



The EU and the Ukraine Crisis

The on-going crisis in Ukraine holds the attention of publics and policymakers worldwide. Its immediate cause was the overthrow of President Viktor Yanukovich in February 2014, but its roots lie in Ukraine's struggle to determine the course of its foreign policy over the past 20 years, navigating between the EU, US and Russia. The purpose of this brief is to explain how the current situation arose. The analysis has four parts. The first analyses the build-up to the February revolution that overthrew Yanukovich. The second assesses the EU's reactions to the growing unrest and to Yanukovich's overthrow, while sketching out US and Russian reactions as well. The third section examines the consequences of the rapid escalation that came about with the Russian takeover of Crimea. The last section assesses the EU's reaction to current developments in Eastern Ukraine, examining possible consequences on European security governance and their impact on transatlantic security cooperation and US foreign policy.

Part I: The EU and the build-up to the Ukrainian revolution

Ukraine became independent in December 1991, with a popular referendum approving by 92.3% the declaration of independence made in August of that year. Successive governments from 1991 to the present day have moved Ukraine closer to the EU with the EU-Ukraine Partnership and Cooperation Agreement entering into force in 1998. Ukraine also moved closer to NATO, becoming a member of the alliance's 'Partnership for Peace' in 1994. While moving closer to the West, Ukraine also participated in the setting up of the Commonwealth of Independent States (CIS), a project designed to increase cooperation amongst former Soviet republics. However, Ukraine saw the deepening of the CIS as a weak prospect compared to full EU membership.

Ukraine's moves towards the EU became more difficult as Russia emerged from the crisis ridden 90s and Vladimir Putin came to power. Despite this, attempts to move towards EU and NATO membership intensified in the mid-2000s. Ukraine engaged extensively with NATO, sending troops to Iraq before attempting to join NATO's Membership Action Plan in 2008. But these moves encountered extensive opposition both from Russia and within Ukraine itself, where part of the public was opposed to membership. Moreover, not all NATO members favored Ukraine's accession, meaning that the bid never really got off the ground. While the prospect of NATO membership shrank away, that of closer relations with the EU was becoming more likely. The EU's own engagement with Ukraine increased significantly after 2004: the Orange revolution was seen as deepening democracy in the country, while the EU's 2004 enlargement meant that Ukraine was now a direct neighbor. The EU provided Ukraine with support for economic development and the consolidation of democratic institutions. Under Yulia Tymoshenko's leadership, Ukraine tried to maintain its westward orientation while also avoiding conflict with

Russia: in 2007 the EU and Ukraine started negotiations over a landmark Association Agreement, and in 2008 over a Deep and Comprehensive Free Trade Area, later subsumed in the Association Agreement.

The 2010 election of the nominally pro-Russian Viktor Yanukovich as President did not significantly alter Ukraine's foreign policy orientation: negotiations over the Association Agreement continued as Yanukovich strove to maintain his own position while creeping towards the EU. However, Yanukovich did attempt to assuage Russian concerns by finally shelving the question of Ukraine's NATO membership for the foreseeable future. The US always supported Ukraine's moves towards the EU, with officials restating on many occasions their strong support for the Association Agreement.

By late 2013 the EU-Ukraine Association Agreement had been finalized and Yanukovich was willing to sign, taking an important step in bringing Ukraine closer to the West. Some hurdles were still to be cleared, including the delicate situation involving the imprisonment of former Prime Minister Tymoshenko, but these did not seem insurmountable. However, Ukraine had also become involved in negotiations over Putin's project of a Eurasian Customs Union, including Russia, Belarus and Kazakhstan. Despite the EU's attempts to dispel the conception of Russian and EU relations over Ukraine as a zero sum game, it was clear that the Association Agreement and the Customs Union were technically incompatible and that Ukraine would have to choose between the two.¹ In fact Ukraine could not simultaneously lower tariffs as per the Association Agreement and increase them as a result of Customs Union membership. For Russia, the Association agreement was unacceptable: it not only moved Ukraine closer to the EU, but it was perceived as actively undermining Russian interests. Indeed Putin's Eurasian Union plan hinged on the participation of Ukraine, the most populous state in the region after Russia. Over the course of 2013, Putin made clear to Yanukovich that the signing of the Association Agreement would have significant consequences, including gas price hikes and the imposition of trade barriers on Ukrainian goods. Starting in August 2013, Ukraine came under increasing pressure as Russia reduced key imports and held up goods at the border. Further economic consequences would arguably have wrecked the Ukrainian economy, which was already in dire straits after the onset of the global crisis. Yanukovich sought to explore the possibility of obtaining funds from the EU in order to smooth over the economic consequences of the Russian retaliation that was guaranteed to take place if he signed the agreement. After failing to elicit promises of sufficient funds, he opted not to sign the agreement. For Yanukovich the choice was straightforward: had he signed, the Ukrainian economy was likely to collapse and he would have lost any chance of re-election. On November 21st, days before the EU's Eastern Partnership Summit in Vilnius, he took the decision to suspend preparations for the Association Agreement. Despite this, he still attended the summit, and in the coming months the EU stressed that the offer remained on the table.²

Yanukovich had underestimated the importance placed by large sections of the Ukrainian public on the signing of the Association Agreement. After his refusal to sign, large-scale demonstrations took place in Kiev, with protesters setting up camps in Maidan square. Over the course of the next three months the 'EuroMaidan' movement grew larger and spread across the country, developing from a reaction against the decision not to sign the Agreement into a broader protest against the corruption of Yanukovich's government.

Part II: EU reactions to the revolution

The Ukrainian government's reaction vacillated between violent repression and half-hearted attempts to foster political reconciliation with opposition movements. As the crisis deepened, the EU, US and Russia were all drawn in. The EU adopted a vigorous approach, with many visits by High Representative Catherine Ashton and Enlargement Commissioner Stefan Füle ensuring a quasi-permanent presence in Ukraine. Along with European foreign ministers and members of the European Parliament they consistently condemned violence and encouraged all sides to engage in dialogue. The first strong condemnations came in the form of calls to rescind anti-protest legislation passed by the Ukrainian parliament in mid-January.³ Throughout January and early February EU officials continued to call all actors to refrain from violence while brokering a set of meetings between Yanukovich and members of the opposition to find a negotiated solution.⁴ The US was also taking on an active part: as early as December 10th Secretary of State John Kerry expressed 'disgust' over the government's response to the protests.⁵ Assistant Secretary of State Victoria Nuland was also heavily involved, making several visits to Ukraine. While both the EU and US were trying to mediate between the government and the opposition, cooperation between the two sides did not seem to be very close. In particular a recording emerged on YouTube of Nuland disparaging the EU's attempts to mediate. Intercepts of European diplomats revealed that they did not think the US was appreciative enough of their own efforts. On the whole, both EU and US were unsuccessful: as Yanukovich grew more unwilling to negotiate, the protesters became radicalized by violence on part of police forces, making a compromise increasingly unlikely.

Russia played a key role in the events leading up to the revolution. On December 17th Ukraine and Russia signed a deal, with Russia agreeing to buy \$15 billion of Ukrainian bonds and to provide a cut in the price of gas. Even though the Customs Union was not discussed, Russia gained enormous leverage over Ukraine as a result of the deal. It appears that Moscow viewed the mediation attempts by the EU and US as interference in Ukraine's internal politics, while the visits of protest sites by several EU officials were seen as recklessly favoring the protesters. The roots of this attitude lay in the perception that the EU-Ukraine Association Agreement was directed against Russia, a feeling which EU officials sought in vain to dispel during the EU-Russia summit held at the end of January 2014.⁶ Because of these considerations, Russia's own stance was wholly in favor of the government, with Russian Prime Minister Dmitry Medvedev stating that the protesters had been treating the government as a 'doormat'. It is likely that Russian pressure lay at the roots of the Ukrainian government's fateful moves to break the protests starting on February 19th.

The shocking level of violence that erupted over the next three days prompted condemnation from the EU and the US, as police forces and some protesters turned to using live ammunition, leaving over 100 dead. Between the 19th and the 20th of February both EU and US imposed asset freezes and visa bans on members of the Ukrainian government and administration responsible for the crackdown.⁷ Both EU and US officials strove to encourage the President and opposition to work towards a compromise, while avoiding at all costs further escalation in the form of intervention by the Ukrainian army. However, the EU's role became markedly more pronounced

with the arrival of the French, German and Polish foreign ministers in Kiev on February 20th. Yanukovich's position was becoming increasingly fragile as members of his own party expressed their dissent over his policies. The following day, in the presence of a Russian observer, the three ministers managed to broker an agreement between Yanukovich and leaders of the opposition. The parties agreed to restore the 2004 constitution within 48 hours, and to hold elections by December 2014.⁸ On the whole, it appears mediation efforts by EU officials and EU foreign ministers were a crucial factor in halting the violence on the streets of Kiev. However, the agreement itself did not last long: Yanukovich fled Kiev the following morning and the Parliament overwhelmingly voted to impeach him, to return to the 2004 constitution and to form a new government. The purely Ukrainian phase of the crisis was over; the international phase was about to begin.

Part III, The Crimean Crisis

The next phase of the crisis was triggered by Russia's occupation of the Crimea starting on February 28th. Commandos of well-armed and organized men with no identifying markings took over strategic locations in the peninsula, including the Crimean Parliament, and blockaded Ukrainian troops in their bases. After the occupation of Parliament, the newly appointed Crimean President proclaimed a referendum on the future status of the region. Despite Russian denials of involvement at the time, it was transparent that the armed men were Russian soldiers, and indeed Putin has now admitted this.⁹

The EU's reaction to the occupation of Crimea was criticized for being slower and more fragmented than that of the US. There is some truth in this view: already on February 28th Obama stated that there would be costs 'for any military intervention in Ukraine', and on March 6th the US started imposing visa restrictions and asset freezes on Russians close to Putin. The US also moved to reassure NATO allies in the region, expanding its contribution to NATO's Baltic Air Policing mission and sending some troops and jets to Poland. Initially, the EU was slower than the US: while individual member states reacted quickly, it was not until March 3rd that the European Council strongly condemned Russian actions in Crimea. It stated that there would be consequences if the referendum took place, and issued calls on Russia to withdraw and on Ukraine to foster a political process inclusive of all minorities.¹⁰ The EU's reaction picked up speed after the referendum held on March 16th: the following day the EU moved to impose asset freezes and travel sanctions on 21 Russians.¹¹ This number was later increased to 33 with the addition of 12 individuals on March 21st, when the European Commission was also tasked with drawing up targeted sanctions. In terms of military support, the EU lacks any real resources of its own and member states proceeded to reaffirm their support of NATO's actions, while the EU itself held joint meetings with NATO.

While the EU was slower than the US in imposing sanctions, it moved rapidly in the field of economic support for Ukraine: already on February 26th exploratory meetings took place and on March 5th a package of 11 billion euros in loans and grants was agreed on. Following up on this, on March 21st the EU and the Ukrainian government moved to sign the political sections of the Association Agreement that had been in a limbo since Yanukovich's decision not to sign. In addition to these steps the European Commission has created a Support Group aimed at helping

Ukraine in implementing key economic and political reforms. On the whole, the structure of EU decision-making has proved effective in arranging long-term support for Ukraine, while the caution displayed by individual member states on imposing sanctions has meant that the EU as a whole has been slower in this respect. This is not surprising: at a time of economic crisis in much of Europe, EU states are unwilling to harm their economic links with Russia. Many, including Germany and Italy, are heavily dependent on Russian gas while Britain does not want to undermine London's reputation as an open financial hub and France is keen a lucrative deal to sell Russia two helicopter carriers. More broadly, European businesses are more tightly interwoven with the Russian economy than their US counterparts: trade between the EU and Russia amounted to almost \$370 billion in 2012, US trade with Russia was about \$26 billion.¹² These constraints help explain why European states waited until Crimea had been annexed and Russia had crossed the line before imposing sanctions. However, the attitudes of EU member states towards sanctions cannot be explained in purely economic terms: countries such as Poland and the Baltics are the most economically interlinked to Russia, yet they are also amongst the strongest advocates of further sanctions.

On the whole, the EU's response to the annexation of Crimea demonstrated an almost unexpected level of coordination amongst European countries. Foreign ministers and heads of government met frequently and all took important decisions jointly within the broader EU framework. The events in Ukraine has also acted as a trigger to coordinated European action in the field of energy security: the prospects for a joint EU energy policy appear bright as countries have become sharply aware of the potential instability of their Russian suppliers. The EU's consensual decision-making structure means that it inherently has more difficulties taking positions over controversial issues when compared to the US. Despite this, it must be noted that by the end of March EU sanctions were comparable in scope to those of the US, and consensus was gradually building in favor of imposing more if Russia continued to support unrest in Eastern Ukraine. Moreover, as the crisis escalated, the EU and US acted in an increasingly coordinated manner, and jointly took the decision to exclude Russia from the G8 on March 24th.

Part IV, Latest Developments and prospects.

As the full international implications of the Russian takeover of Crimea were gradually becoming clear, in early April 2014 the EU and US were faced with the additional challenge of having to respond to growing unrest in Eastern Ukraine, in particular in Donetsk and in the Donbass region. While the region has been simmering since late February, in April tensions escalated with the proclamation of the Donetsk People's Republic by groups of separatists. Militants are occupying public buildings in the region and succeeded in foiling a series of attempts to dislodge them on parts of Ukrainian forces. The EU continued in its efforts to de-escalate the situation in conjunction with the US, and negotiations with Russia were held in Geneva in mid-April. The outcome was a 'Geneva Agreement' calling on all sides to refrain from violence and provocative actions, while also calling for the disarmament of militias. However, there have not thus far been significant steps towards the enforcement of the agreement: separatists remain in control of public buildings in the Donbass, while pro-Maidan forces still occupy some buildings in Kiev. While taking an active part along with the US in attempting to defuse the international situation, the EU has also significantly expanded its list of sanctioned individuals and taken additional steps to stabilize the Ukrainian government, for

instance by removing customs duties on Ukrainian exports on April 14th. EU member states have also sought to defuse the situation in Eastern Ukraine by contributing money and manpower to the OSCE mission launched in March.

In the coming months, and particularly in the build-up to the Ukrainian elections on May 25th, the EU will likely continue to pursue the approach it has followed until now. This is based on working closely with the US in actively engaging the Ukrainian and Russian governments as well as members of Ukrainian civil society in an active diplomatic dialogue. The EU will also continue to support Ukraine through concrete steps and by signing the remaining chapters of the EU-Ukraine Association Agreement after the Presidential elections. Acting jointly with the US, the EU is likely to impose further sanctions on Russia if the situation escalates further. Any increase in sanctions would probably be engineered as to limit access to financial markets and to be directed against specific firms and sectors in a gradual fashion.

Events in Ukraine have profoundly shaken European government and publics. Geopolitics seems to have returned to Europe: open war in Ukraine is now a real possibility and a long period of tense relations with Russia is increasingly likely. The coming months will decide not only Ukraine's future but also the EU's whole approach to its Eastern neighborhood. Moreover, the crisis is the biggest test yet for the EU's common foreign and security policy: it remains to be seen whether European countries will step up to the challenge and maintain cohesion or whether their common front will break if it becomes necessary to impose sanctions on the Russian oil and gas industry. The long-term consequences on European governance remain to be seen. It is possible that faced with a concrete threat, Europeans will revive defense spending, increase security co-operation and move with renewed impetus towards a common foreign and defense policy. But it is also possible that the EU will prove incapable of managing the crisis, and that Europeans will turn back to NATO as a default security guarantee. In the second case, the US will find itself increasingly drawn back to Europe to fill the security vacuum. This might well prove to be the nail in the coffin of the pivot to Asia.

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¹ Štefan Füle, European Commissioner for Enlargement and Neighbourhood Policy, Statement on the pressure exercised by Russia on countries of the Eastern Partnership, Strasbourg 11 September 2013, http://europa.eu/rapid/press-release_SPEECH-13-687_en.htm

² Štefan Füle, European Commissioner for Enlargement and Neighbourhood Policy, 'EU-Ukraine standing ready to help and support', Strasbourg 10 December 2013, http://europa.eu/rapid/press-release_SPEECH-13-1054_en.htm

³ Council Conclusions on Ukraine, Brussels 20 February 2014, http://consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/140659.pdf

⁴ See for example Council Conclusions on Ukraine, Brussels 10 February 2014, http://consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/140960.pdf

⁵ J.Kerry, Statement on events in Ukraine, Washington DC 10 December 2013, <http://www.state.gov/secretary/remarks/2013/12/218585.htm>

⁶ Statement by European Commission President Barroso following the EU-Russia Summit, Brussels, 28 January 2014, http://europa.eu/rapid/press-release_SPEECH-14-66_en.htm

⁷ Remarks by EU High Representative Catherine Ashton following the extraordinary Foreign Affairs Council on Ukraine, Brussels, 20 February 2014, http://eeas.europa.eu/statements/docs/2014/140220_03_en.pdf;

⁸ For text of agreement see: <http://www.theguardian.com/world/2014/feb/21/agreement-on-the-settlement-of-crisis-in-ukraine-full-text>

⁹ <http://uk.reuters.com/article/2014/04/17/russia-putin-crimea-idUKL6N0N921H20140417>

¹⁰ Council Conclusions on Ukraine, Brussels 3 March 2014,
http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/141291.pdf

¹¹ EU adopts restrictive measures against actions threatening Ukraine's territorial integrity, Brussels 17 March 2014,
http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/141603.pdf

¹² http://www.nytimes.com/2014/04/26/world/europe/european-firms-seek-to-minimize-russia-sanctions.html?_r=0