Ukraine’s EU Integration during the Presidency of Victor Yanukovych

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UKRAINE’S EU INTEGRATION DURING THE PRESIDENCY OF VICTOR YANUKOVYCH

ABSTRACT
This paper looks at Ukraine’s EU integration during the Presidency of Victor Yanukovych, with a special focus on EU’s policy towards this country. It asks what went wrong and why Victor Yanukovych stepped back at the last minute from signing the Association Agreement with the EU, as was planned during the European Eastern Partnership Summit. To answer this question, EU’s own policy towards Ukraine is analysed. Furthermore, Ukraine’s policy choices are examined in a broader framework of the external pressures, which the country faces – both from the EU and Russia, and domestic variables. While Ukraine is presented as being between the EU and Russia in its policy orientations, there are important dynamics in this constellation of factors.

INTRODUCTION
This paper considers Ukraine’s EU integration during the presidency of Victor Yanukovych from February 2010, when he was inaugurated as president, until November 2013, when the strategic Association Agreement (AA) and the Deep and Comprehensive Free Trade Area Agreement (DCFTA) with the EU were to have been signed at the Vilnius Eastern Partnership (EaP) Summit. It seemed that Ukraine had come closer than ever before in its EU integration aspirations.

There were two main questions prior to the EaP summit. The first was whether President Yanukovych would free his imprisoned rival, Yulia Tymoshenko. While the conditions for signing the AA with Ukraine went beyond this issue, this became the main point of the discussions in the EU and in Ukraine. The second was whether all member states would agree to sign the AA with Ukraine, even though not all conditions were fulfilled. The third question, which turned out to be the most important, was left in the background – whether Yanukovych would be willing to sign the AA with the EU.

These three questions were temporarily resolved several days before the EaP Summit on 28–29 November, with the official Ukrainian decision to postpone the

1 I would like to thank Justina Budginaite, Sergey Rastoltsev and Anastasiya Raevskaya for their help in research.

signing of the AA and DCFTA.³ This generated large-scale protests in Ukraine and raised new questions about the foreign policy course of Ukraine and its domestic developments as well, which cannot, however, be considered in this paper.

Here the focus is on what went wrong and why EU’s policy did not bring about the desired result of drawing Ukraine closer. First of all, the paper considers which instruments the EU has at its disposal and how it has applied them in relation to Ukraine. Thereby, Ukraine is considered as a recipient of EU’s policies. This is in accordance with the external governance – “hierarchy” – approach, which means asymmetric influence and a “formalized relationship of domination and subordination.”⁴ EU’s approach to Ukraine has been largely a top-down, hierarchical approach.⁵ Even though the EU has gradually introduced the elements of “network” and “partnership” in its renewed ENP strategy,⁶ EU’s implementation is still guided largely by hierarchical mechanisms.⁷

Second, while the main focus is on EU-Ukraine relations, the Russian factor is also studied, as it has been a major external impediment to EU’s policies in its neighbourhood.⁸ Third, Ukraine’s domestic realities are considered as “intervening variables” among the external influences of the EU and Russia, in accordance with neoclassical realism.⁹ It claims that it is external pressure to which a state responds in its foreign policy. These, however, are filtered through different domestic conditions, which intervene between external pressures and foreign policy outcomes. While it is unrealistic to consider all possible intervening variables, this paper pays attention to the factors, which have impacted Ukraine’s foreign policy in the past: the economic situation, pre-election conditions, regional divisions and divisions among oligarchs. Taking into account strong external pressures, but

⁹ Taliaferro, J. W., Lobell, S. E., and Ripsman, N. M. (eds.) (2009), Neoclassical Realism, the State, and Foreign Policy, Cambridge: Cambridge University Press.
also the complex domestic politics in Ukraine, EU’s policy towards Ukraine and its responses to it can be better understood.

EU’S POLICY: UNABLE INSTRUMENTS AND THEIR APPLICATION IN THE CASE OF UKRAINE

The EU is interested in democracy promotion, Europeanization and socialization of Ukraine, with its policy being value-oriented. Its policies are also interest-based: it is interested inter alia in Ukraine’s market, energy infrastructures, stability and in ensuring that security threats (e.g. trafficking, illegal migration) do not spill over into the EU. Geopolitical games with Russia also are a part of EU’s Ukraine policy. It has been using various diplomatic/political and economic assistance instruments, trying to influence Ukraine’s policies.

EU’s political and diplomatic instruments

The main instrument, which the EU has in relation to Ukraine, is diplomatic/political influence (“soft power”), because of Ukraine’s aspiration of integration with the EU, up to the level of membership (since 1994). The union is not prepared to offer the prospect of membership, but, as a sort of a substitute, it has designed the European Neighbourhood Policy (ENP) and EaP. The EU and Ukraine have been negotiating on the AA within this framework since 2008. The AA is intended to be the successor to the Partnership and Cooperation Agreement (PCA), the main document, defining EU-Ukraine relations, which was signed in 1994 and went into force in 1998. The AA is the highest level agreement the union can have with a non-member partner state. There are many preconditions, which Ukraine first has to fulfil, which are defined in the Association Agenda, and which indicate the EU’s

14 For the current version see: EU-Ukraine Cooperation Council (2013), ‘EU-Ukraine Association Agenda to prepare and facilitate the implementation of the Association Agreement,’ available from http://goo.gl/0UC2kU.
“hierarchy” approach. Ukraine’s progress is evaluated in various progress reports. The main general conclusion – even though there are sectoral specifics – is that the Ukrainian government is implementing EU rules selectively and is prepared to work only on reforms that will not undermine the power of the ruling elite.

Even though the government of Yanukovych has done much to come closer to EU integration and to promote it among the population, its record of achievements is more negative. During his presidency, according to the Bertelsmann-Transformation-Index (BTI) 2012, Ukraine has been the only country out of 128 studied by BTI in which all aspects of political participation and rule of law have worsened by comparison to the situation in 2010. Freedom House has downgraded Ukraine’s rating from “free” in 2010 to “partly free” in 2011 and 2012, the OSCE/ODIHR assessed the parliamentary elections in 2012 as “a step backwards.”

This is why the EU has actively used statements, calls and resolutions, in which, by means of “blaming and shaming,” promises and warnings, it has made (futile) efforts to impact the conduct of the Ukrainian government. The most obvious example of its inability to have a real impact has been the conviction and imprisonment of Yulia Tymoshenko, former Prime Minister of Ukraine and Yanukovych’s rival. In 2011, she was found guilty of exceeding her powers while in office by ordering the state energy firm, Naftogaz, to sign a burdensome gas deal with Russia in 2009. Even though this case involves different aspects, it was politically motivated and was used by Yanukovych to put his most serious political opponent out of circulation for years.

The EU did not believe that such a scenario was at all possible, and this is why it only belatedly started to apply its influence, after Tymoshenko was condemned. Thereby, the AA was used as the trump card by the EU. For example, on 27 October 2011, the European Parliament (EP) adopted a harsh resolution on

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15 During the presidency of Yanukovych these were: three reports on the progress of Ukraine’s implementation of the Association Agenda and three reports on Ukraine’s implementation of the ENP. Available from http://goo.gl/71OmNT.


20 Author’s interviews in the European Commission and Parliament, Brussels, April 2012.
Ukraine, criticising the imprisonment of Tymoshenko and warning that a failure to review her conviction “will jeopardize” the conclusion of the AA, “while pushing the country further away from the realisation of its European perspective.” At the following Ukraine-EU summit in November 2011, “a common understanding” was reached on the text of the AA, but it was not initialled, as was expected before the Tymoshenko case. The joint declaration revealed the pressure that the EU exerted on Ukraine: “Ukraine’s performance, notably in relation to respect for common values and the rule of law, will be of crucial importance for the speed of its political association and economic integration with the EU, including in the context of conclusion of the Association Agreement.”

EU’s critique of the deterioration of democracy in Ukraine and of Tymoshenko’s imprisonment continued in 2012 and especially 2013. In 2012, the Ministers of Foreign Affairs (MFA) of five EU states wrote a very critical article on Ukraine.

There were many discussions in the EP on whether to initial the AA and DCFTA with Ukraine, because of the lack of progress on the Tymoshenko case and further deterioration of democratic standards. Despite this, on 30 March 2012 the AA and DCFTA were initialled. The discussion in the EU on whether to sign these documents with Ukraine continued. In this respect, the EU’s Foreign Affairs Council set requirements, which Ukraine needed to fulfil: “to address the cases of politically motivated convictions without delay as well as to take further steps to reform the judiciary to prevent any recurrence”; “to take additional steps on judicial reform”; and to implement reforms, which were jointly agreed in the Association Agenda.

Nonetheless, the main focus was on the Tymoshenko case. The EP set up a special mission, which undertook 22 visits to Ukraine with its heads, the former President of the EP, Pat Cox, and the former president of Poland, Aleksander Kwaśniewski, requesting Tymoshenko’s pardon.

Different representatives of EU member states emphasized that the EaP summit was decisive for Ukraine’s European integration – an important deadline for Ukraine in terms of “now or never” – otherwise this prospect would be delayed “for years.”

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24 Council of the EU (2012), op. cit.


Despite all this pressure, instead of granting Tymoshenko amnesty, new charges were raised against her in 2012 and 2013. Just before the EaP summit in 2013, the Ukrainian Parliament failed to pass a resolution on Tymoshenko that would allow her to go abroad for a medical treatment and would release her from the prison, even though this refusal could have endangered the signing of the AA.

Even though the EU was unified in condemning the case of Tymoshenko's imprisonment, there was no unity about what to do next, something that also reflects the specific interests of some member states. Some argued for strict conditionality, that Ukraine has to fulfil the conditions first ("more for more" principle), while others wanted "to avoid giving Putin the time and opportunity" to exploit Ukraine's vulnerability. Thereby, geopolitics intervened in the conditionality politics of the EU. Furthermore, signing of the AA was also seen by the EU and internationally as a benchmark to measure the success of its policies in the neighbourhood, and the EU needed a success story.

In summary, the EU has gradually started to use a more critical and harsher tone in relation to Yanukovych and his government. Nevertheless, we still hear many voices, instead of a single European voice. The Tymoshenko case is a good example of the union applying its leverage belatedly and only selectively. While the Tymoshenko case was overly politicized, other issues, which are no less important, have gone into the background. There was a feeling in Ukraine of some unfairness on the part of the EU, and that the EU prospects for the whole country could be blocked, because of one case/person. While the AA and the DCFTA have become the main political instruments of the EU, they turned out to be ineffective.

Financial/Economic and Assistance Instruments

Besides exerting political and diplomatic influence, the EU also has some financial means and economic aid and assistance to influence Ukraine. The number of financial and economic instruments and programmes has increased greatly over the years. The EU began to operate in Ukraine in early 1992 within the scope of the Technical Assistance to the Commonwealth of Independent States (TACIS) program. Until 2007, it paid for the ENP programmes out of TACIS funds, but in

30 Author's interviews in Ukraine in October 2013.
2007 the European Commission (EC) established a special budget to implement the ENP and later EaP, the ENP Instrument (ENPI).  

Most Ukraine-related programs run under the ENPI. In 2011–2013, 470.1 million Euros were allocated for programs in the areas of good governance and rule of law, facilitation of entry into force of the AA and DCFTA, and sustainable development. Some of the programs are bilateral, while others are EU interregional programs with their own tools in different areas. There are also EaP programs, which are intended to increase cooperation among EaP countries. The EU also provides assistance to Ukraine through other instruments and thematic budget lines, such as, for instance, the Instrument for Nuclear Safety Co-operation, the European Instrument for Democracy and Human Rights (EIDHR), Environment and Sustainable Management of Natural Resources, Investing in People and Migration and Asylum, Tempus and Erasmus Mundus, the Global Fund and Instrument for Stability (IfS). All in all, there are more than 400 programmes and projects, which are currently being implemented in Ukraine.

By providing – or suspending – this assistance to Ukraine, the EU is also trying to influence its process of transformation. In 2011, for example, it suspended some support programs to Ukraine worth around 100 million Euros because of Ukraine’s adoption of a new law on public procurement, and the country’s growing corruption and lack of transparency. Because of the lack of progress on this issue, this funding remains frozen. Ukraine’s lack of action is not understood in the EU, especially taking into account Ukraine’s financial difficulties.

Besides the assistance, which Ukraine receives from the EU, the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) also give loans to Ukraine for specific projects, especially in the sectors of “mutual interest” – transport, energy, telecommunications and environmental infrastructure sectors. These are also areas of investments from EU countries to Ukraine.

32 See: http://goo.gl/IOKtN.
35 Adopted from European Union, op. cit., pp. 9, 34 and 35.
37 Author’s interviews in the Delegation of the EU to Ukraine, Kiev, October 2013.
The EU has also discussed the possibility of providing Ukraine with 500 million Euros in macro-financial assistance.\footnote{European Parliament (2010), ‘MEPs approve €500 million EU loan to Ukraine’, \textit{Press Release}, 17 May (2010), available from http://goo.gl/R08xdy.} However, this has not happened, because the EU’s macro-financial assistance depends on the International Monetary Fund’s (IMF) assistance,\footnote{European Commission (2011c), ‘Proposal for a Regulation of the European Parliament and of the Council laying down general provisions for macro-financial Assistance to third countries’, Brussels, 4 July, Com (2011) 396 final, 2011/0176 (COD), available from http://goo.gl/QBZKgk, p. 1.} and Ukraine’s cooperation with the IMF has been problematic. In August 2010, the IMF approved a 15.1 billion Euro standby loan for Ukraine to support the country’s implementation of reforms.\footnote{Roudet, S. (2010), ‘IMF Approves $15.1 Billion Loan for Ukraine’, available from http://goo.gl/NdT2Wt.} Ukraine received two tranches (worth a total of over 3.4 billion Euros). However, further aid was suspended in December 2010 because the Ukrainian authorities were not fulfilling the necessary requirements for this loan, in particular, the introduction of higher tariffs for gas for domestic consumption, the reform of the housing and communal services sector and pension reform and other unpopular measures. According to the Minister of Social Policy of Ukraine, Serhiy Tihipko, only after the gas agreement with Russia is re-considered will it be possible to change gas prices.\footnote{See: Bolshaya politika s Evgeniem Kisilevym, ‘S пустыми руками. Наши дела предложит. Улица Brezhneva’, 27 January 2012, available from http://goo.gl/d1o3FZ.} All other negotiations with the IMF were fruitless, and the last IMF report prior to the EaP summit repeated that Ukraine would not get the loan.\footnote{ukrinform.ua (2013), ‘IMF requirements became last straw in decision to halt association – Azarov’, 23 November, available from http://goo.gl/KJN87T.} Thereby the EU’s macro-financial assistance is also blocked.

Summing up, first the above overview of instruments and programs suggests that EU’s presence in Ukraine is large and impressive. However, a closer look reveals that most programs are rather brief (2–3 years), largely invisible to those who are not involved in them, “the focus is narrowly technical and processes are overly bureaucratic,” and the projects leave “no space for long-term planning and strategic thinking and provid[e] little hope for sustainability.”\footnote{Jarabik, B., and Kozbova, J. (2011), ‘European Neighbourhood Policy: addressing myths, narrowing focus, improving implementation,’ \textit{CES Paper}, p. 6.} The support, which the EU provides to Ukraine through these programs, is insufficient to help Ukraine to cope with its grave economic problems.

\textbf{Results of EU policy}

All in all, EU’s policy has been ineffective, weak and lacking in long-term vision. The situation around the AA clearly demonstrated all these drawbacks. While all the
talk was about signing the AA, there were no discussions of what would be after
the AA is signed and how to promote more comprehensive reforms in Ukraine. EU’s
policy has vacillated between conditionality and geopolitics towards the latter. The
AA question was excessively politicized, turning into a “now or never” issue and
into a geopolitical game with Russia. The normative conditions have become less
significant for the EU in this process.

While using its “soft power” towards Ukraine, the EU has not thought about
how Ukraine would be implementing the AA and DCFTA in the difficult economic
conditions. There were expectations in Ukraine that the EU would support it
financially, but the EU did not plan any support beyond regular programs.45 As a
result, the “soft” power of European norms was undermined by the lack of power of
economic and financial instruments.

THE RUSSIAN FACTOR

The Russian factor has always impacted EU-Ukraine relations. EU’s policies towards
its neighbours have depended on and reflected its relationship with Russia,46 and
both have played geopolitical games, in which the “in-between states” were both
used in these games and made use of them.47 During the presidency of Yanukovych,
the impact of the Russian factor has become stronger, turning into an important
impediment for Ukraine’s EU integration and for the EU’s policy.

Right after his election as president, Victor Yanukovych tried to create some
balance between further aspiring to European integration and normalizing relations
with Russia, which during the pro-Western presidency of Victor Yushchenko
reached a very low level. Many analysts expected Yanukovych to become a pro-
Russian president,48 and some of his first quick decisions as a president seemed to
indicate this: the notorious Kharkiv accords (the so-called “gas for fleet” agreement,
according to which Russia’s stationing of the Black Sea Fleet in Sevastopol was
prolonged and Ukraine received discounts on the price of Russian gas deliveries);
changing Ukrainian legislation and adopting a non-bloc status (introducing a
pause in Ukraine’s NATO membership aspirations). He also tried to mitigate some
other contentious issues in relations with Russia, concerning history and language,
for example.

45 Author’s interviews in Kiev in October 2013.
46 Solonenko, I. (2009), op. cit.
EUISS.
7, no. 109.
Despite Ukraine’s concessions and overall improvement of Ukraine-Russia relations, Yanukovych has not become a pro-Russian president. Ukraine did not make all the concessions Russia had hoped for. Most importantly, Ukraine continued to reject participation in Russian-led integration projects – the Customs Union of Belarus, Kazakhstan and Russia and broader Eurasian Union. Ukraine resisted Russia’s attempts to get control over its energy transportation system and Naftogaz.

Furthermore, as Arkady Moshes points out, the concessions, which Ukraine has made, were quickly forgotten by Russia. Ukraine did not get much in return. Most importantly, Russia did not decrease the gas price for Ukraine. As Moshes explains, “neither the proximity of views on domestic norms of governance nor Yanukovych’s readiness to be ‘pragmatic’ in Ukraine’s foreign policy brought harmony in relations between the two states, and the main reason for this is Ukraine’s focus on its sovereignty and freedom to make foreign policy choices.”

For Russia, Ukraine’s EU integration means different kinds of losses. Russia perceives Ukraine’s possible turn to the EU as a strategic geopolitical loss vis-à-vis the West. Russia is afraid that Ukraine’s closer relations with the EU will be a preparatory step for accession to NATO. Some Ukrainian enterprises are still connected to Russian enterprises, and Russia does not want to see losses in these areas or to see Ukraine as a competitor to its products in the long run. Finally, Ukraine’s symbolic importance as the “cradle of the Russian statehood” is still relevant.

Today Russia’s Ukraine policy has become more assertive for several reasons. Russia has strengthened its attempts to build its own union in the post-Soviet space and continues to see Ukraine as an important part of it. Both the EU and Russia are, thereby, more assertively pursuing their different projects of regionalism, which are seen by them as mutually exclusive. The AA perspective of Ukraine has become more real to Russia: “Russia treats the prospect of Ukraine’s Euro-integration peacefully as long as it does not believe it is a realistic one. Now, apparently, it believes that…” Russia perceives that this is the right moment under

50 Ibid.
the conditions in which the EU and the US are experiencing financial and other difficulties, and Russia, thanks to its resources, feels strong again (even though the reality is more complex). Especially, by comparison to the EU, Russia can mobilize its resources much more quickly, owing to centralized decision-making.

Several months before the EaP summit, in particular, Russia increased political and economic pressure on Ukraine, using both sticks and carrots. Different warnings of dire consequences on Ukraine’s economy have followed. Russia put pressure on Ukraine because of the latter’s dependence on its gas and its accumulating debt. Even though, officially, the Russian representatives admitted the right of Ukraine to choose its own foreign policy and denied putting pressure on Ukraine, Russian Deputy Prime Minister Dmitry Rogozin, for example, explained that the EU’s conditions will be “burdensome” for Ukraine, while Russia’s cooperation with Ukraine’s “traditional manufacturing and industrial relations will be disrupted.”

Russia would control exports from Ukraine more strictly, in order not to allow EU exports, under the cover of Ukrainian products, to get to Russian territory under a cheaper customs regime. As a result, in summer 2013, Russia used a stricter customs regulation, which led to a stop of exports of Ukrainian products to Russia for several days. Also the export of some Ukrainian products, e.g. confectionery, was banned. Russia warned that Ukraine would no longer be able to participate in the CIS free trade area. According to Fyodor Lukyanov, all these “sticks” had one goal: “to shake up the Ukrainian elite who are inclined to go with the flow, and to make them aware that the forthcoming ceremony is not a formal act… but a real decision with consequences.” As a result, according to Mykola Azarov, Ukrainian Prime Minister, a decrease in exports to Russia by more than one quarter… hit the Ukrainian economy hard, and this is why “the normalization of relations with Russia is question No. 1 in our national policy.”

Russia also used carrots, by indicating that it could significantly decrease the price of gas deliveries for Ukraine, give Ukraine considerable credit – around 15 billion and without demanding difficult reforms – and the Ukrainian military-industrial enterprises orders. In the words of First Deputy Prime Minister Igor Shuvalov, “No one other than Russia can provide Ukraine with the necessary funds so quickly and in such a quantity… but we will not help them without commitments.

on their part. Many Russian experts, nevertheless, warn that Russia's desire to leave Ukraine in its sphere of influence may be too costly. 

While Russia won in this geopolitical round vis-à-vis the EU, this looks more like a pyrrhic victory. EU-Russia relations have worsened. The EP adopted a critical resolution on Russia and Stefan Füle, Commissioner for Enlargement and ENP, criticized Russia's “enormous pressure.” Russian representatives, in turn, accused the EU of putting pressure on Ukraine. Russia's image has worsened both in Ukraine and in the West. Russia's policy has made Ukraine more important for the EU, so that the latter would try to strengthen its policy towards Ukraine. As in the past, Ukraine's foreign policy turn is short-run and not definitive. It is only the postponement of EU integration and not its cancellation.

Thus, the Russian factor has impeded the EU's policy to a greater extent than before. The union's normative policy looks much weaker by comparison to Russia's assertive use of its leverage over Ukraine and financial resources. The EU does not have such instruments as Russia has and it does not apply its own in such a manner, which looks like blackmail.

UKRAINE'S DOMESTIC SITUATION: “INTERVENING VARIABLES”

This section looks briefly at several domestic “intervening” variables, which have played the biggest role in Ukraine's foreign policy in the past. Because we deal with very complex factors, it is not possible to study them in detail. This section only indicates how these factors have developed and what they say about Ukraine's foreign policy orientation.

Economic situation

The drastic economic situation in Ukraine can help to explain why Victor Yanukovych gave up under Russian pressure. Ukraine's economy deteriorated as a consequence of the global financial and economic crisis in 2008. Naftogaz’

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debt to Gazprom was accumulating, reaching 806 million USD by November 2013.\(^{64}\) As a result of the rise in global energy prices, prices for Russian gas grew from 230 USD in 2010 to 400 USD per thousand cubic metres in 2012.\(^{65}\) In the past, economic problems have also influenced the foreign policy of Ukraine, “putting paid to aspirations to EU membership and influencing the Ukrainian government’s decision to seek a closer relationship with Russia.”\(^{66}\)

While the DCFTA should, in the long run, bring benefits to the Ukrainian economy, by boosting Ukraine’s GDP,\(^{67}\) it is not clear how Ukraine is to finance all the necessary modernization measures in the short run, especially in conditions where the country is almost on the brink of bankruptcy. As Jarabik and Kobzova point out, EU’s offer is not very lucrative “in a country where ‘long-term’ usually means no more than six months.”\(^{68}\) As mentioned, EU’s macro-financial assistance has remained frozen, and it would be insufficient. Thus, Russia is the only actor willing and able to assist Ukraine in the short run, even though this involves political costs for Ukraine.

**Pre-election conditions in Ukraine**

The decisions taken by Yanukovych can be also explained by the pre-election situation in the country. The presidential election is scheduled for 2015. In these conditions he was afraid of Tymoshenko as the strongest political opponent, and this is why he did not free her, even if this was to endanger the signing of the AA.

His turn away from signing the AA with the EU can be also explained by the pre-election situation. The short-term financial and economic solutions are needed by Yanukovych, in order to strengthen his ratings. Yanukovych’s approval rating has been declining: if in February 2010 about 28 per cent did not support his actions, by March 2013 their numbers reached 53 per cent.\(^{69}\) At the same time, he did not foresee what damage his decision to postpone EU integration would actually have on his reputation within Ukraine and how the situation would develop.


\(^{67}\) Ibid.


Ukraine’s regional divisions

The factor of Ukraine’s division was strongly reflected in Ukraine’s past elections, when the Western and Central regions usually voted for more West-oriented policies and candidates, while the Eastern and Southern regions were more Russia-oriented. Because of the pro-EU integration campaign, launched during the presidency of Yanukovych, but also because of the Russian pressure and Ukraine’s aspiration of sovereignty, 45 per cent of Ukrainians supported the AA by October 2013 and only 14 per cent preferred the Russia-led Customs Union. Even half of the supporters of the Yanukovych’s Party of Regions supported the AA. After Ukrainians were being convinced of the benefits of the AA, when the government suddenly pulled back from this step, this generated a lot of confusion, misunderstanding and anger, not only in the pro-Western regions of Ukraine, but also to some extent in the East and in the South. Overall, Yanukovych’s policies and the further destabilisation of the situation have undermined his positions.

While there were those, who protested against EU integration of Ukraine, these protests were not so great as the protests, which started after the EaP summit and after Ukraine’s government decided not to sign the AA. The trigger for the growth of the protests was the use of violence by the government in attempts to disperse the first “Euro-Maidan.” This brought to the streets not only those who support EU integration, but also all those from traditional pro-Russian “camp", who want the change of the current regime.

At the same time, the factor of geographic division of Ukraine still remains relevant, with “Euro-Maidan” gaining more support in the West and the Centre and “Anti-Maidan” in the East and the South of the country. This division demonstrates that it is difficult for the country to work out a clear priority vector in foreign policy.

Divisions between oligarchs

Ukrainian political elites have connections to different Ukrainian oligarchs. There are those oligarchs and interest groups, which have more interests in the Russian market, as well as those which are more interested in access to Western markets. Yanukovych has supporters among both groups. During his presidency, the balance between various business groups in Ukraine has been upset, because a

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70 Coalson, R. (2013a), op. cit.
new group of oligarchs, linked to the family and close associates of Yanukovych appeared and this may alienate other oligarchs.\textsuperscript{73} According to some Ukrainian experts, the government’s decision to postpone EU integration may be a reflection of the struggle between two groups of oligarchs: the “old group”, which was formed during the Kuchma presidency, which wanted to legalize their capital by going to the European market, and the younger generation of oligarchs which emerged during Yanukovych’s presidency and is more interested in re-distributing their property and in no hurry to get into European markets.\textsuperscript{74}

Nonetheless, there are also some signs that many Ukrainian oligarchs have gradually developed ties in both Russian and EU markets.\textsuperscript{75} Many have started to support Ukraine’s EU aspirations, because, in the words of Kirill Koktysh, MGIMO expert, they do not want to “end up as hired managers,” and this is why “naturally, they are seeking protection from the European Union from such a swallowing up [by Russian enterprises]”.\textsuperscript{76} According to Serhiy Taran, Head of the International Democracy Institute, all groups of oligarchs in Ukraine “understand that within the framework of the Customs Union their ownership rights will constantly be under threat.”\textsuperscript{77} At the same time, especially after crisis in 2008, many oligarchs turned to the Russian market.

Therefore, these different assessments of how power is distributed in Ukraine among different oligarchs show the complexity of the situation. It has become more difficult to divide oligarchs into clear pro-Russian or pro-Western groups. This shows that the interests of the business elites are also vacillating between these two vectors.

CONCLUSION

The EU’s policy towards Ukraine and Ukraine’s EU integration are developing in complex conditions. In order to understand them, this paper has studied external factors of influence on Ukraine’s policy: the EU’s policy as the main focus and the Russian factor, but has also considered some domestic intervening variables.

\textsuperscript{74} Ivzhenko, T. (2013), ‘Ukrainian Expert warns oligarchs may back pro-EU demonstrations’, Nezavisimaya Gazeta, 27 November.
\textsuperscript{76} Coalson, R. (2013b), ‘Oligarchs give Ukraine’s president crucial support in EU drive’, RFE/RL, 12 September, available from http://goo.gl/0KSLEI.
\textsuperscript{77} Ivzhenko, T. (2013), op. cit.
To start with, the official decision in Ukraine to postpone the signing of the AA with the EU can be explained by the failures in the EU’s approach. While the EU has strong attractiveness and “soft power”, these turn out to be weak under the conditions of opposing external pressure by Russia on the country-recipient of the EU’s “hierarchical” policies, but also domestic conditions in Ukraine – different power games in the context of the approaching elections and oligarchism. Furthermore, the EU’s policy is based on a poor understanding of realities on the ground, on the overestimation of its “soft” power and, thereby, on setting unrealistic conditions and on short-sightedness. While the main debate in the EU-Ukraine relations first focused on the issue of Tymoshenko and then on Ukraine’s signing the AA during the EaP, there were no discussions on what would come next, after the AA was signed. Russia’s pressure could have been predicted, and the drastic economic situation in Ukraine has been there since 2008, but the EU has not thought of how it could support Ukraine in the short run. The union was not prepared to offer any special help to Ukraine to resist Russian pressure. Not only does it lack a clear Ukraine strategy, it does not have a clear Russia strategy, which is acting more assertively to counter EU policy. In its Ukraine policy, the EU is trying to balance between its own interests and values and Russia.

The Russian factor has become an even stronger impediment to EU’s policy. Russia has shown that it has strong sticks and carrots to influence the behaviour of others. It is unlikely, however, that Russia will have won Ukraine over in the long run, and it is questionable whether Russia can afford to finance Ukraine. Russia has no long-term strategy in relation to Ukraine either and it also overestimates its power.

As a result, both the EU and Russia got into a geopolitical fight, wanting to win Ukraine regardless of the cost (in the case of Russia), and whether or not all or most conditions were fulfilled (in the case of the EU). While Ukraine has been trying to balance among the two actors, the policies of the EU and Russia, de facto pushing Ukraine to make a choice between them “now or never”, have brought its internal politics out of balance. No one – neither the Ukrainian government, nor the EU or Russia – was prepared for internal developments in the country that followed.

Ukraine’s policy also lacks long-term vision. While focusing on the AA and DCFTA prospects, there was no plan about what to do with industries with close connections to the Russian market, which would experience short-term losses. The negative options were hardly discussed. But there are also no financial capabilities to cope with these challenges. The economic factor was important, along with Russian pressure which shifted the balance towards not signing the AA. The geographic division of Ukraine and different interests of oligarchic groups with close ties to the political elites show, however, that this choice has not been final.
All in all, this paper has shown that Ukraine remains between the EU and Russia in its policies. While this is not something new, this paper points out the important changes in this constellation of external and domestic factors: a worsening of Ukraine’s economic situation and a more assertive and determinate Russia and a weaker and indecisive EU. Internal politics in Ukraine have become very dynamic. In general, there are different factors, speaking either in favour of Ukraine’s orientation towards Russia or towards the EU. The situation in and around Ukraine will remain turbulent and complex.

**BIOGRAPHICAL NOTE**

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