

A stylized map of Europe composed of a grid of grey dots, with several dots highlighted in red to indicate specific countries or regions.

Reassessing the European Neighbourhood Policy

The Eastern Dimension

FELIX HETT, SARA KIKIĆ AND STEPHAN MEUSER (EDS.)

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- In March 2015, the EU launched a review process of the European Neighbourhood Policy (ENP). In the interest of supporting this urgently needed review, the Friedrich-Ebert-Stiftung requested six position papers from experts in Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine – the countries of the EU’s Eastern Partnership (EaP).
- This FES Perspective reveals the Eastern Partnership’s catch-22: The EU is regarded as a major – if not the sole – hope for bringing about sustainable democratic and economic change in EaP countries. However, there are considerable discrepancies between expectations about the EU’s role within the cooperation and its financial possibilities, as well as its willingness to commit.
- The country perspectives clearly show the importance of considering specific conditions and developments: In the past twelve years, the six EaP countries have developed so differently that a ›one-size-fits-all‹-approach is no longer appropriate. The Eastern Partnership could continue to serve as an organizational umbrella with its own merits – especially the very helpful, civil-society multilateral dimension – while allowing for the partner countries’ real, and very different, ambitions.
- The ENP reassessment also reveals that the region’s political developments since early 2014, along with the newly constituted European Commission, make it the right time for a review. The region’s increasing complexities and needs require more supple, tailor-made approaches. Country-specific conditions and the various relationships with the Russian Federation should be reflected through greater differentiation. The EU must urgently determine what it hopes to achieve with the Eastern Partnership: its local partners from politics and civil society have great expectations. This ambiguous state of affairs makes it time to push the ›reset button‹.



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Introduction – The Eastern Partnership’s Catch 22

Felix Hett, Sara Kikić, Stephan Meuser

The aim of European Union policy is prosperity and stability in its neighbourhood; to this end, the European Neighbourhood Policy (ENP) was designed in 2003. Romano Prodi, then President of the European Commission, described the ENP’s objective as creating a »ring of friends« around the EU.¹ He focused on deepening the EU’s 16 partner states’ economic integration through the progressive implementation of difficult political, economic and institutional reforms, and a commitment to common values.² From the outset, the challenge was to make the ENP more than a simple partnership but less than an offer of EU membership – but without eliminating the latter possibility for individual countries.

Over the last twelve years, the concept of the ENP has been steadily expanded, first with the southern regional dimension of the »Union of the Mediterranean« in 2008, then the Eastern Partnership (EaP) in 2009. The EaP’s initiators, Poland and Sweden, along with some of the targeted countries, saw EU membership for the eastern ENP partner countries as the partnership’s (implicit) goal – contrary to the official doctrine of »sharing everything but institutions«.³ From its birth, the EaP has suffered from the differing hopes and expectations both in- and outside of the EU, an incoherency which was quickly derided as the »policy of the lowest common denominator«.⁴ The EaP’s relationship to Russia, the EU’s »strategic partner«, has also been in limbo from the start: Since the Russian Federation rejected membership, neither it or the Europeans have made serious efforts to counter the view that the EaP represents a competing project of integration.

1. Romano Prodi (2002): A Wider Europe – A Proximity Policy as the key to stability, available at: http://europa.eu/rapid/press-release_SPEECH-02-619_en.htm (last accessed on 24.6.2015).

2. »The European Neighbourhood Policy (ENP) was designed in 2003 (Communication »Wider Europe«) to develop closer relations between the EU and its neighbouring countries including by giving the opportunity of closer economic integration with the EU and the prospect of increased access to the EU’s Internal Market.« European Commission, High Representative of the European Union for Foreign Affairs and Security Policy (2015): Joint Consultation Paper: Towards a new European Neighbourhood Policy, available at: <http://ec.europa.eu/enlargement/neighbourhood/consultation/consultation.pdf> (last accessed on 24.6.2015)

3. Cf. footnote 1.

4. Cf. Irene Hahn, Gereon Schuch (Eds.) (2012): Deutsche Außenpolitik und Östliche Partnerschaft, Positionspapier der Expertengruppe Östliche Partnerschaft [German Foreign Policy and the Eastern Partnership, The Panel of Experts’ Position Paper on the Eastern Partnership], in: DGAP Standpunkt 1, available at: <https://dgap.org/de/think-tank/publikationen/dgapstandpunkt/deutsche-au%C3%9Fenpolitik-und-%C3%B6stliche-partnerschaft> (last accessed on 24.6.2015).

Instead of the likely »win-win« situation, the rationale for a foreign-policy zero-sum game has been evolving in the region.

It is no surprise then, that measured against its own requirements, the ENP has fallen short of its aims. In a Joint Consultation Paper introducing a review of the ENP in March 2015, the European Commission stated that »Today’s neighbourhood is less stable than it was ten years ago«.⁵

In the interest of supporting this urgently needed review, the Friedrich-Ebert-Stiftung (FES) requested short position papers from experts in the six EaP countries. The articles from Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine focus on the following questions:

1. In order to satisfy the hopes and expectations of the individual countries, should the EU pursue a differentiated approach aimed at various levels of cooperation?
2. Where should the EU focus in its relationship with the partner country?
3. How can the EU do more to support sustainable economic and social development in the ENP partner countries?
4. Should the EU make greater allowance for the interests of other neighbours, particularly the Russian Federation?
5. What role should the Eastern Partnership’s multilateral dimension play in the future?

The responses are wide-ranging and complex. The various national perceptions and assessments of the ENP describe unstable internal structures, »frozen« and hot conflicts, and their relationships with the EU and Russia. This FES Perspective reveals the Eastern Partnership’s catch-22: The EU is regarded as a major – if not the sole – hope for bringing about sustainable democratic and economic change in EaP countries. However, there are considerable discrepancies between expectations about the EU’s role

5. Cf. footnote 2.



within the cooperation and its financial possibilities, as well as its willingness to commit. For example, the EU is expected to play an active role in the region's security policy – a role which many observers find the EU cannot envision and does not want. Expectations for the economic sphere also diverge widely, from Belarus' wish for interaction with the Eurasian Economic Union (EEU) to Ukraine's desire for concrete help from the internal-EU Structural Funds to implement a free trade agreement.

These highly differentiated analyses give rise to the basic question about whether the EaP states can be considered as making up one region. The answer should affect future EU policy toward the six target countries.

The EU as the Major Player in Democratization

The Country Papers identify different focuses for future cooperation, which include democratization and also support for economic development. All of the papers regard the EU as the provider of basic support for building functioning democratic institutions, economic structures and infrastructure. Corruption, the political elites' disinterest in reform and low economic competitiveness make it extremely difficult for civil society to bring about major change on its own. Increased financial and advisory support is considered critical for making progress in various policy areas. Some authors consider that the main incentive is a European perspective, with greater conditionality needed along the lines of 'more for more' – without which, the efforts made thus far will be abandoned. The basic dilemma is whether the EU's external influence can promote successful reforms in the absence of societal pressure on the governments.

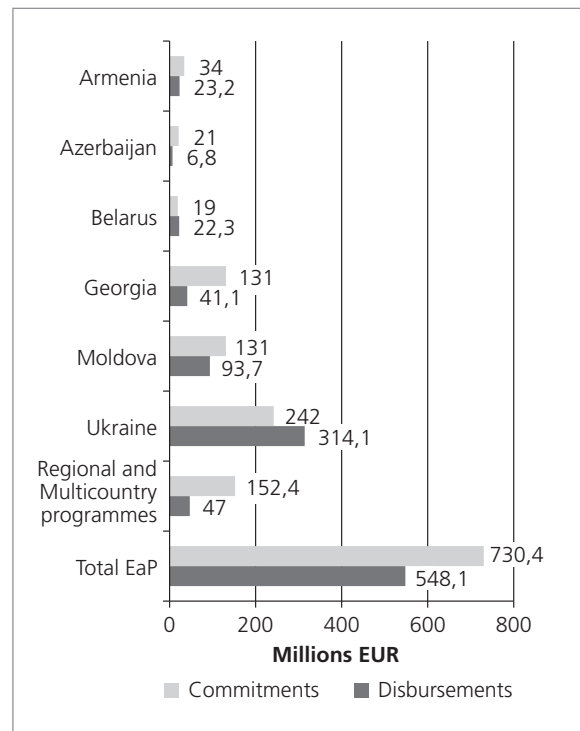
The Gulf between Expectation and Possibility

The great expectations about implementation of the admittedly necessary, comprehensive reforms do not correctly factor in the EU's financial means. Although the EU's budget share for foreign and security policy in the 2014-2020 multiannual financial framework rose slightly from 5.71 to 6.12 per cent of the total⁶ – with EUR 15.4 billion for the ENP – these obligations are spread over six years and a large variety of programmes in the 16 countries of the ENP's eastern and southern dimensions. The

2014 disbursements of the European Neighbourhood Instrument (ENI) reveal that nearly two-thirds of the EUR 730 million allotted to the EaP have been used just to stabilize the situation in Ukraine.⁷

Comparing the catalogue of demands in the following analyses with the EU's rather scanty means to implement them and its dwindling creative drive, reveals the need for deeper debate on focusing the EU's commitment to the Eastern Partnership.

Figure 1: Overview of the Commitments and Disbursements of the ENI in 2014⁸



6. European Commission: Budget, Multiannual Financial Framework. Figures and Documents, available at: http://ec.europa.eu/budget/mff/figures/index_en.cfm (last accessed on 24.6.2015)

7. European External Action Service: EU Relations with Eastern Partnership, available at: http://eeas.europa.eu/eastern/about/index_en.htm (last accessed on 24.6.2015)

8. The diagram is based on figures in: European Commission, High Representative of the European Union for Foreign Affairs and Security Policy (2015): Joint Staff Working Document, Implementation of the European Neighbourhood Policy, Statistics, available at: http://eeas.europa.eu/enp/pdf/2015/enp-statistics-report-2014_en.pdf (last accessed on 24.6.2015).

The EU as a Security-Policy Actor

The discussions give special consideration to the EU's role as a security-policy actor: Brussels should guarantee the region not just democratizing and economic reforms but also stability and security. Much depends on the EU-Russian relationship, but the position papers fail to provide concrete suggestions for resolving the rivalry between Moscow and Brussels over integration of the EaP countries, which has escalated since 2014. The experts conclude that the EU must better factor Russian politics in its strategic calculations – and not beat a retreat from the region.

Would a Differentiated Approach be Successful?

These country perspectives clearly show the importance of individually considering their specific conditions and developments. In the past twelve years, the six EaP countries have developed so differently that a ›one-size-fits-all‹-approach is no longer appropriate. The authors from the two ›extremes‹, Belarus and Ukraine, plead for making as much differentiation as possible under the same EaP organizational umbrella – while allowing for the partner countries' real, and very different, ambitions. That would permit maintaining the EaP's very helpful civil-society multilateral dimension and also reacting flexibly to the countries' different levels of economic and institutional approximation to the EU.

The ENP reassessment also reveals that the region's political developments since early 2014, along with the newly constituted European Commission, make it the right time for a review. The region's increasing complexities and needs require more supple, tailor-made approaches. Principles and instruments must be further elaborated in order to be better able to compare ambitions and results and to conduct more efficient monitoring. Country-specific conditions and the various relationships with the Russian Federation should be reflected through greater differentiation. The EU must urgently determine what it hopes to achieve with the Eastern Partnership: its local partners from politics and civil society have great expectations. This ambiguous state of affairs makes it time to push the ›reset button‹. Failing that, mutual disappointment is inevitable. It is no exaggeration to say that the Eastern Partnership is at a crossroads.



Position Paper 1: Armenia

By Boris Navasardian, President, Yerevan Press Club

Armenian-EU relations

Right after regaining its independence in 1991, the Republic of Armenia (RA) announced its commitment to a course of approximation with the European Union (EU) and began to construct its political system and framework for economic relations in accordance with European institutional standards. That same year, Armenia became a beneficiary of the TACIS Programme (Technical Assistance to the Commonwealth of Independent States), which opened a Coordination Unit in Yerevan. In 1996, Armenia signed a Partnership and Cooperation Agreement (PCA) with the EU and made European integration part of its foreign policy. Armenian cooperation with the EU regarding democracy, human rights and culture was also fostered that year: The RA was granted Special Guest status at the Council of Europe, and became a full member in 2001. A full-fledged EU delegation has been based in Yerevan since 2008. In 2004, Armenia was included in the EU European Neighbourhood Policy (ENP), and in the Eastern Partnership (EaP) in 2009. Negotiations on an Association Agreement (AA) that were begun in 2010 were completed in July 2013. Armenia was supposed to initial the AA at the EaP Summit in Vilnius in November 2013. However, just two months before, on 3 September 2013, President Serzh Sargsyan announced that Armenia was joining the Russian-led Customs Union and the Eurasian Economic Union (EEU). Since then, both the EU and Armenia have repeatedly expressed interest in extending their cooperation and consultations have been held on the format and content of a new document to create a legal basis for EU-Armenian relations.

Until 2009, the significance of Armenian cooperation with the EU was in promoting formal institutional and legislative reforms. Also for Armenia, which has serious economic problems, EU financial assistance was and remains an important factor. However, the EU reform programmes were often of a ›showcase‹ or imitational character: The assessments of project effectiveness were superficial, technical and outdated. To some extent, the EaP changed the situation by giving attention to regional specifics, tying progress in AA negotiations to visible changes in the partner countries (at least in Armenia) and including civil society at the institutional level. After President Sargsyan's announcement on 3 September

2013, Armenian-EU relations entered an uncertain phase with the previous PCA format no longer applying and the new AA format not yet begun. In the absence of legally binding commitments and clear perspectives, the EU-Armenian partnership shifted to its previous track, with even more clearly imitational content.

Differentiation

The EU cannot be ambitious about establishing formal relations with Armenia. Yerevan's official views are tempered by Armenia's EEU membership and dependence on the relations between Moscow and Brussels. Should the current cool period persist, it will be reflected in the shallowness of Armenia's European integration. At the same time, the EU can and should be highly ambitious regarding bilateral cooperation and the programmes it supports.

On the other hand, Armenia's ambitions should be proportionate to the possibility of combining its obligations within both the EEU framework and the European integration process. Preliminary estimates made by representatives of the European Commission and the Armenian government indicate that the draft AA and its economic component, the Deep and Comprehensive Free Trade Area (DCFTA), are incompatible with Armenia's EEU membership. Discussions are now being held about an ›Association Agreement Light‹, which would have no free trade component. Given Russia's current exacerbated relations with the West and Moscow's influence on Armenia, a possible solution would be to give titles (regardless of the content) to a bilateral document which would not cause Russia to resent its ›junior‹ EEU partner.

A bilateral document could be very close to the AA/DCFTA and Action Plan that were envisaged for Armenia in 2013. To avoid confrontation with Russia, however, titles would have to be less ambitious than their content and not linked to the EaP. Reiterating the names of already concluded programmes like the PCA could act as a disincentive. It would also be wise not to use terms like ›partnership‹, ›cooperation‹ and ›neighbourhood‹ to denote the nature of the EU's relations with Armenia – and

perhaps with other partners who are not AA signatories but are perceived as part of Europe – and replace them in the new agreement(s) with target-based concepts, for example, the ›European Agenda for Development‹.

More-for-More

The principle of ›more-for-more‹ used for EaP countries during the intensive AA negotiations was quite effective. It became an antidote to merely imitating reforms and demonstrated how, between 2011 and 2013, the Armenian leadership was able to move the country out of the ›second tier‹ group of partner countries and join those entering into associative relations with the EU.

Policy Focus

The whole range of possible areas of cooperation between EU and EaP countries – inclusive and sustainable economic development, connectivity (transport and energy), security (conflicts and organized crime), democratic governance, migration, health, environment, gender and youth exchange) – are relevant for Armenia. However, Armenia's membership in the EEU and the Collective Security Treaty Organization (CSTO) should be kept in mind. Specific areas related to ›democratic governance‹ should be identified, with particular focus placed on strengthening civil society, reforming local government and ensuring freedom of the media. Since priorities have been clearly defined in these areas and there are no major controversies among the main parties, consistent impact is achievable, which could positively impact the broader reform agenda.

The EU should take into account the challenges of earlier achievements and undertake measures to defend them – particularly Armenia's rather advanced banking system, as well as its GSP+ trade regime with the EU, which had been put at risk by Armenia's accession to the EEU. Armenia's about-turn regarding the AA also halted cooperation in the field of aviation, particularly implementation of the ›Open Skies‹ policy. There was also a certain retreat in measures related to food security and phytosanitary concerns although these areas are critical to Armenians' vital interests as well as their attitudes regarding European integration. These areas should be given due attention. Cooperation on the framework of

Visa Facilitation and Readmission Agreements has continued despite Armenia joining the EEU. Now it is advisable to consider moving ahead to open the ›visa dialogue‹.

In the last years, Armenia's most visible achievements in the field of democracy and human rights include freedom of assembly, association and the Internet. Since 2013, however, at both at the legislative and general political levels, restrictive tendencies have been observed. Although so far they have taken the form of publicly voiced intent rather than practical steps, vigilance is needed. A defence strategy is crucial for these fields, particularly because they serve for critically assessing developments in the country, including reforms in other spheres.

Policy Tools

All the financial instruments employed in the last years – TAIEX (Technical Assistance and Information Exchange Instrument of the European Commission), Twinning, SIGMA (supporting governance and management) and others – have been effective. However, direct budget support with real mechanisms to stimulate in-country reforms, following the principle of ›more-for-more‹ appears to be even more promising. Extensive monitoring of the effective use of this and other instruments by representatives of the NGO sector and the community of independent experts, which have greatly developed in Armenia in recent years, is needed. We are referring to the EaP Civil Society Forum (CSF) and its national platforms. The ›Index of European integration for Eastern Partnership Countries‹, published four years in a row within the CSF framework, confirms the structure's monitoring potential. Meanwhile, there are strong indications that the capacity of Armenia's civil society is increasingly being ignored following the government's failure to sign the AA.

The leverages that the pan-European parties have to influence the political situation in Armenia have not been used effectively. Whether because of little interest or ignorance of the local context, interparty communication has not helped to stimulate the five Armenian partners to push for reforms or effectively use assistance provided by the EU.

Economic Development

Given the EU's limited opportunities for economic cooperation with Armenia, as well as the unattractiveness of the small Armenian market to investors, priority should be given to improving regulatory mechanisms to mobilize and utilize domestic resources. The primary objectives are eliminating oligarchic monopolies and developing small and medium-sized enterprises (SMEs) through programmes to improve fiscal policy and promote free and fair competition. At the same time, an effective new agreement between the EU and Armenia might make it possible to return to the idea of a donor conference for Armenia, which was discussed in 2012 to 2013. The development of the national economy requires support from the international community and signals to potential investors about the attractive opportunities in the country.

The Regional Dimension

An important measure for Armenia's approximation with the EU is normalizing relations with Turkey, especially opening the border and establishing diplomatic relations. These steps would help to resolve a number of transport issues, which are essential for developing economic ties and strengthening energy sector cooperation with Europe, as well as reducing tensions in the region and permitting greater flexibility for Armenian foreign policy. The EU could play a significant role in promoting dialogue between Armenia and Turkey since relations with Turkey are an important component of the EU's foreign policy agenda. The Karabakh conflict is another issue that is key to the EaP's general success. Here, however, the EU's potential is more limited although it does have some leverage in issues such as curbing hostile rhetoric from both sides and preparing the field for constructive cooperation between actors who are genuinely interested in resolving the Armenian-Azerbaijani conflict through compromise.

Whether they like it or not, the EU and Armenia must consider the Russian factor when designing their future relations. This is due to Armenia's membership in the Russian-led EEU, as well as the many ways that Moscow can directly influence Yerevan – in terms of foreign and domestic policy, economy, security and so forth. However, it is important to realize that the obstacles to Armenia's ambition for approximation with the EU that Russia cre-


ated are not only about Russia's interests in Armenia but rather come from the confrontation between Moscow and the West, and EU resistance to any initiatives related to the Eastern neighbours. Therefore, along with holding direct discussions about the prospects for EU-Armenian cooperation, Brussels should also consider deterring the largely irrational expansionist Russian policy toward the former Soviet republics, and help to eliminate the circumstances that continue to lead those countries to strongly depend on the former 'centre'. This particularly implies security threats related to the Karabakh conflict, tensions with Turkey and energy issues and the lack of diversified economic and transport links that result from closed borders.

Security

Security issues require a comprehensive approach. Events leading up to and following the Vilnius summit showed that both sides had underestimated the security challenges to the EU and its partner countries. Responding to these challenges should not be confined to existing formats (cooperation with NATO, support for peace-building initiatives such as the Minsk Group on the Karabakh settlement and so forth). The information policy, which is intended to protect the EaP from external threats and contradictions between the six partner countries, is particularly important. Since late 2013, Russia has been waging a large-scale propaganda war in the region, which is not isolated but is actually a component of the 'hot war' taking place in Southeast Ukraine, which pits EaP countries against each other. This should be taken not as an abstract threat but as an immediate security concern.

Multilateralism

As with security issues, in other areas of the EaP, bilateral relations (EU-partner country) were also given priority because this format delivers results. However, the practice of ignoring the multilateral relations that unite the efforts of some or all of the partner countries on one hand and the EU on the other denies the general concept of the EaP and confuses the strategy. At the end of the day, this approach may negatively impact some aspects of the bilateral relations. For example, when countries who have signed the AA adopt measures that further isolate



them from their neighbours (as in the cases of Ukraine and Belarus and Armenia and Georgia) they weaken the whole EaP, whose ideology should continue to combine bilateral and multilateral formats.

Additional effort is needed to formulate the EaP's ›common identity‹ within the larger European identity, including measures to counter the manipulative propaganda instruments aimed at dividing the EaP countries into geopolitical camps. Given the EU's differentiated approach to partner countries, the multilateral dimension could also combine an inclusive approach (all six countries) with a fragmentary approach (the three AA countries, or the three countries that are not Associates, or the two EaP countries that have joined the EEU, Armenia and Belarus). To understand the prospects for multilateralism it is advisable to study the experience of the EaP structures which can boast experience and achievements, such as the Civil Society Forum (CSF) and the Conference of the Regional and Local Authorities for the Eastern Partnership (CORLEAP), as well as lessons learnt from controversies within the EaP's Euronest Parliamentary Assembly.



Position Paper 2: Azerbaijan

By Rashad Hasanov, Senior Expert, Center for Economic and Social Development (CESD), Baku

Azerbaijani-EU Relations

Soon after independence, Azerbaijan demonstrated its interest in cooperating not only with the EU but also with Russia in order to develop the country. Azerbaijani-EU relations can be divided into three main periods: (1) from 1992 to 2006 Azerbaijan was eager to cooperate more closely with the EU; (2) from 2007 to 2014 Azerbaijan was very self-confident; (3) since early 2014, relations between the EU and Azerbaijan have worsened due to the Ukraine crises and increased regional conflict.

Milestones in Azerbaijan's relations with the EU include the: TACIS Programme (Technical Assistance to the Commonwealth of Independent States, 1991); INOGATE programme for energy technical assistance (1995); Partnership and Cooperation Agreement (PCA, 1996); European Neighbourhood Policy (ENP, 2004); Memorandum of Understanding on energy cooperation with the EU and ENP Action Plan for Azerbaijan (2006); Black Sea Synergy initiative (2007); official EU delegation office in Baku (2008); and negotiations on an Association Agreement (AA, 2010).

The official basis for cooperation between the EU and Azerbaijan is the PCA signed in 1996, that entered into force on 1 July 1999, creating perspectives for multilateral cooperation and harmonizing Azerbaijani legislation with the EU regarding political dialogue, human rights, trade, investment, as well as economic, legal, cultural and other issues. Severe social and economic crises encouraged Baku to seek deeper relations with the EU and implement domestic reforms. Then Azerbaijan demonstrated its intention to expand economic ties, especially in the energy sector. It regularly adopted positive positions regarding the EU's long-term energy security and signed the ›Memorandum of Understanding‹ on energy in 2006. Despite protests by regional powers such as Russia and Iran about the Baku Tbilisi Ceyhan pipeline (BTC), the Trans-Anatolian Natural Gas Pipeline (TANAP) and the Trans-Adriatic Pipeline (TAP), Baku implemented these major projects. The EU has become Azerbaijan's largest foreign trade partner and aided the country in the framework of TACIS, the Food Aid Cooperation (FEOGA), and programmes for emergency assistance (EXAP), humanitarian assistance (ECHO), food security (FSP), rehabilita-

tion (REHAB), emergency humanitarian assistance (EHA) and others.

Although a comprehensive action plan was adopted in the framework of the PCA in 2006, it has not been fully implemented because of the Karabakh conflict, the EU's reduced rigour and Azerbaijan's waning enthusiasm. Higher oil revenues in the first decade of the 21st century put the government in a more advantageous position than its neighbours and Baku failed to implement reforms in the legal field and the judicial system and did not liberalize its market. For its part, the EU, which is particularly interested in energy cooperation with Azerbaijan, reduced its pressure for reforms. The latest negotiations between the EU and Azerbaijan have revealed that Azerbaijan does not wish to sign the AA. It is, however, ready to negotiate a ›Strategic Modernization Partnership‹ for economic cooperation.

A Different and Hardened Approach

The EU should pursue a more effective policy regarding its desire to expand to the east and accelerate the integration of the ENP countries, which it could significantly help to develop modern European standards. Azerbaijan does not really fit into the EaP format; however, unlike Belarus and Armenia, Baku does not intend to be influenced by Russian politics and emphasizes the benefits of cooperating with the EU. Azerbaijan is well aware that deepening relations with the EU implies serious legal and democratic reforms, which could be unacceptable to the regime. It refused to sign the AA, arguing behind closed doors about the events in Ukraine although its real argument was about the AA's political and legal requirements. Thus, Baku proposed the ›Strategic Modernization Partnership‹.

Participants in the process understand that the government's new cooperation model serves to delay – by not only declaring that democratization would negatively impact social and political stability, but also offering a unique approach to develop relations with the EU. EU-Azerbaijani relations cannot continue within the framework of the AA/DCFTA (Deep and Comprehensive Free Trade Area); nor should the ›Strategic Modernization

Partnership» be accepted. Instead, a new model should be required – along with political reforms. If the EU aspires to expand to the Eastern Neighbourhood, it should sacrifice local and short-term interests and not abandon EU values for material benefits. Otherwise, countries like Azerbaijan could harm their interests unilaterally. Simultaneously, work on simplifying visa procedures must be accelerated.

Programmes with Concrete Targets

At first glance, the EU's directions regarding cooperation and integration look perfect. However, the EU has not been sincere with Azerbaijan regarding democratization, corruption, market liberalization and the environment. Of course, the EU wants the country to develop in this direction, but cooperating in the energy sphere is more attractive than making democratic reforms. Besides undercutting the EU's authority, such a situation hinders regional development. The EU has only superficially criticized violations of the terms of agreement by freezing NGO accounts and suspending the activities of many international organizations in Azerbaijan. The lack of any significant action makes Azerbaijani society wonder about »European values«.

Because the EU's cautious treatment of countries like Azerbaijan, Belarus and Armenia is explained by the Russian factor, the EU should develop a plan to minimize Russia's regional impact. The events in Ukraine show that faced with real danger, EU members adopt different positions regarding Russia, with the entire EU and individual EU member states choosing short-term profit over mutual benefit. To cooperate more effectively, the EU should: take effective steps to solve conflicts caused by internal and external factors; insist on democratic reforms as a condition for EU integration; and create mechanisms to control the implementation of commitments and rule on concrete punitive measures, such as sanctions. The EU's regional authority and effective cooperation must be demonstrated through conflict resolution and challenges to countries who are insincere about their relations with the EU and who dissemble their real political ambitions.

Economic Development

The fate and timing of the EU's expanded neighbourhood policy depends on governance based on the principles of secularism, increased prosperity, and the creation of a stable economy and employment base. Azerbaijan lags behind other Eastern partners in terms of market liberalization, WTO accession, economic diversification and increased exports. Not only should the EU support these areas more, it should also expand its requirements. Once negotiations have been concluded and membership approved, the EU should help to organize the long-term technical support that Azerbaijan needs to obtain WTO membership. Special requirements to develop employment standards, create a legal labour market and a middle class and ensure basic living conditions could have great impact. If the EU's investment – 64 per cent of which is currently directed to the oil sector – were redirected to the non-oil sector, it would hugely increase sectorial production. New programmes to create proper economic conditions would also encourage the flow of innovations to the country and increase its export competitiveness.

The Regional Dimension

When determining its political course, the EU must take into account each country's geostrategic position – especially post-Soviet and EaP countries. So far, the EU has taken a measured approach, which could inadvertently help Russia to become more dominant and raise the security risks of countries in the region – leading to new areas of conflict (Crimea, Donbas). The EU could neutralize Russia's anti-West policies but must adopt a clear position to solve frozen conflicts such as Nagorno-Karabakh, Abkhazia and South Ossetia. The EU should take the initiative to resolve conflicts within ENP countries, following specific requirements and the principles of fairness; it must also be the guarantor of peace and stability and seek to establish trust and long-term targets in the conflict zones. Economic and political programmes should be adapted to the region, infrastructure, the economic environment, investment flows and employment situation.



The Future of the Eastern Partnership

Although the EaP has not satisfied its aims, we consider it helpful in light of Russia's continued influence in the region. The development of civil society institutions that benefit from mutual cooperation, NGOs' increased capacity to work with local governments and the standards for cooperation can be viewed as positive. Three EaP countries have signed the AA. The EaP should be continued, with a more effective working mechanism and more stringent requirements to permit its success.



Position Paper 3: Belarus

By Arseni Sivitski, Director, Center for Strategic and Foreign Policy Studies, Minsk

Belarusian-EU relations

The European Neighbourhood Policy

Although a Partnership and Cooperation Agreement (PCA) between the EU and Belarus was signed in 1995, it has not been ratified by the EU due to the »non-compliance of basic democratic rights and freedoms in the country«. The EU is formally guided by its European Neighbourhood Policy (ENP) with respect to building relations with Belarus. Initially it was said that Belarus and the EU could develop contractual relations after free and fair elections led to the establishment of a democratic government in Belarus. Only then would the ENP be an option for Belarus. The EU's strategic goal for the ENP is for Belarus to develop as a democratic, sustainable, reliable and increasingly prosperous partner with whom the enlarged EU would share not only common borders, but also a joint programme of action based on shared values.

The Eastern Partnership

Initially the EU intensified its long-standing commitment to support the democratization of Belarus with the help of the ENP. However, after this approach failed and following the 2008 Georgian-Russian war, in 2009 the EU developed and launched a new ENP instrument, the Eastern Partnership (EaP), which was designed to take into account regional and national features.

However, the EU introduced a number of restrictive measures in the EaP framework with regard to Belarus, which has not been able to participate in the EaP's bilateral dimension because it is not a part of the ENP. Belarus is excluded from the Euronest inter-parliamentary forum because the EU does not recognize the Belarusian Parliament. Unlike other members, Belarus is not usually represented at the top political level of EaP summits. The current level of relations between Belarus and the EU can be described as the lowest amongst the EaP countries. Belarus' lack of a PCA with the EU is not only an obstacle to the full development of Belarusian-European relations, but also explains why the EaP's bilateral component is not available to Belarus. The EU practice of coercive diplomacy (personal sanctions against officials, journalists

and private businesses) following the crackdown on the opposition and the EU's rejection of the 2010 presidential election results makes the process of building confidence between Belarus and the EU more complicated. Today, the EU sanctions 220 Belarusian citizens, including all top officials, and about 25 Belarusian enterprises.

Nevertheless, the current intensification of Belarusian-European relations, caused by the Ukrainian crisis and geopolitical tension between the West and Russia, has reopened a dialogue between Minsk and Brussels entitled the »Interim Phase« of cooperation (or »Dialogue on Modernization«). This format is used to analyse common approaches to modernizing Belarus, beginning with cooperation in investment and trade, which are of great importance for both Belarus and the EU. Despite the significant intensification of Belarus' high-level contacts with EU authorities and member states, normalization of Belarusian-European relations hinges on the release of all (three) political prisoners.

Differentiation

For Belarus, the EaP is a convenient platform to discuss and implement various bilateral initiatives and projects in the absence of any other institutional and regulatory framework for developing contacts with the EU. For the EU, the EaP is of greatest interest because of the Association Agreements (AAs) with partner countries and their inclusion in the Deep and Comprehensive Free Trade Area (DCFTA). For Belarus, a member of the Eurasian Economic Union (EEU), signing the AA and entering into a DCFTA with the EU is impossible. Improved relations between Belarus and the EU should not challenge Belarus' obligations with regard to other integration processes in the post-Soviet space. Belarus authorities would like the greatest possible differentiation within the EaP – and a wide range of mechanisms for building relations with the EU besides the AA/DCFTA.

In this context, improving relations with the EU could be carried out through significant investment cooperation, the construction of large-scale infrastructure, and industrial, environmental, cultural, educational and other projects that do not require concluding policy-relevant

agreements like the AA, which could affect Belarus' obligations to the EEU. From this perspective, the EU-Belarus ›Interim Phase‹ of cooperation is quite promising. With political will on both sides, it could be a first step in developing a new generation of the PCA, which takes into account Belarus' deep involvement in Eurasian integration processes.

It would be appropriate to initiate a special ›Partnership for Modernization‹ similar to that between the EU and Russia, which is a means of developing a strategic new PCA between the EU and Russia. The ›Dialogue on Modernization‹, which could be transformed into a format like the EU-Russia ›Partnership for Modernization‹ would give the EaP new mechanisms for EU cooperation with those states (Belarus, Armenia and Azerbaijan), which do not intend to be part of the AA/DCFTA.

Because of the EU sanctions against Belarus authorities, cooperation within the EaP framework has always been limited and focused on areas of pragmatic mutual interest: The ›more-for-more‹ principle has not influenced Belarus-EU relations in the EaP framework.

Policy Focus

The success of the EaP largely comes from the EU's ability to focus on its partners' proposals and needs. Priorities for Belarusian-EU cooperation include: expanding investment opportunities in key sectors of the Belarusian economy to drive growth and innovation; providing technical and fiscal assistance to reform and modernize the main branches of industry; intensifying and deepening bilateral trade and economic cooperation and creating favourable conditions for small and medium-sized enterprises (SMEs); developing the transport and logistics sectors; promoting a sustainable low-carbon economy and energy efficiency; strengthening cooperation in the areas of innovation and advanced technology, R&D and space; ensuring the judiciary's effective functioning and fighting corruption; developing people-to-people contacts; and strengthening civil society dialogue to promote the participation of individuals and businesses. This list could be expanded during bilateral consultations. The EaP should not only include a differentiated approach, but also be flexible enough to respond quickly to specific requests from partner countries.

The Regional Dimension

Economic Development


The region's most serious risk to economic and military-political instability comes from the geopolitical tension between the West and Russia due to the Ukrainian crisis. Russia's economic crisis, which is caused by Western sanctions, as well as the sharp drop in oil prices on the world market directly impacted Belarus' growth in 2014. Considering the Belarusian economy's high dependence on Russia and the negative forecasts for Russia's economic growth, which predict a decline in GDP between 2 and 5 per cent in 2015, this negative impact is likely to continue for the medium term. The European Bank for Reconstruction and Development (EBRD) predicts a 1.5 per cent decline in Belarus' GDP in 2015.

In the current regional context, the most important issues are technical aid from the EU to reform the Belarusian economy, overcome the negative social and economic effects of structural economic reforms, attract foreign investment (through a donor conference) and support Belarus' applications for new stabilization loans from international financial institutions. The problems in reforming other spheres of the Belarusian society and state could be discussed in formats like the ›Dialogue on Modernization‹, which has been agreed between Minsk and Brussels.

In comparison with problems such as the lack of democracy, rule of law and a pluralism of opinions, the main threat to Belarus' sustainable development in the current regional context is economic and political destabilization. The Kremlin's growing economic problems and unwillingness to provide Minsk financial support of USD 2.5 billion in 2015 is forcing the Belarusian leadership to seek new sources of economic assistance, in particular from the West and China.

Security

Because Belarus belongs to the EEU, any agreement with the EU that challenges Belarus' implementation of its integration obligations to Russia and other EEU partners would be perceived as a threat to Russia's strategic interests. As the Ukrainian crisis has demonstrated, ignoring Russia's views can lead to a regional military-political



crisis. This is why, in the interest of avoiding similar new crises, Brussels should heed the integration processes in the post-Soviet space.

The EU cannot guarantee the security of the EaP and ENP member states: only they can establish regional security mechanisms, which is difficult with their various security priorities. Cooperation is possible, however, in the sphere of soft security (illegal migration, disasters, energy security, environmental risks and so forth) and counteracting new hard-security threats (transnational crime, terrorism and so on).

Multilateralism and ›Added Value‹

Although Belarus supports the implementation of regional economic and infrastructure projects with EaP member states, the multilateral dimension of cooperation falls short of expectations because the EaP lacks strategic vision. An EaP regional infrastructure and business road maps would be very helpful. More attention from the EU, as well as credit and the financial capacity to implement the EaP's joint economic and infrastructure projects, could contribute to the emergence of ›added value‹ in the multilateral dimension.



Position Paper 4: Georgia

By Kakha Gogolashvili, Senior Fellow, Georgian Foundation for Strategic and International Studies (GFSIS), Tbilisi

Georgia-EU Relations

The EU played a crucial role in Georgia's democratization, transformation into a market economy and integration into the international community¹. The Partnership and Cooperation Agreement (PCA), signed in 1996, entered into force in 1999. Its WTO-compatible trade provisions have been operational since 1997 (via an Interim Agreement). Institutions for cooperation established by the PCA have stimulated a close political partnership between Georgia and the EU. With the EU's assistance, Georgia has made progress in reforming political institutions. It acceded to the Council of Europe in 1999 and was included in the European Neighbourhood Policy (ENP) in June 2004. The adoption in 2006 of the five-year ENP Action Plan, which was subject to yearly monitoring by the European Commission, significantly Europeanized Georgia's reform agenda.

The 2008 August Georgian-Russian War proved the EU's commitment to supporting Georgia's territorial integrity and independence. The EU played a decisive role in the ceasefire plan, assigned a special representative to the crisis and established a European Union Monitoring Mission (EUMM) to observe and stabilize the security situation along the Administrative Boundary Lines (ABL) that separate the contested regions from Georgia proper. In 2008, the Extraordinary European Council also decided to open the perspective to Georgia to establish a Deep and Comprehensive Free Trade Area (DCFTA); following European Commission recommendations, the country went through more intensive legal and regulatory reforms, implementation of which were viewed as an informal condition for starting negotiations on a DCFTA.

The Eastern Partnership

In 2009, Georgia became part of the Eastern Partnership (EaP). In accordance with the EaP's bilateral dimension, Georgia began to negotiate the Association Agreement (AA) with the EU in July 2010; negotiations on a DCFTA began in February 2012 and talks were concluded in

July 2013. The AA (including DCFTA), signed on 27 June 2014 and subject to ratification by all EU member states, opens a new era in Georgian-EU relations in which European integration has become a part of Georgia's domestic policy². The AA/DCFTA Title IV trade provisions provisionally entered into force on 1 September 2014.

The AA/DCFTA

A DCFTA eliminates customs duties and non-tariff barriers between two parties. Georgia must further harmonize its legal and regulatory framework with the EU regarding technical barriers to trade (TBTs), sanitary and phytosanitary measures (SPS), agriculture and forestry, energy, transport, telecommunications, environment, horizontal legislation concerning competition and public procurement, intellectual property rights and others. Georgia must also implement policies and actions based on AA/DCFTA provisions and relevant international agreements (WTO agreements on TBT, SPS, government procurement, intellectual property rights, IPR and others). The jointly approved Association Agenda includes provisions for: reforming or improving political institutions and the division of power, electoral landscape and judiciary and law enforcement bodies; decentralizing and improving local governance; and fighting corruption and terrorism. It further provides for peaceful conflict resolution; trade commitments in light of policy reforms regarding migration, data protection and so forth that are related to the AA and Visa Liberalization Action Plan (VLAP); and consolidating sectoral policies in transport, energy, environment and agriculture. AA Articles 241 and 412 foresee cooperation between civil society institutions. Georgia has also signed a number of bilateral agreements with the EU, such as the Agreement on Geographical Indications, and others on visa facilitation, readmission and Common Aviation Area, which should be implemented. Georgia is committed to becoming a full-fledged member of the European Energy Community.

1. The EU helped Georgia to join important regional and global international organizations such as the OSCE (1992), the Council of Europe (1999) and the WTO (2000).

2. Georgia's Progress Report on the EU integration Related Activities 2014, OSMEEAI

Strengthening the Bilateral Agenda

The EaP bilateral track of cooperation had already begun when Russia initiated an aggressive war to re-establish itself as the »governor« of Eastern Europe and contain the EU's growing influence. By signing AAs with three EaP states and applying DCFTA provisions to Moldova and Georgia – although the two states had not fulfilled all the conditions – the EU indicated that it was reviving a geopolitical rationale in its Eastern policy. The bilateral track should be further strengthened to drive reform and speed Georgia's Europeanization. The most important way to boost public support for EU-driven reforms would be to satisfy the population's expectations of increased personal mobility through a visa-free travel regime. The AA countries of Eastern Europe should be given a European perspective as soon as possible, as that would greatly encourage their communities to further support transformations and reforms. Facilitating a real increase in goods and services between Georgia and the EU is equally important to end the country's previous dependence on an easily accessible market (especially after Russia lifted its ban on Georgian imports) and redirect exporters toward the EU. This means increased financial and advisory support from the EU for Georgia's internal reform processes in compliance with the Association Agenda. Cooperation is also needed in matters related to the Common Foreign and Security Policy (CFSP) and the Common Security and Defence Policy (CSDP) and stronger support for Georgia's foreign policy challenges, including Russia's ongoing occupation.

Policy Focus

The areas of cooperation proposed by the European External Action Service (EEAS) and the Directorate General European Neighbourhood Policy and Enlargement Negotiations (DG NEAR) are practically exhaustive, but we recommend focusing more in certain directions. With regard to transport and energy, infrastructure must be built to create energy security. But it is even more important to invest in and develop renewable energy sources in the EaP countries and Georgia in particular. This also applies to the sustainable development goals (SDGs): Developing recycling technologies and resource-efficient and cleaner production, and helping Georgia to ramp up air and water pollution prevention and management is essential. In the security sphere, it is important to reduce the vulner-

ability of the EaP states, especially Georgia, by fighting terrorism and preventing new threats, helping Georgia to forge closer ties with the international community and providing deeper engagement in security arrangements with democratic states.

Economic Development

The World Economic Forum's Global Competitiveness Index describes Georgia as an »efficiency-driven economy« that lacks natural resources and the capacity to develop and absorb modern technologies. It needs help to become more competitive by increasing research and innovation, encouraging efficient investments in the country and promoting the creation of joint ventures and business-to-business cooperation with the EU. Social entrepreneurship, the green economy and other human-friendly forms of economic activities should be encouraged. The EU's experience and rules supporting SMEs should be adapted to Georgia's specific needs and promoted. The EU could further encourage the recognition of the cumulation of rules of origin for goods produced in Georgia with all the countries that have similar preferential regimes with the EU.

The Regional Dimension

Security

Policy-makers should be mindful of possible implications, especially in the form of security threats from Russia. Whilst the EU and its partner countries should develop strategies to mitigate all risks, they should not stop deepening their relations because of Russia's illegitimate and provocative behaviour and reactions. The EU and partner states should also seek to deepen regional cooperation with other countries and better accommodate their actions and plans to the interests of all countries who strive for open and mutually beneficial cooperation in Eastern Europe and Central Asia.

The EU should continue to play its important reconciliatory role in neighbourhood conflicts. With regard to those in Georgia and other countries, it must be understood that confidence-building measures alone are not solutions: A way must be found to reform Russia's approach and force it to help resolve the conflicts.

Reshaping the Eastern Partnership

The existing EaP format must be reshaped using the following logic:

a. The geographical criterion. The ›EaP 6‹ format should remain the core format for multilateral cooperation in the region. Splitting this group into two tiers could discourage the lower-tier countries. The original format could concentrate on regional cooperation, peace and security, human rights and the rule of law, development of the energy-transport infrastructure, the environment, culture and education. However, that format would not work with the same intensity on regulatory convergence in trade-related areas. The Riga summit showed how security is another weak point in terms of the group's difficulty finding a common position on issues of regional peace and stability (for example, how the ›annexation‹ of Crimea should be described/qualified). The EaP Multilateral Platforms could maintain the original design of the four main areas, but their content will be weakened by certain partners resisting deeper integration with the EU.

b. The ENP countries who have signed the AA/DCFTA (Ukraine, Moldova and Georgia, UMG) and the Mediterranean states with free trade agreements with the EU, who are establishing effective protections for human rights and the rule of law (Israel, Morocco, Jordan and Tunisia), could form a separate group. Specially designed EaP/Mediterranean Panel discussions could facilitate meetings and contacts within the group. Possible topics include deepening trade and regulatory approximation, the cumulation of rules of origin, democratic reform, security and other issues. Turkey and non-EU-member Western Balkan states could also take part in thematic panel discussions.

c. Countries who do not aspire to deeper economic integration with the EU could be invited to such elite panels, provided they have made sufficient progress in democratic and economic reforms and converge with EU policies and regulations regarding reform of the judiciary, support for small and medium-sized enterprises (SMEs), financial stability, competition policy and so forth. They could be invited on the recommendation of the European Commission or any group member that is unanimously supported by the others. Countries could even be invited to participate in panel meetings on an ad-hoc basis.

d. The UMG countries, which satisfy the three criteria – geographic location, AA/DCFTA and progress on reforms – would be allowed to participate in a separate group format with the EU, the ›EaP-3+1‹. Its meetings would be about deepening UMG cooperation, exchanging experiences regarding reforms, synchronizing regulatory policy reforms, extending the cumulation of rules of origin to the whole group, forming a Neighbourhood Economic Community (NEC) and so forth.

Reshaping the EaP along these lines should stimulate the ›disloyal‹ EaP countries, who joined the Eurasian Economic Union (EEU), to strive for some degree of Europeanization, as well as promote broader cooperation between the most active countries of the European Neighbourhood to the southeast and encourage the new Associate Countries of Ukraine, Moldova and Georgia to continue their path of rapprochement with the EU.



Position Paper 5: Moldova

By Victor Chirila, Executive Director, Foreign Policy Association of the Republic of Moldova (APE), Chisinau

Moldovan-EU Relations

In the past five years, Moldova has successfully exploited the opportunities offered by the Eastern Partnership (EaP) dimension of the European Neighbourhood Policy (ENP) to qualitatively advance its relations with the EU. On 27 June 2014, Moldova signed the Association Agreement (AA) and a Deep and Comprehensive Free Trade Area (DCFTA) with the EU that transformed its relations from partnership and cooperation to political association and economic integration. On 2 July 2014, Moldova's Parliament ratified the AA/DCFTA, and on 1 September 2014, the Government began its provisional implementation. After Moldova fully implemented the conditions of the Visa Liberalization Action Plan, the EU liberalized its visa regime for Moldovan citizens on 28 April 2014. Since then, more than three 300,000 Moldovans have travelled to the EU without visas.

Moldova has managed to develop a dynamic relationship with the EU: The European Commission, European Parliament and EU member states have rewarded its engagement regarding European integration reforms with more attention, political support and financial assistance. The speedy AA/DCFTA negotiations and progress in making reforms, especially with regard to the dialogue on visa liberalization, have made Moldova a priority partner and an EaP ›success story‹. However, the EU's eagerness to help Moldova to move forward on its European integration agenda has caused it to repeatedly overlook the undemocratic practices of pro-European governing coalitions in Moldova.

Integration

Moldova's full integration into the EU is a national strategic priority. Moldovan authorities consider that the AA represents a preparatory stage towards acquiring EU candidate status and the AA/DCFTA offer the perspective of EU economic integration. In the past six months, however, it has become obvious that it is not going to be easy to implement the AA/DCFTA. The pro-European governing elite, intertwined with oligarchic interests, is more concerned about its political survival than implementing the AA's far-reaching structural reforms. The fight against

corruption is not serious, judicial reform has been slowed and public-prosecutor reform is stalled. Less progress is being made on deep and sustainable democracy and respect for human rights and fundamental freedoms, whilst increased concentration, opaque media ownership and political interference threaten media freedom. The investment climate remains hostile, and the stability of the banking sector is badly undermined by the USD 1 billion (30 per cent of Moldova's budget) that has been siphoned out of the country.

›More-for-More‹

The dialogue on visa liberalization with the EU proved that the ›more-for-more‹ principle can effectively drive domestic reforms if there is a clear-cut objective that motivates and empowers civil society to constantly pressure the central authorities and political class to reform. Unfortunately, the AA lacks a powerful objective that can rally the society behind an ambitious reform agenda and push an increasingly selfish pro-European political elite to deliver its commitments. ›More-for-more‹ is actually motivating the Moldovan pro-European kleptocracy to make fewer and fewer reforms that would challenge its control over the judiciary, banking sector, economy, media and so forth. Civil society perceives ›more-for-more‹ as way of rewarding a corrupted, egoistic and cynical political elite for merely mimicking reforms.

Receiving more money for more superficial transformations compromises the ideals of European integration and discourages society from supporting the EU's reform agenda for integration. Enhancing the ›more-for-more‹ principle could help us out of the current deadlock by giving Moldova the perspective of future membership if, and only if, it makes substantial reforms and fulfils all the criteria. As long as ›more-for-more‹ falls short of this promise, it will remain an incomplete, unconvincing, mistrusted and ineffective principle.

Policy Focus

Focusing on cooperation with the EU on common interests is the right way to move forward. Inclusive and sustainable economic development, connectivity (transport and energy), security (conflicts and organized crime), democratic governance, migration, health, environment, gender and youth exchange are of paramount interest for Moldova. It is also important to add rural development to the list, as it is a strategic priority.

Around 58 per cent of the population lives in rural areas, the least developed territories of Moldova, where the employment rate, the lowest in the country, has plummeted from 59 per cent in 2000 to 36 per cent in 2011. This negative trend is caused by the lack of employment opportunities, the dwindling size of the economically active population, low wages in the agricultural sector, insufficiently diversified economic activities, a weak service sector, and an underdeveloped social and economic infrastructure. As a consequence, the active rural work force is emigrating in droves. According to the National Bureau of Statistics, around 320,000 Moldovans (10 per cent of Moldova's population and 20 per cent of Moldova's active work force) currently work outside the country, mainly in Russia and the EU. Every fourth migrant comes from the rural areas. This means that more than 20 per cent of rural income is generated by remittances, which are mainly used for consumption.

In addition to other measures discussed in this paper, the EU should target connectivity (transport and energy) by fully integrating the Moldovan electrical grid into that of the EU; extending the Romanian-Moldovan Iasi-Ungheni gas interconnector, launched in August 2014, to Chisinau; and modernizing the Chisinau-Bucharest rail connection.

Policy Tools

The EU policy tools used in Moldova must be based on a persuasive positive and negative conditionality, which means that the ›more-for-more‹ principle has to go hand in hand with ›less-for-less‹. EU policy tools should include but not be limited to: regular political dialogue at the highest levels, direct budget assistance in exchange for reforms, trade incentives, investments in strategic areas of the national economy, direct support for economically

sound SMEs, grants and low-cost loans for rural development and infrastructure, promotion of cross-border cooperation with EU member states, and business, youth, academic and cultural exchanges.

Economic Development

Moldova is riddled by endemic and systemic corruption, a biased and politically servile judicial system, a bloated and inefficient central bureaucracy, a politically dependent local administration, an opaque banking and financial sector controlled by oligarchs, systemic disregard for the rules of economic competition, a lack of institutional accountability and a weak civil society. By helping the authorities to fight corruption at all levels, build an independent and fair judiciary system, and develop responsible, accountable and efficient central and local administrations, the EU could seriously promote Moldova's sustainable economic and social development, which in turn would generate sustainable employment.

Special attention should be given to rural development in Moldova. The EU could help local authorities to develop their capacities and to mobilize the resources needed to promote sustainable economic and social development in rural areas. Moldova can partly achieve this objective by fostering local rural development partnerships that engage local authorities, entrepreneurs and civil society organizations. The Local Action Groups (LAGs) for rural development developed in many EU member states are good models for Moldova. Estonian LAGs, for example, represent one of the most successful implementations of the ›Leader approach‹ of the Common Agricultural Policy (CAP), a bottom-up, decentralized approach to develop rural areas.

The Regional Dimension

Taking Neighbours' Interests into Account

The Russian Federation's interests should be taken into account as long as they do not run counter to the EaP countries' strategic interests. In terms of Moldova, Russian interests mean that the country should have no political association or economic and energy integration with the EU and no perspective of EU membership. Accepting these interests would mean abandoning Mol-

dova to Russia's sphere of influence. Therefore, the ENP should only accommodate Russia's reasonable political, economic and security interests – those which do not undermine Moldova's sovereignty, independence, territorial integrity and democracy or its strategic choice of European integration.

The EU's Role and Neighbourhood Conflicts

The EU has substantially increased its role regarding the Transnistrian issue since 2005, when it got observer status in the ›5+2‹ political consultations format – along with the US. With EUR 40 million already allocated, the EU is the greatest contributor to confidence-building measures (CBMs) for Moldova and the Transnistrian region. It is also the largest export market for the region: more than 40 per cent of its exports go to Europe. However, the EU has not used economic leverage to maximize its political influence there. Whilst the DCFTA offers Moldova real opportunities to rebuild its common economic space with the region of Transnistria, because of Russia's opposition and despite the obvious benefits, the Transnistrian administration refuses to join. That is because taking such a step would entail unbearable political, economical and financial costs for the Transnistrian region. Therefore, the EU and Moldova should devise a package of persuasive economic and financial development incentives, and the EU should also engage in sector cooperation projects with Moldova. EU assistance must continue CBMs to multiply economic synergies and institutional partnerships between Moldova and the Transnistrian region.

Security

The ENP should definitely give greater importance to security sector reform in EaP countries. The Russian-Ukrainian conflict underscores the urgent need for a comprehensive overhaul of Moldova's security sector. The EU is already assisting Moldova in reforming its interior ministry, including the border police, mainly within the framework of the visa liberalization dialogue. It should further help Moldovan authorities to streamline their strategic security planning and decision-making processes, including cyber security, and enhance the operational capacities of key security sector institutions as well as the National Security Council's coordination and decision-making status.

The Eastern Partnership

For the EU to abandon the EaP would be a great strategic mistake. One of the main flaws of EaP multilateral cooperation is that its activities and achievements are poorly communicated to the public. However, despite widespread belief about the inefficiency of the EaP's multilateral dimension, its thematic platforms are valuable instruments for discussing common problems, finding joint solutions, sharing information and learning best practices. The flagship initiatives help EaP countries to achieve the bilateral objectives, implement domestic reforms and bring their policies in line with European norms and standards.



Position Paper 6: Ukraine

By Hennadiy Maksak, Polissya Foundation for International and Regional Studies, Ukraine

Ukrainian-EU relations

The EU and Ukraine established contractual relations in 1994 by signing the EU-Ukraine Partnership and Cooperation Agreement (PCA), which entered into force in 1998. With the European Neighbourhood Policy (ENP), launched in 2003, both parties agreed to cooperate to facilitate Ukraine's access to the EU's internal market, policies and programmes. After the Orange Revolution in Ukraine, European aspirations of a new political elite in Kiev raised the level of bilateral cooperation: Based on the PCA, the Joint EU-Ukraine Action Plan was adopted in February 2005. In 2007, the EU and Ukraine opened negotiations on a new Enhanced Agreement, and after Ukraine was admitted to the WTO in May 2008, progress was made on issues related to a Deep and Comprehensive Free Trade Area (DCFTA). In 2009, the Association Agenda replaced the Action Plan. A Visa Liberalization Action Plan for Ukraine was announced at the EU-Ukraine Summit in November 2010, and in 2011 Ukraine acceded to the Energy Community Treaty.

In March 2012, the EU and Ukraine initialled the texts of the Association Agreement (AA) and the DCFTA. However, Ukraine's progress on making major structural reforms and implementing the Association Agenda priorities remained below expectation. In December 2012, the EU reaffirmed its commitment to sign the AA as soon as Ukraine demonstrated tangible progress on addressing selective justice and in implementing the Association Agenda. Although Ukraine began to correct shortcomings before the Eastern Partnership (EaP) Summit in Vilnius, Ukrainian authorities decided to suspend preparations for signing in November 2013. This move may have contributed to the dramatic events of the political crisis in Ukraine, the ›Revolution of Dignity‹ and Russia's military aggression toward Ukraine. Ukraine signed the AA's political provisions on 21 March 2014 and the others on 27 June 2014. The Ukrainian Parliament ratified it on 16 September 2014, and so did the European Parliament, thereby enabling provisional application of its relevant parts on 1 November 2014 and the DCFTA section on 1 January 2016. Work on the second phase of the Visa Liberalization Action Plan began in June 2014.

During the ENP negotiations, Ukraine-EU relations were heavily influenced by the political situation. Little progress was made regarding structural democratic changes or liberalization under the EU-Ukraine Action Plan and after that, the Association Agenda. By signing the AA, Ukraine indicated its will to embark on the democratic path of value-based reforms. A more ambitious ENP policy could be an adequate response to this call, making the neighbourhood truly stable and prosperous.

Differentiation

The European Neighbourhood Policy review begun in March 2015 triggered a major debate within the community of Ukrainian experts and state institutions. Although they are of different minds with respect to sector-specific recommendations, the experts seem to agree with the ENP's basic principles and the EaP, that is: EaP policy should address the challenges common to EU member states and partner countries. Differentiation, conditionality, the ›more-for-more‹ principle, co-ownership and solidarity are core principles that should be applied. At the same time, it is crucial to elaborate these principles more profoundly in terms of ambitions and clear benchmarks. The ›differentiation‹ principle must take into account the real aspirations of the partner countries, as well as their expectations of future levels of European Union ›partnership‹. Within the Eastern Partnership, two groups of countries have emerged in terms of their ambitions: the Association Agreement ›club‹ (Ukraine, Moldova and Georgia, UMG) and the ›sector partners‹ (Armenia, Azerbaijan and Belarus).

Ukraine's effort to enhance relations with the European Union has been very painful. The AA is a mutually binding framework, which obliges Ukraine to align with European norms and standards. Some experts estimate that Ukraine will have to align its legislative base with some 350 legal acts of the EU during the AA implementation process. Yet it is difficult to compare Ukraine's obligations with the agendas of those partners who prefer to follow their own paths to building relations with the EU. In this regard, differentiation suggests the possibility of ›different speeds‹ for partners who have different visions



regarding cooperation with the EU. This approach is needed to maintain the participation of all six countries.

›More for More‹

The ›more for more‹ principle should be oriented to setting clear benchmarks and indicators for countries who demonstrate good progress to become engaged in more ambitious phases of the partnership, with an invitation to participate in the enlargement policy one of the ›carrots‹. To this end, the ENP review could be based on the understanding that each partner country has the sovereign right to choose the depth and ultimate aim of its relations with the EU, in line with Article 49 of the Treaty on European Union. The EU must offer the UMG Associate Countries the possibility of increased practical integration in the spirit of ›everything except institutions‹. At the same time, in order to implement the reform programmes in each of their AAs, these countries need expert and financial assistance from the EU.

The ›solidarity‹ principle must in turn serve to generate a common response to the common challenges we face in the region – from economic crises to Russia’s military aggression. At the moment, the level of political association and economic integration in the AA creates a framework for Ukraine to implement reforms, provided that all parts of the document are fully implemented, including the DCFTA provisions. The implementation process, which requires EU support, should receive emphasis.

Policy Focus

The areas of joint interest identified in the Consultation Paper cover most of the domains where our countries already interact or could cooperate. When it comes to Ukraine, we can clearly distinguish the priorities for active bilateral engagement. The new ENP must help Ukrainian authorities with the AA implementation process, using the methodology already tested on candidates for EU membership. The EU and Ukraine should also forge ahead with infrastructure connections and enhanced mobility – with a visa-free regime as its indispensable part. In this vein, more attention should be accorded to the following areas:

Strengthening Ukraine’s Institutional Capacity to Implement the Association Agreement

EU support for public administration reform in line with the European Principles of Public Administration and the European Charter of Local Self-Government should be oriented toward: implementing an effective system for policy-making, preparation, adoption and execution of government decisions on the basis of policy analysis at all levels of the public administration; setting up and ensuring the effective functioning of politically neutral, professional civil servants; introducing E-governance at all levels of public administration; improving the quality of administrative services for Ukrainian citizens; adopting and implementing laws that introduce decentralization reforms and build self-government capacity; absorbing the capacity development of central and local authorities to deal with the state budget and international technical assistance resources; and providing more assistance for implementing comprehensive anti-corruption reforms.

Energy Security

Other EU support should include: paying special attention to the possibilities of cooperating within the EU Energy Union initiative with Ukraine to create the crucial infrastructure; recognizing Ukraine as part of the general energy market through application of relevant EU energy legislation to minimize Russia’s ability to use its energy resources to exert pressure; creating a multilateral mechanism for early notification within the Ukrainian transit pipeline system, using telemetric control of the basic streams of energy resources (oil and gas first) and coordinating a mutual-aid procedure if deliveries are halted; enhancing transparency of the energy sector, introducing international financial reporting for all energy companies and improving access to statistical data; shifting the gas purchases point for European and Ukrainian energy companies from Ukraine’s western border to its eastern; and aligning energy legislation and practice with the ›Third Energy Package‹. Energy savings and efficiency, as well as market regulation of the energy sphere, are crucial for Ukraine.

Information Cooperation

EU support is needed to: build the capacity of independent media, especially efficient business models; revise the current approach to constructing the EU's image in Ukraine, expand tools to involve various target groups in society and strengthen the information presence as a way of popularizing EU values and ideas; create alternative Russian-language television channels; activate platforms for European consumers about Ukraine and other EaP countries and offer a range of media products on the political, economic, and social situation in partner countries; and introduce European practices of mass media regulation and establish cooperation between national regulators.

Mobility and People-to-People Contacts

EU support is also needed: for a visa-free regime for Ukrainian citizens' brief visits to the EU; to fully integrate the country into the EU's educational and research programmes – ERASMUS+, Creative Europe and Horizon 2020; to develop capacity-building programmes for Ukrainian civil society; and strengthen capacity and broaden the scope of action in organizations for internally displaced persons in Ukraine and facilitate the delivery of international humanitarian assistance.

Trade

In April 2014, Ukraine was granted autonomous trade preferences (ATPs), meaning that the EU unilaterally shifted or scaled down its tariffs for Ukrainian producers. However, this did not positively influence the bilateral trade balance for Ukraine. Compared with the previous year, Ukrainian exports to the EU increased by only 2.6 per cent in 2014. To create more sustainable economic and social development in Ukraine, the EU assistance should focus on: implementing the DCFTA provisions; reducing the regulatory burden for businesses and improving the tax administration's efficiency; increasing transparency and competitiveness in public procurement by adhering to the EU Public Procurement Directives; developing emergency mechanisms to preserve economic stability through possible temporary resource support for Ukraine or temporary concessionary terms of access to the EU market for critical goods (beyond the ATP regime) in case

of an extended trade blockade by Russia; campaigning to raise the Ukrainian business community's awareness of working conditions under the new economic realities; creating platforms to communicate with European partners, getting advice on joining industrial chains and providing access to cheaper credit resources for small and medium-sized enterprises (SMEs); introducing the DCFTA Facility, the joint financial tool of the European Commission and the European Bank for Reconstruction and Development (EBRD); developing a comprehensive strategy to attract investors from EU countries by taking advantage of the DCFTA regime; and allowing Ukraine to benefit from internal EU structural funds, such as participating in the Connecting Europe Facility (CEF).


The Regional Dimension

The Neighbours' Neighbour

The EaP initiative envisaged Russia's participation from the very beginning, but the Russian Federation has ruled out such an option and demonstrated no interest in taking part. Instead, the Kremlin used the partner countries' deeper relations with the EU as a pretext to exert pressure in various ways. Whilst designing ENP policy, the EU could elaborate instruments to motivate Russia to engage. However, Russia should first be forced to comply with EU demands to withdraw from Ukraine and restore its territorial integrity. The same principle should be applied in relations with the Eurasian Economic Union (EEU), a political project of the Kremlin. The EU should not make concessions to Russia regarding exceptions to the Third Energy Package in terms of transportation routes to the EU member states for Russian energy carriers, which could create additional risks of energy security for partner countries. The joint feasibility study on how the DCFTAs with Ukraine, Moldova and Georgia might impact the Russian economy is an example of what can be done in a trilateral format to prevent the Russian Federation from exerting further pressure and waging trade wars.

Security

The EU actively participated in negotiations for a political solution to the Russian-fuelled conflict in eastern Ukraine (in Geneva in April 2014, Milan in October 2014, and Minsk in August 2014 and February 2015). Diplomatic



efforts should be accompanied by extra efforts in the field of security. The EU should review its policy on regional presence in peacekeeping operations under the Common Security and Defence Policy (CSDP) and expand the mandate to the Eastern neighbourhood. Effective military-technical cooperation should be developed between the EU and Ukraine, creating industrial clusters to incorporate Ukraine's military potential into joint military production. Cooperation using ENP instruments in the framework of the Common Foreign and Security Policy (CFSP) and the CSDP should be enhanced to prevent threats from escalated conflict, organized crime and terrorism.

Multilateralism

It should be acknowledged that the multilateral track was part of the EaP policy's ›added value‹ – and its weakest chain. The partner countries' political differences and levels of European aspiration appear to indicate that all the EaP multilateral institutions were ineffective, making separation from the ›AA Club‹ quite natural. A multilateral sub-track must be provided with the relevant institutional base for dealing with the EU and the more comprehensive agenda that will follow. A multilateral track for six countries needs additional instruments to underpin the projects of common interest. More attention should be paid to creating communication platforms for economic cooperation between the EaP partner countries who have signed the DCFTA and those who have joined the Customs Union and the EEU. The political and economic base of such a format could strengthen contacts in the EaP region. Additional resources should be allocated to a special fund to support cooperation projects involving three or more partner countries.



About the Authors

Victor Chirila, Executive Director, Foreign Policy Association of the Republic of Moldova (APE), Chisinau

Kakha Gogolashvili, Senior Fellow, Georgian Foundation for Strategic and International Studies (GFSIS), Tbilisi

Rashad Hasanov, Senior Expert, Center for Economic and Social Development (CESD), Baku

Hennadiy Maksak, Polissya Foundation for International and Regional Studies, Ukraine

Boris Navasardian, President, Yerevan Press Club

Arseni Sivitski, Director, Center for Strategic and Foreign Policy Studies, Minsk

About the Editors

Felix Hett is the consultant for Belarus, the Russian Federation and Ukraine in the Department of Central and Eastern Europe at the Friedrich-Ebert-Stiftung, Berlin.

Sara Kikić studies European Studies (M.A.) in Mainz and was an intern in the FES Department of Central and Eastern Europe from April to June 2015.

Stephan Meuser heads the Friedrich-Ebert-Stiftung Regional Office in Kiev, Ukraine.

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Friedrich-Ebert-Stiftung | Department for Central and Eastern Europe

Responsible:

Dr. Reinhard Krumm | Head | Department for Central and Eastern Europe

Tel.: +49-30-269-35-7726 | Fax: +49-30-269-35-9250

<http://www.fes.de/international/moe>

Contact:

osteuropa@fes.de

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