

The Socially Conditioned Dynamics of Security Community Building Beyond EU Borders: The Case of Ukraine

Jozef Bátora and Matej Navrátil



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Visiting address: C.J. Hambros plass 2d
Address: P.O. Box 8159 Dep.
NO-0033 Oslo, Norway
Internet: www.nupi.no
E-mail: pub@nupi.no
Fax: [+ 47] 22 99 40 50
Tel: [+ 47] 22 99 40 00

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Abstract

In this paper we explore processes related to the externalization of EU rules and norms in the ENP framework in relation to Ukraine. Using empirical data gathered from studying official documents and interviews with governmental officials, academics, journalists and NGO activists in Ukraine, we analyse the externalization of EU rules in Ukraine along the four dimensions proposed by Rieker (2014): scope of agreements, level of adaptation, level of participation and level of attraction. In each of these areas, we study the dynamics of externalization in the three policy fields of energy, trade and visa issues. The dynamics in these dimensions have implications for how the EU is perceived in Ukraine. Processes of externalizing and adapting to EU rules are highly contingent upon the dynamics emanating from the local 'social structures' and the 'absorptive capacity' of the governance order in the countries of the EU neighbourhood, in this case Ukraine. The fast paced developments in Ukraine following the decision not to sign the Association Agreement in October 2013 and the large scale civil unrest that ensued in the months that followed resulting in the ousting of president Yanukovich from power in February 2014, further underline the need to pay close attention to locally generated dynamics in societies neighbouring the EU when assessing the EU's ability to extend its security community beyond its borders.*

Keywords: European Neighbourhood Policy, Ukraine, social structure, absorptive capacity, externalization of EU governance, security community

Published by Norwegian Institute of International Affairs

* This article was also supported by a grant of the Slovak Research and Development Agency, grant no. APVV-0484-10.

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Introduction

In this paper we explore the processes related to the externalization of EU rules and norms in the European Neighbourhood Policy (ENP) framework in relation to Ukraine. In line with the analytical framework proposed by Rieker (2014), we see institutional approximation towards the EU standards, rules and procedures as conceptually linked up to building a security community. Our empirical research indicates that local social structures mediate adaptation to new sets of rules, that various kinds of inefficiencies arise, and that some rules in certain sectors are implemented more swiftly than in others. Political developments since October 2013, when Ukraine decided against signing the EU–Ukraine Association Agreement (AA) and large scale civil unrest in the first months of 2014, underline the need to take the pre-existing social and institutional context into consideration when studying the EU's ability to function as an effective developer of its security community beyond its borders.

Most studies of the externalization of EU governance have focused on the EU side of the process, with less attention to the dynamics of adaptation in the countries on the receiving end (Schimmelfennig and Sedelmeier 2004, Schimmelfennig 2009, but see Lavenex 2004, Lavenex and Schimmelfennig 2009). Using an organization theory based institutionalist approach, we examine the processes of adaptation on the ground in Ukraine, and show that there are various kinds of locally conditioned dynamics and degrees of adaptation and standardization in different policy fields. The approach shows that in addition to studying the level of integration of neighbouring countries into the EU's political and economic order at the macro-level focusing on the numbers and kinds of EU-laws adopted etc., there is a need to study local dynamics at the micro-level which lead to various kinds of inefficiencies in the processes of rule adoption in the neighboring countries.

By shifting the focus from the EU side towards the actual dynamics on the ground in the neighboring countries, we bridge a gap in the literature. Processes of externalizing EU rules are highly contingent upon the absorptive capacity of the target countries. Basically, we argue that the extent of such absorptive capacity depends on local social structures that are responsible for transfer of the EU rule and for

adapting national legislation to that of the EU. Using empirical data¹ we analyse the level of integration of Ukraine along the three dimensions proposed by Rieker (2014): scope of agreements, level of adaptation, level of participation and level of attractiveness. In each of these areas, we examine the dynamics of externalization in three important policy fields: energy, trade and visa issues.² The dynamics in these dimensions have implications for the level of attractiveness of the EU in Ukraine.

¹ Authors conducted interviews in Kiev from 24th September to 3rd October 2013 with governmental officials, academics, journalists and NGO activists in Ukraine additional data was gathered by the study of official documents and newspapers.

² S Energy cooperation and visa-dialogue are often seen as “breakthrough sectors of EU-Ukraine cooperation” (Duleba et al., 2012:5, see also Popescu and Wilson 2009). Hence, we decided to study progress in these areas. In addition, at the core of the Association Agreement is the DCFTA covering all trade-related areas and further deepens Ukraine’s access to the European market and encourage further European investment in Ukraine (Europa, 2013).Therefore we focus on exploring the dynamics of rule externalization in Ukraine in these three policy fields which have been central to EU-Ukraine relations

Security community building beyond EU borders and the dynamics of local social structures in the EU's neighbourhood

Our starting point is that the EU can be conceptualized as a *security community* along the lines presented by Deutsch (1957) and later Adler and Barnett (1998). To get an analytical grip on the processes of externalizing EU governance and on the process of security community building in the EU's neighbourhood, it is useful to think of this as a process of standardization towards sets of rules, structures and procedures common in the EU. To study processes of externalization of EU rules in its neighbourhood, we employ the framework developed by Rieker (2014) including four dimensions: scope of agreements, level of adaptation, level of participation and level of attraction. Rieker defines the *scope of agreements* as policy fields covered by jointly agreed legal documents between the EU and the neighbouring countries, and the specific kinds of EU legislation adopted into the legal system of the neighboring countries. The *level of adaptation* as relates to institutional factors that mediate the degree to which EU rules and regulations are adapted in countries seeking closer ties with the Union. The *level of participation* denotes the extent to which a country devotes resources (human, economic, technical) for participation in various kinds of EU policy domains. It also refers to the degree to which there is broad consensus, at the elite level as well as in society more generally, as to feelings of belonging to a specific security community, here centred on the EU. Finally, the *level of attraction* involves the extent to which a neighbouring country – its elites and the public at large – is motivated to establish closer ties with the EU and eventually copy the EU governance model.

The processes of externalization of EU rules in the EU's neighbourhood are processes of standardization. Such processes have been theorized more generally in the literature on organizational fields and the dynamics of isomorphic change that they generate (see DiMaggio and Powell 1991). In order to understand such standardization processes in Ukraine and other countries of the EU's neighbourhood, it is important to pay attention to local social structures (see Stinchcombe 1965) and their potential for mediating the impact and implementation of externally projected standards. Previously established administrative structures and cultures have an impact upon how and to what extent reforms and legislation are

implemented and enacted. Drawing inspiration from the work of Cohen and Levinthal (1990), we refer to this as ‘absorptive capacity’ of governance systems in the EU’s neighbouring countries. A key point here is that established structures create conditions under which certain kinds of reforms and innovations are more readily accepted than others depending on the extent to which such reforms correspond with local social structures. In other words, there may be formal adoption of laws and regulations on the macro-level, but their actual impact translating into actual forms of adaptation in the neighbouring countries is mediated on the micro-level by the dynamics of the established social structures. Also, the process of adoption of EU standards may not always be a unified one where standards are adopted by neighbouring countries *tout-court*; it may evolve as a multi-layered set of processes involving a range of standardization dynamics in different policy fields.

In what follows, we explore processes of standardization in relation to EU rules in Ukraine along the four analytical dimensions proposed by Rieker. We do so by focusing on the three policy domains (energy cooperation, visa cooperation and trade) and by exploring micro-level dynamics of change based on information and data gathered locally by studying documents and conducting interviews.

Scope of Ukraine–EU agreements

Currently, the key document regulating EU–Ukraine relations is the Cooperation Agreement (PCA)³. Since the PCA expired already in 2008, it is automatically renewed until the completion and successful ratification of Association Agreement, which was negotiated during the Paris Summit in September 2008, enters into force. To guide implementation of the Agreement, the ‘Association Agenda’, replaced the earlier EU – Ukraine Action Plan. It emphasizes values and universal principles: democracy, rule of law, human rights, market economy, etc., and focuses on supporting reforms in the Ukrainian economy, governance and in sector cooperation (Europa 2009). Compared to the Action Plan, the ‘Association Agenda’ is more specific in its priorities. In terms of the logics of economic and political association, its goals are considerably more integrationist than those set out in the Action Plan. It opens for Ukraine’s participation in certain EU programmes and agencies, and for implementation of sectoral divisions of the *acquis*. In general it aims to provide for a more accelerated approach in bringing about changes in Ukraine’s legislation and in increasing its convergence with EU standards. The AA compared to PCA has deepened the political association and economic integration significantly (Tyshchenko, 2011). Signing the Association Agreement would mean that Ukraine would commit to adopt and implement ‘about 95% of the EU’s existing trade- and economic-related *acquis communautaire*’ (Duleba et al. 2012: 73). Thus, successful adoption and implementation of Association Agreement could be considered as a third most complex and comprehensive agreement signed between the EU and a third country in terms of access to EU’s single market (ibid.: 73).

The relevance of the AA lies not only in its more integrationist character, but also in the fact that it highlights bilateral responsibility for the fulfilment of its provisions. It stresses common evaluation of progress made, and the possibility of conducting separate evaluations on fulfilment of outlined tasks. There has also been an institutional impact, as a Joint Commission at the senior official level was created, responsible for monitoring progress. Further, the AA includes steps towards establishing a Deep and Comprehensive Free Trade Area (DCFTA), intended to open markets and deal with competitiveness issues and other standards set by the EU in the area of trade. And finally, the

³ Text available at: http://eeas.europa.eu/ukraine/assoagreement/assoagreement-2013_en.htm

AA highlights reforms in the sphere of justice, freedom and security, particularly concerning provisions on mobility.

While the AA covers a complex set of issues, there are limitations due to its ambiguity, the absence of possible evaluation of *political* progress, and the lack of adequate information about the realization of priorities set for the political sphere (Tyshchenko et al. 2012). Moreover, no mention is made of any provisions concerning EU financial aid and assistance. Financial aid to Ukraine will continue to be available on the basis of general financial frameworks even if the rules and procedures in the AA are implemented only partially. There is no additional stimulus for reform here: instead, any changes will depend on the political will of the incumbent government.

Scope of agreements: Energy

So far, the only legally binding contract between the EU and Ukraine in energy sector is the Protocol of Ukraine's Accession to Energy Community, which Ukraine joined in 2011. The Protocol stipulates the energy *acquis* that Ukraine is obliged to harmonize with, as well as a timetable for implementation. The significance of the Protocol lies in its contractual nature. Since becoming member of the Community, Ukraine was obliged to fulfil EU demands – which provides the EU with increased leverage in Ukraine.⁴ The Energy Community protocol is a highly advanced agreement, covering virtually all aspects of the sphere of energy. In fact, it is so complex that the Association Agreement has had to be rewritten as regards to the energy.⁵

Along with the Protocol of Ukraine's Accession to the Energy Community, Memorandum of Understanding on cooperation in the field of energy represents another fundamental legal and institutional framework in the field of energy. Memorandum, signed already in 2005, stipulates how both sides plan to organize their work in order to bring their energy markets closer together and establishes joint strategy in progressive integration of Ukrainian energy market with that of the EU. Operationalization of tasks outlined should be conducted according to road maps covering nuclear safety, integration of electricity and gas markets, security of energy supplies and the transit of hydrocarbons and to coal sector (Commission, 2012).

Scope of agreements: Trade

Cooperation in trade policy was institutionalized already in 1998 after ratification of the Partnership and Cooperation Agreement (PCA). Ratification had positive effects on developing EU–Ukraine bilateral

⁴ Interview I10, Kiev, 1 September 2013.

⁵ Interview I4, Kiev, 26 September 2013.

relations not only in trade but also more generally in the economic and political spheres. Perhaps more importantly, PCA's stipulations and regulations had helped Ukraine to fulfil WTO principles, eventually leading to its admission to the organization in 2008 (Duleba et al. 2012). The progress in trade-related issues could be explained also by the involvement of actors keen to see the finalization of specific policies. The key actors here are the 'oligarchs' – highly influential business people who own central assets in the Ukrainian economy. Arguably, political developments in the country are often dependent on their actions and interests (Balmaceda 2008). It seems that supporting closer relations with the EU may be in the immediate interest of the oligarchs, but they also seek good relations with Russia so as not to lose access to its markets. According to Eurostat, Ukraine's imports and exports to the EU are comparable in volume to its imports and exports to Russia (Eurostat 2011). Some analysts see Ukraine's refusal to sign AA in Vilnius, after slightly increased convergence towards the EU, as confirming the continuation of Kiev's 'neo-Titoist' game of oscillating between Brussels and Moscow (Popescu & Wilson 2009; Kobzová & Popescu 2011). Since economics and politics are closely intertwined, multi-vector economic policy leads to multi-vector foreign policy: so Ukraine's government has focused on developing good relations with both the EU and Russia. After all, Russia has effective tools for damaging trade relations with Ukraine if it so decides, as shown by the trade spat in August 2013. Moscow unilaterally stopped all imports from Ukraine, intended as a first warning shot in order to prevent possible further Euro-integration attempts of Kiev and drive it closer to Moscow instead (Popescu. 2013). According to Ukraine's Federation of Employers representing the interest of around 8, 500 companies producing some 70 per cent of Ukraine's GDP, due to this decision, Ukraine was estimated to incur losses of up to 2.5 billion USD in the second half of 2013 (FT 2013). Given the recent developments following civil unrest and the ousting of president Yanukovich from power in February 2014, the losses could be far greater. On February 28, 2014, Ukraine's economy and currency were plummeting. One estimate was that the country needed an immediate financial infusion of \$ 4 billion and an additional more than \$ 30 billion in aid to survive 2014 and 2015.⁶

The first chapter of the DCFTA with Ukraine aims to remove customs duties on imports and exports. The overwhelming majority of custom duties would be removed as soon as the Agreement enters into force: specifically, Ukraine will eliminate 99.1% and the EU 98.1% of duties in trade value (Commission 2013: 2). Moreover, the trade agreement envisages opening the EU single market to Ukrainian exporters

⁶ "Ukraine needs 4 billion in immediate help", Reuters, 28.2.2014 (available at <http://uk.reuters.com/article/2014/02/27/uk-ukraine-crisis-eu-idUKBREA1Q24220140227>, accessed on Feb 28, 2014)

(however, it still provides tariff quotas for sensitive goods) more rapidly than opening the Ukrainian market to EU exporters. This would mean that Ukraine would have more time to adapt and harmonize all necessary trade regulations.⁷ Overall, the DCFTA aims at increasing transparency and legal certainty for EU investments in Ukraine. The agreement further envisages that Ukraine will adopt current EU legislation and comply with future legislation on public procurement: that would serve as a unique example of the integration of a non-EEA-member into the EU's single market. Also unprecedented is the trade-related energy chapter in the DCFTA. Here the parties agree to let market prices prevail on domestic gas and electricity markets; further to conduct expedited dispute settlement procedures if the rule of non-interrupting transit or not taking energy goods transit destined for other party is breached, to set up an independent regulator to ensure efficient functioning of the gas and electricity markets, and non-discriminatory access to exploration and production of hydrocarbons (ibid.: 2–7).

Scope of agreements: Visa policy

The Action Plan for Visa Liberalization (VLAP) was granted to Ukraine in November 2010. It provides guidelines for setting up an EU–Ukraine agenda concerning reforms in the sphere of justice, freedom and security, formulated already as a part of the EU–Ukraine Action Plan in 2002 and based on experience with road maps for countries in the Western Balkans since 2008 (see Tyshchenko 2012). The VLAP consists of four tailor-made blocks for each country: document security including biometrics, illegal immigration including readmission, public order and security, external relations and fundamental rights; with operationalization in two phases: creating overall policy framework and implementation. Significant progress has been made in all four blocks, particularly since the end of 2012. The legal framework has been modified substantially; however, the Commission has noted, the ‘anti-discrimination framework needs to be further strengthened to provide adequate legal protection against discrimination’ (Commission 2013: 2).

Along with the AA, the VLAP is one of the key elements creating a general impetus for changes in Ukrainian society, while also providing the EU with instruments for launching reforms. The EU aims to make its eastern border secure by engaging Ukraine in ‘consistent and comprehensive cooperation in areas of justice liberty and security’ (Sushko 2012:88).

⁷ Interview I4, Kiev, 2 October 2013.

Ukraine has already banned all visa requirements for EU citizens travelling to Ukraine and has expected the EU to do the same.⁸ In response, in June 2013 the EU amended the VLAP by agreeing on the facilitation of the issuance of visas. Since 2007, an agreement has been in place between the European Community and Ukraine on facilitating entry into the EU for certain groups of Ukrainians, on issuance of multiple-entry visas, and on lowering the fees or general waiver on the processing fee and issuance of visas, etc. (Eur-Lex 2007). Nevertheless, because most Ukrainian citizen are still obliged to obtain visas for travel into the EU, some observers have argued that the syndrome of building 'Fortress Europe' is deeply embedded in the EU. Ukrainian society suffers from this phenomenon, even though examples from previous EU enlargement rounds indicate that socialization and increasing people-to-people contact serve as powerful encouragements for further modernization, Europeanization and general speeding-up of reforms (Sushko et al. 2012; Shapovalova 2013).

⁸ Interview I5, Kiev, 30 September 2013.

Level of adaptation

The local social structure of governmental institutions in countries of the EU neighbourhood will have an impact upon these countries' ability to reform along the lines set out in strategic documents agreed with the EU. In the case of Ukraine, the style of government and procedures through which the Soviet regime operated have remained strongly influential even after the regime change (Lewis 2003). This relates to a more general point about socialization in organizations. After years of service in a particular organization, individuals may become socialized and lose or modify their attitudes and behaviour (Selznick 1957; Egeberg 1999). 'Institutionally embedded praxis is a ... common and important factor in institutional change ... and, thus, deserves greater theoretical and empirical attention' (Seo and Creed 2002: 244). As is the case in most post-Soviet countries, the Soviet legacy still persists in institutional memory and in Soviet-era practices. Such practices are challenged by the EU's requirements for transparency, competition and control of corruption. Over time, state institutions have developed their own culture of informal practices, with reliance on informal networks or 'telephone justice' (Ledeneva 2011). The various EU requirements now challenge established ways of how things are done, in turn creating tension within state institutions. Here lies the main challenge in reforming the Ukrainian *sistema*.

As it is evident from the EaP Index (2013), Ukraine's interests are economically and politically driven, where it developed best economic and political ties, scoring in trade and economic integration (0.72) and in political dialogue (0.88) most of the points amongst 6 countries included in the EaP. Unfortunately, this does not project into the actual situation on the ground, when further progress on AA was halted because of single-handed decision of the President. This fact only strengthens our initial assumption that local structure is what really matters in Ukraine.

Level of adaptation: Energy

In the gas sector, Ukraine has shown eagerness in reorganizing subsidiary companies of NJSC Naftogaz, as set by the EU Directive 2003/55/EC on the independence of the Ukrainian gas transmission system, and in carrying out reforms that stem from Ukraine's Energy Community commitments (Europa.eu, 2013).⁹ The intention seems to

⁹ Seventh Joint EU-Ukraine Report, Implementation of the EU-Ukraine Memorandum of Understanding on Energy Cooperation during 2012. Available at:

be to show that Ukraine can be considered as reliable partner, one that fulfils the responsibilities required by the EU *acquis*. However, some work remains with regard to the EU Directive, the principle of non-discrimination in particular. Guaranteeing fair competition in this field seems especially difficult, as creating additional competition may not be in the interest of the oligarchs who have connections to decision-making procedures and can affect legislative processes (see also Balmaceda 2008).

The rigidity of post-Soviet bureaucracy significantly affects the facilitation of further integration. Ukraine has implemented the first energy package and is currently working on second package, as yet fulfilled only partially. Most of the tasks have been delegated to medium-level civil servants and bureaucrats who lack the necessary skills and understanding of what is required to implement the *acquis* successfully.¹⁰ Roles of the ministries are widely dispersed, with no one knowing who is basically in charge. This problem affects most of the post-Soviet states – simply put, everyone manages and controls everyone, but no one is actually responsible for anything. The European departments in Ukraine's line ministries lack resources, and their impact on implementation of EU standards is severely circumscribed.¹¹

A key provision for gradual liberalization of the Ukrainian gas and electricity market is the creation of an independent regulator in the country. In July 2010, the administration of then-President Viktor Yanukovich adopted the Law on the Principles of the Functioning of the Natural Gas Market and by Presidential Decree created the National Energy Regulation Commission of Ukraine (NERC) in November the following year. Because NERC was created by law and no such body had existed previously, it was made subordinate to the Ukrainian government. As a result, NERC is not in line with the EU *acquis*: it is not independent, but is in fact under the direct influence of the president (Duleba et al. 2012).

Level of adaptation: Trade

As Ukraine accounts for only 1% of EU export and Ukraine export to the EU oscillates around 30%, Ukraine will have to commit to substantial regulatory and institutional harmonization (Dabrowski and

http://ec.europa.eu/energy/international/bilateral_cooperation/doc/ukraine/20130225_mou_progress_report7_en.pdf

¹⁰ Interview I1, Kiev, 24 September 2013; I10, Kiev, 1 October 2013.

¹¹ Based on the following interviews in Kiev, autumn 2013: I1, 24 September; I3, 25 September; I4, 26 September; I7, 30 September; I9, 1 October; I10, Kiev, 1 October; I13, 3 October; as well as internal memo from the European Commission to the Ministry of Foreign Affairs of Ukraine, October 2013

Taran 2012). Thereafter, the impact of the DCFTA will have far-reaching consequences for domestic producers in Ukraine.

Several influential decrees have been issued by the President and the Parliament, showing willingness to proceed in further EU integration and modernization along the lines set out in agreements with the Union. An analysis made by the Ministry of Finance concludes that ‘important step toward the joint development of effective tools and methods to improve budget planning ... was the continuation of the twinning project funded by the EU’ (Tyschenko 2012:83). This step was intended to ensure predictability and stability of budget policy, and as such represents an important element in creating a viable business environment that might European investors to the Ukrainian market (ibid.).

Reforms in government administration have negatively influenced reforms in the field of technical regulation.¹² The process of implementation has generally been slow or confusing. There is often no clear line of authority and responsibility between the bodies that approve new regulations and those that oversee implementation of existing regulations. What often happens is that new regulations become invalid and irrelevant because they contradict regulations already in place and implemented. The goal of continuing in reforming regulation standards and aligning them with the EU is indirectly also determined by the Cabinet of Ministers of Ukraine (CMU). However, draft legislation proposed by the CMU often requires amending various other legislative acts. In turn, such draft legislation is rejected by the Parliament, leading to non-fulfilment of Ukraine’s obligations in relation to trade policy reform as set out in the AA agreed with the EU.

In general, consistence and sequencing in introducing EU legislation are often random. In order introduce technical measures and standards regulating trade with the EU, Ukraine will also need to reform its administrative, legal and institutional framework. As the recent experience of Central European EU member-states indicates, while such a process is highly complex, it is certainly not impossible (Elster, Offe and Preuss 1998).

Level of adaptation: Visa policy

Liberalization of EU visa policy towards Ukraine is conditional on the implementation of anti-discrimination and anti-corruption laws, as agreed with the EU. Progress has been slow, with the main obstacles here being the reluctance of Ukrainian authorities to do so, as well as the alternative sets of rules promoted by some of the key local players.

¹² Interview I10, Kiev, 1 October 2013; I7, Kiev, 30 September 2013.

The various attempts and declarations about fighting corruption have been largely formal (Tyshchenko 2012; Sushko et al. 2012). Bills drafted failed to be approved by the Parliament or were not accessible to general public, NGOs or to experts. The 'Anti-corruption package' adopted by the Parliament in 2009 entered into force in January 2010. However, in the course of 2010, the Parliament twice postponed enactment, and then abolished the whole package, only to adopt a new one, submitted by Yanukovich in late 2010 (Khmara 2012).

In 2008, the government created a position for fighting corruption. This post was eliminated in 2011 as part of an administrative reform initiated by Yanukovich, even though the need for this agency follows directly from the VLAP, UN Convention against Corruption resolution 55/61 (ratified by Ukraine) or in domestic Law of Ukraine 'On the Principles of Preventing and Counteracting Corruption' (Khmara 2012). Similarly, as was in case of the European coordination bureau responsible for European integration, the new government that came to power in 2010 dismissed anti-corruption documents and scrapped legislative efforts made by its predecessors. However, it should also be noted that the efforts of the previous government were minimal and lacked implementation (Sidenko 2013). In 2010, on Yanukovich's initiative, the National Anti-corruption Committee was created within the Presidential Administration. Formally, it was intended to serve as a viable centre for producing and introducing anti-corruption reforms. However, some analysts dismiss it as merely a 'platform for political declarations' (Khmara 2012).

Similarly, the only body responsible for issues regarding minority rights and anti-discrimination agenda – the State Committee for Nationalities and Religions – was eliminated as part of a broader administrative reform after Viktor Yanukovich came to power. According to a decree of the CMU, all functions of this body were delegated to a newly created department in the Ministry of Culture – but in this new department there is no organ or reference point for dealing with issues of combating discrimination (Belister 2012).

In sum, the degree of adaptation in Ukraine has been mediated by local governance structures and traditions. Our research shows a pattern of derailing relatively new and relatively poorly institutionalized structures supporting EU-oriented adaptations, most notably after Yanukovich came to power in 2010. Several governmental structures created in order to support the implementation of AA-related legislative acts and practices were simply abolished in administrative reforms and/or replaced by Potemkin-like structures with formal mandates but no real substance or actual leverage for the transformation of governance.

Level of participation

The shifts in the nature of the Ukrainian Constitution – from a presidential model established after independence was declared in the early 1990s towards an increasing role for the Parliament during the government that resulted from the Orange Revolution in 2004 and 2005, and then back again towards a strong presidential system after Yanukovich came to power in 2010 – have clearly affected the institutional setup of the institutions that were supposed to guide reforms in the country.

Across the political spectrum there has been consensus on integrating with the EU (only Communists traditionally opposed). Paradoxically, convergence with the EU (and its universal values, democracy, human rights, rule of law, etc.) was conducted simultaneously with strengthening of the presidential position within the Ukrainian constitutional system and increasing authoritarian tendencies of the then-president Kuchma (Wilson 2002). Kuchma's regime (1994–2004) strengthened presidential control over the Parliament by systematic harassment of opposition, and manipulation of elections (Way 2005).

The dominance of presidential powers under Kuchma stemmed from the 1996 Constitution, which declared Ukraine a presidential republic with strong executive powers granted to the President. Changed constitution altered power constellation also with regards to foreign policy. According to Article 106.2 of the Constitution, the president represents the state in international relations; administers the foreign policy activities of the State; conducts negotiations; and concludes international treaties of Ukraine. Article 85.5 specifies that authority of the Verkhovna Rada (Parliament) comprises setting the principles of domestic and foreign policy (President of Ukraine 2011).¹³ Hence, foreign policy of Ukraine was thereafter subordinated to President's decisions.

Given the dominance of the president in foreign policy-making, the drive towards integration with the EU was relatively stable. Kuchma adopted the National Strategy on Integration to the European Community as a main framework that outlined Ukraine's internal priorities in drawing closer to the EU. Slightly controversial at this point was that President Kuchma singlehandedly decided to adopt this

¹³ Text of the constitution is available at the presidential official website:
<http://www.president.gov.ua/en/content/chapter01.html>

document without Parliamentary approval – which highlights the powerful position of the presidential office within Ukraine in that period (Wolczuk 2009). In 2003, the State Council for European and Euro-Atlantic Integration was created and tasked with coordinating its economic, political, security and legislative integration into Euro-Atlantic structures. The Council was headed by the President (a further example of centralization of powers) and was supported by other legislative and executive branches, together with the Prime Minister and Speaker of the Parliament. Decisions of the Council decisions were binding. In 2005, with the new government in power following the Orange Revolution, the Council was abolished by the new president, Viktor Yushchenko.

The ‘Orange’ government attempted to reorganize state administration in order to eliminate duplication of tasks. A new position of Vice Prime Minister for European Integration was created. The creation of such a high position within the government shows the determination of the Ukrainian authorities to have more than just economic cooperation with the EU.¹⁴ Changes in high-level positions could indicate that the new administration had a different vision of how European integration should be coordinated.

In 2004, in the wake of the Orange Revolution, Ukraine faced political crisis caused by presidential elections. The Parliament adopted amendments to 1996 Constitution without the supervision of the Constitutional Court. This amended Constitution granted far wider authority to the Parliament and transformed Ukraine into parliamentary-presidential republic. The Prime Minister, chosen by the ruling coalition in Parliament, would be in charge of appointing cabinet ministers and also of executive policy-making. All these changes were made so as to declare the 2004 amendments to the 1996 Constitution unconstitutional in a 2010 ruling of the Constitutional Court (Trochev 2011). This return to the 1996 Constitutional order in 2010 had impacts on the re-organization of state’s institutional apparatus dealing with Euro-integration and strengthened the role of the President.

This brief overview indicates that Ukraine is still searching for an institutional setup that could adequately address EU requirements. The report of the European Commission (2013) *Capacity and Needs Assessment Report in the Area of Association Agreement Implementation*, notes that despite EU technical assistance, ‘policy co-

¹⁴ Unfortunately, due to dispersed roles of ministries in questions of European integration, this office was from the outset without a portfolio. Nevertheless, Ukraine managed to achieve significant progress in deepening of democratic norms and human rights (EU, ENPI 2013).

ordination meetings on senior civil servants level (Deputy Ministers) and ministers level have mainly been based on urgent policy needs'; further, that implementation of Institutional Reform Plan (IRP) suffers because of 'insufficient experience' of staff policy process related to coordination of adoption of the IRP, 'limited internal staff resources' or 'insufficient staff knowledge in the areas relevant to implementation of the future AA' (Commission 2013: 5–7). Hence, the level of participation, as defined in our analytical framework here, is severely restricted by structural inconsistencies. However, it should be noted that various attempts by actors in the Ukrainian government seeking to develop governance solutions that would enable the country to transfer and adopt EU rules efficiently can also be seen as a form of participation, or at least creating structural conditions for participation in the EU's political order. Evidence for this assumption confirms the fact that Ukraine scored only 0.43 in institutional arrangements for European integration in EaP Index (2013), being only third best country among the EaP countries. Moldova and Armenia scored 0.73 and 0.57 respectively.

Level of participation: Energy

Ukraine's participation in EU policies in the sphere of energy has been a challenge. There are several obstacles when it comes to implementation of energy packages. As an expert on energy issues said during one of our interviews, despite timetables in the energy sector 'Ukraine lacks long term planning and sequencing of compliance'.¹⁵ A further issue is interdependence of EU legislation, in the sense that accomplishments in implementing EU legislation in one sector usually have positive effects in driving implementation in other sectors.¹⁶ The flip-side of this is that slow progress in one sector can have negative effects or generate inconsistencies in other sectors. For instance, the EU requires increased competition in the energy market. But achieving this will require competitive pricing, which in turn requires an independent regulator.¹⁷ Hence, there are often side-requirements that must be implemented prior to adopting the actual EU legislation – but EU does not provide recommendations as to these. Further, compliance with EU standards may decrease public support for incumbents, because conducting reforms and modernization necessitates the establishment of various technical and regulation measures. This requires additional financial capital from the public budget, which would be negatively reflected in its balance of expenditures. Since there are few exit strategies for incumbents, the primary goal of most of them is to hold on to their positions as long as possible.

¹⁵ Interview I4, Kiev, 26 September 2013.

¹⁶ Interview I12, Kiev, 3 October 2013.

¹⁷ Interview I13, Kiev, 3 October 2013.

An important and cross-cutting problem concerns public finance management: the level of corruption and interconnectedness of oligarchs and Ukrainian politicians. After Yanukovich assumed office, the government started to review the 2006 Energy Strategy, because of recession in 2008/2009 and the Russia–Ukraine gas dispute.¹⁸ In 2012, the Foundation for Effective Governance, established by oligarch and ex-MP of Party of Regions Rinat Achmetov, proposed the draft of a new energy strategy. When the public and NGOs heard of this, they became active and demanded an explanation from the government, but without any success. Even today it is still unclear what the official Ukrainian Energy Strategy actually looks like and what is stated in it.¹⁹ Hence, it is also unclear how and on what premises Ukraine participates in the EU’s energy policy initiatives.

Lack of financial and personnel resources, lack of cooperation mechanisms and lack of insight into key strategic documents in Ukraine all lead to unfortunate situations that raise questions about the country’s readiness and seriousness as regards participating in deeper cooperation with the EU. In one of the meetings of Energy Community, the Ukrainian side failed to send its representative, claiming it had no translator available. Here, however, the EU was so keen to meet with the Ukrainian side that it offered to provide a translator. A further example of the paucity of resources was a situation when the Head of Energy Secretariat of the Energy Community visited Ukraine to meet with the Minister of Energy. Unfortunately there must have been ‘some problem with experts on EU–Ukraine energy issues, so basically Ukraine was unprepared for this meeting and failed to meet the Head of Energy Secretariat’, as one interviewee explained.²⁰ At present, the Ministry of Economy employs some five or six officials with a good command of English who are truly familiar with the Association Agreement. At least they know what specific changes have to be made in domestic legislative in order to implement the EU requirements successfully.²¹

In sum, our findings show that there are limited personnel and financial resources in Ukraine devoted to forging closer forms of structured cooperation on energy issues with the EU. This in turns means that the level of Ukraine’s participation in the EU’s security community is severely limited in the energy sector.

¹⁸ <http://ua-energy.org/post/34829>

¹⁹ Interview I10, Kiev, 1 October 2013

²⁰ Interview I4, Kiev, 26 September 2013.

²¹ Interview I10, Kiev, 1 October 2013.

Level of participation: Trade

The implementation of economic priorities set out in the AA has shown limited progress in recent years. Financial support provided by the EU is crucial for motivating the Ukrainian authorities to adopt the key legal instruments needed for implementation of the requisite legal and institutional provisions. Equally important is the know-how provided by European experts who work to socialize Ukrainian colleagues by providing them with possibilities for learning by doing and by teaching through twinning projects. As one interviewee put it: 'funds are only half of the way if you do not know how to do it'.²²

Despite structural difficulties in implementing reforms, the EU's export to Ukraine increased five-fold between 2000 and 2008, from €5.5 billion to €25.1 billion. The financial crisis apparently affected economic cooperation, as exports from the EU to Ukraine were almost halved in 2009, down to €13.9 billion. However, the figure rose to €17.4 billion in 2010 (Eurostat 2011). Further, Ukrainian exports to the EU countries increased by 92 per cent in the period 2009–2012 (Commission, DG Trade 2012), whereas its export to CIS countries showed a 87 per cent increase in the same period (Ukrstat.org 2013). If this dynamic continues and the current restrictions and various quotas on exporting to the EU are lifted, then there is a fair chance that with gradual integration into the EU, the main export partner for Ukraine would be the EU.

However, also here, Russia is an important factor that cannot be ignored. According to a recent WTO report (WTO 2013), Russian imports account to almost one third of all imports (32.4 per cent) with the EU close behind (30.5 per cent). Further confirmation of Russia's importance for the Ukrainian economy is the fact that 25.7 per cent of all Ukrainian exports are destined for the Russian Federation, followed by the EU with 24.9 per cent. Thus we see that Ukrainian participation in the EU market has been on the increase but this has been paralleled by similar developments in relation to Russia.

Level of participation: Visa policy

The nature of the visa regime regulating access of Ukrainians to the political and economic space of the EU is of crucial importance. Basically, the current visa regime is a major hindrance to intensifying the level of participation. Conditions for liberalization of the visa regime include implementation of anti-discrimination legislation. As some analysts argue, massive Russian propaganda was one reason why Ukraine failed to implement such laws.²³ In the bill that forms part of Ukraine's commitments under the VLAP, the provision on

²² Interview I11, Kiev, 2 October 2013.

²³ Interview I 12, Kiev 3 October 2013.

discrimination on grounds of sexual orientation in employment relations has become a highly divisive issue in society (Belister 2012). The current Ukrainian institutional system, judicial and administrative practices do not provide for effective protection against discrimination (ibid.). The draft law was presented on the websites of the Ministry of Justice, for open debate. In a report on this debate, the Ministry stressed the concerns and active resistance of religious organizations, particularly the Orthodox Church, to the draft. According to the Ministry, the main concern of these organizations focused on clauses concerning the protection of sexual minorities, and that the presented draft was perceived as a “propaganda of homosexuality”, undermining the moral and ethical foundation of society and even “bringing genocide to Ukrainians” (ibid.: 42). Questions can be raised as to what extent various actors, perhaps including the Russian government, may have played a role in propagandistic efforts that skilfully exploited the sensitivities of the Ukrainian Orthodox Church here.

The main reasons for stagnation in the field of visa issues could relate to lack of interest on the part of Ukrainian politicians. Since there is already a visa facilitation agreement that enables them to travel without queuing at EU member-state embassies, they lack the sense of responsibility and urgency to provide the same rights to the rest of the populace.²⁴ Ukraine’s participation in the EU’s security community in the sphere of visa-free travel has been low and selective, applied to only a few select politicians and businesspeople: the vast majority of ordinary citizens must undergo lengthy and costly visa application and approval procedures.

In fact, as a recent study points out (Shapovalova 2013), there are few persuasive arguments why visas for Ukrainians could not be abolished. Only 2 percent of all illegal border crossings to the EU were reported from its Eastern border; moreover, the refusal rate (normally an indicator of the threat of illegal migration) for Ukrainians is 3.3 percent, a level considered close to ‘safe’ in an EU perspective (Shapovalova 2013:3).²⁵

²⁴ Interview I 5, Kiev, 30 September 2013

²⁵ The same study shows that the refusal rate for Moldova was almost two times higher (6.5 % in 2012). Yet it did not prevent the EU following the same policies as with Ukraine; eventually a visa-free regime will be initiated in July 2014.

Level of attraction

There are mixed perceptions about Ukraine's involvement in the ENP and EaP. Ukrainian officials perceived these initiatives as a demotion and underestimation of the country's market potential and its geopolitical importance²⁶. Including Ukraine in the ENP framework thwarted Kiev's aspirations of prospective EU membership, since none of the ENP countries received any membership promises. While Ukraine insisted on a more privileged partnership cooperation,²⁷ the launch of the EaP in 2009 fell far below Ukrainian expectations since it also included countries that openly (Belarus) or in a hidden way (Armenia until recently) had refused to deepen their economic and political ties with the EU. In addition, the lack of a clear vision of EU membership was also humiliating since EU membership, for many, was associated with being civilized and modern (Batt 2003).

The EU has traditionally been perceived as a major soft-power player and a highly attractive global entity (Leonard 2005). However, the European soft power has been challenged by Russia in many of the countries of the Eastern Partnership. As Popescu and Wilson (2009) point out, while the EU maintains a 'Schengen wall' with strict regulations, Russia has had a visa-free policy as well as an open labour market toward these same countries. Another interesting factor is that while companies from the EU have been investing in small and medium sized companies, such as design furniture stores and breweries, Russia has been actively investing in energy companies and other heavy industry. Since such investments both create job opportunities for the Ukrainians and provide Russia with the power to directly decrease oil and gas prices, it has the potential of making Russia more attractive in relation to broad strata of the Ukrainian population. Finally, while the EU has required adaptation to EU regulations without being able to provide a clear promise of membership, Russia has used a convincing rhetoric of brotherhood through Russian media, which is easily accessible in Ukraine.

However opinion polls conducted in Ukraine over the past ten years shows an increasing support for establishing closer ties with the EU. According to Razumkov centre sociological poll²⁸ from 2002 concerning which foreign policy direction should be a priority for

²⁶ Interviews I1–I13, conducted in Kiev between 24 September and 3 October 2013.

²⁷ Interviews conducted in Kiev, autumn 2013: I1, 24 September; I2, 25 September; I7, 30 September; I9, 1 October.

²⁸ Available at: http://www.razumkov.org.ua/eng/poll.php?poll_id=305

Ukraine, 31.4 per cent answered, the EU countries. In late 2012 this support had increased to 40.8 per cent. On the other hand, support for Russia has only had a moderate increase (less than 4 per cent) in the same period of time (from 31.6 to 35.3 per cent). Interestingly enough, support for EU accession has decreased in same period of time from 65.1 per cent to 48.4 per cent.²⁹

These results could be explained by a more active policy from Russia towards Ukraine. Since 2010, the Russian pressure to draw Ukraine closer to Moscow's orbit has intensified (Sidonenko 2013). This has been facilitated by increases in Russian revenues from energy exports, paralleled with a weakening of the EU due to the financial and political crisis in the Eurozone. As a result, the EU has turned increasingly inward, focusing its efforts on deepening rather than on widening.

Russia, as a competing field of standardization, has served to hamper Ukraine in absorbing new EU practices, rules and standards. With established historical legacies, no requirements of modernization, the vision of swift financial support, Moscow's attempts to re-integrate the post-Soviet region. These are in fact the greatest obstacles for the EU. The absorptive capacity of Ukraine's state institutions has remained inadequate and embedded in post-Soviet practices in society. The pragmatic calculations of the elites affect any attempts at modernization and reform. By contrast, the organizational field of Russian governance is already deeply embedded in Ukrainian society, requiring no further adjustment to the existing *sistema*.

Despite these developments and the soft-power shortcomings in Brussels' approach towards Ukraine, the EU is still perceived as an attractive partner and an essential part of the country's future in most spheres.³⁰ The recent large-scale public unrest and pro-EU sentiments sweeping the streets of Kiev and other cities in Ukraine, after Yanukovich refused to sign the AA and ex-prime minister Azarov halted all Ukrainian integration attempts, seem to indicate that the EU is not only an economic but indeed also a civilizational choice for large segments of Ukrainian society.

²⁹ Available at: http://www.razumkov.org.ua/eng/poll.php?poll_id=387.

³⁰ Interviews I1–I13, conducted in Kiev between 24 September and 3 October 2013.

Conclusions

Our analysis has shown a pattern of increasing interaction between the EU and Ukraine in the key policy fields of energy, trade and visa regulations in terms of scope of agreements, level of adaptation and level of participation. There are two main findings here. First, the externalization of EU rules and their adoption in Ukraine has different dynamics in different policy fields. While, for instance, the field of trade policy has seen a highly dynamic development, with increases in the level of mutual exchange, the field of visa policy has remained relatively stagnant. Second, the increasing complexity and density of interactions and rule transfer have been unfolding in a context of unreformed public administration still imbued with a culture of the Soviet *sistema*, vested interests of business groups, unclear authority relations, loose couplings between regulations and their actual application, and frequent and often inconsistent reform processes. Effective externalization of EU rules in relation to Ukraine will depend on a parallel process of public administration reforms and the development of structures and processes of good governance in the country. In the transition period, local structures and traditions mediate effects of EU rules; and implementation is slow and often inconsistent. Moreover, unlike many other countries of the EU neighbourhood (most notably those in the South), Ukraine is under pressure from an alternative source of governance standards: Russia. Here the models can draw on decades of firmly-established economic and cultural ties, and it is not clear that the EU's model of governance and the goods its governance provides are more attractive to Ukrainians than the governance models and goods that could be provided by maintaining close ties with Russia.

Given the complexities of the social structure and absorptive capacity of the Ukrainian governance system and the competing sources of standardization emanating from the EU and from Russia, the ENP as a tool for stabilizing the EU's external borders seems, paradoxically, to have a destabilizing effect in the short to medium term. The new practices and rules promoted by the EU are challenging established ways of governing in Ukraine. As shown by the wave of wide-ranging civic unrest at the time of this writing, the Ukrainian population seems ready for profound changes in how the country is governed. This may provide the basis for more radical forms of transformation of Ukraine's governance structures and possibly space for establishing more efficient mechanisms that can bring the country closer to the EU. Again, the question is to what extent the EU forms of governance are more attractive than other kinds of governance models and institutions. Here, more unambiguous prospects of membership for

Ukraine from the EU's side may be decisive in making the European offer a more attractive one.

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About the Authors

Matej Navrátil is PhD Candidate and young researcher at the Comenius University in Bratislava, Institute of European Studies and International Relations. His areas of research includes: organizational theories, IR theories, Identity Studies, Europeanization, European Foreign Policy, Eastern European Politics - focus on Ukraine and Russia, Russian Foreign Policy and Balkans.

NUPI

Norwegian Institute of International Affairs
C.J. Hambros plass 2D
PO Box 8159 Dep. NO-0033 Oslo, Norway
www.nupi.no | info@nupi.no

Jozef Bátora is associate professor and director at the Institute of European Studies and International Relations at Comenius University in Bratislava. He holds a PhD in political science from the University of Oslo. He has published widely on diplomacy and EU foreign policy.