
HYBRID WAR, OLIGARCHIC DEMOCRACY AND EUROPEAN ASPIRATIONS

Maria Costea, Researcher Dr., "Gh. Șincai" Institute for Social Sciences and the Humanities of the Romanian Academy and Simion Costea, Assoc. Prof., PhD, "Petru Maior" University of Tîrgu Mureș

Abstract: Ukraine and Moldova have signed the Association Agreement with the EU and aim at EU Membership. However, they face big challenges: the hybrid war (in Donbas) and frozen conflict (in Transnistria), poverty and corruption, an oligarchic system in economy, politics and media. The Enlargement fatigue in the EU, the anti-immigration trend, the World economic crisis and the limited toolbox of the EU in Foreign Affairs impose restrictions to EU actions. EU should support in Ukraine and Moldova some smart policies of concrete achievements.

Keywords: EU, Russia, Ukraine, Moldova, oligarchy, AA/DCFTA

European aspirations, but external and internal challenges

Ukraine, Georgia and Republic of Moldova have signed the Association Agreements/DCFTA with the EU (2014), started their partial implementation and aim at EU Membership. They have already market economies (even if not enough functional and not competitive) and democratic regimes (even if not at EU level). They can learn good lessons from the experience of the Central-European countries (like Poland and Romania) which became EU Member States. Poland and Romania also started as a post-communist State, signed Association Agreements with the EU, implemented reforms and joined the EU, in 2004 and 2007. Poland was more successful in implementing its reforms and policies and is maybe the most active New Member State in the EU. However, Ukraine and Moldova face bigger challenges than Poland and Romania in their transition and in their paths towards EU integration. Ukraine and Moldova are challenged by Russian pressure, including the hybrid war (in Donbas, but not only there) and the frozen conflict in Transnistria, lack of clear EU membership perspective, the oligarchic system in economy, politics and media, corruption and poverty, "homo sovieticus" mentalities in politics and in doing business, as a result of Soviet heritage. Thus, the implementation of a reforms agenda will be a long and complex process.

Russian pressure and hybrid war

Ukrainian and Moldovan reforms have a strong external enemy - Russia, a situation that spared the Central-European countries in the 1990s.¹ In the 1990s Russia was weaker and less aggressive than in 2013-2015. Russia is strictly against the EU and NATO membership of Ukraine and Moldova. More than that, in 2015 Russia develops its own Eurasian Union integration project, as geopolitical instruments of Kremlin's influence over ex-Soviet republics. Now Putin states that Russians and Ukrainians are one nation ("odin norod"), that "Russian World" covers many ex-Soviet republics, that Russia can develop its own relations

¹ Sebastian Plociennik, *Can Ukraine mimic Poland's transition?* in PISM, no 5 (107), March 2015.

with BRICS and other players in the world outside Western influence and based on other values (like nationalism, paternalism, traditional family etc).²

What Russia wants is to re-establish its power in the world and hegemony in ex-Soviet area. Russia asks for equality with World Powers, but does not accept the equality in relation with the smaller countries in its neighbourhood. Russia claims that NATO Enlargement and EU Enlargement disrespected Russia's interest. **By saying that, Russia itself disrespects the interest of smaller countries which wanted to join NATO and EU.** What Putin wants is to generate in Russia a war-time attitude of the Russian society, in order to mobilise the society around him and consolidate his power.³ Indeed in 2014-2015 Putin won a huge popularity, by presenting NATO and EU as a threat, the Ukrainian Government as a "fascist" one and by annexing Crimea to Russia (a land full of historical and identity symbolism).

The Eurasian Union has little to offer to Russia's neighbours, because the Russian economy is not enough modernised and competitive. But Russia is powerful and can badly punish its neighbours which would try to escape from its hegemony. Russia has a wide range of instruments to destabilise Ukraine and Republic of Moldova and disturb the process of transformation, such as gas prices, conflicts in Donbas and Transnistria, corruption, investing in its "own" political representatives (Renato Usatii, Plahotniuk etc), takeovers of strategically important companies, access to markets in the Eurasian Union (e.g. for Moldovan wine), possible restrictions to mobile workers from Ukraine and Moldova.

Russia is determined to keep Ukraine and Moldova vulnerable and dependent and to block their process of European integration. "A military conflict is rarely helpful in dealing with transformational challenges; rather, it serves as an excuse to keep things frozen and wait for better times".⁴ The strategy of Russian President Vladimir Putin to wear out Ukraine through a low intensity war in Donbas is rational because it creates a good excuse for Kyiv to wait. Transnistria and Gagauzia problems are also used by Russia to block Moldova.

In the current context of Cold War II, Russia started again to use **hybrid warfare** with modern technologies. The hybrid warfare includes several elements: cyber-attacks, the 5th column, special operations and intelligence forces (GRU and Spetnatz), media propaganda, isolating the enemy, paralysing the enemy (both psychologically and physically), pre-emptive depopulation, economic pressure, energy pressure, and artillery to achieve imperial goals.⁵ The new Cold War is really hot in the Eastern Ukraine. However, the Russian Ambassador to NATO, Alexander Grushko stated that Russia is not involved in any hybrid war in Ukraine. By contrary, in his opinion **NATO and EU organise hybrid warfare against Russia:**

² Costea, Maria, *The Crimean Crisis, National Identity and Territorial Integrity. Moscow's and Brussels' Arguments in 2014*, in vol. *Globalization and intercultural dialogue: multidisciplinary perspectives* (ed.: Iulian Boldea), Tîrgu-Mureş: Arhipelag XXI Press, 2014, p.330-338, <http://www.upm.ro/gidni/?pag=GIDNI-01/vol01-Pol> . Putin views: „odin norod”, „Russian World” etc in <https://www.youtube.com/watch?v=CxTLkCI6fBA>

³ *Speeches at the conference: "25 Years After the Fall of the Berlin Wall: The Security Challenges in a New World Order and Strategic Insights from the Cold War"*, organised by *The German Marshall Fund of the United States* on Tuesday, February 17, 2015 at Residence Palace, Rue de la Loi 155, Brussels.

⁴ Sebastian Plociennik, *Can Ukraine mimic Poland's transition?* in PISM, no 5 (107), March 2015.

⁵ *Speeches at the conference: "25 Years After the Fall of the Berlin Wall: The Security Challenges in a New World Order and Strategic Insights from the Cold War"*, organised by *The German Marshall Fund of the United States* on Tuesday, February 17, 2015 at Residence Palace, Rue de la Loi 155, Brussels. [See further info about "the hybrid warfare" on <http://www.nato.int/docu/review/2014/russia-ukraine-nato-crisis/Russia-Ukraine-crisis-war/EN/index.htm> and <https://www.youtube.com/watch?v=HvZ0Q9ZonFg>]

economic sanctions, Western propaganda and war readiness exercise in Baltic States etc. Grushko stated that Minsk Agreements should be implemented, but Ukraine does not implement them; Kiev does not withdraw its heavy weapons from Donbas.⁶

The events in Ukraine crises put in a new light **the utility of NATO Enlargement and EU Enlargement**. NATO and EU have ensured and will ensure the stability and the prosperity of the European continent. It was the political will of Central European States (including Poland and Romania) to join NATO and EU. Those States were right, anticipating that Russia will come back and will threaten them. Other European countries have the same right to join NATO and EU. The European countries need strategic insurance, not only art 5 of NATO Treaty.⁷

The EU was shocked to see that Russia is not only a trade partner, but an aggressive geopolitical actor. As the Russian economy is not enough modernised or competitive, the main exports of Russia are energy and weapons.⁸

The war is bad for business in Ukraine, Russia and the EU. Ukraine's economy is very negatively affected by this hybrid war and risks to collapse before any big decline of Russian economy. The West is in economic crises and does not want to pay too much for Ukraine. The risk of social explosion and political crisis is huge in Ukraine. In such a situation it is difficult to implement the EU standards envisaged by the AA/DCFTA. Ukraine needs peace and stability first.

No EU membership clear perspective

Unfortunately, in 2015 Ukraine and Moldova have no clear EU Membership perspective. EU does not define Ukraine and Moldova as Enlargement countries, but as ENP countries. The EU-Ukraine and EU-Moldova Association Agreements are useful and strong frameworks, but they do not offer the reward of EU Membership for Kiev's and Chisinau's pro-European efforts and sacrifices. Without an EU perspective, there is not enough reward for reforms. That is a big problem, and many pro-EU persons are disappointed in these countries. Their aim should be to develop their countries at EU standards with associated membership status, knowing that they could be EU MS when their countries will be prepared and when the EU will be prepared. Georgia is in exactly the same situation as Ukraine and Moldova from this point of view. Poland's and Romania's mobilisation to implement the reforms were driven to a large extent by the clear perspective to join the EU and NATO.⁹ The EU and NATO were seen as strong, prosperous and prestigious organisations by majority of the Polish and Romanian citizens, as by the citizens of all Central-European countries. NATO is not so popular in Ukraine, Republic of Moldova and other ex-Soviet republics, because of the long-time repeated Soviet and Russian propaganda. The idea of achieving EU Membership is popular among many Ukrainian, Moldovan and Georgian citizens. But this

⁶ Speeches at the conference: *Europe's Security Order – De-Construction or Re-Construction?* The event was organised by the Hanns Seidel Foundation, on Tuesday, 31 March 2015, at the Goethe Institute, Rue Belliard 58, 1040 Brussels.

⁷ *Speeches at the conference: "25 Years After the Fall of the Berlin Wall: The Security Challenges in a New World Order and Strategic Insights from the Cold War"*, organised by *The German Marshall Fund of the United States* on Tuesday, February 17, 2015 at Residence Palace, Rue de la Loi 155, Brussels.

⁸ *Ibidem*.

⁹ Sebastian Plociennik, *Can Ukraine mimic Poland's transition?* in PISM, no 5 (107), March 2015.

idea is not popular in Western EU Member States, where the EU Enlargement fatigue and anti-immigration trend are obvious. Now EU is under the pressure of the World economic crisis, which triggered the disappointment of the citizens, anti-immigration trends, pressure of Eurosceptic movements and Enlargement fatigue in the EU Member States. The Enlargement fatigue reflected in the political positions of the EU Member States imposes restrictions to EU actions. Such restrictions are imposed also by the limited toolbox of the EU in Foreign Affairs, which was emphasised during the current conflict in Donbas. The EU prepares a new ENP, a new Foreign Policy Strategy¹⁰, a new Trade Strategy, but their effectiveness will depend on the political will of different EU Member States.

Oligarchic capitalism and oligarchic democracy

Several EU officials and experts stated that after Euro-Maidan, Poland in particular constitutes a good pattern for Kyiv's reforms. In 1991, Poland and Ukraine started their transformations from a roughly similar development level.¹¹ They had had a similar GDP per head in 1991. Now Polish GDP per head is three times higher than in Ukraine.¹² Moldova followed an experience largely similar to those of Ukraine. According to Eurostat, in 2013 GDP per capita in EU-28 (25700 Euros per inhabitant), which was 9 times higher than in Ukraine (3014 Euros per inhabitant) and 15 times higher than in Moldova (1686 Euros per inhabitant).¹³

Ukraine and Moldova tried to implement reforms, like Poland and Romania did. The results were terrible in Ukraine and Moldova: hyperinflation, contraction of production, unemployment, poverty. Poland and Romania went through that as well. But the state institutions in Poland were deeply reformed, there was a strong civil society to help make that transition, and Poland kept the distance between politicians and business. That never happened in Ukraine and Republic of Moldova, where **“the state has been captured by the oligarchic interests”**.¹⁴

After the collapse of the Soviet Union (1991), the new rich clans appeared (often originated in old nomenklatura), captured the economy and developed their economic and political power, becoming oligarchs. These oligarchs invested in political parties and media. In this legal way they have bought political legitimisation, and in fact have “captured” the Ukrainian and Moldovan states, central, regional and local administration, companies, parts of the media and

¹⁰ EC, *Towards a new European Neighbourhood Policy: the EU launches a consultation on the future of its relations with neighbouring countries*, Brussels, 04 March 2015, http://europa.eu/rapid/press-release_IP-15-4548_en.htm

¹¹ Judy Dempsey, *The Long Road to Dismantling Ukraine's Oligarchic Democracy*, Carnegie, Brussels, April 16, 2015.

¹² Johannes Hahn, *How to help Ukraine's Economy Reform and Grow*, Speech at Bertelsmann Stiftung event, Brussels, 15 April 2015, http://europa.eu/rapid/press-release_SPEECH-15-4786_en.htm. Judy Dempsey, *The Long Road to Dismantling Ukraine's Oligarchic Democracy*, Carnegie, April 16, 2015. The Vienna Institute for Economic Studies, *How to stabilise the economy of Ukraine. Final Report*, Vienna, April 2015. <http://wiiw.ac.at/wiiw-study-analyses-economic-support-and-reform-agenda-for-ukraine-n-85.html>. The Vienna Institute for International Economic Studies is long respected for its analysis of Europe's Eastern neighbours. This report inter alia rejects the notion that Poland's shock therapy reforms of the early 1990s, which helped consolidate that country's post-Communist transition, could be applied to the Ukraine of today.

¹³ Eurostat, *ENP East countries. Key economic statistics*, 2014 edition, Bruxelles. These figures are based on current price euro series and as such do not reflect any difference in price levels between countries.

¹⁴ Camil Kalus, *An appropriated state? Moldova's uncertain prospects for modernisation*, OSW, 2015. Judy Dempsey, *The Long Road to Dismantling Ukraine's Oligarchic Democracy*, Carnegie, April 16, 2015. The Vienna Institute for Economic Studies, *How to stabilise the economy of Ukraine. Final Report*, Vienna, April 2015.

some political parties (or regional organisations of parties). The oligarchs' powers are based on quasi-feudal relations in the country's regions, with "friendly" officials and businessmen involved. "The conduct of the state's economic policy has been *directly* controlled by the business 'moguls' whose fortunes derive, primarily, from shameless—and unpunished—looting of public assets, extortion of huge underserved subsidies, etc."¹⁵ The economy declined and the poverty extended in large parts of the population. The oligarchs are not interested in the rule of law, in fight against corruption, in fair competition. At a smaller scale this phenomenon of oligarchs (called "moguls" and "local barons") was partially present also in Romania in the "transition" period.

After 1989 Romania and Poland had an easier situation, because they faced the ruins of communist institutions and a sentiment of no-return to the old regime has started to dominate the public opinion. Ukraine and Republic of Moldova face bad capitalism in an oligarchic system that corresponds well to both the pre-modern past of the manor economy and authoritarian-paternalist *homo-sovieticus system*, which left a much stronger mark there than in Poland or Romania.¹⁶

In Poland a "shock therapy" was implemented in the transition towards democracy, market-economy and euro-Atlantic integration. Ukraine's and Moldova's citizens suffered two decades of "shock without the therapy", when the oligarchic system developed. Many citizens are scared by the social cost of liberal reforms and nostalgic about the stability of the communist time.¹⁷

Possible solutions for Dismantling Ukraine's and Moldova's Oligarchic systems

How can Ukraine and Moldova achieve even moderate success under such circumstances? Ukraine needs a way out of the severe crisis into which it has been pushed by the war and macroeconomic destabilisation. Kyiv needs the suspension of military conflict in Donbas (the so-called Minsk II agreement) to work. Even a frozen conflict (like in Transnistria) is relatively better than an active conflict. But any solution to the conflicts largely depends on Russia, Ukraine, USA and EU.

We should acknowledge that oligarchs will remain an important political and economic factor in Ukraine and Moldova for some time to come. "There is probably no other way around them than to offer them a "bold line" and give them a chance to become "good" oligarchs, accepting of the new rules of the game and engaging in the process of change. So, in principle it is the same method Poland applied towards the nomenklatura (apparatchiks)."¹⁸

However, a comprehensive strategy against oligarchic capitalism is needed in Ukraine and Moldova. Its constitutive element is the fight against corruption and an efficient, independent judiciary. So far, the popular Corruption Perception Index (CPI) compiled by Transparency International places Ukraine 142nd out of 175 states in the World. Moldova is

¹⁵ Judy Dempsey, *The Long Road to Dismantling Ukraine's Oligarchic Democracy*, Carnegie, April 16, 2015. The Vienna Institute for Economic Studies, *How to stabilise the economy of Ukraine. Final Report*, Vienna, April 2015.

¹⁶ Sebastian Plociennik, Can Ukraine mimic Poland's transition? in PISM, no 5 (107), March 2015.

¹⁷ Ibidem.

¹⁸ Sebastian Plociennik, Can Ukraine mimic Poland's transition? in PISM, no 5 (107), March 2015.

in the same area. This indicates how much is left to be done.¹⁹ Several spectacular measures were taken in Ukraine (including tele-justice and arresting of some high officials during a government meeting and removing of an oligarch (Kolomoisky) from Naftogaz and from position of governor of Dnepropetrovsk Region (in March 2015). However, anticorruption policy should be systematic and perseverant, avoiding selective justice and avoiding using justice in political fight.

Another element in this fight should be the development of a business-friendly policy in Ukraine and Moldova, openness to foreign companies and new local businesses, particularly medium-sized firms. Their expansion could help disperse the power of the oligarchs and speed up the democratisation of governance. Transparent rules should make easier the competition easier for newcomers against well-entrenched oligarchic conglomerates.²⁰

Ukraine and Moldova should put together a coherent package to attract foreign direct investment and by setting up **business and industrial parks** with clear ownership rights, good infrastructure as well as the **support of the competent local/regional administration**. They need to develop a **long-term modernisation strategy** including an **industrial policy** to improve competitiveness and restructure sectors.²¹

This business-friendly approach must be complemented by a social aspect: a strong policy against income inequality.²² This should be a lesson learnt from Poland's and Romania's transitions. Even the Vienna Institute criticises now the insufficient social protection of the citizens in Central-Europe. The impact of IMF inspired policies on ordinary Ukrainian and Moldovan citizens should be carefully considered so as **not to erode the necessary reform support**.²³ The governments of Ukraine (and Moldova to a lesser extent) adopted large price increases for gas, heating and electricity. The risk of social explosion is huge in Ukraine and will fuel government crisis.²⁴

Problems to be solved in doing business

According to new analysis by the EBRD in partnership with World Bank (BEEPS V), published in 2015, the top three business environment obstacles identified by Ukrainian firms were political instability (because of uncertainty in relation with Russia and the EU); corruption; and competitors' practices in the informal sector²⁵. Large firms, young firms and manufacturing firms were more concerned about access to finance than the practices of informal sector competitors. In BEEPS IV, tax administration was in third place. Closely tied to politics, **corruption** also remained a major issue. The informal payments that firms reported paying to secure government contracts drastically increased from 3.8% to 14.2% of

¹⁹ Ibidem.

²⁰ Ibidem.

²¹ The Vienna Institute for Economic Studies, *How to stabilise the economy of Ukraine. Final Report*, Vienna, April 2015,

²² Sebastian Plociennik, *Can Ukraine mimic Poland's transition?* in PISM, no 5 (107), March 2015.

²³ The Vienna Institute for Economic Studies, *How to stabilise the economy of Ukraine. Final Report*, Vienna, April 2015, <http://wiiw.ac.at/wiiw-study-analyses-economic-support-and-reform-agenda-for-ukraine-n-85.html>.

²⁴ Content Consulting, *Ukraine is moving to Social Explosion*, April 19, 2015.

²⁵ EBRD&World Bank, *The business environment in the transition region*, 2015 <http://ebrd-beeps.com/reports/>

contract value. Overall, firms had to pay on average 5.0% of their annual revenue as informal gifts to public officials “to get things done” – by far the largest payment among the covered countries.²⁶

The business environment in Republic of Moldova also identified corruption and political instability (due to the fragility of the Government coalitions since April 2009, preventing the country from passing judicial reforms as big challenges), and workforce skills.²⁷ Large firms also felt constrained by electricity issues, while young firms placed labour regulations among the biggest obstacles. In BEEPS IV, the three major constraints were access to land; workforce skills; and access to finance.²⁸ Since BEEPS IV the severity of **corruption** for Moldovan firms has significantly increased, moving from eighth place in BEEPS IV to first place in BEEPS V. Moldovan firms were much more likely to report that an informal payment was expected than an average firm in eastern Europe and the Caucasus region. Lack of skilled workers is a point of concern for firms, because “nearly 285,000 of Moldovan migrants live in Russia (about 8% of the total population), 170,000 in Ukraine and 90,000 in Italy”.²⁹

EU possible step by step Strategy: quick rewards for quick reforms

Ukraine and Moldova will not be able to go through the transformation without external support, both in dealing with Russia and in implementation of the reforms. Meaningful support should involve a credible political strategy, which should better define the status of associated membership to the EU and give it obvious substance. EU should continue to acknowledge the European choice of Ukraine, Moldova and Georgia. No symbolic political statements about EU membership are needed, but concrete achievements on the field to bring Ukraine, Moldova and Georgia closer to EU standards, including the standard of life. We can agree with PISM expert that on an operational level this means **implementing a variety of projects in Ukraine and Moldova that require quick reforms but which are combined with quick rewards in the form of financial assistance and access to EU benefits**. This is actually a silent, technocratic extension of the association agreements areas of energy, transport, agriculture and education.³⁰

The financial and material assistance of the EU and IFIs for Ukraine and Moldova should be strongly **tied to the progress on dismantling the oligarchic interests**. This will require **legal system reforms**, the severance of **relationships between business and politics**, proper taxation of oligarchic assets and confiscation of illegally amassed wealth.³¹ In our opinion, the EU institutions should promote manage the projects, not the Ukrainian and Moldovan corrupt authorities. The EU will use the existing instruments, which will be flexibilised in the new ENP and will collaborate with IFIs and possible donors. Such a

²⁶ Ibidem.

²⁷ Ibidem.

²⁸ EBRD&World Bank, *The business environment in the transition region*, 2015 <http://ebrd-beeps.com/reports/>

²⁹ Ibidem.

³⁰ Sebastian Plociennik, *Can Ukraine mimic Poland's transition?* in PISM, no 5 (107), March 2015.

³¹ The Vienna Institute for Economic Studies, *How to stabilise the economy of Ukraine. Final Report*, Vienna, April 2015.

strategic financing and planning could be called “Marshall Plan” only metaphorically. “A Marshall Plan for Ukraine” is proposed by the Vienna Institute.³²

Vienna Institute also proposes to “**forgive a large part of Ukraine’s external debt** and allow the Ukrainian National Bank enough foreign exchange reserves to move to a more stable exchange rate regime”.³³ However, in our view, the external creditors of Ukraine would refuse such a request/suggestion, as happened in the case of Tsipras government in 2015. Vienna Institute suggests “a **delay of the full implementation of the DCFTA** and hence temporarily shield the fragile domestic market from the EU import competition, while still maintaining free-market access to the EU and the CISFTA, as currently arranged.”³⁴ Actually the EU refused such a delay demanded by Yanukovich in 2013 (under the Russian pressure), but accepted it when it was demanded by Yatsenyuk Government in 2014, under an increased Russian pressure (in the context of Russian hybrid war in Donbas). The President Juncker stated that the implementation of DCFTA will start by the end of 2015. Vienna Institute also proposes that “**longer transition periods as regards approximation to the EU regulations** should be negotiated in order to ensure orderly adjustment to a more competitive market environment”.³⁵

Apart from fostering EU integration, Vienna Institute suggests to Ukraine to “**restore, as much as possible, trade relations with Russia** and the Russian-led **Eurasian Economic Union (EAEU) via trilateral negotiations**”³⁶. The Commissioner Hahn is right when he very clearly answer to this suggestion: “The Association Agreement, along with its trade part, with the European Union leaves Ukraine free to determine its own trade policy. Ukraine already has preferential trade relations with the members of the Eurasian Economic Union within the framework of the Commonwealth of Independent States Free Trade Area. These are perfectly compatible with the Deep and Comprehensive Free Trade Area and there is no reason why they should not be maintained. So, the EU-Ukraine bilateral DCFTA does not impose a false choice on Kiev.”³⁷ We can add that this statement is true also for Moldova and Georgia. Regarding the suggestion of “trilateral negotiations” (EU-Ukraine-Russia), the idea was clearly proposed by Yanukovich in 2013, under Russian pressure, but refused by the EU. In 2015, under an increased Russian pressure (including the hybrid war), the EU really pursues such trilateral negotiations. A round of trilateral trade talks with Ukraine and Russia took place in Brussels on 20 and 21 April. However, Russia should not have a veto right over EU-Ukraine and EU-Moldova relations and that is essential. Anyway, the legitimate trade concerns of Russia should be discussed and taken on board.

However, if Ukraine or Moldova were to join any customs union, this would not be compatible with concluding a bilateral DCFTA between the EU and Ukraine or with EU-

³² Judy Dempsey, *The Long Road to Dismantling Ukraine’s Oligarchic Democracy*, Carnegie, April 16, 2015.

³³ *Ibidem*.

³⁴ *Ibidem*.

³⁵ Judy Dempsey, *The Long Road to Dismantling Ukraine’s Oligarchic Democracy*, Carnegie, April 16, 2015.

³⁶ *Ibidem*.

³⁷ Johannes Hahn, *How to help Ukraine's Economy Reform and Grow*, Speech at Bertelsmann Stiftung event, Brussels, 15 April 2015, http://europa.eu/rapid/press-release_SPEECH-15-4786_en.htm

Moldova DCFTA. A customs union (like the Eurasian one) has a common external trade policy (for example a common external tariff) and an individual member country can no longer have a sovereign control over its external trade policies.

Conclusions

There is a long Road to Dismantling Ukraine's Oligarchic system.³⁸ It is going to require an enormous political and economic EU commitment to turn Ukraine around. And it is going to take a long, long time. It will be a longer process than in the case of the EU members Bulgaria and Romania. In Ukraine and Moldova, the pro-European civil society does everything possible to keep justice reform, transparency and the fight against corruption at the top of the political agenda. That was the case in Romania and Poland. Without the rule of law and a strong civil society, sustainable political and economic reforms are not possible. That is an important lesson emphasized by Carnegie's expert Judy Dempsey.³⁹ The EU should be involved, because what can be lost is stability in Central Europe. The EU still needs a ring of friends and not a ring of fire. An unreformed Ukraine and Moldova may turn into failed states, exporting conflicts and millions of refugees to the European Union. The EU Member States should learn from the lesson of the ex-Yugoslavia of the 1990s. Even more, the threat of expansion of Kremlin's hegemony and of its hybrid war should be contained. Finally, a successful Ukraine and Moldova with democracy and a prosperous free market economy would pose a direct challenge to Putin's "managed democracy," with a potentially contagious effect.⁴⁰

The EU should promote a smart power policy in the ex-soviet area to deal with the huge challenges there. Not symbolic promises, but concrete achievement on the field are needed. The EU should diversify its list of partners in those countries, including more stakeholders and targeting the citizens. The aim of Ukrainians and Moldovans should be to develop their countries at EU standards with associated membership status, knowing that they could be EU MS when their countries will be prepared and when the EU will be prepared.

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³⁸ Judy Dempsey, *The Long Road to Dismantling Ukraine's Oligarchic Democracy*, Carnegie, April 16, 2015.

³⁹ Ibidem.

⁴⁰ Sebastian Plociennik, *Can Ukraine mimic Poland's transition?* in PISM, no 5 (107), March 2015.

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