

## **Enlarging the EU Sphere of Influence Eastwards – Or: The Dialectics of Integration and Disintegration**

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In the face of the austerity-induced depression of the domestic markets in the EU, the EU and its main powers bank on the expansion of economic relations beyond the EU and free trade agreements. The coalition agreement of social democrats and Christian democrats in Germany, the dominant EU power, is characteristic of this thinking. It is extremely brief and unimaginative in its paragraphs on the EU, but dedicates detailed and highlighted paragraphs on the Germany's economic relationship with so-called emerging economies and on EU free trade agreements (Becker 2013: 47).

The expansion of the EU sphere of influence towards the post-Yugoslav and post-Soviet space is one vector of the EU external policies. The expansion of the EU sphere of influence entails the creation of differentiated grades of sub-ordinate integration with the EU. With the post-Yugoslav states, the EU concluded association agreements and still provides the prospect of EU membership, though there are already question marks about this due to the internal crisis of the EU and the so-called enlargement fatigue in key EU member states (Cohen/Lampe 2011: 452 ff.). Turkey is an official candidate for EU membership and low intensity negotiations are going on, but both sides tacitly seem to assume that they are unlikely to lead anywhere. The negotiations with post-Soviet states were aimed at concluding Associations Agreements that entail the adoption of parts of the EU *acquis communautaire*, but later EU accession seems to be an extremely unlikely prospect (Wagner 2014: 123 ff.). Thus, several layers of partial integration into EU norms are created. To a significant extent, the policies towards the post-Soviet states follow the patterns of policies towards post-Yugoslav states. The emphasis of free trade policies which favour the interests of West European capital is common to EU policies towards both regions. However, there are some key differences in the context. In the post-Soviet space, the EU is confronted with a competing Russian integration project, the Eurasian Union, and, in countries like Ukraine or Moldova, societies are deeply divided on the geo-political orientation. In Ukraine, the controversy on the EU accession agreement triggered of a conflict that finally led to a civil war with regional implications.

Contrary to the real Ukrainian experience, EU enlargement and association policies are often portrayed as a harbinger of stability, peace and prosperity. EU conditionalities as part of the pre-accession process are often portrayed as a success of constructing liberal economies and states in the post-Yugoslav space (e.g. Cohen/Lampe 2011). This supposed success model is to be transferred to the post-Soviet space. However, the success story is questionable. In their success tale, Cohen and Lampe (2011: 448) admit that post-Yugoslav states continue to suffer from “substantial developmental deficiencies”. The question is whether these deficiencies cannot be traced back to the neo-liberal approaches and the free trade focus of the EU policies. One key question to be addressed here is what the developmental consequences of the EU neo- or ordo-liberal approach to enlargement and association are. Secondly the driving forces behind and the consequences of the EU state-making and geo-political policies in the post-Yugoslav and post-Soviet spaces which both had seen massive political and economic disintegration in the 1990s are to be analysed. The geo-political positioning has to be analysed in wider context, in particular in relation to the positions of the US governments which represent the still dominant global force.

### **Consensus and Partial Dissent on EU Expansionary Policies**

Free trade clauses and the export of EU norms are key features of its pre-accession and association policies (cf. Vercueil 2014: 4). The EU aims to get free and non-discriminate access of EU goods and capital exports and transfer key EU regulatory norms, particularly those pertaining to competition (cf. Duleba/Bilčík 2010: 20 ff.). These norms primarily favour outward-looking strategies of big corporations from EU countries. The existing protective devices of economies that are often still well below their 1990 GDP (Myant/Drahokoupil 2011: 52 f.) are destroyed and spaces for national industrial policies are closed. Through the treaties, the adopted EU norms and the closing of national policy spaces are cut in stone. Independent of their own priorities, later governments are bound by the treaties. This hollowing-out of democracy is typical for neo-liberal and ordo-liberal norm-making. The tension between the curtailment of national democratic decision-making powers and the commitment to “democratic principles” as it is professed inter alia in Article 2 of the EU-Ukrainian Association Agreement is neither addressed in the accompanying documents (EU Commission n.d.) nor in the mainstream literature (e.g. Duleba/Bilčík 2010: 20 ff.). The same pertains to the treatment of the developmental consequences of these treaties. Instead, the treaties are usually depicted as the – at times bumpy – road towards modernisation. Duleba (2009: 22) underlines that “there is a consensus within the EU that it should promote modernization of its neighbourhood through the export of its standards.”

Duleba phrasing implicitly insinuates that the Southeast and East European EU neighbouring countries are not modernised enough. Actually, this is the underlying presumption of the broader liberal discourse on post-Yugoslav and post-Soviet societies. In the case of the post-Yugoslav space, the recent designation of the region as “Western Balkans” is already revealing. As Petrović (2012: 25) underlines that the region of the Western Balkans are primarily defined by what they are not: not being part of the EU. The term “Western Balkans” omits what links the states of the region (with the exception of Albania): their Yugoslav past. The state socialist experience which obviously was a particular form of modernising experience (cf. Calic 2010: 335 ff.) is erased from the intellectual map. Instead, traditionalising connotations of the term “Balkans” (cf. Todorova 2009: 3 ff., 51 ff.) – like violence, authoritarianism, byzantism – are evoked. The population of the countryside and small towns to which are ascribed conservative and egalitarian values is often perceived as the key internal obstacle to a liberal and inegalitarian society (cf. as a classical text Konstantinović 2010 which was originally published in 1969). It is often particularly Serbia where these forces are perceived as being particularly strong (cf. Meier 1999: 82 ff.). During the 1990s, Milošević’s Serbia was usually identified as the main obstacle for a liberal dispensation for the region and it was designated as the main culprit or even by some “Western observers and American officials... as the only offender” in the wars of Yugoslavia’s dissolution (Cohen/Lampe 2011: 39). The societies of the “Western Balkan” countries tend to be more generally painted as backward and, somewhat, immature. In this way, a paternalistic relationship is legitimised (Petrović 2012: 49). Similar metaphors are used in regard to Eastern Ukraine and Russia. From this perspective, Russia is a particularly disobedient character since the Putin government does neither views EU norms as appropriate for Russian realities nor accepts “conditionality as a basis of partnership” (Zagorski 2009: 119). Contrary to Serbia, Russia is a regional power and has pursued her own regional integration project in competition with the EU Association Agreements in the region.

While there has been a broad consent in the EU on enlarging the sphere of influence through norm export, EU member states have disagreed on how to deal with the regional challenges to EU norm making and on how to intervene in state-making in the two-regions and the formation of regional alliances. The dissent has been particularly profound on the EU relations with Russia (e.g. Duleba

2009). Important disagreements – and the forging of alliances of certain EU member states with particular nationalist projects and emerging national states – surfaced as well in relation to the disintegration process of Yugoslavia. The direct political presence of the US in Europe is mediated through NATO, which has been searching for a new role after the end of the Cold War. The eastward expansion of EU and NATO are two distinct, but interlinked processes (cf. Crome 2014). The relationship between EU and its core member states (particularly Germany) on the one hand and the USA on the other hand has been characterised by both cooperation and competition. The policies of the EU and its core member states towards successor states of Yugoslavia and the Soviet Union has likewise oscillated between cooperation and competition with the USA.

### **The EU, the Dissolution of Yugoslavia and State-Formation in the Post-Yugoslav Space**

In both the Soviet Union and Yugoslavia, capitalist transformation and the dissolution of the existing multi-national state went hand in hand. In the context of an extremely de-centralised federation and – despite vigorous regional policies – highly uneven regional development pattern, the economic crisis, which partially had the form of an external debt crisis, already had produced strong economic disintegration tendencies and weakened the political cohesion of Yugoslavia during the 1980s. The leaderships of the republics adopted protective measures to the detriment of other republics (cf. Borak 2002, Weissenbacher 2005). The richer republics hoped to enter the EU more rapidly without the burden of the poorer republics. “The perspective of accession to the European Community was an additional disaggregative factor for the system”, underlines Samary (2005: 57). At the core of the dissolution of the Yugoslav federation was, however, the desire of the political top layers of the individual Yugoslav republics to control the privatisation process (ibid: 56, Becker 2008: 12). They promoted the formation of a domestic capitalist class – in the case of Slovenia with a base in manufacturing, whereas the new class has been established mainly in spheres that are hardly exposed to external competition and, therefore, are outside the productive sectors. In extremely close connection with the political power centres of the republics and newly national states, large capital groups – the *tajkuni* as they are called in the region – emerged (Antonić 2006: 27 f., Malenica 2007: 133 f., Zgodić 2011: 94 ff.). The new social structures and key state structures that were established in the 1990s shared key elements in almost all successor states of Yugoslavia (with the partial exception of Slovenia): the emergence of a significant precarious segment of the working class and of a new capitalist class that was intimately linked to the political powers centres. The legitimisation of the new state and the new order, however, differed. The Serbian republican government initially argued for a conservation of the federation – though with a significantly stronger role of Serbia. Thus, the political and intellectual pro-government discourse professed in the 1990s a selective valorisation of the Yugoslav federation and its anti-fascist history in combination with a nationalist discourse emphasising the right of Serbs to live in one state. More commonly, the traditions of the pre-1945 right wing nationalist forces which often had collaborated with Nazi fascism tended to be rehabilitated and to be celebrated. In Serbia, the tendency to rehabilitate the ultra-right wing nationalist Četnik movement has likewise been increasingly rehabilitated in the political and historical discourse (cf. Kuljić 2012: 56 ff.)

In the late 1980s and early 1990s, the republican leaderships of Slovenia and Serbia were the main protagonists in the struggle for a new state order. The Slovenia leadership first argued for more autonomy for the republics, later for independence. The Serbian leadership argued for selective re-centralisation in conjunction with a strengthening of its own position. In 1991, both Slovenia and Croatia declared their independence. The military intervention of the federation Slovenia was very

brief, other military conflicts that evolved with the dissolution with Yugoslavia were, however, long-lasting and devastating. Three foci of war – all of them linked with strategies of so-called ethnic cleansing – can be identified:

- The Croatian independence led to a military response both by what was left of the Yugoslav People's Army and by local Serbian separatist forces.
- The referendum on the Bosnian independence which was boycotted by the Bosnian Serbs was followed by a long war in which both Bosnian Serbs and Bosnian Croats tried to secede from Bosnia and Herzegovina. Both Serbia and Croatia supported (temporarily) the local secessionist tendencies. The then leaders of both countries, Slobodan Milošević and Franjo Tuđman, discussed the partition of Bosnia and Herzegovina.
- The guerrilla war of the Ushrtia Çlirimtare e Kosovës (UÇK) which fought for the separation from Serbia and the independence of Kosovo.

In their position on the Slovenian and Croatian independence, the EU countries were divided. Waldenberg (2005: 98 f.) underlines that Slovenian and Croatian strong sympathies for "Croatian and Slovenian separatism" were registered "primarily in those countries which had waged wars against Serbia and Yugoslavia during the First and Second World War – in Germany, Austria and Italy." Great Britain, France, Spain and Greece had strong reservations (Woodward 1995: 176). The majority of the EU governments wanted at least to achieve a relatively ordered process of the dissolution of Yugoslavia. The EU launched the initiative for a commission – the Badinter Commission – which was to formulate international law criteria for the recognition of the post-Yugoslav states. These criteria included inter alia the recognition of existing republican borders and minority rights (Weissenbacher 2005: 372 ff.). The German government sabotaged this initiative. On its own, it went ahead with the recognition of the Croat independence on the 23<sup>rd</sup> December 1991. This German policy cannot be explained purely by economic interests. Political factors were strongly at play. The German government wanted to establish the recently unified Germany as an international relevant power that can occasionally push through its point against other EU countries and the USA (Hartmann 1998: 183 ff.). Though Croatia would not have fulfilled the Badinter criteria, the other EU governments acquiesced and recognised the Croatian state as well. Armed conflict in Croatia continued until 1995. Against Yugoslav and local secessionist forces, the Croatian government finally established control over the whole territory. "(T)he ethnic cleansing of Krajina, the secessionist Serb enclave in Croatia, where hundreds of thousands of Serbs were swept away by the Croatian army in 1995, was done with the active approval and tacit support of the United States" (Todorova 2009: 191).

The recognition of Slovenian and Croatian independence accelerated the disintegration process of Yugoslavia. Politicised ethnicity came to the fore in Bosnia and Herzegovina – a small version of multi-ethnic Yugoslavia. In the case of Bosnia and Herzegovina (BiH), the US government took a much more active stand than in the earlier phases of the dissolution of Yugoslavia. The Clinton government took first in Bosnia and Herzegovina and later in the case of Kosovo a position in favour of Muslims. In the first case, these were defined in terms of an ethnicised religious heritage. In the second case, the reference was to the predominant religious affiliation of Albanian Kosovars. Waldenberg (2005: 184, 482 ff.) argues that, to some extent, the US government adopted this position in view of its allies in the Middle East whom it wanted to demonstrate that the USA favours the formation of states with a Muslim majority. The war was triggered off by the independence referendum which had been demanded by the EU as a precondition for recognition. The EU tended to overlook that the ethnic groups tended to differ fundamentally on the issue of independence. The procedures of the

referendum were not in line with one of the key principles of the then Bosnian constitution, i.e. asserting the necessary majority within each of the “constituent peoples” (Muslims, Serbian, Croats) of BiH (Bebler 2006: 78 ff.). The vast majority of the Bosnian Serbs boycotted the referendum. At the time of the referendum, first moves of both the Bosnian Serbs and Croats to create their own political structures had already been done. The USA and other NATO states exerted strong pressure on the Bosnian Croats to desist from these attempts and pressed for the formation of tense alliance between Bosnian Muslims and Bosnian Croats. The US government was the central force behind the Dayton agreement which ended the war in Bosnia and Herzegovina and established a form of collective protectorate in which a complicated ethnicised power-sharing structure was established and the final power rests with a representative of the “international community”. The US government followed the principle “security first”. After the ending of the military conflict, the US government increasingly disengaged from Bosnia and Herzegovina, and left the terrain to the EU to which the role of “state reform” was ascribed. The EU has viewed economic liberalisation as the key for establishing a new order in a post-conflict society like the Bosnian one (Ćurak/Turčalo 2011: 34 ff.). However, the “spirit of the market” which was to be promoted by deregulation and privatisation made the ethno-nationalist material interests not disappear (ibid.: 35). On the contrary, it is a materially very rewarding question who controls the privatisation process. And the ethnic key for positions in the state apparatus is a formula which is suitable to the interests of the politically dominant forces. As Solioz (2010: 185) remarks, “these ‘identity strategies’ often masque the mafia interests of various cliques whose only interest is to plunder the state resources.” The ethnisation of the state structures as the basic compromise of the Dayton agreement has cemented ethnic dividing lines as the key cleavage of the party system (Stojanović 2005, Solioz 2010: 98 f.). The official policy of the EU is the creation of non-nationalist parties and forces. However, this policy runs counter to the basic institutional compromise. The persistent ethnisation of politics which is often ascribed to the immaturity of Bosnian politicians and voters has been the pretext of prolonging the powers of the high representative of the international community. Bosnia and Herzegovina is a supervised electoral democracy whose decisions can be overruled (and have been overruled – though to a different extent depending on the policy of the High Representative concerned) by an external representative. Therefore, Chandler (2000) characterises Bosnia as a “faked democracy”. Even Solioz who had worked within these external structures in BiH critically notes the insufficient local “ownership” of political decision-making processes (Solioz 2010: 123, 152 ff.) and perceives the strong conditionalities as a “failure” in the case of institution building (ibid: 100).

Kosovo was the next focus of war. Its status was different from the Yugoslav republics. Kosovo was guaranteed substantial autonomy by the 1974 constitution, but it remained a part of the Yugoslav republic of Serbia. Kosovo was the poorest region in Yugoslavia. It received substantial funds for regional development. The educational level, particularly university education, increased very rapidly, particularly during the 1970s (Štěpánek 2011: 166 ff.). However, job creation lagged far behind. And, as Horvat (1988: 134) points out, it was more difficult for Kosovar Albanians to find a job in other Yugoslav republics than for jobseekers from other parts of Yugoslavia. Thus, the enormous transformation of Kosovo created substantial tensions. These had a highly national character. In 1981, hefty nationalist protests exploded. The whole decade of the 1980s was characterised by significant tensions in Kosovo which were used for nationalist mobilisation in Serbia. In 1990, the Serbian government suppressed the autonomy of Kosovo, drastically reduced the status of the Albanian language (especially in teaching) and changed labour legislation in way that permitted massive lay-offs of politically “illoyal” workers (Štěpánek 2011: 430 f.). Against this

background, the Kosovar-Albanian national movement radicalised and created parallel structures in social spheres like education. In the beginning, this movement Lidhja demokratike e Kosovës (LDK) which was led at that time by Ibrahim Rugova adhered to non-violent principles.

In 1996, UÇK was formed as a nationalist military organisation. Many of its cadres had been students in the 1970s in Prishtina (and thus profited from the Yugoslav educational expansion), but it gained rapidly a rural base in Kosovo. The turmoil in neighbouring Albania after the collapse of the financial pyramid games helped UÇK to arm itself. It was particularly the German and US governments that sided with the Kosovar-Albanian forces and pressed for an internationalisation of the Kosovo question. It was especially the Christian Democrat-liberal German government that strived very consistently for a military solution (Küntzel 2000: 68 ff.). NATO countries finally opted for this option. In the Rambouillet negotiations in February/March 1999, the Western countries of the so-called contact group (which included Russia as well) posed conditions in Annex B which were clearly unacceptable for Belgrade: the stationing of NATO groups not only in Kosovo, but also in Yugoslavia (cf. e.g. Waldenberg 2005: 284 ff.). At the same time, the US government strengthened the position of UÇK and Hashim Thaçi as its leader vis-à-vis the non-violent LDK (Hofbauer 2008: 96 f.).

In March 1999, the NATO countries started the self-mandated military intervention against Yugoslavia which was justified by “humanitarian” motives. With the NATO military intervention, the conflict in Kosovo escalated massively (Küntzel 2000: 178 ff.). The war did not immediately bring about the desired results, like an independence referendum for Kosovo. In UNSC Resolution 1244 put Kosovo de facto under UN administration, but reconfirmed the territorial integrity of Yugoslavia and, thus, the formal belonging of Kosovo to Yugoslavia. The final decision of the status was to be taken by the UN (Waldenberg 2005: 340 f.).

Similar to BiH, Kosovo was placed under the authority of the UN which delegated the real management to a Special Representative. The new order in Kosovo was backed up an international military force – mainly drawn from NATO countries – with a UN mandate. Whereas the OSCE was entrusted with institution-building, the EU got in charge of economic reconstruction (cf. Perrot 2014: 209 ff.). However, institution-building and economic reconstruction cannot be neatly separated. The EU assumed a key role in economic institution-building (Svetchine 2014a, Tonuzi 2014). The formation of Kosovo Central Bank and the introduction of the DM (later euro) as the new currency did not only separate Kosovo economically from the Serbian economy, but has also conditioned the longer-term development trajectory to the detriment of the productive sectors (Becker 2007: 250 f.). The creation of independent regulatory agencies responded to the neo-liberal policy recipes. In regard to legal norms in the economic sphere, the EU pushed for security for local and foreign investors and the gradual adoption of the EU *acquis comunitaire* (Tonuzi 2014: 97).

In 2001, the UN Representative instituted a “provisional constitutional framework” which was to remain in place until the final status of the territory was to be resolved. This framework had a strongly liberal character and had some specific provisions for ethnic minorities, including quota (Hofbauer 2008: 137, Kramer/Džihic 2006: 22 ff.). Not only the Kosovar Albanians, but also the main Western powers pressed increasingly for resolving the status question by making the territory independent. In 2007, Martti Ahtisaari, the envoy of the UN Secretary General, presented a plan for an “internationally supervised independence”. This plan was not only rejected by the Serbian government, but also by the UN Security Council Member Russia. In face of the impasse at the UN, key Western countries advocated a Unilateral Declaration of independence. This way was supported by

the EU as well though five member countries (Cyprus, Greece, Romania, Slovakia and Spain) have not recognised Kosovo (cf. Reynard 2014, Hofbauer 2008: 197 ff.).

Though UNMIK has remained formally in place after Kosovo UDI in 2008, key supervisory powers were transferred to an EU mission, EULEX. EULEX is to “guide, supervise and advise the Kosovar institutions” (Perrot 2014: 211). Thus, Kosovo is de facto under EU supervision. However, the EU powers in Kosovo are a bit less sweeping than those of the High Representative in BiH, they are more contested politically in Kosovo and they have eroded more strongly than in BiH (cf. (Sorgis 2014: 245 ff.). While the EU has retained the key supervisory role, US institutions made key inputs into the constitution of Kosovo (Cohen/Lampe 2011: 84 f.). Cohen and Lampe (2011: 85) caution “that the international community played an enormous role in guiding and drafting the Constitution raises the issue of how much ownership domestic Kosovo elites have in the document and its long-term legitimacy.” The constitution institutes specific minority rights and quota (ibid.: 85). Therefore, it does institutionalise ethnicity as well though in the context of the domination of one ethnic group.

With the fostering of the separation of Kosovo from Yugoslavia/Serbia and the recognition of UDI, the key EU member states broke with the earlier policy of recognising only the Yugoslav republics as independent states. This has at least potential consequences for other post-Yugoslav states, e.g. the status of the Republika srpska in BiH. It is a possible wider precedent in so far as Western countries as external powers promoted actively “the secessionist claims of a minority population” (Todorova 2009: 191) and pushed through territorial separation.

The NATO war against Yugoslavia had some immediate ripple effects on the region. Albanians in neighbouring Macedonia felt encouraged by the military escalation in Kosovo to form their own paramilitary forces in 2000. The then Macedonian president, Boris Trajkovski, asked for an international intervention. US, British and EU representatives brokered a deal between the different parties which expanded the rights of the Albanian minority (Cohen/Lampe 2011: 66 f.). The institutionalised ethnisation of politics enabled the peaceful solutions of the incipient armed conflict. NATO forces secured the military side of the political deal.

The war and western sanctions, finally, impacted on the Serbian domestic political scene as well. The social base of the Milošević regime visibly eroded. The tajkuni started to consider different political options. Western governments strived – often through NGOs – for strengthening and unifying the opposition forces – particularly ahead of the September 2000 presidential elections (cf. Joksimović 2007: 41 ff., 141 ff., Becker/Beham 2008: 71 f.). The opposition was able to harness the social discontent for an election success and a successful mobilisation against the rigging of the election results. With the end of the Milošević regime, Serbian governments have embarked on a course that has been more amendable for the EU, particularly through subscribing to neo-liberal policies and opening the country for foreign investment. The status of Kosovo, however, continued to be a bone of contention between the Serbian governments and the EU. Some Serbian parties viewed the territorial scope of the Stabilisation and Association Agreement (SAA) as questioning the territorial integrity of the country. The conflict led to early elections in 2008. The SAA was approved in parliament in the end. The then major nationalist formation split over the issue of relations with the EU. The more EU-inclined splintering group, Srpska napredna stranka (SNS), became the electorally strongest and the main governing party in 2012. It was the government of the (ex-)nationalist forces that acceded to the key EU precondition for Serbia getting EU candidate status in July 2013 and the

commencement of negotiations: steps towards the “normalisation” of relations with Prishtina (Rupnik 2014: 16 f.).

Western sanctions and international isolation led to a gradual erosion of the bonds between Serbia and Montenegro as the remaining constituent parts of Yugoslavia. After the 1996/97 social protests in Belgrade which indicated a first weakening of Milošević, Milo Đukanović and his followers broke away from the pro-Milošević camp in Montenegro. Their election victory in the 1997 elections proved to be a political watershed (cf. Popović 2000: 13 ff.). Discretely supported by some Western states like the USA and Germany, the new government, the new government loosened the links with Serbia (Weissenbacher 2005: 364 f., Meier 2001: 110). It introduced its own economic legislation and unilaterally introduced the DM first as an official currency in 1999 and then as the only legal tender in 2000. Thus, Montenegro left the Yugoslav/Serbian monetary space what was a key step towards complete separation (cf. Becker 2007: 249). After the regime change in Belgrade in October 2000, Western enthusiasm for Montenegrin independence was dampened. Fearing a destabilising effects on other countries (primarily the new government in Serbia), the EU now and for the first time was not in favour of the independence of a (post-)Yugoslav republic (Gori 2007: 76). In the end, a referendum on Montenegrin independence was held and the country became independent in 2006 – in an ordered way.

The EU policies towards the dissolution of Yugoslavia and the formation of post-Yugoslav states have not been consistent, and have suffered from internal dissent. With the early and unilateral German recognition of Slovenian and Croatian independence, the chances of the EU (in so far they did exist at all) to contribute at least to a more ordered process of the dissolution of Yugoslavia were destroyed. Though the EU formulated principles for the recognition of new states in the post-Yugoslav space, it has not adhered to them. It had been a key principle to recognise only Yugoslav republics (and neither the structures of the Serbs in the Croatian Krajina nor the Republika srpska in BiH have been recognised), but the recognition of Kosovo blatantly violates this principle. The externally promoted UDI of Kosovo has already been as a precedent case in other conflicts (e.g. Crimea) and might have a destabilising effect for the post-YU space as well. In regard to the internal political order of the states, Western governments and the EU have responded to ethnicised conflicts by introducing ethnic keys for the allocation of (key) posts. With this, ethnic principles have become institutionally entrenched. With the exception of the German early recognition of Slovenia and Croatia, the EU policies and the post-Yugoslav state formation process have been inscribed via the NATO into an “Atlantic framework” with a strong US role (cf. Samary 2008: 185).

The post-Yugoslav space is now characterised by the existence of a fragmentation into numerous national states – many of them in turn being characterised by the political institutionalisation of ethnic keys. This order can hardly be classified as being “stable”. It is rather a provisionally stabilised instability. Since 1996 the EU has developed a regional approach to the region which aims at opening up the region for capital from the EU countries and at expanding gradually the EU acquis communautaire to the region on the one hand and at “normalising” the relationship between the successor states of Yugoslavia. However, it does negotiate the respective agreements with the region collectively, but on an individual basis with each country. In this way, the EU puts the successor states of Yugoslavia in a subtle way into competition for Association Agreements and eventual EU membership which, however, is a very uncertain prospect given the deep internal crisis of the EU and the enlargement fatigue. This negotiation strategy of the EU has ambiguous effects on the relationship between the successor countries of Yugoslavia. On the one hand, the EU creates at least

temporarily new or deeper divisions through its differential relationship with countries of the region, e.g. creating a new border regime between the new EU member state Croatia and its neighbours to the South and East. On the other hand, the EU promotes “normalised” political relations and closer economic relations among the remaining countries – however ascribing to itself the role of a key arbiter.

### **The EU and the Shaping of Economic Governance Institutions in the Post-Yugoslav Space**

Besides the influence on state-formation, the second key impact and policy field of the EU is the shaping of economic governance institutions and economic policies of the post-Yugoslav space. This policy field is characterised by a strong consensus in the EU and among the governments of the member states. In the case of the “collective” Western protectorates of Kosovo and BiH, the EU has been able to shape economic policy-making institutions and policies even directly. The more common approach has, however, been the leverage exercised through the negotiation of Stabilisation and Association Agreements and the prospect of eventual EU accession. The negotiations are markedly asymmetrical. The EU negotiates as a bloc with individual successor states of Yugoslavia. The post-Yugoslav states and Albania are of marginal economic importance for the EU countries. Their share in EU external trade was just 1% in 2013 – with Serbia alone accounting for half of that (European Commission Directorate-General for Trade 2014a). The share of the EU in the external trade of the post-Yugoslav states and Albania tends to be stable above 60% - in most case followed by intra-regional trade (Cohen/Lampe 2011: 403, tab. 8.4., European Commission Directorate-General for Trade 2014b: 9). The trade balance is massively in favour of the EU. In 2012, a year with austerity-induced strongly depressed domestic demand in Southeastern Europe, the exports of the successor state of Yugoslavia that are presently not EU members covered just 62.4% of their imports from the EU (European Commission Directorate-General for Trade 2014b).

The two “protectorates” with the more direct EU influence on economic governance institutions and policies give a vivid impression of the EU strategies for the region. In both cases, the EU played a key role in designing the monetary institutions. In the case of BiH, however, the basic proposal for the new monetary authority originated from the International Monetary Fund. In the face of the division of BiH into different monetary spheres at the time of the Dayton Agreement and the weak legitimacy of the new authorities afterwards, a Currency Board – initially with a foreign citizen as the governor – was established. In the case of a currency board, a fixed exchange rate – in the case of BiH initially 1 Konvertibilna marka for 1 DM – is established and the monetary base is linked to the foreign exchange reserves. Thus, no space for autonomous monetary or exchange rate policies is left. Such an arrangement is promoted on the supposed merit of keeping inflation low. It is, however, detrimental to the development of productive sectors, particularly in a post-war setting, as in BiH (cf. Becker 2007: 252 f.). In the case of Kosovo, the EU promoted an even more radical abandonment of national monetary policy making – the unilateral adoption first of DM, later of euro. Politically, the introduction of DM as legal tender separated Kosovo monetarily radically from the Serbian economy (Becker 2007: 250 f.). This was in line with the political design of the first UN Special Representative in Kosovo, Bernard Kouchner, who was a major force behind the introduction of DM (Kramer/Džihčić 2006: 246). Economically, the reasoning behind the unilateral adoption of DM/euro was to “restore the confidence in money” in a post-war situation (Svetchine 2014a: 141). While Michel Svetchine, temporarily a seconded key official Central Banking Authority of Kosovo admits that the Kosovo does not dispose of the traditional instruments of monetary and currency policy and the Central Banks cannot function as a lender of last resort, he does not view this as an obstacle to “competitiveness”

(Svetchine 2014b: 284 f.). For him, development is dependent on capital inflows and the adoption of DM/euro and free cross-border monetary transfers creates confidence in the monetary system and facilitates capital inflows (Svetchine 2014a: 141, Svetchine 2014b: 285). He does not even raise the question of the adequacy of the exchange rate for the development of productive sectors. Actually, the productive sectors are completely outside his mental map. Though both economies are post-war economies, industrial (reconstruction) policies have not been part of the EU policies. Rural development is one of the areas of the pre-accession instruments. However, the policies have been mainly directed at institutional changes, not at supporting productive activities (cf. Gori 2007: 124).

Svetchine (2014b: 285) gives a vivid picture of the thinking prevailing among the external advisors and EU circles: “taxation favourable to entrepreneurs”, the creation of material infrastructure and a fitting legal framework are the key to competitiveness. And “international investors” are the key. In BiH and Kosovo, the EU policy has banked on privatisation and foreign direct investment. In promoting this privatisation, the EU faced more institutional obstacles in BiH than in Kosovo (cf. Cohen/Lampe 2011: 416 ff.). In both cases, however, the banking sector has become almost completely externally controlled: 90.8% in BiH (Ćetković 2011) and 80% in Kosovo (Cohen/Lampe 2011: 418) in 2009. FDI is heavily concentrated in the non-productive sectors, particularly in Kosovo. In Kosovo, 47% of FDI was channelled into commerce and 15% in housing and real estate, but only 11% in manufacturing in 2013 (Chenu 2014: 274). In BiH, manufacturing accounted for 34.7% of FDI stock in 2010, but finance with 22.0%, transport, storage and communication with 17.5% and commerce with 13.6% were very relevant as well (Hunya 2012: 56, tab. I/18). FDI flows plummeted after 2007: 32, Tab. I/1).

FDI patterns reflect the bias of the accumulation models against the productive sectors. The monetary regimes have established monetary norms that do not reflect the productive capacities of the two countries. Increasing private indebtedness has been a key motor of pre-crisis growth in BiH and of the growth in Kosovo, public infrastructure projects have played a role, too (Ćetković 2011, Chenu 2014: 273). Given the weakness of the productive sectors and the prevailing exchange rate, consumption has primarily stimulated imports. In Kosovo, the deficit of the trade balance already amounted to 46% of the GDP in 2012 (Chenu 2014: 274) what is clearly not sustainable. Without official transfers, the Kosovar current account deficit amounted to 20.6% of GDP in 2011 and to 15.9% in 2012. Official transfers brought it down to the more manageable, but still highly critical level of 13.8% resp. 7.7% of GDP in 2011 resp. 2012 (IMF 2013: 18, tab. 1). In the case of BiH, the figures are hardly better. Though the BiH government implemented in conjunction with the IMF austerity policies that have depressed domestic demand and imports after the beginning of the 2008 crisis, the BiH deficit of the trade balance still amounted to 29.6% of the GDP in 2013. Relatively high workers’ remittances brought the current account deficit to 9.3% resp. 5.4% in 2012 and 2013 (IMF 2014a: 22 tab. 3). The credit-led BiH growth model collapsed with the crisis. The Kosovar economy has continued to grow even after 2008 due to the favourable political external circumstances. However, Kosovo signed an IMF programme in 2012, too. In neither of the two countries, decisive steps towards a viable productive model have been taken. The economic balance sheet of the “international community”, including the EU, is poor.

The social situation in both countries continues to be disastrous. The extremely high unemployment rate – 28% in BiH and 44.0% in Kosovo in 2012 (Holzer/Astrov 2013: 416, Tab. 1) – is a clear indicator of this. The disastrous social situation – particularly in the former Bosnian industrial centres – and crony privatisation policies resulted in a wave of massive social protests in BiH in February 2014. The

reaction of the High Representative of the International Community, Valentin Inzko, was telling: In an interview with Austrian television, he stated that EUFOR forces might be mobilised to pacify the protests (Eminagić 2014: 13).

Though the economic institution and policy making in the two protectorate BiH and Kosovo have been directly influenced by the EU, these two countries have gradually been integrated into the wider process of closer association and pre-accession policies of the EU which have provided the main EU leverage over institution and policy making in the region. Slovenia was the only successor country of Yugoslavia that was included in the first round of EU enlargement in East Europe. The Slovenian government secured a greater space of autonomy than all the other then candidate countries. It was the only country to preserve a strategic role of domestic capital in the two economic sectors banking and manufacturing (Becker 2014a: 18). For the other countries, the Stability Pact for Southeastern Europe which was geographically broader in scope both in regard to the Southeast European Countries and to the countries of the North was the first step towards a regional approach of the EU in 1999. In the same year, a Stabilisation and Accession Process (SAP) was formulated for the region. It only got really on track after the nationalist governments in the both key states – Croatia and Serbia – had been terminated. “The SAP process offered the countries of the region which was now called ‘Western Balkans’ region a European perspective.” (Cohen/Lampe 2011: 81). Advancement along that perspective was made contingent on certain pre-conditions. These pre-conditions range from political pre-conditions, e.g. steps toward a state of law (Rechtsstaat), to – at times more informal – economic preconditions, like the privatisation of key economic key sectors in favour of foreign capital. Cohen and Lampe (2011: 420) formulate this in a succinct way: “The predominance of EU-member banks in all financial sectors helped to provide the framework under which SAAs were concluded by 2007 with Croatia, Macedonia, Albania, and Montenegro.” Serbia and Bosnia-Herzegovina followed. In June 2013, the EU decided to commence negotiations with Kosovo as well.

The conclusion of SAAs is a key step on the supposed way to accession talks. According to the Directorate-General Trade of the European Commission (2014a), their core economic aims are “liberalizing trade in goods, aligning rules on EU practice and protecting intellectual property.” For example, the SAA with Serbia fully reflects these priorities. It encompasses the creation of a free trade zone in goods trade between the EU and Serbia (cf. Medović 2011: 72 ff.). Thus, the options for protecting the ailing Serbian manufacturing industry are severely curtailed. Capital movements are gradually liberalised. New restrictions on capital movements may not be introduced (ibid.: 117 f.). Thus, Serbia renounces to the option to manage destabilising capital flows and to direct them to specified fields. For Slovenia, a mild form of capital controls was in the 1990s key to prevent an appreciation of the Slovenian currency, favour manufacturing and stabilising the current account. Through this heterodox form of real stabilisation policies, the Slovenian government enhanced its position in the accession talks with the EU (cf. Becker 2008b: 255 f.). The competition rules are to be brought in line with specific EU rules (ibid: 126 f.), and the same applies to public tendering procedures (ibid.: 135). Thus, the Serbian government renounces to key options for industrial policies. It can be concluded that the SAAs, for with the SAA with Serbia is a typical example, open up the peripheral economies of the successor states of Yugoslavia to the stronger EU capitals, and that the transfer of neo-liberal norms preclude pro-active development policies. With the commencement of accession negotiations, the leverage is used to deepen the neo-liberal mode of integration that is already enshrined in the SAAs. In the case of Croatian accession to EU, the European Commission demanded the restructuring of the shipyards and the ending of subsidies to

the only remaining technologically relatively advanced manufacturing industry of the country. The Croatian government acceded to EU demands by privatising the shipyards just ahead of the accession date, 1<sup>st</sup> of July 2013. The future of the Croatian shipyards is bleak (Mihaljević 2013: 72).

In the field of energy policies, the EU launched in 2005 a separate initiative – the formation of an Energy Community of the Southeast European countries that is not only enshrine neo-liberal regulation of the sector, but also a diversification away from the Russian supplies (Busek 2006, Altmann 2007). In this regard, the EU pursues a distinct anti-Russian geo-political line (which, however, was not shared by all its member states). Energy has become a field of controversies between the EU Commission and the Serbian government (Boarov 2014). Already Yugoslavia had established strong links in energy supplies with the Soviet Union (Đukić 2011: 157 ff.). In the case of gas supplies, the reliance on gas from Russia has continued to be of overriding importance for successor states of Yugoslavia (ibid.: 150). In December 2008, Serbia and Russia signed a treaty on energy cooperation. Russian Gazpromnefta took a share of 51% in the Serbian energy company NIS. And Serbia has committed itself to the South Stream project promoted by the Russian government (ibid.: 169 ff.). South Stream is to provide a gas transit route alternative to politically instable Ukraine and competed with the Nabucco project which was promoted by the European Commission in attempt to open up alternative sources of gas supplies to Russia, but failed to secure the necessary gas supplies. Both South Stream and the regulation of the Serbian gas market, particularly in regard to Srbijagas, are presently controversial topics between the European Commission and the Serbian government (Boarov 2014).

In principle, the consequences of adopting EU norms and opening up to the EU economies could be cushioned by the pre-accession programmes of the EU. Though the post-Yugoslav economies have suffered from massive de-industrialisation and the productive sectors have been put under additional pressures through the overvalued exchange rates which have been advocated by the international financial institutions, the development of productive sectors has been at best of marginal importance for these programmes. Whereas rural development is one of areas of Instrument of Pre-Accession Assistance (IPA), manufacturing industry is not even explicitly mentioned as one IPA areas (European Commission n/d). And even in regard to rural development, Gori (2007: 124) concludes that foreign aid for agriculture has been “without significant results”. This not surprising since funds allocated at least indirectly to productive sectors are paltry. For example, the Serbian rural development sector received 25 million € from 2007 to 2010 (European Commission 2011a: 31). For 2011 to 2013, 75 million € were earmarked, primarily for adapting to EU Common Agricultural Policy (ibid: 13, 31 f.). For private sector development which at least refers partially to industry, only 10 million € were spent between 2007 and 2011 (ibid.: 24). The programme does not refer at all to the still existing, though ailing publicly-owned enterprises. It rather benchmarks the creation of new enterprises and FDI inflows as success criteria. The diagnosis of the 2011 Multi-annual Planning Document does not go beyond generalities as slowed-down privatisations or “burdensome administrative procedures” (ibid: 24). The 2011 document for Montenegro is even more radical in its approach. Industry is not even mentioned, the focus is primarily on transport infrastructure (European Commission 2011b: 24 ff.). Direct support for productive sectors is clearly not part of the IPA policies. They focus on getting the norms right for (foreign) investors. And then, growth or development is to come about on its own.

The growth models of the successor states to Yugoslavia have been in line with the anti-productive approach of the European Commission. Up to the 2008 crisis, growth was mainly driven by rapidly

increasing private debts, with a share of foreign exchange credits (Ćetković 2011). The credit boom was fuelled by capital inflows. In order to attract capital inflows, the governments pursued either rigid exchange rate policies or, even, had adopted unilaterally the euro (what was the case in Montenegro). The exchange rate proved to be unfavourable to industrial development. Industrial production has remained clearly below the 1990 level. In Serbia, it reached an ephemeral peak of 50.1% of the 1990 level in 2007. In Croatia, 90% of the 1990 level were briefly reached before the crisis and the next decline of industrial production (Becker/Weissenbacher 2012: 41). The current account deficits were unsustainably high. According to Astrov and Pöschl (2009: 355, tab. 5), the current account deficit reached 9.4% of the GDP in Croatia, 13.1% in Macedonia, 15.0% in Albania, 17.6% in Serbia and 29.2% in Montenegro in 2008. Durović (2012: 269, tab. 45) cites the even more astronomical figure of a deficit of the Montenegrin current account reaching 51% in 2008. Thus, pre-crisis growth was based on an unsustainable basis. Though pre-crisis growth rates had been relatively high, unemployment rates remained very high what reflected a severe social malaise.

The countries of the region were hit very hard by the global crisis. Foreign capital flows dried up. With the exception of Albania, the countries of the region suffered from severe recession in 2009 and never really have recovered afterwards (cf. Becker 2014b). The governments resorted to strict austerity policies restraining domestic and import demand in order to bring down the current account deficit. The policies of countries with and without IMF programmes have not differed significantly (Becker/Weissenbacher 2012: 44 f., Žitković 2012). While domestic demand is depressed due to austerity, the prospects for export are not bright either. The Southeast European exports to the EU Mediterranean countries are significant, and have suffered from the EU-induced austerity policies in the Southern euro zone countries (cf. Holzner/Astrov 2013: 417). The social situation has significantly deteriorated.

With the exception of Slovenia, the successor states of Yugoslavia are in a developmental cul-de-sac. EU pre-accession policies have not addressed the structural problems of their productive structures, but, in conjunction with the overvalued currencies which have advocated by international financial institutions, the opening up of their economies has even weakened the productive capacities. The pre-crisis growth was reliant on high foreign capital inflows and, thus, did not rest on solid foundations.

### **Geo-Political Strategies in the Post-Soviet Space**

Like the EU policies towards the post-Yugoslav space, EU strategies towards the post-Soviet space are two-pronged – with a geo-political vector and neo-liberal governance vector. However, the post-Soviet space is geo-politically and economically much more significant than the successor states of Yugoslavia.

Like in Yugoslavia, the motivation of the dominant forces of the Soviet republics to control the process of primitive accumulation was a prime force behind the dissolution of the Soviet Union (cf. e.g. Duleba 1998: 27 ff., Studenna-Skrwka 2014: 154 ff., 222 ff.) which proved to be less conflictive than the Yugoslav one. The key decision on the dissolution of the Soviet Union was taken by the Republican leaders of Russia, the Ukraine and Belarus in late 1991. While in Ukraine there had been some nationalist agitation, the Belorussian population just had approved the continued membership in the Soviet Union by 83% in March 1991 (Brzeziecki/Nocuń 2014: 44). Except for the Baltic republics and the Caucasian region, the dissolution of the Soviet Union was primarily an “elite” affair.

Western governments were happy to see not only the Soviet system, but also the Soviet Union disappear. It was particularly US circles that stressed early on that this centrifugal tendency should be used in order to weaken Russia as the main successor state of the Soviet Union. Already in the 1990s, they emphasised that it was central to wean Ukraine away from Russia in order to structurally reduce Russia's geopolitical role (cf. Crome 2014: 103). In the wake of geo-political deliberations of the 1990s, foreign policy specialists discussed possible scenarios in which geo-political competition and transformation problems might lead to armed conflict in the Ukraine (e.g. Duleba 1998: 128 ff.).

This strongly anti-Russian focus has, however, not been shared by all political forces in the EU. In some EU member states, particularly Germany, long-standing links had been developed first with the Soviet Union and later with Russia. In the context of détente, the Federal Republic of Germany (FRG) had signed a treaty on Russian gas exports already in 1969. In the following years, the necessary pipeline infrastructure was constructed. Russian gas supplies to the FRG commenced in 1973. The German-Soviet/Russian gas cooperation has continued since that time the dramatic political and economic changes notwithstanding (Götz 2008: 103 ff.). The energy sector has continued to be the key sector of German-Russian economic relations. The Soviet Union signed likewise important contracts with Italy and Austria about a barter deals in the energy sector. Italy has continued to be a key partner of Russia in the energy business since the 1990s (Mancević 2013: 188 f., 212 ff.). Anglo-Saxon capital would have liked to expand heavily into Russia. After the change from Jelcin to Putin, the Russian government, however, posed limits to the expansion of foreign corporations into the Russian energy sector. The case of Jukos proved to be emblematic. In 2003, Mihail Chodorovskij, the Jukos key person, entered into talks on the sale of a substantial share of Jukos to ExxonMobil and Chevron Texaco what would have provided US corporations with a key influence on the Russian energy sector. Chodorovskij was aware of the geo-political implications of the deal and initiated a meeting with the US Vice President Dick Cheney. In that context, the Russian judiciary moved against Chodorovskij and had charges dating from the years of primitive accumulation easily at hand (Colin 2007: 96 ff.).

The competition between different capitals in the energy sectors has been reflected in competing pipeline projects and tensions in the EU on the stand towards these conflicting projects. Two controversies were at the core of these pipeline projects: Whether the gas should originate from Russia or not and whether direct pipeline links with Russia which would circumvent the politically instable Ukraine should be established or not. The Nord Stream and South Stream projects aim at establishing direct pipeline links with Russia. North Stream linking Russia and Germany through the Baltic Sea already has been opened. South Stream which after passing through the Black Sea is to establish a pipeline from Bulgaria to Russia presently is facing objections from the European Commission. These objections relate to the ownership structure of the pipeline and to the question of third party access (Eschbacher 2014: 7), but geo-political considerations are clearly in the background. The European Commission had strongly promoted the Nabucco project which was a rival project to South Stream and was to tap gas supplies primarily in Central Asia. It failed because it could not secure the necessary gas supplies (Herden 2012: 8). The EU and Russia disagree more generally on the regulation of the energy market (e.g. the issue of unbundling the producers and suppliers of energy). Mancević (2013: 192) observes a "weakening and cooling" of EU-Russian relations in the field of energy over the last years.

Similar tension have crept up in regard towards the cooperation policies with Russia on the one hand and with other successor states on the other hand. Though a Partnership and Cooperation

Agreement between the EU and Russia had been signed in 1994 (but came only into force in 1998 due to delays in the ratification process in some EU member countries), the relations between the two sides remained low key throughout the 1990s. The Russian government rather focused on bilateral relations with EU member states (de Tinguy 2007: 136 ff., Duleba 2009: 13 ff.). In the wake of the Iraq war, governments of those EU member states which had opposed the aggression against Iraq (particularly Germany and France) and Russia found common ground in their opposition to the Iraq war and sympathies for a more multipolar international order. This constellation provided a temporary push towards closer links between the EU and Russia. In 2003, a new cooperation format covering so-called Common Spaces, was agreed on. The momentum got, however, rapidly lost when two key opponents of the Iraq war – Gerhard Schröder in Germany and Jacques Chirac in France – had left office in 2005 and 2007 respectively (Duleba 2009: 17 f.). Though negotiations on a new cooperation treaty actually started after a Polish and Lithuanian objections had blocked them for a while, they got rapidly bogged down. The EU and Russian concepts of what cooperation is to be about differ fundamentally. The EU focus has been on making Russia adopt parts of the EU *acquis communautaire*. This approach met with Russian objections (Fischer 2006: 14, Benč 2009: 30). The Russian government is aiming at a symmetrical form of cooperation.

At the same time as the EU-Russian relations experienced a short-lived blossom, forces in the Western countries, particularly in the USA, supported regime changes in Georgia (2003), Ukraine (2004) and Kyrgyzstan (2005). They lent a hand to mass protests that were directed against oligarchic structures, corruption, manipulation of electoral processes and other political and social ills. The regime changes did not bring about a change in the basic socio-economic structures, but produced an – at least temporary – change in the geo-political orientation of Georgia and Ukraine. In these two countries, strongly pro-US and pro-EU forces took over the governments (cf. Becker 2006). In the case of Ukraine, the change of geo-political orientation proved to be a temporary one.

### **Eastern Partnership vs. Eurasian Union**

In 2008, the pro-Western government in Georgia provoked a military conflict with Russia which the Georgian side lost. The issue of Georgian and Ukrainian NATO membership became shelved. As part of its neighbourhood policies, the EU started to formulate a more systematic policy towards the European post-Soviet states, the Eastern Partnership Policy (with beginnings in the early 2000s) in 2008 (cf. Trenin 2014). This policy aims at enlarging the EU sphere of influence through Association Agreements. These agreements have a double aim: the subordinate integration into the EU sphere of influence through free trade and the partial adoption of EU norms (Vercueil 2014) and the structural adoption of neo-liberal economic governance structures. The policy is directed at pushing back Russian influence in the region and at creating “a cordon sanitaire around Russia” (Krejčí 2014: 23). In this vein, the Association Agreements include a political-military part though their main focus is on economic issues. The Association Agreements were not controversial among policy-makers. Even the German government consistently endorsed them though there has been a foreign policy current in Germany that favours close economic links and cooperative political relations with Russia and the Association Agreement with post-Soviet states are targeted against Russia (cf. Kronauer 2014). In 2009, the Russian government initiated the competing regional integration project, the Eurasian Union. In May 2014, Russia, Belarus and Kazakhstan signed the agreement on the creation of a Eurasian Economic Union. Armenia and Kyrgyzstan are candidates for joining this union.

The EU Eastern Partnership Policies have been targeted at Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. The EU has paid particular attention to Ukraine because it is the politically and economically most important country of this group and is key for the gas transit between Russia and the EU. The countries are economically linked both to the EU and to Russia. The EU has accounts for more than half of external trade only in the case of Moldova and Azerbaijan – and even in these two countries only in a few years. In the other cases, the EU share in external trade has oscillated between a quarter and a third and has shown a declining tendency since the beginning of the present crisis (Sadowski 2013: 26, graph 6). Thus, the EU is usually not a dominant trading partner. A second characteristic of these countries – primarily with the exception of Belarus – has been the problematic, partially even catastrophic capitalist transformation. In Georgia, Moldova and Ukraine, the real GDP was 30% to 40% below the 1989 level in 2008 – i.e. in the peak year before the crisis (Myant/Drahokoupil 2011: 51 ff.). Per capita GDP at Purchasing Power Parity is far below the EU level. It reached 50% of the EU level in Belarus in 2012. In Azerbaijan, it reached 33%, in Ukraine 24%, in Armenia and Georgia 18% and in Moldova paltry 11% (Sadowski 2013: 23, graph 3). The EU focus on free trade does not take this enormous gap into account and would imply another phase of de-industrialisation.

Highly industrialised Belarus and oil producing Azerbaijan showed an interest in economic-technical cooperation, but not in signing an Association Agreement. The other states were more open in the question of signing an Association Agreement. However, the agreements are characterised by a lack of positive integration effects which might compensate their high financial and social costs even for these post-Soviet countries – as Rafał Sadowski (2013: 29), who is in principle a partisan of the EU Eastern Partnership Policies, concedes.

The proposed EU Association Agreements are not without an economic-political alternative. The Russian government initiated the competing project of a Eurasian Union (Ehlers 2014). The two projects “exclude each other” (Sadowski 2013: 13). Azerbaijan with its oil exporting economy has maintained a distance to both projects. Belarus has formed jointly with Russia and Kazakhstan the nucleus of the Eurasian Union. Armenia refrained from signing an Association Agreement with the EU and, instead, is a candidate for joining the Eurasian Union – primarily for (geo-)political reasons. Georgia whose relations with Russia are complicated and conflict ridden opted for the EU Association Agreement – primarily for (geo-)political reasons as well.

In Moldova and Russia, the Association Agreement turned into a highly controversial issue. Moldova signed the Association Agreement with the EU, but the future position of the country is far from clear. Since the present pro-EU coalition has begun to govern, the endorsement of the pro-EU orientation has declined significantly in the population (Büscher 2014: 2). The oppositional Communist Party might win the elections in autumn this year. The Communist Party sharply criticised the Agreement in the past. However, the party is internally divided. Recently, the “business wing” of the Communist Party which is orientated rather in favour of close relations with the EU gained the upper hand on the issue. Pro-EU oligarchic interests with links to the Communist Party played a role in that change of position (ibid.: 3). However, the economic relations with Russia retain importance as well. Agricultural exports to Russia are a sensitive issue – and Russia already has taken measures against Moldova in this sector. Labour migration to Russia is an even more important issue. About 300,000 Moldavians work in Russia. Remittances amount to 24% of the Moldavian GDP and 68% of them originate from Russia (Secrieru/Sobják 2014: 1). Russia has a number of options to exert pressure on Moldova. The issue of privileged EU or Russian relations remains a hot issue in Moldova.

## Ukraine and the Association Agreement with the EU

The issue of the Association Agreement proved to be most controversial in Ukraine. For the country, the economic relations with EU and Russia are of almost equal importance while the structure of these relations differs considerably. The population has been deeply divided on the external orientation of the country. According to a poll conducted in November 2013, 64% of East Ukrainians, but only 16% of West Ukrainians were in favour of a customs union with Russia. In regard to closer relations with the EU, 66% of West Ukrainians favoured this option compared with only 18% of the East Ukrainians. The positions in Central Ukraine tended to be between these two polar opposites (Figes 2014: 70). This polarisation reflects both different regional patterns of external economic links and diverging cultural and historic-political orientations. In the West of the country, an ethno-nationalist orientation which strongly emphasises the linguistic aspect in defining the Ukrainian nation and the difference between the Ukrainian “titular nation” and the “national minorities” (especially the Russians) (Studenna-Skrucka 2014: 77) prevails. In building its historical legitimisation, West Ukrainian nationalism refers to the ultranationalist, fascist forces of the 1930s and 1940s which had collaborated – though not without conflicts – with German Nazi fascism. In the East of the country, a territorial definition of the nation is prevalent. It perceives Ukraine as a bi-ethnic and bi-lingual nation and highlights the common historical roots (ibid: 78 f.). The strongly oligarchic parties have been organised along these regional lines and have highlighted the different concepts of the Ukrainian nation and different regional identities. This permitted them to relegate the neoliberal orientation which has been shared by them to the background (ibid.: 89). Thus, domestic issues and external relations have closely interlinked in Ukraine. This has made the orientation towards the EU or towards Russia a hot issue.

This issue is clearly not confined to economic factors. Nevertheless, economic factors and interests play a crucial role. Ukrainian export to EU and Russia has been of almost equal importance. In 2012, 24.3% of Ukrainian exports were destined for EU and 24.1% to Russia. In the case of imports, the share of the EU (40.7%) was considerably higher than the Russian share (19.6%; European Commission Directorate-General for Trade 2013: 10), but the Ukraine is highly dependent on energy imports from Russia. Heavy and machinery industries, particularly in Eastern Ukraine, are relatively strongly orientated towards Russia. There existed particularly close links in the armament industries (cf. Il'ina 2011: 71). The composition of Ukrainian exports to EU differs considerably from the exports to Russia. In 2012, 52% of Ukrainian exports to the EU consisted of primary products and only 44.7% of industrial goods. In Ukrainian imports from the EU, industrial goods had a share of 79.8% and, thus, were totally predominant (European Commission Directorate-General for Trade 2013: 2). Tatarenko (2009: 371) underlines that many of the mass consumption goods that now are imported into Ukraine were traditionally produced inside the country. It was foreseeable that trade liberalisation would put Ukrainian manufacturing industries under additional strain and would accentuate the already existing trade pattern of traditional North-South relations (cf. Becker 2014c: 2) and increase the huge bilateral trade deficit. Given the structure of Ukrainian exports, it is not surprising that Ukrainian agro-industrial groups (like that of the present Ukrainian President Petro Porošenko) could expect most from the trade clauses of the Associations Agreement (Kościnski/Worobiow 2013: 1 f.). For more advanced manufacturing producers and heavy industry, trade liberalisation with the EU was not a promising prospect or even a threat.

Due to the high share of foreign direct investment (FDI) from tax and regulation paradises, the statistics of FDI in Ukraine provide a distorted picture. A significant share of FDI has de facto been

round-tipping investment originating from Ukraine. Nevertheless, some key differences of FDI from the EU and Russia can be discerned. According to Tatarenko (2009: 379), FDI from the EU was highly concentrated in commerce and services before the crisis. Only 12% of EU FDI in Ukraine was destined for productive sectors. Russian FDI had a focus on energy (Il'ina 2011: 71) and in heavy industries (Bojcun 2011: 174 f.). Banks both from the EU and Russia rapidly expanded into Ukraine during the phase of financialised growth between 2004 and 2008. The share of the foreign-owned banks in the Ukrainian banking sector increased from 13% in 2004 to more than 50% in 2009. 61% of this externally owned share were held by banks from 6 EU countries, particularly Austria (16%) and Italy (14%). Russian banks had a share of 21% (Bojcun 2011: 162). As a consequence of the crisis and the high share of foreign exchange credits, the banking sector ran into deep troubles. In a broad definition, 40% of the credits are non-performing (Becker 2014b: 21 f.). External banks have tried to exit the Ukrainian market. It should be underlined that both Russian trade and FDI tended to be concentrated in heavy industry whereas EU imports and FDI showed a clear anti-industrial bias.

Labour migration both to the EU and Russia has been very important.

The Association Agreement between the EU and Ukraine reflects both the geo-political and economic interests of the EU. The political part includes security and military cooperation though in a not very detailed way (Association Agreement n/d: Art. 7, 9-13). The economic part which according to the European Commission (n.d.a: 1) is aimed at creating a “deep and comprehensive free trade area”. Customs are to be abolished almost completely. Depending on the type of goods, the time table for trade liberalisation differs considerably as the European Commission (n.d.a: 1) highlights in its summary. For industrial goods, abolition of customs enters into force immediately. Only very few industrial sub-sectors, like Ukrainian car industry, were granted an exception. However, EU agrarian imports will only be liberalised very gradually and over a time span of 10 years. This is a clear asymmetry in favour of the EU. The rapid liberalisation of industrial trade will have negative effects on Ukrainian manufacturing and deepen the de-industrialisation process in Ukraine.

In a similar way to the Association Agreements with the post-Yugoslav states, EU standards will be introduced in many sensitive areas (like the financial and telecommunication sector and more generally competition) and national policy making space will be drastically reduced (e.g. through rules on public tenders and the guarantee of free movement of capital; cf. Becker 2014c: 2, Wagner 2014: 127). As the European Commission (n.d.a 7) underlines, the Association Agreement with Ukraine is the hitherto only one to include a specific sector on energy. In the gas transit country Ukraine, the divergent interests of EU and Russia in the sector clash particularly strongly. Ukraine already has been partially aligned on EU standards through the Energy Community Charter of 2005. This charter is a reference for the Association Agreement (Art. 278) as well. However, certain issues of particular concern to the EU, like equal access to exploration and production (Art. 279), the establishment of an independent regulatory authority for electricity and gas (Art. 277) and the phasing out of subsidies for energy supplies to private households (Art. 270) – a long standing and highly controversial demand of the IMF – are regulated specifically in the Association Agreement.

The Association Agreement will accentuate the already high asymmetrical structure of economic relations between the EU and Ukraine and lead to a further peripherisation of the Ukrainian economic structures.

The interests of the big Ukrainian capital groups, the oligarchs, have been divided in regard to the Association Agreement. As Kościński and Worobiow in their 2013 policy paper of the Polish Institute

of International Affairs highlight, exports of agro-industrial groups could profit considerably from the Agreement whereas the exports of heavy industry will hardly benefit from the agreement and would derive potentially more advantages from a customs union with Russia, Belarus and Kazakhstan. However, Ukrainian heavy industry goods are not enthusiastic about “integration projects under Russian tutelage”, either, because they would face stronger Russian groups and would be in a relatively weak position, as Lukierska (2014: 248) points out. They have traditionally favoured a multi-vectoral foreign policy siding unequivocally neither with Russia nor with the EU. For a long time, the Agreement was hardly discussed in Ukraine. It was only relatively briefly before the planned signing of the agreement that some business circles and some trade unionists voiced concern.

While the negotiations had been begun during the presidency of pro-Western Viktor Juščenko, they were terminated during the presidency of Viktor Janukovyč who represented the interests of East Ukrainian heavy industry and pursued a rather multi-vectoral foreign policy. For long time, Janukovyč played down the problems originating from the agreement (Balcar 2013: 9). It was only in the face of severe economic problems, like a high current account deficit and high external debts, and Russian pressures that he finally desisted from signing the agreement in autumn 2013. He had tried to get compensation for the high costs of the agreement from the EU, but was not successful (Krejčí 2013: 9). As Leidenfrost (2013: 8) points out, the financial offers of the Russian government were not really up to the Russian integration ambitions either. However, the Russian government offered at least limited alleviation in the dire economic situation of Ukraine.

### **From Euro Majdan to Regime Change**

The decision of the Ukraine government not to sign the Association Agreement with the EU triggered off social protests, primarily in the West and the centre for the country. Thus, the geographical pattern of protests reflected the regional dividing lines on the geo-political orientation of Ukraine. During their first phase, the protests which had a very bad social situation and wide-spread political discontent as their more general background were explicitly directed against the government’s decision against the agreement with the EU. It was primarily the well-educated strata of the urban centres that provided their backbone (Tomek 2014: 29). Ishchenko (2014: 12) characterises these protestors as “pro-neoliberal and pro-nationalist”. At the beginning the protestors tried to take a distance from the political parties. However, the oppositional parties – ranging from neo-liberal nationalist formations which rather have the character of clubs of businessmen to fascist Svoboda which does have a core of dedicated activists – joined the protests a bit later. Svoboda cannot be labelled a “pro-Western” force, but the ultra-right formation perceived and seized the chance to mobilise against the government. Western embassies had entertained contacts to the opposition parties, including Svoboda. Some parties had received considerable external support, e.g. Udar from the German Konrad-Adenauer-Stiftung whereas US forces favoured Arsenij Jaceňuk belonging at that time to Batkivščyna party (cf. Kronauer 2014: 146 ff., Dahn 2014: 36). These parties never really accepted that they lost the 2012 parliamentary elections – not in the least because of the disastrous economic policies of the Juščenko years which led to a steep decline of almost 15% of the GDP in 2009 (cf. Becker 2014b: 21). They were intent on correcting the result. The relationship between the original core of protestors and the opposition parties has remained tense.

After police repression against the protestors, a second wave of protests came into being. Its demands were much broader. These protests were directed against the government, police brutality

and oligarchic structures. The forces involved and the tactics changed as well. Extreme right wing forces – though a numerical minority – played a very visible and crucial role in the second wave of protests. They were key protagonists in occupying government buildings and attacking the presidential administration. They were able to gain broad acceptance among the protestors for ultra-right wing slogans (cf. Ishchenko 2014: 13 ff.). In mid-February 2014, the protests in the West of the country took an increasingly militant direction, whereas police repression was stepped up as well. The conflict visibly escalated. Prominent Western politicians paid visits to the main protest camp on Kiev's Majdan, backing the protests visibly.

The German, French and Polish ministers of foreign affairs negotiated a last minute compromise on a gradual transition on which the Russian side was consulted as well. However, the compromise was aborted on the 20<sup>th</sup>/21<sup>st</sup> of February. President Viktor Janukovyč was toppled. The Ukrainian legality was not respected since his deposition by the parliament failed narrowly to get the necessary 75% majority (Paech 2014: 62). A new government headed by the new Prime Minister Arsenij Jaceňuk, the declared candidate of the US government, was formed by neo-liberal nationalist and fascist forces. Oligarchic domination remained intact, but the balance of power between the different oligarchic groups changed. As with the “orange revolution” of 2004, the oligarchic character of the political regime remained unchanged, but the foreign policy orientation changed drastically.

The new government enjoyed considerable legitimacy in the West and centre of the country, but hardly in the East and South. The regional divide was confirmed by the regionally strongly diverging participation rates in the presidential elections of May 2014 (Ishchenko 2014: 31). Petro Porošenko, an oligarch of the food and armaments industry who had changed sides between the multi-vectoral camp and the pro-Western camp a couple of times and had visibly supported the Majdan protests (Andrusieczko 2014: 40 ff.) was elected with 55% of the votes as the new president. The government bloc is not coherent. The main line of tensions within the governing camp is between the oligarchic parties and the paramilitary formations of the extreme right (cf. Lauterbach 2014: 30 f.).

### **Enacting the Neo-Liberal Governance**

The new government swiftly locked into the Western economic governance structures. It signed the political-military part of the Association Agreement with the EU on 21<sup>st</sup> March, the economic part on the 27<sup>th</sup> of June. It was ratified by the European and Ukrainian Parliaments on 16<sup>th</sup> of September. It will be put into force at the beginning of 2016. The Ukrainian government which has faced a disastrous and deteriorating economic situation and grave balance of payments problems applied rapidly for an IMF credit. Apart from the usual austerity measures, the IMF programme includes detailed measures for the energy sector, inter alia the cutting of consumer subsidies for energy – a long term controversial issue between the IMF and Ukraine – and a “restructuring” of Naftogaz (IMF 2014b: 72 ff.). Whereas first massive hikes of the gas price were already enacted, Jaceňuk's vigorous drive for a partial privatisation of the gas pipelines in favour of Western corporation ran into trouble in parliament (Bielecki 2014: 10). In some key areas, like energy, the requirements of the EU Association Agreement and the IMF demands reinforce each other. The national space for manoeuvre in economic policy making is systematically reduced. The nationalism of the Ukrainian governments is purely political.

### **The Geo-Political Dimension of the Ukrainian Conflict**

In political and cultural terms, the new governing forces embarked immediately on a course of radical ethno-nationalism. It was one of the first acts of parliament after the regime change to adopt a new highly restrictive and controversial language law (which was finally not signed by the interim president). As the Czech historian Jan Rychlík (2014: 57 f.) argues, the law has a primarily political-symbolical importance: „It is to show who is master in the Ukraine and who is only guest, how are the relations with Russia and who are the heroes to which Ukraine professes herself. (...) It is primarily about that, instead of the soldiers of the Soviet army-liberator, it is the soldiers of the UPA that are recognised as the heroes.” The UPA and its forerunner organisations are known for their collaboration with Nazi fascism (which was not without conflicts) and the pogroms against Jews and Poles. The reference to UPA is a key legitimating reference for West Ukrainian nationalism which is strongly anti-Russian in its orientation. It is not only Russian, but also more generally the East Ukrainian population which is stigmatised by (ethno-)nationalist intellectuals as Eurasian and rooted in the Soviet past. With the escalation of the conflict with Russia, the Ukrainian government has increasingly limited the access to Russian media, the import of Russian books etc. It has deepened the rifts with significant sectors of the East Ukrainian population.

The Russian government rapidly stepped up pressure on Ukraine. Paramilitary forces occupied strategic points on Crimea peninsula where the population is predominantly Russian-speaking and a huge Russian naval base is located. On 11 March 2014, the Crimean parliament declared unilaterally the independence from Ukraine and the intention to join Russia if that decision was approved in a referendum called for the 16<sup>th</sup> of March. The hastily convened referendum confirmed this decision. At the time of the referendum, Crimea was already under Russian military control.

On 18<sup>th</sup> March, the Russia admitted Crimea into the federation. Crimea's separation from Ukraine and integration into Russia has been internationally widely criticised as being contrary to international law (cf. on the debate Paech 2014). Russia's President Vladimir Putin responded in his speech on the Crimean referendum and its consequences on the 18<sup>th</sup> of March by drawing a parallel with the unilateral declaration of independence by Kosovo. He referred explicitly to the US position in favour of Kosovo's unilateral declaration of independence and the 2010 decision of International Court of Justice on Kosovo (Putin 2014: 3). He mentioned the antecedent of Kosovo's independence, i.e. the NATO attack against Yugoslavia, and other Western interventions without UN mandate (ibid.: 4). The implicit message was that there are double Western standards on external interventions and unilateral declarations of independence. Indeed, Western governments criticise now in the case of Russia what they did do in the past (and not only in the past) themselves. The Russian government now referred positively to the Kosovo declaration of independence which it had harshly criticised in the past. Both sides have recourse to norms of international law in a rather selective way.

In the Donbass region with its heavy industry in Eastern Ukraine, there developed a second focus of conflict which evolved in a localised war. Paramilitary groups became active. Following the earlier example of ultranationalist forces in Western and Central Ukraine, they occupied government building. They adopted increasingly open separatist positions. Ideologically, they represent a mixture of Russian ultra-conservative nationalism and anti-oligarchic slogans. Nevertheless, separatist groups in the Donbass region have not been without links to oligarchs. They were “partially supported, but not controlled by oligarchs” (Plank 2014). Over time, the oligarch's influence over the separatists weakened. The separatists have received military support from Russia. At the end of August 2014, there were increasingly reports on direct involvement of Russian military. However, as Ishchenko (2014: 28) points out, separatist forces have, from the point of view of inhabitants of the regions, a

local base. Through the ethno-nationalist policies of the government, the regional tensions and the escalating war in Donbass, the question of a regionalisation of Ukraine has been put onto the political agenda. The government would like to confine regionalisation to the minimum. Separatist forces have called for far reaching autonomy. Likewise the Russian government has come out in favour of a far reaching regionalisation which would curtail the space for manoeuvre of the central government (cf. Olszański 2014). This debate has clear parallels with the successor states to Yugoslavia.

In the Ukrainian government, the partisans of a military solution have played a key role. They are supported in their hard position by US military aid. Regular army units have been supplemented by a national guard and voluntary units which have been joined particularly by highly motivated activists of the extreme right (Diviš 2014: 7). Some foreign mercenaries have found their way to Ukraine as well. A tendency towards paramilitarisation is clearly visible on the government side as well. The protagonism of paramilitary forces is another parallel with (post-)Yugoslav wars. The direct implication of oligarchs with the paramilitaries – in the case of the pro-government forces most visible in the case of Kolomojskyj (cf. Palata 2014: 21) – is a feature that is a peculiarity of the Ukrainian case and reflects the extreme degree of the oligarchisation of the political and social order of the country. The search for a military solution, however, does not go uncontested. In several parts of the country, even the strongly nationalist west, there erupted strong protests against conscription (Heyden 2014: 9).

The Ukrainian government has taken hardly any political initiatives to deal with the crisis – though there have been talks on an armistice amidst the escalation of the war in Donbass region. The Western government have by and large adopted the diagnosis of the Ukrainian government that the main problem is the Russian support for the “terrorists” as the pro-Russian separatists are officially labelled by the government in Kiev. Whereas the US government pushed early on for sanctions against Russia, the German government was initially more hesitating. In the German Russia and Ukraine policies, two currents can be identified. One line rather accentuates the important economic relations with Russia and the necessity for a cooperative relationship with Moscow, the other line is “transatlantic” and flows rather closely the US line (cf. Kronauer 2014). Representatives of both lines can be found in both ruling parties – SPD and CDU/CSU. In March 2014, the German Minister of Foreign Affairs, Franz-Walter Steinmeier, cautiously criticised the hitherto Ukrainian policy and opined that the Eastern neighbours should not be pushed towards “either-or-decisions” in their relationship with the EU and Russia. (FAZ 2014a: 1). A rather cautious approach on sanctions has been likewise pursued by Italy, Austria, Hungary, Slovakia and the Czech Republic whereas criticism of the Russian policies has been particularly vocal in the UK, Sweden, and the East European countries with historically very burdened relations with Russia (and the Soviet Union) – i.e. the Baltic countries and Poland. The German government has continued with its contacts with the Russian government, but has increasingly moved towards the more hawkish line of the US government and its closest allies on the issue within the EU. After a civilian Malaysian aircraft had been shot down over Eastern Ukraine, the EU adopted sanctions against Russia at the end of July. These sanctions were targeted at financial relations, the export of high technology equipment for oil production and armaments exports. The EU argued that sanctions were adopted due to insufficient Russian cooperation in investigating the shooting down of the Malaysian air plane and continuing Russian support for the separatists (Kafsack 2014). The Russian government reacted by imposing the sanctions against EU agricultural exports to Russia. Though an armistice agreement for the Donbass region had concluded at the beginning of September 2014, the EU governments passed a second

sanctions package tightening financial and technological sanctions a few days later. A couple of governments, like the Italian, Czech and Slovak governments, showed considerable reservations vis-à-vis the tightening of sanctions (FAZ 2014b: 1). A NATO manoeuvre in Western Ukraine in mid-September 2014 indicates the willingness of key Western governments to exacerbate the existing conflict.

In the BRICS countries, the EU and US sanctions against Russia are often perceived as the expression of double standards and “opportunism” (Febbro 2014). In a comment for the Brazilian internet portal Carta Maior, Eduardo Febbro (2014) argued that the EU wants to make forget its own role in the making of the conflict and compared the tough EU line with its much weaker reaction in other cases. For the BRICS countries, the positioning of the Western countries – both USA and EU – against the BRICS member Russia is a warning for all of them. The conflict in Ukraine has implications for the relationship of the EU and the USA with the BRICS countries and, thus, for the global geo-political situation.

It can be concluded that the US has been so far highly successful in weaning Ukraine away from Russia and in precluding the formation of closer links between core EU countries and Russia. The US and EU policies do not contribute to a peaceful solution to the conflict. A lasting solution would probably require a certain degree of neutrality of Ukraine which is deeply divided on the foreign policy orientations. There are internal obstacles to such a compromise in Ukraine. The governing camp has gone rather for confrontation and shows strong internal tensions. The pro-Russian separatists are primarily a paramilitary force, not a political formation. There is not a single all-Ukrainian political force. While an armistice agreement was concluded at the beginning of September 2014 and the Ukrainian government granted temporary special autonomy to the Donbass region on 16<sup>th</sup> September 2014, finding lasting political compromises looks fairly difficult.

## **Conclusions**

In the EU, there has been a consensus on enlarging the EU sphere of influence eastwards through negotiating free trade agreements and the export of norms. In both the post-Yugoslav and the post-Soviet space, the negotiation of Association Agreements has been a key element for norm exports. The main difference between the two regions is that the EU officially still provides the prospect of eventual EU membership for successor states of Yugoslavia whereas this perspective is not provided to European successor states of the Soviet Union (beyond the Baltic states which became EU members in 2004). The experience in the post-Yugoslav states shows that these policies have strengthened the asymmetric character of economic relations and have co-produced growth models that are highly reliant on external capital inflows and rest on a very shallow productive base. These growth models proved to be extremely vulnerable in the present crisis. The outcome in European successor state of the Soviet Union, like Ukraine, Moldavia and Georgia, is not more promising.

EU policies of (partial) integration have contributed to disintegration processes in former Yugoslavia and the former Soviet Union. In the case of Yugoslavia in the early 1990s, this influence was rather indirect. The richer Yugoslav republics hoped to enter the EU more rapidly without the burden of the poorer republics. And, indeed, they were able to join the EU earlier. In the case of Ukraine, the Association Agreement with the EU contributed much more directly to regional conflict and to disintegration tendencies in Ukraine. In the Ukrainian (and Moldavian and Georgian) case, the EU association policies have competed directly with and have been directed against Russian regional integration endeavours. The Ukraine has been regionally deeply divided on the issue of external

orientation of the country. In the context of weak state institutions and the absence of any really nation-wide party, the struggle between the EU (in alliance with the US) and Russia for influence interlinked with the internal dividing lines and, thus, became much more explosive. Western forces supported Ukrainian pro-Western actors in bringing about regime change and changing the foreign policy orientation. However, this produced a sharp reaction by Russia and internal pro-Russian actors.

Regarding the geo-political dimension of EU policies in the post-Yugoslav and post-Soviet space, differentiations inside the EU have become visible. In the case of Yugoslavia, Germany contributed to the acceleration of the integration process through the early recognition of Slovenia and Croatia and, thus, precluded a more consistent and moderating influence of the EU on the overall disintegration process in former Yugoslavia. In later years, the EU mostly followed the US line on state-making – both in regard to recognising new states and in regard to internal state structures. This line has not been consistent. For example, the EU and its member states confined the recognition of new states to the former Yugoslav republics. In case of Kosovo, the vast majority of EU member state broke with this principle. The policies towards European successor states have been mainly defined through the position towards Russia. The US government has been consistently aiming at weakening the Russian influence in the post-Soviet space and has regarded the weaning of Ukraine off Russia as being crucial for achieving this end. This line has had particularly strong support in the UK, Sweden, the Baltic countries and Poland. Some EU member states like Germany, France, Austria or Italy have been more ambiguous. They have relatively strong economic links with Russia. Temporarily, partisans of a more multipolar international order played a role in the German or French government and they found common ground with Russia, e.g. refusing to take part in the war against Iraq. In regard to the Eastern Partnership Policies, it has been at least implicitly the anti-Russian line that has proved to be dominant and has contributed considerably to the Ukrainian conflict. In dealing with the Ukrainian conflict, the old dividing lines on the relationship with Russia have to some extent surfaced, but so far a confrontationalist line – along the US positions – has prevailed.

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