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# Neighbourhood Europeanization through ENP

## The Case of Ukraine

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Andrea Gawrich, Inna Melnykovska  
and Rainer Schweickert

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„The Transformative Power of Europe:  
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Innestr. 26  
14195 Berlin  
Germany  
Phone: +49 (0)30- 838 57033  
Fax: +49 (0)30- 838 57096  
[transform-europe@fu-berlin.de](mailto:transform-europe@fu-berlin.de)  
[www.transformeurope.eu](http://www.transformeurope.eu)

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# NEIGHBOURHOOD EUROPEANIZATION THROUGH ENP

## THE CASE OF UKRAINE

**Andrea Gawrich, Inna Melnykovska and Rainer Schweickert**  
**University Duisburg-Essen / Christian-Albrechts-Universität Kiel**

### Abstract

We contribute to the literature of European Studies by introducing the approach of Neighbourhood Europeanization. Based on insights from Membership and Enlargement Europeanization, we reveal important inconsistencies of Neighbourhood Europeanization through the European Neighbourhood Policy (ENP) as well as a lack of robust empirical support for its effectiveness. We also define core dimensions and determinants of Neighbourhood Europeanization and implement this analytical framework for the case of Ukraine. Our analysis clearly demonstrates substantial asymmetries in the ENP for Ukraine across three dimensions we chose – democracy promotion, economic cooperation, and Justice and Home Affairs, which clearly reflect the inconsistency of the ENP concept, that is top-down formulation of EU interests combined with weak conditionality. However, our analysis shows that despite Ukraine’s growing frustration because of the lack of a membership perspective, there is a lot of room for keeping up Ukraine’s motivation for Europeanization reforms. Especially, widening and strengthening the linkage-mechanisms would allow to overcome ENP inconsistency and to improve the effectiveness of Neighbourhood Europeanization.

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## The Authors



**Andrea Gawrich** is acting professor for comparative politics at the University Duisburg-Essen. She works on democracy promotion and Europeanization strategies of EU, OSCE and Council of Europe. She published on transition countries in East Central and Eastern Europe. At Kiel University, she headed the Political Science group of the ENEPO (EU Eastern Neighbourhood – Economic Potential and Future Development) research project at the Kiel Institute for the World Economy.

**Inna Melnykovska** is research associate at the Institute of Political Science, Christian-Albrechts-Universität Kiel. She is a PhD student at the Otto-Suhr-Institute of Political Science, Freie Universität Berlin. Her research concentrates on determinants of institutional change and good governance in Eastern Europe. In particular, she analyses the impact of international organisations (external determinants) and business groups (internal determinants) on political regimes in post-Soviet countries.



**Rainer Schweickert** is research fellow and head of the Research Grants Center at the Kiel Institute for the World Economy. He has published on macroeconomic issues, regional integration, and institution building in emerging market and transition economies. He coordinated the IfW work in the EU-project ENEPO. His recent work is on resource based development and the potential impact of EU and NATO on institution building based on trade and security incentives.

## 1. Introduction - The External Dimension of Europeanization<sup>1</sup>

Theoretical and empirical research on neighbourhood policies is not yet well rooted in the literature on Europeanization. The concept of Europeanization was introduced during the early 1990s and has, by now, become a rather fashionably and widely deployed research tool amongst scholars from International Relations, European Studies and Comparative Government traditions alike (see e.g. Axt et al. 2007). However, being still a relatively young research field, it has only been recognized at the end of the 1990s as a “distinctive research area in EU studies” (Sedelmeier 2006: 4). When reviewing the rapidly growing body literature from the early 1990s to the present day, it is possible to identify three distinct phases and – consequently – three dimensions of Europeanization research, where each new dimension draws on and adds to the previous one:

- *Membership Europeanization*, which delineates the impact of the European Union (EU) on existing EU member states,
- *Enlargement Europeanization*, which applies to accession and candidate countries with a clear EU-membership perspective, and, more tentatively, what we would label
- *Neighbourhood Europeanization*, which affects the EU’s neighbouring “outsiders”, where there is no immediate accession perspective.

As regards *Enlargement Europeanization*, the adoption of EU rules by transition countries implied “the most massive international rule transfer in recent history” (Schimmelfennig/Sedelmeier 2005). However, European Neighbourhood Policy (ENP) incentives may be too limited in order to support domestic drivers of institutional reform (Melnykovska/Schweickert 2008; Vinhas de Souza et al. 2006). The recent extensions of Europeanization analysis towards EU’s influence on outsiders (Anastasakis 2005; Emerson 2004a; Emerson 2004b; Emerson 2004c; Emerson 2005; Grabbe 2006; Schimmelfennig 2007; Schimmelfennig/Sedelmeier 2004; Schimmelfennig/Sedelmeier 2005) tries to evaluate this. However, there is still a lack of case studies on European Neighbourhood Policies (ENP) and the effects of *Neighbourhood Europeanization* based on precise analytical frameworks.

In this paper we try to partly fill this gap by providing a case study for Ukraine. The case of Ukraine seems to be a natural choice for a first case study because, according to the methodological case categorization by Hague/Harrop (1998), we can regard Ukraine as a *crucial case* among the ENP countries which allows to derive country specific as well as more general findings. We regard Ukraine as having best preconditions for successful membership in ENP, because of its willingness of cooperation and its regime quality as well as its high interest to become an EU member. As Ukraine is the most promising crucial case, we follow this *most-likely* design (George/Bennett 2005) in order to basically understand prospects of Europeanization through ENP.

In order to develop an appropriate design for our case study, Section 2 discusses differences and parallels between the different types of Europeanization mentioned above, revealing important inconsistencies

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of *Neighbourhood Europeanization* through the ENP as well as a lack of robust empirical support for its effectiveness. In Section 3, we define the dimensions and determinants of *Neighbourhood Europeanization*. A reviewed version of this working paper will be published in 'Journal of Common Market Studies' end of 2009/beginning of 2010. This paper is an output of the ENEPO (EU Eastern Neighbourhood: Economic Potential and Future Development) project financed by the EU in the Sixth Framework Program. We are grateful for support and helpful comments from Anja Franke, Marietta König and Joachim Koops. Section 4 implements this analytical framework for the case of Ukraine by explaining the links between Europeanization and its determinants. Section 5 summarizes and draws conclusions.

## 2. Neighbourhood Europeanization – Can Weak Conditionality Work?

Concerning *Enlargement Europeanization*, most empirical evidence seems to support the external incentive model which explains the broad pattern of successful rule transfer to the candidate countries. According to the rationalist external incentive model, which is seen as EU-driven, the EU offers a combination of conditionality and rewards (assistance and institutional ties), although the EU's conditionality is restricted to very low forms of "punishment" that are smaller steps towards integration. Rewards are needed to reach the adoption of EU's rules and they will have to exceed the domestic adoption costs. Nevertheless, in this model, success depends on determinacy of conditions, size and speed of rewards, and credibility of conditionality (Schimmelfennig/Sedelmeier 2004: 664f; Schimmelfennig/Sedelmeier 2005: 9f). Alternative models like social learning and lesson drawing have been regarded as being less important as norm and value based parts of Europeanization and were considered as merely supportive (Schimmelfennig 2007). According to the social learning model, which is based on constructivist assumptions, relevant actors internalize values of Europeanization, that is they more or less converged to a common European identity. Finally, the lesson drawing model assumes that state-induced reforms and rule adoption take place because state actors judge Europeanization as an effective remedy to inherently domestic needs and policy challenges.

This insight from the enlargement literature implies a conceptual challenge for *Neighbourhood Europeanization*, because the EU's leverage and effectiveness might be severely limited due to the lack of attractive incentives. Europeanization without conditionality implies the long-term internalization and embedding of European norms and values. Such a process is less based on strategic cost-maximization, but instead more on social learning and lesson. In its dealing with non-candidate neighbours, the EU has to aim less at exerting 'leverage' and instead focus on promoting 'linkage', which is, according to Levitsky and Way (2006) the density of a country's tie to countries or bodies such as the USA, the EU and other western-led multilateral institutions. (Western) leverage is defined as a (non-Western) government's vulnerability to external pressure.

Hence, *Neighbourhood Europeanization* has to refer to quite some features of *Membership Europeanization*. Cowles et al. (2001) introduce the notion of 'goodness of fit'. They explain domestic structural change through *adaptational pressures*, which arise when there is a 'misfit' between European and domestic policies, processes and institutions. In other words "[o]nly if European policies, institutions and/or processes differ significantly from those found at the domestic level, is there any need for member states (or accession candidates) to change" (Börzel/Risse 2007: 490). However, having ENP countries in mind,

which show an enormous misfit, this approach seems primarily useful for adjustment *within* the EU. In an alternative approach, Radaelli (2003) interprets Europeanization more as an ongoing interactive and two-way process and less as a one-way reaction to Brussels. This more overtly constructivist approach to Europeanization places additional emphasis on the importance of norms and ideas and foreshadows the emphasis on sociological institutionalist takes on Europeanization, which form an important part of the *enlargement dimension* research agenda.<sup>2</sup>

The basic features of the three forms of Europeanization are summarized in Table 1 in which we extend the framework of Axt et al. (2007). As this table shows, *Neighbourhood Europeanization* suffers from a severe inconsistency. It resembles *Enlargement Europeanization* in a fairly strong way in its asymmetric and top-down orientation. But it has little in common with the possibilities to consume Europeanization, the prospect of membership (meaning that gate keeping is the missing mechanism of Europeanization) and the level of conditionality. Like in *Membership Europeanization* rather weak conditionality would require learning and lesson drawing and, most importantly, allowing for a two-way approach.

Table 1 – Three Stages of Europeanization - Parallels and Differences

	<b>Membership Europeanization</b>	<b>Accession Europeanization</b>	<b>Neighbourhood Europeanization</b>
<b>Conditions of Europeanization</b>	Producer and consumer of Europeanization	Strong consumer of Europeanization	Weak consumer of Europeanization
<b>Consuming or designing Europeanization?</b>	Two way street: Top-down and Bottom-up	One-way street (primarily) Asymmetric top down	One-way street Asymmetric top-down
<b>Mechanisms of Europeanization</b>	Large variety of direct and indirect impacts	Predominantly direct impact	Predominantly direct impact
<b>Conditionality</b>	High (e.g. penalties of European Court )	Very high gate-keeping for membership	Weak no gate-keeping for membership
<b>Incentives</b>	E.g. to avoid penalties by EU Court	EU membership	Closer cooperation with the EU and some illusions of membership
<b>Results</b>	Continuous political change, deeply routed	Rapid political change with extensive effects	Continuous political change, comparably superficial

Source: Based on Axt et al. (2007: 144); own extensions.

<sup>2</sup> According to all three forms of Europeanization it seems to be rather widespread to refer to 'neo-institutionalist' approaches, like for example Schmitt/Caporaso et al. and Knill/Lehmkuhl did (for the debate, see Featherstone 2003: 15 f.).

Given the lack of a consistent policy strategy, it is rather not surprising that ENP from the outset had to face a lot of criticism (see e.g. Lavenex 2004; Stratenschulte 2005). Lavenex and Schimmelfennig (2006) regard ENP as a policy which “emulates key concepts and routines developed in the context of enlargement – ranging from the general conception of negotiated bilateralism to the emphasis on positive conditionality – and borrows concrete instruments, such as action plans, enhanced monitoring through regular reports, and twinning of public administrations.” (Lavenex/Schimmelfennig 2006: 143). Furthermore it is based on strategic calculations. After Eastern enlargement, the EU realized the risks of new dividing lines at the European continent (O’Connell 2008: 116) which should be avoided through convergence of the new neighbours towards European standards.

The core problem of ENP is its demanding character without attractive and clear incentives. Its conditionality works on a very low level, as the incentive of EU-membership and threats of stopping accession negotiations are missing (see e.g. Jahn 2007; Lang 2007; Kempe 2007; Lippert 2007; O’Donnell/Whitman 2007; Rhein 2007; Kelley 2006: 30). In contrast there are even budgetary constraints and competing priorities within the ENP (Lavenex/Schimmelfennig 2006). Official EU rhetoric tries to downplay the role of membership perspective for domestic changes. In a programmatic speech on ‘Wider Europe’, Romani Prodi argued that accession must not be “the only game in town”. Although he conceded that the “goal of accession is certainly the most powerful stimulus for reform we can think of”, he also asked, why “a less ambitious goal [should] not have some effect?” (Prodi 2002).<sup>3</sup> Apart from that, ENP must be characterized as a mix of policies focusing, on the one hand, on advantages for the respective countries while, on the other hand, obviously following primarily EU’s security and economic interests (for example border policy).

Empirical support for ENP policies is not encouraging either. In contrast to empirical research on *Enlargement Europeanization*, only a few studies analyze the impact of the EU on institutional change by means of agreements below a membership perspective. Positive effects of links to the EU may be reached via a variety of channels: promotion of democratic attitudes among citizens, political incentives for elites (in government and in the opposition), domestic power balance shifts in favour of democratic politicians, and promotion of better democratic governance through incentives for public administration reform (Pop-Eleches 2007). Hence, democracy is promoted by a combination of political conditionality with significant political and economic incentives. Di Tommaso et al. (2007), implementing an index of institutional quality from the EBRD, confirm a positive impact of basic agreements on the quality of institutions in transition countries.

Our own empirical results shown in Appendix Table A1 are more sceptical. For a panel of 25 transition

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3 The final aim of the ENP cannot be and, in fact, is not total harmonization with the EU’s *acquis communautaire*. What is, however, expected is a certain level of approximation (see Lavenex et al. 2007). Yet the official rhetoric remains diffuse. What makes it so difficult to classify, is the fact that ENP policy is situated somewhere between internal and foreign policy (see e.g. Vobruba 2007). On the one hand, the EU’s Common Foreign and Security Policy (CFSP) until now has been dominated by the member states (therefore not in the hands of the Commission except in the case of external trade, development and humanitarian aid policy) and still requires consensus. On the other hand, “ENP is also an extension and adaptation of the Commission’s active foreign policy role during enlargement. The ENP has largely been conceptualized within DG Enlargement. Only recently was it transferred to the External Relations DG. This is consistent with March and Olsen’s [neo-institutionalist] [...] argument that actors take on roles, which then in turn shape their behaviour” (Kelley 2006: 31). However, in the ENP there is a concurrence of EU’s supranational level (commission) and nation state level (ministerial council), which is maybe the reason for the inconsistent policy.



countries we use the World Bank Governance Indicators (WBI) which, in our view, provides a more comprehensive measure of institutional quality. In pooled regressions which account for cross-country as well as for time-series aspects, we can confirm a positive impact of EU integration on institutional quality. For Partnership and Cooperation Agreements (PCA) which are the first step of this integration, the improvement of institutions in cooperating countries would lie in the range of about 0.2 which, given a standard deviation of 1 for the index, seems to be substantial. However, as shown by the regression with effect fixed between countries, that is only considering changes over time (last column), the positive impact of EU Integration is not due to improvements of institutional quality over time but rather between countries – a grain of salt for too much optimism about institutional change supported by basic EU agreements. Interestingly, entry into the accession process of the North Atlantic Treaty Organization (NATO) has a significant effect over time, that is these countries actually improved institutional quality.<sup>4</sup> The ‘carrot’ in this case is regional security rather than economic cooperation. The prospect of NATO accession might have a positive effect, which might be comparable to the impact of EU accession (see e.g. Schimmelfennig 2007; Pop-Eleches 2007). Hence, the message is that basic EU agreements *can* provide positive incentives for better governance, empirical support for such an optimistic view is rather weak, and security issues seem to play an increasing role as an incentive for *Neighbourhood Europeanization*. All in all, given the conceptual inconsistency of the concept of ENP discussed above it seems rather unlikely that weak incentives are well-targeted in order to achieve a significant impact on governance in ENP countries.

### 3. Europeanization through ENP – In Search of a Concept

In order to test for the effectiveness of ENP policies in neighbouring countries, we develop a concept for a qualitative analysis which we apply to the case of Ukraine. First, we show that three dimensions of ENP policies have to be distinguished for our purpose. Second, we determine the dependent variable, Europeanization through ENP, and the independent variables which might explain the dependent variable. Applied to the case of Ukraine, this will reveal the extent to which dependent variables can be linked to Europeanization achieved through ENP.

#### 3.1 Dimensions of ENP Policies

As argued above, ENP policies still follow the enlargement blueprint which distinguishes between democracy promotion and sectoral cooperation (Schimmelfennig/Sedelmeier 2004: 669f). In contrast to a comprehensive idea of sectoral cooperation during enlargement, ENP concentrates on specific areas which figure high on the EU’s list of priorities embedded to various degrees in country-specific Action Plans (APs) (Emerson 2004b). We consider three dimensions of ENP policies which are of essential importance for both the quality of Europeanization in Ukraine (Democracy Promotion, Justice and Home Affairs) and the EU’s strategic interest (Economic Cooperation, especially trade) (see e.g. Mahncke 2008):

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4 NATO membership and enlargement also received little attention with respect to its potential impact on the quality of institutions in transition countries. A few studies discussed NATO impact in terms of economic aspects of regional security (see e.g. Sandler/Hartley 1999; Andrei/Teodorescu 2005) and democracy promotion (see e.g. Barany 2004; Boonstra 2007; Epstein 2005). A Membership Action Plan (MAP) was approved in NATO’s Washington Summit of 1999, demanding a kind of minimum institutional standards.

*Democracy Promotion:* The EU sees the ENP as a democratization tool (Ferrero-Waldner 2006). At the same time, the EU's democracy promotion strategies have received plenty of criticism for being badly coordinated (Crawford 2000), for following a "one-size-fits-all"-approach (Börzel/Risse 2004), and for being biased towards an EU view (Barbé/Johansson-Nogués 2008: 91). Generally, critics argue that there is too little bottom-up and, at the same time, inconsistent top-down (e.g. French/Meijenfeldt 2006). Top-down instruments are political dialogue and official statements. The EU seeks to improve linkage by such means as regular summits, committee meetings and negotiations (Kobzar 2006). An institutionalized dialogue is intended to exercise 'soft power' on elite mentalities and external policy orientation (Pridham 1999; Vachudova 2005: 83; Nye 2004; Pridham 2000; Levitsky/Way 2006). In the same vein, official statements can be interpreted as a strategy of 'blaming and shaming' (Maier/Schimmelfennig 2007, reference to Smith 2001, see for this e.g. Zangl 2001). This strategy has various dimensions: EU's statements on presidential and parliamentary elections in ENP states, essential comments in the field rule of law (especially corruption), and – borrowing legitimation from others – what we call *cross-checking*, that is comments on obligations imposed by other international bodies like OSCE and Council of Europe.

Bottom-up strategies should support non-state actors and those institutions, not belonging to high level politics, that is civil society, the education system, and the media. Concerning the civil society and the education system, ENP offers financial support through TACIS/EIDHR and TEMPUS respectively. While TACIS refers to infrastructural help and EIDHR to bottom-up democracy promotion, TEMPUS is regarded to help with higher education modernization, people-to-people-contacts among European students and, thus, linkage between East and West (see e.g. Council Decision 1999). The long-term nature of these programmes allows comparing ENP activities with the pre-ENP era. Finally, freedom of media is an essential part of supporting democracy in neighbouring countries. In contrast to the OSCE, the EU is a rather young player in the field of media support but views the instrument of media support as a central tool of democracy promotion (see e.g. von Franqué 2008). Clearly, the great scope of influence has to be evaluated against the danger of misbalancing national media markets.

*Economic Cooperation:* "The basic deal the EU has offered the ENP states consists of economic cooperation in exchange for political reforms" (Vincentz 2007: 117). However, the economic dimension of ENP remains rather vague. The Action Plans give only broad guidelines and do not give threshold levels for eventual achievement (Noutcheva/Emerson 2007: 91). Different to EU enlargement and Balkan policies, ENP has a development component and is strictly bilateral (see e.g. the approach of ENP as a "hub-and-spoke" model in Hummer 2005), which foregoes the chance of creating a unified economic region.<sup>5</sup> There is a huge debate on appropriate models of future economic integration between ENP members and EU. The scope

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5 Recently, the EU announced a regional initiative 'Eastern Neighbours of the EU' - that is Eastern Partnership - that includes Azerbaijan, Belarus, Georgia, Moldova and Ukraine. The Eastern Partnership foresees a substantial upgrading of the level of political engagement, including the prospect of a new generation of Association Agreements, far-reaching integration into the EU economy, easier travel to the EU for citizens providing that security requirements are met, enhanced energy security arrangements benefiting all concerned, and increased financial assistance. The EU proposes much more intensive day to day support for partners' reform efforts through a new Comprehensive Institution Building program, and a new multilateral dimension which will bring partners together to address common challenges. The Partnership includes new measures to support the social and economic development of the six countries, and five flagship initiatives that will give very concrete evidence of the EU's support (EU Press Releases Rapid 2008). For Southern neighbors, the 'Union for the Mediterranean' was initiated (Euractiv 2008).

of models ranges from bilateral deep free trade or multilateral simple free trade arrangements to a stake in the common market, with its four freedoms (maybe excluding freedom of labour). For the time being, economic integration remains to be a bilateral instrument which has a basic trade component and specific cooperation schemes depending on interest of either the EU or the ENP countries. Generally, cooperation is tailored to the bilateral relations and with the intension to postpone decisions on concrete steps of integration into the future (Lippert 2007; Maurer/Haerder 2007; Vincentz 2007; Lavenex et al. 2007).

*Justice and Home Affairs (JHA)*: In contrast to the enlargement process, where JHA have only been discovered late, it has been an element of the Action Plans within ENP from the start, which demonstrates the increasing importance of security aspects. The main areas of demands and cooperation in JHA are migration and border policy, combating organised crime and drug trafficking and judicial and police training and cooperation (Occhipinti 2007). Policy regulations in the field of JHA bear several specific characteristics. First, some issues are primarily important for the EU's internal security interests (for example organized crime, illegal migration, 'third country rule' in asylum policy, safeguarding EU's Schengen regime). Second, JHA is both a short-term security strategy and a long-term initiative for good governance, democracy and socio-economic transformation. This obviously leads to conflicting strategies (see e.g. Wichmann 2007). As JHA contains obvious elements of EU's interest, the EU consequently had to offer rewards, like visa facilitation against readmission of asylum seekers. Third, it is very much a sovereignty-sensitive policy area. Therefore, a lot of demands concerning policy changes affect core state functions like border policy or police cooperation. Finally, demands in JHA are closely linked with the acceptance of democratic values, which is obvious in areas, where the EU cannot offer concrete rewards for compliance like, for example, independent judiciary (Knelangen 2007: 91).

### 3.2. *Level of Compliance and Determinants of Europeanization*

*Dependent variable*: Our dependent variable is Europeanization. This we operationalize through evaluating Ukraine's compliance with EU demands. We regard Europeanization as domestic adaptation of EU's demands through pressure, financial support and capacity building and domestic motivation (see e.g. Featherstone 2003). Of course, we are aware that we can only observe tentative results as the ENP is still too young for deeper effects. For providing a balanced view on compliance, we use the recent progress report on Ukraine 2008 (EU Progress Report Ukraine 2008) as well as a recent Ukraine study on implementation (Razumkov Centre 2008). As the ENP process began only some years ago, we are furthermore referring to the levels of cooperation which started with PCA already in the mid-1990s.

*Independent variables*: Following historical institutionalism, Europeanization of ENP member states is a consequence as well of intervening effects from EU's side on domestic actors' preferences as well as a result of long-term attitudes stemming from national culture, Soviet habits and so on. Thus, we assume that Europeanization effects are the result of both external influence by the EU and internal support, that is local perception of the external influence. External influence, in turn, is established by the EU's demands, rewards, direct support, and degree of linkage. We derived these four independent variables from EU enlargement analysis. It has been discussed broadly that procedures and instruments of bilateral relations within the ENP resemble very much those of Eastern Enlargement (bilateral approach, progression

reports, different categories of priorities and so on). Even though there is no real conditionality, we find ‘conditionality-inspired policy instruments’ (Wichmann 2007), especially in the promises concerning access to Internal Market and Justice and Home Affairs. Together with local perception, this gives five independent variables which determine Europeanization in ENP countries. They will be evaluated with respect to the three dimensions of ENP policies which are relevant for Ukraine to various degrees:

Independent Variables
Content and clarity of EU’s demands
Incentives and rewards
Direct financial support by EU
Forms and degree of linkage
Local perception of demands and reward

*Content and clarity of EU’s demands:* We assume that the degree of compliance, that is rule adoption, is more likely, when rules are as clear and as formal as possible (Schimmelfennig/Sedelmeier 2004: 664f; Jacoby/Cernoch 2002). Rule clarity is especially important in the ENP, as there is no formal benchmark of demands, in contrast to Enlargement Europeanization, which is based on the *acquis communautaire*. As *Action Plans* – the core documents of ENP-EU relations – have been developed in ‘common ownership’ between ENP state and EU, they mostly remain rather unspecific (see e.g. Stratenschulte 2005) and have been very much dependent on the will to approximation from the side of the ENP state.

*Incentives and rewards:* If we regard enlargement processes, the core incentive is the membership perspective (Grabbe 2001 called this incentive “gate-keeping”, hinting on the prospect of slowing/fastening the accession process), which is missing in the ENP. Following recent debates on the ENP, we assume that one has to look at single sectors in order to examine main incentives and rewards. For example in economic cooperation we may assume this is access to Internal Market or, at a lower level, trade liberalization. In JHP, in contrast, this may be visa facilitation (Sedelmeier 2007). Main incentives in the field of democracy promotion and conflict management are more difficult to identify, which we will show in our case study.

*Direct financial support by EU:* There are a couple of financial programmes and special budgets giving financial support to the ENP states (e.g. TACIS, EIDHR, TEMPUS). These have been centralized since 2007 in the European Neighbourhood and Partnership Instrument (ENPI), a special financial instrument for ENP. In our study we try to evaluate changes of financial support since ENP started in contrast to cooperation under PCA.

*Forms and degree of linkage:* Given that rewards and direct support may be rather limited in the ENP, linkage defined as “the density of ties and cross-border flows between a particular country and [...] the EU” (Levitsky/Way 2006: 383) may play a prominent role for determining the external influence. The linkage element is an important tool for administrative capacity building, for sharing each others ideas, for diffusion of norms and values between EU and ENP member state officials. In fact, the EU Commission

announced the possibility for the ENP states to participate in not less than 20 EU-agencies and 17 Community programmes (Emerson et al. 2007).<sup>6</sup>

*Local perception of demands and rewards:* Domestic policies set the stage for any impact the EU might have. We argue that impulses of the EU could successfully initiate institutional convergence, only if they supply appropriate well-focused incentives for the responsible internal actors and take into account possible veto-players of such a convergence (Melnykovska/Schweickert 2008). Along with Lavenex et al. (2007) we assume that perception is also influenced by the degree to which demands are regarded as affecting national sovereignty, for example in Justice and Home Affairs.

#### 4. Europeanization in Ukraine – From Enthusiasm Back to Reality?

The Orange Revolution of 2004 has radically changed Ukraine's transition path (Melnykovska/Schweickert 2008). Contrary to President Kuchma, who used the declaration of Ukraine's wish to join the EU as a way to legitimize his authority in Western Europe<sup>7</sup>, the ambitions of the current Ukrainian leadership seem to be less declarative. Accordingly, Ukraine was among the first group of EU neighbours to negotiate and sign the AP (Wolczuk 2008) which followed the PCA dating from 1998.

In the meantime, the rather lukewarm welcome from the EU (Emerson 2008; Afanasyeva et al. forthcoming) dampened initial enthusiasm considerably. The first three-year EU-Ukraine AP drafted in late 2004 – and signed with only few changes after the Orange Revolution in February 2005 – is still in force. Negotiations about a *New Enhanced Agreement* to replace the PCA, that is Association Agreement, and Free Trade Area (FTA) are still debated (Eurobulletin 2008; Veselovsky 2008).

The ENP does not entail a substantial increase in *EU direct financial support* to Ukraine until now. For 2007-10, the ENP financial instrument (ENPI) allocates €494 million (€123.5 million per year in average) to Ukraine. Within the pre-ENP PCA (1999-2003), EU assistance to Ukraine amounts €697.9 million (approximately €140 million per year in average).<sup>8</sup> Regarding sectoral distribution, it is astonishing that in 2007 JHA benefits from infrastructure support (third Priority Area) most, with about 40 per cent of total ENPI money (plus extra money for special border projects<sup>9</sup>), whereas Democracy Promotion (first Priority Area) and Economic Cooperation (second Priority Area) only receive about 30 per cent each.

6 There is a debate on how to involve ENP states as much as possible in EU's institutions without giving them voting rights. Plans such as the 'Model of Modular Integration', which suggests restricted voting rights in the Council and the EP (Maurer/Haerder 2007), or the 'Association of Modernity and Stability', which would require new common institutions between EU and ENP members (Lippert 2007).

7 The international recognition and farther cooperation with the EU could help to legitimate Kuchma's presidency at the national level (Kuzio 2006).

8 This even reveals no improvement in comparison to EU assistance before the PCA (1991-98: € 288.3, approx. €160 million per year in average).

9 Migration and border management issues gain extra money through FRONTEX (European Agency for the Management of Operational Cooperation at the External Borders); and the management mission at the Transnistrian borders: EU Border Assistance Mission to Moldova and Ukraine (EUBAM). This basic information supports the argument, developed above that JHA is a first priority from EU's side (Wichmann 2007).

The institutional framework of EU-Ukraine cooperation, that is annual bilateral presidential summits, cooperation councils, ministerial cooperation committees and specialized sub-committees, was established already in the pre-ENP era. During the current preparations of the *New Enhanced Agreement*, it was slightly expanded but, overall, it is largely copied from EU enlargement (Gromadzki et al. 2005; Beichelt 2007). According to the supranational character of the EU, its institutional cooperation remains very much oriented on cooperation with the executive. There are low ties with the Ukrainian parliament although this would be helpful as well – as the parliament has to harmonize legislation with EU standards.

In Ukraine, the general perception of ENP policies is rather mixed. Domestic elites agree on “European Choice”, but they differ in the time horizons of Ukraine’s membership in the EU and in the pace of domestic reforms to achieve its Europeanization. The political leadership is sometimes more involved in power distribution struggles than in carrying out reforms. Furthermore, politicians did not want to appear as “knocking on closed doors”. The majority of the population (48-55 per cent) is in favour of EU cooperation and only 16 per cent are against it (Ukrainian Monitor 2005, cited in Wolczuk 2008). However, both politicians and the population interpret the ENP as a ‘temporary mechanism’ for Ukraine on the road to EU membership. This positive attitude is, however, not homogeneous across regions.<sup>10</sup> Therefore, EU incentives building on this positive attitude could have a significant impact on Europeanization, if well-targeted. However, as the following discussion reveals, there is more reason for scepticism than for optimism in this respect.

#### 4.1 *Democracy Promotion - Slightly Used Although Highly Potential?*

Timely coinciding with the democratic breakthrough (McFaul/Aslund 2006), the EU offered an ENP AP to Ukraine, which put more emphasis on democracy promotion than the PCA document before. Different to PCA, which limited democracy promotion to political dialogue and consultations on the “observance of the principles of democracy”, the ENP AP upgrades the scope and intensity of political cooperation and identifies “strengthening the stability and effectiveness of institutions guaranteeing democracy and the rule of law” among its priorities.<sup>11</sup> Furthermore, the AP envisages a number of concrete demands, rewards and mechanisms to promote democracy in Ukraine, but it contains no substantial linkage mechanisms.<sup>12</sup> According to our scheme, we divide them along top-down and bottom-up sub-dimensions.

In terms of top-down democracy promotion, the AP puts very clear demands on Ukraine’s compliance with democratic standards, that is ensuring the democratic conduct of presidential and parliamentary elections in Ukraine in accordance with OSCE standards, gradual approximation of Ukraine legislation, norms and standards with those of the EU, the independence of the judiciary and development of

10 The opinion survey shows deep differences in foreign policy orientations between four parts of the country. The EU is largely supported in the western (75 per cent of respondents) and central regions (57 per cent) and less in the southern (37 per cent) and eastern regions (34 per cent) (Razumkov Centre 2008: 48).

11 In contrast to the APs of other ENP countries, the Country Strategy and EU-Ukraine AP reveal a stronger weight of Ukraine in treating more priorities and offering further reaching perspectives, especially in the area of democracy (Beichelt 2007).

12 None of seven joint sub-committees deals with the issues of democracy.

administrative capacities. The *determinacy of demands* and *level of demands* were recently exemplified when in exchange for the free elections in 2006 and 2007 the EU offered the beginning of negotiation on FTA (Euractiv 2007).

The EU's involvement in the 2006-07 parliamentary elections, have been limited to what we call cross-checking, that is referring to activities of OSCE/ODIHR election observation missions (where always some EP-members are participating) through official statements taking issues with OSCE-elections reports (Solana 2007). Besides reference to *electoral standards* in Ukraine, the field of *rule of law-support* is part of EU activities. For this, EU mainly approves statements of Council of Europe's Venice Commission, which constantly demands efficient checks and balances between state powers (EU Progress Report Ukraine 2008). The EU also supports joint cooperation programmes with the Council of Europe for judges' and human rights experts' training (EU Progress Report Ukraine 2008). There is neither punishment nor substantial reward and thus weak leverage in the field of the rule of law. Unwilling to destabilize the 'orange' coalitions (McFaul 2005; Kuzio 2006), the EU reacts rather softly to violations of the rule of law (for example on corruption scandal of Tymoshenko-government in 2005 and political pressing on the Constitutional Court) and does not charge the Ukrainian leadership with any punishment.<sup>13</sup>

In order to support the rule of law, EU membership perspective would be very helpful. Yet, the EU does not offer this *reward* and thus discourages the elite groups. The *New Enhanced Agreement* only offers *EU-Association*, which is too less attractive to improve the rule of law. Unlike the Council of Europe, the EU also has weak linkage mechanisms here because there are no specialized advisory institutions.

Concerning bottom-up democracy promotion, the EU is less clear in its *demands*. It stresses the need to develop civil society, to ensure respect for human rights and national minorities, to guarantee freedom of media and to improve systems of higher education. The absence of political rewards in this field is compensated through *direct financial support* through TACIS, EDIHR, and Tempus facilities.<sup>14</sup> Bottom-up Europeanization focused on civil society and education enjoys strong *domestic support* (Gromadzki et al. 2005).

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13 Solana (2007), for example, argued that Ukraine has had a series of political crises in the past years, largely stemming from a lack of clarity on the basic ground rules of political life and lack of checks-and-balances, but avoided to blame political elite for these crises.

14 In 2004-06, TACIS included the projects on bottom-up democracy promotion – through the close cooperation with the national government – with the budget of €10 million for civil society, media and democracy. EDIHR is more civil society and human rights oriented; its micro projects-program ensures an additional – without direct involvement of the national government – financial support for civil society. Although Ukraine attracted the largest amount of funds within this Initiative, EDIHR finances are limited: from 1999 to 2006 it allocates only €5.95 million for Ukrainian NGOs. Within ENP, the EU also fosters people-to-people programmes, that is exchange between Ukrainian and EU state's societies. This is first and foremost focused on higher education. The budget line Tempus promoted since 1993 voluntary EU-ization in the field of higher education. The EU also has conducted the extra projects to promote democracy in a bottom-up way. In 2004, the EU launched three election projects combing NGOs, education and media promotion with the funding budget of €1 million (EU Delegation to Ukraine 2004).

#### 4.2 Economic Cooperation: Huge Asymmetry of Preferences and Time Horizons

The ENP builds on PCA's *economic demands* and aims at bringing Ukraine's legislation in compliance with requirements of the Single European Market and the World Trade Organization (WTO). The EU significantly helped WTO membership by *targeting* the promotion of GATT principles like most favoured nation clause, national treatment, freedom of transit, and basic prohibition of quantitative restrictions. In exchange for economic reforms, the ENP AP offers the following economic rewards for Ukraine: increased financial and technical assistance through the ENPI, enhanced preferential trade relations, with a FTA perspective, on in the long-term a 'stake' in the Single European Market dependent on progress in implementing EU's demands.

Most importantly, these economic rewards are applied not exclusively to achieve Europeanization in the economic cooperation but in other dimensions, for example democracy promotion (Sasse 2002; EU-Ukraine Action Plan 2005). This has been exemplified when, in exchange for the repeated run off elections in 2004, the EU granted *ex post* the full-fledged market economy status to Ukraine (2005). In addition, the EU was concerned with democratic elections in Ukraine in 2006 and 2007, and linked this with the *reward* to assist Ukraine with WTO accession process. In contrast to democracy promotion, the *linkage mechanisms* in economic cooperation between Ukraine and EU are well developed: five out of seven sub-committees (already established through PCA) work on economic issues (PCA 1998; Solonenko 2005).

In addition, a FTA and a stake in the EU Single European Market are the *most attractive rewards* for Europeanization (Kelley 2006; Melnykovska/Schweickert 2008) and would have *high local support* (Razumkov Centre 2008). The EU already became the by far largest trade partner (approximately 90 per cent of exports and imports) and foreign investor (75 per cent in 2007) in Ukraine. At the same time, Ukrainian expectations concerning FTA and a 'stake' in the Single European Market are limited as any agreement is likely to exclude major trade in EU 'sensitive' sectors like heavy industry and agricultural products (Mayhew/Copsey 2006; Emerson et al. 2006). This clearly reflects an asymmetry of interests between the EU and Ukraine and *weakens* in fact these *incentives*.

The asymmetry of interest is also evident in the cooperation on energy and transport. Although it is mutually beneficial and contributes to geopolitical security and economic independence of both, Ukraine and the EU, they nevertheless emphasize different preferences in this field. EU's basic goal is to successively extend the principles of the 1994 Energy Charter Treaty (ECT) (like the rule of law) to the EU's periphery.<sup>15</sup> Ukraine is keen on eliminating its dependency on Russian energy, but got little assistance from the EU in its quest for energy diversification.<sup>16</sup> Recently, the government of Tymoshenko asked the EU to help

15 The Energy Charter focuses on the rule of law and the role of governments in providing robust frameworks for foreign investment in the energy sector. The EU has signed the Memorandum of Understanding on co-operation in the field of energy with Ukraine in December 2005. The Commission also starts Black Sea and Caspian Sea energy cooperation initiative with Ukraine that aims at the progressive integration of this region into the European energy market. In late 2006, the Commission announced plans to move towards 'sub-regional energy markets' (European Commission 2007).

16 The EU helps Ukraine to modernize its pipelines system through INOGATE (Interstate Oil and Gas Transport to Europe). The programme was launched in 1995, revised in 2004-06 and involved 21 countries (most participants are the post-communist countries). However, the main aim of this programme is not to directly finance, but to attract foreign investors to the modernization of Ukraine's oil and gas transport system.



with the implementation of the 'White Stream' project delivering Caspian gas via Georgia and Ukraine to Europe. This, however, is – in contrast to the pipeline projects south stream and north stream, which do not include Ukraine – not a priority from the EU's side (Sherr 2007; Stent 2008; Lukyanov 2008).

#### 4.3 *Justice and Home Affairs: the EU's Primary Interest?*

Before the ENP, the EU *demands* towards Ukraine were focused on cross border cooperation (CBC), that is migration and border management, money laundering and trafficking in human beings, with the objective to minimize risks related to different kinds of cross-border crime (Knellingen 2007). Within the ENP, the EU's priority shifted towards governance-related matters. The main tool the EU uses for promoting good governance in Justice and Home Affairs is *linkage-oriented*: TWINNING and TAIEX. TWINNING aims at developing the capacity of the public administration. In 2006, the EU started the implementation of three twinning projects, 22 further projects are planned. Ukrainian request for TWINNING on JHA issues is rather moderate because of the long-term preparations' procedures and 'domestic' sensitivity of the issues dealt with, for example conservative attitudes among bureaucracy unwilling to change to EU practices (Wichmann 2007). On the contrary, TAIEX assistance with a short term *consultative character* is welcomed by domestic lower-level authorities. Furthermore, the AP on JHA relies on well-developed *linkages* within the ENP at all levels of seniority. There is even a Ministerial Troika on EU-related JHA issues. The responsibility for implementing, monitoring, evaluating and identifying priorities is devoted to a so-called *Scoreboard*, a special joint body on legal harmonization that has widely been used either in EU internal integration or in enlargement (Occhipinti 2007). Ukraine is the only ENP country to resort to such an instrument, which highlights its distinctive profile among the neighbours. Furthermore the legal harmonization is supported by UEPLAC (Ukrainian-European Policy and Legal Advice Centre) that gives consultations on law drafting to Ukrainian authorities (Whitmore 2006).

So far, Ukraine's strategy to position itself as a 'would-be' EU accession candidate and to provide a role model for the ENP (Wichmann 2007) seems to have been not very successful in terms of *rewards*. Ukraine granted free-visa travel rights to citizens of all EU member states in 2005 on a voluntary basis while the EU demands readmission in exchange for visa simplifications for a small group of Ukrainian citizens. Negotiations on this do not take into consideration the *status quo ante*, that is free-visa regime for Ukrainians in the new Eastern EU member states until EU eastern enlargement in 2004 and in 2007. Common regional culture is somehow cut through that, which has a *negative impact* on the *local perception* of Europeanization, especially for the pro-EU oriented western regions (Kravchenko 2007; Silina 2008). In addition, it seems to be obvious that further cooperation in JHA issues does not buy any additional *rewards*, especially no EU concessions with respect to deeper economic integration. As a result, starting in 2008, Ukrainian authorities already started to diminish their support for the cooperation with the EU in JHA (for example postponing of free visa access to new EU-members Romania and Bulgaria) (Silina 2008).

As an additional *demand*, the AP features EU-Ukraine cooperation on crisis management in Moldova, thereby focusing on the external conflict in Transnistria, formerly belonging to Moldova. The EU 'discovered' this conflict after becoming geographically closer to Moldova.<sup>17</sup> In 2006, under EU call, Yushchenko

17 In 2005, the EU appointed a Special Representative of the EU in Moldova with the aim of contributing to conflict settlement and strengthening EU role in the conflict.

introduced new custom rules along the Transnistria stretch of its border with Moldova.<sup>18</sup> The Ukrainian move has effectively imposed a ban on exports by Tiraspol to Russia, its main trade partner. EU-Ukraine cooperation in this field is therefore very much related to JHA (we already mentioned the EU Border Assistance Mission on the Moldova-Ukraine).<sup>19</sup> For sure, the EU currently benefits from the willingness of Ukraine's government to improve its international image by contributing to the conflict resolution.

#### 4.4 *Answering the Dependent Variable: the Level of Europeanization in Ukraine*

As mentioned above, our evaluation for answering the dependent variable is primarily based on the EU Progress Report Ukraine (2008) and an expert analysis of Razumkov Centre (Razumkov Centre 2008)<sup>20</sup>. The Report shows overall progress made on the implementation of the EU-Ukraine AP. From a more formal perspective, the Razumkov study states (for the time frame 2005-07) that "although 224 of 227 government measures complied with the content of the AP, only 11 (or 15 per cent) of 73 items (priorities) for action listed in the AP have been fulfilled. The overwhelming majority (62 or 85 per cent) of items still needs to be completed (61 – partially implemented, one of the listed items<sup>21</sup> in the AP has not been implemented)".

If we compare the dimensions of our analytical framework, it is striking that – according to the Razumkov study - in the dimension "democracy" more than half of the activities were not carried out (19 of 39). This is the only dimension, where the share of open issues is higher than that of the implemented ones. In particular, the Progress Report criticizes a power struggle between parliament and cabinet on the one side and the president on the other side, concerning the scope of power of the cabinet.<sup>22</sup> Apart from that, there are three fields, where the share of the implemented issues is comparably high: trade and market regulations (30 fully implemented, in contrast to 22 partly implemented and 9 not), transport issues (7/6/1) and JHA (2/1/0). The findings of the Razumkov expert surveys are to a certain extent in line with the Progress Report's assessment. This EU report recognizes Ukraine's significant progress in the areas related to WTO accession, FTA negotiations, legislative approximation on customs, and the management of EUBAM. The above mentioned issues have been evaluated as being of rather high interest from Ukraine's side. Furthermore, we evaluated "energy" as showing a very big asymmetry of interests. This view is supported by both documents: while the Progress Reports argues that Ukraine made good progress in the energy sector – for example through the ongoing implementation of the Memorandum

18 The new rules make illegal the shipment of any goods from the Russian-speaking separatist Transdnister region that has not been cleared by Moldovan customs.

19 The budget of the EU Border Assistance Mission to Moldova and Ukraine (EUBAM) accounts €24 million for 2005-09. During the first six months, the European Commission financed the Mission through the Rapid Reaction Mechanism (€4 million) (EUBAM 2007). In addition, the EU launched a €9.9 million project called Improvement of Border Controls at the Moldova-Ukraine border (BOMMOLUK) (Popescu 2005).

20 From 2006 to 2008 Razumkov Centre conducted three survey of 101-103 experts in the field of international relations – representatives of central and regional government bodies, government research structures, non-governmental analytical centers and journalists – to evaluate the success of Ukraine's European integration Policy, in particular, the implementation of the Ukraine-EU Action Plan.

21 In the field of people-to-people contacts.

22 The EU criticizes the way decision making: instead of constitutional amendments there was a see-saw on the law between parliament, cabinet and president.

of Understanding on Energy – the implementation quota reported by Razumkov Centre is low: here only 4 out of 27 issues have been completed, beside 15 partially completed and 9 not implemented issues (Razumkov Centre 2008: 2f).

All in all, the Razumkov study gives reason for hope, as implementation deficits in 2007 have been due to the dissolution of the Ukrainian parliament which led to the postponing of law reviews. Further prospects of AP implementation are regarded as being very much dependent on the results of the currently negotiated *New Enhanced Agreement* between EU and Ukraine (Razumkov Centre 2008: 2). On the contrary, the EU tries not to raise too much hope concerning the planned *New Enhanced Agreement*.

## 5. Conclusion

In this paper, we developed an analytical framework for operationalizing *Neighbourhood Europeanization* through ENP policies. Theoretical and empirical evidence amply demonstrates inconsistencies of the basic ENP-concept: combination of rather high demands with rather weak conditionality. Similarly, our econometric analysis showed that the role of basic cooperation agreements for Europeanization is rather mixed. In addition there are a number of other potential external drivers of institutional change. In particular NATO could play a complementary role offering security related incentives.<sup>23</sup>

Defining Europeanization as the compliance with EU demands, we investigated the EU-Ukraine Action Plan by looking at three dimensions of ENP policies – democracy promotion, economic cooperation, and JHA – which are shown to depend on five independent variables – content and clarity of EU demands, incentives and rewards, direct financial support, forms and degree of linkage, and local perception of demands and rewards.

Our conclusion from this case study is that – given the top-down formulation of EU interests combined with weak conditionality – *rewards* and *local perception of demands* are decisive variables for the effectiveness of ENP policies in Ukraine. Top-down democracy promotion was effective after the Orange Revolution when the EU granted the full-fledged market status, later the EU gave assistance for WTO-membership. Arguably, this helped business interests to unify and support democratic change (Puglisi 2008). Democracy promotion was definitely less effective afterwards, as there are low rewards and there is low local perception for top-down democracy promotion. On the contrary, the bottom-up democracy promotion paradoxically benefits from high local support in the Ukrainian society and low demands and rewards. Europeanization in JHA benefited from Ukraine's willingness to converge towards EU-style norms. Demands on better governance of the border regimes of Eastern European states, focuses, first and foremost, on the EU's own security interest. Ukraine is aware of this EU strategy.

Nevertheless, sustainability of this policy seems to be doubtful as there is decreasing hope on the side of Ukraine that voluntary actions pay off in the future. In this respect, future rewards have a potential to motivate Europeanization, only if they are well defined already in the short-term. This applies, above all, to economic integration, especially a substantial FTA agreement. Ukraine is clearly the ENP country

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23 The case of Georgia already amply demonstrated the increasing importance of security issues and the need to integrate ENP countries positions.

for which economic incentives matter most. In the field of energy relations the *EU-first-strategy* and the importance of Russia in EU energy policy affects the ENP like a huge shadow.

The analysis also demonstrates *substantial asymmetries* in the preferences and time horizons of cooperation between the EU and Ukraine across all dimensions, but in particular in *economic (Ukraine: fast and high; EU: slow and low)* and *JHA (Ukraine: free visa regime, additional rewards; EU: multiple-applicable small rewards, no further concessions)* dimensions. In a sense, these asymmetries clearly reflect the inconsistency of the ENP concept mentioned above. According to this point, explanations of enlargement theories seem helpful: we must be aware that the prospects of compliance are negative, if relevant incentives are offered too far in the future.

The political instability of Ukraine since the Orange Revolution (government instabilities) has been a core obstacle to maximize Europeanization through the ENP. Domestic themes very often dominated the political agenda. In this context, the ENP acted as a *catalyst* but not as the *main driver* of Europeanization. The role of the domestic situation is predominant for the pace and degree of Europeanization. Our case study shows that a certain stage of willingness and domestic motivation for institutional reform in the direction of good governance, democracy and Europeanization is an important precondition for implementing the ENP. Progress in Ukraine is therefore first and foremost a *consequence of the home-driven dynamic for reform*. Ukraine from the beginning of ENP-integration stated that the missing membership perspective is somehow humiliating. Its motivation for convergence with EU criteria is and remains the hope for EU membership, which the ENP does not offer. Such motivation is unstable and can disappear fast in an inconsistent instrument as the ENP is.

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## Appendix

*Table A1 – Impact of EU Integration on Quality of Institutions in Transition Countries Measured by the World Bank Governance Indicators (WBI), 1996 - 2005*

	POLS	POLS	POLS	FE
EU-Integration	0.177*** (-5.03)	0.236*** (-5.99)	0.166*** (-4.6)	-0.004 (-0.07)
EU-Potential	-0.708 (-0.79)	0.036 (-0.29)	-0.069 (-0.71)	
NATO	0.064 (-0.77)	0.056 (-0.61)	0.087 (-1.06)	0.227*** (-3.78)
WESTERN	0.605*** (-7.25)	0.726*** (-11.02)	0.648*** (-9.57)	
AID	-0.017** (-2.19)	0.018 (-1.54)	-0.013 (-1.42)	-0.006 (0.27)
LIBERALISATION	0.319*** (-6.74)		0.303*** (-5.63)	0.163** (-2.56)
TENSIONS		-0.23*** (-4.24)	-0.149 (-1.65)	
adj. R-squared	0.93	0.89	0.93	0.27
Observations	164	164	164	164

Notes: POLS – pooled OLS regressions. FE – country fixed effects estimation. \* (\*\*, \*\*\*) significant at the 10 (5, 1) percent level. In order to avoid endogeneity problems, one and two period lags have been used to instrument EU integration, NATO, Aid, and Liberalization.

Definition of Variables: EU-Integration: time varying variable measuring the degree of integration with the EU on a basis of agreements as PCA, SAA, ENP AP for non-EU members or Cooperation Agreements, membership notices (the Declarations of the Luxembourg Summit of 1997 for Central and East European countries or of the Thessaloniki Summit of 2003 for Western Balkans) and the accession negotiations (the beginning and the end) for the new EU members. The variable runs from 0 = no agreements to 5 = membership. EU-Potential: time-invariant

dummy; equals 1 for all countries except Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. NATO: dummy variable equals 1 for all years following a NATO Membership Action Plan. WESTERN: variable equals 1 if protestant or catholic Christianity dominates in a particular country, otherwise it equals 0. AID: official Development Assistance and Official Aid (share of GDP), taken as an average over current and past two years. LIBERALISATION: average of indices of price liberalization and trade and foreign exchange liberalization, running from 1 (lowest) to 4,66 (highest). TENSIONS: binary variable equals 1 if there was a conflict in the first year of transition and equals 0 if there was not any conflict.

Sources: EU Agreements Database ([http://europa.eu/abc/history/1990-1999/index\\_en.htm](http://europa.eu/abc/history/1990-1999/index_en.htm); own summary); NATO ([www.nato.int](http://www.nato.int); own summary); CIA World Factbook Online (<https://www.cia.gov/library/publications/the-world-factbook>); EBRD, World Development Indicators of the World Bank; Database on Conflicts of Heidelberg Institute für International Conflict Research ([www.hiik.de](http://www.hiik.de); own summary); World Bank Development Indicators 2008.

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