

FOR A RESOLUTION OF THE CONFLICT IN UKRAINE

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THE LEADING ROLE OF FRANCE IN 4 MEASURES

The situation in Europe's eastern neighbourhood has deteriorated over the last three years. While interfering in the elections of various Western states, including France, Moscow has been pursuing an unabated large-scale disruptive campaign in Ukraine, the Western Balkans, Moldova and Georgia.

This forms part of the Kremlin's broader strategy to undermine reform and the consolidation of pro-European democracies in its neighbourhood. Russia's challenge is no longer an Eastern Europe issue: **the Kremlin's actions pose a direct threat to the EU project for a peaceful and stable Europe.**

The measures taken by the EU and the US so far have helped stop the conflict from expanding but have not fundamentally changed Russia's behaviour. With the Minsk process at an impasse, there is a need for stronger leadership and a strengthening of key measures to unlock the dangerous status quo. With a new President, France can be the driving force alongside its European and US partners to break the status quo and create a new dynamic in Ukraine, while deterring further Russian aggression.

A DANGEROUS STATUS QUO IN UKRAINE

Although Russia publicly backs the Minsk Accords, Moscow's real aim vis-à-vis Kyiv is to use its undeclared war in the Donbas to further destabilise Ukraine and the region. The security situation is getting worse. **The first three months of 2017 saw a 30% rise in casualties compared to the same period last year.**

According to the OSCE, Russian-led separatist forces are responsible for the bulk of ceasefire violations. Earlier this year, **Moscow embarked on a closer political and economic integration of Donbas:** it has recognized documents issued by the proxy authorities and allowed the adoption

of the rouble as a local currency. The Kremlin has also supported moves by the local rebels to expropriate Ukrainian-owned factories in the region and has started supplying coal and iron ore to keep these enterprises running.

In this context, and unless the security situation improves, implementing the political provisions of the Minsk agreements is currently politically impossible for Kyiv. Holding elections in such conditions would replicate the disastrous 2015 Crimea referendum, where fear and threats had prevailed. Overall, reports from Moscow show that the Russians are digging in and do not see any reason under the current circumstances to change course or become a more predictable power in Europe.

THE REFORM EFFORT GOES ON

In spite of the ongoing war fuelled by the Kremlin, Ukraine has pursued the largest transformation of its economy and institutions since gaining independence in 1991. After a cumulative GDP decline of almost 17% in 2014-15, **the economy has stabilised, growing by 4% in the last quarter of 2016.** The business environment is improving, with a pioneering online registry of all property owners, simplified business and permits registration, as well as a transparent electronic public procurement system. In the World Bank's Doing Business scoring, Ukraine climbed more than 30 places and aims to reach the top 40 in the next two years.

The IMF continues to support Kyiv on its reform path and fiscal stabilisation. In 2017, in agreement with the Fund, Ukraine will overhaul its pension system and go forward with land privatisation. The Deep and Comprehensive Free Trade Agreement with the EU, provisionally applied since January 2016, **has already boosted commerce with Europe by 7.5%, opening up Ukraine's market of 40 million-plus people to EU companies.**

Ukraine's economic recovery would naturally be impossible without a **systematic fight against corruption.** Old police units were replaced by a new national police; more than 80 unprofitable and oligarch-held banks were closed, while at the same time the energy market was liberalised, reducing opportunities for corrupt practices. New anti-corruption institutions are in place and **an e-declaration of all incomes and assets obliges more than 800,000 public officials - including the president and MPs - to publicly disclose their finances.** This June, Ukrainians will enter the Schengen zone visa-free, after the government overhauled its borders and migration management systems, aligning them with EU standards.

THE FAILURE OF A PRO-EUROPEAN UKRAINE WOULD BE A FAILURE FOR EUROPE

To preserve the progress achieved to date and stabilise Eastern Europe, it is vital that a post-Maidan, pro-European reformist Ukraine stays the course and is supported by its European partners despite Russia's intensifying aggression.

It would be imprudent to assume that the current status quo – while not solving the conflict – could bring about a modicum of stability. **If the deteriorating situation remains unaddressed, growing security and nationalist pressures will render Kyiv even more vulnerable to Russian destabilisation and subversion.** Ukraine falling back into Moscow's fold would be a further blow to stability for the EU.

First, it would bring an already resurgent Russia – which continues to issue nuclear threats to the West – even closer to the EU. Border tensions, subversion and the continuing undermining of our institutions would thus become even easier for Moscow.

Second, **such a move would be resisted by a majority of Ukrainians, and would likely provoke a political crisis in Kyiv and an even bloodier conflict**, with potentially millions of displaced people right on the EU's eastern border. There are already more than one million internally displaced people in Ukraine; how a weakened or pro-Kremlin government would manage the displaced and avoid an exodus towards Europe will be a real unknown.

Besides these imminent security risks, the EU's soft power stands to suffer if Ukraine fails. While Ukraine is not going to be a member of the EU any time soon, it is an indivisible part of the European project. **A failed Ukraine would be a significant blow to European values and to the soft-power transformative role that the Union has played for decades, and it will cement the EU's inward turn.**

THE NEED FOR NEW LEADERSHIP AND MEASURES TO STABILISE THE SITUATION

In tandem with Berlin, France has been leading the efforts to resolve the conflict in Ukraine through the Normandy Format. However, efforts to date have shown their limits. With Germany distracted by the upcoming elections and with Russia's creeping annexation of the Donbas advancing day by day, **there is both an opportunity and a need to inject stronger leadership.**

Under the new French President, the Paris-Berlin relationship will likely be reinvigorated on several fronts including the Eurozone economy and European defence. However, Ukraine should be part of this reinvigorated relationship. **France's leading role in addressing the root cause of the current souring of the West's relations with Moscow – the war in Ukraine – would complement and enhance western efforts to date.**

In fact, with the UK soon leaving the EU, France stands as the de-facto sole nuclear power in the EU and the EU's only permanent member of the UN Security Council. It has more troops deployed in more theatres than any other EU member. As such it has a position of leverage.

The new French President can do this by leading new efforts to contain Russia while solving the conflict by:

- **Deploying a 24/7 observation force on eastern Ukraine and bringing the US into the Normandy Format to add diplomatic clout and break the current status quo.** On the one hand, only an observation force with a strong mandate can now stop the situation to deteriorate into a frozen conflict or a full-scale war. On the other, President Trump's freedom of manoeuvre on Russia policy is severely constrained by domestic scandals and the US administration is beginning to recognise that it needs progress on Ukraine as the precondition for any new "reset" with Moscow. Putin may be more inclined to negotiate seriously if he cannot hope to achieve further gain on the ground and if he is confronted with a stronger US-European united front.
- **Offering Ukraine to join a mutually-beneficial EU Customs Union** in the next decade. Following the Deep and Comprehensive Free Trade Agreement and visa liberalisation, this would represent the next milestone in anchoring Ukraine more closely to the EU. It will also offer additional leverage for keeping Kyiv on track in implementing often difficult but necessary reforms. And, last but not least, it may be a vital tool in stimulating Ukraine's economy. In the case of the EU Customs Union with Turkey, the value of bilateral trade in goods has increased fourfold since 1996.
- **Signal a potential strengthening of sanctions on Russia by persuading all EU members to extend their timeline from 6 to 12 months while adding Russian individuals involved in Ukrainian business expropriations in Eastern Ukraine and human rights abuses in Crimea.** A 12-month timeline would align the EU with the US sanctions renewal-cycle and, equally important, would help avoid difficult negotiations among EU member states every 6 months.
- **Boosting aid to Ukraine. France is well positioned to boost its financial assistance to Ukraine**, currently at €2.7 million, 3% of Germany's €86.5 million in 2016. **Overall funding to Ukraine in 2015 from the IMF, EBRD, EU per capita stood way below some of its peers – at about one third of Poland's and two thirds of Georgia's.** A recent emergency resolution adopted at the European People Party Congress made calls for a broad investment package. Some of this aid should be aimed towards the reconstruction of territories liberated from Moscow-backed proxies.

Rasmussen Global's Ukraine Project

Following Anders Fogh Rasmussen's appointment as external adviser to the President of Ukraine, Petro Poroshenko, Rasmussen Global has initiated an ambitious project on Ukraine. The overall aim is to keep Ukraine on the international agenda while at the same time keeping reform on Kyiv's agenda. It does so by providing strategic advice to the President and his government, all-the-while engaging with key decision and opinion makers in Western capitals to shape a better understanding of the reform efforts and challenges in Ukraine.