



TROUBLE IN THE NEIGHBOURHOOD?

THE FUTURE OF THE EU'S EASTERN
PARTNERSHIP

Edited by Adam Hug

The Foreign Policy Centre



Trouble in the Neighbourhood? The future of the EU's Eastern Partnership

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First published in February 2015 by
The Foreign Policy Centre
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ISBN 978-1-905833-27-6

ISBN 1-905833-27-X

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Cover design by Catherine Burch, Cambridge Publishing

Printed by Intype Libra

Acknowledgements

This publication forms part of a new project by the Foreign Policy Centre and European Commission Representation in the United Kingdom, with kind support of the Universities of Birmingham and Edinburgh, as part of the Commission's 2014/15 Call for proposals from Universities and think-tanks.

The editor would like to thank his supportive colleagues Anna Owen, Deniz Ugur and Josephine Osikena at the Foreign Policy Centre. This project would not have been possible without the partnership with the European Commission Representation in the United Kingdom and in particular the support of Jan Krauss, Christine Dalby, Graham Blythe and Mark Williams. Similarly the support of Dr Kataryna Wolczuk and Dr Kevork Oskanian at the University of Birmingham and Dr Carmen Gebhard at the University of Edinburgh has been invaluable to the organisation of the project.

The editor is very grateful for the advice given by a number of academics, experts, officials, campaigners, and other key stakeholders to help inform the development of the research. Last, but not least, the editor would like to thank the authors who have very kindly given their time to participate in this publication and share their views.

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Trouble in the neighbourhood? The future of the EU's Eastern Partnership: Introduction

Adam Hug¹

The rapid flow of events since the late summer of 2013 have helped to catapult issues around the EU's Eastern Partnership (EaP) project from being a relative backwater of a topic for a few interested experts² and a few Eastern and Nordic member states to one of the defining geo-political fault lines of modern times. The conflict in eastern Ukraine still rumbles on at the time of writing but it is clear that the Eastern Partnership, Russia's eventual response to it and the differing responses by the six EaP member countries have helped transform an incremental technocratic exercise into a much bigger challenge for the EU than was first anticipated.

A potted history of the EU's Eastern Partnership project

The EU's Eastern Partnership project is an attempt to provide a strategic envelope for EU policy towards the six post-Soviet states to the west of the Caspian Sea: Georgia, Armenia, Azerbaijan, Moldova, Belarus and Ukraine. While these states are members of pan-European institutions ranging from the Council of Europe to UEFA and the Eurovision Song Contest, geographically they sit at the continent's edges³, a site of competition between western and Russian influences, as well as their own unique cultures.

The Eastern Partnership project has its roots in the longer standing European Neighbourhood Policy first proposed in a 2003 Commission Communication ahead of the 2004 EU Enlargement round, covering the southern Mediterranean and what it called the 'Western Newly Independent States' of Ukraine, Moldova and Belarus.⁴ The formal policy was agreed in 2004 and was expanded to include the South Caucasus.⁵ The Eastern Partnership itself came into being as the ENP increased its differentiation between South and East, first mooted in 2008 as an initiative by Poland and Sweden,⁶ which was then agreed at the 2009 Prague summit and has remained the overarching framework for the EU's policy towards its eastern neighbours ever since.

The broad aim of both EaP and ENP was to bring these states in the neighbourhood closer to the EU politically, economically and culturally with the hope of promoting stability, economic development, integration of transport and energy links and respect for the 'EU values' of democracy and good governance. The EaP policy envisages working with partner countries to deliver improvements across a number of agreed areas, both through bilateral negotiations and as part of a series of multi-lateral platforms on Democracy, good governance and stability (platform 1), Economic integration and convergence with EU policies (platform 2), Energy security (platform 3) and Contacts between people (platform 4).⁷ The initial goal was to enable the negotiation of an Association Agreement that would entrench cooperation through a commitment to shared goals and wide-ranging regulatory convergence with sections of the EU's rule book, the Community Acquis. The proposed centrepiece of such an agreement, presumed by the policy framers to be the biggest incentive for the Eastern Partners, would be the negotiation of a Deep and Comprehensive Free Trade Agreement to create a Deep and Comprehensive Free Trade Area (DCFTA) between the EU and the Eastern Partners, removing customs duties and quotas on virtually all goods and working to eliminate non-tariff

¹ Adam Hug is the Policy Director at the Foreign Policy Centre.

² Many of whom are included in this publication.

³ Indeed some classifications, e.g. the UN statistics division, put the South Caucasus in Western Asia.

⁴ Wider Europe — Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours, March 2003, http://eeas.europa.eu/enp/pdf/pdf/com03_104_en.pdf

⁵ EU Lex, Communication from the Commission - European Neighbourhood Policy - Strategy paper November 2003, <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52004DC0373>

⁶ European Neighbourhood Library, Polish-Swedish Proposal on the Eastern Partnership, 2008, <http://www.enpi-info.eu/library/content/polish-swedish-proposal-eastern-partnership>

⁷ EEAS, The Eastern Partnership Multilateral Platforms, http://eeas.europa.eu/eastern/platforms/index_en.htm

barriers to trade through regulatory convergence.⁸ To support these goals there are a range of funding mechanisms, most notably the new European Neighbourhood Instrument (ENI) that has been given an overall budget (including the Southern Neighbourhood) of €15.433 billion for the 2014-2020 period, alongside more traditional mechanisms such as the European Instrument for Democracy & Human Rights (EIDHR).⁹ The third major incentive for cooperation was the area of visa liberalisation and reform to make it easier for citizens of the Eastern Partners to make short stay visits to the Schengen Area, with the ultimate goal of visa-free travel, potentially one of the most tangible benefits of EU cooperation for the citizens of the partner countries.

The November 2013 Vilnius Eastern Partnership summit had initially been trailed as the event that would mark a transformative step in the project. It was hoped that Georgia, Moldova, Ukraine and potentially even Armenia would sign EU Association Agreements and DCFTAs in Vilnius, agreements that were eventually agreed in principle with the four countries ahead of the summit. The summit did perhaps mark a transformation, just not the one European policy makers had hoped for. The Eastern Partnership was transformed by events from a broadly technocratic exercise into a geo-political fault line between Europe (and the wider west) and Russia. The Vilnius summit eventually saw Georgia and Moldova 'initial' their agreements that would be signed the following summer, but the meeting had been overshadowed by events before the delegates arrived in Lithuania.¹⁰

Armenia was the first to break ranks with President Sargsyan attending a swiftly arranged summit in Moscow with President Putin in early September 2013 that was followed with somewhat less than subtle haste by an announcement that, in an abrupt public policy shift, Armenia would instead be joining the Customs Union of Belarus, Kazakhstan and Russia. An even more seismic shift was to follow a week before Vilnius, when after months of prevaricating and manoeuvring to try and extract more favourable terms from Brussels, then President Yanukovich decided to end meaningful steps towards a full EU-Ukraine Association Agreement and DCFTA¹¹ and instead opted under heavy Russian pressure to join the Customs Union. This fateful decision lit the spark for the Euromaidan (Euro Square) protest movement that placed the issue of Ukraine's European identity at the heart of the country's internal political and identity struggles, leading to the February 2014 Ukrainian Revolution with the flight and impeachment of Yanukovich, and in turn to the Russian occupation of Crimea and the current conflict in the eastern provinces of Donetsk and Luhansk.

This essay collection examines some of the core policies that underpin the Eastern Partnership approach, looking at how they and the institutions that implement them have developed in recent years. It examines the role played by a number of member states and the influence of the European political environment and public attitudes, looking at how they influence the EU's ability to act effectively in the Eastern Neighbourhood. The collection also explores the increasing strategic competition from the nascent Russian-led Eurasian Economic Union (EEU) built around the Eurasian Customs Union (ECU)¹² as Moscow seeks to firmly restate its influence in its near-abroad, an alternative prospectus with a number of elements more palatable to some of the Eastern Neighbourhood's more authoritarian states.

While a number of the multi-lateral components of policy have relevance to Belarus, given that the country has never engaged in Eastern Partnership's bilateral track and does not have an action plan

⁸ For example: EEAS, EU-Georgia Deep and Comprehensive Free-Trade Area, February 2014, http://eeas.europa.eu/delegations/georgia/documents/eap_aa/dcfta_guide_2014_en.pdf

⁹ European Neighbourhood Info Centre, The European Neighbourhood Instrument (ENI), <http://www.enpi-info.eu/ENI> ENI supersedes the previous European Neighbourhood and Partnership Instrument (ENPI) which had a €11.2 billion budget for 2007-2013.

¹⁰ Council of the European Union, Joint Declaration of the Eastern Partnership Summit, Vilnius, 28-29 November 2013 Eastern Partnership: the way ahead, http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/139765.pdf

¹¹ BBC News, Ukraine suspends preparations for EU trade agreement, November 2013, <http://www.bbc.co.uk/news/world-europe-25032275>

¹² As the Belarus-Kazakhstan-Russia Customs Union was reformulated with the accession of Armenia and Kyrgyzstan in January 2015.

under ENP, it does not receive a country specific essay in this collection. Indeed with its integral membership of the Customs Union and the coming EEU, alongside continued membership of previous post-Soviet institutions¹³ and an authoritarian government subject to individual EU sanctions, this situation seems unlikely to shift dramatically under the current regime, despite recent signs of concern in Minsk about the lack of independence given to it in the current state of affairs.¹⁴ Therefore, this publication will focus its analysis of the impact of the Eastern Partnership on Georgia, Armenia, Azerbaijan, Moldova and Ukraine.

What our authors say

This publication brings together the viewpoints of a number of Eastern Partnership experts to attempt to give an effective overview of some of the key issues at hand. The arguments they put forward are briefly summarised below.¹⁵

Hrant Kostanyan evaluates the latest changes to the EU's institutional structure relevant to Europe's eastern neighbourhood, situating them in the EU's wider post-Lisbon institutional architecture. He analyses turf wars between the European External Action Service and the European Commission, as well as the difficulties of achieving consensus among the EU members. He cautions that an effective EU common policy for the eastern neighbourhood requires better institutional coordination and stronger backing by EU member states.

Dr Rilka Dragneva and **Dr Katarzyna Wolczuk** state that Eurasian integration has been rapidly constructed by Russia, Kazakhstan and Belarus and then widened to Armenia. Notable investment has been made in the legal and institutional design, yet the project is unlikely to promote modernisation and economic growth in Belarus and Armenia. The project is premised upon and reproduces existing political, legal, administrative and economic structures rather than challenges them.

Prof Rick Fawn writes that an under-utilised actor in the Eastern Partnership is the Visegrad Group (VG) of the Czech Republic, Hungary, Poland and Slovakia. Often misinterpreted as too unassuming, VG offers opportunities to advance key EU objectives towards EaP countries, including in those countries now more at odds with the EU. Fawn outlines four ways that Visegrad serves EU aims towards the Neighbourhood and argues that it is a tested and successful instrument that should be further supported.

Dmytro Shulga argues that by annexing Crimea and militarily invading Donbas, Russia crossed a red line as it broke the basic principles of international law and that Ukraine's defeat would mean the defeat of the EU as well. Thus the EU's policy towards Russia should involve maintaining the sanctions and making normalisation of relations conditional on a full Russian withdrawal from Ukraine, including Crimea. At the same time, the EU needs to substantially beef up its support for Ukraine through increased defence capabilities, macro-economic stabilisation, energy independence and successful reforms. Granting a visa-free regime for short-term travel and a European membership perspective would confirm the fact that the EU's and Ukraine's destinies are bound together.

Denis Cenuşa believes that the European integration of Moldova faces problems caused by gaps in communication between the pro-European political elite and large sections of its citizens. These communication problems, particularly around the Association Agreement, have opened up the

¹³ Such as the Collective Security Treaty Organisation and indeed a unique Union State institution binding it structurally to Russia.

¹⁴ Something perhaps evidenced in renewed EU dialogue on visa reform and attempts to assert a differentiated position in relation to Ukraine from Moscow, including playing host to a series of peace conferences.

¹⁵ This author (Adam Hug)'s contribution immediately follows this section.

public space for anti-EU rhetoric. Public support for European integration is damaged by the inefficiency of the reforms carried out by the pro-European coalition.

Ana Dvali and **Giorgi Kanashvili** argue that EU integration is one of the top priorities of Georgia's foreign policy, reflecting a broad positive consensus amongst both the political elite as well as the broader public, with expectations quite high that it will help to solve domestic problems. Their essay has three goals: firstly, it tries to show the expectations and dispositions towards the EU in Georgia, secondly it looks at to what extent EU policies and programmes cohere to these expectations and finally it summarises the risks which may prevent the effective realisation of these expectations.

Dr Kevork Oskanian notes that Yerevan had been able to participate in Brussels' various programmes – including the Eastern Partnership – despite (or because) of its deep military-strategic dependence on Moscow. The emergence of the ECU as a forcefully promoted alternative has ended the permissive conditions for such 'complementary' policies. While Armenia's entry into the ECU is opposed by only a small section of its society, uncertainties surrounding the Eurasian project propel Yerevan towards continued engagement with the EU. Oskanian believes the absence of strong incentives and a deepening dependence on Russia will, however, most likely limit the transformational effects of such European interaction.

Tural Abbasov believes that since the dissolution of the Soviet Union, Azerbaijan's main political priority has been its integration with Europe. The overall integration process has been somewhat positive if not coherent. Progress has been made in the area of economic cooperation through the Energy Security Agreement, trade deals, tax system reform and some tangible improvements in the training of the judiciary. Azerbaijan and the EU have also signed Visa-Facilitation and Readmission Agreements. However, commitments on promoting democracy, human rights and rule of law have been put on the backburner. Following the conflict between Russia and Ukraine, Azerbaijan wants to avoid signing an Association Agreement with the EU. Instead Baku has proposed a Strategic Modernization Partnership (SMP) that would further develop economic relations and would not put responsibilities on the government to develop democracy, human rights, rule of law. The EU is inclined to sign an SMP with Azerbaijan but if it is adopted it will serve the interest of political elites and will postpone democratization process of Azerbaijan for an unknown period of time. Therefore, EU should think twice if it does not want to sacrifice its values for its economic interests.

Challenges for the EU's Eastern Partnership

Adam Hug

As the EU conducts its internal review of the state of progress of Eastern Partnership (EaP) in the run up to the May 2015 Riga Summit, there is an opportunity to take stock of what has happened and respond to a dramatically different environment to that envisaged at the founding of the European Neighbourhood Policy or Eastern Partnership. This collection contains a wide range of viewpoints from experts looking at both the state of EU policy and at the situation in the Eastern Partner Countries. The editor's contribution here seeks to add a few elements to the debate and draw additional focus to some others.

Institutional arrangements

The mechanisms in Brussels relevant to EaP have been undergoing some modifications following the arrival of the new Juncker Commission and in reaction to recent events. The position of European Commissioner for Enlargement and European Neighbourhood Policy held by Štefan Füle from 2009-14 has been rebranded as the European Commissioner for European Neighbourhood Policy and Enlargement Negotiations (Johannes Hahn). This title shift may seem like semantics, but it gives a sense of shifting priorities given that Hahn has stated there will be no new EU members within the five-year term of the current Commission.¹⁶ This shift in emphasis has been underpinned by a sensible realignment of officials within the Directorates General. Although the External Action Service remains home to the political desks covering Eastern Partnership, the officials responsible for implementing funding for projects have been transferred from their positions in the Development DG (DEVCO) to join the enlargement officials in a newly formed DG NEAR.

DG NEAR will help coordinate the delivery of the new European Neighbourhood Instrument (ENI) budget, around 80% of which will be delivered through budget support to meet the set of priorities agreed with partner governments.¹⁷ The remaining 20% is split between general capacity-building (15%) and direct support for civil society projects (5%), so the amounts guaranteed to directly go to civil society organisations are not as high as many observers would like, particularly in those countries where budget support means assistance to an authoritarian government. However delegations are being given greater flexibility in how they apportion funding.¹⁸ Civil society groups have raised concerns about how the competitive application process can create and fuel divisions between groups and activists with similar aims, and that the minimum contract size of the main EU funding instruments (excluding the independent European Endowment for Democracy) discourages smaller, often local groups from being able to benefit from funding when compared to large multi-national organisations. While Commission officials make the case for competition improving project quality;¹⁹ they note that individual delegations in Georgia and Ukraine have recently put out calls for NGO coalitions and that since 2012 the EU has more strongly encouraged sub-granting, around 10% of project total, to bring smaller groups into the process.

While unlikely to plough an entirely new furrow, the priorities of the new Commissioner and High Representative can shift the emphasis of EU work in the region, particularly at this time. Commissioner Hahn's instincts are believed to be supportive of a business/economically focused approach that is flexible and responsive to the needs of specific countries to make them feel

¹⁶ RFE/RL, Incoming Commissioner Says No EU Enlargement For Five Years, September 2014, <http://www.rferl.org/content/hahn-eu-enlargement-warning/26613605.html>. Although this is message ostensibly directed at the Western Balkans, with no Eastern Partner currently on the accession track, it underscores the message that enlargement isn't high on the Brussels agenda at the moment.

¹⁷ Though there is some scope for these funds to be allocated to performance monitoring.

¹⁸ EEAS, European Neighbourhood Instrument 2014-2020 - Programming documents, http://eeas.europa.eu/enp/documents/financing-the-enp/index_en.htm and for example http://eeas.europa.eu/enp/pdf/financing-the-enp/georgia_2014_2017_summary_of_the_programming_document_en.pdf

¹⁹ Indeed suggesting that there will continue to be an upward trend in the minimum size of the primary contract/grant given the ease of monitoring outcomes.

welcome, an approach that could encounter problems when the EU is faced with challenges to its stated values that should not be welcomed. High Representative Mogherini will be acutely aware that, prior to her appointment, her perceived closeness to Russia caused concern amongst a number of member states, commentators and partners. Therefore one of her key tasks must be to build a rapport, especially with Ukraine, to reassure them that she is supportive of their aspirations and understands the challenges they face.

‘Enlargement-lite’ – The same great regulatory approximation with 100% less membership!

One of the fundamental fault-lines that still plagues Eastern Partnership (and ENP) has been present and commented on since its foundation – that the EU seeks to achieve similar goals (democratisation, economic development, integration and stability) to that achieved in Eastern Europe through the 2004 and 2007 enlargements, with a similar process of aligning partner laws and processes with EU norms but without the same political will, financial resources or the ultimate prize of EU membership.

The issue of membership is specifically not addressed in the Eastern Partnership process, with the outcome of a fully implemented Association Agreement and a Deep and Comprehensive Free Trade Area (DCFTA) set as a goal in and of itself rather than as a formal stepping stone to full membership, continuing the ‘everything but the institutions’ messaging of the ENP. Nevertheless, at such a point of full implementation, the Eastern Partner would have taken significant practical steps towards aligning its legal and regulatory practices that would make future more membership possible so the question of what to do then still hangs in the air. To be clear, the governments of Belarus, Azerbaijan and Armenia have firmly stated that they would not be interested in full EU membership even if it was offered, a position challenged by only reasonably small elements of their civil societies. On the other hand, the current governments of Ukraine, Moldova and Georgia have expressed their desire to one day join the club. Historically, public opinion in the first two countries has been extremely divided in their opinions on EU integration, though events in eastern Ukraine have both hardened Ukrainian attitudes towards Russia and have currently removed the strongest anti-EU voices from its polity through attempted secession.²⁰ In the previous environment of relative Russian passivity towards Eastern Partnership, a number of partner governments (most notably Ukraine and Armenia) sought a balanced policy, seeking the best of both worlds between Brussels and Moscow.²¹ Russia’s decision to force a choice, and its subsequent punitive actions, has helped bring the question of eventual EU membership for the Eastern partners to a head, a debate many in the Union had hoped to postpone for a very long time, if not indefinitely.²² The sheer size of Ukraine, the geographic location of Georgia, the societal divisions in Moldova, along with the current economic development levels and unresolved conflicts in all three make the idea of membership an incredibly daunting challenge that the EU would really rather not have to consider at the moment. However there is real concern that without a public commitment to the opportunity of an eventual full and equal European future through membership for these three, now associated, states, it will be difficult to sustain the momentum behind the difficult reforms that are both needed and mandated in the Association Agreements in the face of Russian pressure.

The EU’s formal enlargement process has two tiers: candidate countries (Turkey, Serbia, Montenegro, Iceland, Macedonia and Albania) and potential candidate countries (Bosnia and Herzegovina and Kosovo) who have been promised the ability to start the process when both parties agree they are ready, given the EU’s decision in 2000 that the entire Western Balkans should be

²⁰ This of course poses a major peace building challenge in the event of any future successful reintegration of the breakaway regions.

²¹ A position to some extent Azerbaijan still holds to.

²² Of course if Russia was to take a more emollient position, it is far from inconceivable that future Ukrainian, Moldovan or Georgian governments might prefer not to take up any offered EU membership, reverting to a position of balancing the two powers.

eligible for membership if they met the criteria.²³ To become potential candidates the EU needs to make the in-principle commitment that if they were to meet the criteria and wish to join, then the Eastern Partners (in reality Ukraine, Georgia and Moldova) would have the right to do so. This involves making a fundamental decision about where the borders of 'Europe' lie – given that Article 49 of the Treaty of the European Union says that any European state can apply to join – and the fundamental nature of the EU of the future.²⁴ However, despite the case for ultimately welcoming these countries into the European family over the (very) long term²⁵, it is extremely difficult to disentangle such a decision for the (far) future, not only from the current instability in the region, but also from the significant EU domestic political impact such a choice would have in the short term. So there remains a distinct lack of political will at present for making such a dramatic step.

EU attitudes

The fractious and insular post-crisis austerity European political environment is not conducive to grand dreams of embedding the Eastern Partnership states within the Union, or indeed to the EU being at its best in its response to the present situation in Ukraine.²⁶ The unresolved question on whether 'enlargement-lite' is a substitute for or precursor to eventual membership of the EU is not only a matter shaped by the bilateral relationships between the six capitals, their peoples and Brussels. It is also framed by the political context of rising euroscepticism across the continent, with the twin challenges of austerity and immigration fuelling support for the radical (and sometimes far) right and left. This means political capital that at other times could have been spent consolidating the EU's position in Ukraine, Moldova and Georgia is being deployed to preserve existing institutions from the Eurozone to the principle of free movement within the existing 28 member states. This may be seen as a lack of strategic ambition or navel gazing but it is politics, and is inevitable with such disparate challenges as a potential UK exit from the EU in 2017 and a possible Greek withdrawal from its agreed debt arrangements (and potentially the euro) following the victory of the radical left Syriza in the January 2015 elections.

Even if putative EU membership for a country of Ukraine's population size were to come with dramatically extended transitional controls over access to the EU labour market, the political impact of accepting the principle of Ukrainian accession could spark a storm across Europe. For example, the UK has traditionally been an advocate for the EU's eastern enlargement; however in the wake of domestic immigration concerns from the 2004 and 2007 expansions, the current Conservative-led government has been leading the charge on the extension of transitional controls for any future Western Balkan accession and even floating attempts to rewrite the existing freedom of movement rules to reduce internal migration. With immigration from the recent rounds of EU enlargement a hot topic across Western European recipient countries, it is harder for European leaders to make the case for future enlargement to their own peoples, even if the practical impact (i.e. any future membership and eventually labour market access for an Eastern partner) could be decades away.²⁷

The EU priorities in the Eastern Neighbourhood are not only shaped by current political concerns but also by longer-standing strategic positions and economic ties. For example, there remains a

²³ European Council, Presidency Conclusions, Santa Maria Da Feira European Council, June 2000, http://www.consilium.europa.eu/en/uedocs/cms_data/docs/pressdata/en/ec/00200-r1.en0.htm. For current accession status information see here: http://ec.europa.eu/enlargement/countries/check-current-status/index_en.htm

²⁴ EU-Lex, Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union (see Article 49) <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:12012M/TXT>

²⁵ Based on expanding the EU economic area, entrenching democracy and stabilising interactions, indeed the primary goals Eastern Partnership sought to deliver without membership.

²⁶ For analysis on the UK situation see The FPC's Renegotiation, Reform and Referendum: Does Britain have an EU future?, February 2014, <http://fpc.org.uk/publications/rrr>

²⁷ Given the backdrop of the increasingly heated debate about immigration it is perhaps unsurprising that officials report that some richer member states have been more resistant to the Eastern Partnership visa liberalisation process than others. However they are confident that the progress made so far may help assuage fears with the experience in practice of the rejection of only around 15 Moldovan applications, compared to the processing of around 300,000 within the Schengen area since the procedures came into effect.

longstanding strand within German foreign policy thinking that prioritises engagement over confrontation with Russia stemming back to the cold war *Ostpolitik* of the late 1960s, a policy that dovetails with its sizable business interests in that large export market.²⁸ While the recent crisis in Ukraine has seen Chancellor Merkel take a firm position against Russian incursions, there remain forces in her grand-coalition partner, the centre-left SPD, who wish for a more emollient approach. Other European member states with economic interests in Russia, such as Austria, have pushed a more emollient line around the current conflict,²⁹ while there are long-standing links between the Orban government in Hungary and Moscow.³⁰ The new Syriza-led Greek government has already shown it is willing to challenge the EU mainstream position within hours of its election, rejecting an EU communiqué criticising Russia over an attack on Mariupol and expressing its standing objection to current sanctions.³¹ Syriza's position here when combined with its understandable desire for the EU to focus political and economic resources on the Greek economic situation do not bode well for new EU measures to support Ukraine or indeed the other eastern partners.

The Trouble in the Neighbourhood: The EU and the Eastern Partner Countries

Perhaps the two largest and most critical bi-lateral relationships for the future of EU Eastern Partnership that need to be addressed are around the future approach to Ukraine and Azerbaijan.

Ukraine

As the conflict in Eastern Ukraine continues to rage at time of writing, the size of the problem facing the EU over how to resolve the current stand-off and help stabilise Ukraine politically and economically is immense. A senior British observer described the scale of the challenge as akin to German reunification, but without the comparable political and economic resources to respond to it.

To some extent the EU has been here before. In the winter of 2004-5 people power on the streets of Kiev prevented an attempt at election falsification that would have installed Viktor Yanukovich as President but instead led to the election of a Western sympathetic reformer in Viktor Yushchenko. The 'Orange Revolution' was notable both for the way in which it stuck in the Russian political psyche, as part of what it claimed was Western orchestration of a series of revolutions against Moscow's interests³², and the way the EU and US failed to turn warm wishes into enough financial and political support for an administration that collapsed under the weight of internal bickering, economic problems and Russian pressure. The question then is what has the EU learned from last time?

The EU is now faced with the question of how to stabilise and reform a structurally weak Ukrainian economy that contracted 7% in 2014 while dealing with an active conflict in its industrial heartlands.³³ The EU has clearly decided to play second fiddle to the IMF in terms of providing short-term funding to prevent the Ukrainian economy's immediate collapse, with the government of Ukraine due to make debt repayments of \$19 billion over the next three years (peaking at \$9.7 billion due in 2015 including \$3 billion to Russia). While the EU has offered an additional €1.8 billion

²⁸ With the two perhaps meeting in the figure of former Chancellor Gerhard Schröder who has been actively involved in Gazprom projects such as the NordStream pipeline.

²⁹ Michael Shields, Austria says EU must not seek collapse of Russian economy, Reuters, December 2014, <http://www.reuters.com/article/2014/12/20/us-ukraine-crisis-russia-austria-idUSKBN0JY0IY20141220>

³⁰ Andrei Sannikov, Why is Europe turning its back on Ukraine?, October 2014, http://www.theguardian.com/world/2014/oct/28/-sp-ukraine-russia-europe-andrei-sannikov?CMP=share_btn_fb

³¹ Sam Jones, Kerin Hope and Courtney Weaver, Alarm bells ring over Syriza's Russian links, January 2015, <http://www.ft.com/cms/s/0/a87747de-a713-11e4-b6bd-00144feab7de.html#axzz3Q6axOvmP>

³² Following on from the 2003 Georgian Rose Revolution and before the 2005 Kyrgyz Tulip Revolution it became bundled into the concept of 'colour' revolutions.

³³ Tomas Hurst, Ukraine Faces Bankruptcy If It Cannot Secure A \$15 Billion Bailout 'Within Weeks', UK Business Insider, <http://uk.businessinsider.com/imf-ukraine-faces-bankruptcy-over-15-billion-bailout-2014-12#ixzz3Q8axiWWD>

euros in medium-term loans for 2015, following on from €1.36 billion in given 2014,³⁴ pressure is mounting on the IMF to take the lead in addressing the \$15 billion funding shortfall it has identified, in addition to the \$17 billion it has already provided.³⁵

As George Soros has recently pointed out, the amount of money being put forward by the EU is not consistent with the scale of the challenge.³⁶ Soros argues that unused funds held in the Balance of Payments Assistance Facility and the temporary European Financial Stability Facility (replaced by the European Stability Mechanism for future Eurozone loans) could be deployed to assist Ukraine. Renewed fears over Greece's future in the euro may create even greater impediments than normal to extending EU member-only facilities to handle challenges in a stricken Eastern Partner. However if changing the access criteria to existing schemes are deemed not appropriate, the EU needs to find new ways to provide Ukraine with macro-economic assistance and help negotiations with creditors around restructuring its 2015-17 debt repayments. Of course the EU has a broader set of economic objectives than stabilising Ukraine's short-term finances. The EU is committed to providing development grants of at least €1.4 billion in the 2014-2020 period through mechanisms including the ENI.³⁷ The EU strategy also involves leveraging lending from the EU's European Investment Bank (EIB) and the independent financial institution the European Bank for Reconstruction and Redevelopment (EBRD). There may be scope to expand EIB loans for structural reform projects from its current stock of €2.1 billion in loans (up to €3 billion envisaged in the 2014-2020 financial period) to a figure closer to the €10 billion or more suggested by Soros, while the EBRD is due to commit €5 billion over the same period.³⁸ EIB loans are being given to help support gas sector reforms that will be critical if Russia chooses to use this coercive lever again in the future.

The EU's approach on trade will be critical to Ukrainian economic success. The implementation of the DCFTA has been delayed to 1st January 2016 due to Russian threats of dramatically restricting Ukraine's ability to export into Russia if even legislative preparation was made for future DCFTA implementation. Moscow has been pushing to remove 2,000 Ukrainian products from the list covered by the DCFTA³⁹ and has already instituted a punitive series of border checks and food safety restrictions on Ukrainian products.⁴⁰ As Michael Emerson points out, Russia could only really be 'flooded' with tariff-free imports from the EU if Ukraine was able to break WTO country of origin rules without Russian customs officials noticing.⁴¹ Russian exporters do have genuine concerns about meeting the new health and safety standards that will be applied to the Ukrainian domestic market following DCFTA implementation, though EU officials have offered flexibility in the transition period. The EU unilaterally removed customs import duties on a wide range of Ukrainian goods upon following the signing of the Association Agreement, with Ukraine not required to reciprocate until 2016. While DCFTA implementation in Ukraine is necessary to ensure its goods are ready for European markets and structural reform will be the key to their competitiveness, there remains a

³⁴ European Commission, EU-Ukraine: Commission proposes further €1.8 billion in macro-financial assistance, January 2015, http://europa.eu/rapid/press-release_IP-15-3020_en.htm

³⁵ Shawn Donnan and Neil Buckley, IMF pressed to increase lending to Ukraine, Financial Times. January 2015, <http://www.ft.com/cms/s/0/26cbe0b2-a413-11e4-b01e-00144feab7de.html#axzz3Q6axOvmP>

³⁶ George Soros, A New Policy to Rescue Ukraine, New York Review of Books, January 2015, <http://www.nybooks.com/articles/archives/2015/feb/05/new-policy-rescue-ukraine/>

³⁷ European Commission, European Commission's support to Ukraine, March 2014, http://europa.eu/rapid/press-release_MEMO-14-159_en.htm

³⁸ European Investment Bank, EIB President Werner Hoyer visit and EU commitment to supporting Ukraine, December 2014, <http://www.eib.org/infocentre/press/releases/all/2014/2014-269-eib-president-werner-hoyer-visit-and-eu-commitment-to-supporting-ukraine.htm>

³⁹ Robin Emmott, Putin warns Ukraine against implementing EU deal –letter, September 2014, <http://www.reuters.com/article/2014/09/23/us-ukraine-crisis-trade-idUSKCN0H1T820140923>

⁴⁰ Denis Cenusă, Michael Emerson, Tamara Kovziridse and Veronica Movchan, Russia's Punitive Trade Policy Measures towards Ukraine, Moldova and Georgia, September 2014, <http://www.ceps.eu/book/russia%E2%80%99s-punitive-trade-policy-measures-towards-ukraine-moldova-and-georgia>

⁴¹ Michael Emerson, Russia's economic interests and the EU's DCFTA with Ukraine, Euractiv, June 2014, <http://www.euractiv.com/sections/europes-east/russias-economic-interests-and-eus-dcfta-ukraine-303066>

case for pushing back the date at which import duties on EU goods entering Ukraine begin to be removed, extending the existing asymmetry to ease the transition period for Ukrainian firms. The current crisis requires a creative economic response that prioritises the needs of Ukraine over those of EU exporters and other interests.

What to do about Azerbaijan?

If Ukraine poses the biggest strategic challenge to the EU's Eastern Partnership then Azerbaijan perhaps creates the greatest tactical conundrum. Thanks to its oil and gas reserves that are of considerable interest to the EU, Azerbaijan has the highest GDP per capita of the Eastern Partnership states.⁴² It has also for some time had some of the worst human rights and governance standards in the Eastern Partnership,⁴³ second perhaps only to Belarus as the most repressive regime. Over the last two years the Azerbaijani government has made vigorous efforts to challenge its colleagues in Minsk for that dubious title. Azerbaijan then poses a very real challenge for European policy-makers setting their (short- to medium-term) economic (and some would say strategic) interests against their avowed human rights values. It also poses a challenge on how to deal with a regime has no real interest in the Eastern Partnership's key tools – the offer of an Association Agreement and a DCFTA – and over the relative merits of engagement and political pressure.

Azerbaijan's potential as a provider of and conduit for natural gas supplies coming into Europe from non-Russian sources sometimes lead to it being described as a strategic partner for the EU.⁴⁴ For much of the previous decade the EU had been giving considerable support to a proposed pipeline project called NABUCCO that would have provided a European owned pipeline to transport Azerbaijani gas from the Turkish-Georgian border to Vienna.⁴⁵ The EU's strategic dream died in 2012 when after years of political manoeuvring the governments of Azerbaijan and Turkey decided to move ahead instead with their jointly owned Trans-Anatolian Pipeline (TAP) to move the gas across Turkey, removing any European control to the supply before it arrives at the EU border.⁴⁶ The amount of additional gas Azerbaijan will be able to provide through TAP to European markets upon development of the Shah Deniz II gas field is around 10BCM per year, a useful but not game-changing 2% of the EU's current 500 BCM annual gas requirement.⁴⁷ Given the wider changes in global gas markets that have seen the rise in the use of shale gas, particularly in the US, and the knock-on effect of this freeing up liquid natural gas supplies to EU member states, it means that despite increasing tensions with Russia, the strategic impact of Azerbaijani gas is not what it once might have been. Nevertheless Azerbaijan's oil and gas make it a significant commercial partner in a way that other Eastern Partnership states are not, offering a market for European goods and services, from London taxis to the designer brands soon to be sold from the upcoming Harvey Nichols Baku (or indeed purchased from its London store by the globally mobile Azerbaijani elite).⁴⁸

As touched on above, the human rights situation in Azerbaijan has become increasingly fraught. Only a few years ago Azerbaijan was known for its vibrant cohort of domestic civil society activists and independent journalists battling to hold a semi-authoritarian regime to account. They have been thoroughly squeezed by a government increasingly intolerant of both domestic and international

⁴² \$7812 in 2014, The World Bank <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>

⁴³ For more see the FPC's 2012 publication Spotlight on Azerbaijan, May 2012, <http://fpc.org.uk/publications/spotlight-on-azerbaijan>

⁴⁴ It has larger oil reserves but global oil markets more fluid and less at risk to pressures on specific pipeline routes.

⁴⁵ Owned by Austria's OMV, Hungary's MOL, Romania's Transgaz, Bulgaria's Bulgargaz, Germany's RWE and Turkish state energy firm BOTAŞ. With an initial capacity of 31 billion cubic metres (BCM), its long term viability relied its ability to attract additional gas supplies from other sources, either Northern Iraq or from Turkmenistan and Kazakhstan through a long-mooted but never developed Trans-Caspian pipeline.

⁴⁶ Nabucco limped on for two more years as the truncated Nabucco West plan that would have taken the gas at the Turkish border before that two was rejected in favour of the shorter Trans Adriatic pipeline that would have taken gas from Greece to Italy.

⁴⁷ Guy Chazan, Azerbaijani gas pipeline aims to carve out a niche across Europe, January 2014, <http://www.ft.com/cms/s/0/174b403e-6c87-11e3-ad36-00144feabdc0.html#axzz3O3r1uelt>

⁴⁸ See London Taxis, LTC sells another 500 TX4S into Azerbaijan! <http://www.london-taxis.com/newsArticle.asp?NewsId=62> and Harvey Nichols Baku, <http://www.harveynichols.com/store/international/baku/>

criticism of its actions. Many of civil society's leading lights have either had to dramatically mute their critiques, change careers, leave the country or face jail. In an unprecedented crackdown on dissent has seen activists old and young jailed, from veterans Leyla and Arif Yunus, to leader of the Art for Democracy Movement Rasul Jafarov and award-winning investigative journalist Khadija Ismailova, held pending trial.⁴⁹

The EU has yet to face the sustained political attack that US donors and institutions have been facing, from NDI to Radio Free Europe/Radio Liberty who had their offices closed in 2014, with sustained attacks on US grantees, such as internationally respected media organisation IREX and the local branch of Oxfam.⁵⁰ The US was also recently the primary recipient of a 60-page criticism by the head of the Presidential Administration Ramiz Mehdiyev who, echoing similar Russian attacks, accused NGOs in receipt of foreign funding as being a 'fifth column' whose purpose was to deliver a 'colour revolution'.⁵¹ Nevertheless it is worth noting that the grantees with the three programmes on areas most critical of the Azerbaijani government in the 2010-2014 European Instrument for Democracy and Human Rights (EIDHR) have been forced to close, with their local leaders forced into hiding (The Institute for Reporters' Freedom and Safety's Emin Huseynov), into exile (Human Rights House's Vugar Gojayev) or jail (Election Monitoring and Democracy Studies Center's Anar Mammadli).⁵² After a further tightening of the law on NGOs in early 2014, Ministry of Justice approval is now required for international grants and there is now a legal prohibition to making payments to unregistered NGOs.⁵³ Given the difficulty fully independent human rights NGOs have in operating on the ground in Azerbaijan, the EU should strongly look at utilising diaspora groups for funding opportunities provided by the ENI and EDIHR, echoing the approach of the recently established European Endowment for Democracy that was designed to be a more flexible funder.⁵⁴

Azerbaijan's relative prosperity means that the importance of EU budget support is lower than in other partners, while the nature of the relationship limits the scope of collaboration. The EU has allocated between €77 million and €94 million to the relatively uncontroversial areas of regional and rural development, justice sector reform and education and skills development.⁵⁵ Nevertheless there may be scope to further condition some of the investment that would be given directly to government agencies and local municipalities upon internal political developments.

Any EU engagement must take the seriously the deep divides in the country caused by the unresolved Nagorno Karabakh (NK) conflict from the early 1990s, that has left Armenia in control of NK and seven surrounding Azerbaijani regions, an occupation that has left 606,363 internally displaced people (IDP) within Azerbaijan.⁵⁶ While the IDP issue is used as rhetorical device to deflect Western criticism from issues that are the direct responsibility of the Azerbaijani government onto the plight of the victims of a multi-national intractable conflict, it doesn't mean that the issue is not both a real and a fundamental scar impeding the political and strategic development of that

⁴⁹ OSCE Representative on Freedom of the Media, Arrest of journalist latest case of crackdown of free media in Azerbaijan, says OSCE Representative, OSCE, December 2014, <http://www.osce.org/fom/130076>

⁵⁰ RFE/RL, RFE/RL Baku Staff Called For Questioning One Day After Bureau Raid, December 2014, <http://www.rferl.org/content/media-watchdog-condemns-raid-on-rferl-baku-office/26765074.html>

⁵¹ Contact.Az, Mehdiyev Accuses US of 'Color Revolution', December 2014, <http://www.contact.az/docs/2014/Politics/120400098728en.htm#.VMaWXS7QCjG>. For the full text in Russian visit <http://www.1news.az/chronicle/20141203110515850.html>

⁵² EUAID, European Union Funding to Civil Society in Azerbaijan, 2012,

http://eeas.europa.eu/delegations/azerbaijan/documents/press_releases/2010-grants-brochure-final_en.pdf

⁵³ Many groups were never allowed to register in the first place. See Statement by the spokespersons of EU High Representative Catherine Ashton and Commissioner Štefan Füle on the enactment of amendments to the legislation on non-governmental organisations in Azerbaijan, February 2014, http://eeas.europa.eu/statements/docs/2014/140212_01_en.pdf

⁵⁴ EU Neighbourhood Info Centre, Azerbaijani TV broadcaster wins first European Endowment for Democracy grant in time for presidential elections, October 2013, <http://www.enpi-info.eu/eastportal/news/latest/34646/Azerbaijani-TV-broadcaster-wins-first-European-Endowment-for-Democracy-grant-in-time-for-presidential-elections>.

⁵⁵ EU Commission, International Cooperation and Development-Azerbaijan, https://ec.europa.eu/europeaid/countries/azerbaijan_en

⁵⁶ UNHCR, Azerbaijan, July 2014, <http://www.unhcr.org/pages/49e48d1e6.html>

country.⁵⁷ Ensuring that IDP issues remain a high-profile element of EU engagement with Azerbaijan will be important over the coming years, looking at technical support measures, finance if needed and steps to ensure that the IDPs not forgotten diplomatically. Therefore it is both expedient and right for the EU to support measures for conflict resolution; however EU and member state support for people-to-people 'track two' contact with Armenian civil society has faced both sustained rhetorical attack from the government of Azerbaijan and pressure on the NGOs participating in such work. Indeed the overall environment for conflict resolution is more challenging, with increasingly bellicose rhetoric from both Azerbaijan and Armenia and an increasing number of deaths along the line of contact between them. With the current conflict resolution body for 'track one' international diplomacy being the OSCE Minsk Group (led by the USA, Russia and France), the EU's role for the time being will remain in supporting the efforts of the Minsk co-chairs, though it can add political weight to the debate. There is currently a disagreement about whether to include language referencing the OSCE's 'Madrid Principles'⁵⁸ for resolution to the conflict in any new EU-Azerbaijan agreement. The Azerbaijani government is arguing that the EU has not required other Eastern Partners to acknowledge any other principle⁵⁹ than the respect for territorial integrity it sees in the Ukrainian, Georgian or Moldovan cases. Whilst correct up to a point, the EU can mount a defence around the specificities of each conflict and it is probably worth noting that in the Georgian case the EU's acknowledgement of the separatist entities goes significantly further (than in NK) on a practical level through its 'engagement without recognition approach'. Nevertheless restating the principle that the EU cannot accept territorial change as the direct result of conflict will be helpful in the Azerbaijani context.

Azerbaijan has been explicit that it does not want to proceed with the standard Eastern Partnership offer of an Association Agreement, and it could not undertake an DCFTA even if it wished to due to lack of progress on its WTO membership application. While this has sometimes been framed as part of a repositioning following the situation in Ukraine,⁶⁰ it has been clear for a long time that Azerbaijan does not want to be seen as just another one of the eastern partners, strongly advocating for a relationship that is less proscriptive in terms of duties imposed on Azerbaijan by the EU. Azerbaijan is looking for opportunities to boost economic development, centred on but not restricted to energy, that do not require significant structural changes, and measures that bolster Azerbaijan's international prestige. To that end it is demanding a short 'Strategic Modernisation Partnership' document, to replace the existing Partnership and Cooperation Agreement from 1999 that EU officials argue is so obsolete it is becoming unusable.⁶¹ However given the rapid downward trajectory in human rights standards in the country the question remains as to whether now is really the right time to be pursuing a formal upgrade in relations with Azerbaijan. Muddling through with the current arrangements would seem preferable to this author. There is no intrinsic reason why an updated partnership and cooperation agreement⁶² could not be offered on an interim basis⁶² as a tidying up exercise, pending a title upgrade or expanded agreement to become a 'strategic

⁵⁷ International Crisis Group, Tackling Azerbaijan's IDP Burden, February 2012,

[http://www.crisisgroup.org/~media/Files/europe/caucasus/azerbaijan/b067-tackling-azerbaijans-idp-burden](http://www.crisisgroup.org/~/media/Files/europe/caucasus/azerbaijan/b067-tackling-azerbaijans-idp-burden)

⁵⁸ OSCE, Statement by the OSCE Minsk Group Co-Chair countries, July 2009, <http://www.osce.org/mg/51152> The updated Madrid Principles are:

- return of the territories surrounding Nagorno-Karabakh to Azerbaijani control;
- an interim status for Nagorno-Karabakh providing guarantees for security and self-governance;
- a corridor linking Armenia to Nagorno-Karabakh;
- future determination of the final legal status of Nagorno-Karabakh through a legally binding expression of will;
- the right of all internally displaced persons and refugees to return to their former places of residence; and
- international security guarantees that would include a peacekeeping operation.

⁵⁹ The reference to a legally binding expression of will in NK - raising the issue of self-determination.

⁶⁰ Which has had an impact amongst a significant section of the elite making them more sceptical of the West.

⁶¹ EU-Azerbaijan: Commitment to widen cooperation and support modernisation http://europa.eu/rapid/press-release_MEMO-13-755_en.htm See also http://ec.europa.eu/europeaid/documents/aap/2013/pr_aap_2013_aze.pdf

⁶² Or even an Enhanced Partnership and Cooperation Agreement such as the Central Asia state to which Azerbaijan shares more than a passing resemblance, Kazakhstan, signed in 2014. Some observers believe that the ultimate content of any EU-Azerbaijan deal will be similar to this EPCA, <http://mobile.reuters.com/article/idUSL6N0UV1CN20150116?irpc=932>

partnership' dependent upon improvements on the ground. However Azerbaijan may well reject any alternative approach that does not fit with its requests. Officials are somewhat hopeful that an action plan for a new agreement can be put forward by the May 2015 Riga Summit, but if the EU upgrades relations as currently planned against the backdrop of continuing internal repression it would do further damage to its credibility as an advocate for its values in the wider region.

The question of whether or not to upgrade EU-Azerbaijani relations comes at a time when human rights activists are increasingly putting forward the case for personal financial and travel sanctions against members of the Azerbaijani government implicated in the worsening human rights situation.⁶³ Such measures have been introduced following Russia's actions in Ukraine and have been in place in Belarus since 2010 as part of a policy of 'critical engagement' where 232 individuals and 25 firms face restrictions.⁶⁴ Given the current environment in Azerbaijan has great similarities to the Belarussian situation, for reasons of consistency at the very least, the possibility of introducing such measures should be being considered by European policy-makers. That such discussions do not appear to be taking place in earnest says much about the relative economic importance of Azerbaijan and Belarus to the EU but also for some about the assessment of the relative long-term outlooks for both countries.

A number of analysts warn that the EU-Azerbaijan political relationship is hanging by a thread, and that talk of sanctions will only succeed in breaking what is left of the bilateral relationship and worsen an already bad situation on the ground for the remnants of independent civil society. They argue, probably correctly, that despite hostile rhetoric towards the West and improving ties with Moscow, Azerbaijan's long-term strategic, economic and cultural position means that it does not naturally gravitate towards Russian influence in the same way as countries like Belarus. Some wish to play the long game, seeing a more reform-minded cadre of officials who could move into senior positions in the coming years.⁶⁵ However the Azerbaijani government has broadly ceased its attempts to be seen to respond constructively to Western official or NGO statements about its human rights abuses, and it is responding more aggressively to push back against them. Only action that materially impacts the senior leadership of Azerbaijan would have the potential to fundamentally alter the current dynamic, though sanctions sceptics are probably correct that the situation on the ground would get even worse in the short to medium term, before the possible improvements. If the use of targeted sanctions was a tool that was seriously being considered by the EU to address the situation there would a reasonable case for European officials informing the Azerbaijani government in private that such measures were on the table, rather than setting a public ultimatum to Baku. Given the economic interests involved the challenge of obtaining the required unanimity at the Council to implement such sanctions on Azerbaijan is immense.

Elsewhere in the Eastern Neighbourhood

The other four Eastern Partners are not without their challenges for EU policy-makers, with Georgia and Moldova agreeing to move towards Europe and Armenia and Belarus moving ever further away. There is little for this author to add on Belarus and Moldova, particularly given Denis Cenusă's insightful contribution on the latter. However there are a few additional things to note in relation to the two remaining South Caucasus states.

⁶³ As recognised in the (non-binding) European Parliament resolution of 18 September 2014 on the persecution of human rights defenders in Azerbaijan, September 2014, <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P8-TA-2014-0022&language=EN&ring=B8-2014-0099>

⁶⁴ Council of the European Union, Council Decision 2013/534/CFSP of 29 October 2013 amending Decision 2012/642/CFSP concerning restrictive measures against Belarus, October 2013, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:288:0069:0124:EN:PDF>

⁶⁵ Azerbaijan is neither the first nor the last authoritarian regime in which some observers see hope for internal reform, but others, including this author, remain more sceptical about the opportunities for significant change from within the current ruling elites while they continue to obtain such significant economic benefit from the status quo.

Georgia

Long seen as the pro-Western darling of the South Caucasus, it was little surprise that Georgia was one of the two states to initial its Association Agreement and DCFTA at the Vilnius Summit. While the current Georgian government is not as fervently pro-Western as its predecessors, being a broader coalition containing some more culturally conservative elements, it seems to remain committed to continuing the path of European integration. Given the aftermath of the 2008 war and Moscow's continuing military presence in the breakaway regions of South Ossetia and Abkhazia,⁶⁶ explicitly pro-Russian sentiment remains a relatively niche Georgian political pursuit. Nevertheless there are a number of challenges on the political horizon that have a bearing on Georgia's relationship with the EU.

The Georgian political environment has become more volatile following the ostensible withdrawal from public life⁶⁷ of former Prime Minister and billionaire Bidzina Ivanishvili, founder of the ruling Georgian Dream coalition, with publically acknowledged friction between the President and Prime Minister.⁶⁸ Recent developments have also seen the removal of perhaps the internationally best-known member of the Georgian Dream coalition, the pro-Western Irakli Alasania, from the Defence Ministry, which was then followed by the resignation of his Our Georgia-Free Democrats party colleagues, the Minister for European Integration Aleksi Petriashvili and Foreign Minister Maia Pandjikidze.

A major challenge for the EU is over whether the current government strikes an appropriate balance between addressing the some of the excesses of the mid/late-period Sakashvili government⁶⁹ through the law and the perception of politically motivated prosecutions against members of the previous government. The leading centre-right EU political grouping, the European People's Party (EPP), has been particularly vocal in advocating the case of its observer member the United National Movement (UNM), arguing that prosecutions against senior members of the former UNM government on charges including corruption and abuse of power amount to political persecution.⁷⁰ It is imperative that the EU focuses its attention on the maintenance of the rule of law and internationally recognised prosecution and trial standards, and that cases not founded on a clear evidence base are not pursued as a means of prosecuting (or threatening to prosecute) Georgia's official opposition out of existence. Similarly the perception that UNM supporters have been removed from the bureaucracy risks not only side lining a number of talented people who broadly share similar goals to the current government. However it is critical that such a narrative does not ignore that genuine rights abuses took place under the previous government, which significantly contributed to its defeat in the 2012 Parliamentary Elections and that there is public pressure to see those who committed them face prosecution.⁷¹ This is a balancing act of vital importance both for Georgia's democratic future and for the ability of the EU to deepen its ties with it.

The longstanding strand of cultural conservatism in Georgian culture has been given a boost by the important role played by the Orthodox Church in the rise of the Georgian Dream coalition. It

⁶⁶ Of course Russian troops had always been present in the South Ossetia and Abkhazia since the conflicts of the 1990s, though prior to the 2008 war these had been badged as OSCE observers rather than the current occupying military force.

⁶⁷ Ivanishvili was instrumental in appointing his close political allies as President and Prime Minister and is believed to continue to wield significant influence behind the scenes.

⁶⁸ Radio Free Europe/Radio Liberty, Georgian Prime Minister Acknowledges 'Worsened' Ties With President, September 2014, <http://www.rferl.org/content/garibashvili-margvelashvili-un-ties-worsening-problem-visit-statement/26584943.html>

⁶⁹ For some mid-period examples see the FPC's 2009 publication Spotlight on Georgia, July 2009, <http://fpc.org.uk/publications/SpotlightonGeorgia>

⁷⁰ For an example of the EPP's approach see Association with Georgia forces Tbilisi to respect democracy, December 2014, <http://www.eppgroup.eu/press-release/Association-with-Georgia-forces-Tbilisi-to-respect-democracy>. It should be noted that the EPP was not as vocal with similar concerns about human rights and governance standards when the UNM were the party of government.

⁷¹ For example see Amnesty International, Georgia: A lot to contest: Rights abuses in the run up to Georgia's 2012 Parliamentary Election, October 2012, <http://www.amnesty.org/en/library/asset/EUR56/005/2012/en/c10c44c5-44cc-443c-b57a-d0214cfa4197/eur560052012en.pdf>

encouraging that so far government ministers have, for example, resisted pressure to increase restrictions on gay rights, despite a series of church-backed street protests. However the rise in pressures against European liberal values poses a cultural challenge for the EU and a potential barrier to integration.⁷²

Armenia

That Armenia's decision to break off Association Agreement and DCFTA negotiations with the EU was precipitated by the summoning of President Sargsyan to Moscow for an impromptu discussion with President Putin in September 2013 was lost on no one.⁷³ Armenia had hoped to pursue a policy of triangulation between Russia and the West (both EU and USA) to maintain an element of independence its foreign and domestic affairs. Once Russia decided that it could not allow countries in its near abroad to be integrated into both European and Eurasian institutions, that Armenia would have to choose the latter became unavoidable as Russia plays an integral role in Armenia's economy and security. Russian firms, both state owned and private, control much of the commanding heights of the Armenian economy from the railway system to electricity generation.⁷⁴ In 2013 Armenia received \$1.87 billion in remittances (17.3% of GDP), 87% of this came from Armenians working in Russia.⁷⁵ While Armenia was able to negotiate the framework for a potential DCFTA before discussions were terminated, the implementation of such an agreement could have threatened a number of long-maintained domestic monopolies, controlled by business interests connected to the ruling political elite, with the potential for significant disruption within the semi-authoritarian system. Finally and perhaps most importantly, through membership of the Collective Security Treaty Organisation (CSTO), Russia provides Armenia with a security backstop in the event of a full-scale conflict with Azerbaijan over Nagorno-Karabakh. While it is unclear how militarily involved Russia would become in any conflict limited to Nagorno-Karabakh and the surrounding occupied territories is unclear, it is widely believed that a significant incursion into Armenia itself by Azerbaijan would trigger Russian intervention on behalf of the Armenians. In the meantime the relationship between Yerevan and Moscow provides the Armenians with military equipment at reduced prices and perhaps a sympathetic hearing by one of the three co-chairs of the Minsk process. That Azerbaijan has been making noticeable improvements in its relations with Russia, including around arms sales, has not gone unnoticed in Yerevan.

While sections of domestic civil society and the opposition Heritage Party protested the decision to reject the EU deal, these movements lacked the momentum and breadth achieved in Ukraine and swiftly fizzled out. The change of position was also seen as a contributory factor in the resignation of Prime Minister Tigran Sargsyan (no relation), who had moderately pro-European and technocratic credentials by Armenian standards, and his replacement with Hovik Abrahamyan.⁷⁶

Despite the changes, the EU-Armenia Visa Facilitation and Readmission Agreement with Schengen members came into force in 2014 and this will remain one of the few areas for meaningful further dialogue at a governmental level, with the EU hinting at a greater focus on support for independent civil society instead of additional budget support going forwards. Any dramatic shifts in a pro-European direction for Armenia would be dependent both on internal shocks to the current

⁷² See upcoming FPC publication Traditional Religion and Political Power, Autumn 2015.

⁷³ President of Armenia, Joint Statement on the results of the visit of the President of the Republic of Armenia to the Russian Federation, September 2013, <http://www.president.am/en/press-release/item/2013/09/03/President-Serzh-Sargsyan-and-President-Vladimir-Putin-joint-statement/>

⁷⁴ For further details see the FPC's 2011 publication Spotlight on Armenia, February 2011, <http://fpc.org.uk/publications/spotlightonarmenia>

⁷⁵ Armbanks, Russian remittances to Armenia continue to fall amid weakening rouble, October 2014, <http://www.armbanks.am/en/2014/10/06/80142/>

⁷⁶ Armen Karapetyan, Did Economic Woes or Moscow's Hand Force Out Armenian Premier? Institute for War and Peace Reporting, April 2014, <https://iwpr.net/global-voices/did-economic-woes-or-moscows-hand-force-out-armenian-premier>

oligarchic semi-authoritarian political system at home and a shift in regional policy from Moscow, neither of which seems imminent.

Some initial conclusions

While some overarching rationale for grouping the six Eastern Partners together remains, framing the policy as if all partners are heading in the same direction, just at different speeds, makes little sense going forward. This is not to imply that until this point that European officials have been assuming homogeneity of interests in the partners, but nevertheless the three-pronged AA, DCFTA, visa-liberalisation offer has been the same to all six states. Moving ahead then perhaps calls for a differentiated '3-1-2' approach in response to the different circumstances the EU faces.

In this author's view failure in Ukraine (again) would fundamentally undermine the EU's credibility on the world stage and leave a broken state on its doorstep. It would betray the aspirations of the many Ukrainians who risked their lives in the cause of reform and a European future. The EU needs to find reserves of political will, strategic thinking and money to deliver this. It needs to be creative to help the country through the difficult next few years while resisting pressure to scale back punitive sanctions against Russia until it stops supporting separatist forces in Eastern Ukraine. For Georgia and Moldova the focus must be on continuing to support them against external political and economic shocks, whilst ensuring that domestic political and economic reforms are sustained and expanded.

In Azerbaijan it faces a choice not only between its principles and its wallet but also around what approach might be most effective in improving the behaviour of an increasingly intransigent and belligerent regime. On balance this author believes the best approach would be to suspend measures to upgrade relations with the EU, explore steps to scale back areas of budget support and continue to refine diplomatic response through polite but firmer criticisms of abuses and avoiding photo opportunities but responding to real concerns on IDP's and security issues. If the EU remains serious about the credibility of the values dimension to Eastern Partnership, it may need to consider how to go about the hugely challenging task of bringing forward targeted sanctions against senior regime officials if the internal situation continues to deteriorate.

In Armenia and Belarus it should respect their strategic choices but look at diverting resources from state budget support to civil society. This should not be to try and directly reverse the outcome of those decisions through EU promotion but to improve conditions in those communities and their attempts to peacefully have a greater say in how their countries are governed.

Whether or not to offer a potential membership perspective to the Eastern Partners can only be kicked further down the road for so long. The EU will come under pressure at the Riga summit from Ukraine, Georgia and Moldova to provide an answer, one that given internal pressures it is unlikely to be able to give in May. However it cannot be put off for much longer. There is a need for openness and honesty to set expectations of both European publics and the Eastern Partners. For both there would be the clear recognition that any process of moving towards membership is likely to take an extremely long time, many years before candidacy could be considered, with any eventual accession most probably not for decades. Any eventual accession would be accompanied by very extensive transitional controls on the free movement of labour that would be shaped by the prevailing EU economic and demographic realities at the time of joining, and a level of scrutiny of compliance with the membership criteria above and beyond those for more recent members. There is no guarantee that these criteria would be met and therefore as with all enlargements there is no guarantee of eventual membership. Eventual membership may also be contingent on some form of resolution to the territorial conflicts, given the position of Russia as a conflict party. The offer of 'potential candidate' status in the next few years may sound to some in the Eastern Partners as fairly

weak offer, particularly given the pressures they face. However given where the EU is at present, this remains an extremely ambitious proposition which European leaders facing internal challenges may well decide not to pursue.

Turf wars and control issues in EU eastern policies: Opening the ‘black box’ of the EU Institutions and the Member States

Hrant Kostanyan⁷⁷

As the new EU leadership assumed its position at the end of 2014, the debate about the appropriateness of the European Neighbourhood Policy (ENP) and the Eastern Partnership has returned to the agenda. The European External Action Service (EEAS) and the European Commission launched a review process to improve the EU’s policy vis-à-vis its increasingly unstable eastern neighbourhood. Two formal institutional modifications relevant to the neighbourhood are already in place: the Commission’s cluster system and the new Directorate-General (DG) for Neighbourhood and Enlargement Negotiations (NEAR). Moreover, in an unexpected move the new High Representative for Europe’s Foreign Affairs and Security Policy, who is also the Vice President of the Commission moved her seat out of the EEAS and into the Commission. This essay aims to assess the latest modifications to the EU’s institutional structure relevant to Europe’s eastern neighbourhood whilst also situating the changes in the EU’s wider post-Lisbon institutional architecture.

The newcomer EEAS and the Eastern Partnership

Following the enactment of the Treaty of Lisbon, the EEAS and the Commission manage the EU’s relations with its eastern partners while the EU member states (MS), acting both in and outside of the Council of the European Union (Council) framework, hold the decision-making powers. In the EEAS, ‘Europe and Central Asia’ Managing Director (III) is responsible for the Eastern Partnership bilateral (III.B.2) and multilateral frameworks (III.B.1). Besides the geographical divisions operating under the Europe and Central Asia Managing Director, the EEAS also includes a ENP Division (IV.1) which focuses on horizontal issues.⁷⁸ The ENP Division is attached not only to the Managing Directorate responsible for the eastern neighbourhood but also to that of the southern neighbourhood.

The EEAS’ team works through the Eastern Partnership bilateral framework to lead and/or coordinate EU efforts to achieve deeper political and economic integration with its eastern neighbourhood. The EEAS had a key role in the negotiations of the Association Agreements, taking charge of the political sections of the Association Agreements with Moldova, Georgia, Ukraine and Armenia.⁷⁹ The EEAS played a coordinating role in developing the Deep and Comprehensive Free Trade Agreements (DCFTAs) with the Commission’s Directorate-General (DG) Trade leading the negotiations. On around 27 sectoral areas of the agreements the EEAS was mostly assisted by the relevant Commission DGs. The EEAS also had a role in increasing people-to-people contacts through participation in visa dialogue between the EU and its eastern neighbours. Despite the initial expectation that all four countries that successfully negotiated an Association Agreement and DCFTA would sign or initial these agreements at the 2013 Vilnius Summit, only Moldova and Georgia managed to initial agreements and entered into the implementation stage. Whereas the EU and Ukraine signed the agreement after Euromaidan revolution, the implementation of the DCFTA was postponed until December 31, 2015. Armenia abandoned the agreement opting for the membership of the Russia-led Eurasian Economic Union instead.

Besides the bilateral framework, the EEAS has a particular importance in the management of the Eastern Partnership multilateral framework.⁸⁰ The EEAS chairs Platform 1 on democracy, good governance and stability. The EEAS participates in the remaining three platforms that are chaired by

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⁷⁸ EEAS, Organisation chart of the EEAS, 2014, http://eeas.europa.eu/background/docs/organisation_en.pdf.

⁷⁹ Kostanyan, H. (2014) “Examining the discretion of the EEAS: what power to act in EU-Moldova association agreement?” *The European Foreign Affairs Review* 19(3): 373-392.

⁸⁰ EEAS, The Eastern Partnership Multilateral Platforms, http://eeas.europa.eu/eastern/platforms/index_en.htm

the Commission: Platform 2 on economic integration and convergence with EU policies; Platform 3 on energy security; and Platform 4 on contacts between people. The EEAS also takes part in the work of the panels and the series of 'Flagship Initiatives'.

In addition to the work of the EEAS' geographical division on the bilateral and the multilateral frameworks of the Eastern Partnership, the EEAS' ENP Division coordinates the production of annual ENP progress reports. Moreover, the ENP Division also works on regulatory affairs with regard to the EU neighbours and in particular the countries included in the Eastern Partnership. Furthermore, the ENP division participates in distributing funds earmarked for the neighbourhood, i.e. the European Neighbourhood Instrument (ENI).

With its composition consisting of the staff members originating from the Commission, the Council Secretariat and diplomats seconded from the member states as well as its central position in the EU foreign policy institutional architecture, the EEAS has a unique role in the EU's eastern neighbourhood. However, this role can only be well utilised if the EEAS manages to have good working relations with the Commission DGs as well as the backing of member states. In the first years of the EEAS' existence these key relationships have not always functioned smoothly.

Horizontal tensions: The Commission and the EEAS in the eastern neighbourhood

The effective enactment of the EEAS mandate is largely dependent on its relations with the Commission, in particular with the Commissioner responsible for the neighbourhood, the DG Development and Cooperation – EuropeAid's (DEVCO) Directorate F (since January 2015 moved to DG NEAR) and a host of the Commission's sectoral DGs. The establishment of the EEAS cost the Commission almost the whole of DG External Relations (RELEX- 585 officials) and parts of DG Development (93 officials). Currently, these former Commission officials occupy about a third of the EEAS' staff with a further third originating from the Council Secretariat and the remaining third from member state foreign ministries.

Although the DG RELEX was mostly moved from the Commission to the EEAS and the post of the External Relations Commissioner (who was also in charge of the neighbourhood) and the High Representative and Vice President (HR/VP) were merged, the Commission's former President (Barroso) added the ENP portfolio to the responsibilities of the Commissioner for Enlargement before the EEAS became operational. Consequently, the EEAS serves both the HR/VP and the Commissioner responsible for the neighbourhood who initially did not have a DG dedicated to the neighbourhood.

Cooperation between the EEAS' two masters, namely the HR/VP and the Neighbourhood Commissioner has not always been smooth, which was reflected in the work of the EEAS. In theory, the creation of the HR/VP post was supposed to ensure coherence between the Commission and the Council, since the HR/VP is the High Representative of the Union for Foreign Affairs and Security Policy as well as the Commission's Vice-President. In reality however, the first holder of the post, Catherine Ashton, did not succeed in linking her two hats and was viewed as prioritising her High Representative position at the expense of the Vice-President. She was thus perceived as an outsider in the Commission.

The EEAS' relations with the Commission go beyond the HR/VP and its assistance to the Neighbourhood Commissioner. The EEAS has to work with the Commission DGs, most of which are involved in the EU's policies towards the eastern neighbourhood. These include the DG DEVCO, the DG Trade, the DG Home Affairs, DG Health and Consumers (SANCO), the Internal Market and Services (MARKT) and the DG for Energy. The importance of the DGs is in the negotiations of the Association Agreements with the EU's eastern partners. Whereas the EEAS negotiated the political

clauses of the agreements, the DCFTAs had to be negotiated by the DG Trade, as trade is the EU's (Commission's) exclusive competence. Moreover, the EEAS relied on the expertise of the Commission DGs for negotiating the 27 sectoral chapters of the agreement mentioned above.

Despite the need for close cooperation, the EEAS' relations with key Commission DGs was sometimes fuelled with tensions. Disagreements concerning which body should lead on specific policy issues, the incompatibility of goals between the EEAS and the Commission DGs as well as grey areas where the responsibilities are not clear complicated the relationship. The Secretariat-General of the Commission produced the 'Vademecum on Working Relations with the European External Action Service' that aimed to improve relations between the EEAS and the Commission in December 2011.⁸¹ However, turf wars continued to exist between the DG DEVCO and the EEAS that share responsibility for the allocating the ENI.⁸² Tensions have also been apparent between the EEAS and the DG Home that is active in pursuing visa dialogues with the eastern partners. Furthermore, the EEAS also had a difficult time with the DG Trade trying to persuade the latter to negotiate the DCFTAs with Georgia and Moldova.

Vertical control: The member states overpowering the EEAS

Although the EEAS and the Commission make proposals and participate in the implementation of the EU's eastern policies, the member states hold the decision-making powers. The primary forum for member state deliberation and decision-making on the Eastern Partnership is the Council of the European Union's Working Party on Eastern Europe and Central Asia (COEST), which after the enactment of the Lisbon Treaty is chaired by a representative of the EEAS. In cases where the issues cannot be agreed at the level of the COEST, the member state representatives discuss them at the level of ambassadors in the Council's Political and Security Committee (PSC) and the Comité des représentants permanents (COREPER II). The decision-making is finalised by the EU foreign ministers in the Foreign Affairs Council.

Whereas the EEAS chairs COEST and the PSC, the COREPER II is still chaired by the member state holding the Council of the European Union's Rotating Presidency. This means that the EEAS is excluded from setting the COREPER's agenda, which prepares the work of the foreign affairs ministers, the meeting of which is chaired by the HR/VP. In theory, delegating the responsibility of chairing of the COEST, the PSC and the Foreign Affairs Council to the EEAS and its head (the HR/VP) was motivated by the desire to have long term policies composed by the EEAS rather than the Rotating Presidency, the time of which is limited to six months. However, in reality, the member states still manage to put their priorities on the agenda of the Council.⁸³

The decision-making rule governing EU policies vis-à-vis the eastern neighbourhood is largely based on consensus so even one member state can use its veto power to stop a policy. Finding consensus among the member states with regard to the eastern neighbourhood has not been easy because of the heterogeneity of member state preferences. The member states are divided into three groups. The first group consisting of Sweden, Poland and the Baltic States argues for ambitious EU policies vis-à-vis the Eastern Partnership region. A second group that includes Italy, Spain and France prioritises more engagement with the southern neighbourhood. The third group of member states that are termed as fence-sitters do not exhibit intense preferences and can be persuaded to join either of the other groups.⁸⁴ As the member states have the decision-making powers and act in the

⁸¹ European Commission, Vademecum on Working Relations with the European External Action Service (EEAS), December 2011, <http://ec.europa.eu/transparency/regdoc/rep/2/2011/EN/2-2011-1636-EN-1-1.Pdf>

⁸² Smith, M. E. (2013) "The European External Action Service and the security-development nexus: organizing for effectiveness or incoherence?" *Journal of European Public Policy* 20(9): 1299-1315.

⁸³ Vanhoonacker, S. and K. Pomorska (2013) "The European External Action Service and agenda-setting in European foreign policy." *Journal of European Public Policy* 20(9): 1316-1331.

⁸⁴ Börzel, T.A. and Risse, T. (2000) 'When Europeanization hits home: Europeanization and domestic change', RSC Working Paper No. 2000/56, Robert Schuman Centre for Advanced Studies, European University Institute, Florence.

consensus, their diverging preferences often limit EU policies vis-à-vis the Eastern Partners to the lowest common denominator, especially if the issues are politically sensitive.

Looking ahead

These inter-institutional tensions were acknowledged by the new President of the Commission, who in his 'A New Start for Europe: My Agenda for Jobs, Growth, Fairness and Democratic Change' speech called upon Europe to stand united on the global scene. President Juncker detailed the existing incoherence in the EU's external action by stating that "Trade policy, development aid, our participation in international financial institutions and our neighbourhood policy must be combined and activated according to one and the same logic".⁸⁵

To address the incoherence, Juncker called for cooperation between the HR/VP and the Commission DGs. He also set up a cluster structure in the Commission that might allow deputisation for the HR/VP. The cluster headed by HR/VP Mogherini includes Commissioners Johannes Hahn (European Neighbourhood Policy and Enlargement Negotiations), Cecilia Malmström (Trade), Neven Mimica (International Cooperation and Development) and Christos Stylianides (Humanitarian Aid and Crisis Management). The effect of this new system on the EU's eastern policies can only be assessed in the years to come.

Another novelty was the establishment of HR/VP Mogherini's office in the Commission. This is in contrast to her predecessor whose record of utilising her Commission's Vice President position was rather poor. However, with such a move Mogherini has left the still developing EEAS without a shepherd. A better option would be for her to stay in the EEAS building while more effectively utilising her Vice President hat.

In an effort to further streamline the European Neighbourhood Policy, the latest innovation in the Commission was the establishment of the new DG NEAR in January 2015. DG NEAR is formed around the former DG Enlargement but adding about 600 staff from the DG DEVCO that worked on neighbourhood issues both in Brussels and in EU Delegations. Despite the merger, the policy distinction between enlargement (membership prospective) and the neighbourhood (no membership prospects) remains in place. Therefore, as opposed to the former neighbourhood Commissioner, Commissioner Hahn will have a DG on the neighbourhood and does not have to rely on the Neighbourhood Directorate in the DG DEVCO. The EEAS will continue supporting the Commissioner when the issue is political in nature.

The EEAS division dealing with the Eastern Neighbourhood has also seen some revision. Prior to the conclusion of the Association Agreement with Moldova, Georgia and Ukraine, the EEAS had two units one of which dealt with the Eastern European countries (Belarus, Ukraine and Moldova) and the other with the countries of the South Caucasus (Georgia, Armenia and Azerbaijan). The post-Vilnius reality prompted the EEAS to alter its institutional structure so as to address the reality on the ground. The EEAS has now restructured its Division (III.B.2) with a unit working on the Eastern Partners and their Association Agreements and the other dealing with the remaining three countries.

In sum, for the EU institutional architecture to function well on issues in the eastern neighbourhood, the EEAS and the Commission need to cooperate better than they have previously. The EEAS covers the general political situation but it needs the sectoral expertise and the resources of the Commission. Equally important is the backing of the member states that are the decision-makers, without consent of which the conceptualisation and implementation of the EU's common policy vis-à-vis the eastern neighbourhood will not be possible.

⁸⁵ Juncker, J. C., *A New Start for Europe: My Agenda for Jobs, Growth, Fairness and Democratic Change*. Strasbourg, July 2014. www.europa.eu/rapid/press-release_SPEECH-14-546_en.pdf

The Eurasian Economic Union – What kind of alternative to the Eastern Partnership?

Dr Rilka Dragneva and Dr Kataryna Wolczuk⁸⁶

The Eurasian Economic Union (EEU) came formally into existence on 1 January 2015. Its arrival, which had been planned since 2010, culminated the multi-phase construction of a Eurasian economic bloc. The first phase was the Eurasian Customs Union (CU) between Russia, Belarus and Kazakhstan, launched in July 2010. This was preceded by intensive work in negotiating a common external tariff, providing common customs regulations and developing common decision-making and regulatory bodies. Indeed, the reality of the customs union has been the single most important achievement of the integration project internally. The second stage was the creation of a Single Economic Space (SES) launched in January 2012, which entailed the introduction of EU-style 'free movement', including measures to eliminate technical barriers to trade and the coordination of various policies. This step was accompanied by important institutional developments, such as reforming the permanent regulatory body, the Eurasian Economic Commission, and establishing a designated Court of the Eurasian Economic Community.

Rapid construction of the bloc has been accompanied by widening with Russia keen to re-integrate the post-Soviet states within the Eurasian regime. Broadly speaking, the Ukrainian crisis resulted from the foiled attempt to bring Ukraine into the Eurasian project. However, Russia's offer of an alternative regime attracted two of the states participating in EU's Eastern Partnership, Belarus and Armenia, which are now members of the EEU. These developments raise some important questions: why is the EEU attractive to the post-Soviet states? How does the fast and pre-scripted pace of the Eurasian project affect the 'quality of integration'? Does the Eurasian project provide a constructive framework for integration and modernisation of its member states?

We argue that the design and functioning of the integration regime, despite the notable improvements, does not offer strong prospects for modernisation and functioning 'deep' integration *à la* EU. Yet, Belarus and Armenia are too dependent on Russia to eschew integration, despite their concerns over Russian hegemony. This creates precarious dynamics, which require close attention and political astuteness from the EU in its dealings with the new dynamics in its eastern neighbourhood.

Expanding the Eurasian regime

The Eurasian integration project has undergone a rapid 'deepening' from the launch of the Customs Union in 2010 to the Eurasian Economic Union by 2015. In parallel, the expansion of the Union has been pursued vigorously by Russia, while Belarus and Kazakhstan have been much less vocal on the issue of expansion.

Russia has strong geopolitical motives for bringing new members in, not least to contain the influence of the EU vis-à-vis countries such as Ukraine, Georgia, Armenia and Moldova. In the case of Armenia's accession, coercion was in evidence, thus casting doubt on Armenia's voluntary commitment. The top-heavy, secretive discussions between the Russian and Armenian Presidents led to a sudden decision by Armenia to join the Eurasian regime in September 2013. This decision was not preceded by debates and consensus building inside the country on the economic justification and rationale for such a move. The EU rather than Russia has been the main partner for modernisation, as confirmed by many Armenian officials and experts even after the decision was

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taken. Inside the country, Armenia's accession is regarded as a security move rather than a commitment to integrate with Russia, as evidenced by the limited interest shown by domestic state and non-state actors in the content of the roadmap for Armenia's preparations for accession delivered in February 2014. Paradoxically, Russia's clear geopolitical interest in securing Armenia's membership is matched by and reflected in Armenia's security motives. While this combination accounts for Armenia's U-turn, it casts doubt over the genuine trust in, and commitment to, the formally proclaimed goal of integration, namely the creation of a single Eurasian market. Armenia joined because it had to rather than wanted to.

Russia's determination to expand the Union and bring the members in by whatever means necessary indicates the sheer importance of the project for Russia's foreign policy. The development of the EEU as a foreign policy tool by Russia thus has important longer-term implications for the viability of the project. We argue that the more geopolitical the project becomes for Russia, the less attention will be paid to its economic underpinnings and rationale amongst the other member states.

Scope and design of Eurasian integration

The EEU represents the latest phase in the integration process and its most ambitious stage. Its arrival was famously described by President Putin as 'epoch-making'. Yet, in effect the Eurasian Union regime consolidates the achievements already made in setting up a customs union and a single economic space. Tellingly, many of the sensitive issues regarding the lack of free trade in energy products are not resolved. Instead, a time-table is envisaged for their duty-free circulation by 2025. Little new cooperation is planned in relation to the development of a common market, with monetary integration being firmly rejected during negotiations.

In terms of its institutional design, the Eurasian Economic Union builds on the progress already achieved in establishing an improved legal and institutional regime. This regime developed alongside Russia's accession to the WTO in August 2012 and all existing and future agreements are to comply with the WTO regime, even in the case of non-WTO members, and WTO law is to prevail over any conflicting CU provisions.⁸⁷ Importantly, the EEU Treaty codified and streamlined a complex and fragmented regime. Significantly, the Customs Code of the Customs Union has been updated and improved, thus directly improving the quality of domestic legislation.

Institutionally, the development of the CU and SES benefitted from the role of the permanent regulator of integration, the Eurasian Economic Commission. The commission was conceived as an international bureaucracy and endowed with financial resources and experienced professionals. Similarly, an important achievement was the introduction of the possibility of private parties to challenge the acts of the Commission before the Court of the Eurasian Economic Community, thus contributing to the effort to create a rule-based regime.

Nevertheless, despite the noted improvements, there has been a great deal of institutional uncertainty caused by a top-down driven agenda for deepening integration to meet tight political deadlines, allowing little time for careful legal drafting. For example, only two years after its founding, the Court of the Eurasian Economic Community has been dissolved and a new Court of the Eurasian Economic Union set up with new judicial appointments and rules of procedure.

Asymmetry and flexibility

Such an institutional design leaves a lot of flexibility for political bargaining and the exploiting of various dependencies. Flexibility accommodates the massive asymmetries between Russia and other member states. The institutional and legal design reflects the fact that Russia did not need to pool sovereignty with smaller and weaker partners. It has effectively asserted its superior bargaining

⁸⁷ Treaty on the Functioning of the Customs Union in the multilateral trade system of 19 May 2011.

power using a variety of means, such as bilateral ‘energy diplomacy’ vis-à-vis Belarus.⁸⁸ This tendency, as recent geo-political developments in Ukraine show, is likely to grow. Russia’s partners, in turn, have reasons to be reluctant to cede excessive power to such an asymmetrical grouping. This explains the watered-down design of the Eurasian Economic Union in comparison to preceding ambitious proclamations.

Asymmetries between Russia and the member states is a pivotal feature of the integration regime. Russia can simply buy off Belarus and Armenia to secure their participation. As long as energy remains outside the multilateral framework, Belarus will continue to rely on bilateral bargaining with Russia about export duties on energy. Similarly, Armenia’s security and economic dependencies on Russia are likely to limit any divergence from the Russian position (something already demonstrated by the Armenian pliant position on the annexation of Crimea, despite its own concerns over Nagorno-Karabakh).

Domestic implementation

The direction and pace of Eurasian integration was decided *a priori* at the highest political level and driven by political or geo-political preferences of the presidents. This top-down, rapid nature of integration has several important implications for the viability of the project and quality of integration. Despite, or rather because of, the fast pace of integration with tight, politically-driven deadlines, little attention was paid to domestic implementation.

Ironically, the ever more complex economic integration agenda is not matched by a corresponding focus on the reform of domestic institutions. On the contrary, the new EEU Treaty explicitly provides that the Union is based on ‘respect for the specificity of the political structure of the member states’ (Article 3). Poor governance characterising the current member states – Russia, Belarus, Kazakhstan and Armenia – presents a severe test to the effective functioning of the union. In all member states policy-making is highly centralised with presidents being the main locus of power. It is their presidents’ decisions that are the primary determinants of the country’s commitment to Eurasian integration. The integration regime ultimately reproduces the authoritarian political and hierarchical administrative regimes of governance in the member states.

Impact of the Ukrainian crisis

Russia’s policy towards Ukraine has become an important and unwelcome stress-test for the new integration regime. Russia has been determined to punish Ukraine as well as other countries, such as Moldova and Georgia, for pursuing closer economic integration with the EU through Association Agreements. However, with the SES/EEU, Russia’s ability to use some of their instruments, such as the application of anti-dumping duties, has been constrained – these are now clearly competencies of the SES/EEU as a whole. The other member states have to agree on the adoption of restrictions and sanctions vis-à-vis third states.

As the crisis unfolded, complex positioning of the other member states ensued in response to Russia’s actions. At first, the position of Belarus, Kazakhstan and Armenia Crimea’s annexation suggests that the Eurasian regime is a pliant tool for Russian foreign policy-making. However, the subsequent refusal to impose sanctions on Ukrainian and western products by Belarus and Kazakhstan indicate the limits of Russia’s leverage and may even be endangering the actual Customs Union itself. Kazakhstan and Belarus refused to join the sanctions against Ukrainian products imposed by Russia during 2014. This already presented a challenge for the Customs Union because Ukrainian products could enter the territory of the EEU via Belarus and Kazakhstan. The challenges became even more profound as a result of Russia’s imposition of sanctions on food produce from

⁸⁸ See M. Frear, ‘Belarus: Player and Pawn in the Integration Game’ in R. Dragneva and K. Wolczuk (eds.) *Eurasian Economic Integration: Law, Policy and Politics*, (Cheltenham: Edward Elgar, 2013).

the EU, US and a number of other states. Russia's decision fully disregarded the multilateral regime – other member states were presented with *a fait accompli*. Both countries have refused to join the sanctions, taking the opportunity to profit from them instead. In the ensuing conflict with Russia, Belarus even moved to re-introduce customs checks. This spiral of unilateral actions has put under threat the Customs Union – the biggest achievement of the Eurasian project.

Dealing with sanctions illustrates the fault-lines with the Eurasian regime, such as Russia's unilateralism and the lack of a clear division of powers between Union and domestic authorities, allowing self-serving interpretations, but also a great deal of uncertainty for domestic and international business. Inadvertently, these developments confirm the validity of objections against membership of a Russia-led bloc in countries such as Ukraine, Georgia and Moldova.

The Eurasian project has increasingly become Putin's attempt to remedy the collapse of the Soviet Union, reassert Russia's role as a geo-political leader and its status as a great power. Arguably, the new EEU Treaty has taken the Union further down the path towards requiring its treatment as a new and equal partner in the international arena, by defining its international legal personality. Yet, deploying the EEU as a geo-political device has profound consequences for the integration project as a whole. On the one hand, it underlines the hegemonic position of Russia within the bloc, thereby triggering sovereignty sensitivities in other member states. On the other hand, the other member states, such as Belarus and Armenia, capitalise on Russia's readiness to underwrite their membership, while remaining wary about Russia's hegemonic position. These states demand pay-offs and concessions for their 'geo-political loyalty' within the common economic regime. Domestic implementation will be one of the areas of concession, meaning that the membership of Armenia and Belarus is unlikely to result in socio-economic modernisation let alone political reform.

Trouble in the neighbourhood? The understated but essential roles for Visegrad

Prof Rick Fawn⁸⁹

Take a group of countries of diverse population sizes; divergent political values, even to the point of authoritarianism; possibly different geo-political allegiances and certainly varying foreign policy ambitions; dissimilar economic structures and capacities; and then ask how can we expect common policy from them – or towards them?

At first glance that might describe the group of six post-Soviet states in the EU's Eastern Partnership (EaP). But that first description can also be applied to the Visegrad countries of the Czech Republic, Hungary, Poland and Slovakia. And, counter intuitively, the Visegrad Group (VG) continues to be one of the best means of fulfilling some of the EU's ambitions towards the EaP countries. Formed in 1991, and with some difficulties in its early history, the VG remains a coherent force, intent on asserting both a common identity and policy activism. Although Visegrad speaks of lacking formalised institutions (except its principal funding body, the International Visegrad Fund), it produces major annual presidencies and has routinised meetings at the highest levels and among most ministries and involves, on issue-specific advocacy, other actors, including the European Commission.

Although the Visegrad countries differ from one another, the EaP countries diverge far more: one is a repressive, political hermit; the leadership of two others have been deeply keen on Euro-Atlantic integration but have been hampered, domestic reforms aside, by separatist conflicts; a fourth happily and heavily economically interacts with Europe, but resists other forms of engagement, especially in the 'human dimension'; a fifth probably would move much closer to the EU, but needs Moscow for economic reasons and because of its conflict with the fourth; and the largest, which, in blunt terms, has prevaricated between east and west for a quarter of a century, but has a leadership that now wholly embraces the west, and enjoys unprecedented support for it.⁹⁰

Crafted in 2008 and launched in 2009, the Eastern Partnership was constructed as a major EU initiative in itself, elevating EU activism to a new level, but also as the primary outreach to the EU's new eastern neighbourhood, created after the 2004 and 2007 accessions moved the union's borders eastwards.

The EaP was an essential feature of Visegrad's activism within the EU. As one regional scholar writes, 'The prehistory of the Eastern Partnership should be dated back to the multilateral initiatives of the Visegrad Four'.⁹¹ Brussels did not fully intend that the EaP would generate uniform practices – and responses – from the six partners. But the EU did expect to impart its values and to receive a warm welcome for them, and to bring, slowly in some cases, each of these countries closer to the Union. That hope is already very different. The EU was unexpectedly confounded for the first time with the rejection of its values when Armenia, in September 2013, balked at a free trade agreement. That should have served as the wake-up call that EU attractiveness had limits. Ukraine proved that even more so when at the November 2013 Vilnius Summit the Yanukovich government rebuffed a ground-breaking association agreement.

⁸⁹ Rick Fawn is Professor of International Relations at the University of St Andrews in the United Kingdom. Among his recent book publications are *International Organizations and Internal Conditionality: Making Norms Matter* (2013); *Georgia: War and Revolution* (as editor, 2013); *Historical Dictionary of the Czech State* (as co-author, 2010); and *Globalising the Regional, Regionalising the Global* (as editor, 2009).

⁹⁰ Belarus, Georgia, Moldova, Azerbaijan, Armenia and Ukraine respectively.

⁹¹ Kratochvíl, Petr, 'Taking Stock of the Eastern Partnership in the Visegrad Four', in Duleba, Alexander and Bilčík, Vladimír (e ds.) *Taking Stock of the Eastern Partnership in Ukraine, Moldova, Visegrad Four, and the EU*. Bratislava: Slovak Foreign Policy Association, 2011, p. 106.

How can the EU continue to deal with the EaP countries? The weakness of the EU in the face of hard political challenges from some EaP countries and also from Russian interests in this region makes it imperative that Brussels continues to pursue its programme. But through what means? Among the various methods and toolkits available to the EU, Visegrad is one, and it should be supported and mobilised further.

Why Visegrad? First, to save time: those who (still) think Visegrad died or is moribund are mistaken.⁹² Despite what was first said, it remains – despite some fundamental disparities and challenges within the group – a cohesive, effective and, for the EaP countries, very relevant, entity. To be sure again, Visegrad’s own functionality towards the EaP itself has been questioned within the region: ‘a lack of trust and occasional internal competition have conspired to diminish the V4’s potential effectiveness as a vehicle for the EU’s Eastern Partnership Policy’.⁹³ A frank assessment; but the VG has already provided and offers more to the EaP.

What has Visegrad achieved regarding EaP?

The EaP was launched in Prague in 2009 during the Czech EU presidency at the formal behest of the Polish-Swedish duumvirate (with many Czechs still nevertheless claiming initiation). The Vilnius summit in 2013 that they pushed for was, for the EU collectively, a failure especially because of Ukraine’s volte-face. As a number of leading Central European analysts wrote in advance, ‘The EU member states that support the EaP, including the V4 countries, desperately need a successful EaP summit in Vilnius in order to keep the EaP high on the EU agenda.’⁹⁴

Although EU efforts continue with the EaP as a group of six, key initiatives are conducted bilaterally. Moldova and Georgia are the most willing and signed DCFTAs with the EU in June 2014.⁹⁵ Ukraine followed suit. As Moscow-led integration efforts proceed, at least on paper, the possibilities of extending EU free trade, not to mention a democratising influence, to other EaP countries looks more difficult.

How, then, can the EU support its principal objective – in harmony with its own image and values – of promoting in particular civil society, if not good governance, *across* the six EaP countries? Civil society promotion is low cost, but needs to operate under the threshold permitted by some EaP governments; support for civil society also has long-term, high gains. Who is well-placed to undertake that profound challenge?

Enter Visegrad. Visegrad describes its objectives as ‘facilitating the unique know-how of the Visegrad countries with social and economic transformation, democratisation and regional cooperation particularly through the development of civil society and support of cooperation among local governments, universities and individual citizens.’⁹⁶

One of Visegrad’s great achievements – and its only formal institution – is its International Visegrad Fund (IVF). With an annual budget of €8,000,000, in 2012 the IVF allocated €1,456,800 to the EaP. By 2014, €1,300,000 went to Ukraine alone. (Additionally, the V4 countries gave €4,600,000 in financial support to Ukraine, on top of EU assistance). Perhaps small sums on the world stage, but these can

⁹² Recent analyses on Visegrad’s utility and longevity in the EU include: Törő, Csaba, Butler, Eamonn, and Grüber, Karoly, 2014. ‘Visegrád: the evolving pattern of co-ordination and partnership after EU enlargement. *Europe-Asia Studies*, 66: 364-93.

⁹³ Kobzová, Jana, ‘The Visegrad group in Eastern Europe: an actor, not a leader (yet) Visegrad abroad’ *V4 Revue*, 4 April 2012, <http://visegradrevue.eu/?p=561>.

⁹⁴ Duleba, Alexander, András Rácz, Věra Řiháčková and Rafał Sadowski, *Visegrad 4 the Eastern Partnership: Towards the Vilnius Summit*. Bratislava: Research Center of the Slovak Foreign Policy Association, 2013, p. 5.

⁹⁵ ‘The EU’s Association Agreements with Georgia, the Republic of Moldova and Ukraine’, 23 June 2004, [http://europa.eu/rapid/press-release MEMO-14-430_en.htm](http://europa.eu/rapid/press-release_MEMO-14-430_en.htm)

⁹⁶ ‘Visegrad 4 Eastern Partnership Programme’, available at: <http://www.msz.gov.pl/resource/6b5b2840-b672-484e-a04a-687a5b4f3c3e:JCR>.

be valuable when administered well in post-Soviet societies. The Fund has a light administrative touch and receives laudatory external audits. It ensures that most of its funds go directly on projects rather than bureaucracy, making it an ideal mechanism. The IVF supports EaP objectives, inter alia bringing representatives of all EaP countries to Visegrad states and funding education, governance and civil society initiatives. This provides economic, yet significant and practical outreach to the EaP, one now recognised and used by other EU governments, notably the Netherlands and Sweden, for disbursing funds to the six EaP countries. Above all, IVF provides practical support for civil society, including interactions between those societies, and between them and those of the EU.

Additionally, Visegrad serves as four types of aspirational role models for the EaP that reinforce EU objectives:

Role model I – Visegrad represents cooperation between countries with difficulties between them. But diversity among the interests and even values of Visegrad governments is also an asset. Visegrad can act despite serious disagreements among its highest-level representatives. Of course, Visegrad members do not suffer from open conflict, like Karabakh. Nevertheless, divisions, even hostility remain, and yet it works.

The cooperation is so engrained across most ministries of all four countries that it has become standard operating procedure, immune from higher level squabbles. Visegrad seemingly almost died again in 2002 when the Czech and Slovak governments boycotted a prime ministerial summit in Budapest during Hungarian premier Viktor Orbán's first term, when he demanded revocation of the post-World War II decrees expelling Hungarians (and more significantly Germans) from Czechoslovakia. A V4 ministerial meeting nevertheless convened productively as planned, in, of all places, Hungary. Visegrad governments also see themselves as close to the post-Soviet region and possessing an understanding of the post-Soviet mind-set better than most western and/or 'older' EU member states.

Role model II – the IVF enjoys positive resonance in the Western Balkans (WB), a hugely fractured region. The IVF and Visegrad diplomats are asked for and promote their model of cooperation in the WB, suggesting utility in the EaP.⁹⁷

Role model III – EU integration. These countries know the process and want to export it. They are better positioned than many other accession countries (apart from Slovenia, which helped Croatia) precisely because they expressly want to export that knowledge and have built mechanisms for doing so. Leading specialists of V4 countries openly speak of the mistakes their countries made in the EU accession process – and of the transferability of such experience to the EU's neighbours.⁹⁸

The current Slovak VG presidency reiterates the Group's distinctive position within the EU towards the EaP (and the Western Balkans). It asserts that the V4 is the only European regional grouping that meets regularly with these countries. The V4 also formally 'endeavours to provide political assistance as well as project-oriented support ... to promote their Euro-Atlantic integration'.⁹⁹ Any EaP accession to the EU must naturally be agreed by all, but we can expect Visegrad to be at the forefront of advocacy. It holds up its own regional formation, their societies' understanding of totalitarianism, and their transformational experience as instructive for EU-EaP relations.

⁹⁷ As an example of regional assessment of Visegrad's inspirational role in the Western Balkans, see Szpala, Marta, 'The V4 as a bridge between the Western Balkans and the EU', *Visegrad Insight*, 5 November 2014, <http://visegradinsight.eu/expertise-example-and-endorsement05112014/>.

⁹⁸ See especially: *Sharing the Experiences of Visegrad Cooperation in the Western Balkans and the Eastern Neighbourhood Countries: Project Preparatory Study*. Budapest: International Centre for Democratic Transition, 2010.

⁹⁹ See '2014–2015 Slovak Presidency: Dynamic Visegrad for Europe and Beyond—Program of the Slovak Presidency in the Visegrad Group (July 2014–June 2015)', <http://www.visegradgroup.eu/documents/presidency-programs/20142015-slovak>.

Role model IV – both a tool and an added example of possible behaviour is Visegrad’s diplomatic formats. Despite its clear success among post-communist regional state formations, Visegrad has not and will not expand its membership. It nevertheless uses its ‘plus’ format successfully to work with additional partners, from neighbouring to far-flung states, and more recently, the European Commission. This could be a means of diversifying EU interaction with EaP countries and to bring willing EaP countries closer to the EU, as has been done with Ukraine.

Ukraine, Visegrad and the EU

A further advantage of Visegrad towards the EaP is that the Group avoids issues regarding Russia. As veteran analyst Michal Kořan summarises, ‘The V4 position on Russia ... has always been a taboo as there was a tacit agreement on disagreement about Russia.’¹⁰⁰ Although the VG has been chided for this calculated omission, it could consequently possibly be seen as less antagonistic towards Russia than other actors and thus more able to act quietly towards Ukraine. Additionally, apparent pro-Russian actions (Hungary’s long-term commitment to Russian nuclear technology) or rhetoric (foremost that of Czech president Miloš Zeman, who seemed to have excused Crimea’s annexation and has criticised EU sanctions against Russia, including in a forum financed by Russian energy interests) allow the Group to seem less threatening to Moscow than the EU as a whole.

What of Russian energy dominance over Visegrad countries as an impediment to such prospects? That Visegrad *has* a common gas strategy for its region and within the EU is asserted strongly by Visegrad representatives and documents. However, EU diplomats posted to Central Europe remain unaware of this, and instead see Visegrad countries at cross purposes regarding energy.¹⁰¹ The important point is that these countries can still act towards the EaP. In even more practical terms, they have pledged to provide Ukraine with half of its gas requirements, in the event of a (politically motivated) shutdown of its Russian supply. This is a credible offer. The Czech Republic has built Europe’s second largest gas stores, which are kept full, and these countries have constructed their pipeline system to allow reverse flows, and the V4 specifically reiterated their promise of reverse gas flows to Ukraine that would cover half of its needs.¹⁰² These points already indicate that Ukraine deserves special mention when examining Visegrad’s outreach to EaP countries.

All Ukrainian governments, irrespective of their inclinations towards and obligations to Moscow, have sought closer relations with Visegrad. In turn, Visegrad has extended various forms of support to the country. Visegrad has long-claimed to be the world’s single largest provider of scholarships to Ukraine, and in 2014 quickly upped its existing scholarship provision, now supplying over 720 scholarships, exposing Ukraine’s open-minded youth to Visegrad’s European experience.¹⁰³ Indeed, Visegrad officials are proud of how quickly Visegrad could mobilise and respond to the crisis.¹⁰⁴ Visegrad-funded opportunities for Ukrainian citizens feature on the Ukrainian MFA (and other) websites.¹⁰⁵ The V4 and Ukraine deem the V4’s successes as a role model for Ukraine’s move westward. President Petro Poroshenko attended a V4 summit on 16 November 2014. A December 2014 joint statement declared ‘Genuinely implemented reforms, as demonstrated by the V4 countries, will bring the country closer to the European Union and contribute to the realisation of

¹⁰⁰ Kořan, Michal, *Debating V4: Divided we fall...*, Central European Policy Institute, 4 July 2014, <http://www.cepolicy.org/publications/debating-v4-michal-koran>.

¹⁰¹ See the policy study funded by but independent of Visegrad: Fawn, Rick, *External Diplomatic Perceptions of Visegrad Cooperation*. Prague: EUROPEUM, October 2013, <http://www.europeum.org/en/common-foreign-and-security-policy-and-defense/117-analyses-articles-comments/2094-research-paper-external-diplomatic-perceptions-of-visegrad-cooperation>, and elaborated in Fawn Rick, 2014.

¹⁰² ‘Visegrad’s Place in the EU since Accession in 2004: “Western” Perceptions’, *International Issues & Slovak Foreign Policy Affairs* XXIII: 3-24.

¹⁰³ Joint Statement of the Visegrad Group and Ukraine, 16 December 2014, Kyiv, [http://www.foreign.gov.sk/App/wcm/media.nsf/vw_ByID/ID_C9C29D296D29FF1FC1257DB000447361_EN/\\$File/141216_spolocne_vyhlasenie_V4_Ukrajina.pdf](http://www.foreign.gov.sk/App/wcm/media.nsf/vw_ByID/ID_C9C29D296D29FF1FC1257DB000447361_EN/$File/141216_spolocne_vyhlasenie_V4_Ukrajina.pdf).

¹⁰⁴ 720 scholarship figure from: Joint Statement of the Visegrad Group and Ukraine, 16 December 2014.

¹⁰⁵ Event by invitation at which the author was present, 30 June 2014.

¹⁰⁵ See, for example, <http://mfa.gov.ua/en/press-center/notes/2768-mizhnarodnij-vishegradskij-fond-ogoloshuje-konkurs-grantiv>, still posted on 7 January 2015.

Ukraine's European aspirations'.¹⁰⁶ Also in December 2014, the Ukrainian presidency spoke effusively of Visegrad's aspirational role for Ukraine: '[The] Application of the experience of your countries in certain spheres: [the] struggle against corruption, reforms in [the] social sphere, economic reforms [and] decentralisation is increasingly important for the implementation of positive changes in our country'. Poroshenko even expressed a desire for Ukrainian membership of Visegrad.¹⁰⁷ Unduly optimistic, that view underscores the role model value of Visegrad in itself, and as bridge for the EU towards the EaP.

More practically, the V4 adopted a clear division of labour towards Ukraine, publically assigning specific roles to each government. On 17 December 2014 the Four announced that Bratislava would oversee assistance to Ukrainian energy security and security sector reform; Prague for civic society, media and education; Warsaw decentralisation and public finance reform; and Budapest over small and medium enterprise reform and DCFTA implementation.¹⁰⁸ This assistance is good and sensible in itself, and also ensures that any shirking of duties or, worse, political defection can easily be detected.

The EU's challenges in relations with many EaP countries, and the sway that an assertive Russia holds over them, demands as much multifaceted ingenuity as possible. Indeed, the EU needs all the help it can get with its neighbourhood. Although Visegrad is not the sole answer, it is distinctive and effective. Visegrad's often subtle and unassuming ways, collective experience of and familiarity with EaP countries and similar historical experiences to post-Soviet societies make Visegrad a solid and suitable vehicle for working on essential dimensions, particularly civil society. For both the sake of the EU and for the EaP Neighbourhood, Visegrad should be encouraged and supported to do more.

¹⁰⁶ Joint Statement of the Visegrad Group together with Ukraine, Kyiv, 16 December 2014.

¹⁰⁷ President of Ukraine has held a meeting with the Visegrad Group delegation, 16 December 2014, <http://www.president.gov.ua/en/news/31926.html>.

¹⁰⁸ Slovakia and V4 to Assist Ukraine, Ministry of Foreign and European Affairs of the Slovak Republic, 17 December 2014, <http://www.visegradgroup.eu/slovakia-and-v4-to>.

Ukraine: Fighting for the European future

Dmytro Shulga¹⁰⁹

Ukraine's strategic position between two poles of gravity – Europe and Russia – naturally made it seek good relations with them both. As Ukraine made its choice of independence from Moscow back in 1991, it was doomed to seek closer relations and integration with Europe. The Ukrainian parliament defined the ultimate foreign policy goal of seeking EU membership back in 1993; since then, it has been confirmed repeatedly.

Yet, the European Neighbourhood Policy (ENP), launched in 2004, did not offer a perspective for Ukraine's ambitions. It took time to develop a meaningful content for the ENP beyond the famously vague and unsupported slogans of 'a ring of friends', 'a stake in the EU internal market' and 'everything but institutions'. The EU was struggling to offer enough to accommodate the key interests of partner countries in the fields of trade, migration and security. Meanwhile, the EU has been expecting in vain that its neighbours would conduct sweeping reforms to approximate their political and economic systems to European standards.

At the outset, the ENP did not even contain an offer of association with the EU. In early 2005, following the Orange Revolution in Ukraine, the EU offered to start negotiations on a 'new enhanced agreement' to substitute the loose Partnership and Cooperation Agreement from 1994. The negotiations started only in early 2007, and until September 2008 many EU member states were opposed the notion of 'association' in the name of the agreement – as a possible implication of a membership perspective. Talks on the most difficult Agreement chapter – the development of a Deep and Comprehensive Free Trade Area (DCFTA) – started in early 2008, after Ukraine joined the WTO, and lasted until 2012. During the talks on the DCFTA, the EU applied a harsh position, in particular, trying to limit quotas on Ukraine's free access to the EU market. Here, the political importance of association with Ukraine did not significantly influence the standard approach of trade negotiations.

On the eve of the EU's eastern enlargement in 2004, the respective candidate countries were obliged to introduce visa requirements for Ukrainian citizens. Before that, Ukrainians were able to travel visa-free across the whole post-communist area from the Adriatic and the Baltic to the Pacific. Since then, the visa regime and the Schengen 'paper wall' has become quite a sensitive issue, affecting the EU's image in the eyes of ordinary Ukrainians. The 'visa facilitation agreement' did not produce tangible simplification;¹¹⁰ only after some hesitation did the EU finally offer a set of criteria for a *visa-free regime for short-term travel* ('Visa Liberalisation Action Plan', VLAP) in late 2010. Implementation of VLAP criteria met resistance from political and economic vested interests associated with some key areas (identification documents, anti-corruption and non-discrimination policies), so Ukraine was able to officially end the first (legislative) phase of VLAP and start the second (implementation) phase only in 2014.

The ENP has not produced much success in stimulating internal reform in partner countries, and Ukraine's 'Orange Revolution' of 2004 had a disappointing aftermath. Though major domestic responsibility for the failure is not disputed, one should at the same time acknowledge the EU's flaws in reform promotion. The bilateral practical instrument, 'Action plan', contained a list of almost

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¹¹⁰ Particular problems lie not in the refusal rate which has been quite low for Ukraine (2 - 3%), but in the low number of long-term multiple-entry visas. Situation improves, but very slowly. See <http://novisa.org.ua/en/vizova-reviziya/>, http://novisa.org.ua/wp-content/uploads/2014/04/2_print_engl_pos-materials_EWB.pdf, http://novisa.com.ua/file/publics/novisa_publics1351606401.pdf and other publications of the NGO Europe Without Barriers (<http://novisa.org.ua/en/>).

300 vague priorities of Ukraine's homework, but, unlike the political guiding documents with accession candidate countries¹¹¹, it lacked benchmarks, a timeframe, linkages to EU aid and was not supported by serious monitoring. Also, the EU could hardly expect serious financial leverage with the total amount of aid of much less than 1% of Ukraine's state budget.

The fundamental reason for all the weaknesses of the ENP has been the lack of interest of key European states in the EU's eastern neighbourhood. Simply put, Ukraine, as well as the other Eastern European neighbours, were too far away and without significant linkages with Western Europe. Only modest amounts of investments and trade¹¹², and at the same time (until recently), a lack of serious security threats, provided the key EU members little incentive to be actively engaged. Right until the very end, the EU did not see the political importance of the Association Agreement with Ukraine.

A specific interest of the EU with regard to Ukraine has been the security of gas transit from Russia. But in this field the EU was never about to rival Russia, it rather sought cooperation with her. In 2009, when Russia interrupted the gas supply to Ukraine and to Europe through Ukrainian territory, pressure from the EU and its member states was a crucial factor in making Ukrainian Prime Minister Yulia Tymoshenko hastily go to Moscow to sign a highly disadvantageous 10-year gas contract with harsh conditions dictated by Putin.

Eastern Partnership, the strengthened eastern dimension of the European Neighbourhood Policy, did not bring much value for the EU's bilateral relations with Ukraine, as with the other countries in the region. Basically, under the 'Eastern Partnership' the EU extended the offers already tested with Ukraine. The upcoming Eastern partnership summit in Riga in May 2015 provides an opportunity to fundamentally reconsider the EU's policy towards Eastern Europe.

Today, it is crystal clear that the biggest miscalculation of the EU's policy was Russia. Moscow was seeking a 'strategic partnership' with the EU to gain recognition as an equal global power, implying not a unilateral approximation of European standards but that reciprocal convergence should be the basis of the bilateral relationship. Moscow viewed the post-Soviet area as its own privileged sphere of interest to be (re)integrated into a fully fledged economic, monetary, political and military bloc. In 2008, Russia effectively stopped Ukraine and Georgia from integrating into NATO at the Bucharest summit and occupied Georgian territory without significant consequences from the west. In 2010, Russia, Belarus and Kazakhstan established a customs union, and the following year (then Prime Minister) Putin published his vision of a fully fledged political and economic '*Eurasian Union*'.¹¹³

The Ukrainian vision was to have both free trade areas at the same time – with the EU and with Russia. A quite possible option (e.g. Serbia enjoys it now), it would have created a win-win-win situation, especially for Ukraine which in this case would have become an interesting investment destination. Ukraine's participation in both a free trade area with the EU and a customs union with Russia, though, was incompatible. Hence, Moscow set about undermining the EU-Ukraine Association Agreement as the first step towards Ukraine's inclusion into the Eurasian bloc. Thus, Kremlin imposed on Ukraine a zero-sum 'either-or' choice between Russia and the EU. The Russians, however, miscalculated how attractive the European dream had become for many Ukrainians who went on the Maidan protests in the winter of 2013/14 following President

¹¹¹ 'Accession partnerships' with the Central and Eastern European candidate countries of 2004 Enlargement or 'European partnerships' with the Western Balkan countries.

¹¹² In 2013, EU exports to Ukraine valued €24 billion, i.e. 1.4% of total EU exports to the world - http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113459.pdf ; the EU's foreign direct investments to Ukraine were at \$43,8 Bio, with Cyprus (i.e. in fact Ukrainian and Russian investors) accounting for \$18.9 Bio out of this amount, so real total FDI from the EU amounted to only \$24.9 Bio - http://ukrstat.org/en/operativ/operativ2014/zd/ives/ives_e/ives_0714_e.htm

¹¹³ Article "A new integration project for Eurasia: The future in the making" ("Izvestia", 3 October 2011) - <http://www.russianmission.eu/en/news/article-prime-minister-vladimir-putin-new-integration-project-eurasia-future-making-izvestia-3->

Yanukovich's refusal to sign the Association Agreement with the EU.¹¹⁴ When the government tried to oppress the peaceful protest by force, the clashes turned violent. When the number of casualties exceeded 100 dead, the EU finally decided to apply personal sanctions against key figures in the regime. This, together with the escalation of violence, led to Yanukovich losing his support and fleeing the country. The new government re-confirmed the European choice of Ukraine.

Having 'lost' Ukraine for its Eurasia project, Kremlin decided to take a part of it, the bigger the better, by military means. By annexing Crimea and militarily invading Donbas¹¹⁵, Russia crossed the 'red line' as it broke the basic principles of international law on which the whole modern world order and security is based. Since the end of the Second World War, Crimea has been the first annexation in Europe and in the world (except for some immediate post-colonial settlements and the Arab-Israeli conflict), one committed by a nuclear power with permanent membership of the United Nations Security Council.

The EU has come in to conflict with Russia without actually intending or even taking account of this. It was Moscow's choice to become a rival. Europe was surprised to see the Russian military threat back and Moscow challenging EU policies and principles in the fields of human rights, energy, trade, international relations and international law. The Kremlin is trying to influence EU and EU member states' decision-making and politics; providing support to the Euro-sceptic far-right and far-left political parties, it obviously aims to undermine the whole European integration project.

The EU's mild 'political' sanctions for the annexation of Crimea simply invited Russia to continue its aggression further into other regions of Ukraine. A meaningful change – the second wave of economic sanctions in the sectors of finance, arms and dual use goods and oil extraction technologies – came only in July when the Malaysian civil airplane MH17 was downed by a Russian missile, resulting in 298 casualties, most of whom were EU citizens. When the effects of financial sanctions and the fall of oil prices combined, the Russian economy was brought to the brink of crisis, but it did not lead to a substantial change of Russian policy yet.

Discussion of the EU's further policy approach towards Russia is underway, with some voices calling for an exploration of the options of abandoning sanctions and returning to a normal relationship.¹¹⁶ Of course, this should be the goal, but only after the conditions are met – Russia must respect Ukrainian sovereignty and territorial integrity, including Crimea¹¹⁷. The real cost of sanctions (and Russian counter-sanctions) for the EU is exaggerated by particular lobbies. Contrary to their claims, the Russian market is not that critically important for the EU as a whole (6.9% of EU exports in 2013, well behind exports to the US (16.6%), Switzerland (9.8%) and China (8.5%)).¹¹⁸ German world exports rose in 2014 despite Russian sanctions.¹¹⁹ In comparative perspective, there are more gains to be expected from a free trade agreement with the US (under the negotiated Transatlantic Trade and Investment Partnership) than from the cancelling of Russian sanctions. Also, Russia has never been a particularly reliable business partner. Well before 2014, Moscow already had a track record of imposing politically- and protectionist-motivated trade restrictions / embargoes on imports from EU member states which led to trade quarrels on a EU-Russia level. Thus, EU exporters should have already known the level of political risk inherent in dependency on the Russian market. In any case,

¹¹⁴ 'Maidan' is the name of the central square in Kyiv, where the protesters had their camp – both in the Orange revolution of 2004 and the 'Euromaidan' or 'Revolution of Dignity' of 2013/14.

¹¹⁵ Common short name for 'Donetsk basin' – territories of two industrial administrative regions (Donetsk and Luhansk) in the East of Ukraine.

¹¹⁶ 'Issues paper' on relations with Russia prepared by the European External Action Service under High Representative Federica Mogherini before the Foreign Affairs Council of 19 January 2015: <http://blogs.ft.com/brusselsblog/files/2015/01/Russia.pdf>

¹¹⁷ This is also the principle message of Ukrainian MFA's non-paper as of 19 January 2015:

<http://www.euointegration.com.ua/files/f5/f598eee-fac-ukraine.pdf>

¹¹⁸ European Commission's statistics on EU trade with Russia: http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113440.pdf

¹¹⁹ <http://www.bloomberg.com/news/articles/2014-09-08/german-trade-surplus-at-record-as-exports-rise-to-all-time-high>

Russian growth and increased consumption (imports from the EU rose from €46 billion in 2004 to €120 billion in 2013) was mostly based on previously high oil prices, and could hardly be expected to continue even if sanctions were cancelled in 2015. But first and foremost, there will be much higher strategic losses for the EU if it gives in to Russian pressure. Like it or not, Ukraine's defeat would mean the defeat of the EU as well. As Moscow made its choice of becoming a rival for the EU, it will only become even more aggressive in the case of EU weakness in response.

Therefore, as long as Russian policy remains unchanged, the EU should keep up the pressure of sanctions and be ready to take additional bold strategic decisions to answer the challenge of Russian militant revanchism, revisionism and aggression. A major change in Russian policy and worldview is unlikely to happen soon; one should be prepared for long-term patience. 30 years ago, Perestroika in the Soviet Union was started because the economy was not able to bear the costs of various structural problems and increased military spending (the arms race and local war in Afghanistan) against the background of low oil prices. The west won the Cold War first of all by winning the battle for the hearts and minds of Russians who foresaw the Soviet economic failure. The same combination of factors may lead to the same result of a major change in Russian policy – maybe, only after the incumbent leader is gone.

Of course, in such circumstances any military cooperation, arms and dual use goods sales to Russia should be cancelled. Final clarity should be given on the Mistral deal so that it is irreversibly abandoned.¹²⁰ On Crimea, a strategy of full isolation should be further practically pursued: the EU should totally ban European exports, investments, business services and transport communications to Crimea.¹²¹ To counter Russian propaganda, EU member states need to modernise and effectively implement their regulations on the responsibility of the media so that democratic freedom of speech is not used to cover manipulation.¹²²

In actual fact, the EU should be ready to further increase sanctions (especially in the financial and energy sectors) to show that a policy of continuing confrontation would be self-defeating for Moscow. In contrast, to make the withdrawal option more attractive for the Kremlin, a vision of a relationship between the EU and the Eurasian Union, including a free trade area (FTA) between the two blocks, could and should be offered – but only on the condition of the restoration of Ukraine's territorial integrity.

Pressuring Russia should go hand-in-hand with providing additional support to Ukraine which is suffering and fighting for its European choice and association with the EU like probably no other nation has had to do before. The major goal is to make Ukraine more resistant to Russian pressure – through supporting increased defence capabilities, macro-economic stabilisation, energy independence and successful reforms.

The west should supply the defensive weapons to Ukraine necessary to protect itself against further possible Russian attacks. Throughout the whole of 2014, the EU and its member states failed to provide meaningful support for Ukraine's defence. Paradoxically, the EU even persisted with an embargo on military equipment supplies to Ukraine until July 2014; after it was lifted, EU member

¹²⁰ Russia signed a contract with France on the purchase of two 'Mistral' assault ships in 2010 – remarkably, already after Russian invasion in Georgia in 2008. If one of them joined the Russian Black Sea Fleet (in its major base in Sevastopol on the occupied Crimea), this would be the largest ship in the region, capable of carrying 30 helicopters and 900 marines. After a long hesitation, France decided in November 2014 to suspend delivery of the first ship that had already been constructed – see: http://en.wikipedia.org/wiki/Mistral-class_amphibious_assault_ship

¹²¹ For the time being, only imports to the EU from Crimea without a Ukrainian license, EU investments in several sectors and entering several (somehow not all) sea ports are banned. For instance, European car producers may open their dealerships in Crimea and sell their cars there without breaching the sanctions.

¹²² See 'The Menace of Unreality: How the Kremlin Weaponizes Information, Culture and Money' (http://www.interpretermag.com/wp-content/uploads/2014/11/The_Menace_of_Unreality_Final.pdf) and other writings by Peter Pomerantsev.

states continued to refuse to supply weapons. Thus, Russian proxy troops in Ukraine were able to get modern weapons from Moscow¹²³, while Ukrainian troops were being denied supplies by the international community which had declared its support to Ukraine against Russian aggression. Of course, there is no expectation that the small Ukrainian army will defeat the huge army of Russia in a full-scale war. But it is clear that Russian aggression is encouraged by military weakness; it can be stopped only by the prospect of an unacceptable level of damage and losses. Therefore, the Ukrainian army badly needs western defensive weapons (first of all, air defence and anti-tank), intelligence, technologies and equipment. Signatories to the Budapest memorandum (US, UK, France) are in particular expected to contribute.¹²⁴ Preferably, such supplies should be made under a lend-lease or other preferential scheme.

Physical insecurity caused great economic instability in Ukraine that should be addressed with a substantial financial assistance package, to save the economy from collapsing in this time of shock and panic. Direct damage from the war, but much more the broader feeling of associated insecurity and instability already caused significant panic, national currency devaluation, price rises, unemployment and impoverishment.¹²⁵ No doubt, the Kremlin is eagerly awaiting Ukraine's sovereign default and social explosion.

So far, the level of the EU's support seems inadequate: in 2014, the EU gave Ukraine a grant (direct budget support) of €250 million as a 'state-building contract', and €1.36 billion of macro-financial assistance loans.¹²⁶ At the same time, the IMF committed \$17 billion of loans for a two-year support programme to Ukraine (actual disbursements in 2014 amounted to \$4.6 billion¹²⁷), and assessed the actual additional needs of Ukraine to be at least \$15 billion – though the European Commission was able to find in the EU budget only an additional €2.05 billion for macro-financial assistance loans in 2015.¹²⁸ However, provided there is the political will among EU member states, it would be possible to reallocate as much as €50 billion from the large unused reserves of the European Financial Stability Mechanism (used for Portugal and Ireland) and the Balance of Payments Assistance Facility (used for Hungary and Romania).¹²⁹

The political signal of a 'bailout' is needed to restore investors' confidence in the Ukrainian economy, but to ensure that it becomes a land of opportunity, the EU should make additional efforts to encourage direct strategic investments to Ukraine and facilitate its export to the EU. This should be in addition to the actual removal of customs duties on all Ukrainian goods (in fact, a unilateral implementation of DCFTA by the EU), potential instruments may include governmentally sponsored

¹²³ As the head of National Security and Defence Council of Ukraine reported on 15 January 2015, the Ukrainian army in Donbas is fighting against an army of 36,000 (out of whom 8,500 are Russian regular troops) with 542 battle tanks, 990 armoured vehicles, 694 artillery systems, including 4 'Tochka U' mobile short-range tactical ballistic missile launch systems, and 57 air defence missile systems – see: <http://www.rnbo.gov.ua/news/1965.html> (in Ukrainian).

¹²⁴ At the beginning of the 1990s, Ukraine gave up its third in the world nuclear weapons stockpile, under joint pressure from the US and Russia. In exchange, in 1994, the US, UK and Russia signed the Budapest memorandum on security assurances to Ukraine, confirming that they would respect Ukrainian independence and territorial integrity and refrain from the threat or use of force against her. However, no guarantees were given of military assistance to Ukraine in the case of aggression from the other signatory, Russia. France and China did not sign the memorandum but made individual declarations of security assurances to Ukraine – see: <http://www.day.kiev.ua/en/article/close/assurances-without-guarantees-shelved-document>

¹²⁵ National currency devaluation is a major factor. According to the State Statistics Office, the official average salary in November 2014 amounted 3 534 UAH, i.e. approximately 220 USD at the actual currency exchange rate – compared with 3 148 UAH / 390 USD in January 2014 - <http://index.minfin.com.ua/index/average/>. In reality, the average monthly income of private sector employees might be twice the amount, but pensioners and budget sphere employees experience the biggest difficulties because of the state budget austerity policy.

¹²⁶ The €11 billion package to Ukraine, announced by the EU in March 2014, was actually meant for the 7 years from 2014 to 2020; out of this amount only €1,4 billion constitute grants and EUR 1,6 billion macro-financial assistance loans, the rest (€8 billion) is meant to come as project-based loans from EIB and EBRD. See European Commission's press release: http://europa.eu/rapid/press-release_IP-14-219_en.htm

¹²⁷ IMF, Stabilizing Ukraine's Economy, September 2014, <https://www.imf.org/external/pubs/ft/survey/so/2014/car090214a.htm>

¹²⁸ European Commission, EU-Ukraine: Commission proposes further €1.8 billion in macro-financial assistance, January 2015, http://europa.eu/rapid/press-release_IP-15-3020_en.htm

¹²⁹ George Soros, A New Policy to Rescue Ukraine, New York Review of Books, January 2015, <http://www.nybooks.com/articles/archives/2015/feb/05/new-policy-rescue-ukraine/>

political insurance schemes¹³⁰, support for an ambitious privatisation programme implementation, the promotion of direct business-to-business contacts and rendering direct technical assistance to particular Ukrainian companies to help them enter the EU market (similar to that provided by the European Commission for accession countries).

The EU can also play a more active role in providing humanitarian aid to Ukraine, in particular to the internally displaced people (more than 600,000 persons according to the official statistics alone, with a real figure that might be close to a million). So far the European Commission's Humanitarian Aid and Civil Protection department (ECHO) has provided only EUR €11 million for such purposes.¹³¹ Final clarity on the fate of the Association Agreement should be made. It was signed in two stages, in March and June 2014, ratified by the European and Ukrainian Parliaments and then the implementation of Ukraine's obligations under the free trade chapter was delayed until 2016 as the result of trilateral consultation with Russia, to accommodate her demands. There should be no further delays here, in order to push forward with regulatory alignment that would help attract investors. Also, the ratification of the Agreement by the national parliaments of EU member states should be completed by 2016.

Ukraine, as an Energy Community member, should be included in the EU's Energy Union project. European gas transit was secured by the EU-Ukraine-Russia trilateral interim deal for the winter 2014/15, facilitated by the European Commission in October 2014, but for long-term stability, transit to the EU through Ukraine should cease to be a Ukraine-Russia issue and become a Ukraine-EU issue. European long-term contracts with Gazprom should be reviewed to change the point of gas delivery from the Ukrainian-EU border to the Ukrainian-Russian border (already the eastern border of the Energy Community that should become the eastern border of the Energy Union).

The EU's guidance on reforms in Ukraine should not be limited only to the work of the Support Group¹³² and the Advisory Mission for Civilian Security Sector Reform.¹³³ Additionally, the European Commission could start to provide legislative 'screening' of Ukraine's compliance with the elements of the EU's acquis covered by the Association Agreement – a very effective monitoring and guidance tool tested on candidate countries. Also, the EU needs to invest in local administrative capacity, in particular, by extending the 'twinning' scheme to allow Ukrainian public servants' short-term internships in the peer institutions of EU member states. To effectively support the decentralisation reform and cohesion policy in Ukraine, the EU could offer inclusion into the Union's regional policy, including (some) access to the structural funds. And, to support greater ownership of reforms, the EU should offer practical advice to the Ukrainian government on how to effectively communicate with stakeholders and the society at large as part of decision-making based on the policy cycle.

Fighting corruption should not be perceived as an exclusive issue for specialised institutions like the European Anti-Fraud Office (OLAF) and the Ukrainian National Anti-Corruption Office. The EU should put on the agenda of the high-level political dialogue the task of eliminating corruption from all ministries and state-owned enterprises. To secure proper analysis here, the relevant EU officials need to cooperate with civil society, investigative journalists and business.

Finally, two particular expectations of the Eastern Partnership summit in Riga among Ukrainian citizens who have shown their resolution to fight for a European future for the country are the delivery of a visa-free regime for short-term travel to the EU and the offer of a European membership perspective for Ukraine. On the matter of visas, with technical conditions for a visa-free

¹³⁰ Europe's Ukrainian lifeline, May 2014, <http://www.project-syndicate.org/commentary/george-soros-shows-why-eu-support-for-ukraine-would-end-up-benefiting-europe>

¹³¹ European Commission, ECHO Factsheet, January 2015, http://ec.europa.eu/echo/files/aid/countries/factsheets/ukraine_en.pdf

¹³² European Commission, Support Group for Ukraine, April 2014, http://europa.eu/rapid/press-release_IP-14-413_en.htm

¹³³ EEAS, EUAM, http://www.eeas.europa.eu/csdp/missions-and-operations/euam-ukraine/index_en.htm

regime being gradually achieved, no additional security concerns in relation to the conflict should impact the decision of the EU on an issue of so much practical importance for Ukrainian society. At the same time, granting a European perspective, even if a 'potential' one like in the case of the Western Balkans, would be a very symbolic confirmation of the fact that the EU's and Ukraine's destinies are bound together.

The challenges facing Moldova on its path to Europe

Denis Cenuşa¹³⁴

Troubled Europeanisation

Europeanisation is the driving logic that has characterised Moldovan foreign policy since the youth riots in April 2009¹³⁵ that were sparked via social media and followed by early elections in July 2009, which in turn led to the formation of a non-Communist governing coalition with a strong attachment to the EU. However, the new political leadership missed the opportunity to capitalise properly on this public support due to continuous political divisions and fights focused on gaining more power within the governing coalitions. This led to growing social and political dissociation, which became fertile ground for divisive issues to be exploited effectively both by local anti-EU political stakeholders and external forces. Moreover, the high level of political instability caused disrupted governance and frequent electoral cycles, which included a Constitutional Referendum in September 2010 that was invalidated because of a low turnout and early elections in November 2010.¹³⁶ Despite the stable political landscape that has been maintained since May 2013¹³⁷, the elections of November 30 2014 have clearly shown that the pro-European ruling parties missed an opportunity to build greater public support. In addition, they proved that the pro-European brand can no longer bring a guarantee of high public acceptance, and therefore, of political longevity.

The principle of dividing the state institutions (ministries, Prosecution Office, Anti-corruption Agency, other state agencies, etc.) amongst the parties forming the pro-European governing coalitions, which have run the country since July 2009, was heavily misused. It was applied to offer immunity for particular problematic political leaders and their 'business' activities rather than for ensuring strong political representation in a well-functioning government. Schemes were created to achieve 'political equilibrium' and a 'balance of power' that significantly damaged political life, discredited the idea of Europeanisation through reforms and deepened public mistrust in an extremely volatile political landscape. In fact, political survival and the struggle for power became more important than achieving the best outcomes in terms of carrying forward the reforms promised by the pro-European ruling parties and that were being pushed by Moldova's development partners, in particular by the EU.

The tendency to subordinate state institutions and adjust them to the own needs of the pro-European governing coalitions was seen negatively by the public. Their capacity for coordination and reciprocity for the sake of political survival has proved helpful in overcoming endemic rivalries between the pro-European parties but it did not result in greater progress in carrying out painful reforms. Due to the pro-European affiliation of these parties, the EU became associated with the misdeeds of the pro-European coalitions. However, having as a partner a self declared pro-European government, the EU opted to work with them, accommodating them as part of the reform agenda proposed for Moldova.

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¹³⁵ The youth riots of April 2009 took place as a result of the Parliamentary elections of 5th April the same year. Claiming that the elections were falsified by the Party of Communists, which won the majority of the votes, the protesters asked for new elections. The protests started peacefully on 6th April, but were damaged by violent actions on 7th April. About 200 youngsters were arrested in the following days, many of them suffering maltreated, and many illegal sentences were issued against them. Amid these events, the Party of Communists didn't succeed in electing the President of the country and snap elections were announced for 29th July. As the result of the elections, four political parties favouring the EU formed the pro-European coalition, while the Party of Communists became the opposition.

¹³⁶ The turnout in case of a Constitutional referendum should be 1/3 of the total number of citizens with the right to vote. At the referendum in September 2010 has casted the votes only 30.29% of the voters. Available at: <http://www.e-democracy.md/en/elections/referendum/2010/>

¹³⁷ The government run by Liberal-Democratic Party's leader Vlad Filat was dismissed by a censor motion on 5th March amid the accusation of corruption. The Constitutional Court has ruled a decision about the impossibility of Vlad Filat to run for the position of Prime-minister. So the new government was conducted by Iurie Leanca, who was at that moment in charge with Ministry of Foreign Affairs and European Integration. <http://www.europeanforum.net/country/moldova>

The respect for Moldovan sovereignty, as a general EU principle in relations with any third countries, has always served as a basis for the partnership built with Moldovan political leaders, including with pro-European ones, though the reforms have almost always been lagging. Therefore, on the one hand, the EU lacked a proper strategy and tools for how to deal with a political reality where verbal commitments and legal commitments were simply contradicted by political conduct and actions. While, on the other hand, the European leadership has refrained from interfering in domestic politics. Nevertheless, the EU's approach has relied on numerous 'diplomatic caravans' to Chisinau; or on producing subtle statements or occasionally very sound public warnings concerning particular reforms (for example: the calls to improve justice, fight corruption, reform public administration, etc.). All this resulted in a situation where the only way to achieve minimum results was seen to be through the persuasion of the pro-European coalitions by 'socialising' them and connecting them to different European institutions, policies and officials.

The EU's approach of juggling between pushing for vital reforms and non-involvement in domestic politics has seemed to have been more or less effective in maintaining Moldova's European vector. But it was misunderstood by the public where the level of discontent towards the pro-European coalitions has remained high and it has also started to extend to the EU's image in the country. Moreover, diminishing public support for the EU has coincided with an increase in support for Russia's geopolitical projects – the Customs Union and the Eurasian Economic Union.

Geo-political preferences and election outcomes

The maintenance of the Association Agreement with the EU, signed in June 2014, as well as ensuring the irreversibility of the European path of the country, has been seriously tested by the elections of November 30 2014. Public opinion polls prior to the election forecasted the division of votes between the pro-EU and pro-Russia political parties. The polls¹³⁸ showed that altogether the parties that formed the governing coalition after April 2009 could achieve 49% of the votes. In the case of Eurosceptic parties with the potential to surpass the 6% threshold, the Party of Communists, the Party of Socialists and the Patria Party (Homeland Party), the forecast was 43% of the total valid votes.¹³⁹ Public perceptions regarding the EU and Russia-led Customs Union (CU) coincided to a large extent with the share of public support for the domestic political parties advancing one of the two geo-political orientations. According to the same poll, 44% of Moldovans would vote for joining the EU, with 47% in favour of the CU.¹⁴⁰

The above mentioned pre-election public polls mirrored the subsequent outcome of the legislative elections of November 30. The pro-European parties won about 45% of the votes, which conferred them 55 out of the 101 seats in the new Parliament. The Party of Socialists obtained 20.5% which was converted into 25 seats, while the Party of Communists received 17.4% or 21 seats.¹⁴¹ Having control over the electoral process, the pro-European coalition presumably diminished the electoral outcomes obtained by the Party of Communists, with about 5%, by allowing the registration of a party-clone with similar name and symbols – the Reformatory Communist Party of Moldova.¹⁴² Also, the Party of Socialists benefited greatly from the exclusion of the Patria Party¹⁴³, whose supporters inclined towards the socialists.

¹³⁸ IPP, Public poll from November 2014, Liberal-Democratic Party of Moldova – 21%, Democratic Party of Moldova – 18%, Liberal Party – 10%, Available at: http://ipp.md/public/files/Barometru/Brosura_BOP_11.2014_prima_parte-r.pdf

¹³⁹ IPP, Party of Communists – 21%, Patria Party – 12%, Party of Socialists – 10%.

¹⁴⁰ IPP

¹⁴¹ Results of the Parliamentary elections in Moldova, November 30, 2014, <http://www.alegeri.md/en/>

¹⁴² The decision of registering the Reformatory Communist Party was suspended by the decision issued by the Court of Appeal of Chisinau at the beginning of November 2014 on the basis of the party's usage of similar symbols to those used by the Party of Communists who governed the country between 2000 and 2009. The final decision on excluding the party from the list of candidates had to be taken by the Central Electoral Commission, which overturned the court decision and allowed it to participate in the elections.

¹⁴³ The Patria Party was disqualified by a ruling of the Court of Appeal of Chisinau for using foreign funds in the electoral campaign. The leader of the Party, Renato Usatii, has been always suspected of being supported and guided by Russia. On the other hand, he is known for

The pro-European parties succeeded in preserving a majority in the newly elected Parliament, though they lost 4 seats compared to the elections of November 2010.¹⁴⁴ But the governing coalition, formed after more than 1 month of negotiations between the 3 pro-European parties, eventually included only 2 of them (the Liberal Democratic Party and the Democratic Party).¹⁴⁵

Consequently, the pro-European Liberal Party took the seats of the opposition.¹⁴⁶ On the other hand, the Eurosceptic wing was diversified of the opposition, and along with the Party of Communists, seen as a party with moderate anti-EU rhetoric, the radical anti-EU political party – the Party of Socialists entered the legislature. In this regard, the opposition seems to be split in three. The Party of Communists declared that they are ready to play a constructive role and cooperate with the pro-European coalition that is likely to be formed, while the Socialists will remain strongly opposed to the coalition, demanding that Moldova should join the Customs Union and denounce the Association Agreement with the EU. At the same time, the Liberals are seen as the most constructive part of the opposition that is expected to support the European reform agenda or even to re-enter into the officially launched ‘minority coalition’. The functioning of a triple opposition can be useful for a pro-European government, which will need to learn to make political concessions with parties outside the coalition, including helping avoid possible complications around the Presidential election in 2016. At the same time, the more moderate Communists can obtain substantial leverage to recover from their electoral loss, which will allow them to shrink the support for the radically Eurosceptic Socialists. The Liberals will try to capitalise on the mistakes made by the current pro-European coalition government parties, in particular in the upcoming local elections where the Liberals will try to keep the seat of the mayor of the capital (Chisinau). However, if the government proposed by the minority coalition is not formed, snap elections will take place before the 2016 Presidential elections.

The EU’s blurred image

The EU faces various troubles with regard to its perception in Moldovan society. The image of the EU was shaped by the internal expectations of the population, but also taking into account the EU’s lack of an efficient communication strategy and the geo-political disorder in the region.

Firstly, the EU’s presence in Moldova after the events of April 2009 was always assessed through the performance of the pro-European governing coalitions. This risk was impossible to avoid, though it could have been tempered if EU officials had taken a more critical stance regarding the widespread corruption in the justice system, failed reforms and deep problems with the security of the banking system.

Secondly, for a long time the EU did not have a pro-active communication strategy aimed at promoting accurate information about the nature of EU financial and technical support offered to Moldovans during these years. Therefore public information gaps were gradually filled with various

his charity activities in Moldova, but also for alleged connections with local and Russian criminal communities. To avoid arrest, Usatii has fled to Russia, where he had previously resided for a long time before entering Moldovan politics.

¹⁴⁴ Results of the early Parliamentary elections in Moldova, November 28, 2010, <http://www.e-democracy.md/en/elections/parliamentary/2010/results/>

¹⁴⁵ Moldova.Org, The new PLDM-PDM coalition shared the seats in the Moldovan Government, January 2015, <http://www.moldova.org/the-new-pldm-pdm-coalition-shared-the-seats-in-the-moldovan-government/>

¹⁴⁶ One of the last rounds of negotiations on forming the new pro-European governing coalition was assisted by the leaders of the 3 pan-European parties (the Alliance of Liberals and Democrats for Europe, Graham Watson, the Chair of the European Parliament Committee on Foreign Affairs Elmar Brok, and the Vice-president of the Progressive Alliance of Socialists and Democrats Group in the European Parliament, Knut Fleckenstein). The delegation of European politicians gathered with the Moldovan colleagues at Chisinau Airport on January 20 2015. However, the support they offered didn’t bring the expected results. In addition, the Liberal Party was accused of lacking flexibility in the negotiations, which according to the Liberal Democrats and the Democrats provoked the end of negotiations and the creation of the minority government. These criticisms were echoed by the President of the European People’s Party, Joseph Daul. On the other hand, the Liberal Party accused the two latter parties of being in close dialogue with the Party of Communists and also of not being ready to give over particular ministers when the redistribution of the ministries was discussed. The argument concerning the relationship between the Liberal Democrats and Democrats with the Communists was underlined by the leader of ALDE Party, Graham Watson.

myths about the EU. This was exacerbated amid the negotiations of the Association Agreement, when the EU became the main target of the local Eurosceptic political parties. Moreover, the EU was slow to dismantle these myths about it. This happened after the 'Euromaidan' took place in Ukraine and after the Association Agreement with Moldova was initialled in November 2013.

Thirdly, the EU's image in Moldova was negatively influenced by Russia's propaganda, which remains highly efficient due to the dominance of Russian media in the local media market and among the Russian speaking population. It was accompanied by the aggressive geo-political conduct of Russia in the region, combined with the political and economic¹⁴⁷ pressure exerted on Moldova and other Eastern Partnership countries. For Moldova, this resulted in 2014 with restrictions being applied against agricultural and food products, including processed meat and preserves, while wine exports were prohibited before the Association Agreement was initialled in November 2013. In addition, Russia has introduced customs duties for about 20 categories of Moldovan products, contradicting the provisions of the CIS Free Trade Agreement, signed in 2011.¹⁴⁸ At the regional level, Russia's military involvement aimed at supporting and spreading separatism in Ukraine had a heavy impact on the debate. All this encouraged public perceptions that the Agreement with the EU could lead to violent events similar to those that occurred in Ukraine. This underscored the division between the social segments favouring the EU and those that lean towards Russia. Pro-Russia social groups include Russian speaking minorities, families with migrants dependent on access to Russia's labour market and certain local producers who would like to benefit from the Russia-led Eurasian Economic Union. It weakened the political weight of the pro-European coalition, and also undermined the legitimacy of the EU's activity in the country.

In recent years 32 'myths' about the Association Agreement signed with Moldova have been promulgated before eventually being challenged by the EU.¹⁴⁹ As public polls show¹⁵⁰, the myths with biggest public impact refer to trade liberalisation with the EU (the DCFTA) as part of the Agreement. Therefore, large groups of citizens believe that the Agreement would mean that Moldovan producers will automatically lose access to the Russian market, and that exports to the Commonwealth of Independent States will be also affected, while imports from the EU will hit local producers. There is also a misunderstanding that the Agreement would offer Moldovans the possibility to accede to the EU labour market, and that cooperation with the EU would require the country to reduce its dialogue with other countries. Some of the myths that have become widespread also include claims of a revision of the neutral status of the country and the introduction of a visa regime with CIS countries.

The definitive and quick removal of these numerous myths is not possible, but the EU should show that it has a permanent interest in fighting them. Also, the EU needs to be focused on making allies within all political parties, including the pro-Russian ones, but also amongst local mass-media and civil society, with the aim of diminishing as much as possible the delivery of false or inaccurate information regarding its activities in Moldova.

Disconnected realities

The pro-European governing coalitions have done little to decrease the gap between the population's beliefs and the European agenda. The information campaign aiming at popularising the Association Agreement started quite late and became more visible only after Moldova obtained visa

¹⁴⁷ CEPS, Russia's Punitive Trade Policy Measures towards Ukraine, Moldova and Georgia, Available at:

<http://www.ceps.eu/book/russia%E2%80%99s-punitive-trade-policy-measures-towards-ukraine-moldova-and-georgia>

¹⁴⁸ Expert-Grup, Cancelling "zero duties" for Moldovan products: Is Russia right or not?, <http://expert-grup.org/en/comentarii/item/1000-taxe-zero-rusia/1000-taxe-zero-rusia>

¹⁴⁹ Myths about the EU-Moldova Association Agreement (AA) and Deep and Comprehensive Free Trade Area (DCFTA), http://eeas.europa.eu/delegations/moldova/press_corner/all_news/news/2014/20140417_en.htm

¹⁵⁰ IPP, November 2014, http://ipp.md/public/files/Barometru/Brosura_BOP_11.2014_prima_parte-r.pdf

liberalisation with the EU in April 2014. The communication tools used by the Moldovan authorities seem to have been only moderately effective, leaving a rather poor public understanding of the issues involved.

The public polls confirmed that the majority of citizens have noticed the public campaign concerning the Association Agreement.¹⁵¹ From within this majority, 32% of people kept their negative opinion of the Agreement, while a further 6% joined them after the information campaign took place. 49% of those who were exposed to the campaign remained in favour of the Agreement. Only 54% who were aware of the campaign liked it, while 36% disliked it. At the same time, 25% of citizens who had heard about the campaign assessed it as useful or very useful, while 36% considered it as either less useful or not at all useful, while 34% believed it had an average efficacy.

Consequently, the existing deficiencies in communication around the Association Agreement can act to further disconnect the pro-European ruling parties from the citizens. Also it will put pressure on the reforms that need bottom-up support in order to deliver results, though they consist of top-down designed policies. In this regard, the risk will be shared between the pro-European governing coalition and the EU, both sides supporting various costs in case the European agenda will fail.

Eurosceptic pro-Russia regions

The problem of 'disconnected realities' was visible in the case of the illegal referendum of February 2nd 2014 in the Gagauzian autonomous region¹⁵², where the absolute majority of citizens opted in favour of joining the Customs Union (98.47% out of 70.777% who participated). Paradoxically, EU officials made a significant effort ahead of the referendum to speak to the Gagauzian authorities and people in an attempt to combat the myths concerning the Association Agreement, including Commissioner Füle visiting the region ahead of the vote.¹⁵³ The Moldovan authorities were inclined to hand the EU the leading role for communication around the Association Agreement to Gagauzia. In part, it might have been motivated by the EU's authority on such matters, but also because the political dialogue between Chisinau and Comrat (Gagauzia) was quite strained so the EU acted more like an intermediary between the two administrations.

At the same time, the unsolved Transnistrian conflict means that the European agenda is impossible to pursue on the left bank of the Dniester River. Though the administration of the breakaway region was involved by the EU in the official and informal discussions concerning the Association Agreement, in particular around the Deep and Comprehensive Free Trade Agreement (DCFTA), they rejected any possibility of its implementation in the Transnistrian region. The main reasons for opposing the DCFTA is the Eurasian vector adopted by the region, which looks forward to joining the Customs Union and ultimately the Eurasian Economic Union, and the level of Russia influence and control over this separatist region.

In conclusion

Both the pro-European coalition (though formed only by two parties – the Liberal Democrat Party and the Democrat Party) and the EU should learn lessons from their previous mistakes. They should dedicate much more effort to involving citizens in their communication activities about the Association Agreement and in building a general understanding of the EU's work in Moldova, which can be also used to popularise the reform agenda.

¹⁵¹ Ibid.

¹⁵² The population of the autonomous region of Gagauzia is about 155.000 people consisting mainly of Gagauzians, who have Turkish roots, though it is proved that Russian language is largely used in the region, sometimes surpassing the Gagauzian language.

¹⁵³ Speech of Stefan Füle, European Commissioner for Enlargement and Neighborhood Policy, delivered in Russian at the Comrat University in Gagauzia, Moldova, on the myths and benefits of the Association Agreement, 23 January 2014. http://europa.eu/rapid/press-release_SPEECH-14-57_en.htm

In addition, the platform representing Moldovan and European civil societies, which must be established according to the Association Agreement, should engage in promoting unbiased information about the EU, the Association Agreement and other aspects of the EU-Moldova relationship. A multiplication of the number of stakeholders participating in delivering accurate data concerning the European integration will have added value. But this should have only a supplemental role and in no case should it somehow substitute the responsibilities of the EU and the Moldovan authorities who need to have their own efficient and well-designed communication strategies.

On the other hand, the EU should take a risk, by becoming more critical of the failures of any pro-European coalition that comes to power. This will garner greater credibility and trust from citizens, believing the EU to be an honest broker, bolstering pro-EU public opinion and encouraging the public to put more pressure on the political elites. The EU can facilitate the implementation of the reform agenda by encouraging the Moldovan authorities to behave more responsibly and help citizens to become more effectively involved in decision making, while playing a more active role in pushing forward the reforms, without which the European integration of Moldova has no future. But to achieve this the EU needs a clear, pro-active, coherent and efficient communication strategy based on Moldovan reality to help it avoid repeating some of its past errors where its public engagement had sometimes been fragmented, late and failing to adequately anticipate the flow of events.

Georgia and the EU: Popular expectations, EU-led programmes and challenges

Ana Dvali and Giorgi Kanashvili¹⁵⁴

Introduction

Relations between Georgia and the EU date back to shortly after Georgia's independence in 1991. The Partnership and Cooperation Agreement signed in 1996 established a framework for a political dialogue, support to democracy and economic cooperation between Georgia and the EU. However, the EU's interest in Georgia, as well as in the broader region at that time, was not strong. The commencement of the European Neighbourhood Policy in 2003, followed by the Eastern Partnership later on, brought relations between Georgia and the EU on to a new level. On 27 June 2014 Georgia signed the Association Agreement which entails deepening political, economic and trade relations. In parallel to political and economic integration, the EU has also been involved in the processes of facilitating the peaceful transformation of Georgia's conflicts and helping the country alleviate the dire consequences of the Georgian-Russian war of August 2008 through both its political and financial instruments.

Georgia's European choice has been grounded in strong support amongst the political elite as well as the broader public, making this choice one of the key priorities of the country's foreign policy. It can be assumed that the process is irreversible and there is a consensus on a Euro-Atlantic course being the only option in the Georgian political space. Those political forces and civil society actors who question the relevance of Georgia's quest for European integration are marginal stakeholders who fail to enjoy considerable popular support.

Public opinion polls¹⁵⁵ point to the majority of the Georgian population supporting the country's European integration. However, the same polls also indicate that a considerable number of Georgians over-estimate the positive outcomes which are expected from the process of European integration.

The population's expectations towards the EU

As a response to a question included in a 2013 survey phrased 'if there was a referendum tomorrow, would you support Georgia's accession to the EU?' 83 per cent of Georgian speaking respondents and 38 per cent of those representing minorities answered yes.¹⁵⁶ At the same time it should be noted that most of the population considers European integration a distant perspective. Only 13 per cent of Georgian speaking respondents thought that the country was ready to become a member of the EU.¹⁵⁷ Respectively, issues related to European integration do not fall within the top three priorities revealed by public opinion polls. The August 2014 polls show that jobs (63 per cent), poverty (32 per cent) and territorial integrity (30 per cent) are the most critical issues for the Georgian population, whilst only two per cent of respondents named EU integration among the top three priorities. On the other hand, 12 per cent of respondents considered relations with Russia a priority.¹⁵⁸ Despite this, the same polls show that the country's population considers EU integration an instrument for addressing the priority issues. Most of the population believe that EU membership will either solve or help resolve crucial problems facing the country. For instance, 70 per cent of respondents to a 2013 poll expected national security to strengthen further after Georgia's

¹⁵⁴ Giorgi Kanashvili is the Executive Director of Caucasian House in Tbilisi. His interests include conflicts in the post-soviet space, Russian Soft Power and the North Caucasus. Ana Dvali is coordinator of the Georgian-Russian Dialogue for Peace and Cooperation project at Caucasian House. Her work includes Georgia's foreign policy priorities and minority attitudes towards Georgia's foreign policy.

¹⁵⁵ Knowledge and Attitudes towards the EU in Georgia: Trends and Variations 2009 – 2013, Eurasian Partnership Foundation; http://www.epfound.ge/files/eu_survey_report_2013_final_eng_.pdf; National Democratic Institute (NDI), Public Attitudes in Georgia: Results of an August 2014 survey commissioned by NDI and administered by CRRC Georgia, https://www.ndi.org/files/NDI_Georgia_August-2014-survey_Public-Issues_ENG_vf.pdf

¹⁵⁶ Knowledge and Attitudes towards the EU in Georgia: Trends and Variations 2009 – 2013, Eurasian Partnership Foundation; http://www.epfound.ge/files/eu_survey_report_2013_final_eng_.pdf

¹⁵⁷ *Ibid* While 8 per cent of the ethnic minority population of Georgia shared this view.

¹⁵⁸ National Democratic Institute (NDI), Public Attitudes in Georgia: Results of an August 2014 survey commissioned by NDI and administered by CRRC Georgia https://www.ndi.org/files/NDI_Georgia_August-2014-survey_Public-Issues_ENG_vf.pdf

accession to the EU, 63 per cent believed the chances of restoring Georgia's territorial integrity would become stronger, the number of job placements would be increased according to 65 per cent of the respondents, while 62 per cent expected an increase in income.¹⁵⁹

Yet another survey commissioned by NDI in August 2014 aimed at identifying attitudes of the Georgian population towards the Association Agreement with the EU captures popular support and expectations with regard to European integration. According to the August survey, 79 per cent of the Georgian population knew that Georgia had signed the Association Agreement with the EU and 69 per cent of those who knew about it positively evaluated this step. Their expectations correlated with their hopes of getting the challenges addressed: 58 per cent expected the economy to improve and 33 per cent hoped that security would strengthen. More jobs (13 per cent) and the restoration of territorial integrity (10 per cent) were also expected outcomes as a result of European Integration.¹⁶⁰

The results of the above mentioned surveys confirm that the question of European integration fails to fall within the country's key priorities – only two per cent of respondents mentioned it as one of the top three choices. However, support for European integration is still high and the population expects that the biggest problems facing the country will be solved after joining the EU.

EU programmes in Georgia and existing challenges

EU activities and programmes cover various areas of the country's political and economic life including the most painful issues for the population. Below are reviewed those areas which are considered as the most critical by the country's population: the Deep and Comprehensive Free Trade Area (DCFTA) offers Georgia new economic opportunities, which in turn, relate to poverty reduction and job creation. The EU has also been involved in resolving the conflicts and efforts directed at mitigating the consequences of the war, thus manifesting its support to Georgia's territorial integrity. However, there are also challenges diminishing the effectiveness of these programmes.

DCFTA – Economic opportunities for Georgia

An agreement on a Deep and Comprehensive Free Trade Area envisages stronger economic ties between Georgia and the EU. Georgia gets EU market access, while EU firms already had access to the Georgian domestic market. Unlike other agreements concerning trade, the DCFTA entails the gradual aligning of Georgia's trade and commerce legislation and respective institutions with EU regulations and administrative mechanisms.¹⁶¹ After the accord comes into force almost all products made in Georgia will become exempt from customs fees when being exported to the EU market.¹⁶²

Despite the windows of opportunity that DCFTA opens for Georgia, there are still barriers impeding the effective use of these windows. There are numerous informal barriers for Georgian goods as they try to reach the EU market. Such barriers include, but are not limited to, lack of information about Georgian products, difficulties in finding a place in an unfamiliar market, linguistic barriers, different mind-sets and mentality, lack of personal contacts and poor networking. Despite the fact that there will be no tariff barriers, technical barriers for trade still pose a considerable challenge for

¹⁵⁹ Knowledge and Attitudes towards the EU in Georgia: Trends and Variations 2009 – 2013, Eurasian Partnership Foundation; http://www.epfound.ge/files/eu_survey_report_2013_final_eng_.pdf

¹⁶⁰ National Democratic Institute (NDI), Public Attitudes in Georgia: Results of an August 2014 survey commissioned by NDI and administered by CRRC Georgia

¹⁶¹ 'Georgia-EU Association Agreement' Guideline, Ministry of Foreign Affairs of Georgia, February 2014 http://www.mfa.gov.ge/files/30_17011_883682_30_17011_561507_%E1%83%90%E1%83%A1%E1%83%9D%E1%83%AA%E1%83%98%E1%83%A0%E1%83%94%E1%83%91%E1%83%98%E1%83%A1%E1%83%A8%E1%83%94%E1%83%A1%E1%83%90%E1%83%AE%E1%83%94%E1%83%91%E1%83%A8%E1%83%94%E1%83%97%E1%83%90%E1%83%9C%E1%83%AE%E1%83%9B%E1%83%94%E1%83%91%E1%83%98%E1%83%A1%E1%83%92%E1%83%96%E1%83%90%E1%83%9B%E1%83%99%E1%83%95%E1%83%9A%E1%83%94%E1%83%95%E1%83%98.pdf

¹⁶² *ibid*

Georgian goods entering the EU market. For instance, agricultural produce must meet sanitary and phytosanitary requirements. These requirements and standards create additional barriers for Georgian entrepreneurs wishing to enter the EU market. The Georgian government has declared its commitment to take all required measures to eliminate any technical barriers, but these efforts require some time. The above mentioned technical and informal barriers are coupled with the opening of the Russian market for Georgian goods, which further diminishes the potential of increased Georgian exports to the EU market. An embargo imposed on Georgian products in Russia was lifted in December 2012. During the embargo period Georgian exports to the EU saw an increase. However, some Georgian entrepreneurs chose to return to the Russian market after the lifting of the embargo. The case of wine exports vividly illustrates this trend. Wine exports have seen a considerable increase since the embargo was overruled and based on July 2014 data, the Russian market accounts for 65 per cent of total exports.¹⁶³ It should also be noted that, despite the fact that Georgia's trade turnover with Russia has increased – the period from January to October 2014 has seen a 67 per cent increase compared with the same timeframe in the previous year¹⁶⁴ – this figure still lags far behind that of its trade with the European Union. However, the tendency has shown that the Russian market is attractive for Georgia and Russia is most likely to remain an important trade partner for Georgia provided that there are no embargoes on Georgian products. Despite the long term stability of the EU market, the Russian market is more accessible because of a lack of technical and informal barriers. If this tendency is to remain, Georgia may fail to enjoy the benefits offered by the Deep and Comprehensive Free Trade Area. At the same time, it should be kept in mind that Russia rarely shuns the opportunity to use economic leverage for political purposes and therefore, if Georgia fails to enter the European market, shockwaves from the potential closure of the Russian market for Georgian products will be more far-reaching as Georgian entrepreneurs are not likely to be able to deftly navigate the European market.

Failure to embrace all the DCFTA benefits and/or delays in achieving adherence to EU regulations and standards, may give rise to frustration within the population which would be a challenge for the process of European integration.

Support for Georgia's territorial integrity and reinforcing security

Since the early 1990s, the EU has been involved in conflict transformation in Georgia through humanitarian and rehabilitation activities, as well as those aimed at building confidence. However, the role of the EU gained a new momentum after the August 2008 war when it became the sole important international actor operating in this sphere following termination of the mandates of both the OSCE and the United Nations Observer Mission in Georgia (UNOMIG). The EU's involvement in the process of conflict transformation and reinforcing Georgia's security covers several areas:

- The EU's Special Representative for the South Caucasus and the crisis in Georgia is tasked to contribute to a peaceful settlement of conflicts in the region as well as to encourage regional cooperation. The Special Representative co-chairs and participates on behalf of EU in the Geneva International Discussion, which is so far the only international venue for talks where Georgia and Russia represent the parties to the conflict.
- The European Union Monitoring Mission was set up in 2008 based on the six point accord brokered by EU. The Mission's mandate is to monitor the implementation of this accord and patrol the area adjacent to the administrative boundary line with the separatist regions of South Ossetia and Abkhazia.¹⁶⁵
- Financial support for measures aimed at resolving the conflict.¹⁶⁶ The EU financially supports the programmes designed to provide support to conflict-affected communities. The financial

¹⁶³ Increase in the export of wine, August 5, Civil.Ge, <http://civil.ge/eng/article.php?id=27558>

¹⁶⁴ National Statistics Office of Georgia, 2014 http://geostat.ge/?action=page&p_id=136&lang=geo

¹⁶⁵ European Union Monitoring Mission in Georgia, http://www.eumm.eu/en/about_eumm/mandate

¹⁶⁶ European Union External Action, EU-Georgia relations, http://eeas.europa.eu/georgia/index_en.htm

assistance, inter alia, provides budget support to the government of Georgia in its efforts to improve the living conditions of internally displaced persons (IDPs). For instance, in 2008–2010 the EU allocated an additional 500 million Euros, one of the purposes of which was to provide new IDPs with accommodation.

Despite the fact that EU is one of the key players in terms of helping to resolve Georgia's conflicts, its hands are tied by several restricting factors:

- a) Russia. Russia has always been trying to demonstrate to both Georgia and the international community, that the key to the conflicts lies in Moscow and therefore no other actor will ever succeed in resolving these conflicts without paying due homage to Russian interests. Therefore, one of the key directions of the Russian politics has been to prevent, or to reduce to the smallest possible extent, the role of international mediators and actors in the Georgian-Abkhaz and Georgian-Ossetian conflicts. Since 2008 Russia has been blocking UN and OSCE missions in conflict zones while the EUMM has no permission to enter Abkhazia or South Ossetia to this day. In the light of Georgia signing the EU Association Agreement and in the aftermath of the Ukrainian events and of Russia concluding accords with Abkhazia and South Ossetia, it is more likely that Russia's position towards the EU will become even more hostile.
- b) Georgia's position towards the EU's role. The attitude of the Georgian authorities to the EU's policy towards the occupied territories – engagement without recognition – has been inherently ambivalent. On the one hand, the active support of the EU in maintaining the non-recognition status quo has been of the utmost importance for Georgia; on the other hand, Tbilisi has been afraid of the engagement component. It seems positions have yet to be consolidated up to this point as the line between engagement and recognition is quite slim.
- c) Perception of the EU in Abkhazia and South Ossetia. It is important to note that the perception of the EU, and of the west in general, is not all positive in either Abkhazia or South Ossetia. This perception was shaped in the process of the confrontation with Georgia in which the EU was viewed as Georgia's ally and therefore a demonised image of the EU in both societies is quite vivid. Abkhazia is less radical in this regard as civil society ties with western organisations contribute to at least a partial debunking of these perceptions.
- d) EU's limited resources. This is another significant factor as Georgia's conflict transformation requires significant financial, time and human resources combined with political will. It is almost impossible to mobilise these resources in a mid-term perspective against the background of the EU's increasing role in the crisis in Ukraine, which is much more important because of its geographical location and scale.

The above highlights the gap between the expectations of the Georgian population and political elite compared with the real outcomes of European integration in terms of the conflicts. Presumably, in the short-term, Georgia's European aspirations and Russia's response to this process will not help Georgian-Abkhazian and Georgian-Ossetian relations, while an unfavourable international context may further hinder Georgia's conflict resolution efforts.

Conclusion

A brief overview of the EU's programmes in Georgia corroborates that the programmes and the activities run by the EU in Georgia respond to those critical issues which the Georgian population name among their top three priorities – economic conditions (employment and poverty) and territorial integrity. The Association Agreement and DCFTA open up new economic opportunities for Georgia. Similarly, the EU has been involved in conflict transformation and regulation using various instruments. However, there is a question concerning the effectiveness of these instruments and, respectively, the adequacy of popular expectations in Georgia towards the EU.

A series of objective risks and challenges also diminish the effectiveness of EU programmes. DCFTA enactment is not believed to bring immediate economic benefits to the country as the process of bringing Georgia's commerce and trade legislation into coherence with EU standards will be time consuming, while informal barriers challenge the potential for exporting goods to the EU; even more so now that Georgian entrepreneurs have better accessible alternatives such as the Russian market. There is also an over-expectation regarding the EU's role in regaining territorial integrity. The Russian Federation initiated agreements with Abkhazia and South Ossetia following Georgia's signing of the Association Agreement with the EU that create greater problems for conflict resolution, taking further steps towards the annexation of these territories. In light of these developments, the high expectations of Georgian society represents a challenge to Georgia's EU integration as, if these expectations fail to become real, this will undoubtedly cause disappointment and stir up scepticism towards EU integration.

Armenia: Stuck in Eurasia

Dr Kevork Oskanian¹⁶⁷

Competing projects in Russia's near abroad

For little over a year, the eyes of the world have been directed at the turmoil in Ukraine; and the states of Europe's former Soviet neighbourhood are certainly among the more anxious spectators in what has now become a key prize in a geo-political struggle between Russia and the west. The idea of the European Union ensuring its security through a belt of stable, democratic, well-governed states in its vicinity appears in tatters: quite on the contrary, the collision of its Eastern Partnership (EaP)¹⁶⁸ – aimed precisely at creating such a belt – with Russia's claimed sphere of influence appears to have brought on the most dangerous moment in European politics since the end of the Cold War, and even, arguably, beyond.

For the smaller post-Soviet states, Ukraine could prove to be a defining moment: far from being a 'mere' matter of economic interest, the choice between the EaP and the Eurasian Customs Union (ECU) incorporates distinct geo-political and normative elements. The EaP's conditionalities go far beyond their purely technical components; to many policymakers and ordinary citizens in the former Soviet Union, they also embody an inherently attractive version of prosperity and modernity based, since its inception, on Kantian ideas of the democratic and the commercial peace.¹⁶⁹ In contrast, while the ECU mimics many of Brussels' technical and institutional aspects, two differences with its western counterpart stand out: firstly, the absence of any political, democratic conditionality in its membership processes (quite on the contrary, its founding members – Russia, Belarus and Kazakhstan – are distinctly authoritarian); secondly, Russia's overwhelmingly dominant economic and political position within it, a dominance underlined by its active role in promoting – or *imposing* – it on states within its neighbourhood. While the former may appeal to autocratic elites – and conservative groups – opposed to the EU's liberalising tendencies, the latter turns the ECU into a perceived vehicle for a re-assertion of Russian imperial dominance for others, resulting in a relatively greater role for hard – as opposed to soft – power in advancing the Eurasian project throughout the 'near abroad'.

This relative deficit in Russian soft power became visible once the Kremlin began promoting 'its' project to former Soviet states that had previously signed up to the Eastern Partnership: it succeeded in 'persuading' only two out of five active participants – Armenia and Ukraine – in abandoning their aspirations for deeper integration with Europe through Association Agreements (AAs) and Deep and Comprehensive Free Trade Agreements (DCFTAs). In both the Armenian and Ukrainian cases, these dramatic changes in policy displayed a remarkably similar pattern: heads of states were 'invited' to Moscow for consultations with the Russian President, followed by sudden volte-faces in pro-European policies that, only days before, had appeared central to both states' foreign policies. In Ukraine's case, Putin's persuasive powers have resulted in revolution, regime change, a land grab and a hybrid military intervention dressed up as a civil war. Armenia, on the other hand, has, since 1 January 2015, officially become the ECU's fourth member, although it has tried to maintain some kind of opening towards the European Union in the months since its dramatic turn away from the EaP's Association Agreement, having recently received pledges of continued assistance from Brussels.¹⁷⁰

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¹⁶⁸ European External Action Service. 2015. Eastern Partnership, http://eeas.europa.eu/eastern/index_en.htm.

¹⁶⁹ Popescu, N., & Wilson, A. 2009. *The Limits of Enlargement-Lite: European and Russian Power in the Troubled Neighbourhood*. London: European Council on Foreign Relations.

¹⁷⁰ RFE-RL. 3 January 2015. Armenia Joins Eurasian Union, <http://www.azatutyun.am/content/article/26774782.html>; RFE-RL. 18 December 2014. EU Unveils Fresh Aid to Armenia, <http://www.azatutyun.am/content/article/26751312.html>

‘Complementarity’?

There is little doubt today that Yerevan was, indeed, strong-armed into joining the ECU, with the sudden change in policy even taking senior pro-government politicians by (rather embarrassing) surprise.¹⁷¹ The policy of ‘*complementarity*’ – implying issue-specific co-operation with Russia or the west, according to the requirements of a given policy area had started weakening almost as soon as it was proclaimed: Yerevan’s military-strategic dependence on Russia was heightened by the willing handover of almost all strategic sectors of the Armenian economy to Russian state companies after the turn of the millennium.¹⁷² Yerevan’s participation in the EaP was, essentially, one of the last remnants of a foreign policy that had once at least *aspired to* some form of balance in relations with Russia and the west (without, admittedly, ever coming close to attaining it); the abrupt abandonment, by Armenia, of the DCFTA – which it was expected to sign during the Vilnius summit after the successful completion of relevant negotiations in July 2013¹⁷³ – was indicative of Moscow’s greater, zero-sum distrust of such divided loyalties, even among the most dependent of its neighbours.

That Yerevan, once pressed, wouldn’t have much of a choice should not have come as a surprise. Especially since, after the transfer of power from moderate Levon Ter-Petrosyan to the more hard-line nationalist Robert Kocharyan in 1998, Armenia’s economy had come under almost complete Russian dominance: its energy, rail and telecommunications networks (including the all-important nuclear power plant at Metsamor) and its defence industries all came under the control of Russian companies, at times in debt-for-assets deals predicated on the short-term interests of Armenia’s ruling elites.¹⁷⁴ As a member of the CSTO, Armenia also enjoyed security guarantees and access to Russian arms supplies at preferential prices – an important advantage in light of its arch-rival Azerbaijan’s ever-expanding defence budgets.¹⁷⁵ In the absence of an effective economic strategy, Armenia’s economy had also remained dependent on remittances from Russia from its hundreds of thousands of migrant workers. Each of these material dependencies combined with Yerevan’s historically fraught relations with Turkey and Azerbaijan to leave the current president, Serj Sargsyan, with few alternative options than compliance with Russia, if and when such compliance was materially insisted upon.

In earlier years, Yerevan had counted on its strategic dependence on Russia to, paradoxically, allow it some leeway in developing relations with Europe and the wider west. Armenia was left free to participate in the various EU – and even NATO – programmes aimed at the former Soviet States at little or no political cost, including the European Union’s Partnership and Cooperation Agreements, TACIS (Technical Assistance to the Commonwealth of Independent States) and its European Neighbourhood Policy (ENP). Several rationales underlay these westward openings: most importantly, as in other former Soviet Republics, the European Union was seen as providing an attractive and pre-packaged road towards 21st-century standards of modernity, a point reinforced by Russia’s inability to re-structure its economy away from overdependence on the energy sector. Moreover, Russia’s presence in the Caucasus – so crucial to Armenia’s foreign and security policies –

¹⁷¹ Giragosian, R. 2014. Armenia’s Strategic U-Turn. London: European Council on Foreign Relations.

¹⁷² Weinstein, M. A. 29 September 2004. Armenia: The Dream of Complementarity and the Reality of Dependency. *Eurasia Insight*, http://www.eurasianet.org/departments/insight/articles/pp092904_pr.shtml

¹⁷³ European Commission, 24 July 2013. EU and Armenia Agree Trade Deal, http://europa.eu/rapid/press-release_IP-13-740_en.htm

¹⁷⁴ In one particularly blatant case, Russia’s Gazprom acquired full control of ArmRosGasProm – Armenia’s natural gas monopoly – in exchange for debts run up in postponing energy price increases until after the 2012 parliamentary and 2013 presidential elections. See: BNE. 17 January 2014. Armenia Sells Gas Monopoly Stake to Gazprom, www.bne.eu/content/story/armenia-sells-gas-monopoly-stake-gazprom.

¹⁷⁵ Azerbaijan’s defence expenditures – most of which are spent on Russian arms - are projected to total 4.8 Billion USD in 2015 – exceeding Armenia’s *total* state budget - an imbalance only partially compensated for by discounted arms supplied by Moscow. Both Armenia and Azerbaijan were recently included in a list of the world’s most militarised states. See: Agayev, Z. 19 November 2014. Azeris to Boost Defense Spending amid Risk of Armenia War, www.bloomberg.com/news/2014-11-19/azeris-to-boost-defense-spending-amid-risk-of-armenia-war.html; BICC. December 2014. Global Militarisation Index 2014 www.bicc.de/publications/publicationpage/publication/global-militarisation-index-2014-564/; Harutyunyan, S. 2014. Russia Signals More Arms Deals with Azerbaijan. *RFE-RL* www.azatutyun.am/content/article/25326126.html

was far from assured in the aftermath of the Cold War, necessitating some form of ‘just-in-case’ exit strategy on Armenia’s part.

Within the context of the EaP, Brussels offered Armenia a host of advantages, not least the opening of its vast markets to trade with WTO member Armenia through the proposed DCFTA, aided through a variety of well-funded programmes aimed at the legislative and normative approximation of Armenia’s economy and political-bureaucratic systems with the EU’s¹⁷⁶. While centred on technical and commercial aspects, these programmes also included wider elements aimed at promoting good – that is, democratic – governance and sustainable development. As elsewhere, the ENP’s aim was to include Armenia within the belt of stability it sought to create and maintain around the EU. In Yerevan’s case, the fact that it was devised as an *alternative to* rather than a *pathway towards* eventual full EU membership posed no problem; quite on the contrary, it enhanced its perceived complementarity with a broader strategic relationship with Russia, enabling it to modernise its economy according to an established template without angering its main ally.

An end to Russian complacency

Due to the perceived solidity of its pro-Russian strategic alignments, and because Moscow itself did not see the EU programmes as a particularly serious threat in earlier years, the Kremlin had previously appeared accommodative of Armenia’s long-standing involvements with Brussels. This began to change from about 2008, following the Georgia war and the strengthening of the ENP into the EaP¹⁷⁷; and when the idea of a ‘Eurasian Union’ was mooted (or, rather, resurrected) by Vladimir Putin in 2011¹⁷⁸, the permissive conditions for Yerevan’s western-leaning overtures started to fade in earnest. Gradually, Kremlin insiders started talking up the desirability of Armenia joining the ECU, implicitly rejecting the argument hitherto used by Yerevan against such membership – the absence of any direct land border between Armenia and the prospective founding members of the Union.¹⁷⁹ With Putin himself now apparently insisting on Armenia’s accession to the ECU, and in light of the stated incompatibility of both projects, such pretences could no longer be maintained. The fact that the Kremlin now required Armenia to choose the ECU over the AA and DCFTA should have been seen as an early sign that attitudes in Moscow had changed from their previous complacency: Russia had now become serious about encroachments by the European Union in ‘its’ near abroad. Even an ally whose military-strategic dependence was otherwise assured, without declared EU membership ambitions – like Armenia – would now not be allowed to drift towards Europe in the economic-legal sphere.

Russia’s pressure on Armenia was as sudden as it was opportunistic: the Kremlin strong-armed Yerevan into line simply because it could do so at relatively negligible risk and cost, even if, considering the country’s pre-existing dependence, the marginal strategic gain would appear to have been minimal. Armenian society is generally pro-Russian, as evidenced by the almost non-existent resistance to the government’s decision, which was also supported by the main parliamentary opposition groups, bar one.¹⁸⁰ Protests have mostly emerged from small but vocal extra-

¹⁷⁶ European Union External Action Service. 2015. Armenia. http://eeas.europa.eu/armenia/index_en.htm

¹⁷⁷ Lobjakas, A. 6 May 2009. Eastern Partnership - The EU’s Accidental Sphere of Influence, *RFE-RL*. Available at <http://www.rferl.org/articleprintview/1622923.html>; Sopinska, J. 2009. Eastern Partnership: Moscow Accuses EU of Expanding Sphere of Influence. *Europolitics New Neighbours*; Costea, S. 6 May 2010. The Profound Causes of Russia’s Hostility Towards the Eastern Partnership. *World Security Network*, <http://www.worldsecuritynetwork.com/Europe-Russia/Costea-Dr.-Simion/The-profound-causes-of-Russias-hostility-towards-the-Eastern-Partnership>

¹⁷⁸ Putin, V. 3 October 2011. Noviyi Integratsionniyi Proekt Dlya Evrazii - Budushee, Kotoree Rozhdaetsya Segodnya. *Izvestia*.

¹⁷⁹ Danielyan, E. 13 March 2013. Armenia: Yerevan Keen to Opt Out of New Russian-Led Bloc. *Eurasianet*. Available at <http://www.eurasianet.org/node/66688>; Danielyan, E. 6 August 2013. European Integration Unlikely To End Armenia’s Alliance With Russia. *RFE-RL Caucasus Report*, <http://www.rferl.org/content/armenia-russia-european-integration/25068199.html>

¹⁸⁰ Within parliament, former Foreign Minister and presidential candidate’s Raffi Hovannisian’s Heritage party remains the only force to have voiced opposition to Armenia’s ECU membership; all others, including the ruling Republicans, ‘Rule of Law’, ‘Prosperous Armenia’, the ‘Dashnaks’, and former president Levon Ter-Petrosyan’s ANC have lent their support. Protests directly related to Armenia’s ECU accession have attracted at most a few hundred participants. See: Bedevian, A., & Stepanian, R. 2014. Armenian Parliament Backs Eurasian Union Entry. *RFE-RL*, www.azatutyun.am/content/article/26725577.html.

parliamentary civil-society groups concerned at the regime's potential further abandonment of liberal norms in the absence of European conditionalities, a concern reinforced by recent attacks on prominent government critics during the past months.¹⁸¹ Others have pointed to the economic costs associated with ECU membership: apart from contradicting Armenia's WTO commitments for a lowering of trade restrictions, the higher import tariffs within the Eurasian grouping would end up fuelling inflation in an economy dependent on imports, an effect likely to be exacerbated by the collapse of Armenia's currency alongside Russia's Rouble.¹⁸²

Strategic choices and their consequences

This collapse is indelibly tied to the expected recession in Russia, whose economy is forecast to contract by 4.5% in 2015 under the strain of the recent dramatic fall in oil prices¹⁸³; and while it has also been observed in other, western-leaning regional economies including Georgia and Moldova, within the Armenian context, it would coincide uncomfortably with the decision to join the ECU. The collapse in remittances from Armenian migrant workers that may result could combine with higher inflation to produce a perfect political storm for Armenia's government, but whether that would lead to a push towards leaving the ECU remains to be seen. Much would depend on an association of the current government's Eurasian choice with economic turmoil in the minds of the Armenian public; as things stand, most major opposition parties support ECU membership, and, based on the current configuration of forces, any political confrontation would not include a geo-political aspect. In fact, the ECU's future would now appear to be subject to the larger-scale drama being played out between the EU and Russia in Ukraine – and the increasingly vocal doubts being voiced in both Astana and Minsk vis-à-vis Russia's actions against its western neighbour.¹⁸⁴

It may be the resulting possibility of the ECU's long-term failure – and a wish to maintain the last fragments of an independent foreign policy – that has pushed the Armenian authorities towards maintaining some kind of relationship with the EU even *after* their Eurasian choice; but absent the EaP's AA and DCFTA as *the* major incentives for reform¹⁸⁵, the effectiveness of any conditionalities may remain limited in driving democratic or institutional change: while Yerevan might be open to continued cooperation with the EU on *technical* matters in exchange for aid, changes during 2014 in Armenia's government – including the appointment of a Prime Minister who could not be described as reform-minded – also indicate that *democracy* and *good governance* appear much lower now on Armenia's list of priorities than they might have been before.

Over the short term, Armenian society would thus appear to be paying dearly for its increased subservience to Russia, with economic recession and political-institutional regression or stagnation; this might, of course, not particularly bother the many in its oligarchic elite whose interests have so far been served rather well by an at best semi-democratic regime type and a political economy based on remittances and informal cartels. Besides, much of the turmoil and stagnation emanating from Armenia's Eurasian choice could be justified through the strategic necessity of maintaining the alliance with Russia as a counter-balance to Azerbaijan in the defining issue in Armenian politics since even before the onset of independence in 1991: Nagorno-Karabakh.

For now, whether or not such an over-reliance on one single ally – whose relations with Baku have, incidentally, improved markedly in recent years – can be fruitful remains an entirely open question;

¹⁸¹ Sahakyan, A. 10 December 2014. Armenian Human Rights Defenders Predict Harsher Environment. *IWPR*, <https://iwpr.net/global-voices/armenian-human-rights-defenders-predict-harsher-environment>

¹⁸² News.am. 26 December 2014. Armenia to Face Inflation after Joining EEU in January – Economist, <http://news.am/eng/news/245862.html>; FT.com. 5 December 2014. Georgian and Armenian Currencies Collapse, <http://www.ft.com/intl/fastft/246771/georgian-armenian-currencies-collapse>.

¹⁸³ The Economist. 20 December 2014. Going over the Edge..

¹⁸⁴ Birnbaum, M. 23 December 2014. Putin's Eurasian Economic Union Starts in 2015 with Curtailed Ambitions. *The Washington Post*.

¹⁸⁵ Delcour, L., & Wolczuk, K. 2013. Beyond the Vilnius Summit: Challenges for Deeper EU integration with Eastern Europe *Policy Brief*. Brussels: European Policy Centre.

suffice to say that, having played its last cards vis-à-vis Moscow, Yerevan might end up surrendering the last vestiges of its independence with only cheap energy and useless arms supplies to show in return. And *that* could not be so easily explained away.

Azerbaijan and Eastern Partnership relations: Current trends

Tural Abbasov¹⁸⁶

After the dissolution of the Soviet Union, Azerbaijan's main political priority was to find new partners with which to develop its political and economic situation since it had lost all its independent economic contacts with the international community during the 70 years of Soviet rule. In this context, integration to the west and particularly to the European Union became a political priority for Baku to help fill these economic and political gaps. The Partnership and Cooperation Agreement (PCA) was one of the first legal relationship between the European Union and Azerbaijan in these series. The PCA which entered into force in June 1999 had the stated aims of helping develop the economy of Azerbaijan, bringing foreign investment into the country, promoting democracy and encouraging socio-cultural integration. Azerbaijan took continuous steps towards high level integration after the PCA entered into force and consequently the country was included into the European Neighbourhood Policy (ENP) in June 2004.

Azerbaijan's inclusion in the European Neighbourhood Policy (ENP) was an indication of the EU's interest in widening its cooperation with Azerbaijan beyond the existing PCA. Within the framework of the ENP an Action Plan was developed which contained concrete actions and goals to be achieved. The Action Plan primarily focused on human rights, democratisation, socio-economic reform, poverty alleviation, energy, conflict and sectorial issues. According to the European Commission, Azerbaijan did not fully use the opportunities offered by the ENP Action Plan. The Azerbaijani government particularly failed to develop democracy, the rule of law, human rights, sustainable economic development and the fight against corruption. A small amount of tangible development was achieved in meeting the ENP Action Plan on the objectives concerning the judicial system in terms of further training and improved social guarantees. The tax system was also developed and this was an essential step towards improving the business environment.¹⁸⁷

After the official launch of the Eastern Partnership (EaP) in 2009, Azerbaijan, together with Armenia, Belarus, Moldova, Georgia and Ukraine became part of the EaP. Eastern Partnership intends to develop trade relations between the EU and EaP member countries, promote democracy, rule of law and human rights, as well as sustainable development, market economies and good governance. Each EaP member country was offered a potential Association Agreement for closer political/economic relationship with the EU if they adjusted internal legislation to meet the requirements of the EaP Action Plan. The EU does not have any formal commitment to the prospective inclusion of EaP countries into the EU, with a Deep and Comprehensive Free Trade Agreement offered as a final stage of EaP for economic integration.

EaP became essential for both the EU and Azerbaijan to govern the relationship between the parties. Azerbaijan made significant progress with economic reforms including budget transparency, the fight against corruption, more transparent rules on competition and an easier environment in which to start businesses. Baku also signed a Strategic Partnership on Energy with the EU. Recent developments in the EU/Azerbaijan relationship shows Baku's continuing aspiration towards economic integration with Europe. Azerbaijan has become an important partner of the EU as an energy producer and transit country and it is for now the sole contributor to the Southern Gas Corridor. Azerbaijan plays an important role in terms of reducing Russia's influence on the EU through the provision of energy to Europe.

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¹⁸⁷ European Commission, European Neighborhood Policy-Azerbaijan, April 2008, http://europa.eu/rapid/press-release_MEMO-08-205_en.htm?locale=en

As a significant part of EaP, Visa Facilitation and Readmission Agreements have been signed and ratified between parties enabling easier access to visas and deeper integration through people to people contacts.¹⁸⁸ The Visa Facilitation Agreement signed on November 2013 will make the visa acquisition process easier and quicker for the citizens of both Azerbaijan and the EU travelling in both directions. They will be able to get cheaper visas and via more simplified procedures. The Readmission Agreement sets the terms and conditions of full obligations and procedures of the government of Azerbaijan, the EU authorities and member states around when and how to send back people who are illegally residing in their territories.

The Ukraine crisis caused the government of Azerbaijan to reconsider signing its Association Agreement (AA) and since then it has taken a more cautious approach towards this. Following the Ukraine crisis, President Ilham Aliyev clearly stated at the World Economic Forum in Davos that Azerbaijan does not plan to sign its Association Agreement. President Aliyev said “I consider that the level of relations between Azerbaijan and the European Union requires a higher form of Cooperation than Association. And the very word “Association” is not quite acceptable for us. “Association member”—what kind of partner is it? There’s no clear definition here. Azerbaijan is a self-sufficient country both in the sense of politics and economics. Any integration process should be joined to gain additional preferences. So far, we don’t see any within the framework of the Association project”.¹⁸⁹ Baku claims that it has very active bilateral relationships with the members of both the EU and the Customs Union. Therefore, it does not plan to consider any kind of association with either the EU or the Customs Union. So despite the desire of EU officials, Azerbaijani government representatives are not very optimistic about signing an AA. Novruz Mammadov—the deputy head of the Administration of the President of the Republic of Azerbaijan said “The Association Agreements sets the conditions which would enable countries to seek membership within the EU. Since Azerbaijan does not consider EU membership, an Association Agreement is not a priority for Baku.”¹⁹⁰

Instead of an Association Agreement, Baku has proposed another partnership form called a Strategic Modernisation Partnership (SMP). According to the draft dated 4th April, 2014, the SMP will be 13 pages and, most importantly, it will not impose political responsibilities on the government of Azerbaijan. Taking into account that Baku is not willing to sign an Association Agreement, the SMP might shape Azerbaijan-EU relations for an unknown period of time. According to the draft, the SMP will promote but not mandate political and economic reforms, regional security, energy co-operation, sustainable economic growth and support for deep and comprehensive democracy. In other words, the SMP will develop economic integration, without placing any responsibility on the government of Azerbaijan to make concrete steps towards political and democratic development.

Initially, the EU was not very interested in the Strategic Modernisation Partnership, (SMP) particularly signing an SMP before an Association Agreement. However, recent developments show that the EU is now inclined towards signing the SMP after all. The reason is obvious, the EU does not want to enter into competition with Russia over Azerbaijan¹⁹¹, particularly following the conflicts in Georgia and Ukraine. During his visit to Baku on 14th June 2014, European Commission President Jose Manuel Barroso said Azerbaijan and the European Union will sign a new bilateral model of cooperation under EaP and this will be signed in the coming months.

¹⁸⁸ Ministry of Foreign Affairs of the Republic of Azerbaijan, EU-Azerbaijan Relations, <http://mfa.gov.az/?language=en&options=content&id=555>

¹⁸⁹ Corporate author, President Aliyev: Azerbaijan refused from EU Association for the higher level of participation, January 2014, <http://abc.az/eng/news/78895.html>

¹⁹⁰ Corporate Author, Azerbaijan won’t sign EU Association agreement: official, <http://www.panarmenian.net/eng/news/173102/>

¹⁹¹ Stefan Lehne, Time to Reset the European Neighbourhood Policy, February 2014, Carnegie Europe, <http://carnegieeurope.eu/publications>

The Strategic Modernisation Partnership is no more than a mere postponement of democratisation and promotion of the rule of law, human rights and fundamental freedoms. According to Turan Analytic Service, the SMP is a copied version of ‘Medvedev’s Model’ of Modernisation. In 2008 Medvedev proposed his plan of political modernisation which made electoral law stricter. Turan Analytic Service argues that this will also be the Azerbaijani national model of modernization stating that “‘Game in modernisation’¹⁹² consistently protects the modern neo-monarchical space from political priorities dangerous to the regime (freedom of speech, human rights, political priorities, democracy, etc.).”

Taking into account the recent article¹⁹³ by Azerbaijan’s main ideologist Ramiz Mehdiyev, it is worth noting Turan Analytic Service belief that President Ilham Aliyev has suggested ten tasks to Brussels for the advancement of the EU-Azerbaijan relationship:

- 1) Privatisation of large state-owned assets
- 2) Creation of a sovereign investment fund jointly with foreigners
- 3) Financial sector development
- 4) Azerbaijan’s accession to the World Trade Organization (WTO)
- 5) Establishment within the ‘Industrial Park’ opportunities for innovation, entrepreneurship and venture capital
- 6) The energy sector as the basis for innovation
- 7) Commitment to technology transfer
- 8) Deployment of broadband internet access across the country
- 9) Combination of personal success factors of citizens (human capital)
- 10) Large scale infrastructure, including sports projects

Since the mid-1990s, during the reign of late president Heydar Aliyev, many of these areas have already been prioritised. The specific areas relating to information and communication technologies, infrastructure development and the creation of industrial parks are the priorities of the current government of Azerbaijan. Only, Azerbaijan’s accession to the World Trade Organization is one of the key factors of the Association Agreement (AA) which is required for signing the DCFTA – the final stage of the AA.

Many experts believe that if an SMP is adopted, Azerbaijan’s democratisation process will be postponed for an unknown period of time. Therefore an SMP does not serve the interests of Azerbaijani citizens, rather it will strengthen the oppressive oligarchic interests of the government of Azerbaijan. It will be the ‘Azerbaijani way of modernisation’ which merely simulates a fight against corruption and monopoly. Therefore, the EU should not sign a Strategic Modernisation partnership with Azerbaijan.

Azerbaijan recently finished its six month chairmanship of the Committee of Ministers of the Council of Europe. During this time, the government has taken restrictive steps to silence opposition voices but the restrictions started after the Presidential election in 2013. New amendments were adopted to the law concerning NGOs by the Parliament of Azerbaijan on 17th December 2013. The new amendments enable the government to have more control over both national and international NGOs. According to the amendments, non-registered NGOs cannot be recipients of grants, all grants and sub-grants must be registered and NGOs must get permission from the Ministry of Justice to withdraw any grant money from the banks. The Central Bank of Azerbaijan changed its instructions

¹⁹² Turan Analytical Service, EU-Azerbaijan: the game in Modernization, June 2014

<http://contact.az/docs/2014/Analytics/061700081652en.htm#.VGM2JtJGspn>

¹⁹³ Altay Goyushov, Two faces of Azerbaijan’s government, December 2014, The Foreign Policy Magazine,

http://foreignpolicy.com/2014/12/06/the-two-faces-of-azerbaijans-government/?utm_content=buffer2218&utm_medium=social&utm_source=facebook.com&utm_campaign=buffer

on the withdrawal of grants which are not registered by the Ministry of Justice and from April 2014 the bank accounts of many independent NGOs were blocked. President Ilham Aliyev also signed more amendments which would give the government the authority to temporarily suspend or permanently ban national or international NGOs. Following the European Parliament's resolution on the violation of human rights in Azerbaijan, the Azerbaijani Parliament criticised the resolution and announced that they will re-consider their relations with the European Parliament.¹⁹⁴

Azerbaijan first applied to become a member of the WTO in 1997. However, the accession process to enter the WTO has proceeded very slowly. There has been little success on bilateral negotiations with bilateral talks with big economies such as the U.S., EU, Japan, Brazil and Australia still pending. The reason why the accession process is going very slowly is because there is not the political will which could push for more effective negotiations. The contributing factors to the lack of political will are previously high oil prices which ensured resource-based economic development and the persistence of existing oligarchic monopolies in the country. Since Azerbaijan is not a member of the WTO, it is not very difficult to say that the country will not sign an Association Agreement with the EU because WTO accession is a pre-condition for the related linked DCFTA. Given the fact that Azerbaijan cannot sign an AA without WTO membership, the Strategic Modernisation Policy will shape an EU-Azerbaijan relationship which does not put political responsibility on the government of Azerbaijan to promote areas which are dangerous to the continuance of the regime. Rather, it will serve the economic interest of the ruling elite.

What does Baku want from Eastern Partnership?

Baku argues that democracy and human rights can be established only if there is stability in Azerbaijan and this process has to be implemented on a gradual basis over time. They argue that Ukraine is the example of radical change and how the country has suffered as a result. Baku wants the EU's active involvement in conflict resolution between Azerbaijan and Armenia over Nagorno-Karabakh and often criticises the EU for having double standards.¹⁹⁵ The EU has long maintained a balanced relationship with both Azerbaijan and Armenia; however, the EU's neutrality has been undermined since it is actively supporting Moldova and Georgia's territorial integrity. The EU is not showing the same interest as it is supporting Ukraine's territorial integrity as well.⁹ However, Baku wants EU involvement in conflict resolution and for it to take the same approach towards Azerbaijan as it does for Moldova, Georgia and Ukraine. Baku justifies EU involvement in the resolution of the Nagorno-Karabakh conflict with two major arguments. First, the conflict is a big threat to the security of energy flows from Azerbaijan to Europe, particularly at a time when the EU desperately wants to diversify its energy sources and reduce its natural gas dependency on Russia. Second, since the EaP promotes multilateral relationships among the partner countries, the Nagorno-Karabakh conflict creates problems for deeper relations between the EU and Azerbaijan and undermines the EaP's credibility. Therefore, the EU should be more proactive in the resolution of the Nagorno-Karabakh conflict. The signing of an Association Agreement should be conditional, requiring both parties to have an enhanced commitment to conflict resolution and EU support for the territorial integrity of Azerbaijan should be included in the text.

Apart from energy cooperation, Baku also seeks the EU's support for the diversification of the Azerbaijani economy, to help Azerbaijan reduce the regional imbalance and to support the return of refugees and internally displaced people. In these spheres, EU-Azerbaijan cooperation has been

¹⁹⁴ Corporate Author, Azerbaijan adopts statement on European Parliament Resolution, October 2014
<http://en.trend.az/azerbaijan/politics/2317535.html>

¹⁹⁵ Corporate Author, Novruz Mammadov: 'The west wanted us to sign an association agreement with the European Union, but the issue of our territorial integrity had been removed from it', April 2014, apa.az,
http://en.apa.az/xeber_novruz_mammadov_the_west_wanted_us_to_210522.html

⁹ Zaur Shiriyev, Challenges for the EU in the resolution of the Nagorno-Karabakh conflict: An Azerbaijani perspective, June 2013,
http://www.epc.eu/documents/uploads/pub_3587_an_azerbaijani_perspective.pdf

somewhat positive. Since 1991 the EU has provided Azerbaijan with 500 million AZN in funding to improve the socio-economic situation of the country. The EU is still the main international donor to the government and civil society. The EU supports Azerbaijan in two main ways: direct support for the government through the European Neighbourhood Partnership Instrument (ENPI) and support for civil society organisations through various thematic programmes. In 2007-2013, Azerbaijan received 140 million AZN through ENPI on three modalities:

- 1) Sector budget support
- 2) Twinning instrument – the transfer of know-how from EU
- 3) Thematic and regional programmes

While EU assistance to Azerbaijan has been partially effective, the implementation of reforms has been selective and very slow. Although the priorities are jointly agreed between the parties, assistance is challenged by the Azerbaijani government. The authorities in Azerbaijan use a ‘cherry picking’ approach to reforms which enable them to implement the changes which suit their interests best and help them to maintain power.¹⁹⁶ The Estonian Center for Eastern Partnership conducted a survey on ‘Effective management of EU assistance by recipient governments of Eastern Partnership countries’ in 2012. According to the findings, EU support has been somewhat effective in achieving many national policy targets including steps towards Azerbaijan’s accession to the WTO, negotiations on the visa free regime and free trade. However, there are problems in the areas of democratisation and human rights.¹⁹⁷

The EU also provides funding for civil society organisations in Azerbaijan through direct support, primarily from Non-State Actors (NSA) and the European Instrument for Democracy and Human Rights (EIDHR). The EU still remains the biggest foreign donor in the country, supporting vulnerable groups, human rights defenders and advocacy for vulnerable groups, service delivery, accountable government, media freedom and related projects. However, the law on the capacities of civil society organisations (CSO) and the government’s restrictive actions towards CSOs in Azerbaijan hampers their effectiveness and thereby the EU’s assistance efforts.

In conclusion, EU-Azerbaijan relations can be described as somewhat positive. Both entities have committed to cooperation on energy security, political and economic development and promoting security and peace. However, Azerbaijan does not want to start a democratisation process or promotion of human rights, arguing that, first and foremost, Azerbaijan needs to settle its Nagorno-Karabakh conflict. Azerbaijan expects a great deal from EU participation in its conflict resolution efforts and for it to recognise the territorial integrity of the country. On the other hand, the EU is not very inclined to take part in conflict resolution, instead it tries to be neutral because the EU understands that if it demonstrates a preference for one side over another, that would have negative consequences for its reputation. Baku is not going to sign an Association Agreement with the EU in the near future, instead it is getting ready to sign the Strategic Modernisation Partnership which does not put political obligations on the Azerbaijani authorities and the EU is not currently willing to pressure Azerbaijan to promote democracy, rule of law and human rights.¹⁹⁸

¹⁹⁶ Boniface, Maurer, Morgenstern, Wesseling, Analysis of the EU’s Assistance to Azerbaijan, October 2008

[http://www.europarl.europa.eu/RegData/etudes/note/join/2008/388968/EXPO-AFET_NT\(2008\)388968_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/note/join/2008/388968/EXPO-AFET_NT(2008)388968_EN.pdf)

¹⁹⁷ Estonian Center of Eastern Partnership, Effective Management of EU Assistance by the Government of Eastern Partnership Countries: An ECEAP Survey Report, October 2012, cesd.az, http://cesd.az/new/wp-content/uploads/2012/10/ECEAP_raport_2012.pdf

¹⁹⁸ Additional References: Azerbaijan-EU relations and its Perspectives, December 2011, Caspianweekly.org,

<http://en.caspianweekly.org/center-for-energy-research/4128-azerbaijan-eu-relations-and-its-perspectives.html>; Azerbaijan-EU considered prospects of relations in Baku, August 2013, today.az, <http://www.today.az/news/politics/125616.html>

Caspian Information Center, EU-Azerbaijan Relations: Good, but could be better, November 2011, <http://www.caspianinfo.com/wp-content/uploads/2011/11/OP-No.-17-EU-Azerbaijan-Relations-Good-but-could-be-even-better.pdf>; EU Eastern Partnership Report Slams Azerbaijan’s Human Rights Records, 27 March 2014, azadliq.org, <http://www.azadliq.org/content/article/25311436.html> and Azerbaijan: Strategic Modernization Partnership document can be signed with EU at the Eastern Partnership Summit, September 2013, abc.az.net, <http://abc-az.net/eng/news/75807.html>

Ideas for future action

In their contributions to this publication several of the authors make suggestions about actions EU and Eastern Partner policy-makers might consider in response to the challenges they outline:¹⁹⁹

Adam Hug argues that Ukraine needs greater financial support from the EU to assist with short-term economic stabilisation and structural measures to help it get the best out of the DCFTA, where the EU should consider delaying the removal of customs duties on EU goods while implementing the rest of the agreement in 2016. He believes the EU should strongly consider halting progress towards signing a Strategic Modernisation Partnership with Azerbaijan whilst human rights standards continue to fall, but should be willing to increase engagement on conflict resolution and IDP welfare issues. It should look at new ways to support Azerbaijani civil society groups, but if the situation continues to deteriorate the EU may need to explore stronger measures against regime officials. Georgia and Moldova will need considerable political and economic support if their Association Agreements and DCFTAs are to deliver results that match public expectations, while the EU should look to move further resources from budget support into civil society in Armenia. Despite the immensely challenging European political environment over the next couple of years the EU needs to strongly consider offering 'potential candidate' status to Ukraine, Moldova and Georgia, making clear that any eventual accession would be a very long time away and firmly conditional upon performance.

Hrant Kostanyan cautions that the conceptualisation and implementation of the EU's common Eastern Partnership policy needs better coordination among the EU institutions and stronger member state backing.

Dr Kataryna Wolczuk and **Dr Rilka Dragneva** warn that membership of the Eurasian Economic Union for Armenia and Belarus is unlikely to result in socio-economic modernisation, let alone political reform. In response to the Ukraine crisis Russia has shown a willingness to act unilaterally with measures that are undermining the operation of the Customs Union.

Prof Rick Fawn believes the EU should look to use the expertise of the Visegrad Group as a role model for Eastern Partnership, utilising its experience of political and economic transformation as well as its ability to manage internal tensions.

Dmytro Shulga argues that following Russian breaches of international law if Ukraine were to be defeated in its current conflict it would mean the defeat of the EU as well. The removal of EU sanctions on Russia should be conditional on full Russian withdrawal from Ukraine, including Crimea. The EU needs to substantially increase its support for Ukraine through increased defence capabilities, macro-economic stabilisation, energy independence and successful reforms. Granting a visa-free regime for short-term travel and a European membership perspective would confirm the fact that the EU's and Ukraine's destinies are bound together.

Denis Cenuşa believes that the EU needs to build a proactive and coherent public communications strategy based on Moldovan realities to inform the population and challenge myths about the Association Agreement. Also, the EU needs to be more willing to regularly challenge the pro-European coalition about its governance failings.

Giorgi Kanashvili and **Ana Dvali** suggest the EU needs to do more to ensure the DCFTA delivers the new jobs and economic growth Georgians are looking for, assisting Georgian firms to find

¹⁹⁹ These are the views of the individual authors alone. They may not represent the views of other authors, the Foreign Policy Centre or the European Commission Representation in the UK.

opportunities in EU markets. The EU's role in conflict management and resolution needs to be sustained and expanded.

Kevork Oskanian argues that the EU should continue its engagement with Armenia's government and civil society, with a particular emphasis on democratic reform. It should support the Minsk Group in its efforts to find a peaceful solution to the Nagorno-Karabakh conflict, as well as facilitating the normalisation of relations between Yerevan and Ankara.

Tural Abasov argues that the EU should increase its efforts in conflict resolution over Nagorno-Karabakh and that any EU-Azerbaijan agreement should be based on the recognition of Azerbaijan's territorial integrity, otherwise it would undermine the EU's reputation in Azerbaijan. However the EU should not sacrifice its values for its economic and security interests in Azerbaijan; therefore the Strategic Modernization Partnership should not be signed at present. The EU should help to develop the capacity of civil society in Azerbaijan to help promote democracy, human rights and the rule of law.

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The publication contains contributions from: Tural Abbasov (Center for Economic and Social Development (CESD) – Azerbaijan), Denis Cenuşa (ExpertGrup – Moldova), Ana Dvali and Giorgi Kanashvili (Caucasian House – Georgia), Professor Rick Fawn (University of St Andrews), Adam Hug (ed. Foreign Policy Centre), Hrant Kostanyan (CEPS), Dr Kevork Oskanian, Dr Kataryna Wolczuk and Dr Rilka Dragneva-Lewers (University of Birmingham) and Dmytro Shulga (International Renaissance Foundation – Ukraine).

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ISBN 978-1-905833-27-6
ISBN 1-905833-27-X

£7.95