

DIRECTORATE-GENERAL FOR EXTERNAL POLICIES
POLICY DEPARTMENT



**THE EASTERN
PARTNERSHIP AFTER
FIVE YEARS:**

**TIME FOR DEEP
RETHINKING**

AFET





DIRECTORATE-GENERAL FOR EXTERNAL POLICIES OF THE UNION

DIRECTORATE B

POLICY DEPARTMENT

STUDY

THE EASTERN PARTNERSHIP AFTER FIVE YEARS: TIME FOR DEEP RETHINKING

Abstract

The first five years of the Eastern Partnership have witnessed the most challenging period of relations between the EU and its eastern neighbours since the fall of communism in 1991. The year 2014 was a pivotal one, marked by the signing of Association Agreements with the European Union by three partner countries – Ukraine, Republic of Moldova, and Georgia – but also by Russian military intervention in Ukraine, including the annexation of Crimea. The continued aggression of a revanchist and intransigent Russia has altered the political and social landscape, and the original concept of the Eastern Partnership, however well-intentioned and suitable for a previous era, is not adequate to meet the challenges of 2015 and beyond. Therefore, there is a need for the EU to rethink its policy towards the Eastern Partnership countries and Russia, and build new approaches to suit the new reality. More than ever, the EU needs to focus its attention on relations with those Eastern Partner countries that are willing to cooperate more closely and who truly wish to integrate with the Union, politically, economically and socially. Ukraine, Republic of Moldova, and Georgia should be perceived as more than partners, and the ‘more for more’ approach should be strengthened. Such an approach would send a clear political signal to all parties involved, and make for a better use of limited resources.

This study was requested by the European Parliament's Committee on Foreign Affairs.

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LINGUISTIC VERSIONS

Original: EN

ABOUT THE EDITOR

Editorial closing date: 24 February 2015.

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Printed in Belgium

ISBN: 978-92-823-6609-7 (print), 978-92-823-6610-3 (online)

Doi: 10.2861/89719 (print), 10.2861/804180 (online)

The Information Note is available on the Internet at

<http://www.europarl.europa.eu/activities/committees/studies.do?language=EN>

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LIST OF ABBREVIATIONS

AA	Association Agreement
ATMs	Autonomous Trade Measures
CEE	Central and Eastern Europe
CIB	Comprehensive Institution Building Programme
CIS	Commonwealth of Independent States
CORLEAP	Conference of Regional and Local Authorities for the Eastern Partnership
CSDP	Common Security and Defence Policy
CSO	Civil Society Organisation
DCFTA	Deep and Comprehensive Free Trade Area
EaP	Eastern Partnership
EaP CSF	Eastern Partnership Civil Society Forum
EC	European Commission
EEA	European Economic Area
EEAS	European External Action Service
EEU	Eurasian Economic Union
EFTA	European Free Trade Association
ENI	European Neighbourhood Instrument
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood and Partnership Instrument
EUAM Ukraine	EU Advisory Mission for Civilian Security Sector Reform Ukraine
EUBAM	EU Border Assistance Mission to Moldova and Ukraine
EUMM	European Union Monitoring Mission in Georgia
GDP	Gross Domestic Product
GSP+	Generalised Scheme of Preferences Plus
NGO	Non-Governmental Organisation
NIP	National Indicative Programme
ODIHR	Office for Democratic Institutions and Human Rights
OSCE	Organization for Security and Co-operation in Europe
SME	Small and Medium-Sized Enterprises
SMP	Strategic Modernisation Partnership
VLAP	Visa Liberalisation Action Plan
VFRAs	Visa Facilitation and Readmission Agreements
WTO	World Trade Organization

EXECUTIVE SUMMARY

Relations between the European Union (EU) and the six Eastern Partnership (EaP) countries have evolved profoundly since those countries became independent states in 1991. The first five years of the EaP have borne witness to the most challenging period of relations between the EU and Eastern Europe since the dissolution of the Soviet Union. The year 2014 was a pivotal one, marked by the signing of Association Agreements (AAs) with the EU by three EaP countries, namely Ukraine, Republic of Moldova, and Georgia, and by Russian military intervention in Ukraine, including the annexation of Crimea. The Russian factor has been a persistent destabilising element since the birth of the EaP. An earlier Russian intervention, a short war with Georgia in August 2008, in fact accelerated the launch of the EaP.

Russia's hostile actions in Ukraine in 2014 have fundamentally changed the situation, not only in Eastern Europe, but in Europe as a whole, and have repercussions at the global level, because the Kremlin has violated the ground rules of international relations. The continued aggression of a revanchist and intransigent Russia has altered the political and social landscape, and the old ideas and concepts of the EU's relations with its neighbours, however well-intentioned and suitable for a previous era, are now obsolete. Therefore, the EU needs to rethink its policy towards the EaP countries and Russia, and build new approaches to suit the new reality.

The EaP concept shaped in 2009 is not a relevant and viable policy framework at the beginning of 2015. Taking into account the challenges linked with this new reality and the experience of the past five years, it is clear that a retuned EaP should be a much more politically oriented and less technically oriented project than it is today.

This study offers a careful consideration of which elements of the EaP have proven to be successful in their stated goals, and which have not. In general, bilateral relations between the EU and partner countries proved to be much more effective than the multilateral track of the EaP.

The recommendations call for a major policy shift in how the EU views, and deals with, the six EaP countries, not least because a clear division of the EaP countries into two groups has become inevitable. The first group contains those that have signed an AA, including the establishment of a Deep and Comprehensive Free Trade Area (DCFTA), namely Ukraine, Republic of Moldova, and Georgia. The second group consists of Belarus, Azerbaijan and (requiring a more nuanced approach) Armenia.

More than ever, the EU will need to focus its attention on relations with those EaP countries that have demonstrated the will to cooperate more closely, and who truly wish to integrate with the Union, politically, economically and socially. Ukraine, Republic of Moldova, and Georgia should be perceived as more than partners. Such an approach would send a clear political signal to all the parties involved that a deeper level of integration is a common endeavour, and make for a better use of limited resources.

In a retuned 'Eastern Partnership' initiative, the 'more for more' principle should be further strengthened through a reformed Comprehensive Institution Building programme (CIB), providing systematically more support in expertise, twinning, technical assistance, and financial assistance in proportion to the achievements and effectiveness of implementation to date.

Bilateral relations have to become a priority even more than now, building on the greater success of the bilateral track compared against the multilateral track. The strengthened clarity of this bilateral approach should be complemented by a more customised approach to multilateral relations, driven more to foster regional cooperation than to link all partners to participation in EU policy frameworks.

1. EVALUATION OF THE EASTERN PARTNERSHIP

1.1 Understanding of the Eastern Partnership

In 2004, shortly before the big-bang EU enlargement of the same year, when two of today's EaP countries, namely Belarus and Ukraine, became the direct neighbours of the Union, the European Neighbourhood Policy (ENP) was launched, embracing Eastern Europe and the southern Mediterranean. In the course of a few years, it became self-evident that the ENP should be more differentiated. The Union for the Mediterranean was launched on 13 July 2008 as a continuation of the Euro-Mediterranean Partnership, also known as the Barcelona Process, established in 1995. In the case of the Eastern neighbourhood, in May 2008 Poland and Sweden proposed the launch of the EaP. The idea was accepted by the European Council in June 2008, and the European Commission was asked to elaborate modalities for the EaP and to prepare a communication in spring 2009 ⁽¹⁾. The Russian military intervention in Georgia in August 2008 accelerated the process, and the Commission presented the communication in December 2008 ⁽²⁾. The EaP initiative was launched in May 2009.

1.1.1 Official approach

In the Joint Declaration signed on 7 May 2009 at the first EaP summit in Prague, the EU and six partner countries, Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova, and Ukraine, agreed that the EaP would 'be based on commitments to the principles of international law and to fundamental values, including democracy, the rule of law and the respect for human rights and fundamental freedoms, as well as to market economy, sustainable development and good governance'. They underlined that 'it will be developed without prejudice to individual partner countries' aspirations for their future relationship with the EU. It will be governed by the principles of differentiation and conditionality'. The main goal of the EaP was to accelerate political association and further economic integration between the EU and interested partner countries.

All participants of the summit 'agreed that bilateral cooperation under the EaP umbrella should provide the foundation for AAs between the EU and those partner countries who are willing and able to comply with the resulting commitments'. New AAs will provide for the establishment of DCFTAs, 'where the positive effects of trade and investment liberalisation will be strengthened by regulatory approximation leading to convergence with EU laws and standards'.

The EU and partner countries said that the EaP 'will also take gradual steps towards full visa liberalisation as a long-term goal for individual partner countries on a case-by-case basis'. They stressed that 'the Eastern Partnership aims to strengthen energy security through cooperation with regard to long-term stable and secure energy supply and transit, including through better regulation, energy efficiency and more use of renewable energy sources.'

This bilateral track has been supported by the Comprehensive Institution Building Programme (CIB), through which the EU supports reforms indispensable for achieving the commitments in the AAs with partner countries. The CIB formed a part of the national indicative programmes (NIPs) of the respective Eastern Partner countries, and until 2013 was financed from the European Neighbourhood and

¹ Council of the European Union, 'Brussels European Council 19/20 June 2008 Presidency Conclusions', 19/20 June 2008, 11018/1/08 REV 1, 17.07.2008.

² European Commission, 'Eastern Partnership', Communication from the Commission to the European Parliament and the Council - {SEC(2008) 2974}, 03.12.2008.

Partnership Instrument (ENPI), which covered all ENP countries plus Russia. From 2014, the CIB has been supported through the European Neighbourhood Instrument (ENI) that replaced the ENPI.

A multilateral framework was created within the EaP to 'provide for cooperation activities and open and free dialogue serving the objectives of the Partnership'. It would operate on the basis of joint decisions of the EU and the partner countries ⁽³⁾.

The multilateral track was also aimed at fostering links among partner countries themselves. Four thematic platforms were organised by the European Commission in the multilateral framework:

- democracy, good governance and stability
- economic integration and convergence with EU sectoral policies
- energy security
- contacts between people.

Five Flagship Initiatives were launched in the framework of the thematic platforms as a part of the multilateral track:

- integrated border management
- small and medium-sized enterprises (SME) facility
- regional electricity markets, energy efficiency, and renewable energy sources
- prevention, preparedness and response to natural and man-made disasters (PPRD)
- environmental governance.

The EaP initiative paid more attention to civil society than previous EU policies towards the Eastern neighbourhood, creating the EaP Civil Society Forum (EaP CSF), which embraces non-governmental organisations from EaP countries and from the EU.

There are five working groups in the framework of the EAP CSF, four of them related to the four thematic platforms:

- democracy, human rights, good governance and stability,
- economic integration and convergence with EU policies,
- environment, climate change and energy security,
- contacts between people.

The fifth working group, social dialogue, set up in 2012, has no parallel thematic platform.

In May 2011, the Euronest Parliamentary Assembly was constituted in Brussels. Euronest 'is a parliamentary forum to promote political association and further economic integration between the EU and the Eastern partners. Euronest aims to contribute to the strengthening, development and visibility of the EaP, as the institution responsible for parliamentary consultation, supervision and monitoring' ⁽⁴⁾.

³ All of the above quotations are from the Council of the European Union, 'Joint Declaration of the Prague Eastern Partnership Summit, Prague, 7 May 2009', http://eeas.europa.eu/eastern/docs/index_en.htm.

⁴ The Euronest Parliamentary Assembly consists of the European Parliament delegation and the Eastern European Partners' delegations (Armenia, Azerbaijan, Georgia, Republic of Moldova, and Ukraine). The European Parliament delegates 60 members, the Eastern Partners 10 each. Belarus, due to political reasons, for the time being does not take part in the Assembly's activities. However, as the two components of the Assembly have agreed, its delegates will be welcomed once political requirements have been fulfilled. <http://www.euronest.europarl.europa.eu/euronest/>.

Euronest has four standing committees, which correspond to the four thematic platforms in the multilateral framework:

- Committee on Political Affairs, Human Rights and Democracy,
- Committee on Economic Integration, Legal Approximation and Convergence with EU Policies,
- Committee on Energy Security,
- Committee on Social Affairs, Education, Culture and Civil Society.

In September 2011, the Committee of the Regions (CoR) established a Conference of Regional and Local Authorities for the Eastern Partnership (CORLEAP) as 'a political body of multilateral cooperation' ⁽⁵⁾.

The EaP summits are the highest-level meetings, and are organized every two years. Heads of states or governments of 28 EU member states and the six partner countries participate in the summits. Representatives of EU institutions, including the President of the European Parliament, also participate in the summit. Three EaP summits have taken place to date – in Prague on 7 May 2009, in Warsaw on 29-30 September 2011, and in Vilnius on 28-29 November 2013. The fourth summit will be held in Riga on 21-22 May 2015.

There are also annual meetings of Ministers of Foreign Affairs from EU member states and partner countries. These annual meetings, chaired by the EU High Representative for Foreign Affairs and Security Policy, review progress and provide more detailed political guidance concerning the EaP.

It is important to emphasise that the EaP is a joint policy of the EU and its Eastern Partners, and all parties bear responsibility for its implementation. The European Commission and the European External Action Service (EEAS), which was officially launched on 1 January 2011, are responsible for the EaP from the EU side ⁽⁶⁾. During the 2010-2014 Commission, both the EU High Representative for Foreign Policy and Security Affairs/Vice-President of the European Commission, who is the Head of the EEAS, and the European Commissioner for Enlargement and European Neighbourhood Policy ⁽⁷⁾ played a very important role in the implementation of the EaP. They represented the EU during meetings of the Association Councils – the highest formal institutions created under the AAs with Georgia, Republic of Moldova, and Ukraine – to supervise the implementation of these Agreements ⁽⁸⁾.

Federica Mogherini, as the new Vice-President of the Commission and High Representative for Foreign

⁵ CORLEAP takes the form of 'a yearly meeting of 36 local and regional representatives of authorities from the Committee of the Regions (18 members) and Eastern Partnership countries (18 members), and serves as a platform of political dialogue and information exchange on sub-national level'. <http://www.aer.eu/knowledge-centre/thematic-expertise-thematic-issues/neighbourhood-policy-and-aer-in-the-world/european-neighbourhood-policy/eastern-partnership-eap.html>.

⁶ In the EEAS, there are two divisions that deal with the EaP – the Division for Eastern Partnership, Regional Cooperation & OSCE (Organization for Security and Co-operation in Europe), and the Division for Eastern Partnership – bilateral. Both Divisions are located in the Directorate III B – Russia, Eastern Partnership, Central Asia, Regional Cooperation and OSCE, which is a part of the Managing Directorate III - Europe & Central Asia.

⁷ This was the title of Commissioner Štefan Füle (2010-2014). The title of Commissioner Johannes Hahn is the European Commissioner for European Neighbourhood Policy and Enlargement Negotiations.

⁸ The first meeting of the Association Council was held with Georgia in Tbilisi on 17 November 2014 with the participation of the High Representative/Vice-President Federica Mogherini and Commissioner Johannes Hahn. Georgia was represented by Prime Minister Irakli Garibashvili, see: joint press release following the first Association Council meeting between the European Union and Georgia, ST 15682/14 PRESSE 592, Brussels, 17.11.2014. The first Association Council meeting between the EU and Ukraine took place in Brussels on 15 December 2014. The meeting was chaired by High Representative Mogherini, and the Ukrainian delegation was led by Prime Minister Arseniy Yatsenyuk. See: joint press release following the first Association Council meeting between the EU and Ukraine, ST 16943/14 PRESSE 653, Brussels, 15 December 2014.

Policy and Security Affairs, coordinates the work of all Commissioners in charge of external relations portfolios, which is very important for the implementation of the EaP. This new arrangement, introduced by European Commission President Jean-Claude Juncker in 2014 ⁽⁹⁾, was not available to her predecessor, Catherine Ashton.

1.1.2 Differing perspectives

The EaP amounted to the lowest common denominator that could be accepted by all 27 EU member states and EU institutions in 2008, because the positions of different EU actors (member states and institutions) differed significantly, sometimes fundamentally, on the Eastern partners. This diversity stemmed from three issues of fundamental importance. The first of them was the matter of possible EU membership for the EaP countries, something which some EU member countries supported, but which for others was unacceptable. The second issue was that of Russia's place in relations with the countries of Eastern Europe. The third concerned the competition over the extent of the EU's engagement to the east and to the south of its borders – that is, with Eastern Europe and the southern Mediterranean.

'The EaP has been praised as a step towards further differentiation between southern and eastern neighbours within the ENP and a timely initiative to reinforce the ENP's Eastern dimension, just after the Southern one was reinvigorated through the Union for the Mediterranean.' (Boonstra, Shapovalova, 2010)

The EaP initiative did not require EU member states to take sides on whether the partner countries would have the opportunity to join the EU in the future, or whether that possibility would forever be denied to them. EU member states in support of either option could accept the EaP in that it remained silent on the matter. Member states supporting the possibility of EU membership for the EaP countries saw the instrument as a preparatory stage leading to membership, even though the membership perspective was not mentioned. For others, it signified something other than membership, or at the very least put off the decision to confer candidate status to the indefinite future. In fact, it was a political concept lying between pure cooperation and the accession process.

Both sides to this debate agreed to include within the EaP a package of very important proposals, one part of which had already been proposed to Ukraine and Republic of Moldova before the creation of the EaP. For instance, negotiations with Ukraine concerning the AA began in 2007, the same year that Ukraine and Republic of Moldova signed Visa Facilitation Agreements with the EU that, as a long-term goal, mentioned the establishment of visa-free travel. While the EaP was being devised, these proposals became a coherent concept and an official package that was at least theoretically available for all six partner countries. The most significant of these proposals were:

- the possibility of signing an AA, an integral part of which would be accords on a DCFTA;
- the proposal of membership in the Energy Community created in 2006 for the Western Balkans, the objective of which was to incorporate the Western Balkans countries into the EU electricity and gas markets;
- full visa liberalisation, meaning a visa-free travel regime with the EU.

⁹ See: Commission President Jean-Claude Juncker's Mission Letter to Federica Mogherini, http://ec.europa.eu/commission/2014-2019/mogherini_en. She guides the work of the Commissioners for European Neighbourhood Policy and Enlargement Negotiations; Trade; International Cooperation and Development; and Humanitarian Aid and Crisis Management.

1.2 Diversity of partners

The six partner countries share a common Soviet past and continuing endemic problems, such as widespread corruption, the opaque links between politics and business, and an inefficient bureaucracy. However, they are not a homogeneous group. Profound differences were visible in 2009 when the EaP was launched, and are still evident at the beginning of 2015. The dividing lines stem from the domestic situations in those countries. Two subgroups can be distinguished:

- 1) countries with autocratic governments;
- 2) countries that are democratic to an important degree (electoral democracies).

The first subgroup includes Azerbaijan and Belarus. The second includes Ukraine, Republic of Moldova, and Georgia. Armenia lies somewhere in between, but closer to the latter group ⁽¹⁰⁾.

Those in power in Azerbaijan and Belarus have unequivocally rejected the EU's efforts in the area of democratisation and in instituting the reforms necessary for establishing the rule of law, seeing them as a threat to their existence. They regard democratisation efforts as an unacceptable interference in their internal affairs, and are focused on remaining in power.

Armenia was ready to talk with the EU about democratisation and the rule of law, although in fact the Armenian ruling elite did not wish to alter the situation. The situation in Republic of Moldova, Ukraine and Georgia were markedly better. However, during respectively the second term of President Mikheil Saakashvili (2008-2013) and the rule of President Viktor Yanukovich (2010-2014), Georgia and even more so Ukraine displayed autocratic tendencies. The European Council and the European Commission frequently responded with negative assessments of the situation ⁽¹¹⁾.

Profound differences between partner countries have also been evident at the societal level. The existence of a critical mass in society against authoritarianism and in favour of democratic changes, especially visible in Ukraine, but also present in Georgia and Republic of Moldova, has been the decisive factor for political change in those three countries. The EU has very often been a point of reference during political protests. This process of building a critical mass against authoritarianism is a phenomenon that has lasted longer than the past five years. Over the past 25 years, Ukraine has repeatedly experienced mass protests motivated by a desire for political change. At the end of the Soviet era in 1990, the Revolution on Granite took place ⁽¹²⁾ and, 10 years later, the Ukraine without

¹⁰ According to the *Freedom in the World 2014*, the newest report published by Freedom House, reflecting events in 2013, Azerbaijan and Belarus are not free countries. They received scores 6 and 7 respectively in the Political Rights category and both score 6 in the Civil Rights category. Ukraine, Republic of Moldova, and Georgia were classified as partly free. Ukraine received score 4 for political rights and score 3 for civil rights. The Republic of Moldova and Georgia obtained score 3 in both categories. Armenia was also classified as a partly free country, however with worse scores – 5 for political rights and 4 for civil rights. The scale of rating is the following: 1 representing the greatest degree of freedom and 7 the lowest degree of freedom. Freedom House categorises countries in three categories: Free (scores of 1.0 to 2.5), Partly Free (scores of 3.0 to 5.0), or Not Free (scores of 5.5 to 7.0).

<https://freedomhouse.org/report/freedom-world/freedom-world-2014-.VH2n-2eqKuo>.

¹¹ On Ukraine, see for instance: 'European Council Conclusions 19-20 December 2013', p.24; 'European Parliament resolution of 13 December 2012 on the situation in Ukraine 2012/2889 (RSP)',

<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2012-0507+0+DOC+XML+V0//EN>;

the speech of Commissioner Štefan Füle to the European Parliament on 22 May 2012, http://europa.eu/rapid/press-release_SPEECH-12-373_en.htm?locale=en. On Georgia, see for instance: Andrew Rettman, 'Georgia rejects EU criticism of Tbilisi violence', *EUobserver*, Belgium, 27 May 2011, <http://euobserver.com/foreign/32409>.

¹² The Revolution on Granite was a student protest and a hunger strike between 2 and 17 October 1990 on the Kyiv central square, then called the October Revolution Square, now Independence Square (Maidan). It was initiated by students from

Kuchma movement shook the country. In 2004, people took to the streets to question the legitimacy of the second round of presidential elections, sparking the Orange Revolution. Each of the above-mentioned protests can be seen as a step towards the rise of a modern political nation in Ukraine, with the Euromaidan in 2013-14 sending a clear signal that Ukrainians want a state that is based on the rule of law and human rights, instead of chronic corruption and the lawlessness of authorities (Gromadzki, Wenerski, February 2014).

In the case of Georgia, two events showed likewise a persistent public hunger for political change. The first was the Rose Revolution of 2003. Widespread protests emerged after disputed parliamentary elections, forcing President Eduard Shevardnadze to resign, after which Saakashvili was elected president. The second, in 2012, was the change of power as a result of parliamentary elections in which the Georgian Dream coalition defeated the United National Movement, the party of Saakashvili. In both cases, society protested against the non-democratic behaviour of authorities. In Republic of Moldova, the so-called Twitter Revolution of 2009, also sparked by disputed parliamentary elections, drove out the Moldovan communists from power, to be replaced with a pro-European coalition after re-run elections.

In Azerbaijan and Belarus, pro-democratic forces have not been strong enough to build a critical mass against the more entrenched authoritarian leadership of the past two decades. Therefore President Heydar Aliyev, and subsequently his son and successor as President, Ilham Aliyev, in Azerbaijan and Aleksander Lukashenko in Belarus have been able to consolidate their autocratic regimes. A lack of strong societal pressure calling for political reforms, combined with the sustained clampdown on freedom of expression and association in both countries, has held back democratic change.

1.3 Current state of play with partners

The division into two groups is confirmed by the latest edition of the Eastern Partnership European Integration Index (*see Annex I, pp. 41-42*).

'Looking at the trends in the past years, it seems the countries of the region can be divided into two groups. Moldova, Georgia, and Ukraine – which signed Association Agreements with the EU last summer – show higher standards of democracy than the other three countries: Armenia, Belarus, and Azerbaijan... In the past years Moldova has clearly been the frontrunner, showing higher standards of conduct of elections, political freedoms and human rights. It tops the latest European Integration Index for Eastern Partnership countries' ⁽¹³⁾

1.3.1 Ukraine

The political part of the AA was signed on 21 March 2014 and the economic part (DCFTA) on 27 June 2014. However, on 12 September 2014, the provisional application of Title IV: Trade and Trade-related Matters, and the related Annexes and Protocols, was postponed until 31 December 2015. Provisional application of Titles III, V, VI and VII, and the related Annexes and Protocols, came into force as of 1 November 2014. Ukraine has been an Energy Community member since 1 February 2011.

Kyiv and Lviv, and young people from 36 Ukrainian cities participated. It was the first mass movement supporting Ukraine's independence.

http://www.ukrinform.ua/eng/news/country_fails_to_use_chances_of_students_revolution_on_granite_of_1990_participant_in_hunger_strike_199219.

¹³ Iryna Solonenko, 'Eastern Partnership Countries: democracy in limbo', *EUobserver*, 06.01.2015, <https://euobserver.com/opinion/127032>; *Eastern Partnership European Integration Index 2014*, January 2015: www.eap-index.eu.

The results of presidential and parliamentary elections in May and October 2014 respectively were very favourable for the process of closer integration with the EU, displaying a clear commitment by the electorate to European integration. However, the reform process remains slow, and Ukraine's war-torn economy is reeling in debt with investors withdrawing and falling gross domestic product (GDP) ⁽¹⁴⁾. Russia's intervention in Ukraine can offer only a partial explanation for the weak reforms. Ukrainian authorities have repeatedly shown both a lack of will and ability to reform the country. The coalition of five parties forming the new government seems to be heterogeneous, but with 302 MPs it commands a constitutional majority, which will be very important for implementing necessary changes to the constitution. The coalition consists of the Petro Poroshenko Bloc (led by President Petro Poroshenko), the People's Front (led by premier Arseniy Yatsenyuk), Self Reliance, the Radical Party of Oleh Lyashko, and the All-Ukrainian Union 'Fatherland'.

The delay of the DCFTA implementation until 31 December 2015, in part due to pressure from Russia, can be evaluated ambiguously in the current situation of Ukraine ⁽¹⁵⁾. On the one hand, it means a possible facilitation for Ukrainian business/economy in a time of conflict with Russia because the autonomous trade measures (ATMs) granted to Ukraine by the EU in April 2014 will remain in force. On the other hand, it provides a disincentive to introduce indispensable reforms. The delay also set a dangerous precedent by involving a third party, namely Russia, in setting the terms of bilateral EU contractual relations with one of the EU's Eastern partners. 'The ATMs set a duty-free regime for 95 % of industrial products and 84 % of agricultural goods, and duty-free tariff rate quotas for the rest of agricultural goods, which favours Ukrainian exporters. Moreover, Ukrainian business will get additional time for modernisation and improvement of competitiveness before Ukraine will start gradual elimination of its import duties in trade with the EU. The postponement of the DCFTA also seems to give Ukraine some (uncertain) time to prepare for the eventual increase in tariff barriers for exports to Russia. The latter officially announced that the establishment of the DCFTA between Ukraine and the EU will be considered as a threat for the Russian economy, and that it will retaliate by withdrawing duty-free preferences for a part of Ukrainian exports.' (Movchan, 2014)

The introduction of a visa-free regime with the EU for Ukrainian citizens is still pending, but there has been significant progress in the implementation of the Visa Liberalisation Action Plan (VLAP), and Ukraine moved to the second and final phase of the visa liberalisation process on 27 May 2014 ⁽¹⁶⁾. This issue has enormous importance for many Ukrainians as the introduction of visa-free travel would be a very practical, but at the same time very symbolic, step from the EU side. As the European Parliament insisted in its resolution of 18 September 2014 on the situation in Ukraine and the state of play of EU-Russia relations, a priority should be 'the quick finalisation of the visa-free regime between the EU and Ukraine as a concrete response to the European aspirations of the people who demonstrated in Maidan Square' ⁽¹⁷⁾.

¹⁴ 'Ukraine's economy. Worse to come', *The Economist*, 15.11.2014.

¹⁵ http://europa.eu/rapid/press-release_STATEMENT-14-276_en.htm.

¹⁶ http://europa.eu/rapid/press-release_IP-14-613_en.htm.

¹⁷ European Parliament resolution of 18 September 2014 on the situation in Ukraine and the state of play of EU-Russia relations (2014/2841(RSP)), <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2014-0025+0+DOC+XML+V0//EN>.

1.3.2 Republic of Moldova

The AA, including the DCFTA, between the Republic of Moldova and the EU was signed on 27 June 2014. Since 28 April 2014, Moldovan citizens with a biometric passport have been able to travel to the EU without a visa. Republic of Moldova joined the Energy Community on 1 May 2010.

The results of parliamentary elections held on 30 November 2014 should be assessed positively ⁽¹⁸⁾. Three pro-European parties – the Liberal Democratic Party, the Democratic Party and the Liberal Party – obtained 45.63 % of the votes cast, and are able to form a majority government with 55 seats in a 101-seat parliament. Therefore, the Republic of Moldova is well-placed to continue the policies of close integration with the EU launched by the pro-Europe coalition that came to power after the parliamentary elections held on 29 July 2009.

However, the strongly pro-Russian Party of Socialists received 20.51 % and the Party of Communists obtained 17.48 %. The Socialists have 25 seats in the parliament and the Communists have 21 seats. Moldovan society is divided into two almost equal groups – one pro-EU, the other Russia-oriented.

The Republic of Moldova can be seen as 'the best pupil in the class' (the AA with DCFTA signed, a visa-free regime already in place with the EU, membership in the Energy Community), although there are still significant concerns about the prevalence of conflicts of interests, unclear links between politics and business, and widespread corruption. These persistent shortfalls slow reform and the Republic of Moldova's integration with the EU.

1.3.3 Georgia

The AA, including the DCFTA, was signed on 27 June 2014. Georgia has been a candidate to join the Energy Community from 18 December 2007 and started negotiations with the European Commission on 20 February 2014 ⁽¹⁹⁾.

The Georgian authorities under successive governments have reiterated their commitment to integration with the EU. However, the position of ex-prime minister Bidzina Ivanishvili, the billionaire who led the Georgian Dream coalition to success in the parliamentary elections on 1 October 2012, is more ambiguous. Ivanishvili is still perceived to be the strongest political figure in the ruling elite. On the one hand, he says that he supports Georgia's integration with the West; on the other hand, he still has close links with Russian business elites. It is possible that he would prefer to maintain a kind of status quo in relations with the EU and Russia. The governmental crisis that erupted in November 2014 with the dismissal of pro-Western Minister of Defence, Irakli Alasania, and the subsequent resignation of Foreign Minister Maia Panjikidze (she is Alasania's sister-in-law) added further to concerns about the current foreign-policy orientation of Georgia (Lomsadze, 2014).

The EU has communicated serious concerns about the potential application of selective justice

¹⁸ The elections were assessed as democratic and well administered, however the observation mission of the Organization for Security and Co-operation in Europe/Office for Democratic Institutions and Human Rights (OSCE/ODIHR) stated that 'the de-registration of one electoral contestant shortly before Election Day raised questions about the timing and circumstances'. It was about the de-registration of the pro-Russian 'Patria' (Homeland) party on 27 November 2014 only three days before elections because of financial support from abroad – which is prohibited in Republic of Moldova. This OSCE/ODIHR statement was repeated by Federica Mogherini, High Representative for Foreign Affairs and Security Policy/Vice-President of the European Commission, and Johannes Hahn, Commissioner for European Neighbourhood Policy and Enlargement Negotiations, see: their Joint Statement on the parliamentary elections in the Republic of Moldova, 1 December 2014, http://eeas.europa.eu/statements-eeas/2014/141201_01_en.htm.

¹⁹ http://europa.eu/rapid/press-release_IP-14-170_en.htm.

following charges brought against former President Saakashvili and other figures from the government that ruled Georgia before the parliamentary elections of 2012 ⁽²⁰⁾. Several of them have already been sentenced, including former Prime Minister Vano Merabishvili.

Within the Georgian Orthodox Church, which enjoys high popularity in Georgian society, some strong conservative currents still view the EU as a hotbed of 'liberal disease', and as an adversary of so-called traditional values. However, 59 % of Georgians favour EU membership for their country, and 69 % support the signing of the AA. Only 20 % would favour Georgia's accession to the Eurasian Economic Union (EEU) of Russia, Belarus, Kazakhstan and Armenia ⁽²¹⁾.

Georgia is negotiating a visa-free regime with the EU and on 29 October 2014 the Second Progress Report on the implementation by Georgia of the Action Plan on Visa Liberalisation confirmed that the first phase of the VLAP had been successfully implemented, and Georgia could move to the second phase of the VLAP, bringing Georgia to the same stage as Ukraine ⁽²²⁾.

1.3.4 Armenia

Negotiations on the AA, including the establishment of a DCFTA, were finalised on 24 July 2013. However, Armenian President Serzh Sargsyan announced on 3 September 2013 during a visit to Moscow that the government had decided to join the Customs Union of Russia, Belarus and Kazakhstan. This meant that the AA and DCFTA were no longer an option for Armenia. On the other hand, the Visa Facilitation and Readmission Agreements (VFRAs) between Armenia and the EU entered into force on 1 January 2014. This is an indispensable step before negotiations can start on a visa-free regime. Armenia has had observer status in the Energy Community since 6 October 2011.

Armenia was considered to be one of the best performers of the EaP until the summer of 2013. The Armenian authorities made swift progress in the negotiations around the AA, which lasted a relatively short time – three years. The DCFTA component was negotiated between May 2012 and July 2013. However, Armenia's potential to become one of the leaders in European integration among the EaP countries was always held in check by the persistence of shortcomings concerning democracy and fundamental freedoms, for instance freedom of expression due to formal and informal pressure by the authorities on the media. In the Freedom of the Press 2014 rating by Freedom House, Armenia's status was 'Not Free', scoring 62 on a scale from 0 (best) to 100 (worst).

'Despite constitutional and legal protections, press freedom in Armenia is restricted, and the media environment remains dominated by political influence. Positive changes observed in 2012—including more balanced media coverage of parliamentary elections – were partly reversed in 2013, as violence against journalists and political interference in their work regained prominence during presidential and municipal elections. Civil defamation cases also rose sharply after declining in 2012, and they were often

²⁰ See: Statement by the Spokespersons on criminal charges being filled against former President Saakashvili, Brussels, 31 July 2014, 140731/01; *Georgia in Transition, Report on the human rights dimension: background, steps taken and remaining challenges. Assessment and recommendations* by Thomas Hammarberg in his capacity as EU Special Adviser on Constitutional and Legal Reform and Human rights in Georgia, September 2013. This report was addressed to High Representative and Vice-President Catherine Ashton and Commissioner for Enlargement and European Neighbourhood Policy Štefan Füle.

²¹ The survey was conducted in August 2014, <https://www.ndi.org/node/21850>.

²² Second Progress Report on the implementation by Georgia of the Action Plan on Visa Liberalisation {SWD(2014) 334 final}, Report from the Commission to the European Parliament and the Council, Brussels, 29.10.2014, COM(2014) 681 final. The Law on the Elimination of All Forms of Discrimination (Anti-Discrimination Law) entered into force on 7 May 2014 as a part of the first phase of VLAP's implementation. This law was adopted unanimously by the Georgian parliament despite some strong opposition within society and especially in the Georgian Orthodox Church.

accompanied by motions to freeze a media company's assets pending resolution of the case' ⁽²³⁾.

The 'U-turn' from signing the AA with the EU towards joining the Eurasian Economic Union (EEU), established in January 2015 (see chapter 1.4.2), was announced more than two months before the Vilnius EaP Summit (28-29 November 2014). The reversal was a shock for many in Armenia, even for many representatives of the ruling elite, because the Armenian authorities had put a lot of effort into the negotiations with the EU. But this 'U-turn' was not entirely unexpected. The Armenian authorities, in particular President Sargsyan, have strived to strike a balance between the EU and Russia in their foreign policy. Armenia is the most vulnerable EaP country vis-à-vis Russia on economic, security, and energy dependency grounds, compounded by the Nagorno-Karabakh conflict with Azerbaijan and the huge Russian presence in the Armenian economy.

In summer 2013, Russia agreed to deliver arms to Azerbaijan worth USD 4 billion. The announcement was made during a visit by Russian President Vladimir Putin to Baku on 13 August 2013 ⁽²⁴⁾. It was a clear signal for Yerevan that Moscow was not going to ease the pressure against Armenia's closer integration with the EU through the AA and the DCFTA. The message was clear: that close links with Russia were the only possible option for the Armenian authorities. Therefore, Yerevan was vulnerable to the pressure from the Kremlin in summer 2013 in the run-up to the Vilnius Summit, and proceeded to withdraw from the AA with the EU. Armenia's space for manoeuvre in its foreign policy is now strictly limited to the point where it is possible to say that it is de facto controlled by the Kremlin. Russia demonstrated its leverage over EaP countries by flexing its muscles in the case of Armenia ⁽²⁵⁾.

1.3.5 Azerbaijan

The EU and Azerbaijan began negotiations on the AA on 16 July 2010 but progress has been stalled, not least since negotiations on the establishment of a DCFTA are not possible as Azerbaijan is not a member of the World Trade Organization (WTO), although it has been negotiating membership since 1997. Therefore the EU proposed to Azerbaijan in May 2013 to negotiate a Strategic Modernisation Partnership (SMP) to avoid a stalemate – not least since Azerbaijan is an important partner to EU member states as an exporter of oil and gas.

While the draft text of the SMP has not been made public, from the EU side it is seen as an interim agreement and a parallel process complementary to the AA talks. On the Azerbaijan side, it is seen more as an alternative to the AA. The SMP is expected to address practical reform measures in terms of political and economic reforms, democracy, regional security, and energy cooperation. The negotiations have not led to an agreement yet although, speaking at the Azerbaijan Diplomatic Academy University on 14 June 2014, Commission President José Manuel Barroso said: 'These negotiations are progressing and I hope that we can conclude them in the next months.' It seems that differences between the EU and Azerbaijan are still significant ⁽²⁶⁾. Azerbaijan has demanded that its territorial integrity should be recognised in this agreement, while the EU is insisting on the inclusion of political and human rights

²³ Freedom of the Press 2014, Freedom House,

<https://www.freedomhouse.org/report/freedom-press/2014/armenia-.VLMlrmTF9ic>.

²⁴ Zulfugar Agayev, 'Azeri-Russian Arms Trade \$4 Billion Amid Tension With Armenia', *Bloomberg*, 13 August 2013, <http://www.bloomberg.com/news/2013-08-13/azeri-russian-arms-trade-4-billion-amid-tension-with-armenia.html>.

²⁵ Richard Giragosian, 'Armenia's Strategic U-Turn', *Protecting the European Choice*, edited by Andrew Wilson, European Council on Foreign Relations (ECFR), London, July 2014, p. 61, http://www.ecfr.eu/page/-/ECFR109_EASTERN_PARTNERSHIP_AW.pdf.

²⁶ http://europa.eu/rapid/press-release_SPEECH-14-468_en.htm.

conditionality in the document, a proposal rejected by Azerbaijan's negotiators ⁽²⁷⁾.

There are no signs that the human rights record of the regime in Azerbaijan is easing. On the contrary, the clampdown on the regime's critics has intensified. During 2014, civil society organisations faced worsening conditions, both in terms of arbitrary raids of their offices, freezing of bank accounts, and refusing authorisation to register new grants from the EU and other international donors (a legal requirement for banks to release grant funds). The year also saw the unwarranted arrest on various trumped up charges, including fraud and treason, of civil society activists, opposition figures, human rights defenders and independent journalists.

On 26 May 2014, the 2013 EaP CSF Working Group 1 Coordinator, Anar Mammadli, Chair of the Election Monitoring and Democracy Studies Centre (EMDS) in Azerbaijan, was sentenced to five-and-a-half years in prison on blatantly false charges. On 14 July 2014, Hasan Huseynli, head of "Intelligent Citizen", a community leader and civil rights activist in Azerbaijan, was sentenced to six years in prison. On 2 August 2014, Rasul Jafarov, Chairman of Human Rights Club (HRC) and an active member of the EaP CSF, was arrested on fabricated charges of illegal entrepreneurship, abuse of power, and tax evasion. On 8 August 2014, Intigam Aliyev, head of the Legal Education Society, and a leading human rights lawyer, was arrested on almost identical charges. On 5 December 2014, investigative journalist Khadija Ismayilova, who works for Radio Free Europe/Radio Liberty, was taken into custody under Section 125 of Azerbaijan's penal code, for alleged incitement to commit suicide.

This harassment has paralysed the work of many independent civil society organisations - as part of a concerted campaign by the Azerbaijan authorities to silence criticism of the repression of freedom of expression in the country.

Azerbaijan is not involved in the Energy Community framework. In reality, Azerbaijan is interested only in cooperation with the EU on energy issues, seeking new technologies in this field and access to financial markets. VFRA between Azerbaijan and the EU were concluded in 2013, and came into effect on 1 September 2014.

A growing assertiveness in recent years in relations with the EU and the West as a whole has been evident due to the lucrative oil revenues benefiting the regime. Azerbaijan tries to develop a multi-vectored approach in its foreign policy, balancing relations with Russia, the EU, and other players, including Turkey and the United States of America (USA).

1.3.6 Belarus

High-level relations between the EU and Belarus are semi-frozen, governed by the Conclusions of the EU Foreign Affairs Council set out on 15 October 2012, which reiterated the need for a policy of critical engagement towards Belarus ⁽²⁸⁾.

The EU is committed to a policy of critical engagement towards Belarus, through:

- restrictive measures targeted against those responsible for the violations of electoral standards, crackdowns and violations of human rights, as well as those supporting the regime

²⁷ On 18 September 2014, the European Parliament reaffirmed "its position that EU support for and cooperation with the Republic of Azerbaijan, including the ongoing negotiations for a Strategic Modernisation Partnership, must be conditional on and include clauses relating to the protection and promotion of human rights", European Parliament resolution of 18 September 2014 on the persecution of human rights defenders in Azerbaijan (2014/2832(RSP)), <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2014-0022+0+DOC+XML+V0//EN&language=EN>.

²⁸ http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/132836.pdf.

- or drawing benefit from it;
- sectoral dialogues and within the multilateral track of the EaP initiative;
- support to civil society and victims of repression;
- the negotiations on VFRA, launched on 30 January 2014;
- dialogue with Belarusian society on the reforms needed to modernise Belarus and on the potential for developing relations with the EU (including possible EU financial support) ⁽²⁹⁾.

On 30 October 2014, the EU Council prolonged the restrictive measures against Belarus until 31 October 2015 'because not all political prisoners have been released and rehabilitated, and the respect for human rights, the rule of law and democratic principles has not significantly improved in Belarus. The review updates the list of persons and entities targeted as the Council considered there were no longer grounds for keeping 24 persons and seven entities under restrictions. This decision does not reflect any change in the EU's policy towards Belarus, as set out in the Council conclusions of 15 October 2012: the EU maintains its policy of critical engagement with Belarus, intended to promote the respect for human rights, the rule of law and democratic principles in Belarus.' The list now consists of 219 persons and 25 entities ⁽³⁰⁾.

There is no sign of any easing of the Belarusian autocratic regime. President Aleksander Lukashenko would like to profit as much as possible from close relations with Russia; however, he would like to have better relations with the EU for a partial balancing of Russia's influence. Therefore, he has been ready to present a moderate position concerning the Russian-Ukrainian conflict and to play the role of a mediator, proposing Minsk as a venue for negotiations between Ukrainian authorities, Russian authorities and pro-Russian separatists from Eastern Ukraine. But he is not willing to change his autocratic policies inside Belarus.

1.4 The Russian factor

1.4.1 Open objections

Russia has stood firmly against the EaP countries' closer cooperation and integration with the West. It has often been suggested that Russia is solely against the eastward expansion of NATO. In fact, Russia has all along been against the EaP countries' association with the EU. Russia's activity in this field has depended on the state of relations between the EU and EaP countries. The Russian ruling elite believed that the idea that the EaP countries would integrate with the EU was an unrealistic scenario and perceived the EaP as an empty project. The decisive progress in 2013 in negotiations between the EU and four partner countries, namely Ukraine, Armenia, Republic of Moldova, and Georgia, resulted in a dramatic change in Russia's attitude.

The Kremlin has exerted pressure on the EaP countries, imposing trade restrictions on westward-leaning countries and at the same time offering assistance to those who decline to sign an AA and establish a DCFTA with the EU. Russian policy towards Ukraine in 2013 is the best example of these tactics. As *The Economist* wrote, 'the means include soft power (talk of a shared Orthodox heritage), carrots (cheap gas and access to markets) and sticks (trade sanctions)' ⁽³¹⁾. Moscow conducted a similar campaign with the Republic of Moldova.

²⁹ http://eeas.europa.eu/belarus/index_en.htm.

³⁰ http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/145562.pdf.

³¹ 'Trading insults: a trade war sputters as the tussle over Ukraine's future intensifies', *The Economist*, 24.08.2013, <http://www.economist.com/news/europe/21583998-trade-war-sputters-tussle-over-ukraines-future-intensifies-trading-insults>.

The Russian political elite considers Ukraine and other EaP countries to lie within Russia's sphere of influence and vital interests, and believes that the West cannot deny Russia its right to exert its interests. Putin sees Ukraine more as a territory than as a state⁽³²⁾. The regime change in Kyiv in February 2014 was seen by Putin and his inner circle as a challenge planned, prepared and implemented by the USA. The course of events in 2014 showed that Russia will do everything possible to keep Ukraine within its sphere of influence. Russia is determined to achieve this goal by defying the conventions of international law through such actions as the annexation of Crimea and military intervention in Eastern Ukraine (Gromadzki, Wenerski, October 2014).

The Russian authorities violated the Treaty on Friendship, Cooperation and Partnership between Ukraine and Russia signed on 31 May 1997 and ratified by both chambers of the Russian Parliament. Article 3 of the Treaty states that 'the High Contracting Parties shall build their relations on the basis of principles of mutual respect of sovereign equality, territorial integrity, inviolability of borders, peaceful settlement of disputes, non-use of force or threat of force'⁽³³⁾.

1.4.2 Moscow's integration project – a bitter carrot

The Custom Union of Belarus, Kazakhstan and Russia, launched in 2010, and the successor EEU, which embraces those three countries plus Armenia, and entered into force on 1 January 2015)⁽³⁴⁾, are *de facto* tools for strengthening Russia's influence in the post-Soviet space (Kyrgyzstan is due to accede to the EEU in May 2015). The current integration project led by Russia should be recognised also as an attempt to diminish or even to stop the growing presence of the EU in Eastern Europe through the EaP. The EEU project is 'an alternative to the EU for EaP countries'⁽³⁵⁾.

The membership of Belarus, Kazakhstan and Armenia in the Eurasian integration project is a consequence of their specific situations in relations with Russia. In the case of Belarus, there is a kind of mutual dependency between Minsk and Moscow. On the one hand, the Lukashenko regime would not have been able to survive without Russian support (Belarus benefits from low prices for crude oil and gas for instance). On the other hand, Russia needs allies to show that they are able to build an integrationist project in the post-Soviet space. Belarus is ready to play the role of ally, but in return demands sustained economic support.

Armenia was put under pressure by Russia as described above (see 1.3.4). Kazakhstan's motivation in joining the union is complicated. A fear of the growing power of China in the region has led Kazakhstan to attempt to balance its relations with Russia and China. Belarus and Kazakhstan have tried to minimise the effects of joining this integration project. Kazakhstan, in particular, has strongly opposed the

³² See, for instance, Putin's 4 September 2013 interview with the Russian state broadcaster Channel One - <http://www.youtube.com/watch?v=AAxjVjmLjrk>, commented upon by Alexander J. Motyl: 'Putin refers to Ukraine as a "krai" – purposely avoiding the Russian word for country, "strana". I've translated it as "land" – which is the way it frequently appears in patriotic Russian verse or songs – while the translator prefers "territory", which, while more prosaic, also conveys the non-state quality of Ukraine. Either way, Putin comes across as believing that Ukraine is just a place, populated by people who resemble Russians, and not an independent state with a national identity of its own.' <http://www.worldaffairsjournal.org/blog/alexander-j-motyl/deconstructing-putin-ukraine>.

³³ <http://mfa.gov.ua/en/news-feeds/foreign-offices-news/18622-shhodo-porusheny-chinnogo-zakonodavstva-ukrajini-ta-ukrajinsyko-rosijsykih-ugod-vijsykovimi-formuvannyami-chf-rf-na-teritoriji-ukrajini>.

³⁴ In Minsk on 10.10.2014, Armenia signed an accession treaty, paving the way to join the EEU. In May 2015, Kyrgyzstan should become the fifth member of the EEU.

³⁵ Fernando Garcés de los Fayos, *The signature of the Eurasian Union Treaty: A difficult birth, an uncertain future*, Directorate-General for External Policies of the Union, European Parliament, DG EXPO/B/PolDep/Note/2014_148, August 2014, p.5, http://www.europarl.europa.eu/thinktank/en/document.html?reference=EXPO_IDA%282014%29536391.

inclusion of a political dimension in the EEU. Willing and unwilling EEU members will have to manoeuvre to maintain their space for independent action.

Other EaP countries have either shown no interest in the EEU, or did so with reluctance, as was the case of Ukraine under Yanukovich. In conclusion, the EEU is – at least to some extent – an integration idea implicitly backed by Russian coercion. Moscow doesn't have the soft power to create a positive unifying project ⁽³⁶⁾. The second half of 2014 showed how the Customs Union of Belarus, Kazakhstan and Russia is dysfunctional when Belarus and Kazakhstan didn't agree to follow Russia in its counter-sanctions against the EU and USA. Agricultural products from the EU were supplied to the Russian market as Belarusian goods, provoking the reintroduction by Russian authorities of customs controls between Belarus and Russia ⁽³⁷⁾. This example does not bode well for the smooth functioning of the EEU.

1.4.3 Doubtful advantages

Despite enormous efforts, Russia's achievements are questionable. Its relations with Ukraine and Republic of Moldova appear to be worse than ever. In 2013, when Ukrainian President Yanukovich rejected the AA with the EU and instead chose Russian aid, Putin was almost certain that Ukraine would be in his hands for many years to come. The Euromaidan protest movement changed the situation dramatically, and now Ukraine is closer to the West than ever before. Paradoxically, Russia's actions, which were aimed at the severance of links between Ukraine and the West, resulted in the opposite outcome.

The Russian ruling elite wrongly assessed the situation in two crucial aspects. Firstly, they underestimated Ukraine's ability to resist Russian pressure. In the spring of 2014, they thought that they would be able to provoke huge political protests in the regions of eastern and southern Ukraine – from Kharkiv through Donbas, Kherson and Mykolaiv to Odessa. They reckoned that these protests would destroy Ukraine. It did not work out as planned. The protests were too feeble and ended quickly. Consequently, Russia concentrated its support on the separatist movement in Donbas fighting against the central Ukrainian authorities. Secondly, Russia thought that the West, particularly the EU, was weak, incoherent, and not prepared to act against Russia. It seems that the Kremlin was certain that the situation would be similar to the situation after the Russia-Georgia war in 2008, and that the West would resign itself to the new reality resulting from Russia's actions. The successive waves of sanctions imposed by the EU, the USA and other countries came as an unpleasant surprise to the Russian ruling elite (Gromadzki, Wenerski, October 2014).

1.5 Achievements and shortcomings of the Eastern Partnership

Three extremely important achievements can be enumerated after five years of the EaP's existence. These are, however, limited to three countries: Ukraine, Republic of Moldova, and Georgia, as follows:

- **The signing of AAs, including DCFTAs, between the EU and Ukraine, Republic of Moldova, and Georgia.** This is the principal achievement. The accords were preceded by difficult negotiations, especially in the case of Ukraine. Russian actions – both challenging the territorial integrity of the three countries, and through trade blockades - were focused on thwarting these

³⁶ Nicu Popescu, *Eurasian Union: the real, the imaginary and the likely*, EU ISS Chaillot Paper number 132, September 2014, p. 43, <http://www.iss.europa.eu/publications/detail/article/eurasian-union-the-real-the-imaginary-and-the-likely/>.

³⁷ President Lukashenko accused Russia several times in the second half of 2014 of violating the Customs Union regulations limiting the access of Belarusian goods to the Russian market. See for instance his speech to the Belarusian government on 03.12.2014, <https://www.youtube.com/watch?v=7oLtxK28DY> (in Russian).

initiatives. However, the signing of the documents is only an initial step. The implementation of the agreements will be an enormous challenge.

- **Establishment of a visa-free regime with Republic of Moldova.** Full visa liberalisation with Republic of Moldova is an extremely important precedent in EU relations with the countries of the Eastern neighbourhood. Several EU member states strongly opposed visa liberalisation only a few years ago, but everything now indicates that the Moldovan case can be replicated by other EaP countries. There has been visible progress towards visa-free travel relations with the EU in the case of both Ukraine and Georgia. This is probably the most important issue for the citizens of EaP countries, especially in the case of those countries directly bordering the EU.
- **Membership in the Energy Community for Republic of Moldova (2010) and Ukraine (2011).** This marks a step towards integration of the EaP countries with EU energy markets. It is worth remembering that the Energy Community was created in 2006 for the Western Balkans countries – for the purpose of incorporating them into the EU's electricity and gas markets. With the accession of the two EaP countries, the geographical focus of the Energy Community has been displaced by the priority of integration of non-EU countries into the EU energy policy.

The results are unexpectedly good, taking into account all the problems and challenges analysed above, including Russian pressure, the frequently weak performance of EaP countries, and the EU's initial reticence to become deeply engaged in the Eastern neighbourhood. Compared against the situation in May 2009, when government leaders from the EU and the six partner countries met in Prague for the first EaP summit, bilateral relations with the EU are now of a much higher quality. However, these achievements are only the beginning of a painful process of integration with the EU for Ukraine, Republic of Moldova, and Georgia, because a successful implementation of the new contractual framework, the DCFTA especially, remains an extremely difficult challenge. These three countries will have to implement deep reforms of their institutions and economies. Nevertheless, the successes to date have shown that the bilateral efforts between the EU and the EaP countries have borne fruit.

Putting the European Commission in charge of implementing the EaP from the EU side, and including the EaP in the portfolio of the European Commissioner for Enlargement, proved to be a wise decision. The Commission and the Commissioner for Enlargement (2010-2014), Štefan Füle, were deeply interested in the success of the EaP. The High Representative/Vice-President of the Commission Catherine Ashton was less active in the EaP than Commissioner Füle because she was deeply engaged in the creation of the EEAS and she had to deal with other international issues perceived in the EU as more important than the EaP. However, she became more deeply engaged in the Ukrainian crisis in 2013 and the Russian-Ukrainian conflict in 2014³⁸. The EEAS was heavily involved in the EaP, and was able to draw on profound expertise on Eastern Europe among its diplomatic staff. However, there was an unclear division of competences between the EEAS and the European Commission, especially at the beginning of the EEAS's existence. Other EU institutions – the European Council and the European Parliament – were also active on EaP issues. The latter showed a progressive stance on the EaP in comparison with the Commission and especially in comparison with the Council. The European Parliament pushed all time for closer EU relations with partner countries and advocated for granting

³⁸ See Catherine Ashton's statements in the period of clashes on Maidan, on 28.01.2014, <https://www.youtube.com/watch?v=oyWlt7Ynuq0>, and on 18.02.2014, https://www.youtube.com/watch?v=lo3ND5_aYr8.

them an EU membership perspective ⁽³⁹⁾.

Among the multilateral initiatives of the EaP, the EaP CSF can be judged, partially at least, as an achievement, due to its comprehensive work and facilitation of good contacts between participants from all six partner countries and the EU ⁽⁴⁰⁾. Nevertheless, the forum also has shortcomings. The uneven engagement of non-governmental organisations (NGOs) from many EU member states is one of them. On the other hand, the high level of activity from civil society institutions from the EaP countries is a positive factor, strengthening links with EU institutions, EU NGOs and civil society from the EaP countries.

But, in general, the multilateral dimension of the EaP has had modest achievements. It is hard to say that the thematic platforms have offered a common space for real discussion with all six partners. The platforms did not help significantly to advance reforms. Only the Platform on economic integration and convergence with EU sectoral policies visibly helped in the process of DCFTA negotiations and 'has undoubtedly contributed to a better understanding of EU requirements by a broad range of stakeholders' ⁽⁴¹⁾. The flagship initiatives didn't help much to introduce reforms in EaP countries. However, a lack of results was caused, partially at least, by the poor performance of the partner countries, which in general encountered profound problems in the implementation of reforms.

The activities of the Euronest Parliamentary Assembly (PA) have also been limited. On the one hand, the Euronest Parliamentary Assembly has published reports and adopted resolutions ⁽⁴²⁾. On the other hand, the Assembly has been a forum for raising bilateral problems between EaP countries rather than a platform for cooperation between parliaments of partner countries and the European Parliament. 'Azerbaijanis use the Euronest PA to publicly attack Armenia on the Nagorno-Karabakh issue. Georgians bring up their concerns on Abkhazia and South Ossetia. Armenians express their frustration about the Safarov affair' ⁽⁴³⁾. CORLEAP's visibility has been very limited. In short, the multilateral track and multilateral relations among the partner countries, excluding civil society, had marginal impact in comparison with the bilateral track.

The CIB programme, launched for bilateral relations between the EU and individual partner countries,

³⁹ The European Parliament reiterated that "pursuant to Article 49 of the Treaty on European Union, Ukraine – like any other European state – has a European perspective and may apply to become a member of the EU." See: European Parliament resolution of 18 September 2014 on the situation in Ukraine and the state of play of EU-Russia relations.

⁴⁰ 'The Forum's biggest achievement to date is the development of an impressive institutional architecture and the fostering of extensive socialisation among its members. The Forum has built a network of NGOs organised in the National Platforms and the Working Groups (and their sub-groups) at both the Forum and national levels (except in Belarus)', Hrant Kostanyan, *The Civil Society Forum of the Eastern Partnership Four Years On: progress, challenges and prospects*, Centre for European Policy Studies (CEPS) Special Report, Brussels, January 2014, p.21, http://www.ceps.eu/system/files/HK_EaP_Civil_Society_Forum_0.pdf.

⁴¹ Laure Delcour, Katarzyna Wolczuk, *Approximation of the national legislation of Eastern Partnership countries with EU legislation in the economic field*, Directorate-General for External Policies of the Union, European Parliament, EP/EXPO/B/AFET/FWC/2009-01/Lot1/46, May 2013, p.21, <http://www.europarl.europa.eu/delegations/fr/studiesdownload.html?languageDocument=EN&file=93110>.

⁴² e.g. Resolution on challenges for the future of democracy, including the question of free and independent media in Eastern Partnership and EU countries, Euronest Parliamentary Assembly, AP 101.197v04-00, 3 April 2012, or draft report on 'Engaging in a stronger partnership between the EU and Eastern European partner countries through the European Neighbourhood Instrument for 2014- 2020', Euronest Parliamentary Assembly Committee on Political Affairs, Human Rights and Democracy, AP101.482v02-00, 30 October 2014.

⁴³ Hrant Kostanyan and Bruno Vandecasteele, 'The EuroNest Parliamentary Assembly: The European Parliament as a Socializer of its Counterparts in the EU's Eastern Neighbourhood?', *EU Diplomacy Papers* No 5/2013, p.17-18, College of Europe, Bruges, 2013, https://www.coleurope.eu/system/files_force/research-paper/edp_5_2013_-_kostanyan_vandecasteele.pdf?download=1.

was designed as a tool to assist with institution building for a number of core institutions that are central in preparing the ground for, and implementing, the future AAs between the EU and the EaP countries. The CIB is complemented by further financial assistance within the framework of the ENI, building on the 'more for more' principle of providing incentives to effective performers. In addition to sector-related assistance, provisions for capacity development and institution building activities are especially focused on approximation to EU legislation and technical standards, and complement assistance under the CIB programme.

A lack of political will and institutional capacity on the part of the partner countries to implement reforms has been the main reason for the slow progress to date, but the fact that the required investment in staff training and in resource capacity requires sustained efforts over time is an additional factor. The focus of the programme is well-targeted. Reform of public administration remains one of the key obstacles to the creation of a well-functioning, well-governed state in all the EaP countries.

In Georgia, the most tangible results have included preparation for the future installation of laboratories, intensive training in the preparation of legal measures regulating different aspects of food safety, financial assistance to establish so-called village houses ("one-stop shops") in four regions, and training for the Ombudsman's office in the monitoring of civil rights.

Moldova focused on the institutions that are going to play a significant role in the implementation of the AA and DCFTA, including many twinning and Technical Assistance and Information Exchange (TAIEX) programmes. The second phase focused on judicial reform and capacity building for implementation of EU-Moldova agreements.

More shortcomings were identified in the case of implementation in Ukraine. Administrative reorganisations in Ukraine in 2011-2012 affected CIB implementation. In particular, the reorganisation of the central administration had negative effects on twinning activities, while the absorption of one direct twinning beneficiary by another agency caused massive layoffs and the loss of a great deal of training results.⁴⁴

As some countries moved towards the signature of the AAs, the split among partner countries between a group of democratic countries on the one hand and autocratic regimes on the other hand made the differentiation of bilateral approaches inevitable. In particular, the EU was not able through the EaP to foster change in Azerbaijan and Belarus in the spirit of the EaP initiative and the stated commitments to democracy and human rights.

The positive rhetoric of the EU and the partner countries sometimes belied the more worrying reality in the partner countries during the first five years of the EaP. For example, despite widespread, endemic corruption in the EaP countries, a statement that 'the EU and its partner countries stepped up their cooperation in the fight against corruption' was delivered (⁴⁵).

Respect for human rights is one of the stated cornerstones of the EaP. However, EU actions in this field have borne mediocre results during the past five years. The EU is often criticised by representatives of Azerbaijani civil society for employing double standards in this area. They point out that the EU is much tougher on Belarus over human rights violations than on Azerbaijan. The activists say the situation

⁴⁴ The assessments of the CIB are drawn from *The Eastern Partnership Roadmap to the Vilnius Summit* *An Assessment of the Roadmap Implementation*, Eastern Partnership Civil Society Forum/PASOS, May 2012 – October 2013, November 2013, <http://pasos.org/wp-content/uploads/2013/11/EaP-CSF-roadmap-assessment-nov-2013.pdf>.

⁴⁵ JOINT STAFF WORKING DOCUMENT, *Implementation of the European Neighbourhood Policy in 2013. Regional report: Eastern Partnership*, p.19.

exists because of Azerbaijan's importance as an oil and gas supplier for the EU. 'The (Aliyev) regime's increasingly authoritarian tendencies have had little effect on the EU's approach. Europe's main interest in the region is stability of energy supplies and security. The Aliyev regime has allowed Western energy companies to explore its hydrocarbon riches and supported energy transit projects such as the Baku–Tbilisi–Ceyhan pipeline that deliver oil to the West rather than to Russia. Thus, seen as an indispensable and mostly cooperative partner in the EU's energy security plans, Baku has managed to temper those voices in the EU that were more critical of the regime' ⁽⁴⁶⁾.

The EaP initially omitted hard security issues and the security sector dimension from its agenda, although a Common Security and Defence Policy (CSDP) panel was established in June 2013 as part of Platform 1 on democracy, good governance and stability. The panel provides a forum for sharing experience between the EU, EU member states and interested EaP countries on engagement in international crisis management and peacekeeping activities, development of national capabilities for those purposes, and on overall security sector reforms.

The main focus was on cooperation in other areas. However, the events of the past five years in EaP countries, especially in Ukraine in 2014, have shown that it is impossible to build a well-functioning, democratic state without deep reform of the security sector, including the police. The EU has recognised this, and decided within the framework of the EU's CSDP to establish the EU Advisory Mission for Civilian Security Sector Reform Ukraine (EUAM Ukraine), a civilian mission, which started to operate on 1 December 2014 ⁽⁴⁷⁾. Nevertheless, this mission is not a part of the EaP, but a separate track of EU efforts concerning one of the partner countries. The EU launched two other missions in the partner countries under CSDP, but before the launch of the EaP. These were the EU Border Assistance Mission to Moldova and Ukraine (EUBAM) in 2005 and the European Union Monitoring Mission (EUMM) in Georgia in 2008. Those missions have not comprised a part of the EaP.

⁴⁶ Jana Kobzova and Leila Alieva, 'The EU and Azerbaijan: Beyond Oil', *European Council on Foreign Relations (ECFR) Policy Memo*, London, May 2012, p.3, http://www.ecfr.eu/page/-/ECFR57_EU_AZERBAIJAN_MEMO_AW.pdf.

⁴⁷ http://eeas.europa.eu/csdp/missions-and-operations/euam-ukraine/index_en.htm.

2. PERSPECTIVES

2.1 The Russian factor in future

2.1.1 Economic crisis in Russia

The economic situation will determine, to a great extent, the foreign policy of Russia, including policies towards the EaP countries. An economic crisis in Russia is almost inevitable in the next few years. Former Minister of Finance Alexei Kudrin has predicted that in 2015 Russia's GDP will decline by 4 % or more at \$ 60 per barrel of crude oil and inflation will amount to 12-15 % ⁽⁴⁸⁾. An important question is: how long and deep will the crisis be?

There are three reasons for the impending crisis:

- an inefficient economic model in Russia which has been entrenched during 15 years of Putin's power;
- low oil prices;
- Western sanctions against Russia, along with counter-sanctions imposed by the Kremlin.

Many economists suggested, even before the imposing of Western sanctions and the fall of oil prices, that the inefficient economic model alone would provoke stagnation in Russia. All three factors together are expected to contribute to a recession.

The main factor determining the scale of the economic crisis in Russia is the length of time oil prices will stay at \$60 or lower. The production of shale oil in the USA has contributed to the establishment of a new order for the global oil market. Therefore, many experts predict that low oil prices are not ephemeral but will be sustained for many years to come. This creates an extremely dangerous situation for Russia because half of its budget revenues come from the export of oil and gas, and the oil and gas sectors account for about 16 % of Russia's GDP ⁽⁴⁹⁾.

The second important factor is how long Putin's regime can withstand these unfavourable tendencies. According to an assessment in *The Economist*, 'People talk loosely about two years or so. In fact, a crisis could happen a lot sooner. Russia's defences are weaker than they first appear, and they could be tested by any one of a succession of possibilities –another dip in the oil price, a bungled debt rescheduling by Russian firms, further Western sanctions. When economies are on an unsustainable course, international finance often acts as a fast-forward button, pushing countries over the edge more quickly than politicians or investors expect' ⁽⁵⁰⁾.

A Russian economic crisis will also present problems for the EEU, which will become even less attractive than it is today. Kazakhstan has, like Russia, an oil-oriented economy, and will also suffer from low oil prices. Belarus will also be significantly affected because Russia is the leading trade partner for Minsk. Russia is the destination for more than 40 % of Belarusian exports. In a time of crisis, Russia's demand for Belarusian goods and services will fall.

⁴⁸ Darya Korsunskaya, Lidia Kelly And Katya Golubkova, 'Ex-minister Kudrin warns of 'full-fledged crisis' in Russia', *Reuters*, 22.12.2014, <http://www.reuters.com/article/2014/12/22/us-russia-crisis-idUSKBN0K011920141222>.

⁴⁹ World Development Indicators 2014: Contribution of natural resources to gross domestic product. World Bank. <http://wdi.worldbank.org/table/3.15>.

⁵⁰ <http://www.economist.com/news/leaders/21633813-it-closer-crisis-west-or-vladimir-putin-realise-wounded-economy?fsrc=nlw|hig|20-11-2014|E>, 20.11.2014.

2.1.2 Further pressure on the Eastern Partner countries

Efforts to prevent the closer cooperation and integration of EaP countries with the EU and the West will remain a factor in Putin's policies. Faced with the coming economic crisis, Russia must act swiftly in order to accomplish this. Therefore, it is reasonable to predict that Russia will try to break the EU aspirations of the EaP countries in the coming 12 months.

The most likely scenario is that Ukraine will continue to be treated as a special case by Russia. Russia will continue to destabilise Ukraine to prevent the closer integration of Ukraine with the EU. Russia will maintain its military presence in Donbas, and further military aggression outside the territory in Donbas controlled by pro-Russia separatists cannot be ruled out. This continued territorial threat to Ukraine means that de-escalation of the conflict is difficult to imagine. The Kremlin will further pressure Kyiv with threats of further trade sanctions, and by deployment of tactics to delay the implementation of the DCFTA beyond 2015. Russia is counting on the collapse of the Ukrainian economy to undermine public confidence in the Government and Presidency of Ukraine.

In the case of the Republic of Moldova, Russia is likely to maintain the trade sanctions already in place on agricultural goods, sustaining their painful impact on the Moldovan economy ⁽⁵¹⁾. The Kremlin will seek to destabilise the internal situation in the Republic of Moldova, but at the same time offer incentives as a reward for a shift away from closer integration with the EU.

Russia can reintroduce trade sanctions against Georgia, although in the final months of 2014 Russian authorities preferred to use the protracted conflicts in Abkhazia and South Ossetia to punish the Georgian government for signing the AA with the establishment of a DCFTA. On 24 November 2014, President Putin signed an agreement in Sochi on 'an alliance and strategic partnership' with Abkhazia, which involves the coordination by Abkhazia of its foreign, defence, economic and social policies with Russia ⁽⁵²⁾. This coordination will provide Putin with a range of options in the future.

2.2 The EU position

2.2.1 Russia as an agenda-setter?

The Russian authorities will also try to change the current EU policy towards Russia and influence EU policy towards the EaP countries. They will want to act quickly before the economic crisis destabilises Russia, weakening the Kremlin's ability to act and the options available to President Putin. Therefore, the Russian side will try to drive a wedge between different EU member states, not least on the question of sanctions towards Russia. This issue will assume crucial importance for EU policy towards Russia in the first half of 2015. The number of politicians from EU member states who will oppose sanctions is likely to grow, accelerated by growing pressure from business circles within the EU in favour of lifting sanctions. The position of Germany will be decisive to the prolongation of EU sanctions in 2015.

At the beginning of 2015, it was clear that differences persist between German Chancellor Angela Merkel, who favours the continuation of sanctions until Russia withdraws from Ukraine, and her Social Democratic Party (SPD) coalition partner, not least Foreign Minister Frank-Walter Steinmeier, who instead expresses concern that Russia could be destabilised if sanctions are not eased. The Social

⁵¹ Kamil Calus, K., 'Russian Sanctions against Moldova. Minor effects, major potential', *OSW Centre for Eastern Studies Commentary* No 152, Warsaw, 6 November 2014, <http://www.osw.waw.pl/en/publikacje/osw-commentary/2014-11-06/russian-sanctions-against-moldova-minor-effects-major-potential>.

⁵² 'Vladimir Putin signs treaty with Abkhazia and puts Tbilisi on edge', *Financial Times*, 24.11.2014, <http://www.ft.com/intl/cms/s/0/24239f90-73e8-11e4-82a6-00144feabdc0.html - axzz3Nn02CoDn>.

Democrats' approach is shared by French President François Hollande ⁽⁵³⁾. If Chancellor Merkel maintains her position, however, sanctions are likely to remain one of the principal tools of EU policy towards Russia in 2015 and beyond ⁽⁵⁴⁾.

The EU and the USA have set limits to their actions. Military engagement is out of the question, as has been made clear publicly many times. Therefore, the West's toolbox is limited to economic pressure, first of all sanctions, which by definition do not have an immediate impact. However, the sanctions imposed by the EU and USA have been unexpectedly painful for the Russian economy in the second half of 2014 due to their correlation with the falling price of crude oil. The sanctions will be even more painful in 2015 and beyond if the low price of oil is sustained.

The Russian authorities will try to persuade the EU that the economic integration of Ukraine with the EU through the establishment of a DCFTA will damage economic ties between Moscow and Kyiv, and more broadly between Ukraine and the EEU. The example of Poland shows that EU integration can go hand in hand with increased trade with Russia because the trade's turnover of this country with Russia grew fast during the period after its accession to the EU. In the years 2004-2013, the value of Polish exports to Russia increased 3.5 times, from EUR 2.3 billion to EUR 8.1 billion, while Polish imports from Russia rose nearly 3.7 times, from EUR 5.1 billion to EUR 18.7 billion ⁽⁵⁵⁾.

Any negotiations between the EU and the EEU can be used by Moscow as a platform for achieving a deal on the future of 'states between' – Ukraine, Republic of Moldova, and Georgia – through talks where they do not have a seat at the table. The goal of the Russian negotiators would be to forge a set of relations such that those countries become 'transitional countries' between two blocs without the possibility to integrate with the EU.

2.2.2 Defence of values and rules?

A crucial question arises - what are the real interests of the EU, as a whole and as individual member states, with regard to Russia? Different positions can be observed within the EU, from détente at any price to a strong defence of values and rules.

The EU's performance will be a litmus test for its position as a supporter of liberal democracy not only in Ukraine but in the EU neighbourhood as a whole. It remains to be seen whether the EU will be sufficiently active and effective in mediating the Russia-Ukraine conflict and at the same time in supporting Ukraine's transformation into a mature democracy and sovereign country. This question is extremely important also for the Republic of Moldova, and Georgia, both of which have also signed AAs with the EU.

Tensions between the EU and Russia should be viewed in a broader evolving context – the rivalry between liberal democracy and the so-called 'modern authoritarianism'. The 'modern authoritarian' regimes, Russia among them, have become significantly more attractive to many countries and political parties in Europe and around the world than they were two decades ago after the fall of the Berlin Wall

⁵³ Andreas Rinke, 'Merkel Sets High Bar for Lifting of Russia Sanctions', 8 January 2015, <http://www.reuters.com/article/2015/01/08/ukraine-crisis-sanctions-idUSL6N0UN2FS20150108>.

⁵⁴ More about sanctions: Kristi Raik, Niklas Helwig, Juha Jokela, 'EU Sanctions Against Russia: Europe brings a hard edge to its economic power', *The Finnish Institute of International Affairs (FIIA) Briefing Paper* 162, Helsinki, October 2014, http://www.fiaa.fi/en/publication/450/eu_sanctions_against_russia/; http://www.fiaa.fi/en/publication/450/eu_sanctions_against_russia/lana Dreyer, Nicu Popescu, 'Do Sanctions against Russia Work?', *European Union Institute for Security Studies (EUISS) Brief* No 35, Paris, 12 December 2014, <http://www.iss.europa.eu/publications/detail/article/do-sanctions-against-russia-work/>.

⁵⁵ <http://ibrkk.pl/lang/en>.

and the collapse of the Soviet Union. In its report, *Freedom in the World 2014*, Freedom House notes, ‘for the eighth consecutive year, *Freedom in the World* recorded more declines in democracy worldwide than gains’⁽⁵⁶⁾. The Bertelsmann Stiftung in its Transformation Index (BTI) 2014, which analyses and evaluates the quality of democracy, market economy and political management in 128 developing and transition countries, issued a ‘no positive transformation scorecard’⁽⁵⁷⁾. Russia is certainly one of the key players in this negative process, not only because of its domestic policy, which is becoming more and more autocratic, but also due to its foreign policy. On the domestic front, since 2013, legislative changes, such as fines for participating in unauthorised demonstrations, have further restricted the freedom of assembly and independence of the media, along with the criminalisation of slander, and extra-judicial blocking of independent websites. In foreign policy, Russia’s intervention in Ukraine and actions against the Republic of Moldova, and Georgia, can also be seen as a manifestation of the rivalry between liberal democracy and modern authoritarianism.

2.3 Better performing countries

2.3.1 Possibility of reforms

Society will remain a key factor in the reform process in all three leading performers among the EaP countries – Ukraine, Republic of Moldova, and Georgia. Only constant pressure from society, demanding further democratisation and the building of a functioning state governed by the rule of law, can be a guarantee of the introduction and sustained implementation of real reforms. This is especially true in the case of Ukraine. Therefore, the existence of well-organised groups within society, especially independent watchdog institutions and independent media, which will monitor the actions of public authorities at all levels, is of crucial importance. The reform process necessitates that pro-democratic forces in society sustain a critical mass of pressure for reforms in all three countries.

A stable majority in Ukrainian society has shown that it is ready to stand up against authoritarianism and in favour of the rule of law, backed up by strong pro-EU sentiments. But even in Ukraine disillusionment can take root and grow if Ukrainians assess EU engagement in their country as being insufficient, and if political will for reforms is not sustained on the part of Ukraine’s new government. Even though the completion of the transition to a well-functioning liberal democracy is not a foregone conclusion in Ukraine, there is strong public determination to resist any return to the authoritarian tendencies that were emerging before the Euromaidan or to the creation of a Russia-style authoritarian regime in Ukraine. The people of Ukraine will strongly oppose such tendencies. Therefore, Ukraine, left to itself by the West and embraced by Russia, could be a long-term source of instability in the region (Gromadzki, Wenerski, October 2014).

Pro-democratic critical masses exist also in the Republic of Moldova and Georgia, although anti-democratic tendencies are visible in the societies of both countries. The Orthodox Churches, which hold an important societal position in both countries, especially Georgia, can be considered rather as a potentially negative force, because influential groups in both Churches support so-called traditional values against the ‘disease’ of liberalism propagated by Europe. Such a position is shared by a visible and active minority in both countries. Their role might grow in the coming years and become a serious obstacle to pro-democratic reforms. Rivalry between liberal democracy and modern authoritarianism can also occur in these countries.

⁵⁶ <http://www.freedomhouse.org/report/freedom-world/freedom-world-2014-.VBYDe1eHiuo>.

⁵⁷ <http://www.bti-project.org/reports/global-findings/>.

Political and business elites in the three countries can still pose a significant obstacle to the implementation of reforms. Even in pro-European political forces, there are important groups that prefer the status quo to reforms. Ending the corrupt system that sustains these groups will be extremely difficult. Insufficient human and financial resources also pose a challenge. Last but not least, the role of Russia is another key factor in how these countries will develop reforms.

Ukraine will remain a crucial country when it comes to the prospects for change in the EaP region. The current government coalition in the new parliament has a constitutional majority. However, it will be difficult to build and sustain enthusiastic support for difficult reforms concerning new rules governing political life, such as the relations between big business and political forces, the financing of political parties, transparent lobbying procedures, and the regulation of conflicts of interest. The management of the pending implementation of the DCFTA in Ukraine will be important. 'A major risk in the DCFTA delay is how it will affect the harmonisation of legislation, constituting the backbone of the AA. According to the Decision of the Council of the European Union, provisional application of the majority of the Agreement, including economic and sectoral cooperation, starts already in 2014. It means that harmonisation with the EU *acquis communautaire* in such spheres as the environment, consumer protection, social policy etc. can continue without delay and, it is hoped, without the pressure of Russia's retaliation. However, the harmonisation of legislation in areas most acute for the Ukrainian economy and for access to the EU market, namely technical barriers to trade, sanitary and phytosanitary measures, customs, intellectual property rights protection, public procurement, and competition, might be delayed due to Russia's possible retaliation" (Movchan, 2014).

Taking into account all the above-mentioned problems, it is evident that the achievement of successful reforms in Ukraine, Republic of Moldova, and Georgia will be a very difficult task. Paradoxically, Russian pressure very often helps in the building of pro-EU attitudes in the ruling elites in all three countries. They understand, to some extent, that they must choose between Russia and the West, and that simply not choosing is no longer an option. They also fear that a lack of reforms and a retreat from European integration would provoke anti-governmental sentiments and inspire mass protests in the future.

2.3.2 The impact of Association Agreements and Deep and Comprehensive Free Trade Areas

The successful implementation of AAs and DCFTAs by EaP countries would change decisively their relations with the EU. These agreements cannot be perceived principally as technical documents, but above all as very important political anchors. The successful implementation of the AA incorporating a DCFTA can happen only as a result of fulfilment of reforms and the establishment of a well-functioning state, a liberal democracy and a mature free-market economy. Once a partner country has implemented the AA and DCFTA, it will be ready to embark upon EU accession negotiations because 'the concerted "export of the *acquis*" through association is modelled on the pre-accession agreements which envisaged the alignment of candidate countries' legal framework with the *acquis*. In essence, the implementation of the DCFTA would make Ukraine a "shadow member state."' (Wolczuk, 2014)

However, enormous efforts are needed for the implementation of the AA and the DCFTA from the partner country's side, especially in the case of Ukraine, in terms of both political will and the institutional capacity of the government bureaucracy. The AA with DCFTA between Ukraine and the EU is the biggest and most detailed agreement of its kind. 'Under the DCFTA, advanced economic integration is not just about tariffs but, above all, legal and regulatory convergence with EU standards. The AA goes beyond purely "trade issues", also influencing the quality of democracy, governance and the rule of law. Therefore the agreement carries a promise of a major transformative effect on the Ukrainian state and economy.' (Wolczuk, 2014)

There are different opinions as to what will be the impact of the DCFTA on the economies of the partner

countries. Opponents of the DCFTA say that the Ukrainian economy will collapse due to the implementation of the DCFTA, because the local market will be flooded by cheap imports from the EU, while Ukraine will not be able to export to the EU due to the incompatible standards and regulations, adoption of which would cost Ukraine tens of billions of euros. These arguments have little to do with reality because Ukraine's market will remain protected after the launch of the DCFTA, through the gradual elimination of customs duties in the most sensitive sectors, e.g. car-manufacturing, and through the continued application of non-tariff measures. There is also evidence that Ukrainian producers started to adapt to EU regulations quite some time ago, especially in the dairy and meat products sectors. On the other side, expectations of immediate prosperity upon the introduction of the DCFTA are likewise unfounded. ⁽⁵⁸⁾ These conclusions concerning Ukraine are valuable also for the Republic of Moldova and Georgia.

Georgian experts conclude that 'the EU is one of the largest trade partners of Georgia, constituting 30 % of total imports and 20 % of total exports, with a constant negative trade balance. However, unlike other countries (mostly the Commonwealth of Independent States (CIS)), trade and especially agro-food trade is particularly hampered by a combination of high tariff and non-tariff barriers. In this context, initialling the AA in November 2013 as a first step towards the ratification process between Georgia and the EU, and the Agreement on the DCFTA, as part of the AA, has the potential to considerably decrease the number of trade barriers for Georgian products and thus open new opportunities for further diversifying and developing foreign trade and increasing its gains. The possibility of economic gains from the DCFTA is estimated to reach around 6.5 % of GDP. Over the next five years, Georgia's exports will increase by 13.5 %. Textile production is predicted to have the largest increase (55 %), while fruit, vegetables, food products and beverages are predicted to rise around 4%. Implementation of the DCFTA will be beneficial for Georgia in terms of increased welfare for the citizens who will have access to better quality products on the domestic market and in the long run the possibility of higher incomes due to new business opportunities and increased economic growth brought by European integration... Major challenges to note are possible increased imports from the EU and additional pressure on domestic producers, especially in the short run... paired with increased costs due to stringent compliance requirements with EU standards' ⁽⁵⁹⁾.

Moldovan experts note that the DCFTA will ensure Moldovan producers greater access to the markets of the EU, Turkey and others, due to widespread recognition of EU standards. 'At the same time, imports' liberalisation would increase competition on the domestic market, which would eventually contribute to price reduction, diversification and products of a higher quality. Aside from increasing the Republic of Moldova's attractiveness for investments, this would increase the population's welfare and the competitiveness of the Republic of Moldova's economy.' However, they underline that 'to minimise the risks and maximise the benefits of the DCFTA, the authorities will have to make considerable efforts to enhance the business environment, adjust the quality infrastructure and speed up structural reforms. Although the final effect is beneficial, joining the DCFTA also implies a series of risks, particularly for a number of agro-industrial sectors, which are less competitive and at the same time are protected by customs tariffs that will be gradually eliminated in the following years' ⁽⁶⁰⁾.

⁵⁸ Raiffeisen Research, *Impact of DCFTA with the EU on the Ukrainian economy*, Raiffeisen Research, Austria, 8 July 2014, http://reports.aiidatapro.com/brokers/Aval/SpecialUkraine_8July14.pdf.

⁵⁹ Economic Policy Research Center, *European Union's Agreement on Deep and Comprehensive Free Trade Area and Georgia*, Economic Policy Research Center, Tbilisi, April 2014, p. 5, 18, <http://eprc.ge/index.php?a=main&pid=11&lang=eng&page=2>.

⁶⁰ Adrian Lupușor, Denis Cenușă, Alexandru Fală, *Quo Vadis Moldova: European Integration, Euroasiatic Integration or Status*

The impact of the DCFTA on the EU will be insignificant in the short term because the current trade turnover of the EU as a whole with those three countries is very small. Only 1.4 % of EU exports go to the biggest partner country, namely Ukraine. The share of EU imports from Ukraine is even smaller – barely 0.8 % of EU imports. Total trade between the EU and Ukraine is only 1.1 % of EU trade. In the case of the Republic of Moldova, total trade amounts to only 0.1 % of EU trade. The same figure applies in the case of EU trade with Georgia ⁽⁶¹⁾. The importance of trade with Ukraine, Republic of Moldova, and Georgia differs to some extent between EU member states, and in the medium and long term the market of more than 50 million people (Ukraine, Republic of Moldova, and Georgia combined) should create bigger opportunities for trade exchange if the three countries develop and modernise significantly.

In sum, the successful implementation of the AA with the DCFTA would lead to a new position for these three partner countries vis-à-vis the EU as it would mean in each case that public administration would have been reformed, liberal democracy embedded, and a modern market economy would be in place. The EU as a whole and individual EU member states would have to rethink their approach to those three partner countries and their prospects would have been transformed to such an extent that they would be perceived as future EU member states.

2.3.3 Accessibility of European Economic Area model

Could the European Economic Area (EEA) model be applied to the EaP region, and particularly to those countries that are performing better? The EEA was created in 1992 with a view to building an area of free movement of goods, persons, services and capital covering the EU and three European Free Trade Association (EFTA) countries, namely Iceland, Liechtenstein and Norway ⁽⁶²⁾. It was launched because those three countries did not want to become EU members, although they could have joined the EU at any time. These are rich countries, with GDP per capita higher than the EU average, and they are well-functioning states. To date, only EU member states and EFTA members are eligible for EEA membership ⁽⁶³⁾.

The better performing partner countries – Georgia, Republic of Moldova, and Ukraine – are in a different situation. They are not yet well-functioning states with working institutions underpinned by the principles of liberal democracy. They are much poorer than the EU average. They need to make enormous efforts in the coming years (both in the short- and medium-term perspective) to overcome today's deficiencies in the field of institution-building and economy. They cannot become EFTA or EU members anytime soon, so the EEA model in today's form is not applicable for them.

The path of the three partner countries to closer integration with the EU, if they fulfil the necessary reforms, will be more similar to that of the post-communist countries of Central Europe that joined the EU in 2004 and 2007. It should also be underlined that the three partner countries are strongly interested in an EU membership perspective – in contrast to the EFTA countries participating in the EEA. Therefore, if those partner countries are ready to begin the negotiation process, they should apply for EU membership, as they will not want to become EFTA countries outside the EU.

Quo?, Expert-Grup, Chisinau, September 2013, p. 6,

http://www.expert-grup.org/en/biblioteca/item/download/1046_95578bed426fbfb48201264659de86c7.

⁶¹ All data for 2013.

⁶² Switzerland, the fourth EFTA member, declined participation in the EEA following a referendum decision on 12 December 1992 to reject ratification of the agreement.

⁶³ See interesting analysis of the EEA – Marius Vahl, Michael Emerson, Steven Woolcock, *Navigating by the Stars. Norway, the European Economic Area and the European Union*, Centre for European Policy Studies (CEPS), Brussels, 2002, <http://www.ceps.eu/book/navigating-stars-norway-european-economic-area-and-european-union>.

The success of the three better performing partner countries on their path towards becoming mature democracies governed by the rule of law and a well-functioning market economy would mean that they would be well-placed to make a compelling case for their own future EU membership.

2.4 Performance of others

Presidents Aliyev and Lukashenko of Azerbaijan and Belarus respectively will not accept democratic reforms. Their *raison d'être* is the maintenance of their authoritarian rule. Lukashenko has ruled for 20 years and Aliyev for 11 years following his father's 10 years in power. Both presidents have changed the constitutions of their countries to allow them to govern for life. They have built up political systems that are incompatible with the democratic transfer of power or the introduction of limitations to the exercise of presidential power. They have no qualms about imprisoning and harassing the political opposition, independent media, or disobedient civil society actors, showing no regard for human rights and freedom of association and expression. However, the strength of pro-democracy forces in society, as well as external factors and internal opposition within their respective ruling elites, can all challenge the stability of their regimes, however firm their grip on power appears at the beginning of 2015.

Azerbaijan will be affected by low oil prices but probably not as much as Russia. However, with significantly lower incomes from oil and gas, a less assertive position towards the EU and USA is likely than in the recent past. But Aliyev will not open the doors to real change anytime soon. Even if he agrees to release some political prisoners, he will strongly oppose even partial liberalisation of the regime.

The economic crisis in Russia will have a direct and probably significant impact on Belarus, because the country is economically dependent on Moscow. In such circumstances, Lukashenko will try to balance Russia's influence through contacts with the EU, but his scope for manoeuvre will be strictly limited because of his authoritarian practices, which close the door to closer contacts with the EU.

In autumn 2015, presidential elections will be held in Belarus. It will be another test for Lukashenko, but the political opposition seems to be even weaker and less united than in 2010 when the previous presidential elections took place. The growing economic crisis that is expected to hit Belarus in 2015 could dent Lukashenko's support, but it is difficult to imagine that he will lose power in 2015.

Armenia will be a special case within the group of 'others'. The situation concerning democracy and human rights will remain much better than in Azerbaijan and Belarus. At the same time, it is hard to imagine that Armenia will be able to change its political course. Russia has too many instruments for pressuring Armenia. Armenian authorities will probably send signals, both officially and unofficially, to the EU that they are interested in further cooperation with the EU. They will doubtless look for areas where such cooperation would be possible and would not be spoiled by Russia. Visa dialogue could be one such area.

The parliamentary elections in 2016 will be a litmus test of the political situation in Armenia. The EU might elect to monitor Armenia's commitments under the Generalised Scheme of Preferences Plus (GSP+) scheme, which the EU granted to Armenia in December 2008. The GSP+ scheme is available only for countries that 'implement core human rights, labour rights and other sustainable development and good governance conventions' ⁽⁶⁴⁾.

⁶⁴ http://eeas.europa.eu/delegations/armenia/eu_armenia/trade_relation/pref_reg_gsp/index_en.htm.

3. CONCLUSIONS, POLICY OPTIONS, AND RECOMMENDATIONS

3.1 Facing new realities

Russia's actions in Ukraine in 2014 – the annexation of Crimea and military intervention in Donbas, and its disregards for international agreements – have fundamentally changed the situation in Europe, and will have repercussions beyond the continent. The EU has to rethink its policy towards the EaP countries and Russia, and build new approaches to suit the new reality.

An open geopolitical competition between the EU and Russia has become a reality. 'The EU has sought to avoid geo-political competition with Russia over their shared neighbours, but has been naïve in thinking that Russia would accept a democratic turnaround in Ukraine including a pro-EU orientation. After Russian actions, such as annexing Crimea, establishing and supporting a separatist movement in eastern Ukraine, and embarking on a propaganda war of disinformation (including about the downing of flight MH17), the EU needs to recognise that it is facing geo-political competition to the East' ⁽⁶⁵⁾. The EU should be prepared for a prolonged crisis in its relations with Russia. This situation will last at least until the end of the Putin era.

A strategy of smart deterrence of Russia is badly needed. The Russian ruling elite seems to be preparing for further actions not only against Ukraine, but also against the Republic of Moldova and Georgia. The EU needs to be ready to address the new reality, and to be aware that Russia is ready to destabilise any or all three EaP countries through trade blockades, military intervention, and other means.

Sanctions should remain the principal tool of the EU in its policy towards Russia. The existing sanctions, and the threat of implementation of new ones, should be perceived as a tool that can help to restrain Russia from further actions against Ukraine, Republic of Moldova, and Georgia. They are a tool for containment, not a miraculous remedy to change the behaviour of the Russian ruling elite in the short term. The sanctions should not be waived until Russia has ceased completely in its interference in Ukraine and Crimea has been handed back to Ukraine.

The EU should maintain its unity in its sanctions policy towards Russia. It will be an extremely important challenge for the EU in 2015. The Russian ruling elite takes seriously and respects only opponents who are able to pursue a consistent policy. Any sign of disunity is perceived by the Russian regime as a proof of weakness to be used to Russia's advantage. The EU should be proud of its democratic and consultative decision-making procedures – as a union of 28 sovereign states – but must also show the resolve, consistency and strategic orientation necessary to support democratic development that will contribute to the security of the European continent. The EU should be prepared to apply sanctions against Russia for years.

In the longer term, Ukraine, Republic of Moldova, and Georgia can provide stability in an important part of Eastern Europe only as mature democracies. A democratic and thriving Ukraine, Republic of Moldova, and Georgia would be an important example, probably decisive, for other Eastern European countries and their societies, including Russia, which are autocratic now and may in the future seek to embark upon a democratic path. Therefore, the containment of Russia's efforts to subordinate these three countries is in the vital interests of the EU.

In contrast, in the short and maybe also the medium term, the three EaP countries' attempts to

⁶⁵ Jos Boonstra, 'Rethinking Relationships in Europe's East', *FRIDE Commentary* No 21, Madrid, November 2014, p. 1, <http://fride.org/publication/1231/rethinking-relationships-in-europe's-east>.

transform themselves into liberal democracies cooperating closely with the EU and USA will provoke serious tensions between the West and Russia. EU policy should be strategically oriented on long-term goals, namely the democratisation of Eastern Europe, including Russia.

Russia does not have the right to demand that Ukraine, Republic of Moldova, and Georgia must be a part of Moscow's sphere of influence or to be a grey zone between Russia and the EU. The EU should avoid any talks with Russia on the status of EaP countries that have signed AAs with DCFTAs. Therefore, the EU should decline to participate in official negotiations between the EU and the EEU on the status of Ukraine, Republic of Moldova, and Georgia.

All players within the EU – institutions and member states among them – should understand that in the current circumstances, inclusive policy initiatives or new policy frameworks at the state level, aimed at engaging Russia in new forms of cooperation with the Eastern partners and the EU, particularly in the field of security, trade, energy and minority rights, are simply impossible. Such proposals would be perceived by Russian authorities as a sign of EU weakness or readiness for a compromise on Russia's terms, and could be utilised by Russia to preserve its position in Ukraine or even to demand more, not only in the case of Ukraine, but also other EaP countries. At the same time, the EU has to elaborate a new strategy of relations with Russian society, showing that it is ready for a genuine dialogue with those parts of Russian society that are open for democracy and human rights.

The situation in Russia could change relatively quickly (medium-term perspective). Therefore, a smart strategy is required in response to the crisis in Russia. The EU should elaborate possible scenarios for relations with Russia in short- and medium-term perspectives.

Besides Russia's aggression against Ukraine, another factor changed profoundly the situation in 2014, namely an institutionalisation of the split among six EaP countries. The distinction is very clear now. On the one hand, three EaP countries have signed the AAs with DCFTAs, and are embarked on the path towards deep integration with the EU. On the other hand, two EaP countries are now members of the EEU – Belarus and Armenia – while Azerbaijan is interested neither in an AA with the EU nor in membership in the EEU. This split will last for a long period. No other EaP country will sign an AA with DCFTA in the foreseeable future. The EU needs to elaborate a strategy to adjust to this new reality.

3.2 Retuning the Eastern Partnership

Taking into account the challenges linked with the new realities and the experience of the past five years, it is clear that the EaP concept shaped in 2009 is no longer a relevant and viable policy framework in the beginning of 2015, and needs significant amendments.

A retuned 'Eastern Partnership initiative', even if continuing by the same name, should be a much more politically oriented and less technically oriented process than it has been to date.

The clear division of the EaP countries into two groups needs to be spelled out: those that signed an AA with a DCFTA (Ukraine, Republic of Moldova, Georgia) on the one hand, and the others (Belarus, Azerbaijan, Armenia) on the other hand.

More than ever, the EU has to focus its attention on relations with the authorities of the partner countries that are willing to cooperate more closely and to embark upon deep integration with the EU. Formalisation of this focus would send a clear political signal and would amount to better use of limited resources.

The "more for more" principle should be further strengthened. It would be a message to "the others" (Armenia, Azerbaijan and Belarus) that the EU is not interested in an artificial dialogue through the EaP that pays lip service to democracy and human rights while the partners continue to disregard

fundamental freedoms and democratic values at home.

However, the general concept of the EaP, which includes AAs with DCFTAs, full visa liberalisation, and Energy Community membership, should remain open for all six countries if they are ready to change course and demonstrate the political will to follow the leading three on the path to closer integration with the EU. In the case of Armenia, Azerbaijan and Belarus, the concept of the EaP should be used to send a strong political signal to the societies of those countries rather than to make unrealistic offers of cooperation with the current authorities in Yerevan, Baku and Minsk.

The existing EaP summits should be maintained as a proof of good will from the EU side, and as an important channel for cooperation and communication. However, they should be divided into two parts - the first part would be for only those countries that have signed an AA with a DCFTA, and the second part for all six EaP countries.

In 2015, the EU should eschew a lowest common denominator policy towards all six partners. This does not mean that the EU should neglect relations with Azerbaijan, Belarus and Armenia, but it should abandon the illusion that it can have an impact on the short-term policies of those countries unless there is change of political orientation in the countries themselves. The EU's relations with those countries' authorities will remain at the level they have been in 2014 for the foreseeable future (with a more nuanced set of opportunities in the case of Armenia), but relations with civil society and with other pro-democracy sections of society should be given a new impetus to support and prepare society for the prospect of democratic reforms in the future.

Bilateral relations have to become a priority even more than now, building on the greater success of the bilateral track to date. The strengthened clarity of this bilateral approach should be complemented by a more customised approach to multilateral relations, driven more to foster regional cooperation than to link all partners to participation in EU policy frameworks.

For instance, the heightened security challenges facing the region necessitate more intense cooperation between Republic of Moldova and Ukraine on common security challenges, and the EU is well-placed to support strengthened bilateral relations rather than to pursue a multilateral track for all EaP countries.

The EU could support bilateral relations between Ukraine and Belarus to strengthen their respective positions vis-à-vis Moscow. The EU could also support Georgian-Armenian relations and Georgian-Azeri relations for the same reason.

The role of society in the EaP countries should be significantly increased in the EU's policies towards EaP countries, because they have played a crucial role in positive changes in Ukraine, Republic of Moldova, and Georgia. The EU should place greater premium on contacts with civil society in these three EaP countries and recognise these contacts as being equally important as contacts with governments. In the case of Armenia, Azerbaijan, and Belarus, support for different civil society groups, both formal and informal, should be much more extensive than to date.

Stronger peer exchange should be introduced between those EaP countries engaged in implementation of the AAs and the DCFTAs. The European Commission should become a facilitator of exchanges between Ukraine, Republic of Moldova, and Georgia concerning their efforts in implementation of the AAs, DCFTAs, visa dialogue, and Energy Community obligations, organising special meetings that could be open also for Armenia, Azerbaijan and Belarus where there is a willingness to engage. Therefore, the multilateral dimension would be refocused to strengthen cooperation among the better performing countries. This would mirror the successful sharing of experience between Central European countries and respectively Western Balkans countries and EaP

countries – for instance, Georgian experience on diversification of its energy supplies, or on tackling petty corruption, or the Moldovan experience of completing the final phase of the VLAP. One approach would be to make twinning with EU member states a trilateral rather than bilateral exchange, facilitating exchange of the challenges and solutions that have emerged across different EaP countries.

In the multilateral track, the EAP CSF should be further supported and developed as a platform for all six partner countries plus the EU, because the cooperation between representatives of all countries should continue to benefit from joint actions and solidarity, not least to support organisations from Azerbaijan and Belarus in their struggle with national authorities.

The three countries that signed an AA with a DCFTA should be perceived as more than partners, although not in the same category as candidate/accession countries. Nevertheless, a model similar to the accession process should be used in EU relations with those countries. Use of the Copenhagen criteria would strengthen assessments of the progress of Ukraine, Republic of Moldova, and Georgia in their efforts to implement the AAs and DCFTAs.

The lack of a membership perspective remains the most painful issue for Ukraine, Republic of Moldova, and Georgia in their relations with the EU. Therefore, the European Council should follow the European Parliament and declare officially that those three countries as European states fall under article 49 of the Lisbon Treaty, and are therefore eligible for EU membership. A well-implemented AA and DCFTA would give *de facto* an accession perspective. Ukraine, Republic of Moldova, and Georgia should be included in various EU programmes in which the EEA countries participate, according to their progress in the fulfilment of agreements.

The EU should not focus only on technical assistance in the implementation of the AAs with DCFTAs because profound reforms of state institutions in Ukraine, Republic of Moldova, and Georgia need to be implemented simultaneously.

The CIB programme was a very important initiative, albeit an insufficient one in terms of the scale of changes to be introduced by associating the EaP countries with the EU. A much more intensive special programme should succeed the CIB programme – with a view to equipping the three leading EaP countries to build a well-functioning state and a professional public administration, governed by democratic principles and the rule of law.

A reformed CIB should extend the ‘more for more’ approach, providing systematically more support in expertise, twinning, technical assistance, and financial assistance in proportion to the achievements and effectiveness of implementation to date. This constructive conditionality should be combined with support for independent civil society and expert monitoring of implementation of EU financial support through the programme – to engage society in evaluation of the cost-effectiveness of support and of the results and sustainable impact of the institutional reforms.

The European Parliament and the national parliaments of EU member states could assist the parliaments of Ukraine, Republic of Moldova, and Georgia in the inclusion of *acquis communautaire* into the legal system of their countries, a step that will have crucial importance in the implementation of the DCFTAs. The national parliaments of EU member states that acceded to the EU in 2004, 2007 and 2013 would be particularly well-placed to assist because they have the most recent and comprehensive experience of introducing the *acquis*.

The European Parliament and the national parliaments of the EU member states could also share their experience with the parliaments of these three partners’ countries concerning standards and best practices in the financing of political parties, lobbying in parliaments, and conflict of interest regulations. The introduction of such standards would be extremely important to remove or

at least minimise the non-transparent links between politics and business at the parliamentary level in Ukraine, Republic of Moldova, and Georgia.

3.3 The challenge of security and stability

Ukraine is a special case due to its importance in Eastern Europe. The EU has to seriously assist Ukraine in its modernisation efforts, including the building of a state based on the rule of law without pervasive corruption. EU assistance must be conditional, and the EU has to require real reforms from the Ukrainian government.

While the Russian military intervention cannot be an excuse for Ukrainian authorities to postpone reforms, the EU should understand the difficulties that Kyiv faces. EU policy towards Ukraine should be a balanced mix of understanding and conditions. At least a part of Ukrainian society can support such a policy because they are interested in the swift change of their country to a state in which the rule of law is respected. The EU should offer incentives to ordinary Ukrainians. A visa-free regime should be one. It would be clear proof for Ukrainian society that the EU is indeed willing to cooperate closer with Ukraine. To this end, the EU should insist that Ukrainian authorities press ahead, and at the same time help them, in the implementation of the final phase of the VLAP.

The EU must be prepared to help Ukraine in extremely adverse circumstances against the backdrop of Russia's war by stealth with Ukraine, which may last for a long time.

The future relations of the EU with Ukraine, Republic of Moldova, and Georgia depend to a great extent on the introduction of changes in the energy sector of these countries in two dimensions – transparency in the gas sector and much higher energy efficiency. Without profound changes in these two spheres, it will be impossible to reform those countries' economies. The full implementation by the Republic of Moldova and Ukraine of the obligations resulting from membership in the Energy Community is needed in the short-term. This will be a test of the partners' credibility as to whether they are truly ready to meet the EU's strict norms and principles.

A bigger role for EU member states' governments is needed in the process of the implementation of AAs and DCFTAs by partner countries. Not all tasks should be carried out by the European Commission, as member states have also an important stake in the modernisation and democratic reforms of Ukraine, Republic of Moldova, and Georgia. The EU should avoid delays of DCFTA implementation in the case of Republic of Moldova and Georgia, and avoid further delays in the case of Ukraine.

In some reforms, e.g., the reform of the security sector, a member state or a group of member states, rather than the European Commission, should be engaged ⁽⁶⁶⁾. In the case of security sector reform of EaP countries, close cooperation between member states and EU institutions under the umbrella of CSDP would be the most desirable solution.

In conclusion, the integration of Ukraine, Republic of Moldova, and Georgia with the EU through their implementation of the AAs and DCFTAs has enormous importance because this will profoundly change these three countries in their political, economic and societal dimensions. It will build a basis for real stability in Eastern Europe in the long term because positive reform and modernisation in Ukraine, Republic of Moldova, and Georgia can further stimulate pro-democratic changes in Belarus, Azerbaijan,

⁶⁶ 'Elements of this kind of job – such as security sector reform and intelligence – might be better suited for member states acting bilaterally or in groups rather than for the European Commission.' see: Mark Leonard and Andrew Wilson, 'Introduction: Protecting the European Choice', *Protecting the European Choice*, edited by Andrew Wilson, European Council on Foreign Relations (ECFR), London, July 2014, p.6, http://www.ecfr.eu/page/-/ECFR109_EASTERN_PARTNERSHIP_AW.pdf

and even in Russia.

A retuned EaP will also support the EU in strengthening the security and prosperity of its Eastern neighbourhood, and in turn strengthen the security and stability of EU member states at a time when security and stability – and therefore the success of the 'Eastern Partnership' initiative and the formulation of a strategic, long-term policy towards relations with Russia – are among the most important challenges facing the EU in 2015 and the years ahead.

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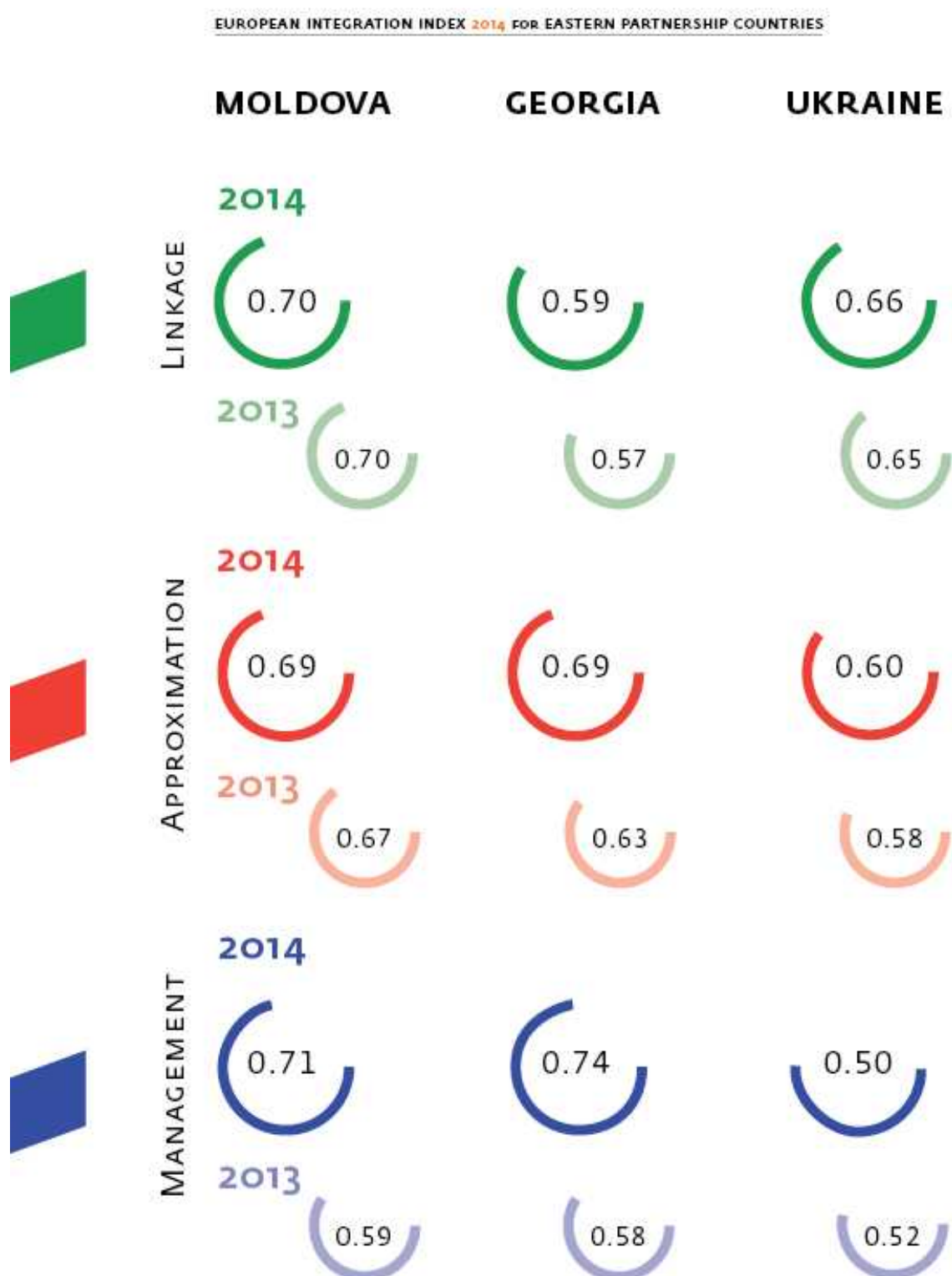
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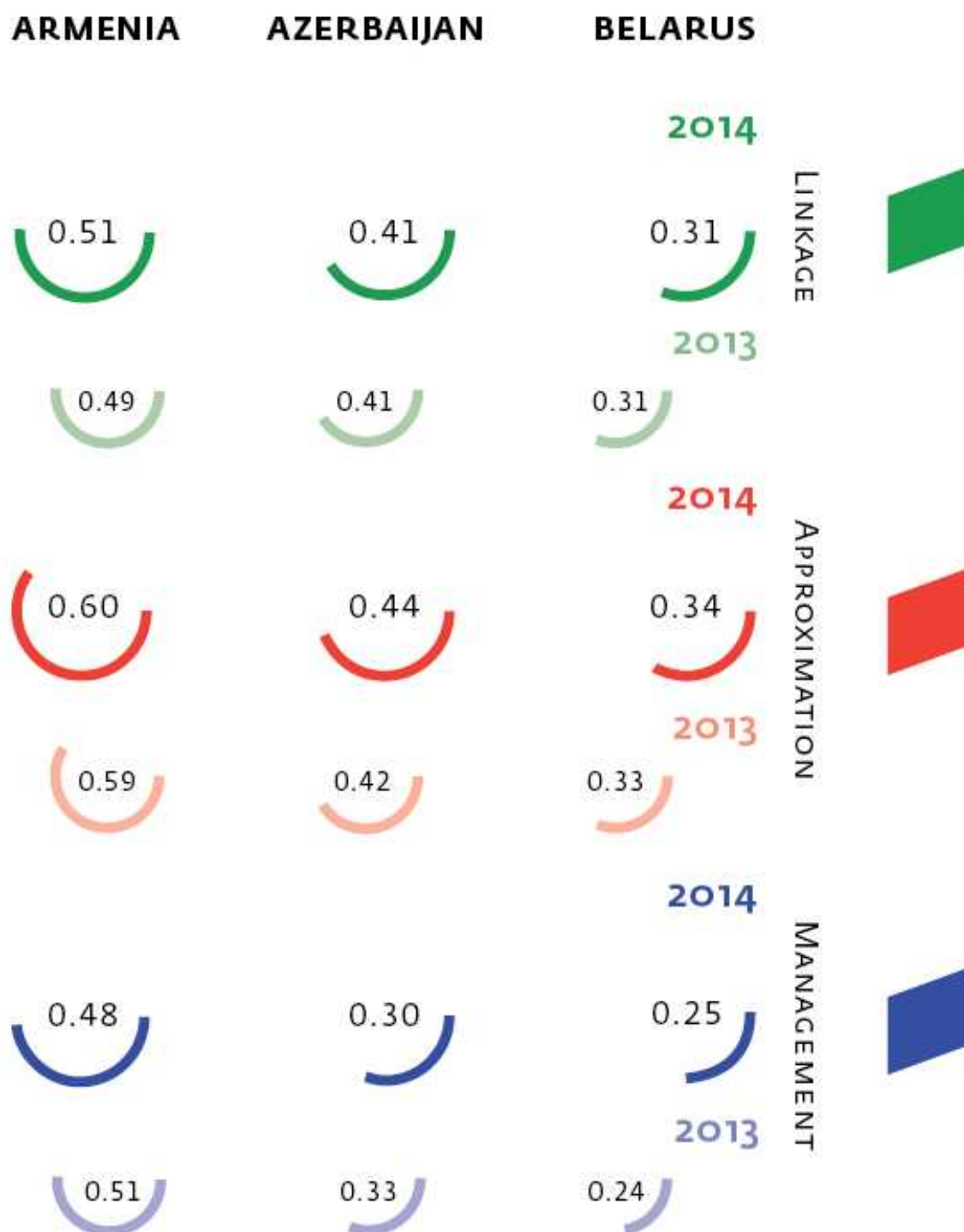
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ANNEX I. EASTERN PARTNERSHIP EUROPEAN INTEGRATION INDEX 2014



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PHOTO CREDIT: iStock International Inc

978-92-823-6609-7 (print)
978-92-823-6610-3 (online)
doi: 10.2861/89719 (print)
doi: 10.2861/804180 (online)