

CONTINGENT SOLIDARITY IN THE EUROPEAN UNION: THE POLITICAL  
ECONOMY OF ASYMMETRIC CRISIS GOVERNANCE ACROSS CYPRUS AND  
UKRAINE

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**Abstract**

This article presents a comparative political economy analysis of the European Union's crisis-management responses to Cyprus (2013) and Ukraine (2022–2027). It argues that the Union's deployment of financial solidarity, institutional discipline, and large-scale strategic assistance is not governed by uniform rules but is conditioned by intra-Union political dynamics, shifting geostrategic priorities, and coalition power within EU decision-making structures. By juxtaposing these two cases, the analysis demonstrates how EU crisis-governance mechanisms can produce markedly asymmetric policy outcomes, revealing the extent to which ostensibly rule-based institutional frameworks remain shaped by strategic interests and power hierarchies. More broadly, the article contributes to the political economy of European integration by showing how crisis governance within the Union operates as a contingent and strategically mediated process rather than a purely rule-bound institutional response.

**Introduction**

The evolution of European Union (EU) crisis governance has revealed a stark dichotomy in how the bloc operationalizes financial solidarity and legal integrity. While the Union presents its interventions as driven by objective economic rules or universal normative values, a comparative analysis of the treatment of Cyprus (2013) versus Ukraine (2022–2027) suggests a reality governed by asymmetric power relations and the selective application of institutional leverage.

The EU's deliberations in December 2025 over financing Ukraine illustrate this interest-driven strategic calculus in practice. Member states leveraging concentrated legal, financial, or institutional exposure —most notably Belgium, Italy, Malta, and Bulgaria— mobilized concerns over legal liability and precedent sensitivity to condition the eventual policy outcome. By refusing to support the direct confiscation of frozen Russian sovereign assets, these states steered the collective solution towards a market-based loan instrument. This demonstrates that even within hierarchically structured governance systems, smaller states retain meaningful agency when they credibly translate domestic constraints or national interests into negotiation leverage, most notably by strategically exercising their veto rights to recalibrate the terms of collective action.

This strategic defense of national interest—preserving legal integrity in order to shield domestic financial sectors—stands in marked contrast to the treatment of Cyprus during the crisis of 2013. While the 2025 cohort successfully utilized its veto capacity to secure a legally defensible alternative for Ukraine's financing, the Cypriot leadership's earlier failure to exercise comparable formal bargaining leverage resulted in the imposition of exceptionally punitive terms. These entailed the coercive redistribution of private wealth through an illegal bail-in, severe social hardship and economic contraction, as well as the structural dismantling of the domestic banking sector and its offshore-oriented business model.<sup>1</sup>

The comparison, therefore, reveals a deeper institutional asymmetry within the EU's crisis-management framework. In the Ukrainian case, member states with concentrated juridical and financial exposure leveraged their position within institutional veto points, deploying legal risk and precedent concerns to constrain the range of acceptable policy outcomes. They effectively transformed vulnerability into strategic advantage, enabling them to shape policy design in ways that protected domestic systemic interests. In the Cypriot case, by contrast, the absence of comparable bargaining mobilization allowed external preferences and objectives to dominate the outcome. The episode, thus, reveals how institutional agency within the Union is unevenly exercised, transforming what might otherwise constitute a negotiated policy process into an asymmetric hierarchy of decision-making. In this sense, the concept of "solidarity" functions less as a uniform institutional principle and more as a contingent and selective instrument deployed in accordance with dominant power interests and prevailing geostrategic priorities.

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<sup>1</sup> See the Author's Doctoral Thesis: Tilliros, P., *Cyprus Bail-in: An Assessment of the Causes, Impact and Implications*, University of Nicosia Repository. Available at: <https://repository.unic.ac.cy/archive/item/6286?lang=en>

## **The Mechanics of Asymmetric Intervention: Magnitude of Financial Support**

According to the latest data from the European Commission (2025), the European External Action Service (EEAS, 2025), and the Kiel Institute for the World Economy, as of late 2025, the cumulative EU support for Ukraine is estimated at approximately €193–€197 billion. The assistance is a hybrid of grants and loans: an estimated 60% to 65% are grants or aid in-kind, while 35% to 40% comprise repayable but highly concessional loans with maturities reaching 35 years. Crucially, the late 2025 agreement for an additional €90 billion zero-interest loan package for 2026-2027 further underscores a commitment to Ukraine's fiscal survival that was never extended to Nicosia.

The disparity between these two cases highlights a bifurcated "policy posture" within the Eurozone. The €7,3 billion disbursed to Cyprus (out of a €10 billion package) is a mere 3,7% of the resources mobilized for Ukraine. Even when adjusting for demographic and economic scale, the volume of resources mobilized for a non-member state dwarfs the rescue facility the EU offered to a formal member of the Eurozone. Beyond the quantitative gap, the qualitative cost of "assistance" differs fundamentally.

In particular, the "price" of the comparatively meager interest-bearing loan to Cyprus was the calculated throttling and destruction of its banking sector, which constituted one of the country's primary economic engines. The 2013 "bail-in" involved the draconian seizure of private assets—belonging to bank depositors, lenders, and shareholders (DLS)—as well as the forced closure of systemic banking institutions (Laiki Bank in 2013 and, at a later stage, the Cyprus Cooperative Bank in 2018). These measures were compounded by the instrumentalization of the 2011 Greek debt restructuring (PSI) and the enforced fire sale of the Cypriot bank networks in Greece, effectively compelling the resident public to internalize a heavy burden that was largely external in origin. The resulting policy framework was characterized by a deliberately engineered contraction of the domestic financial sector and the reputational marginalization of Cyprus within European financial markets.

In contrast, the financial burden of the Ukraine intervention has been externalized across the entire European population since 2022. The collateral costs— inflationary spikes in energy and food, and the diversion of hundreds of billions from European priorities such as digital transformation, agricultural security for struggling EU farmers, and housing and social services to address the continent's growing affordability crisis, including healthcare improvements post-pandemic—are treated by Brussels as an "acceptable price" for geopolitical goals.

## **Geostrategic Selectivity and Normative Inconsistency in EU Crisis Governance**

The comparison between the European Union's response to the Cypriot financial crisis and its extensive support for Ukraine reveals a deeper structural asymmetry in the Union's crisis-governance apparatus. This divergence is not merely financial but normative, institutional, and geostrategic in nature. At the normative level, the Union has consistently invoked the principles of territorial integrity and sovereign inviolability as central justifications for the mobilization of extraordinary resources in support of Ukraine following the February 2022 invasion by Russia. The defense of internationally recognized borders has been framed as a core element of the European security order, "legitimizing" the allocation of substantial financial assistance and long-term institutional commitments.

Yet the application of these principles appears selectively activated. Although the EU formally supports the efforts for the reunification of Cyprus under the auspices of the United Nations, it has not mobilized comparable political or financial capital to alter the status quo in accordance with international law following the 1974 invasion by Turkey. The resulting dualism reveals a profound normative inconsistency. While the Union invokes the "sanctity of borders" to justify massive expenditures for Ukraine, it maintains a policy of calculated strategic inertia regarding the decades-long Turkish occupation of Northern Cyprus—a territory that is *de jure* part of an EU member state. This disparity suggests that the Union's commitment to international law and the protection of property rights operates not as a uniform rule, but rather as an instrumental policy resource—activated primarily when it aligns with the geostrategic imperatives of the Union's dominant interests.

Specifically, the far larger and security-oriented financial mobilization undertaken by the European Union in support of Ukraine reflects a markedly different institutional calculus. In this case, geopolitical urgency, alliance cohesion, and systemic security considerations eclipsed the earlier doctrinal or ordoliberal emphasis on fiscal and financial discipline. Fundamentally, the Ukrainian conflict directly implicates the European security architecture, the strategic posture of NATO, and the continental balance of power *vis-à-vis* Russia. Cyprus's unresolved territorial occupation, although legally significant, does not exert comparable systemic leverage over the Union's broader security equilibrium considerations. Institutional mobilization, therefore, correlates less with formal membership status than with perceived strategic centrality. In addition, the deep-seated economic and commercial interests of dominant EU powers with Turkey effectively relegate adherence to moral and legal principles to a peripheral concern, ensuring that geostrategic pragmatism consistently outweighs the Union's stated commitment to international law.

A second facet or dimension of asymmetry resides in institutional posturing and negotiating weight or bargaining power within the Union's policy-making mechanisms. As demonstrated in the preceding analysis, the deliberations regarding the Ukrainian financing framework underscore that EU solidarity is discretionary, contingent and incidental, rather than inherently hierarchical or procedurally automatic. Assistance or solidarity is a negotiated outcome rather than a legal imperative, a reflex, or a systemic default. In line with the foregoing observations, member states facing significant legal and contingent financial liabilities from using frozen Russian state-owned reserves were able to influence the design of the assistance mechanism, steering the Union away from direct asset confiscation and towards a market-conforming lending facility. These negotiations illustrate once again that institutional outcomes within the EU are frequently shaped less by a unitary European interest than by the ability of specific member states to translate sovereign exposure into structured bargaining power, or the capacity of hegemonic blocs to impose their priorities within the decision-making process.

The evidence reinforces the argument that Cyprus was approached not as a partner to be saved, but as a laboratory for "moral-hazard" testing. The Cypriot crisis was framed predominantly through a narrative of financial rectitude, while the real agenda involved the elimination of the supranational role or the extraterritorial reach of the Republic's banking system and the targeted eviction of Russian financial presence—a geopolitical move that underscores the Union's asymmetric application of its own legal principles. Specifically, within this framework, the Republic was treated not as a partner requiring systemic stabilization—as was the case with the bailouts of Greece, Ireland, Portugal, and Spain—but as a peculiar test case for enforcing fiscal discipline while expunging Russian and non-resident offshore capital from the Cypriot banking system. The unprecedented 2013 bail-in—imposed under the authority of the Eurogroup and the Troika—reflected this disciplinary, punitive paradigm and an asymmetric institutional policy response.

In the aggregate, these configurations reveal a broader pattern of selective or contingent systemic activation within the Union. Normative commitments, financial instruments, and political solidarity are deployed not solely on the basis of legal principle or membership status; rather, they are frequently mediated by a stratified alignment of dominant coalition interests—most notably the Franco-German axis and the Frugal Four (Austria, Denmark, the Netherlands, and Sweden)—as well as negotiating leverage, and the geostrategic priorities embedded within the Union's evolving crisis governance architecture. To systematize the magnitude of this asymmetry, the following Table juxtaposes the restrictive, discipline-driven framework imposed on Nicosia with the expansive, security-oriented framework underpinning the assistance to Kyiv, providing a

comparative assessment of the EU's policy divergence across key financial, institutional, and political parameters.

**Table: Comparative Assessment of EU Policy Divergence: Cyprus vs. Ukraine**

| Category / Metric   | Cyprus  | Ukraine   |
|---|---|---|
| <b>Assistance Key Condition</b>   | Bank resolution; DLS bail-in; MoU conditionality        | "No strings" military and budget aid                  |
| <b>Total Disbursed / Pledged</b>  | €7,3 bn (actual disbursement)                           | ~€197 bn (2022-2025) + €90 bn (2026-2027)             |
| <b>Primary Mechanism</b>  | ESM / IMF program; Bail-in of private assets            | Hybrid grants and concessional loans                  |
| <b>National Impact</b>  | Erosion of banking sector autonomy                      | Sovereignty and defense support from "Russian threat" |
| <b>Structural Impact</b>  | Offshore model collapse; Banking sector downsizing      | Fiscal continuity in war conditions; War protraction  |
| <b>Economic Cost</b>  | GDP contraction; Banking sector destruction             | Inflation across EU; EU fiscal redistribution         |
| <b>Social Cost</b>  | Austerity; Unemployment; Private wealth loss            | Human toll; Infrastructure destruction; Migration     |
| <b>Opportunity Cost</b>   | Lost savings, pensions, home equity; Reputation damage  | EU funds diversion from priorities; Foregone Investm. |
| <b>Burden Distribution</b>  | Internalized, concentrated within affected member state | Diffused across EU budget, citizens and taxpayers     |
| <b>Institutional Strategy</b>   | Eurozone moral-hazard discipline; A "template"          | Security architecture; Non-member exceptionalism      |
| <b>Underlying Objective</b>   | Strategic subordination of the core banking system      | Strategic and military industry expansion (SAFE)      |
| <b>Legal Status</b>   | EU and Eurozone member state                            | Non-member candidate state                            |
| <b>Geopolitical Stance</b>  | "Bilateral" frozen dispute; "Turkey-as-ally" constraint | Territorial integrity defense; Strategic brinkmanship |
| <b>Occupation Response</b>  | EU persistent inertia; UN-led negotiations              | Decoupling from Russia with aggressive sanctions      |
| <b>Source: European Commission, EEAS, Kiel Institute for the World Economy, and Author's analysis</b> |   |   |

Evidently, the comparison between the European Union's handling of the Cypriot financial crisis and its response to Ukraine reveals a strikingly asymmetrical policy posture that challenges the consistency of EU strategic principles. In the Cypriot case, financial assistance centered upon drastic internal adjustment measures, including bank resolution, the bail-in of bank depositors, lenders, and shareholders, as well as strict Memorandum conditionality under a joint program involving the European Stability Mechanism and the International Monetary Fund. The total disbursement amounted to approximately €7,3 billion and was accompanied by the unprecedented internalization of economic costs within the affected member state. The national impact included a severe erosion of banking sector autonomy, the collapse of the offshore financial model, and substantial GDP contraction, while the social burden manifested in austerity, unemployment, and significant private wealth losses. The declared institutional objective guiding the financial intervention reflected predominantly Eurozone moral-hazard discipline

and effectively produced a policy “template” in which the costs of stabilization were concentrated domestically. By contrast, the Union’s response to Russia’s war against Ukraine since 2022 has involved an expansive financial and military assistance framework, totaling approximately €197 billion for 2022–2025, with an additional €90 billion pledged for 2026–2027. As aforementioned, financial assistance has manifested as a hybrid of grants and concessional loans designed to sustain fiscal continuity under wartime conditions and provide sovereignty and defense support against the “Russian threat”; meanwhile, the economic and fiscal burden has been diffused and socialized across the broader EU budget and European taxpayers.

A stark asymmetry defines the Union’s interventionist approach: while Cyprus—an EU and Eurozone member—was subjected to a punitive, narrowly defined crisis-discipline paradigm that dismantled its core banking system, Ukraine—a non-member candidate state—has been integrated into a broader security architecture. This latter framework prioritizes strategic and military-industrial expansion, exemplified by initiatives such as the Security Action for Europe (SAFE) program. This geopolitical double standard is further evidenced by the Union’s divergent responses to territorial aggression: the long-standing occupation of Cyprus has been relegated to a “bilateral” frozen dispute, constrained by the Union’s commercial and strategic relationship with Turkey, resulting in persistent EU inertia and reliance on ineffective UN-led mediation; conversely, in Ukraine, the Union has actively pursued comprehensive strategic and multidimensional support, enforced by a decoupling from Russia through aggressive and coercive sanctions. Synthetically, the juxtaposition suggests that EU crisis governance is not applied uniformly across cases but is instead conditioned by shifting geopolitical priorities, producing a policy landscape that—whether intentionally or not—conveys the appearance of differentiated standards in the Union’s response to sovereignty challenges and economic crises.

### **Conclusion: The Price of Contingent Solidarity**

The stark divergence in the European Union’s treatment of Cyprus and Ukraine serves as a definitive indictment of the “contingent solidarity” model currently underpinning EU crisis governance. While the Union has demonstrated an unprecedented capacity for geostrategic mobilization including fiscal expansionism and “no-strings” support under the banner of defense for Ukraine, it remains largely indifferent to Turkey’s continued violation of the territorial integrity of a small member state, despite its recognized geopolitical significance. This asymmetry suggests that within the European project, the protection of sovereign integrity and private property is not a fixed legal guarantee, but a variable of political calculus.

Ultimately, the Cyprus-Ukraine comparison serves as a critical diagnostic: it warns that as long as the Union prioritizes external geostrategy, coalition-steered hegemony or bloc-driven directives over internal institutional equity, it risks entrenching a two-tiered membership. In such a system, foundational values like “territorial integrity”, “financial stability”, and “fiscal orthodoxy” are no longer universal principles, but rather tools inconsistently instrumentalized or invoked and applied through a selective, power-based lens. The jurisprudential consistency of the Union and systemic fairness are secondary to intergovernmental bargaining, hegemonic alignment, and geopolitical expediency. In this paradigm, smaller states are left to bear the internalized costs of systemic failures while collective resources are rerouted to meet the shifting demands of global power politics and the volatile exigencies of hegemonic equilibrium.

The contrast between Cyprus and Ukraine, thus, crystallizes a defining feature of contemporary European political economy and geopolitics: solidarity is neither uniform nor neutral—it is structured by power, activated by strategic necessity, and distributed according to a hierarchy of interests. This asymmetry effectively appears to validate the enduring Thucydidean realpolitik maxim that “the strong do what they can, and the weak suffer what they must”—a grim irony for a Union founded on the promises of a community of values, equitable treatment, and genuine solidarity.