonomist movement in the Russian-speaking East of the country reappeared. This issue remains a subject of concern for the Ukrainian authorities, nevertheless there is no danger of open crisis.

Economic cooperation. Ukraine represents a market of 47 million and together with Moldova and Belarus – almost 62 million consumers. It is certainly much poorer than the majority of Central European states (not to mention the Western Europe). Nevertheless it may interesting for Western exporters and investors. According to official statistics the Ukrainian GDP rose by 12,1% in 2004. In 2005 the economic growth fell by 2,4%, but this year it is expected to reach 6,25%[11]. Trade with all the European partners represents about 33% of Ukrainian foreign commerce (EU25 – 30%, EU15 – 20%)[12]. For the EU members the commerce with Ukraine represents about 1% of their foreign trade. Nevertheless it is growing steadily since the economic crisis in 1998.[13] Ukraine aims at joining the World Trade Organization which should promote the development of trade between Ukraine and its European partners. A year after the Orange Revolution the EU and the United States granted Ukraine market-economy status which is an important step on its way to the WTO. The FDI of the EU-25 in Ukraine represent about $^2/_3$ of foreign investments in this country, but they are quite low. Their cumulated value at the end of 2005 reached 11,7 billion USD[14].

Common values, common projects. Ukraine established direct contacts with NATO in 1991. In 1994 it joined the Partnership for Peace. In 1997, recognising the role of Ukraine in the Euro-Atlantic area, NATO signed with it the Charter on a Distinctive Partnership. Both sides agreed to promote in common further stability and common democratic values in Central and Eastern Europe and to consult in areas such as conflict prevention, peace support and humanitarian operations etc. Despite low support of the Ukrainian population for the accession to NATO , Ukraine actively cooperates in the military field with the Alliance and aims at transforming its military forces so they could meet NATO standards. In 1995 Ukraine

[11] Ukraina. Dane makroekonomiczne, www.securities.com.
[12] Географічна структура зовнішньої торгівлі товарами за 2005 рік, www.ukrstat.gov.ua.
[13] Ukraine-EU: Bilateral Trade Relations, www.delukr.ec.europa.eu.
[14] Прямі іноземні інвестиції в Україну за країнами ЄС, www.ukrstat.gov.ua.

joined the Council of Europe. During the first years of membership Ukraine's relations with the Council were uneasy – mainly because of difficulties in ratifying and implementing the Sixth protocol to the European Convention on Human Rights which prohibits the death penalty. In 2001 the Council recognized that Ukraine fulfilled its member obligations[15], nevertheless it was certainly the Orange Revolution in 2004 which confirmed Ukraine's commitment to democratic values and standards. Among other fields of common interest between Ukraine and its European partners, the energy sector plays a crucial role. Since 1991 the international community asked Ukraine to close the nuclear plant in Chernobyl, which 4th reactor was destroyed in the catastrophe in 1986. In 2000 the Ukrainian government finally decided to close the last still working reactor in Chernobyl. Nowadays Ukraine plays an important role in the European cooperation in the field of energy mainly because of its strategic position in Eastern Europe. 90% of the Russian gas export to the European countries (with the exception of the Poland, Finland and the post-Soviet states) passes through Ukrainian territory[16].

Social contacts. Ukraine is becoming a popular tourist destination. In 2005 it was visited by 17,6 million tourists which came mainly from the United States, Canada and the new EU members[17]. If it is less popular in the Western Europe this is mainly due to the long-time existence of visa regime (Ukraine only last year unilaterally abolished the visa regime for the citizens of the EU), to the lack of promotion and to the stereotypes concerning the post-Soviet area. As for the Ukrainian workers in the Western European countries this group has significantly grown in last years (Italy – 200-250 thousand, Portugal – 150 thousand, Spain – 100 thousand, Great Britain – 50 thousand)[18]. It may be interesting to analyse more deeply the Polish experience, because although Poland is not a part of the Western Europe it is the direct neighbour of Ukraine and one of its important partners. In 2005 about 1,7 million Polish citizens visited Ukraine for business or tourist reasons. Many of them visited this country within the cross-border traffic while the other followed the traditional itinerary Galicia – Podolia – Black Sea coast. In Poland there are currently 50-300 thousand foreign workers mainly from Ukraine. They work as construction workers, house cleaners, nursemaids, but also language teachers. Although only few of them are employed legally, they are generally well perceived by the Polish society. There is no problem of "Ukrainian plumber" (or rather "Ukrainian construction worker") which would presumably take the work of a Polish citizen. Poland (not only the political class, but also the society) actively supports the aspirations of its Ukrainian neighbour which was particularly visible during the Orange Revolution.

Europe's position in the world. The cooperation with Ukraine considerably strengthens Europe's international position for demographical as well as for geopolitical reasons. Ukraine is the second largest country in Europe (with the exception of Russia and Turkey). It occupies a key geographical position between the Central Europe, the Eastern Balkans and the post-Soviet area. It has a large access to the Sea of Azov and to the Black Sea, which is becoming a region of direct interest for the European countries with the enlargement of NATO and the EU. It is also an important neighbor of Russia and Turkey. Since the independence Ukraine had its own vision of the future of former USSR rejecting the will of domination of Russia.

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[15] Н. В. Голуб, П. А. Клімкін, Україна та міжнародні організації, Київ: Кондор 2003, p. 63 – 88.

[16] J.-C. Füeg, Ukraine - An Important Energy Supply Corridor to Europe, International Energy Agency, March 2001, www.iea.org.

[17] Tourism in Ukraine Reports an Increase, 5 May 2006, www.eastbusiness.org.

[18] W. Konończuk, Pomiędzy Unią Europejską a Rosją. Problematyka migracji z Białorusi, Ukrainy i Mołdawii, Warszawa: Fundacja im. Stefana Batorego, Grudzień 2005, p. 4.

After the Orange Revolution it became one of the main proponents of democratization of the post-Soviet space calling for the creation of the Community of Democracy between the Baltic, the Black and the Caspian Seas. Ukraine cooperates closely with Georgia, Lithuania and Poland – especially on the Belarusian question. In this future this cooperation should also encompass some of the Western European states. Despite remaining outside the EU and NATO Ukraine takes part in peace-keeping operations of both organizations (Bosnia and Herzegovina, Macedonia) which reinforces its commitment to the security in Europe and its position in the world.

The transformation of Ukraine brings tangible benefits to the European community. For this reason the European countries should support this process. The means of such action has still to be precised. In case of the Central European states the EC/EU decided successively to sign the association agreements (1991 – 1996), open accession talks (1998 – 2000) and finally invite ten candidates from the Central Europe to join the EU (2004 – 2007). Such scenario was possible thanks to the completion of internal reforms in the Central European states and the relatively favorable situation inside the European Union. These two factors have to be taken into account when analyzing the relations between the EU and Ukraine. There is no doubt that these relations should be strengthened. Nevertheless their development will depend of the advancement of the politico-economical reforms of Ukraine as well as of the internal situation inside the EU.

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Transnistria: Cooperation or Competition in Mediation?

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Transnistria: Cooperation or Competition in Mediation?

By Dr Dov Lynch

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Introduction

The conflict between the separatist self-declared 'state' of Transnistria and the legally recognised state of Moldova remains unresolved. What is the state of affairs in the mediation process? Is the mediation process driven more by cooperation or competition? It is worth being blunt from the outset. The conflict stands unresolved, and there is little opportunity for resolution, because of enduring deep-rooted differences between the two parties to the conflict and differences between the mediators within the negotiating framework. In sum, there is very little cooperation to identify and much competition.

This being stated, the question becomes: Why has so little progress occurred towards finally settling this conflict? Part of the answer lies with our understanding of these conflicts. How have we interpreted the Transnistrian conflict for much of the past fifteen years? Two pieces of conventional wisdom have led thinking and policy towards these conflicts. These must be examined critically.

A first piece of conventional wisdom concerns the oft-repeated view that this is a 'frozen conflict.' It may appear frozen, in that little progress has been achieved in negotiations and the conflicts remain fixed on a cease-fire line established in the first half of the 1990s. In reality, however, the metaphor is misleading—the conflict is far from frozen. On the contrary, events have developed dynamically, and the situation on the ground today is very different from the context that gave rise to the conflict in the late 1980s. A new reality has emerged since the imposition of the cease-fire regime in 1992. The amalgam of territory, population and government in the separatist areas of Transnistria has produced something that is greater than the sum of these parts – a strange but certain belief in sovereignty. The separatist authorities maintain that they exist empirically. And, however weak, they have the recognisable features of statehood.

A second piece of conventional wisdom is 'peace has been held since the cease-fires.' This line of thinking argues that the mechanisms created in the early 1990s to deter conflict have kept the peace in Transnistria These mechanisms include the Joint Control Commissions and the Russian-led peacekeeping operation. In fact, the record is poor. In their structure, these mechanisms have allowed a predominant voice for the separatist authorities. Consent of all parties is vital for the success of any peacekeeping operation, but, in these cases, one party has been able to block further progress. As a result, the separatist authorities have also been able to consolidate and strengthen their armed forces, resulting in the dangerous militarisation of the conflict zone. So, peace has not always been held, and it is a precarious 'peace' at that.

Settlement of this conflict is difficult, therefore, because it is intra-state but has an inter-state dimension, opposing a legally recognised state to an unrecognised self-declared 'state.' In these circumstances, the existing peacekeeping and negotiation formats have tended to sustain the status quo rather than challenge it.

In examining the mediation process in this conflict, this paper will address three specific questions. First, why does the non-resolution of this conflict matter from an EU perspective? What are the stakes for the EU? Second, in more detail, which forces have sustained the status quo of non-settlement in this conflict and how are these forces changing? Put simply, what challenges the status quo? Finally, how to move forward?

What Stakes for the EU?

Although the non-settlement of the conflict in Transnistria does not pose a strategic threat to the EU, it does have a relevance that is strategic for EU interests. The distinction may seem overly subtle but it is real in this case. This relevance lies at six levels.

1) At an immediate level, the non-resolution of such a conflict in a state soon to be on EU borders raise challenges at the level of soft security to EU interests. Transnistria is positioned to act both as a source and a transit point for the smuggling of illegal goods, including persons, towards Europe.
2) In addition, Transnistria has become a heavily militarised self-proclaimed 'state' that has contributed to the militarisation of the region around it. Certainly, it is the case that the separatist region has acted as source and transit point for arms smuggling.
3) Transnistria has undermined the political and economic transition undertaken by Moldova. At a fundamental level, the continuing existence of the breakaway region raises questions about the viability of Moldova as a sovereign state. With further enlargement to Romania in 2007/2008, enduring doubts about the essential make-up and future of Moldova matter for the EU.
4) This conflict is relevant to EU ambitions as a nascent strategic actor. With the changes occurring in Europe's security landscape in the last few years - the OSCE having faced a serious crisis and NATO assuming increasingly global responsibilities - the conflict in Transnistria can be seen as a test case of the EU's ambition to extend security to its immediate neighbourhood. This objective was declared central by the EU member states in the *European Security Strategy* adopted in December 2003.
5) The enduring non-settlement of the conflict impacts on EU-Russian relations. The Moscow Summit in May 2005 reached agreement on the *Road map for the Common Space on External Security* to be built between the EU and Russia On one level, the roadmap revealed progress in allowing for cooperation in the shared neighbourhood between the two – or, as the document stated, 'the regions adjacent to the EU and Russian borders.' In practical terms, a genuine strategic partnership between Moscow and Brussels will have to be forged on such questions as the conflict in Transnistria.
6) Finally, the non-settlement of the conflict matters because of the changes that are occurring in the post-Soviet space. Since 2003, this region entered a period of upheaval, announced by the 'Rose Revolution' in Georgia and strengthened by the 'Orange Revolution' in Ukraine. In so doing, the Moldovan government has conducted a volte-face in its foreign policy orientation, with a full turn towards Europe. These changes remain nascent and fragile; they still announce a new period of change, even upheaval, in a region that seemed to many by the late 1990s as entrenched in

stagnation. Securing progress in settling this conflict matters for supporting wider positive dynamics emerging across the post-Soviet space.

What sustained the Status Quo?

Since the 1992 cease-fire agreement, one may identify several forces that consolidated the status quo of non-settlement.

1) Separatist Transnistria

Most importantly, the self-declared 'state' of Transnistria had no intention after 1992 of negotiating a compromise with the central authorities in Chisinau that would risk altering a status quo that is in its favour. Over the curse of the 1990s, the separatist authorities have succeeded in building the features of a 'state' and deeply consolidated their control over the region.

2) Moldovan Weakness

Since 1992, most Moldovan governments have been willing to play in the game of negotiations with Transnistria, but with few real hopes of settlement. The weakness of Moldova's central government, and the widespread complicity with making the best of the status quo, meant that Chisinau never challenged existence of the separatist region.

3) Distorted Peacekeeping

The Russian-led peacekeeping operation, and the Joint Control Commission, was important for stabilising and normalising relations between the central authorities and the separatist elites immediately after the 1992 cease-fire. However, over the course of the 1990s, these structures became part of the logic sustaining the status quo – that is, the non-settlement of the conflict and the strengthening of the separatist 'state.' By 2006, it is possible to argue that these peacekeeping mechanisms support the status quo. They have also had the effect of sustaining the artificial militarisation of the conflict, as well as the security zone.

4) The Negotiating Mechanism

Throughout the 1990s, talks between Moldova and its separatist region were held through various formats, almost always under the aegis of the OSCE. The five-sided format included Russia, Ukraine, and the OSCE with the two conflicting parties. Progress towards conflict settlement through this structure was hampered by a lack of consensus between the mediators and also by unilateral attempts by Russia to short-circuit the multilateral framework. The five-sided mechanism, while not directly sustaining the status quo, was not able to challenge it significantly.

5) Russian Interests

Various Russian forces, including the government itself at times, have been deeply engaged in sustaining the status quo of non-settlement. Russian policies have had military, economic, and political dimensions, ranging from private business investment in Transnistrian concerns to energy support to the separatist region, high level political support to the 'interests' of the left bank of the Dnestr river, an active policy of providing Russian passports to the population in the region, and military assistance. After 1992, with

moments of exception (1997), Russian governments had shown little interest in pushing for conflict settlement, especially as the status quo is seen in Moscow to protect Russian interests.

6) Ukrainian Ambiguity

Despite initial hopes for Ukraine, ambiguity in Ukrainian policy towards Moldova and the separatist region was an important factor consolidating the status quo. In particular, the opacity of the Ukrainian border with Transnistria supported the consolidation of the separatist region through the illegal and illicit smuggling of goods throughout the region.

7) Relative International Neglect

Finally, neither Moldova nor the its conflict featured highly on the radar of international attention throughout the 1990s. The United States was engaged on an on-and-off basis, while the EU had little political profile in Moldova o the conflict settlement process. Certainly, the EU did not have the tools in the 1990s to develop such a political profile.

The intermingling of these factors had clear results. Firstly, the negotiations, despite momentary appearances of progress, were stalled and even blocked. Secondly, the separatist 'state' spent its time well in the 1990s consolidating political and economic structures as well as its control mechanism over the region. The logic surrounding the conflict over the last fifteen years, therefore, has run largely contrary to settlement.

The status quo has carried costs for all of the parties, in terms of social-economic difficulties and political burden. However, in the last decade, both Moldova and separatist Transnistria have developed internal structures and external sources of support that offset the pain of stalemate. Moldova also developed mitigating strategies that offset the pain of the current stalemate. The status quo hurts, but not enough and not everyone in the same way. The Transnistrian authorities have become inured to the difficulties of non-recognition and adapted to gain the greatest benefits from it. The Transnistrian public and private authorities have profited extensively from the legal limbo in which Transnistria exists and have become content with retaining the freedom this has provided for all sorts of criminal and non-regulated activities. While Transnistrian leaders insist on retaining sovereign control over the left bank, it has become uncertain that they actually seek recognition or would welcome its constraints.

The Rise of New Forces

In the last few years, significant changes have occurred, which taken together have announced a shift in the logic sustaining the conflict.

1) A New Moldova

Since 2003, Moldovan foreign policy has undergone an about-face. After initially placing hopes in resolving the conflict quickly with Russian support, the Moldovan president has declared that there is no use talking to the 'criminal authorities' in Tiraspol, and argued that the peacekeeping operation was ineffective. The Organic Law passed by the Moldovan parliament in July 2005 has altered Chisinau's approach to the conflict quite fundamentally.

In addition, Moldovan foreign policy has more clarity than ever before in its pro-European orientation. The agreement on the *European Neighbourhood Policy* Action Plan, as well as on an Individual Partnership Action Plan with NATO, have signalled an increasingly determined European vocation for Moldova. Serious doubts remain as to the implementation of this vocation at the domestic level, but a change has occurred. In dealing with the separatist region, this has translated into a more intransigent line that has been less accepting of a continuation of the status quo.

2) A New EU

Since 2002, the EU has increased its involvement at the political level in and around the conflict, all of which signal increased attention and commitment to Moldova and to pushing for conflict settlement.

EU policy has been reflected at several levels:

-The development of tougher positions in the negotiations, including the identification of Transnistria as the main obstacle for settlement.

-The imposition, in coordination with the United States, of targeted travel bans against elements in the separatist leadership.

-The appointment of a EU Special Representative with a mandate to lead EU policy in the conflict, and agreement to join the five-sided format as an official observer, along with the United States.

-The deployment on November 30, 2005 of a Border Assistance Mission on the Moldovan-Ukrainian border to assist the Moldovan and Ukrainian border and customs services, and to ensure the transparency of transactions across this border.

-Work with Moldova and Ukraine to adopt and apply a new customs regime for trade across their shared border, instituted in March 2006.

-A more substantial commitment to Moldova through the ENP Action Plan.

3) A Defensive Russia

The so-called 'Kozak Memorandum' of late 2003 marked a hardening of the Russian position in this conflict, the failure of which exacerbated Russian zero-sum perceptions of its role.

It is worth examining the document in some detail as it highlighted Moscow's aims for settling the conflict on Russian terms. The proposal consisted of a 'Memo On the Basic Principles of the States Structures of the Unified State.' Under its terms, Moldova would have become the Federal Republic of Moldova (FRM) within its 1990 borders. The FRM would have been based on the following principles: it would be united and democratic, demilitarised and neutral, and contain two Federal Subjects (the PMR and Gagauz formation with all their state organs and powers, and symbols). Moldovan would be the state language of the FRM, while Russian would have become an official language. Federal Subjects would be given the right to exit the FRM, through a referendum on the territory of the Federal Subject, if the FRM should change its status or suffer a loss of sovereignty. The FRM would have had three institutions: a Senate, with twenty-six members (four Gagauz and nine PMR, and thirteen from the House of Representatives); a House of Representatives (with seventy one members); a Federal President and a

Constitutional Court (with eleven members: six from the House of Representatives, one Gagauz, four PMR). All legislation in the FRM would have to be 'confirmed' by the Senate. In a transition period, the PMR would have retained its military formations. Moreover, there would have been no review of PMR laws enacted since 1992.

In many ways, the proposal contained the worst of previous documents that had been put forward, with too many joint powers between the federal centre and the subjects, and too vaguely defined. The PMR was recognised as a state formation in the proposal, and provided with over-representation in the federal centre, to such an extent that Moldova itself may have been *transnistrianised.* Certainly, the PMR would have been in a position to block the movement of Moldova towards the EU. Moreover, the proposal would have allowed Russia to deploy a peacekeeping operation of 2000 troops to guarantee security during the implementation of the agreement.

The failure of the proposal exacerbated Russian defensiveness at several levels:

-Continuing economic and energy support, including humanitarian assistance, to the left bank.

-Rhetorical and diplomatic support to Transnistrian aspirations through high-level statements on a so-called 'Kosovo precedent.'

-Official condemnation of the declared Moldovan-Ukrainian 'blockade' of Transnistria with the new customs regime on the border

-Criticism of the EU and the US for their obstructive external engagement in the negotiating process.

For Russia, the conflict has become a front line in a struggle for influence in the former Soviet Union and for ensuring that Russia's voice is respected in the overall European security order. For Moscow, the stakes are seen as high. The former Foreign Minister, Igor Ivanov, argued at the OSCE Ministerial summit in Maastricht in December 2003: 'The memorandum proposed through the mediation of Moscow was acceptable to the parties. In our own conviction, its signing would have made it possible to resolve the Transnistrian problem within the framework of one state. Regrettably, the signing did not take place as a result of pressure from certain states and organisations.'[1] For 'organisations,' read – the European Union. In Ivanov's view, all parties 'lost' as a result of 'methods of pressure and attempts at interference.'

Divergences run deep. The Russian government has read EU statements about the need for a multilateral approach in the conflict as an attempt to ensure a predominant European voice and weakened Russian influence. In contrast, Russia has shown a preference for bilateral relations with Moldova, and not trilateral (with the EU and/or the US), and even less multilateral. Moscow has rejected the European argument that the Kozak proposal was too flawed to be acceptable. The prevailing view is that a zero-sum struggle for influence is being waged in the former Soviet Union.

For Moscow, the settlement of the Transnistrian conflict has become a small part of a wider game in which rising EU influence in the shared neighbourhood is seen to be occurring at the expense of the Russian voice.

[1]Ivanov's statement of 1 December 2003, is available from IPD, DNB, Moscow: www.mid.ru

4) A New Ukraine

Despite significant wavering after the Orange Revolution, Kyiv has finally changed its approach towards both Moldova and the settlement process. The Ukrainian conflict settlement proposal of 2005 turned out to be less useful than hoped for initially. However, the Ukrainian government agreed in December 2005 to institute a new customs regime on its border with Moldova, including the Transnistrian section, to ensure the transparency of all trade and the sovereignty of Moldovan customs regulations – an agreement that was implemented as of March 2006.

The new customs regime on the border, combined with Ukraine's agreement to the EU BAM, reflects a radical shift in Kyiv policy – towards supporting Moldovan sovereignty *de facto* and not only *de jure*, towards aligning with EU approaches towards the conflict, towards pursuing foreign policy lines that are independent of Russian preferences and towards a willingness to sustain the costs of difficult choices.

Ensuring the legality and transparency of trade across the Ukrainian border is key to creating new conditions around the conflict, because it will strengthen the Moldova government and induce the normalisation of economic transactions in and around Transnistria while placing pressure on the separatist authorities.

5) A Hardening Transnistria

Despite some hopes of a nuanced opposition emerging inside Transnistrian politics, there has been no breach within the elites of the separatist region on the central questions of independence and relations with Russia. In the last year, the authoritarian nature of the regime has only hardened, with a well-orchestrated information campaign against the so-called 'blockade,' and new laws tightening control over NGOs in the separatist region.

These changes offer new opportunities for pursuing conflict settlement, but they have also entrenched old difficulties. By 2006, the situation in and around the conflict settlement process was worrying:

1) The talks have remained stalled, despite the inclusion of new observers and new attempts to stimulate negotiation on overall settlement principles. At least from the Transnistria, if not also from external parties, there exists no will for serious negotiations on a compromise settlement. The Transnistrian authorities remain as intent as ever on their de facto independence, and have drawn solace from events in Serbia/Montenegro and the talk over the status of Kosovo.
2) The existing negotiation and peacekeeping arrangements seem ever more like dead ends, from the peacekeeping operation, which has not prevented the militarisation of the security zone or even provocative acts, to the Joint Control Commission, which has become superfluous, to the "5+2" format, which has not succeeded in de-blocking talks or in creating new conditions for their conduct.
3) Moldovan-Russian relations have never been worse, as reflected in the exchange of hostile rhetoric between Moscow and Chisinau over the enduring Russian military presence, and the Russian ban on Moldovan wine exports for hygienic reasons.

4) At the same time, EU support to Moldova has not yet reached a level and scope to offset the impact of rapidly deteriorating relations with Russia. The still timid EU approach to Moldova is reflected in enduring restrictions on trade and the travel of persons.

5) Over the short term, it would seem that current tensions work in the favour of the separatist regime and the strengthening of its authoritarian control over the region. The so-called 'blockade' has not prevented the registration of Transnistrian-based businesses in Chisinau, including recently the *Rybnitsa Steel Mill*, and has been a convenient justification for hardening control inside the separatist region.

6) Finally, the Russian government has stuck firmly to a zero-sum approach to the conflict in order to offset rising EU and US influence. Russian objectives are linked to the conflict itself and to Moldova, where Moscow seeks a 'friendly' and accommodating state, but they are also tied into wider security concerns. In Moldova, Russia is intent on setting a positive precedent for other conflicts in the region, as well as for EU-Russia relations and for Russia's wider position n the new European security order that is arising.

What to Do?

Within the OSCE, the current focus of conflict settlement activities has fallen on third areas. First, the OSCE has sought to secure Transnistrian cooperation with the confidence and security-building package. Second, the OSCE has pushed forward the idea of an international monitoring mission to inspect the military-related factories and plants on the left bank. Third, the OSCE has been insistent on clarifying the situation around the Dorotskaya village.

All three of these issues are important, but none are *logic-changing policies* that could substantially affect the Transnistrian drive for independence or the Russian determination to retain a predominant position. In such difficult circumstances, what should the EU do?

EU policy could move forward at the following levels:

1) Relaunch the Talks

This requires being blunt, stating that the current mechanisms are not working. The EU could call for an international conference to:

-Take stock of the lessons of the last decade;

-Consider the potential role of new actors in a format of "7",

-Consider new approaches to demilitarising the conflict and maintaining peace.

2) Pressure Transnistria

The EU should seek to induce the separatist state to compromise through further strengthening of transparency on the border with Ukraine, seeking Transnistrian agreement to the implementation of the CSBM package, and applying coercive measures against the separatist leaders.

3) Transform Moldova

A danger would be to hold EU-Moldovan relations hostage to Tiraspol. The goal for the EU should be to fundamentally alter the equation by bringing Moldova as close as possible to the EU. High-level attention by the EU and the US are key to providing support to Chisinau and to locking this government onto the European track.

4) ESDP Cooperation with Russia

As much as possible, every step taken by the EU should be considered in light of the need to forge a positive precedent for EU-Russian cooperation. Constant communication through the EUSR with Moscow is vital. More substantially, the EU could push three questions onto the agenda with Russia:

- Producing a new joint settlement proposal;
- Designing a new joint crisis management operation;
- Withdrawing Russia's military presence.

Over the medium term, we should note three broad dilemmas that complicate conflict settlement and Moldova's overall future.

First, might greater international/European support to Moldova in the settlement process actually derail the talks by stimulating greater Transnistrian (and Russian) obstructionism? How can this danger be offset?

Second, would the creation of a 'federated Moldova' actually undermine Moldova's desire for European integration by allowing the Transnistrian authorities too much say over political and economic developments in the state as a whole? How can a settlement be reached that preserves Moldova's 'European vocation' while integrating the left bank?

Finally, how can the Transnistrian authorities – and the Russian government - be convinced of the need to change the current security arrangements in a transitional period before a final political settlement?

The answers to these vital questions remain unclear.

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The Conundrum of Energy Security in Eastern and Western Europe

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The Conundrum of Energy Security in Eastern and Western Europe

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I. Introduction

Energy supply and concomitant supply security have come a long way in the recent past. For more than a decade, issues of supply security have been hot spots for energy specialists and political scientists only and the long period of stable oil and gas markets seems to have convinced politicians that the problem disappeared. This is especially so for issues concerning the European energy supply from the East and Russia, as the collapse of the Eastern block was rather seamless in what concerns energy and did not leave major repercussions on the oil and gas supply of Europe.

But, since a few years, energy security has made it back on the political agenda, settling in as a top priority for leaders. From the 1998 Asian financial crisis and its consecutive oil bust onwards, energy market events have been plentiful: after the bust the market saw something that could be framed an OPEC re-birth, the Sep11 events laying question marks on future developments in the Middle East, the Venezuelan strike in Dec02, the Iraq invasion in 2003 and ongoing military interventions, unexpected Asian demand rise, the Hurricanes and oil prices that seem to have settled at wobbling around 70-75$/bbl. At the same time, as natural gas prices are linked to oil, attention was drawn to the topic of gas supply. Mega-deals of China and India with Iran and Saudi-Arabia and deals alike in Africa have increased worries about gas supply security and a future UNSC incapacity of finding G5 unanimity due to diverging national interests.

Moreover, one could notice a slow but quite distinct politicisation of oil and gas in recent years. There is Venezuela's Hugo Chavez, who since being putsched temporarily out of office in 2002 flexes his muscles with warnings of an oil export disruption to the US, with charming offensives towards China and with the threat of €-denomination of its oil exports; the same threats are currently being reiterated by Iran in a situation that does not seem to come to an end soon. Finally, the Russian-Ukrainian gas controversy, while having been lingering in the air for almost a year, mostly unnoticed by Western European governments, has then finally erupted early 2006. This was undoubtedly the event that sky-rocketed the Eastern European energy chess-board and the problems associated with natural gas to the top of the political agenda – of Western as much as Eastern European governments. Russia's G8 presidency, while it could have been a reassuring momentum for co-operation between the huge energy supplier and the consumers, received much skewed attention and disbelief, as Putin had just declared the main theme for St. Petersburg, energy security.

At the same time, the Putin March 2006 trip to China seems to have realised some of the fears bred by European governments: a reorientation of Russian exports away from Europe towards China. The signed cooperation for linking China by pipeline from *West*-Siberian gas fields[1], which up until now have been uniquely serving the European market, reiterates Russia's

[1] See Roland Götz, *Europe and China competing for Russian gas?*, SWP comments 14, May 2006.

power-play. Also, Gazprom's insinuating that it demanded access to European downstream gas companies or would otherwise seek different markets, was perceived as a direct threat throughout Europe. The tension is clearly rising.

Most of the energy supply concerns and the concomitant political problems in Europe are focused on natural gas, not crude oil. This is due to the fact that it is pipeline-bound[2], thus in need of long-term commitments and cross-border agreements, mostly between more than two parties, the supplier, the transit nation and the consumer. This outset is complicated by the fact that once the infrastructure is in place, natural gas from a certain origin has mostly no readily available alternative supply route – indicating a total dependence on the supplier.

This paper aims at highlighting some of the crucial issues of energy supply and supply security in Eastern and Western Europe. What is the energy/gas landscape looking like in Europe today, what are the main problems associated with the supply of gas, what can be learnt by analysing some of the key events of the past, what can and cannot do the European Union in fostering political cooperative approaches and/or technical solutions for reducing energy dependence?

II. Gas supply security – fundamental issues

II.1. Reorientation of Russian supplies?

Europe is today by far the world's biggest natural gas import market and will continue to be the world's champion through 2030. Against common knowledge, it will not be Asia (China/India) nor North America (USA/Canada) that will be the main clients of world gas production and imports. According to projections, among others by the International Energy Agency[3], annual imports of North America will amount to just 140 billion cubic meters in 2030, China and India together some 80bcm and OECD Europe[4] almost 500bcm/y. European imports will thus be more than double that of the two regions added together – a position that will have profound implications for the global gas markets, their supply infrastructure and security (and obviously also for the formulation of European interests).

As a direct consequence of the pure numbers, Europe is highly concerned with its supply options and import origins. An announcement like that from Putin on his March 2006 visit to China, aiming at building a pipeline from the West Siberian gas fields to China, was sure to raise concerns in Europe. These gas fields have up until now been uniquely serving Western Russian and Eastern&Western European gas demands. However, the same pure numbers also indicate that it is highly unlikely Russia reorients significant parts of its gas exports to China/Asia. From an economic point of view, it would make absolutely no sense to miss out on the world's biggest market for a comparably smallish Chinese market. Also, the so-called

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[2] Russia, the world's number 2 oil producer, exports some 4/5th of its crude oil by tankers, not by pipelines; see IEA, Oil Market Report, monthly supply section, omrpublic.iea.org.

[3] Projections are rather congruent; see for example OECD/IEA, *World Energy Outlook – Middle East and North Africa Insights*, Paris, 2005.

[4] 'Europe' in these projections comprises OECD Europe, ie. including the gas exporters Norway and the Netherlands. If Eastern Europe was to be added, the projections were even higher.

Altai pipeline needs a 3000km construction through extremely harsh conditions at estimated costs of some 10 billion US$[5] - a huge amount that can easily be thought of as prohibitive.

However, while these facts must be well known to the Kremlin, Putin announced the construction of the Altai pipeline in March this year, thus stepping international pressure on the politics of European gas supply. In doing this, Russia has moved just a little closer to being perceived as the Pivotal element of world energy supply.

II.2. Shrinking Russian share

Interestingly though, the bulk of Europe's future supplemental gas imports will likely not be supplied by Russia, but by other sources. According to the optimistic scenario in the 'Russian Energy Strategy to 2020'[6], Russian gas exports to Western Europe will rise by just 30-50bcm/y over the period[7]. With European imports rising heavily by approximately 10 times this amount (see table), Russia's share in European gas imports is to fall from 2/3rd to 1/3rd. Recent announcements of Gazprom have called the original estimates of the 'Energy Strategy' to be too pessimistic and production estimates have been ramped up consecutively, but the order of magnitude will stay the same: even with new production forecasts, the Russian share will fall to 40-50%[8].

Russian natural gas in Europe*

	2000	2020	Increase
Net imports into Europe, bcm/y	200	500	approx 300
of which imports from Russia, bcm/y	134	165	approx 30
Russian share, %	67	33	

Note: 'Europe' including the EU-25, Turkey and the South-east European candidates
Source: R. Götz, The Russian Energy Strategy and european energy supply, SWP, March04

For a secure European gas supply, this does evidently have significant implications. New import origins for gas have to be sought and strategies for their secure integration into the European market must the planned. North Africa will certainly play an increasingly important role and so will more remote sources (eg. the Caribbean). But in the end, the resources of the Middle East come into focus, with regard to their reserves potential, but even more so due to their market distance. Iran, with 15% of total world proven gas reserves is geographically closer to Europe than the West-Siberian gas fields and will soon share a common border with the EU (Turkey).

While in 2004 82% of gas imports into Europe came from just two origins, Russia and Algeria[9], this pattern is bound to change in the future. This does not insinuate irrelevance of Russian gas, au contraire, Russia is projected to stay the biggest individual import source for Europe. But possibilities of competition between different suppliers will emerge, as will di-

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[5] Cost estimations vary widely, running from $5-10bn, skewed towards the latter, see Sergei Blagov, *Russia's new China-bound gas pipeline sparks controversy*, Jamestown Foundation, March 2006.

[6] Approved by the Russian Government August 2003, see www.mte.gov.ru.

[7] And some cautions over these projections remain, as their realisation hinges upon the successful development of at least one of the giant fields in the High North, Barents or Yamal, for which most basic technological and crucial financing issues are far from being resolved (see discussion below).

[8] For an insightful discussion of this issue see R. Götz, *Russia and the energy supply of Europe – The Russian Energy Strategy to 2020*, SWP Working Paper, October 2005.

[9] See BP, *Statistical Review of World Energy*, 2005.

versification of sources and transit routes in Eastern and Western European portfolios. As energy import dependence will clearly increase, the sole dependence on Russia is set to shrink.

II.3. The real threat: Gazprom's upstream gap & Russia's lack of reforms

In recent discussions about energy supplies in Eastern and Western Europe, a new aspect of energy security is stirring up concern: Gazprom's rather dark production outlook combined with Russia's lack of market reform in crucial areas is putting into question Russia's capacity to deliver the quantities of natural gas it has committed. This may sound surprising, as Russia holds almost 30% of total remaining world gas reserves, but it only stresses once more the importance of regulation and politics over geology.

At the outset, several trends come together: Gazprom is facing heavy decline rates at its super-giant gas fields that have traditionally made more than 75% of total production. Falling production is currently offset by the new giant Zapolarnoye that came into production 2001 – however, most studies show the decline rates exceeding the new production from around 2008 on[10]. New fields, all significantly more expensive than those currently running (Zapolarnoye has been rightly termed as 'the last cheap gas'), have to be explored and invested in soon. But Gazprom does not seem to take up the challenge. Instead, it overloads itself with tasks and expenses: development of oil and gas in East Siberia, expansion across energy sectors in Russia into oil and electricity, overhaul of pipeline systems in Central Asia and the notable downstream acquisitions in Eastern and Central Europe. At the same time, Russia is facing extremely high and rampant internal gas demand that Gazprom is obliged to satisfy – at below costs. Obviously, all these expenses weigh heavily into Gazprom's capacity to invest into new fields[11].

Currently, Gazprom's forecast is relying crucially on imports of cheap Turkmen gas that are to be redirected to Europe. However, adding up reports about quantities contracted for exports by Turkmenistan, the numbers wittingly exceed total production capacity; furthermore, neither has the pipeline system from Central Asia been fully renovated, neither have the price negotiations with the quite volatile Turkmen-Bashi been successful. A disruptive future can be expected.

Last but certainly not least, the Kremlin seems to follow a strategy of (re-) monopolization of energy markets, with Gazprom at the forefront. Not only does Gazprom, instead of investing in new fields, buy up the shattered parts of Yukos and other non-gas ventures, but more importantly, it holds the pipeline infrastructure under strict monopoly control. Independent gas producers and oil companies with associated gas production have basically no access to the export infrastructure and are reportedly forced to vent the gas or sell it at far below market prices to Gazprom.

Market reform and especially third-party-access to the export infrastructure would remedy the situation and raise incentives for investment of independents. However, current Kremlin policies indicate that recent warnings about Russia's gas production gap may well turn out to be true. Some analysts figure this gap to be around 25bcm/y by the end of the decade and some

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[10] See, for example, Claude Mandil, *Securing the Russian-European Energy Parntership*, IEA 2005.

[11] Shtokman, the world's second biggest gas field lying off-shore in the Barents-Sea, is likely going to be the biggest individual investment in Europe in the first half of the 21st century.

80bcm/y by 2020[12]. Independent of all geopolitical and strategic problems that gas supplies face in Europe, energy market reform in Russia may be a 'pre-requisite for Russian and European energy security'[13].

III. Gas and Politics

III.1. The Russian-Ukrainian gas dispute: The relevance of price and dispute settlement

The Russian-Ukrainian gas dispute earlier this year revealed quite an interesting string of issues that have been lingering on since a number of years, just waiting to surface one day or another. When they finally did, Eastern and Western governments were taken by surprise, while actually, the underlying problems were long known. What had happened?

The conflict between Russia and Ukraine was certainly both, of political and economic nature. Politically, Russia has been following the events of the so-called Orange Revolution end 2004 with quite an unpleasant impression, as the Ukraine was and still is much closer related to the politics and culture of the Slavic home-base Moscow than were other coloured revolutions or the Baltic dismantlement of Russian influence. Ukraine's stated willingness to enter NATO and its attempts at opening towards EU accession / West cooperation were clearly not appreciated by the Kremlin. Rather early in 2005, Russia made first steps towards pressuring the new Ukrainian president by announcing gas price increases – a clear sign that was directed towards the Ukrainian public, preparing for the run-up to Parliamentary elections 2006. Following similar demands by Putin as early as April 2005, the Duma voted July 2005 a motion demanding that Ukraine, Georgia and Moldova pay world market prices for gas imports[14].

Economically, the demand for market-priced imports can be interpreted as a financial necessity for Gazprom, as a punishment for failed negotiations surrounding the ownership transfer of the Ukrainian pipeline network, as a consequence of heavily increased gas prices (due to oil prices) that could be obtained on the West European market or just as a continuation of pure monopolist market power visions. However, negotiations over the price were running with varying intensity over the second half of 2005, but both sides were hardly willing to compromise. Reportedly, initial Russian price demands were around 100-120$/1000m3, up from 50$, placing the Ukraine in the lot with most of the other CIS states (eg. the Baltics), quite a lot lower than the finally hardened position of December 2005 at 220-240$.

The events have unfolded particularly badly towards the end of the year, the Ukraine demanding categorically a continuation of prices at 50$, basing itself on an interpretation of current contracts and political will, while Gazprom and the Kremlin reiterated that the huge subsidies would not be paid to Ukraine anymore. The clash was predictable, however surprising was on the one hand the frightening Kremlin-managed pictures of the cut-off, which completely back-fired internationally, and on the other hand the Ukrainian PR-supremacy concerning the interpretation of events[15].

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[12] See Roland Götz, *Europe and China competing for Russian gas?*, SWP comments 14, May 2006.

[13] Claude Mandil, IEA, see fn. 10.

[14] See Rainer Lindner, *Zweite Chance für Orange in der Ukraine? Machtkämpfe, Reformstau, Energiekrise*, pre-release SWP, forthcoming 2006.

[15] Ukraine was able to blame the supply shortfall in Western Europe on Russia, even though the Ukraine bluntly used its transit monopoly to extract the 'gas it needed' on its own account.

From an external, Western European point of view, the events lay shadows over the supply security of Russian gas. While it is true that in 30 years of imports, Russia has always fulfilled contracts – under Cold-War-conditions that were certainly more fragile than today's Europe[16] – the events around the cut-off of gas deliveries to Ukraine and the Ukrainian illicit (or at least: non-agreed) gas-extractions from the pipeline have been engraved in the back of governments' heads for a long future to come.

However, the events exemplified the main problems of political cooperation and energy security in Eastern Europe and these can be summarized into three main cornerstones: 1) price issues, 2) dispute settlement and 3) sole country dependency. The price issue: from a market-based perspective, Russia's demand of a higher price for its exports to the Ukraine was a perfectly legitimate request. It is a normal fact of market behaviour that the owner of a good or resource sets the price at which the consumer may buy of refrain from buying or buy from elsewhere (see problem 3). If Russia has been subsidizing the Ukraine with prices far below market prices[17] for historical, cultural and political reasons, this transfer can be interpreted as economic development aid and is thus quite honourable. Conversely, retracting these subsidies is difficult and painful, as we know in our own countries, but certainly not illegitimate. This may explain why the EU was hesitant in condemning the price rise itself. It is a conviction of the EU and its market members that market prices do give the proper signals to consumers and producers – and are finally the best tool for allocation of resources in the widest sense[18]. More important than the increase would have been a discussion about the price-path to chose for transition into the non-subsidized world. From a political perspective, lessening reliance on transfers from Russia is a definite step towards increasing factual independence from Russia and restates own sovereignty – a link the Baltic States have clearly understood by acknowledging very early on price-paths leading one day to market prices.

The core of the finally un-resolvable confrontation between Russia and the Ukraine was the complete lack of institutionalized or legalized dispute settlement. Other than intransparent and closed-door negotiations without procedural certainty, apparently no dispute settlement agreement had been in place between the two parties. Both Russia and the Ukraine have not ratified the Transit Protocol of the Energy Charter Treaty (Russia has not even ratified the Treaty itself) – a fact that was now noticed with regrets, as this Protocol explicitly states rules for settling international disputes between transit, producer or consumer country (or respective companies).

The dependency of the Ukraine on Russian gas supply and Russian infrastructure (for gas transits from the Caspian) was another of the cornerstones of fragile energy security. Maybe this case was a lesson that whatever the political good-will may be at the moment, in the long run an unduly high dependence on one single country (or supply infrastructure) poses high political risks. At the opposite end of the spectre, the same reasoning holds true for Moscow,

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[16] It should be borne in mind that the gas export infrastructure from Western Siberia to Europe was agreed upon and paid by Western Germany / Europe against strong initial opposition by the US; see discussion by Ole Gunnar Austvik, *Norwegian natural gas*, Chapter 10; Oslo 2003.

[17] Market prices in a proper sense don't exist for natural gas in Europe (except the UK). However, this term is used here as a short-cut for the price Russia can earn for its gas on the Western European market.

[18] Unfortunately though, owing to the political reasons of elections, the Ukrainian parliament had decided not to pass the price increase on to the end-user/the public. The difference is currently financed by Naftogas Ukrajiny with about 660m€ per year; see R. Lindner [fn. 14]. True prices leading to incentives for energy conservation would have been the wiser way and could have been supported by direct transfers to low-income households.

which is actively looking for alternatives to the quasi-monopoly the Ukraine enjoys for gas exports to Western Europe[19]. The fact that the Ukraine in Jan06 has 'diverted' pipeline gas to domestic use without paying the demanded price (as happened regularly in the 1990's), has certainly made Russia's determination in the NEGP even stronger.

Unfortunately though, the deal reached at the end of the dispute is marked by an utterly high lack of transparency and can thus merely be called a 'solution'. Contractual mystery and misery surround the details of the agreement and only recently some scattered information appeared about the involvement of the highly intransparent RosUkrEnergo. This Swiss-based, Austrian off-shore and Russian venture which is supposed to manage the gas imports of the whole country looks like a murky deal enriching circles of individual oligarchs on both sides[20] (and a few involved foreigners), much more than a secure legal framework for energy imports. Unfortunately, from a European perspective, it seems obvious that this fragile solution won't hold for long. A return of dramatic price discussions and possible cut-offs is a highly probable future.

III.2. The EU: the magic stick?

That puts a headlight on the question what can possibly be done to avoid a future reiteration of the critical energy events of last winter – and, especially, what tools do the consumer countries of the European Union and/or the European Commission have in hand to avert another gas disruption.

The EU's common creed of market-based approaches inherently includes its commitment to the free evolvement of market prices and excludes favouring subsidy solutions. Consequently, the EU's aim at solving price disputes can certainly not be to avoid the adaptation towards market prices – in the issue at hand, to aim at a long term avoidance of Western European market prices for gas imports into Eastern European countries (also: WTO accession does preclude this way). But, more importantly, the EU can offer help with negotiating the price path between Russia and the importing nations. This is particularly useful, as the macroeconomic damage by higher prices is vastly determined by the time horizon over which the rise occurs. An EU offer to multilateralize the negotiations also reduces the impressions of the Eastern European country to be ('again') sitting alone at the negotiation table with the overwhelmingly powerful Russia. Additionally, should the negotiations yield a price path that would proof to be economically a burden too hard to cope with, the EU and its members could potentially offer the Eastern consumer country support in financing (parts of) the price path.

A good part of the problem in the cases at hand, the Ukraine but also Belarus, lies in the fact of their world-wide top scoring energy intensities[21]. Huge inefficiencies in the industrial (and household) sector are compounded with a transformation sector that sees power and heat plants at efficiencies far below current technological standards (50% of total gas consumption is used for power-generation – a sector where efficiency gains are rather easy and most yielding). As a direct consequence, gas import needs are outstandingly high. However, this can

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[19] Some 4/5th of Russian gas exports to Western Europe flow through Ukrainian pipelines.

[20] See Rainer Lindner, [fn. 14].

[21] Energy intensity as measured by total primary energy supply per unit of gdp fares 4-15 times the amount of the EU-25 average (depending on calculation in nominal or real PPP-terms)! See IEA, *Energy Balances of Non-OECD countries*, Paris 2005.

also be seen as an opportunity for the EU, as improving energy efficiency in (for example) the Ukraine has a huge potential for lowering imports from Russia and thus mitigate the price effects. At the same time, subsidies for such programmes can come from the EC's environmental programmes (an EU-Ukraine Action Plan already lists efficiency measures) and, to make it even more 'sellable', is likely to be a push to further exports of European technology-based energy industry.

Further, the EU has been demanding ratification of the Energy Charter Treaty rather with rather low-key efforts recently. However, the Charter is a first-class tool to enhance energy security in Europe, not only due to its arbitration panels and dispute settlements, but also due to its underlying openness towards investment security in the energy sector (which would thus help to reduce the above-mentioned potential Russian supply gap) and open/transparent access to the pipeline infrastructure. The EU should thus make another attempt at stressing the importance of ratification. It could use the G8 presidencies of this and next year to clearly lay out a common European demand[22]. Germany may well use its presidential opportunity to reiterate the project; if opposition from Russia is too strong to the red flag 'Energy Charter', then it may make sense to leave the dead-born child, adhere to the principles, rename it and run a similar process under a different tag. Ukraine, while a ratified Member to the ECT, has not ratified the subsequent Transit Protocol, owing much to the domestic red flag of a potential transfer of ownership and transit rights over the gas transmission pipelines to independent companies. However, discussions with the Ukrainian government should restart.

At the same time, the EU could vastly improve European energy security by institutionalizing and especially multilateralizing the Energy Dialogue with Russia. Projects like the Ukrainian-Russian-German pipeline consortium are a commendable example of multilaterized energy cooperation which offers all parties a comforting level of congruent interests. The EU can do good in supporting such projects and could quite well enhance their efficiency by entering the dialogue surrounding these.

III.3. NEGP and East-West disputes

Much discussion has been devoted to the NEGP, so just a few words about the subject. From a Russian perspective, the above mentioned bilateral monopoly between Russia and transit country Ukraine clearly indicates that it makes economic and political sense to seek alternative export routes. The NEGP allows Gazprom to save transit fees as it runs off-territory, to increase its bargaining power towards transit countries concerning the transit fee[23] and may allow Gazprom to increase gas prices for exports to these Eastern neighbours without the dangerous stale-mate position of transit-monopoly that could be observed running up to the January 2006 events. From a geostrategic point of view, the NEGP could also be interpreted as yet another move of Kremlin/Gazprom towards its "great game" in its energy backyard in Easter Europe.

At the same time, the pipeline makes also sense from a Western European perspective as it implies yet another diversification of import routes, increases the export capacity of Russia

[22] The fact that Norway defies the ratification of the ECT does not well play into Europe's demand, as it shows a lack of conviction and unity. Discussions with Norway should thus be restarted.

[23] Even with the NEGP construction at a capacity of around 25bcm/y, the overwhelming majority Russian gas exports (of around 200bcm/y to Eastern/Western Europe 2020) will still be exported by land-based pipelines over the traditional countries.

(by less than the projected additional gas imports from Russia for 2020 of some 30-50bcm/y, see above), saves the transit fees otherwise implicitly included in the border price and, to the dismay of Eastern Europe, decreases (by just a little) European dependence on price/transit disputes that may lead to supply disruptions. Counterproductively then, the Ukrainian-Russian gas dispute 2006 was an illustration of the latter and has done nothing but reinforcing Western arguments for the pipeline.

All compounded, the reasons in favour of the NEGP have lead the EU to promote the project to the status of a 'Trans-European Network' in late 2000, in an attempt to increase supply and transit routes. Consequently, much of the Polish debate about closed-door deals between Germany and Russia[24] is completely off the point, as the pipeline and its project specifications were long known. Furthermore, it should be remembered that the pipeline agreement gave the involved companies the opportunity of upstream development of the Yushno Russkoye gas field, reportedly under a state-granted licence scheme together with Gazprom. Other than on Sakhalin, no licenses have ever been granted in the Russian upstream gas sector. In this regard, the NEGP would also have made possible at least a partial opening to foreign upstream investment.

[24] The Polish press was not shy of naming the pipeline the new Hitler-Stalin-Pact.

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The EU and the Eastern Neighbours:
Democracy and Stabilization without Accession?

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Promoting Democracy in the Eastern Neighbourhood: The limits and potential of the ENP

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Promoting democracy in the eastern neighbourhood: The limits and potential of the ENP

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One of the main aims of the European Neighbourhood Policy (ENP) is to support democratisation in the neighbouring countries. However, in comparison with enlargement, which is probably the most effective tool of democracy promotion ever applied by an external actor, the ENP is a weak mechanism for spreading democracy. The effectiveness of enlargement is explained by a combination of the strong appeal of membership, a credible prospect and clear conditions for membership, and extensive support for meeting the conditions[1]. It has been of huge symbolic as well as practical significance that the first criterion for membership, and a precondition for the start of accession negotiations, is functioning democracy and the rule of law.

As we know, the carrot of membership is not offered to the ENP partners, and the EU also provides far more modest sums of assistance to neighbours than to candidates. To give an illustrative example, in 1991-2003 the EU allocated slightly larger funds to Poland (€5.7 billion) than to the whole Tacis programme (Technical Assistance to the Commonwealth of Independent States) (€5.5 billion). The ENPI will double the EU's assistance to the neighbouring countries from 2007 onwards, but the gap between candidates and neighbours will still remain huge.

It is argued in this paper that, in spite of shortcomings of the ENP as a tool for democracy promotion, there is scope for enhancing the EU's support to democratisation within the framework of ENP. The EU's efforts to promote democracy obviously need to respond to the different conditions and needs in the neighbourhood. The paper therefore starts with a brief analysis of the state of democracy (or lack of it) in the neighbourhood, focusing on three cases that represent three types of neighbours in the east: Ukraine that is a case of "re-transition", Moldova where we find prolonged transition, and Belarus that is an outright authoritarian regime. Based on the cases, I will then highlight the need to differentiate between stages of democratisation. The third section discusses the shortcomings of ENP and the EU's democracy promotion policies. Finally, the paper outlines some possibilities to develop the ENP into a more effective instrument for democracy promotion.

Growing differences within the eastern neighbourhood

Until recent years, the democratisation of former Soviet republics, with the exception of the Baltic states, was mostly stumbling or even moving backwards. Before the color revolutions

[1] Cf. Milada Anna Vachudova, *Europe Undivided: Democracy, Leverage & Integration After Communism* (Oxford: Oxford University Press, 2005), pp. 108-138.

in Ukraine, Georgia and Kyrgyzstan, an increasing number of experts started to question whether one should talk about the CIS as transition countries any longer or accept that they had established hybrid systems that fell into a grey zone between democracy and authoritarianism[2]. According to the widely used Freedom House classification, most of the CIS countries were "semi-free" and combined elements of democratic competition with authoritarian leadership.

The color revolutions disproved the pessimistic assessments and raised hopes about a renewed wave of democratisation in post-communist Europe. Pro-democratic forces in many countries have been inspired by the revolutions and gained new belief in the possibility of change. On the dark side, several (semi-)authoritarian leaders, including those of Belarus and Russia, have tightened control over political opposition and civil society and introduced new restrictions of political freedoms as a "vaccine" against the spread of the "democracy virus". As a result, the differences among the CIS countries have increased[3]. These may be temporary cleavages, as the pressure to move towards democracy has also grown. For the time being we may distinguish between *three types of countries among the eastern ENP partners*, as described below. The key difference from the viewpoint of democratisation is the commitment of leadership to democratic reforms.

Renewed transitions of Ukraine and Georgia

First, there are two post-revolutionary or *"re-transition"* (renewed transition) cases, Ukraine and Georgia, where the new leaders are committed to democratisation, but the system is unstable and fragile. The revolutions were a widespread reaction of citizens against corrupt and discredited leaders, and a popular call for a new political culture. The problems of the previous regime do not, however, disappear overnight. Above all, it is the high level of corruption – one of the main reasons for popular protest during the revolutions – that continues to plague both Ukraine and Georgia.

The re-transition countries are in some respects comparable with the east central European (ECE) countries in the early 1990s, as they have just started extensive political and economic reforms and at the same time aim to integrate with western structures. The governments and societies of these countries need similar support for implementing political and economic reforms as was given to the ECE countries since the late 1980s. There are notable differences, however, that make their transition more complicated and uncertain. First, there is not as strong and broad-based commitment to democracy among the political elites and the population as there was in ECE countries. Second, the previous regimes in the current re-transition countries were home-grown, as opposed to the externally imposed communist regime in east central Europe, and enjoyed considerable support among the people[4].

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[2] E.g. Thomas Carothers (1999) *Aiding Democracy Abroad: The Learning Curve*, Carnegie Endowment for International Peace, Washington D.C.; Marina S. Ottaway (2003) *Democracy Challenged: The Rise of Semi-Authoritarianism*, Carnegie Endowment for International Peace, Washington D.C.; Steven Levitsky and Lucan A. Way (2002), "The Rise of Competitive Authoritarianism", *Journal of Democracy*, Vol. 13, No. 2, pp. 51-65.

[3] The Freedom House classifies Ukraine as "free"; Moldova, Georgia and Armenia as "partly free"; and Belarus, Russia and Azerbaijan as "not free" (Freedom in the World 2006).

[4] E.g. 44% of Ukrainians voted for the rival of "orange forces", Viktor Yanukovitch in the final round of presidential elections in December 2004, and in the parliamentary elections of March 2006 his Party of Regions won 32 % of the votes.

Third, western support is much weaker than it was to east central Europeans in the late 1980s and early 1990s. It is worth noting, however, that the Baltic countries received little support from the West in their fight for independence and were not seen as potential members of the EU and NATO until the latter half of 1990s. The Baltic countries thus serve as an encouraging example to the other former Soviet republics, although one has to acknowledge that their historical, social and economic preconditions for democratisation were in many respects better than in the rest of the former Soviet Union.

Prolonged transition of Moldova

Second, we find countries of *prolonged transition* that are relatively stable and have adopted some elements of democracy, but have not completed the transition – for example Moldova. There is considerable variation within this group; Moldova has always been one of the most democratic countries in the CIS and has recently moved closer to the re-transition countries. The Moldovan regime was never as repressive as that of Ukraine before the Orange Revolution, not to speak of Belarus. This is at least partly explained by the weakness of government: the leadership simply lacked the resources and capabilities required for imposing authoritarianism. On the other hand, the political opposition and civil society have also been relatively weak, not posing a serious threat to the semi-democratic government[5].

The two latest parliamentary elections, held in 2001 and 2005, were won by the Communist party. The 2005 elections marked a decisive turn: the communists renounced their orientation towards Russia and made a choice in favour of European integration. The implementation of the ENP Action Plan is now the main priority of the Moldovan leadership, which gives the EU considerable leverage on the reform process.

Ironically the same weakness that did not allow the Moldovan government to establish more authoritarian rule is also a hindrance to effective democratic and economic reforms. Moldova's capacity to implement EU norms and absorb external assistance is limited. One of the main challenges is therefore to strengthen the state and help the government to develop better skills of policy planning and implementation. Another major challenge is to carry out economic reforms that would make the country more attractive for foreign companies, help to curb the exceptionally high level of emigration and eventually lift Moldova from its present status of being the poorest country in Europe.

One of the reasons for the weakness of the state and the economy is the unresolved status of Transnistria, the breakaway region of Moldova that has been a *de facto* separate state since the early 1990s. The authoritarian regime of Transnistria has survived thanks to military assistance from Russia and the presence of Russian troops, and illegal trade of drugs and arms. For many years the OSCE was the only Western institution engaged in attempts to solve the conflict together with Russia and Ukraine. The EU has only recently become a major player in the conflict, most notably through the Border Assistance Mission to Moldova and Ukraine, started in December 2005, that aims to cut down smuggling and customs fraud on the Transnistrian border.

[5] Lucan A. Way characterises the Moldovan system as "pluralism by default"; see Way (2002), "Pluralism by Default in Moldova", *Journal of Democracy*, Vol. 13, No. 4, pp. 127-141.

The most serious threat to the Transnistrian regime would probably be successful democratisation and Europeanisation of Moldova. If Moldova were to become an attractive model in the eyes of the population of Transnistria, it would be far more difficult for the Transnistrian leaders to maintain their current position. The attempts to solve the Transnistrian conflict should thus not be prioritised over the promotion of political and economic reforms in Moldova, and the former should not be seen as a precondition to the latter.

Authoritarian regime of Belarus

In Belarus, president Lukashenka has gradually created one of the most repressive and totalitarian regimes not just in Europe, but in the world. Lukashenka has developed an increasingly extensive policy of *preempting* political opposition – which differs essentially from the semi-authoritarian CIS leaders who have rather *reacted* against rising political competitors[6]. Unlike in Ukraine before the Orange Revolution or other semi-authoritarian CIS countries, the Belarusian opposition is completely excluded from public institutions.

Before 2006, the opposition was fragmented and unable to offer a viable alternative to Lukashenka's rule. It was a hugely important step that in run-up to the latest presidential elections of March 2006, the pro-democratic groups joined forces behind a common candidate, Aleksandr Milinkevich. In the campaign and the demonstrations that followed the elections, the opposition was stronger and better organised than ever before. However, Lukashenka strengthened repressive and preemptive measures in order to ensure that nothing similar to the Orange Revolution will occur in Belarus[7]. As opposition candidates had hardly any access to the public media and were not allowed to campaign freely, Lukashenka managed to maintain his popularity. The official election results that claimed Lukashenka won 83 % of the votes were obviously falsified[8], but even according to independent surveys, Lukashenka continues to be supported by more than 60 % of the population, whereas the popularity of Milinkevich is just above 20 %[9]. The main reason for the popularity of Lukashenka is the relative stability and welfare provided by the current regime - although the country is poor in comparison with its western neighbours.

A democratic breakthrough is unlikely unless the popularity of Lukashenka falls and the opposition manages to increase its support. It is crucial for the pro-democratic groups to maintain alternative channels of information in order to increase general awareness about their goals, mobilise support and make people believe that they offer a credible alternative to the authoritarian regime. It is also necessary to delegitimise the president by making available uncensored information about the repression, violations of human rights and other kinds of misconduct by the regime.

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[6] Vitali Silitski (2005), "Preempting Democracy: The Case of Belarus", *Journal of Democracy* Vol. 16, No. 4, pp. 83-97.

[7] See Vitali Silitski (2005), "Internal developments in Belarus", in Dov Lynch (ed.), *Changing Belarus*, Chaillot Paper No. 85, November 2005, European Union Institute for Security Studies, Paris; Pontis Foundation, *Anti-Revolution Legislation in Belarus: State is Good, Non-State is Illegal*, Legal Memorandum, Bratislava, 22 December 2005.

[8] OSCE/ODIHR: International Election Observation Mission. Presidential Election, Republic of Belarus – 19 March 2006.

[9] Independent Institute of Socio-Economic and Political Studies, http://www.iiseps.org/

Another, perhaps even more important factor for democratisation is the economy. The Belarusian economy is not sustainable; unlike all the other post-communist countries, Belarus has not gone through substantial economic reforms, and it is becoming more and more difficult to sustain the current socialist model. More than half of Belarusian industry is estimated to operate at a loss, but closing down unprofitable factories and introducing structural reforms would cause social unrest that could be fatal for Lukashenka. Furthermore, Belarus has so far bought gas from Russia for a neglidgible price, $47 per 1,000 cubic meters, but now Gazprom is demanding a triple price from the beginning of 2007, which would also be a hard blow for the regime.

In an authoritarian country such as Belarus, external support to democratisation obviously needs to be directed to civil society, independent media and pro-democratic opposition. It is crucial to ensure the independence of civil society aid from the recipient country's government. Because of governmental control, it is impossible to give assistance to pro-democratic groups through formal and open channels. It is also very difficult to support non-political groups that are autonomous and do not work for the regime. Donors have no choice but to work secretly and indirectly. Aid may be channelled through neighbouring countries or NGOs based outside the target country. Events organised outside the target country and support for study trips to individuals are common forms of assistance in such cases.

Because of the strongly repressive nature of the current regime, one should not expect a democratic turn in Belarus, once it occurs, to be similar to the color revolutions. While it was possible in Ukraine and Georgia to reach a deal between the former powerholders and the opposition, the same is unlikely to happen in Belarus. The threat of violence is larger; one can expect a Romanian type of violent breakthrough rather than another flower or singing revolution.

Supporting different phases of democratisation

Although Western states and organisations have become increasingly active in promoting democracy abroad, there is consensus among democratisation scholars that domestic factors continue to be decisive for the success, failure or absence of democratic reforms. Michael McFaul concludes from his work on three recent cases of democratic breakthrough – Serbia, Georgia and Ukraine – that western democracy aid had no decisive impact on these events, although it did play "a visible role". He identifies a number of domestic factors that were present in each case and thus help us predict future transitions. Accordig to his analysis, a democratic breakthrough is more likely to occur if the following preconditions are in place: the regime is not fully authoritarian but allows some civic freedom; the incumbent leader is unpopular; there is a united and organised opposition that is able to mobilise mass protest; independent NGOs are able to monitor elections and expose fraud; there is at least some independent media; and the regime is not united and cannot rely on the military, police and security forces in case of mass demonstrations.[10]

While all these factors contributed to change in the three cases, the situation in Belarus looks far less promising: Lukashenka enjoys wide popularity, the opposition is relatively weak,

[10] Michael McFaul (2005) "Transitions from Postcommunism", *Journal of Democracy,* Vol. 16, No. 3.

independent NGOs are not allowed to exist, and the media as well as police and security forces are under the president's firm control. The decisive role of domestic factors does not mean, however, that external support does not matter. Taras Kuzio, for example, argues that although the Orange Revolution of Ukraine was "unquestionably homegrown" and to a large extent funded from domestic sources, international support was indispensable for the Yushchenko camp[11].

When assessing the opportunities of external actors to make a difference, it is of key importance to distinguish between different phases of democratisation. It is obviously most difficult for external actors to operate in a non-democratic environment. The use of any common instrument of democracy promotion – diplomacy, aid, political conditionality, economic sanctions or intervention[12] – involves major problems. Diplomatic measures are unlikely to be effective unless they are accompanied by substantial sticks or carrots. Possible sticks, such as economic sanctions or military threat, are costly and likely to have negative implications that may turn against the initial purpose. Carrots, for example political and economic cooperation and trade benefits, can only be effective if they are tied to credible conditionality and offered as a reward for democratic reforms. The rewards, however, are unlikely to be attractive to an authoritarian leader who will most probably lose power as a result of such reforms.

What remains is democracy assistance focused on the media and pro-democratic groups that work for change. A recent Freedom House report urges international donors to significantly increase assistance to political-reform-oriented NGOs. Based on a comparison of the pre-transition environment in 67 countries where transition has occurred, the study underlines the central role of nonviolent civic coalitions in bringing about change.[13] External aid alone does not create such coalitions, but it does help them to get organised and active. It is also important to maintain and promote contacts with the population and different groups in society: businessmen, students, scholars, cultural groups, lower-level and local officials etc. In general, all forms of linkages with outside world tend to undermine the authoritarian leadership, whereas policies of isolation and sanctions are not likely to have a democratising impact[14].

It is not easy for outsiders to play a role in the breakthrough phase either, not least because the pace of events poses a major challenge. Donors need to be present on the ground and have sufficient financial and administrative flexibility that allows them to react to changing circumstances and assist key actors, which is not a strength of EU assistance programmes. Diplomatic measures may have to be decided upon and carried out within hours – the EU's contribution to resolving the Ukrainian crisis during the Orange Revolution in late 2004 being a successful example.

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[11] Taras Kuzio (2005) "The Opposition's Road to Success", *Journal of Democracy,* Vol. 16, No. 2, pp. 127-129.
[12] See Peter J. Schraeder (2002) "Making the World Safe for Democracy", in Schraeder (ed.) *Exporting Democracy. Rhetoric vs. Reality*. Boulder, London: Lynne Rienner Publishers, pp. 219-220.
[13] Freedom House (2005), *How Freedom is Won: From Civic Resistance to Durable Democracy*, New York.
[14] Levitsky and Way (2005), "International Linkage and Democratization", *Journal of Democracy,* Vol. 16, No. 3, pp. 20-34.

External actors have better opportunities to contribute to democratisation after the hectic and unpredictable time of breakthrough. In a country like Ukraine, where the leadership is committed to reforms and open to external influence, assistance from outside may be essential for the capability of government to actually implement reforms and make the new system function. External support is also needed in order to broaden support to democratisation among the population. In Moldova (and other similar cases), external actors, the EU in particular, may have a more decisive impact because the country is very dependent on foreign aid and at the same time the commitment of government to democratisation is uncertain. The EU can thus safeguard the continuity of the new European orientation of Moldova by offering support, benefits and rewards.

The limits of ENP as a tool of democracy promotion

The most important shortcoming of ENP is that it does not offer strong incentives for the neighbours to implement reforms in accordance with EU norms. The ENP shares many similarities with the EU's enlargement policy, but lacks the most important element of enlargement: the goal of accession. The main common denominator is the extension of the EU's values and norms through conditionality. The candidate countries' relations with the EU are determined by their success in adopting the internal EU system. A similar logic, although in a weaker form, is also inherent in the ENP.

The second major problem inherent in the ENP is that the neighbours are doomed to stay in a relation of asymmetric interdependence with the EU. This type of relationship restricts their democratic self-determination, and it creates frustration and even hostility towards the EU. The same asymmetry characterises also the relations of candidate countries with the EU, but unlike candidates, the ENP partners do not have an end of asymmetry in sight. The EU tries to practice extended governance over the neighbours, but it is not willing to extend its system of governance and include the neighbouring countries. Sandra Lavenex highlights this problem by making a distinction between the institutional and legal boundary of the EU: the EU tries transpose its legal order upon neighbouring countries without a parallel institutional integration[15].

The ENP appears to be more dialogical than the relationship between the EU and applicant countries. The keywords of relations are partnership, mutual gains and mutually agreed goals, and joint ownership. While candidate countries have no choice but to adopt the whole set of EU norms, each ENP country negotiates a "tailor-made" plan. The Union stresses "ownership" on the side of partners and their freedom to choose how far they want to deepen their political and economic ties with the EU[16]. Yet the EU is economically and politically far stronger than the neighbours, and it does set conditions: the closeness and depth of relations depends on the extent to which the neighbours adopt EU norms. The Union's position may be described as "we do not impose anything, but if you want closer cooperation, do as we say". Many of the neighbours would choose a far closer relationship if they were able to satisfy the EU's conditions and if the Union was ready to build a closer relationship.

[15] Sandra Lavenex (2004) "EU external governance in 'wider Europe'", *Journal of European Public Policy* 11:4.
[16] European Commission, European Neighbourhood Policy: Strategy Paper, May 2004.

Thirdly, the ENP is a broad strategy that is of little help as far as practical work with each country is concerned. The broad framework needs to be filled with effective concrete guidelines for individual countries. The Action Plans that are bilaterally agreed with each neighbour take a step in that direction, but they outline far too long lists of priorities and say little about how to prioritise among the priorities and how to actually implement them. The neighbour countries themselves have to do a lot of homework in order to "translate" the Action Plans into policy guidelines for their governments[17].

The fourth obstacle to effective democracy promotion is the fact that the EU is not clear about its overall strategic aims in the eastern neighbourhood, and there is lack of political will on the side of some member states to develop a more pro-active strategy. While the new eastern member states are eager to give all the possible support to the democratisation of the (new) eastern neighbours, including the prospect of membership in the EU, some old members are very sceptical about stepping up the Union's engagement in the region. In the aftermath of the latest enlargement and the French and Dutch "no" to the constitutional treaty there is a serious concern that the Union would not be able to function with an ever-growing number of member states. In the case of eastern neighbours, there is also an important external reason for caution, shared in particular by the old large member states: one does do not wish to irritate Russia or to let the European aspirations of some CIS countries harm relations with the largest eastern neighbour of the EU.

Fifth, as noted in the introduction, the financial assistance offered to neighbours is limited, and what is even more significant here, only a small share of assistance goes to democracy and civil society. For example, the EU's contribution to Ukraine and Moldova has been modest in comparison with the US: in 1998-2004 the US gave over €1220 million of assistance to Ukraine and over €210 million to Moldova, whereas corresponding figures for the EU were €826 million and €115 million. Moreover, in Ukraine the EU directed a considerably smaller share of its assistance to democracy and civil society than the US. In the same period, the EU was the largest western donor to Belarus, but civil society was a far more important priority for the US that gave approximately four times more aid (€17.80 million) to Belarusian NGOs than the EU.[18]

Apart from problems related to the ENP, the EU's democracy promotion policies also contain many problems that are reflected in the ENP and limit its ability to promote democratisation in the neighbouring countries. The core problem is the "scattered and ad hoc approach" of the EU to democracy promotion: democratic principles "permeate all Community policies, programmes and projects", but in practice they have not been consistently followed[19]. The Commission aims to develop a more strategic and coherent approach now that it is reforming the whole structure of external assistance programmes. Democracy promotion should become an integral part of different geographical instruments, including the ENPI. In addition, the Commission has proposed a new thematic programme on democracy and human rights that

[17] See Roadmaps of Ukraine and Moldova.

[18] For more detailed data, see Kristi Raik, *Promoting Democracy through Civil Society: How to step up the EU's policy towards the Eastern neighbourhood.* CEPS Working Document No.237/February 2006.

[19] Richard Youngs, Jean Bossuyt, Karijn de Jong, Roel von Meijenfeldt and Marieke van Doorn (2005), *No lasting peace and prosperity without democracy and human rights*, Brussels, European Parliament, 27/07/2005, pp. 14-15.

would be a successor of the European Initiative for Democracy and Human Rights (EIDHR) and complement and support the geographical programmes[20].

Two outstanding weaknesses of the EU's democracy assistance are support to civil society and democracy promotion in authoritarian countries. A common source of these weaknesses is the Financial Regulation of the EU[21]. The Regulation imposes tight financial control with auditing rules that are far stricter than the usual standards in both public and private sectors. The system has been criticised for raising the costs, increasing uncertainty and reducing the effectiveness of NGOs that seek funding from the Commission. The extensive and complicated reporting requirements pose a further extra burden on both recipients and the Commission. Altogether, the procedure takes such a long time – several years from programming until actual payments - that local conditions and needs may change radically during the period, and few NGOs in transition countries are able to plan their work so long in advance. Since the procedures are extremely slow, laboursome and costly, it is particularly difficult for small NGOs to apply for EU funding. It is indeed common knowledge among activists in the neighbouring countries that the procedures of EU aid programmes are very unfavourable for NGOs. Most organisations prefer working with other donors that are more flexible and less bureaucratic.

It is particularly difficult for the EU to support civil society in non-democratic countries where its bureaucratic rules often pose insurmountable obstacles and political agreement among its institutions and member states is particularly difficult to reach. The EU is not alone with this challenge: the aid of Western governments is also focused on democratizing countries, while much less is done in non-democratic countries. However, the current EU assistance programs are more rigid than those of other donors. As noted above, it is essential in an authoritarian environment that civil society assistance is independent from the approval of the recipient country's government. This principle is followed by the EU under the EIDHR programme, but not under Tacis that has been the major assistance programme for the CIS countries, including Belarus. Even in non-authoritarian countries the involvement of government in civil society assistance contradicts the very idea of civil society as a sphere that is independent from government. It is, thus, most welcome that the European Commission has recently acknowledged the need to assist civil society directly, without the involvement of recipient country governments. Under the new system of EU external assistance, to be applied from 2007 onwards, it would be crucial to make this principle a rule in all civil society assistance.

What can the EU do more and better?

The most powerful instrument of democracy promotion in the eastern neighbourhood would be enlargement, but as we know, this tool is not available for the time being. The ENP is less effective and more problematic as a means to extend the EU's norms and values to the east.

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[20] European Commission, Commission simplifies external cooperation programmes, IP/06/82, 25/01/2006.

[21] See F.M. Partners Limited (2005) *Striking a Balance: Efficiency, Effectiveness and Accountability*, Report by F.M. Partners Limited on behalf of Open Society Institute Brussels, Concord, the Platform of European Social NGOs, SOLIDAR and the European Women's Lobby; Soto, Paul - Grupo Alba (2005) "The Commission could do better", the Greens – EFA in the European Parliament, May 2005.

Nonetheless, the EU's democracy promotion policy in the eastern neighbourhood can be improved within the framework of ENP, through measures that do not require a major change of strategy.

First, as for Ukraine, Moldova and other neighbours that are willing to adopt European norms, the EU and the neighbours should make better use of the ENP Action Plans – which they are gradually learning to do. This means defining the priorities of the Action Plans more clearly and harnessing the documents better to the reform agendas of neighbour countries' governments. Regular monitoring of the implementation would also be a strong tool for promoting reforms. Ideally, it would be carried out by the Commission through yearly reports similar to those prepared on candidate countries. Since the Commission is currently not prepared to do this, the task should be carried out by other external actors[22] and/or domestic civil society[23].

The ENP could also be developed into an effective tool for promoting cooperation between civil society and the state. This would require consistent inclusion of civil society on the agenda of political dialogue between the EU and neighbouring governments, as well as the involvement of NGOs in the preparation and implementation of the ENP action plans. The EU can encourage public authorities to include NGOs in policy process and to seek for partners among non-state actors. The governments of Ukraine and Moldova, for example, would also need assistance and expertise in order to improve the legislative environment of NGO activity so as to create a more favourable taxation system and encourage local philantrophy.

Second, the EU should introduce systematic conditionality into its relations with neighbours, and hence systematically reward governments that are committed to democratisation by establishing a clear linkage between the progress of democratisation and overall assistance given to governments. At the same time, it is worth stressing that democracy aid as such is not conditional – it is neither offered as a carrot to reform-minded countries, nor used as a stick against non-democracies. Civil society and independent media need at least as much, if not more aid in repressive societies such as Belarus as they do in democratising countries. Thus, the EU should give more overall assistance to governments that are committed to democratic reform, and more democracy aid, with a focus on civil society, to countries that are non-democratic.

Third, the EU needs better instruments for assisting civil society and in particular pro-democratic groups in authoritarian countries. Several experts have called for the establishment of a European democracy foundation that would provide a valuable new instrument[24]. Many western countries channel some of their external aid through foundations that are formally independent from the state. In practice the foundations function as quasi-governmental actors

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[22] E.g. Michael Emerson has suggested democracy review by the Community of Democratic Choice, see "What should the Community of Democratic Choice do?" CEPS Policy Brief, March 2006.

[23] See Nicu Popescu, "The EU and South Caucasus: learning lessons from Moldova and Ukraine". A paper published by the Georgian Foundation for Strategic and International Studies, April 2006.

[24] E.g. Urban Ahlin (2005), "The EU needs a policy on Belarus", *CER Bulletin*, Issue 45, December 2005/ January 2006, London: Centre for European Reform; Jakub Boratynski (2005) *European Democracy Fund*, Concept Paper, Stefan Batory Foundation, 10 March 2005; Dov Lynch (2005), "Catalysing Change", in Lynch (ed.), *Changing Belarus*, Chaillot Paper No. 85, November 2005, European Union Institute for Security Studies, Paris; Pontis Foundation, *EU Democracy Assistance to Belarus: How to Make Small Improvements Larger and More Systematic?*, Policy Brief, Bratislava, 24 March 2005.

that are publicly funded and to some extent supervised by the government. Their activity is in line with official foreign policy and thus helps to pursue the overall goals of external aid.[25] The most significant foundations of this kind are the German *Stiftungen* that have made an essential contribution to democratisation in many countries, including Eastern Europe[26]. Another important model for the EU is the US National Endowment for Democracy.

In comparison with official foreign aid, foundations are more flexible and innovative and less bureaucratic, as they are not constrained by the same legal and procedural requirements as government agencies. They are therefore much better than governments at acting in non-democratic countries and supporting civil society. The establishment of a European democracy foundation has been discussed in the EU, and the European Parliament has expressed its support to the idea[27]. The ability of foundations to work in non-democratic countries should be stressed in particular with a view to the difficulties faced by the European Commission in promoting civil society and human rights in Belarus. An independent foundation would enable the EU to support Belarus in a much more effective and flexible manner than what is possible through the Commission programmes. In the meanwhile, the Commission should continue to focus on the type of assistance where it is relatively strong, namely aid to governments that carry out political and economic reforms.

The EU's increasing engagement in the eastern neighbourhood has far-reaching implications for the future of Europe: the more effectively the Union promotes the Europeanisation of its neighbours and extends its system of governance to the neighbourhood, the harder it becomes to avoid the question of offering them the prospect of membership. Even the most ardent opponents of further enlargement can hardly oppose support to the democratisation of neighbouring countries. They need to acknowledge that the EU has no right to deny full membership to democratic European countries. The EU's policy towards the eastern neighbours puts into test the Union's continued commitment to its underlying goals and principles, above all the promotion of democracy and security through integration.

[25] See James M. Scott (2002) "Political Foundations and Think Tanks", in Schraeder, *Exporting Democracy.*

[26] See Dorota Dakowska (2002) "Beyond Conditionality: EU Enlargement, European Party Federations and the Transnational Activity of German Political Foundations", *Perspectives on European Politics and Society*, Vol. 3, No. 2, pp. 271-295; Swetlana W. Pogorelskaja (2002) "Die parteinahen Stiftungen als Akteure und Instrumente der deutschen Aussenpolitik", *Aus Politik und Zeitgeschichte* B 6-7/2002.

[27] European Parliament, *Report on the European neighbourhood policy*, A6-0399/2005, 7.12.2005, adopted by the Parliament on 18 January 2006. In February 2006, the Parliament's Democracy Caucus commissioned a more detailed proposal, see http://www.nimd.org/upload/eurodemofoundation.doc

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The EU and the Eastern Neighbours:
Democracy and Stabilization without Accession?

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The EU Initiatives for Border Management in the Eastern Neighbourhood of the EU

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The EU Initiatives for Border Management in the the Eastern Neighbourhood of the EU

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Introduction

Current approaches of European Union in the area border management initiatives in the close abroad are conceptually based upon Commission's policy paper "Wider Europe - Neighbourhood: A New Framework for Relations with EU Eastern and Southern Neighbours" published on March 11, 2003 and related documents. This paper, states that the EU's aim is to work in partnership to develop a zone of prosperity and a friendly neighbourhood – a 'ring of friends' – with whom the EU enjoys close, peaceful and cooperative relations. Ultimately, the EU is offering to extend to its neighbours the 'four freedoms' of its internal market (in the movement of goods, people, capital and services). These goals clearly cannot be achieved soon, in order to do it European Neighbourhood Policy (ENP) Action plans were developed with neighbouring countries in order to shape preparatory work on legislative approximation and institutional adjustment.

An important component for the European Neighbourhood Policy is border management and sub regional cooperation. The Commission's view on these issues was formulated in a paper, published in July 2003, called 'The New Neighbourhood Instrument'. This defines the financial mechanisms that will help to set up enhanced cooperation along the border of the enlarged EU. In fact, the ENP programmes are to be inspired by the experience of cross-border cooperation among border regions within the EU, as well as among the border regions of the current EU Member States and future members. The focus is concentrated on four areas of cooperation: *promoting sustainable economic and social development; addressing common challenges, such as the environment, health, the fight against organised crime, ensuring efficient and secure borders and promoting local, 'people-to-people' actions*[1]. Together, the political, economic and regional cooperation objectives pursued by the EU are meant to counter the reasoning that contrasts the countries on the 'inside' with those on the 'outside'. The idea is to strengthen relations with old and new neighbours in the east and south, and to make sure that EU enlargement benefits not only the EU, but all the Union's friends and neighbours. As *Vincent Piket* expects, proximity policy will be flexible in its implementation, adapting to the different level and character of the EU's relations with each of its neighbours[2].

Borders have to operate efficiently at the same time not being an obstacle for ordinary people to cross and communicate. They should be friendly, but transparent and secure as well. This is important for combating international cross-border problems, such as illegal migration and trafficking in human beings, and organised crime in general. These common challenges have become increasingly important in international cooperation, and in the EU's relations with its neighbours in the east. Border management is becoming increasingly important as the EU's borders expand.

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[1] Vincent Piket EU Enlargement and Neighbourhood Policy .- Russian regional Perspectives journal. –Volume 1, Issue 3.

[2] Ibid

New Eastern neighbours of the EU have their specific border problems. Among them are incomplete legal framework, unfinished delimitation and demarcation processes, lack of efficient infrastructure, and existence of so-called "frozen conflicts". The EU has provided technical assistance to upgrade and modernise border crossings, and is committed to continuing to furnish such assistance.

Since ENP emerged, the EU increasingly pays an attention to political component of border related issues, not only technical one. Due to EU's growing interest to "frozen conflicts" agenda, and involvement in Transnistria solution process some specific policies and initiatives were proposed by the EU especially for Ukraine and Moldova. The EU Border Assistance Mission is the most important one.

In the frames of this analysis author is going to concentrate on some newly emerged components of the EU policy dealing with sub-regional cooperation in the sphere of border management.

Author's primarily interests here are following: The EU role in Transnistrian conflict solution process, and the EU Border Assistance Mission to Ukraine and Moldova (EUBAM), Moldova-Ukraine new customs regime (established due to the EU support), and its role in fighting against smuggling and trafficking at the border, especially on its Transnistrian segment.

Söderköping Process

European Union has an experience of policies and practices in the sphere of multilateral efforts in border management and cross-border co-operation. One of them, known as 'Söderköping process' was launched in early 2001 to address the cross-border co-operation issues arising with the EU enlargement eastwards and to promote dialogue on asylum and irregular migration issues among the countries situated along the EU eastern border, a pro-active initiative. The process encompasses Belarus, Estonia, Hungary, Latvia, Lithuania, Moldova, Poland, Romania, Slovakia, and Ukraine, and is supported by the European Commission, the Swedish Migration Board, the United Nations High Commissioner for Refugees, and the International Organization for Migration.

The Cross-Border Co-operation/Söderköping Process (CBCP) Secretariat was established in May 2003 by the European Commission project to act as a service and co-ordination centre on behalf of countries and organisations participating in the Söderköping process [3].

Since 2001, the Söderköping process has grown to include now ten countries situated along the enlarged EU border: Belarus, Estonia, Hungary, Latvia, Lithuania, Moldova, Poland, Romania, Slovakia, and Ukraine. The process is supported by the EC, IOM, the SMB and UNHCR.

EU role in Transnistrian conflict solution process: border aspects

Transnistrian conflict is a challenge to security of borders as the nature of the conflict itself is strongly linked to the major border security threats, as defined by the EU Commission and other international institutions namely: *smuggling, trafficking, including humans, weapons and drugs, organised crime, illegal migration, corruption at borders*. According to the EUBAM Initial Assessment Report, in particular, much of the smuggling across Moldova-Ukraine border is undertaken by organised criminal groups using a sophisticated modus operandi. These groups make use of the territory of Transnistria to smuggle goods back out to Ukraine and also into the Moldovan domestic market. It appears that the Transnistrian authorities are either unwilling or unable to take effective action to counter

Transnistria remains an important instrument of international black and grey markets, false export-import operations in the Eastern Europe. For example, according to General Ferenc Banfi, Head of EUBAM, in the six months from October 2005 to March 2006 , there were almost 40

[3] http://soderkoping.org.ua/

thousand tonnes of chicken meat imported into "Transnistrian Moldovan Republic". This is the equivalent of 67 kilogrammes per person; the average consumption in German is almost 5.6 kilogrammes per person. It is likely that meat imported into Transnistria on the understanding that Transnistria is the final destination point, is being smuggled back out again to Ukraine or to a third destination. While the so-called Transnistrian authorities have not be able to discover any illegal activities, the Ukrainian border guards and other law enforcement agencies have found nine cases of smuggling involving 68 tonnes of chicken meat.[4]

The recent enlargement of NATO and the European Union changed the geopolitical map of Europe and made the Transnistrian conflict, with its actual and potential security threats, closer to the borders of the member states. This resulted in increased interest in Transnistrian issues on the part of these and other major international institutions, including the EU.

At the regional level, the situation has changed in favour of establishing a more homogenous political space, comprised of countries sharing common European values, and moving – although with quite a different pace – in a common direction, namely, towards joining the EU and NATO.

Changes mentioned above, determined the political will of the EU elites to re-evaluate assessments and commitments in view of the risks and security threats that the 'frozen' conflict in Transnistria represents for the EU member states and the region as a whole.

These changes gained impetus in 2004 – 2005 after the last round of elections in Ukraine, Romania and Moldova. All of them demonstrated that the people strive for more freedom and democracy, thus confirming their European choice. One of the impacts of these events has been the essential improvement of bilateral and trilateral relations between Ukraine, the Republic of Moldova, and Romania. Although not all of the previously accumulated tensions are already diffused, and a number of yet unsolved questions remain, an obvious improvement in the regional atmosphere is evident.

Further and deeper involvement of the EU in the processes aimed at a peaceful and sustainable solution to the Transnistrian problem would be beneficial for the eventual result. The first encouraging steps already taken include agreement by the EU and US to participate in the negotiations (although only in the status of observers), and the Border Assistance Mission established by the EU, which started its operations on 1 December 2006.

EU Border Assistance Mission to Moldova and Ukraine

EU Border Assistance Mission to Moldova and Ukraine (EUBAM) is an example of new kind of the EU policy aimed to share positive experience of old and new member states in the area of border and customs control with Ukraine and Moldova with special stress on contribution to Transnistria solution joint efforts. EUBAM was established as a reaction to the joint letter of the presidents of Moldova and Ukraine dating from 2 June 2005 calling for additional EU support in overall capacity building for border management, including customs, on the whole Moldova-Ukraine border. On 7 October 2005, a Memorandum of Understanding on the Border Assistance Mission was signed[5]. The official opening ceremony of the EU Border Assistance Mission to Moldova and Ukraine took place on 1 December 2005.

[4] Statement by the Head of the EU Border Assistance Mission to Moldova and Ukraine, Brigadier-General Ferenc Banfi at the Joint briefing on the situation at the Ukrainian-Moldovan Border with General-Colonel P. Shysholin, First Deputy Head of the State Border Service http://soderkoping.org.ua/site.php/page9216.html

[5] http://www.eubam.org/files/0-99/73/memorandum_of_understanding_en.pdf

According to the Memorandum of Understanding, Mission is an advisory, technical body. It has no executive powers. Its aims are:

- to assist Moldova and Ukraine to harmonise their border management standards and procedures with those prevalent in EU member states;

- to assist in enhancing the professional capacities of the Moldovan and Ukrainian customs official and border guards at operational level;

- to improve risk analysis capacities;

- to improve co-operation and complementarity between the border guard and customs services between each other and with other law enforcement agencies.

The Mission is likely to last around two years. The Mission has its headquarters in Odessa, and currently has five field offices. It currently includes 70 experts seconded from a number of EU Member States: Belgium, the Czech Republic, Denmark, Estonia, Finland, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Slovakia, the United Kingdom. The Mission provides on-the-job training and advice to Moldovan and Ukrainian officials, reinforcing their capacity to carry out effective border and customs controls and border surveillance. Through its work, the Mission will contribute to building confidence and strengthening cross border co-operation. Border co-operation and efforts to seek a solution to the conflict in Transnistria featured in the ENP Action Plans agreed with both Moldova and Ukraine last year. Under the EU's Neighbourhood Policy, the EU is reaching out to its neighbours in order to promote prosperity, common values and security as well as to help break down trade barriers.

The EUBAM Advisory Board includes high-level representatives of Moldovan and Ukrainian customs and border guards authorities, the European Commission, the UNDP (as implementing partner), the EU Special Representative for Moldova, the EU Presidency, as well as the Organisation for Security and Co-operation in Europe (OSCE). The Foreign Ministers of both states also have the right to attend the Advisory Board Meetings. The EUBAM acts as Secretariat to the board.

At the time more then 40 recommendations to Ukraine and Moldova services were made in the Initial Assessment Report and other documents available at EUBAM web site. Among them are following:

Structural Issues: a major effort is required in all services to actively promote information exchange. IT is a key element, but equally important is an institutional willingness to exchange information. This is the only way to stay one step ahead of organised criminals who adopt increasingly sophisticated methods. Good information exchange cuts across almost every aspect of a modern system of border management.

Building up a modern **Risk Analysis System** for deploying resources effectively in order to meet threat of illegal activities. This is a major area of focus in the Assessment Report and is one of the objectives set out in the Memorandum of Understanding signed between Moldova, Ukraine and the EU;

All the services need to have **investigatory powers** (currently these are only enjoyed by the Moldovan Customs Service). This will preserve information within the services so that it can be used for improving risk analysis, will create more interest and incentive in making detections. Improving risk analysis should improve targeting, result in more detections and thereby creates a virtuous circle;

Infrastructure: The most of border crossing points require infrastructural work to bring up them up to standard. One of the key needs is IT and communications equipment, but some of the

requirements are more basic, such as a proper lighting. This is to ensure proper, effective border control in a safe environment for border professionals and customers;

Working practices: even within the available resources in terms of manpower and equipment, border control is not as good as it could be. While there are some exceptions, for the most part the controls carried out do not meet EU standards;

Training: there are some training gaps which need to be addressed. In particular, EUBAM sees a need for more expertise in the identification of false documentation (especially documents purportedly from EU states) and linguistic skills.

Illegal Activities on the border. In the Initial Assessment Report, EUBAM says that the issue of illegal border crossings should be urgently addressed and supervision should be stepped up. Mission welcomed the measures taken by the Ukrainian authorities to increase control of the green border by deployment of more staff and the erection of physical obstacles. EUBAM further recommends the use of trained mobile teams used to target illegal crossings[6];

Based on EUBAM's observations, it is clear that improved co-ordination and co-operation needed in order to meet present challenges, there must be the best possible co-operation and co-ordination between the border guards, customs officers and other national agencies involved with border issues. This also applies to the bilateral and international level.

EUBAM is a first EU mission of this kind. It is to early to assess its impact, however at the time being it is a real element of regional political process which substantially contributes to the 'securitisation' of the region by dealing with the problems going beyond narrow border agenda. This EU initiative may be efficient only if regional players like Ukraine and Moldova continue to follow consistent political will to search for the political solution on the basis of mutually commitment oriented approach on the basis of European values and principles.

One of good examples of such a policy, introduced recently with the support of the EU is new Ukraine-Moldova new customs regime.

The EU and Ukraine-Moldova new customs regime

By Joint Declaration of December 30, 2005, premier ministers of Ukraine, Jury Yekhanurov, and the Republic of Moldova, Vasile Tarlev, committed themselves to introduce a new customs regime on the basis of practical recognition of the integrity of Moldova's customs territory. According to new regulation all Transnistrian economic agent are obliged to receive a registration in Chisinau in order to conduct foreign trade via Ukraine-Moldova border.

Similar regime existed before: during period May 2003 – August 2004, then was cancelled after Moldova suspended a process of issuing licenses due to Transnistrian attempt to close Chisinau governed schools on the left bank of Dnister river. Ukraine then gave permission to Transnistrian enterprises to trade without Moldovan customs stamps.

After the change of regime in Ukraine in late 2004 Moldovan government resumed efforts to return Ukraine back to the track of 'normal' customs regulation. On May 25, 2005 premier minister Yulia Tymoshenko agreed to implement new customs regime, however president Yushchenko suspended it because of the strong pressure of business people involved in Transnistria affairs.

Joint Declaration of 30th of December became a new step ahead. EU's support for new customs regime was evident for Ukrainian diplomats, involved in the negotiations with Brussels on different levels. Implementation of the new regime was initially scheduled for January 18. However, because of lack of preparatory work of Moldovan side and due to strong pressure from Transnistrian lobbyists in Kyiv on the eve of implementation Ukrainian government postponed it

[6] EUBAM website http://www.eubam.org/

without setting a new date. This decision provoked strong criticism from the EU. In the early February Javier Solana at the meeting in Brussels with Ukrainian foreign minister Boris Tarasyuk expressed serious concerns about Ukraine's reluctance on custom regime issue.

Additional consultation allowed to solve the most of technical problems and finally new customs regime was implemented on March 3. Transnistrian authorities, fully supported by Russia, immediately blamed Ukraine in making a "blockade" in order to prevent Transnistrian business from any kind of legal foreign trade possibilities and by that set an economic pressure to Tiraspol to get political concessions. Transnistrian authorities organized physical blockade of the border, not allowing all cargos and even local trains to cross the border.

European Union, on its part, fully supported new customs regime. In the official declaration of the presidency it was said: "The EU fully supports the implementation of the Joint Declaration on Customs Issues of the Ukrainian and Moldovan Prime Ministers of 30 December 2005. The EU attaches great importance to transparent and secure borders. The implementation of the Joint Declaration reinstalls a transparent and legitimate customs regime on the Moldovan-Ukrainian state border.[7]

Several days before Javier Solana personally expressed his satisfaction "I welcome that the Joint Declaration of the Ukrainian and Moldovan Prime Ministers of 30 December 2005 is now being implemented, whereby Ukraine only recognizes Moldovan customs stamps and Moldova facilitates the registration of Transnistrian enterprises in Chisinau. I call on the economic agents of the Transnistrian region of Moldova to register with the relevant authorities in Chisinau in order to promote the unimpeded flow of goods across the border. I also call on the self-proclaimed Transnistrian authorities not to block this registration"[8].

EUBAM has become the most evident beneficiary, as previous uncertainty with customs rules really prevented the Mission from efficient work: it was not possible to identify clearly what is smuggling, what is not. According to EUBAM official, "the new customs regime in place since March has created a step-change in the effectiveness of the border control system. There is more transparency about import and exports flows to and from the so-called Transnistria".

European Union also expressed on 14 March 2006 a strong message in response for Tiraspol's attempts, supported by Russia, to establish self-blockade and present new customs regime as a mean of making "humanitarian catastrophe" in the region. "We call on the self-proclaimed Transnistrian authorities not to block this registration. We condemn any efforts by the self-proclaimed Transnistrian authorities to impede the free flow of international trade, which harms the interests of Transnistrian economic agents, which are thus deprived of their export possibilities. The EU expresses her hope that in the future the conditions will be put in place for Moldova to grant all registered Transnistria companies access to the trade preferences for the EU that other Moldovan companies now enjoy"[9].

New customs regime between Ukraine and Moldova is an example of efficient policy coordination of EU institutions, member states and European "aspirant countries" such as Ukraine and Moldova. However it is just a first step towards efficient co-operation of the EU and new neighbours in the area of border management, anti-corruption policy and frozen conflict solution.

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[7] Declaration by the Presidency on behalf of the European Union on the implementation of the Joint declaration on Customs issues of the Ukrainian and Moldovan Prime Ministers
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/cfsp/88802.pdf

[8] Javier Solana, EU High Representative for the CFSP, welcomes implementation by Moldova and Ukraine of Joint Declaration on Customs
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/en/declarations/88621.pdf

[9] Declaration by the Presidency on behalf of the European Union on the implementation of the Joint declaration on Customs issues of the Ukrainian and Moldovan Prime Ministers
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/cfsp/88802.pdf

Conclusión

Border problems in the Newly Independent States in East of Europe, are an integral component of incomplete state and institution building of those states, and represent the whole spectrum of key regional problems such as corruption, poverty, "frozen conflicts", lack of infrastructure and good political practices, poor governance etc.

The EU should provide complex assistance to help Eastern Neighbours in solving border problems in the frames of ENP and beyond. A new financial perspective for 2007-2014 gives more instruments to make this assistance efficient.

Dealing with the regional and border issues in the Western NIS the EU should be prepared to the fact that any kind of substantial policy in this area will lead to open or at least hidden confrontation with Russian positions and interests. Debates on Ukraine Moldova new customs regime and Transnistria solution as a whole proved it clearly.

EU needs to implement fully the mandate of the EU Border Assistance Mission with special emphasis on site inspections to be conducted without any kind of prior announcement. The next step may lead to extending the EU Border Assistance Mission mandate in order to monitor all illicit border trade according to international law and the new Ukraine – Moldova customs regime introduced on the 3rd of March of 2006.

Not only the inspection part is important in EUBAM activity, but also the capacity-building aspect in order to increase the popularity of the Mission, thus enhancing cooperation between the border guards and customs police personnel and gain the support of Ukrainian and Moldovan societies as a whole.

European Union may learn from existing experience that only complex involvement in the regional, as well as border related problems in the EU new neighbourhood might bring a positive outcome. Combination of firm political standing, direct involvement, mediation and technical, consultative and financial assistance may contribute to sustainable solution of border problems, which usually are just an element of larger set of political/structural issues actual for the Newly Independent States in the East of Europe.