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GOING "ALL IN" IN UKRAINE

by Josh Stanton

As election results go, supporters of a pro-European Ukraine were dealt what poker players would call a “full house”. The first parliamentary vote since the downfall of the country’s former president, Viktor Yanukovich, in February saw widespread support for reform-minded parties, including current President Petro Poroshenko’s eponymously named bloc, Prime Minister Arseniy Yatsenyuk’s People’s Front party and the Self-Reliance party led by Lviv Mayor Andriy Sadovyi. With an agreement on a ruling coalition expected, the incoming parliament, the *Verkhovna Rada*, will be broadly pro-Western.

Whether or not Yatsenyuk remains prime minister, these parties will lead a new government that, with President Poroshenko, will face immense challenges and a short window in which to address them. Ukraine’s leaders will be tasked with ushering in major reforms that achieve no less than the complete restructuring of the country’s institutions against the backdrop of a political system that has been historically dominated by corrupt politicians and business oligarchs. The new government will also need to overcome colossal differences with Moscow and achieve a permanent solution to the war in eastern Ukraine. Realizing this goal will be necessary if Ukraine has any hope of rescuing its rapidly failing economy, which contracted by more than five percent in the third quarter of the year and may require an additional \$19 billion in loans to avoid default. This is on top of the nearly \$34 billion already provided by Western state and financial institutions.

Maintaining unity among coalition partners and a steadfast commitment to push reforms through will be an additional challenge. Perhaps equally crucial in the months ahead, however, will be the degree to which the West and, in particular, the EU goes “all in” in its commitment to Ukraine.

Brussels has been an active yet reluctant player in the Ukraine crisis. It has provided generous financial support to Kyiv (to the tune of \$15 billion in loans). It has also worked with the US to institute far-reaching political and economic sanctions against Russia. However, EU actions remain tempered by its complex relationship with Russia. The Baltic states and Poland have been most vocal in pushing for sanctions despite their heavy reliance on Russian energy. But larger member states such as Germany and France have been mindful not to go too far in punishing the Kremlin.

The EU is playing a high-stakes game, the outcome of which will weigh heavily on Ukraine and all of Europe. Brussels' ability to keep its commitments in the face of a revanchist Russia will have significant implications for the EU's credibility as a serious and constructive leader in its own backyard.

Topping those commitments is staying the course in pursuing further economic and political integration with Ukraine. The September ratification of an EU-Ukraine Association Agreement (AA) and accompanying Deep and Comprehensive Free Trade Agreement (DCFTA) was one of the country's few bright spots in an otherwise tumultuous year. But the mutual decision to delay implementation of key parts of the pact until the end of 2015 to ease Russian economic concerns raises doubts about the EU's ability to hold firm under ongoing strong Kremlin pressure. Russian President Vladimir Putin has already seized on the postponement to demand wholesale changes to the trade deal. Critics see this as a concerted effort to bog down integration efforts. The EU needs to be watchful that full implementation is achieved without further delay.

Brussels must also safeguard a united front in dealing with the conflicts. Dependence on Russian energy continues to divide EU member states and restrain the EU's maneuverability with respect to Ukraine and Russia. Brussels' leverage in dealing with the Russian gas monopoly is limited, as diverging gas needs among EU member states have led to diverging policies that can clash with Brussels' approach. The EU Commission, for example, seeks to halt the construction of the South Stream pipeline, which would bring Russian gas from the Black Sea to central and eastern Europe. But several states, including Austria, Hungary, Bulgaria and Italy want it constructed.

The ambitious proposal by incoming EU Council President Donald Tusk to construct an EU energy union holds significant promise. This union would allow member states and institutions to jointly negotiate gas deals with Russia, reducing Moscow's ability to sow division via individual long-term contracts. It could also allow Ukraine to increase its gas imports from EU member states via reverse-flow pipelines. Major efforts should be made in the months ahead to ensure that Mr Tusk's vision becomes a reality.

In politics, much like in poker, losses can be incurred just as quickly — if not more quickly — than gains are made. Brussels and Kyiv must seize the moment to ensure the gains over the past year are maintained. Unity, steadfastness and the ongoing pursuit of a Europe free and whole are crucial to the task.

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