

A stylized map of Europe and Ukraine composed of a grid of dots. Most dots are grey, but several are red, highlighting specific countries or regions. The map is positioned in the background behind the title.

The Future of EU-Ukraine Relations

Four Scenarios

SCENARIO TEAM EU-UKRAINE 2030

March 2014

- Four scenarios on the state of EU-Ukraine Relations in the year 2030 were developed by a Scenario Team from across Ukraine. Scenarios do not attempt to predict the future, but offer different pictures of possible and plausible futures. They can be helpful in enabling decision-makers and stakeholders to adapt their strategies in order to achieve or avoid a certain scenario.
- Two scenarios describe a process of Ukraine moving successfully towards the European Union. In the »Highway«-Scenario, a democratic Ukraine becomes a full EU member by 2030. On the »Speed-limit Road«, significant advancements in adopting European standards are made, turning the country into a »bridge« between the EU and Russia.
- On the »Bumpy Road«, relations are characterized by ambiguity, with little progress on the integration path. In the fourth scenario, relations have reached a »Dead-end Road«, with democracy in Ukraine on the retreat and a stronger integration with the Eurasian space.



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INTRODUCTION

Since 1991, each Ukrainian government has stated that Ukraine was an integral part of the European family and declared its European choice. However, Ukraine's European integration policy has suffered from inconsistency. This can be explained, first of all, by objective factors, including the huge number of issues and challenges related to post-communist transformation. The lack of a comprehensive strategy as well as irrational decisions and mistakes made by all governments have resulted in additional obstacles in Ukraine's quest for Europeanization.

One of the most controversial issues is the prospect of European Union (EU) membership for Ukraine. Ukraine's integration into the EU is one of the country's officially declared strategic goals, and became law in 2010. Despite that, this issue remained a subject of political polemics, resulting in deepening divergence in the society.

The active political measures of Ukraine towards the signing of an Association Agreement (AA) with the EU at the Eastern Partnership Summit in Vilnius in November 2013 raised hopes for the introduction and implementation of necessary reforms. Many Ukrainians believed that the AA would determine the path of Ukraine for years ahead; the path of a state based on European values and a European standard of living. The Ukrainian government's decision not to sign the AA showed that decision-makers had failed to deliver.

The scenario project, «The Future of EU-Ukraine Relations», was envisaged to facilitate free and open discussions on plausible scenarios for the future of EU-Ukraine relations by the year 2030. The Kyiv Office of the Friedrich-Ebert-Stiftung (FES) invited 26 participants from across Ukraine with diverse expertise related to EU-Ukraine relations, to take part in two workshops designed to identify and elaborate various images of the future. The project's overall goal was to enrich the debate on EU-Ukraine relations by providing new perspectives.

The scenario method, rather popular in business and management, is increasingly used in the world of politics. As the saying goes, it is very hard to make predic-

tions, especially if they concern the future. Thus, scenarios are not about forecasting the most likely future, but about drafting different plausible futures. The core of the deliberation is presented by two questions: »What if..?« and »Why..?« The scenarios presented here give us an idea of what the future of EU-Ukraine relations in the year 2030 could be like. But they do not tell us what is the most likely outcome. Thus, criticizing scenarios for »being unlikely« is not justified. As long as they are plausible, they should be taken into account by policymakers and experts alike—precisely because they describe possible future consequences of decisions taken today.

The project's two workshops took place in Kyiv on 2–4 December 2013, and from 30 January to 1 February 2014. The work on the scenarios was finished by 14 February. This work represents the joint intellectual efforts of each and every member of the Scenario Team, who, although representing different institutions, all took part in a private capacity. The additional challenge in elaborating the scenarios was the fact that over the course of the exercise, extraordinary developments occurred in Ukraine that put into question the basic assumptions. Nevertheless, we believe that the underlying trends are still there.

Guided by the experienced facilitator Björn Kulp, the participants tried to develop four conceivable, consistent, and consequential scenarios that merit the attention of Ukrainian and European authorities alike. Special thanks go to Maryna Yaroshevych of FES Kyiv for the perfect organization, constructive suggestions, and remarks during discussions.

One of the major steps of scenario building is the selection of key factors from the present situation and the identification of the »driving forces« that shape EU-Ukraine relations to the year 2030. After a long but fruitful discussion, the participants agreed on three sets of driving forces: political, economic, and social. The political driving forces are the Association Agreement and the visa-free regime, types of governance and the forthcoming elections, foreign policy in Russia and the EU, public control, and the rule of law. The economic driving forces include employment and labour migration, trade

and investment, energy issues, science and innovation. Civil society, education, and social standards are the most crucial social driving forces.

Despite differing and partially contradictory positions while weighing up the driving forces and the importance of diverse impetuses, the participants agreed on four possible scenarios for the future of EU-Ukraine relations. In a symbolic manner, they were pointed out with the road signs that express the speed with which Ukraine drives towards the EU.

HIGHWAY

Impelled by progressive goals, a constructive approach, and following a fruitful large-scale cooperation based on mutual challenges, Ukraine becomes a full EU member. Consolidated under the EU agenda, democratic Ukraine is a reliable player in the region. Despite Russia's tendency to be involved with Ukraine's domestic issues, Russia remains a constructive partner for Ukraine and the EU.

SPEED-LIMIT ROAD

Ukraine becomes a candidate state and opens the negotiations with the EU. Ukraine demonstrates good economic indices and success in implementing the EU standards in the social field. Bilateral cooperation is reinforced by an immense variety of joint projects that transform Ukraine into a »bridge« between the EU and Russia.

BUMPY ROAD

Ukraine is still in the process of implementing the AA. After a series of elections in Ukraine, there is little progress on the integration path, or explicit political will to deepen integration with the EU. It leads to ambiguity in the EU-Ukraine relationship and allows Russia to preserve its strong influence in Ukraine.

DEAD-END ROAD

Democracy in Ukraine has regressed. The economic interests of some »interest groups« pushed Ukraine towards the Eurasian Economic Union, and Ukraine remains under strong Russian influence that results in a certain level of integration with the Eurasian space. EU-Ukraine relations are almost frozen for an indefinite period of time.

None of these scenarios is intended to represent the most visible future. Each of them reveals plausible developments that could be highly impactful or may defy both the Scenario Team's assumptions and preferences. The participants agreed that all four scenarios are valid, if the following preconditions (assumptions) are met until 2030:

- Ukraine remains within the same borders as a legally sovereign and independent state;
- No violence scenarios (civil war or conflict) take place in Ukraine or in its nearest neighbours;
- The EU does not disintegrate, derail, or experience a fragmentation process;
- The Russian Federation remains a highly influential actor in the region;
- The US and China pay attention (are involved from time to time) to the regional agenda with emphasis on Ukraine.

All of the scenarios will soon be tested by the first important milestone—namely, the way the current crisis in Ukraine is settled, and its significance for wider Europe.

All errors in the publication are the sole responsibility of the editors.

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SCENARIO 1: HIGHWAY

THE STATE OF RELATIONS IN 2030

By 2030, Ukraine achieves full European Union (EU) membership status. Driven by progressive goals and common values, cooperation in the fields of energy, technology, business, innovation, and science has been thriving and finally led to membership. Mutual challenges have been solved by reciprocal benefits: the EU has stabilized Ukraine by guiding it out of the potential buffer zone,

while Ukraine has become an attractive country for foreign direct investments from the EU, and a growth motor for Eastern Europe. EU-Russia relations have improved as a result of Ukraine's sound foreign policy and its economic progress. Consolidated by the EU agenda, democratic Ukraine is a reliable player in the region and has a positive influence on the democratization process in Russia.

THE ROAD TO 2030

The failures of the Eastern Partnership format and the 2013 Vilnius Summit, the hesitation and indecisiveness of Ukrainian political leaders, and a sagacious, alluring policy of embedding by the Russian Federation seemed to leave one of the largest geopolitical resources on the continent abandoned—a country willing to embrace European values and standards. However, the 2013–2014 Maidan Eurorevolution consolidated the EU's view of Ukraine as a progressive, reform-minded country and a potential EU member state. As a result, the EU clearly realized the political importance of Ukraine, the maturity of the Ukrainian population, and their determination to advocate genuine democratic reforms.

Protests by the Ukrainian people, their ability to self-organize, and their clear support for a European future united political parties under a pressing agenda for government reform. The political crisis in Ukraine—igniting the bloodiest events since state independence—was settled by the dismissal of the government, the reintroduction of the 2004 constitution restoring more balance of power, a relaunch of the administrative apparatus, the election of a new president, and the appointment of a new prime minister in 2014. Civil society activists were now represented in the new government. The Association Agreement (AA) was finally signed and rati-

fied—supported by a proactive Ukrainian initiative. A successful information campaign convinced Ukrainian society—including people in the eastern part of the country—of the need to take the European path towards a gradual improvement of living standards and the economy; taking into account expected cuts, possible short-term disadvantages, and painful adjustment periods.

Growing interest from global corporations and political incentives from the EU and the United States (US) provided economic support to help Ukraine continue on its European path. Specifically, an economic revival package from the US, the EU, and the IMF helped the new government stabilize the country's financial situation and manage its debt and budget. As for Russia, its economic crisis, financial interests, and need for modernization also drove the country to consider the EU as a source of economic modernization. Additionally, EU member states that shared close ties with Russia had assisted in settling the tensions around Ukraine's »geopolitical choice«. The EU and the US offered Russia modernization programmes in exchange for not interfering with Ukraine's transition to the EU. In need of support, Russia partly accepted the offer: Moscow stopped wasting and misusing financial resources on geopolitics and redirected them to much-needed structural and social reforms

at home. The previous practice of pouring \$15 billion from Russia's National Wealth Fund into Ukrainian bonds changed: the money was instead reallocated to the pension system and social reforms. As a result, economic relations between Ukraine and Russia improved. The attractiveness of joint projects between Ukraine, Russia, and the EU helped the Russian political elite to prioritize the economy over politics in their relations with Ukraine.

The financial support package from the EU and the US envisioned an international audit that allowed Ukraine's economy to extricate funds necessary for reforms and elections. Society's pro-European demands brought a new president into power during the 2014 elections, followed by the establishment of a pro-EU democratic majority in a new parliament. The united voice of the Ukrainian government—backed by the EU-Ukraine Integration Committee—finally paved the road to genuine implementation of reforms, and convergence with EU norms and standards.

Business facilitated the implementation of reforms by engaging international organizations (IMF, WB) and lobbying on the part of Ukrainian interests. Through the Consultative Aid Group, judges and law enforcement bodies were introduced to EU standards in civil, criminal, administrative, and procedural codes. The National Anti-Corruption Action Plan was spread through all of Ukraine's regional and central institutions. In conjunction with the relevant EU bodies, its implementation helped to ratify the UN Convention against Corruption and comply with the Council of Europe Criminal Law Convention on Corruption. Deeply rooted corruption, strong opposition from the oligarchic lobby and the political elite were gradually overtaken by a new generation of young professionals with a good governance approach. This was supported through workshops on political culture, anti-corruption, and the rule of law given by EU-Ukraine ad-hoc advisory groups. Compliance with EU standards enabled a visa-free regime between the EU and Ukraine. Ukraine's increased cooperation with the EU and its bodies in Brussels helped to form a new generation of politicians with a strategic view of serving their country and improving national welfare, while using transparent international standards.

Ukraine's economy was boosted after the implementation of the Free Trade Agreement (FTA) with the EU. Due to the ongoing European integration process, Ukraine

reached a leading position in agricultural production. Foreign direct investments, which were previously concentrated in industrial production and the financial sector, now also poured into the Ukrainian IT and tourist industries. The strengthened SME sector led to positive changes on the labour market, and a significant decrease in unemployment.

Successful political dialogue and benefits from the EU-Ukraine FTA—for entities with Russian investments operating in Ukraine—deepened Russia's interest in widening the collaboration in the EU-Ukraine-Russia format, including the energy sector. Meanwhile, Ukraine's position was strengthened as a result of the AA's financial resources and technologies for modernization. These conditions increased the potential of Russia-Ukraine joint projects.

Slowly but surely, energy issues started to follow the logic of international business rather than that of international politics. Joint projects on green and renewable energy, as well as green tariffs, fostered diversification of the energy market sector. Since February 2011, Ukraine has been a full member of the European Energy Community (EEC). The EU has repeatedly affirmed its interest in the maximum usage of gas transit and storage opportunities in Ukraine. After signing the AA, Ukraine gained solid technical and financial support from the EU for completing a revitalization of the energy transportation infrastructure and establishing a transborder accounting system. Cooperation on the modernization of existing facilities began. The AA appendices included a wide range of EU directives and regulations regarding energy efficiency—which Ukraine implemented—encouraging co-generation, determining energy parameters for buildings, ensuring end-use efficiency, and establishing parameters for energy services. The EU allocated funds for the modernization of the country's pipelines, the renovation of electricity generating facilities, and resources for domestic nuclear power stations. The cooperation with the European Investment Bank, the European Bank for Reconstruction and Development, and other international financial organizations supported the efforts of the EU and Ukraine in meeting energy sector goals. However, because of the policy of diversification of energy suppliers, the EU had to decrease imports of gas from Russia, which led to a decrease in gas transportation through Ukrainian territory. To find a compromise and to maintain the possibility of delivering Russian gas

to the EU, Ukraine initiated a stipulation that created a Joint Tripartite Management of the gas transport system. This facilitated gas talks between all parties.

Gradually, mutual business interests and markets led to negotiations in the field of mutual tax and custom policies in the innovation projects between Ukraine and the EU. Oligarchic traditions—previously linking politics and business—began to diminish due to the stronger role of the rule of law, advanced corporate law, more effective antimonopoly legislation, and institutional, personnel, and financial strengthening of the respective control authorities. These measures led to a perceptibly improved business and investment environment, creating favourable conditions for business development. Transparency and compliance with fair business rules led to economic benefits, as business was freed from political pressure and became less dependent on political decisions. This resulted in political stability and consistency in long-term planning and policy-making. Increased levels of social standards following the economic reforms led to the re-election of the pro-EU president in 2019. The government remained committed to the previously defined policies and declared the goal of a full EU membership by 2030.

Prosperity and the consolidation of society under European values spurred the growth of independent media, better protection of human rights, good governance, political pluralism, and civil activity. Encouraged by compliance with its AA commitments, the EU approved Ukraine's 2020 application for EU accession, opening the way to accession talks. The EU initiated the procedures leading to the Ukraine being granted EU candidate status.

Meanwhile, Russia's strategic interests were satisfied within the partnership format EU-Ukraine-Russia. The growing income gap—directly tied to astronomic levels of corruption in Russia (in particular, during the Sochi Olympics 2014)—increasing ethnic tensions, and falling oil prices gradually led to a change in the Russian elite's position. While continuing to keep its autocratic model, Russia became less of a regional bully and more self-focused. As a result, the degree of Russian intervention into Ukrainian politics significantly decreased.

Economic benefits for all parties involved followed shortly thereafter: the alignment of the EU and Ukrainian trade flows and market environments also served Russia

and other regional interests, allowing local companies to facilitate access to the abundant EU market, and at the same time attract EU investments. The EU profited from Ukraine's integration through the improved infrastructure. As a result, the Ukrainian economy was further spurred by a steady flow of EU investments. Liberalized trade within the Ukraine-EU Deep and Comprehensive Free Trade Agreement (DCFTA) helped bridge the gap between the GDP per capita and wage levels in Ukraine, Poland, Slovakia, and Hungary. These transformations resulted in a reorientation of migration flows—seasonal migration replaced long-term resettlement. Moreover, a joint border guard service monitored migration, fought organized crime, combatted terrorism, and foiled money laundering schemes. Ukraine's cyber piracy rates, which were one of the highest in Europe, was used as a case study for research and led to joint solutions for copyright law and software legalization on the EU level.

Beyond 2020, further transparency in politics and economics led to the implementation of fair rules in the energy sector. The EU-Ukraine energy market integration was characterized by energy-saving technologies, a dominant position in the extraction of organic energy sources, the relative loss of market share of nuclear energy, and increasing green energy generating capacity. Modern technologies and investment helped Ukraine use its own reserves of shale gas, diversifying its energy supplies and decreasing its dependence on a single energy supplier. In particular, Ukraine developed international partnerships with foreign investors: it signed an agreement with China to build the first coal gasification plant in Ukraine in order to replace natural gas energy resources; and it began the implementation of shale gas projects with companies like Shell and Chevron. The successful implementation of these initiatives allowed Ukraine to cover the country's demand for gas by 2030. The tight EU-Ukraine cooperation in the modernization of the energy sector and the effective implementation of large investment projects with Chevron and Shell, as well as with China, helped to create an efficient and diversified energy sector in Ukraine. Finally, it conditioned the decline of Russia's political influence. Moreover, gas extraction trends in the world became less favourable to Russia as shale gas extraction boomed and technologies improved.

Overall, by 2030 Ukraine was deeply integrated further into worldwide security and humanitarian cooperation—by taking part in peacekeeping operations, train-



ing on combating terrorism, and working to eradicate hunger—to address the challenges of the new era. A positive assessment of Ukrainian results from the implementation of the Association Agreement and its fulfilment of the Copenhagen criteria led to the European Council's decision to give Ukraine full Membership Status in 2028. As a result, Ukraine joined the EU and

took part in the European Parliament elections in 2029. Democratic values, a revitalized economy, and stability in the region fostered the spread of European values to the Eastern Neighbours. The idea »from Lisbon to Vladivostok« became feasible and brought all parties together: **from the deserted on-ramps of solitude to the global community highway.**



SCENARIO 2: SPEED LIMIT ROAD

THE STATE OF RELATIONS IN 2030

Relations between the European Union (EU) and Ukraine have been put on a sustainable pro-EU path thanks to post-Maidan developments. After successful democratic reforms and promising economic development, negotiations about Ukraine's membership in the EU have started. Free trade agreements with both the EU and Russia enabled Ukraine to act as a bridge between the two. Having efficiently managed several energy crises caused by tensions between the EU and Russia, Ukraine succeeds in implementing radical reforms in the energy sector, which emphasize energy efficiency and the di-

versification of energy sources, thus laying the necessary foundations for the establishment of a Central Eastern European (CEE) energy hub. The Ukrainian government manages to overcome the threat of social tensions stemming from high unemployment and labour migration. By implementing economic and social reforms, the country is able to raise the standard of living to the degree of neighbouring CEE countries. EU-Ukraine relations are no longer a one-way street, and now involve Russia in the global economic competition with emerging global players like China

THE ROAD TO 2030

After the peaceful settlement of the political crisis in 2014, the Ukrainian leadership was changed and the new government accepted a pro-EU agenda, which included a legislative reform package (anti-corruption block), institutional reforms, a road map for economic stabilization, and an action plan for signing and implementing the Association Agreement (AA) with the EU, which was finalized shortly thereafter. Meanwhile, Russia's internal crisis kept it from interfering heavily into Ukraine's politics. At the same time, the United States (US), via international institutions like the IMF, and the EU implemented political and economic measures to assist Ukraine on its pro-European path, giving Ukrainians a positive perspective on integration into the EU.

The oligarchs' interest in settling the situation peacefully in the shortest period of time—to avoid devaluation of their assets, as well as sanctions and restrictions from Western countries—influenced members of parliament to vote for constitutional changes that would strengthen the parliament's position in relation to presidential powers. Additionally, the lack of its own resources to »com-

pete« with the West over Ukraine, and growing economic problems prevented Russia from blocking Ukrainian integration to the EU. Russia looked into ways to benefit from the situation—while still aiming to preserve its influence in Ukraine and the EU-integration processes—via new opportunities for Russian businesses in the European market. Russian investment flows were active and growing. This turn of Russian policy was reinforced by the positive improvements on the bilateral EU-Russia agenda.

However, Ukraine experienced a rise in unemployment due to the difficult economic situation. As a result of these tendencies, informal labour migration increased, and many citizens sought better opportunities outside the country, mainly in EU member states and Russia. The government refrained from increasing social payments, reasoning this step with budgetary restrictions and financial scarcity, as well as with the strategic aim of stabilizing the state budget. In turn, this measure led to an upsurge in social dissatisfaction and a drop in support for the new members of parliament who were elected in 2016.

Nevertheless, tools within the AA enabled both the EU and Ukraine to deal with the problem of discrepancies via law enforcement initiatives, regulation of political processes, and societal tools.

Sustainable development of civil society, the monitoring of state authorities by citizens, and strengthened accountability of civil servants ensured the new path of Ukrainian democratic transformation. In order to implement the rule of law, mechanisms were created to guarantee state accountability to civil society. Networking by NGOs during the post-Maidan period strengthened the rule of law, making it a fundamental democratic principle of Ukrainian state development.

On the road to the EU, Ukraine successfully implemented a visa liberalization plan, thus creating necessary preconditions for a visa-free regime in the future. In addition, important EU standards in the social field—such as labour market regulations, health care, and social security—were implemented. Despite substantial technical assistance from the EU to advance institutional and economic developments in Ukraine, the investment climate remained unstable. Initially, European companies were reluctant to invest in Ukraine and preferred a wait-and-see approach. Thus, the political crisis in the country hampered the »quick start« and respective recovery of the economy.

Increased tension in the energy triangle involving the EU, Russia, and Ukraine forced the establishment of a high-level trilateral energy dialogue aimed at tackling and averting conflict situations. This development was supported by the intensified cooperation and coordination of Ukraine with the CEE countries in the energy sphere. However, Russia was far from abandoning the geopolitical game, and thus used the trilateral gas consortium, in particular, as a way to monopolize the market and dictate energy rules.

In line with stabilizing the political, economic, and social situation in Ukraine—as well as addressing the expectations of its citizens—the country experienced a »large-scale reset« of the governance system emphasizing the institutions and their processes. Despite the fact that the previous system's beneficiaries maintained resistance to changes, these measures created a sustainable foundation for the effective democratic framework inside the country and cleared the way for reforms.

Based on these positive developments, Ukraine was able to establish influential lobby structures in EU institutions. The AA had been signed and was actively implemented. Financial and technical assistance from the EU was extended. Democratic principles and institutions were established and reinforced by strict adherence by all governmental authorities to the rule of law, a functioning checks-and-balance system, as well as effective control from the civil society. After meeting the EU criteria, a visa-free regime with Ukraine was established.

Russian investments in Ukraine formed a productive economic cooperation between the two countries. Accordingly, a Ukraine-Russia trade turnover grew rapidly, while constructive negotiations on Russian-Ukraine-EU energy cooperation supported this development. As a result, a bilateral economic agenda was improved and established a favourable political climate in Ukrainian-Russian bilateral relations. With the AA being enforced, the EU and Ukraine drew closer in the area of science. The positive economic and political developments made Ukraine an incubator for innovation and a recipient of foreign investments. In addition, Ukraine became a full member of the EU educational and scientific community. With these positive changes in the economic and social areas, unemployment and labour migration rates dwindled.

External observers acknowledged the 2020 presidential and parliamentary elections as free and fair. The new president, along with his team, continued to reform the country in line with EU rules and standards. Rule of law and democracy were strengthened. Finally, there was evidence of sufficient progress in local self-governance and effective anti-corruption policy. An influential »pro-Ukrainian« lobby group was reinforced in the European Parliament. Based on the first positive results in reforming the economy and governance in Ukraine (implementation of »economic acquis«, approaching EU averages, fiscal and macroeconomic stability, etc.), the EU decided to provide Ukraine a membership perspective. The bilateral EU-Ukraine cooperation flourished. The decision on the membership perspective secured Ukraine respective expenditures provided by the EU budget. That was an important indicator of a higher level of the EU-Ukraine partnership. At the same time, the newly elected president of Russia favoured the current state of relations, where politics and the economy were less intertwined with each other.

Beginning in 2016, the EU-Ukraine trade turnover had at least matched that of the Eurasian Union, due to accelerating growth rates caused by economic integration into the EU, and deepening of the respective production networks. Ukraine offered the most favourable period for investments to the country: EU entities acquired the majority shares in many industrial capacities. As a result, Ukraine gained the status of the next large outsource capacity for EU companies (including an important role in the production/assembly cycles), setting sustainable economic ties between Ukraine and EU as its future member.

The cooperation between the EU and Ukraine in the field of science was actively developed; the share of innovative enterprises that originated from the EU had increased. Evidence of the trend included the Ukrainian IT cluster, which became one of three most important in Europe. Labour migration to the EU found its equilibrium level, but the quality of the labour pool changed. The trend was supported by a higher level of employment and an increase in social security standards. The cooperation in the energy sector focused on energy efficiency, import diversification, and extraction.

Ukraine succeeded in narrowing the distance between the EU and Russia, by having FTAs with both, and acting in its new role as a link between the two. Russia and the EU united their efforts in economics (resources vs. technology) and energy (exploration-production-consump-

tion), however, with a slow convergence in the political field. Due to successful economic development and implemented reforms, Ukraine was able to reach the EU's average level of income, which indicated an important benchmark for starting the accession process by 2030. The global democracy rating of Ukraine had improved. The establishment of the CEE energy hub—with Poland and Ukraine as major contributors and stakeholders (flagship initiative in Ukraine-EU energy cooperation)—made it one of the major pillars in the EU energy architecture.

Having fulfilled the preconditions put forward by the EU, Ukraine obtained candidate status in 2023. Having successfully implemented reforms in economic, judicial, and social fields, Ukrainians felt confident in re-electing the president. Russia did not obstruct the EU membership policy of Ukraine as the EU-Russia bilateral agenda experienced a positive trend. The decision to take a »win-win« approach instead of entering into a »zero-sum game« proved effective, in the global arena as well. The rapprochement between Russia and the West happened primarily because of the shared need to cope with the competition brought about by China's emergence as a geopolitical actor. Overall, the speed limit pointed out problems in EU-Ukraine relations that have to be bypassed—allowing both parties to see the world from each other's perspective and plot an alternative course.

Having been previously on a speed-prohibitive dirt road, EU-Ukraine relations are now in the express lane.



SCENARIO 3: BUMPY ROAD

THE STATE OF RELATIONS IN 2030

By 2030, a series of elections in Ukraine has shown no explicit political will to deepen integration with the European Union (EU). This dampens the relationship, but there are still positive changes, such as Kyiv's implementation of the Association Agreement (AA) obligations. With the observed passivity of the EU towards Ukraine

and due to Russia's efforts, Ukraine has fallen deeper into the Russian sphere of influence and has started negotiations on an associated membership with the Eurasian Economic Union. The region retains the status quo with a declining economy, a lack of reforms, and a widening gap between democracy and autocracy.

THE ROAD TO 2030

The events of Maidan seemed to signal the victory of the pro-EU forces in Ukraine, and positively transformed the EU's attitude towards the Ukraine's integration aspirations. Using the momentum, the United States (US) also extended its technical support for democratic and institutional transformations in Ukraine. However, Russia was not satisfied with losing its political dominance over Ukraine, and sanctions and bans on Ukrainian products followed: increased gas prices, unfavourable credit conditions, and worsening trade between the two countries (banning some Ukrainian exports, hardening customs regulations, etc.). However, these negative shifts were partially compensated by financial assistance from the EU, the US, and the IMF. The temporary stabilization of the economy and formation of a transitional government led to the election of a pro-EU president in 2014.

The new government took advantage of the situation and implemented some unpopular economic reforms that were necessary for signing the AA in 2018. These reforms concerned the transparency of business regulations, implementation of EU technical and phytosanitary standards, bringing excise duties to the EU level, etc. However, the signing of the AA escalated the tensions between different regions of Ukraine. The involvement of the EU and the US in the internal affairs of the country left some political groups out of the negotiations. With no strong leader to unite the country and satisfy all

strata of the electorate, the West supported one of the former opposition leaders for the presidency in 2014. In three years, it became clear that the political sphere needed further diversification and inclusion. The president did not gain meaningful support in the government to fully introduce a set of reforms. The consolidation of the political process and agenda could not be finished, because it simply did not start: the administrative apparatus lacked professionals, and corruption schemes proved hard to resist with only short-term goals.

The first years of the new EU-Ukraine trade framework unleashed a wide range of problems in the Ukrainian economy, because some EU companies increased their presence and activities in the Ukrainian market and local enterprises struggled to compete with them. Without a decent, focused information campaign accompanying the implementation of the EU-Ukraine trade framework and its possible advantages, the social tensions and negative attitude towards the country's direction intensified. Additionally, the Deep and Comprehensive Free Trade Agreement (DCFTA) demanded great efforts for Ukrainian dealers to enter the EU market at a higher level. The »mortality rate« of the Ukrainian SME and of some bigger companies that were oriented strictly on the internal market increased. Consequently, the Ukrainian GDP dropped slightly, and the condition of public finance became more critical—especially regarding the

budget deficit and the country's debt. Cases where public sector employees' salaries and social payments were delayed became increasingly frequent.

Meanwhile, Russia pushed the idea of the Eurasian Customs Union (ECU) even further—offering an alternative to the EU's European Neighbourhood Policy (ENP) and Eastern Partnership (EaP) tools, but with a clear membership perspective. The ECU, free of democratic conditionality, offered Ukraine a membership with no political constraints, promising to compensate the increasing tariffs from the WTO membership. Short-term benefits—increased GDP, continued access to the Russian market, and a potential recreation of the technological research and development complex—seemed like a release from the obligations for modernization and standards set by the EU.

As a result, the 2019 presidential elections in Ukraine reflected the current situation—the new president reversed the course set by the previous pro-EU leader. Economic hardships were too hard to bear and overcome after many years of economic instability. Brain drain and emigration from Ukraine left the country with an enormous lack of civil society activists and progressive minds. As Ukrainian civil society became more marginalized, people preferred to stay away from political life feeling unable to change it. Ukraine's path towards the EU was set back even further, causing minor pro-EU protests in 2021. To demonstrate solidarity with the Ukrainian people, the EU finished the ratification of the AA in 2022. Ukraine tried to fulfil the obligations undertaken by the AA and strived to implement all of the international requirements undertaken in the context of harmonization of public administration management processes, but it often lacked either the institutional capacity or the required finances. Over time, it became obvious that the current political elite of Ukraine once again preferred to give the illusion of change by signing the international agreements, but not implementing them.

In that regard, even the first benefits of the signed DCFTA failed to improve the situation, although by the mid 2020s, a large number of Ukrainian enterprises had managed to adapt to the new economic conditions. Trade turnover between the parties and foreign investments in Ukraine once again increased. Ukrainian economic indices, including personal income and

government revenues, gradually improved. But political uncertainty in Ukraine and internal factors—including a gap between adoption and enforcement of legislation, persistently high levels of corruption, slow introduction of innovations, and energy-saving technologies—kept mutual EU-Ukraine economic relations at bay. However, these factors did not affect the relationships with other regional partners.

Following a long period of negotiations and the Action Plan implementation, a visa-free regime between the EU and Ukraine was finally established in 2022. It drastically increased mutual human flows, but access to the most highly sought-after segments of the EU labour market remained restricted for Ukrainians. Meanwhile, in other areas, EU companies benefited from the increasing competition from the Ukrainian labour force, as Ukrainian workers were closer to the European standards of professional education and willing to accept lower salaries. Seasonal work migration from Ukraine to its Eastern neighbours became a trend once again.

Major energy disputes—like the disagreements on prices and energy transit via the Ukrainian transport system, delayed payments, the energy infrastructure's lack of modernization, building of new pipelines, etc.—were solved within a newly created trilateral EU-Ukraine-Russia consortium. It brought the main energy operators and politicians of the three parties to a common table. However, sitting at the round table did not resolve energy-conflict situations within bilateral EU-Ukraine relations (or within Ukraine-Russia relations).

The overall developments led to the re-election of the Ukrainian president in 2024. Significant delays in transparent public procurement, the enforcement of competition rules, and intellectual property rights caused the European Commission to continue antidumping practices for some Ukrainian commodities. As a result, Ukraine was behind schedule in reducing fiscal and quantitative barriers for imports of automobiles, machinery, and food products from the EU. At the end of the 2020s, there were still a few claims from European companies concerning Ukrainian business entities violating trademark rights, utility models, and know-how. This hampered trust in the business environment and hindered common entrepreneurship, hence forcing Ukrainian companies to look eastward for business partners.



Overall, the rift in Ukrainian society was deepened over the years with advantages for the pro-Russian attitude. Public awareness was formed by the superiority of a government-influenced media. By the late 2020s, Ukraine assessed itself as economically attractive and began a dialogue with the EEU on the associated mem-

bership. The political elite once again used the financial benefits of the international agreement to sustain its swinging strategy: to take a 180-degree turn from the EU towards Russia. **Without clear road signs, the Ukrainian vehicle hit another bump on the road to the EU.**



SCENARIO 4: DEAD-END ROAD

THE STATE OF RELATIONS IN 2030

Relations between the European Union (EU) and Ukraine are based on minimal cooperation, as the backsliding from democracy in Ukraine only leaves room for the political dialogue of mutual criticism. This, however, has an effect on Ukraine because its lack of political will and corruption schemes have pushed it to become Russia's satellite. The Western world has opted out of dealing with the unpredictable character of the region, only

speaking with the dominant Russian voice. The majority of issues are settled via the dialogue between the EU, Ukraine, and Russia, under the auspices of the latter and with Ukraine being more of a pawn than a player. Ukraine is an associated member of the Eurasian Economic Union (EEU). Human rights abuses, misuse of funds, and economic stagnation overrule the development of any common EU-Ukraine values and joint projects.

THE ROAD TO 2030

On the one hand, the 2013 Vilnius Summit fiasco demonstrated the incompetence and dependence of the Ukrainian government on its hostage status to Russian politics and lopsided economic and political games. The Ukrainian political elite was unable to recognize the deep-rooted demand for a European-oriented policy, and was overwhelmed with the protests following the Vilnius summit and unable to find in this tense political situation an appropriate reaction to the demands of the people.

On the other hand, it showed the EU's incompetence in drafting agreements with an adequate balance between incentives and obligations, as well as the exposed remnants of the EU's neighbourhood policy and the weak voice of the European Union. The reluctance of the EU to use the momentum of the Maidan Eurorevolution and its hesitation in the introduction of sanctions prolonged Ukraine's internal conflict.

Despite the further intensification of protests in 2014 and the pro-European aspirations of Ukrainians, the EU chose the strategy of awaiting and adhering to Russia's political actions. Meanwhile, Russia's tactics aimed at the federalization of Ukraine had more of an effect than the sanctions, mediation efforts, and economic survival

measures imposed by the United States (US) and the EU. Thus, a historical chance to use protests in Ukraine to relaunch and put strong, sound, and fresh governance structures into effect was lost. One of the largest European countries was left on its own, while the EU did not use the moment to establish itself as a new power in world politics.

The inability of the Ukrainian government and the opposition to find compromise escalated the situation: the political dynamics led to catastrophic radicalization, chaos, and conflict. Any possible negotiation on the EU-Ukraine Association Agreement (AA) ceased. Reasons and grounds for effective dialogue and relations between the EU and Ukraine were minimized. EU-28 had difficulties coping with economic disturbances in Greece, Spain, Portugal, Bulgaria, and Romania. A new composition of the European Commission elected in 2014 decided against »dragging Ukraine by the ears« and constantly addressing its problems, while trying to maintain »good neighbour status« with Russia.

This meant phasing out EU-Ukraine cooperation instruments—forcing in turn foreign investors to cut back on investments in Ukraine, and creating a negative impact on the trade turnover between the EU and Ukraine.

Also, the budget deficit grew. With no EU Emergency Action Plan at hand, the crisis courted economic disaster on a scale that no Russian or Western bailout could alleviate. Russia took this as an opportunity to draw Ukraine closer—increasing corruption schemes and political pressure to push its Western neighbour into its open arms. Additionally, Russia's \$15 billion loan and adjusted gas prices were compelling arguments for Ukraine to deepen the cooperation with Russia in the economic and energy sectors. Influenced by a pro-Russian oligarchic lobby, the Ukraine government supported this trend because of the country's current situation.

To this end, the energy policy became even more entangled with business interests. Gas was further used by Russia as a political trump to pursue its own interests. With lower natural gas prices, Ukraine was reluctant to seek new ways to modernize its energy sector with green and renewable energy sources. Without competition and modernization, Ukraine remained a satellite of Russia, who treated it as a pool for draining its resources. Likewise, the EU was also not ready to allocate funds for the modernization of Ukraine's pipelines and for the renovation of energy generating facilities. The cooperation on the modernization of existing facilities failed to start after the 2014 presidential election. The policy of diversifying energy suppliers urged the EU to decrease its gas imports from Russia, which led to dwindling gas transportation through the Ukraine. In addition to the North Stream, Russia continued to develop the South Stream gas pipelines, bypassing Ukraine.

Social tension, increases in the state debt, unemployment, migration, and energy dependence forced the government to solicit additional financial assistance from Russia, **which was mainly spent on the campaign to elect a pro-Russian president in 2014**. The country walked a thin line of civil war: only de facto federalization helped avoid the de jure break-up of the country. The suppression of protests and civil unrest, as well as statements by the international community on violations of the election process did not prevent the President from taking an authoritarian stance. The opposition was repressed and forced to cease its activities, with some of its members entering the family of the ruling party. The practice of cronyism—appointing people from the »family« for posts rather than selecting the best professional in a transparent interview pro-

cess—had been cemented once again: it minimized the chances for the emergence of a professional political elite.

As a response to human rights abuses in Ukraine, the EU chose to limit the scope of cooperation with its largest Eastern neighbour. The visa liberalization process was stopped. Between 2015 and 2020, with no AA in place, the EU gradually decreased technical and macro financial assistance for Ukraine in a way that limited any economic reform. Deferred harmonization of Ukrainian legislation with EU rules and standards—in terms of technical, sanitary and phytosanitary regulations—hampered mutual trade. Corruption and tax evasion, as well as unclear legislative rules for the establishment of companies in Ukraine remained a chronic issue. To this end, Ukrainian enterprises directed their attention towards Russian and Chinese investors.

The Eurasia Economic Union (EEU) began operations in 2015, and Ukraine applied for an associated membership to compensate for the loss caused by the restricted access to its goods and services in the EU market. China was eager to give a helping hand to Ukraine and cement its own influence in the region. In particular, the increase in Chinese exports of construction materials, equipment, and building services served as a way to gain access to the vast scope of Ukrainian natural resources.

The early 2020s saw a decline in business contacts with Western partners and a reluctance to implement sweeping reforms. Thus, authorities further solidified economic relations with Russia and China. The former managed to pull the country into wide-scale joint projects, while the latter launched a series of projects mainly in agricultural and industrial sectors. Such cooperation with Russia and China prevented a political crisis and stabilized the economic situation in the country.

Without involvement in Horizon 2020 and the EU funding programme for research and innovation, Ukraine lacked the resources for modernizing and promoting competition in science. The science and education systems failed to gain momentum for harmonization along with EU standards. The Ukrainian education system had not been integrated into the Bologna process: cronyism negated the need for diplomas by giving preference to lower qualified candidates over those with professional degrees. The absence of a qualified medical and educa-

tional HR pool led to the deterioration of social standards. Pro-Russian and anti-Western propaganda served as the basis to bring up a new generation of loyal compatriots—with a lack of options rather than personal choice. Travel to Ukraine (and the region) was limited for foreigners in general, with imposed visa restrictions for EU and US citizens.

Because of Russia's growing influence on socio-economic processes in Ukraine, close ties with the Eurasian market, and the absence of political choice, a pro-Russia **president was elected again in 2019**. This meant de facto Russian control of Ukraine's resources and political processes. The final political milestone was reached **in 2030 when Ukraine received associated member status in the Eurasia Economic Union**. Gas export tariffs for Ukraine were lifted and industry production cycles between Ukraine and Russia were gradually restored; however, this trend led to a decrease of sovereignty for Ukraine. The supra-national institution controlling the customs regulations limited Ukraine's ability

to protect its own national interests. Furthermore, politically motivated business actors continued to dictate rules in the region. With business and politics fully intertwined and controlled by Russia, the only format of negotiations was via a triologue between the EU, Ukraine, and Russia, where the EU played more of an observer role.

With the failure to use the opportunities of 2014 to bring Ukraine under an EU agenda, the EU lost the chance to use Ukraine's success story to spread the idea of democracy and to convince Russia to take the »Lisbon to Vladivostok Strategy« seriously. Now, instead of the global Greater Eurasia or the Greater Europe concept—which was intended to embrace European and Asian territories—the world was forced to deal with Russia's increasing political mood swings, its backdoor approach to political negotiations, its leveraging of the gas game, and its growing regional dominance. **This is a dead-end street for EU-Ukraine relations. And reverse is broken.**



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