



THE EASTERN PARTNERSHIP A DECADE ON

Looking back,
thinking ahead

Edited by
Stanislav Secieru and Sinikukka Saari

With contributions from
Vano Chkhikvadze, Iulian Groza, Mikayel
Hovhannisyan, Leonid Litra, Dzianis Melyantsou,
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European Union Institute for Security Studies (EUISS)

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The editors

Stanislav Secieru is a Senior Analyst and Sinikukka Saari is a Senior Associate Analyst at the EUISS. Their area of expertise focuses on EU-Russia relations, Russia's foreign and security policy, Eastern Europe and Central Asia.

The EUISS Chaillot Paper series

The *Chaillot Paper* series, launched in 1991, takes its name from the Chaillot hill in the Trocadéro area of Paris, where the Institute's first premises were located in the building occupied by the Western European Union (WEU). The hill is particularly famous for the Palais de Chaillot which was the site of the UN Universal Declaration of Human Rights in 1948, and housed NATO's provisional headquarters from 1952 until 1959.

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EXECUTIVE SUMMARY

Ten years ago, the EU sought to revamp its policy in the eastern neighbourhood. This endeavour became the Eastern Partnership initiative which offered Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine a much closer institutional, economic and political relationship with the EU. This *Chaillot Paper* analyses how attitudes towards the Eastern Partnership (EaP) have evolved in these states, assesses retrospectively which elements of the programme have worked and which have not, and finally suggests ways in which the EaP could be adapted to fend off regional challenges and take advantage of rising opportunities in the coming decade.

The starting point for this analysis is a recognition that the eastern neighbourhood is not some retrograde post-Soviet backyard but that its states and societies are changing and moving on. Six interlinked megatrends, which manifest with different degrees of intensity throughout the region, shape the present and future trajectories of the countries of the eastern neighbourhood. Since the fall of the USSR there has been a centrifugal diffusion of power away from Moscow towards the capitals located at the borders of the former Soviet space. This rise of polycentrism gathered pace during the last decade as eastern neighbours diversified their foreign policy options by engaging with other regional powers. Russia first tried to impede this trend and later to reverse it. Its increasingly assertive policy *vis-à-vis* former satellites has fuelled the security deficit in the region. This negative trend, in turn, has led to a bigger demand for the EU and the gradual transformation of the EU into one of the region's security managers.

Against this background of the rise of polycentrism and a growing security deficit, the region is becoming progressively more heterogeneous, to the extent that the designation 'post-Soviet' is becoming obsolete. This neighbourhood has

metamorphosed and is gradually turning into a 'post-post-Soviet' space as the states make their own political and economic choices and as the shared history that once united them is being interpreted and re-interpreted from different national perspectives. Although reforms and democracy have not progressed in a linear fashion in the region, in some EaP states a fragile pluralism and a kind of rudimentary social contract are emerging as people turn from passive subjects into active citizens. This trend is likely to intensify in the next decade. One of the most persistent trends since the fall of the Soviet Union however, has been demographic decline powered by high levels of migration, which runs increasingly towards other parts of the world than to Russia. One of the key reasons for emigration is weak economic development in the region. Among the relatively new trends is the growing role of cyber in both the economy and politics in the eastern neighbourhood, which opens opportunities but also brings challenges. The future will be shaped by these major regional and internal shifts; policymakers need to factor them in when thinking about how to upgrade and improve the EaP for the next decade.

In parallel with these regional megatrends, each EaP state has its own dynamics too. The six country case studies in this paper demonstrate the complexities of democratisation and reform as well as the fact that the developmental paths of these six states are increasingly varied. Thus, differentiation in the EaP region is already a reality. In the associate partner states, the degree of integration with the EU has deepened significantly, whereas in the non-associate states the EU plays an important but a more limited role.

The case of **Ukraine** is emblematic in some respects: significant progress in reform has been made in this country despite extremely challenging conditions, including an ongoing war in the east of the country. Paradoxically, Russia's

aggression has improved rather than hindered Ukraine's performance in implementing reforms. The changes are however still reversible and achievements fragile. The creation of the Deep and Comprehensive Free Trade Area (DCFTA) proved to be not only one of the key drivers of reforms, but also an important tool to offset the effects of Russia's multiple trade embargoes. As a result, the EU has become by far Ukraine's key trade partner. Visa liberalisation is having an equally positive impact on the transportation sector and people-to-people contacts. Much still needs to be done, in particular in the domain of fighting corruption and improving the business climate. Ukrainian citizens support Europeanisation and expect more effective reform implementation from the government. The best EU strategy in the case of Ukraine is a bottom-up approach with strict conditionality and a renewed package of concrete benefits to provide sustained stimuli.

Moldova has zigzagged with reforms and in its relationship with the EU. While economically Moldova is much closer to the EU than was the case a decade ago (almost 70% of exports are destined for the European market), politically it has experienced significant democratic backsliding. The simplistic labels of 'pro-Russian' and 'pro-European' have proven unhelpful in a country where oligarchic structures are particularly strong, and where the majority of citizens are primarily concerned about widespread corruption and poverty. Lately, the EU has strengthened conditionality and begun to shift financial assistance away from the government towards other stakeholders of reform. This has helped to restore the EU's reputation and support for European integration among citizens is on an ascending trajectory again. The constitutional crisis in June 2019 brought a new government to power and offered a chance for a 'reset' in EU-Moldova relations. The value-based part of the *acquis* – in particular regarding the judiciary and fundamental rights – needs to be a priority in future EU engagement in Moldova.

Interestingly, the Georgian case highlights the importance of the EU's role as a standard-setter after the years of Singapore-style minimum regulation. The biggest challenge for **Georgia** continues to be its

economic model: the country has experienced some growth but little economic diversification and development. Despite the Association Agreement (AA) and DCFTA, trade with the EU is not growing as rapidly as was expected and unemployment remains very high. More positive effects of the EaP have been seen in the tourism industry as mobility has increased and Georgia has become more connected to Europe and the world. In the future, the EU needs to consider ways in which it can best support the increase in the competitiveness of Georgian business and its capacity to reach European markets.

Among the non-associated partner states, **Armenia** stands out positively at least for now. The Armenia-EU relationship seems to have found a new equilibrium after several years of soul searching. Armenia pulled out of the AA/DCFTA negotiations at the last minute and joined instead the Russian-dominated Eurasian Economic Union (EAEU) in 2015. Despite this, Armenia still sees the EU as a major partner in pursuing reforms and wants to utilise the existing potential of cooperation with the EU – as codified in the new Comprehensive and Enhanced Partnership Agreement (CEPA) – to the full extent. The EU is the biggest donor in Armenia and its efforts have not gone unnoticed: the majority of Armenian citizens and policy-makers alike regard the EU as a trustworthy organisation and view the EaP with optimism. In the coming decade, the EU can make a difference in Armenia by supporting democratic reforms and economic development.

Belarus has institutionally the weakest relationship with the EU; it does not have even a framework Agreement with the EU although Europe is Belarus's second-biggest trading partner. The multilateral track of the EaP served as a valuable channel of communication with the EU when bilateral contacts were downgraded. The Ukrainian war changed calculations on both sides. After Belarus released some political prisoners and conducted parliamentary elections, the EU abolished most of the sanctions it had put in place before and formulated a new policy of 'critical engagement': *rapprochement* without sacrificing values. The Ukrainian crisis pushed Minsk to strengthen the European 'vector' in its foreign policy and to seek the

normalisation of EU-Belarus relations. Despite some progress in bilateral relations, Belarus years for faster normalisation and deeper co-operation, including within the EaP framework.

In **Azerbaijan**, the elite's perception of the EU has evolved from a mildly positive one to disappointment. Baku tried to capitalise on its role as energy supplier to Europe to put the relationship on a more pragmatic footing and garner the EU's support for its stance on Nagorno-Karabakh. But this strategy did not work as planned: the EU has not given up on the normative dimension in its approach towards Azerbaijan and has avoided taking sides in the Nagorno-Karabakh conflict. Recently Baku seems to have switched gears; it has agreed on partnership priorities and pushed for a new framework agreement with the EU. It also has shown interest in EU assistance that can help to diversify its resource-based economy. In the coming decade, the EU needs to engage more closely with local civil society in order to develop tailor-made programmes for Azerbaijan and to monitor the implementation of the partnership priorities.

The case studies and the regional megatrends point towards adaptation of the EaP in such a manner that it can effectively address both enduring and new challenges and capitalise on opportunities. Firstly, the EaP needs to embrace 'smart' differentiation without compromising the multilateral framework which remains an important source of reference and inspiration in particular for the three non-associated partners. Secondly, in addition to civil society actors, the EU need to reach out to the constituencies likely to support European integration such as business communities, young people and the diasporas as well as to those groups that may be more reticent, such as national minorities and the church. Thirdly, the agenda for the EaP for the next decade should factor in not only Russia's role but also the growing influence of other regional powers in the neighbourhood. The EaP needs to acknowledge more fully the growing security interdependencies between the eastern neighbours and the EU. Finally yet importantly, the communication strategy requires further improvement, in particular the part which deals with the European audience. A message that needs to be communicated clearly is that, although it is not problem-free, the EaP benefits both the eastern neighbourhood and the EU.

INTRODUCTION

Doom or bloom for the Eastern Partnership?

by

SINIKUKKA SAARI AND STANISLAV SECRIERU

When the Eastern Partnership (EaP) was launched in 2009 the consequences of the global economic crisis had just begun to unfold and the top five global companies did not include any of the Silicon Valley giants that dominate the market and our lives today. Quite a few unexpected shifts and changes have taken place in the past ten years in the EU's eastern neighbourhood, too.¹

In 2009 the EU offered the partner states in the eastern neighbourhood an 'integration-lite' type of arrangement through which democracy, prosperity and stability were to be strengthened inside the eastern 'ring of friends'. 'Socialisation' to European norms, standards and practices was expected to be an incremental and linear process driven by the EU's unquestioned power of attraction.

Now, ten years after the EaP was launched, it seems fair to say that the neighbourhood has not experienced a steady increase in prosperity, democracy and stability. Economic growth has been uneven and its proceeds distributed unequally. Corruption has been exposed but often not punished. Oligarchic regimes and structures have demonstrated a high degree of resilience. Societies have mobilised and pushed for change, but elites have often been unable – or indeed unwilling – to deliver reform. And even when they have done so, the reforms have

been patchy and carried out half-heartedly. Russia has used military force and coercion to assert its supremacy over the region. Moscow's pugnacious foreign policy posture has in turn exacerbated the turbulence and uncertainty. Despite the EU's efforts to break the cycle of instability, geopolitical tensions persist and corruption and clientelism are still widespread.

However, the picture is not as bleak as it might appear at first sight. To begin with, in real life reform processes are rarely a story of linear spectacular successes. Ups and downs are intrinsic to political and economic transformation. In fact, institutional frameworks such as the EaP prove their real worth exactly when reforms stall and political elites engage in democratic backsliding. In this sense, the EaP has helped to galvanise pro-reform constituencies and rein in the repressive practices and predatory tactics of ruling elites – at least to some degree. The EaP has empowered citizens to demand more from their leaders – as has been demonstrated by the number of EU flags flying aloft in protests and demonstrations over the years.

Second, growing access to the European market has offset some of the deleterious effects of the global financial crisis and the numerous trade restrictions enacted by Russia against almost all EaP states. More trade combined with EU

¹ The authors are grateful to Marius Troost for his invaluable assistance in carrying out the research for this publication.

financial assistance – mobilised through the EaP – helped these fragile states to weather difficult times. Moreover, the EU funds helped to absorb some of the costs incurred by partner countries in implementing the financially and socially very costly, but necessary, reforms.

Thirdly, in the midst of this volatile political environment, Georgia, Moldova and Ukraine managed to fulfil the criteria set out by the EU and were able to sign Association Agreements in 2014. This has set their relationship with the EU on a completely different track. In their case, the last decade can be split into ‘life before’ and ‘life after’ the Association Agreements; in the past few years, they have achieved substantial approximation with EU regulations and standards. Still, the approximation to the EU *acquis* has not been an automatic process but rather a dynamic partnership between the state authorities, civil society actors and the EU. Last, but not least, few in the EaP states believed that visa-free travel to the EU was a feasible goal. Today citizens of Georgia, Moldova and Ukraine who travel to the EU in increasing numbers take it for granted.

Although the ambitious goals of 2009 have not – yet – been achieved, the EaP is now more needed than ever. It has built economic linkages and laid down the foundations for deeper socio-economic transformations across the region in the future. Simultaneously, as the EU presence in the region has expanded, citizens’ expectations in EaP states have increased. They look to the EU to set governance standards and pressure their governments to live up to their promises. It should be noted that the demand

for a greater and more active role for the EU is not confined to associated EaP members only. Belarus and Armenia, both members of Russian-led regional military and economic organisations, increasingly turn to the EU to reduce their overreliance on Russia and/or get support for domestic reforms. Failure to heed and to act on these expectations would undercut the EU’s transformative power – which may not be linear but which is nevertheless real – in the eastern neighbourhood.

Ten years is a long enough time to assess which elements of the original partnership offer have worked and which have not worked – and, even more importantly, why. This *Chaillot Paper* sheds light on the dynamic evolution of the EaP, unveils shifting attitudes towards the EaP programme and provides

analyses of both the successes and failures in the six partner states. The purpose of this reflection is twofold. First, the publication presents a *post-factum* account of what has been achieved and what remains to be done under the programme. Second, the paper builds on the insights into failures and successes in the respective countries, identifies the lessons that should be learned and outlines new approaches for the EaP for the coming decade. These new approaches do not derive only from the careful study of past policies and events but also from anticipation of the future. The eastern neighbourhood is not a static world of its own, but a region in flux: these states and societies are moving with the times and are influenced by powerful regional and global megatrends that bring with them not only risks but also opportunities.

The approximation to the EU *acquis* has not been an automatic process but rather a dynamic partnership between the state authorities, civil society actors and the EU.

CHAPTER 1

SHIFTING GROUND

How megatrends are shaping the eastern neighbourhood

by

SINIKUKKA SAARI AND STANISLAV SECRIERU

This chapter looks into six megatrends¹ shaping the present and the future trajectories of the eastern neighbourhood. These trends do not define the future but they create the context in which the future will be embedded. This means that the Eastern Partnership (EaP) states and the EU – as it begins to reflect on the future of its policy in the eastern neighbourhood – will need to take them into account. Some of the megatrends are benign, some are malign, but more often these trends reveal a Janus-like quality. Thus, for the EaP states the challenge now is how to use these developments to their advantage, while simultaneously limiting potential negative fallout in their policies.

These trends have long and deep roots. Many of them have been present since the 1990s, some even longer, and some of them have gained traction since the early or late 2000s. Some of the shifts are specific to this neighbourhood and others are of a global nature. This chapter analyses how these trends are affecting the region and what the ramifications are for the EU. The first two trends and the key actors' reaction to those trends frame the overall milieu of the eastern neighbourhood, whereas the four

trends that follow are essentially to do with internal dynamics.

TREND 1 – RUSSIA CHALLENGES RISING POLYCENTRISM

From the late 1990s on, the presence and role of other players like the US, China, Turkey, Iran and some of the EU member states slowly but steadily grew in the region (see Trend no. 3). This phenomenon of 'polycentrism' gathered pace in the 2010s. Their involvement was encouraged and welcomed by the local rulers, but resented by Russia. This diversification of political, diplomatic, economic, cultural and military engagements helped the then newly re-established states to safeguard sovereignty and widen their room for manoeuvre in regional affairs. This approach to foreign policy was dubbed 'multivectoralism'. At the same time, the gradual opening up of the region

¹ The dictionary definition of a megatrend is an "important shift in the progress of a society or of any other particular field or activity; any major movement". Oxford Dictionaries: <https://en.oxforddictionaries.com/definition/megatrend>.

undermined Russia's power and position in what Moscow has long regarded as its privileged sphere of influence. In other words, a space previously dominated by a single political, economic, cultural and military centre of gravity underwent a process of geopolitical diversification as alternative powers progressively infiltrated the region and engaged with local rulers and societies. In response, Russia's policy in the neighbourhood was first to impede this trend and later to reverse it.

This assertive stance was enabled by domestic politics and an improving economic situation in Russia. On the one hand, re-centralisation of power inside Russia made Moscow's foreign policy more coherent and resolute. On the other hand, the Russian economy was recovering fast after the financial crash in 1998.² The combination of growing economic prowess and streamlined decision-making at the Kremlin facilitated Russia's bolder policy in the neighbourhood.

To regain and expand its influence in the 2000s, Russia relied on a mix of attraction and coercion. Russia's economic performance exercised a magnetic effect on elites and populations in the region. Russian passports became a more attractive proposition and people increasingly migrated to Russia to earn money or to settle there (see Trend no. 5). Russia also used its petrodollars³ to take over strategic economic sectors, to promote the Russian language and to support Russian-speaking communities living in these countries. Political elites in the

The year 2008 marked a turning point in Russia's response to the rising influence of external actors in the region.

neighbourhood engaged with Russia hoping to secure material advantages or to broker shadow deals in exchange for *pro forma* support of the new Moscow-led regional projects.⁴ Still, the sharp side of Russian power was in evidence too: the Kremlin did not hesitate to apply economic coercion and demonstrate military power to regain regional dominance.⁵

Overall, Russia was reclaiming its sphere of influence, relying on a judicious dose of sharp sticks and sweet carrots. This started to change in the late 2000s: the Russian approach became less generous and more combative. Coercion based on military muscle gradually began to catch up with and overtake the use of economic and diplomatic constraints. In many cases, both actually went hand in hand, with military might serving as an 'amplifier' for non-military tools.⁶ Thus, the sticks became sharper, while there were fewer carrots on offer.

With the benefit of hindsight, it can be observed that the year 2008 marked a turning point in Russia's response to the rising influence of external actors in the region. Firstly, the war in Georgia involved Russia's first massive use of force in the region in 20 years. It removed any inhibitions that Russia may have previously had about using force on such a massive scale and lowered the threshold for the use of force in both the immediate and distant neighbourhoods in the future. In addition, whereas Russia had mainly tried to manipulate existing conflicts in the region, after 2008 Moscow sought to spark new flashpoints or to revive

- 2 In 2000–2008, it grew at an average of 7% per year. "MER obyasnilo prichiny zamedleniya ekonomiki Rossii" [Ministry of Economic Development explained the causes of Russia's economic slowdown], *BCS Express*, May 16, 2013, <https://bcs-express.ru/novosti-i-analitika/mer-obyasnilo-prichiny-zamedleniya-ekonomiki-rossii>.
- 3 Russia earned \$1.2 trillion from oil and gas exports from 2000 to 2008: Kiril Rogov, "Rezhim vyshel na pensiu" [Regime went on pensions], *Novaya Gazeta*, July 8, 2018, <https://www.novayagazeta.ru/articles/2018/07/08/77079-rezhim-vyshel-na-pensiyu>.
- 4 In the 2000s, Russia promoted new forms of regional integration: the Eurasian Economic Community (2000), Collective Security Treaty Organisation (2002), Common Economic Space (2003), Eurasian Development Bank (2006).
- 5 For more see James Sherr, *Hard Diplomacy and Soft Coercion* (London: Chatham House, 2013).
- 6 Margarete Klein, "Russia's Military Policy in the Post-Soviet Space", *Stiftung Wissenschaft und Politik*, January 1, 2019, <https://www.swp-berlin.org/en/publication/russias-military-policy-in-the-post-soviet-space/>

dormant disputes by military means.⁷ Secondly, for the first time since the dissolution of the Soviet Union, Russia altered national borders in the neighbourhood by violent means.⁸ This also set a precedent for further forceful changes in the 2010s.⁹ Thirdly, while Russia prevailed militarily in Georgia, its leadership was in fact startled by its army's poor performance there. The lessons learned on the ground ushered in the most profound reform and modernisation of Russian armed forces in decades.¹⁰ The generous funds that were allocated to the defence budget¹¹ boosted the confidence of the top military brass, while additional training and re-equipment programmes increased troops' readiness to be deployed at short notice. As a result, Russian military superiority in the post-Soviet space increased significantly. Thus, when economic instruments stopped delivering results, Russia became less restrained in its display and use of military force.

2008 was also an important year in economic terms. This was to be the last year when Russia recorded a high rate of economic growth.¹² As the global financial crisis unfolded in 2009, Russia's GDP plummeted by 7.8%, and its economy has never since regained its previous high growth rates.¹³ Low oil prices, structural malaise and financial sanctions sapped the financial reserves accumulated by Russia in the

previous decade. By 2018, Russia had exhausted one of its sovereign funds (the Reserve Fund) in its entirety, whereas a decade previously it had \$125 billion in its coffers.¹⁴ Since then, Russia has been slowly losing its attraction as an economic hub among elites and populations in the region (see Trend no. 5 below). Still, while economic decline has not deflated Moscow's ambitions in the neighbourhood, it has visibly reduced the economic resources that Russia could marshal to stake its claims.

Despite Russia's inability to compete with the EU economically, its restored military capabilities bolstered Moscow's asymmetric foreign policy strategy and proclivity for coercion. Rather than trying to compete with the EU on the EU's terms, it chose a strategy that built on its relative strengths: coercive capabilities and readiness to use them swiftly. Accordingly, Moscow embarked on a policy of flaunting its military might and applying geo-economic pressure in an attempt to outplay other regional actors in the neighbourhood. This approach had several consequences for the region and the EU.

Russia systematically beefed up its military presence in and around the region.¹⁵ As a result of the annexation of Crimea in 2014, Russia gained a bigger foothold in the Black Sea region and this facilitated its pivot to the Eastern

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- 7 It succeeded in Crimea and Donbas; it failed however in Ukraine's south (Odessa oblast) and Moldova's autonomous region Gagauzia. For more see: <https://www.tandfonline.com/doi/abs/10.1080/09668136.2016.1176994>; <https://www.dw.com/ro/rusia-preg%C4%83te%C8%99te-terenul-pentru-repetarea-scenariului-ucrainean-%C3%AEn-moldova/a-17832388>; <https://www.theguardian.com/world/2014/may/02/ukraine-crisis-pro-russian-forces-claim-assault-on-slavyansk-live-updates>.
 - 8 "Russia Recognizes Abkhazia, South Ossetia", *RFERL*, August 26, 2008, https://www.rferl.org/a/Russia_Recognizes_Abkhazia_South_Ossetia/1193932.html.
 - 9 "Putin Reveals Secrets of Russia's Crimea Takeover Plot", *BBC*, March 9, 2015, <https://www.bbc.com/news/world-europe-31796226>; John Haltiwanger, "Russia is Quietly Seizing Territory in Georgia as it Warns of a 'Horrible Conflict' if the Eurasian Country Joins NATO", *Business Insider*, August 7, 2018, <https://www.businessinsider.fr/us/russia-quietly-seizing-territory-in-georgia-10-years-after-the-war-2018-8>.
 - 10 Mikhail Barabanov et al., "Military Reform: Toward the New Look of the Russian Army", *Valdai Discussion Club*, July 2012, http://vid-1.rian.ru/ig/valdai/Military_reform_eng.pdf.
 - 11 From \$51 billion in 2009 to \$88 in 2013 and to \$66 in 2017: World Bank, "Military Expenditure", <https://data.worldbank.org/indicator/MS.MIL.XPND.CD?end=2009&start=1960>.
 - 12 The Russian economy grew by 5.2% in 2008. "Russia GDP", *Countryeconomy.com*, 2008, <https://countryeconomy.com/gdp/russia?year=2008>.
 - 13 The Russian economy grew by a meagre 0.7% in the years 2008–2018: Anastasiya Bashkatova, "За 10 лет Россия virvalas' v autsajderi" [Russia became an outsider in 10 years], *Nezavisimaya Gazeta*, September 9, 2018, http://www.ng.ru/economics/2018-09-02/2_7301_outsider.html.
 - 14 "Istoriya Rezervnogo Fonda RF. Dosye" [History of the Reserve Fund of the RF. Dossier], *TASS*, January 31, 2018, <https://tass.ru/info/4918191>.
 - 15 Russia succeeded in increasing its foothold in Moldova (Transnistria), Armenia, Georgia (South Ossetia, Abkhazia), in and around Ukraine; however it failed to maintain a foothold in Azerbaijan (Gabala) or to gain a stronger foothold in Belarus.

Mediterranean and the Middle East as well.¹⁶ This illustrates how military advantages gained in the EU's eastern neighbourhood have in turn been exploited by Moscow to stir up trouble and acquire leverage in the EU's already chaotic southern neighbourhood. Moreover, Russia redoubled its efforts to bring its neighbours back under its control. With this aim in mind, in the span of 5 years the Kremlin established first the Eurasian Customs Union (2010) and then in 2014 the Eurasian Economic Union (EAEU): both organisations required stricter commitments (which incidentally Russia was first to violate)¹⁷ than previous formats of economic cooperation. Russia used a variety of economic, political and security levers to persuade Belarus and Armenia to join the EAEU, in order to maintain their trade and energy dependence on Moscow (for more, see the chapters on Armenia and Belarus in this volume).¹⁸ Russia often claims that the EU is a template for the EAEU, but there have been no cases in the EU's history where a state was pressured to join the Union. Thus, the EAEU fails the primary test of voluntary economic integration between states. And this in turn, will test the sustainability of the EAEU in the next decade.

Russia's enhanced projection of power has brought mixed results in the other parts of the region. Although Russia's military interventions in 2014 and 2008 mean that Kyiv and Tbilisi have lost *de facto* control over a significant proportion of their territories, this has not succeeded in reversing the Western orientation of these countries. Instead, pro-European sentiment in both states has strengthened (for

Russia's pugnacious politics have not been able to rein in the growing independence of the EaP states nor to stifle rising polycentrism

more on this see the chapters on Ukraine and Georgia). Despite Russia's pressure, together with Moldova both Ukraine and Georgia signed up for more advanced framework agreements with the EU in 2014. What Russia did accomplish, however, was to increase the economic costs of Europeanisation for Ukraine and Moldova.¹⁹ Nevertheless, by abusing trade for political purposes, Russia undermined its economic leverage and unintentionally bolstered its neighbours' resilience. Moscow's policy towards Georgia was slightly different. Russia had lifted its trade embargo on Georgian exports in late 2013 and – unlike in the case of Ukraine and Moldova – it did not reintroduce it immediately after the signing of the Association Agreement (AA). At the time of writing, there is a new climate of uncertainty as the Russian Consumer Rights agency is again investigating whether Georgian wine meets Russian 'quality standards' after tensions started building up following the visit by a representative of the Russian State Duma to the parliament in June 2019. Nevertheless, should Russia again try to limit access to its market, Georgia is in a better position than 14 years ago to weather another trade shock.

Most importantly, however, Russia's pugnacious politics have not been able to rein in the growing independence of the EaP states nor to stifle rising polycentrism; the trend is likely to continue and strengthen in future as other regional powers increase their footprint in the region. In fact, Russia's tougher approach has increased its neighbours' demands for the EU to have a greater role in the

16 Maksim Shepovalenko, "Siriyskiy rubezh" [Syrian frontier], Centre for Analysis of Strategies and Technologies, Moscow, 2016.

17 Rustem Phalyakhov, "Tamhozhenniy soyuz popal pod sanktsii" [Customs Union has fallen under sanctions], *Gazeta.ru*, November 22, 2014, <https://www.gazeta.ru/business/2014/11/22/6309929.shtml>.

18 Rilka Dragneva and Kataryna Wolczuk, "The Eurasian Economic Union Deals, Rules and the Exercise of Power", *Chatham House*, May 2017, pp. 8–9, <https://www.chathamhouse.org/sites/default/files/publications/research/2017-05-02-eurasian-economic-union-dragneva-wolczuk.pdf>; Esther Ademmer et al., "Beyond Geopolitics: Exploring the Impact of the EU and Russia in the Contested Neighbourhood", *Eurasian Geography and Economics*, 2016, pp. 10–11.

19 "Doar in 2014-2015 embargoul rusesc a provocat pierderi de 125 milioane dolari" [Russia's embargo inflicted \$125 million in damages just in 2014-2015], *Mold Street*, March 25, 2017, <https://www.mold-street.com/?go=news&n=5737>; Mikhail Tishenko, "Ukraina podstschitala poteri ot rossiyskogo embargo" [Ukraine calculated the losses from the Russian embargo], *Republic*, November 18, 2015, <https://republic.ru/posts/59905>.

region's security. Russia's assertive posture seems to have even strengthened and accelerated the trend – despite the heavy costs incurred by the EaP states. Ironically, through its military action in Georgian territory and later in Ukraine, including the illegal annexation of Crimea, Russia inadvertently forced the EU to step in and start getting involved in deploying missions and enforcing sanctions.

TREND 2 – THE GROWING REGIONAL SECURITY DEFICIT

The collapse of the USSR created a security vacuum in the post-Soviet region that Russia has attempted to fill by resorting to the muscular strategy described above. The resulting regional security deficit has forced the EU to gradually increase its role in conflict management in the eastern neighbourhood. This role has deepened as a response to conflicts – and the demands that have followed – rather than because of proactive policies. Thus, the EU's increased presence in the security domain has evolved due to local demand and out of necessity rather than being implemented in accordance with a pre-existing design and based on a strategic vision for the region.

Indeed, for a long time the EU was reluctant to get involved because of its concern about how this might be perceived or interpreted by Russia. This in turn left its eastern neighbours often having to face and deal with Moscow's demands on their own. In the 1990s, the EU promoted the Organisation for Security and Cooperation in Europe (OSCE) as the principal

organisation involved in conflict management and it accepted Russia's strong involvement in the negotiation formats. As the OSCE found itself increasingly constrained in carrying out its work and various crises in the region deepened, the EU hesitantly revised its policies. The EU was slowly drawn deeper into the management of security in the neighbourhood. This started in Moldova, where the EU deployed for the first time a variety of instruments from its security toolbox.

In 2003, the EU imposed travel restrictions against the leadership of the self-declared republic of Transnistria, in order to incentivise the leaders to engage in good faith in negotiations with the Moldovan authorities pertaining to conflict resolution.²⁰ After Russia unsuccessfully attempted to resolve the Transnistrian conflict unilaterally via the Kozak Memorandum²¹ (which envisioned disadvantageous terms for Moldova), the EU gradually increased its involvement in management of the conflict. In addition to initiating sanctions, the EU agreed to join the negotiation format in 2005 as an observer, alongside the US (afterwards called the 5+2 format). It also created the position of a Special Representative (EUSR) for Moldova, with a mandate to contribute to the resolution of the conflict.²² Shortly after, the EU deployed a border management mission to the Ukrainian–Moldovan border (EUBAM), following insistent requests from Chisinau and Kyiv. This aimed at addressing smuggling and trafficking activities along the Ukrainian–Moldovan border, including the Transnistrian segment over which the authorities in Chisinau had no oversight. In 2006, the EU granted more trade preferences to Moldova (GSP+ and later ATP), which were also subsequently extended to the economic actors in the separatist enclave, on condition that they register their businesses in Moldova proper. As a result, exports from the

20 Council of the European Union, “Council Common Position 2003/139/CFSP”, 32003E0139, Brussels, February 27, 2003, <https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX%3A32003E0139>.

21 “Russian Draft Memorandum on the Basic Principles of the State Structure of a United State in Moldova (Kozak Memorandum)”, November 17, 2003, <https://pl.scribd.com/document/192677525/Kozak-Memorandum>.

22 Council of the European Union, “Appointment of an EU Special Representative for Moldova”, C/05/53, Brussels, March 23, 2005, europa.eu/rapid/press-release_PRES-05-53_en.pdf.

breakaway region to the EU doubled in the next decade, making the EU one of Transnistria's main trade partners.²³ Dependence on the European market endowed the EU with a certain leverage over the separatist region. Thus, in the space of ten years, the EU metamorphosed from a non-actor to an influential stakeholder with an important stabilising role.

The EU thus managed to minimise the chances of the conflict in Moldova re-escalating and to ensure regular dialogue as well as economic exchanges between the conflict parties. However, in other conflict areas across the eastern neighbourhood the EU has been less forthcoming and thus less successful. When in 2006 Georgia requested the EU to replace around 150 members of the OSCE border observation operation at the Georgian-Russian border when Russia vetoed its mandate, the EU responded by sending merely a handful of experts to Tbilisi. Even after that, Georgia called for a greater involvement by the EU and warned about the possible consequences of inaction several times before the war broke out.²⁴ The EU had established a EUSR on South Caucasus already in 2003 – but the mandate on conflict-related issues was less robust than in the case of the EUSR for Moldova.²⁵ It was only *after* the war in 2008 that the EU developed into the principal conflict manager in Georgia, by deploying a robust EU Monitoring Mission (EUMM) and by expanding the EUSR mandate to deal with the crisis in the country. Acting after a delay only increased the costs of stabilising the situation. In the end, the EU allocated €500 million to Georgia in 2008 to offset the effects of the war with Russia.²⁶ Today, as the only international presence along

As Russia keeps asserting its naval dominance in the Azov Sea and Black Sea, the demand for an EU role in managing maritime security in the region is set to increase.

the administrative border between Georgia and Abkhazia and South Ossetia, the EU is regarded as playing a crucial role in managing tensions and ensuring a modicum of security.

Again, only after the conflict broke out in Ukraine did the EU factor in some form of a security dimension. As Russia's aggression unfolded,

the EU agreed on sanctions against Russia and subsequently established a non-executive CSDP mission working on civilian security sector reform. Additionally, it became the main sponsor of the OSCE Special Monitoring Mission (SMM) to Ukraine. The sanctions regime has been tightened several times after the initial decision, while the EU at the same time disbursed macro-financial assistance and humanitarian aid to neutralise the damage caused by Russia's military and economic

attempts at coercion. Moreover, as Russia keeps asserting its naval dominance in the Azov Sea and Black Sea, the demand for an EU role in managing maritime security in the region is set to increase.

So although initially reluctant to get involved in conflict management, the EU has demonstrated significant endurance in all of the cases. Even if progress in conflict resolution has been meagre at best, the EU has stayed involved and has contributed to effectively freezing the hostilities or substantially reducing the scale of the fighting. Conceived as something short-term and temporary, the EU's presence tends to become permanent.

The EUBAM has been operational for almost 15 years; EUMM Georgia for over 10 years and

²³ Adrian Lupușor, "Implementarea acordului de asociere în regiunea transnistriană: misiune imposibilă?" [Implementation of Association Agreement in Transnistrian region: mission impossible?], *Expert-Grup*, September 2015, https://www.expert-grup.org/to/biblioteca/item/download/1437_f67bf3d3f5aef480fe5d9816120b04be.

²⁴ Ahto Lobjakas, "Georgia: Tbilisi Seeks EU Support As Tensions Rise In South Ossetia", *RFERL*, February 21, 2006, <https://www.rferl.org/a/1066012.html>.

²⁵ Council of the European, "Council Appoints an EU Special Representative for the South Caucasus", *C/03/196*, Brussels, July 7, 2003, http://europa.eu/rapid/press-release_PRES-03-196_en.htm.

²⁶ Nicu Popescu, *EU Foreign Policy and Post-Soviet Conflicts: Stealth Intervention* (London: Routledge, 2011).

the EUAM Ukraine (and restrictive measures against Russia) will soon reach its five-year anniversary. The strong and long-term security presence of the EU is one of the unintended consequences of the militarisation of Russia's foreign policy in the region, which itself is becoming increasingly 'post-post-Soviet'. The regional security deficit is likely to continue to exist and to cause conflicts in future. The goals of the regional actors are to an extent incompatible, which creates an unfortunate zero-sum logic in the region. Eventually, a new equilibrium is likely to be found, but how long the process will take depends on the chosen policies of key actors. In such an uncertain security environment, there will be even more demand for the EU to play a stabilising role in the region.

TREND 3 - A 'POST-POST-SOVIET' REGION

Despite the common use of the term 'post-Soviet' in reference to the former Soviet republics that gained their independence after the collapse of the Soviet Union, there is a growing discomfort with the term. The longevity of the term 'post-Soviet' stems from its useful vagueness. It can refer to shared history, but also to shared culture, shared economic ties, or a shared set of challenges (transition to one form of government and economy to another; corruption; oligarchic structures) or all of them at once. In any case, it essentially refers to something shared.

However, it is already 28 years since the beginning of the 'after', so are there still grounds

to define these states today with a reference to their once shared past? Its resonance is fading as the states' political, economic and cultural paths gradually diverge and become more nationalised. In this sense, they are becoming 'post-post-Soviet'. This megatrend is likely to gather momentum in the coming decade.

In 20 years' time, most people living in the region will have no first-hand experience of living in the Soviet Union. For example, in a survey published in April 2017, the question whether they regret the disintegration of the Soviet Union reveals a clear generational divide (see Figure 1). With the passage of time, nostalgia for the Soviet Union is set to wane even further. Even today, nostalgia for Soviet times is more of a sentimental fantasy than a badge of identity. It increasingly looks like a retrospective utopia rather than an utopia of the future. Overwhelming majorities in Armenia (69%), Georgia (73%), Moldova (69%) and Ukraine (75%) believe that there is no prospect of the Soviet Union being resurrected.²⁷

These countries are also increasingly proud of their distinctive national identity, despite economic hardship, corruption and high levels of poverty. For example, a staggering 78% of Georgian respondents claim to be 'very proud' to be a citizen of their country.²⁸ Similarly 69% of Moldovans feel proud to be citizens of that country.²⁹ Although many are disappointed about the post-Soviet reality, the distinctive state identities have significantly strengthened over the years. In August 2018, 82% of Ukrainians claimed they are patriots and almost 80% of Ukrainians stated that they would have supported Ukraine declaring independence (cf. in 2012 the figure was just 62%).³⁰ The emergence of distinct national identities is

27 The survey was conducted in Armenia in November 2016, in Moldova in December 2016, in Ukraine in December 2016, and in Georgia in March 2017. "Obshestvenoe mnenie o raspade SSSR v stranakh postsovetskogo mira" [Public opinion in post-Soviet world on disintegration of the USSR], *Eurasian Monitor*, April 5, 2017, <http://eurasianmonitor.org/uploads/s/g/f/f/gffzlnrpxne/file/8M3bgJgw.pdf>.

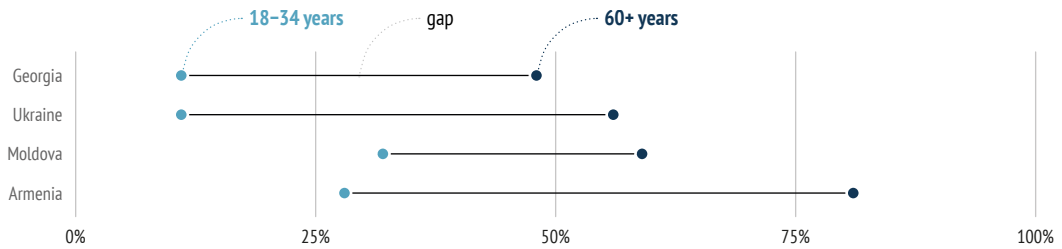
28 "Religious Belief and National Belonging in Central and Eastern Europe", *Pew Research Center*, May 10, 2017, <http://www.pewforum.org/wp-content/uploads/sites/7/2017/05/CEUP-FULL-REPORT.pdf>.

29 Svetlana Maftai, "25 de ani de independent: cine suntem si unde mergem? [25 years of independence: who are we and where do we go?]", *Deschide*, August 27, 2018, <https://deschide.md/ro/stiri/politic/46/Sondaj-DeschideMD-IMAS--Cine-suntem-%C5%9Fi-unde-mergem.htm>.

30 The number exceeds 75% in all of the regions of Ukraine, belying assumptions about the country's East-West divisions: http://ratinggroup.ua/ru/research/ukraine/dinamika_patrioticheskikh_nastroeniy_ukraincev_avgust_2018.html

FIGURE 1 | Worlds apart: Soviet nostalgia and the generation gap

Do you regret the collapse of the Soviet Union? Age gap in 'yes' - answer, 2017



Source: Eurasian Monitor, 2017

also demonstrated in the critical reappraisal of the Soviet past and the redefinition of national symbols and attributes such as public holidays, statues and past heroes. These are increasingly rooted in pre- or post-Soviet periods.

The role of the Russian language in these countries is further declining, whereas the use of local languages and interest in other foreign languages is on the rise. A survey, conducted in 2016, revealed a sharp decline in those who consider Russian as their first language.³¹ Although significant segments of society still understand and speak Russian as a foreign language, proficiency in writing and speaking Russian is declining among the younger generations. The drivers behind this decline are manifold: many Russians left the former Soviet republics after the end of Soviet rule, schools and government offices started offering more services in national languages, and more travel opportunities increased competition between Russian and other foreign languages. Enhanced connections with other countries also meant that migration patterns in the region changed and Moscow was no longer the only possible destination for labour migrants and students (see more in Trend no. 5). For the younger generation, Russian is not necessarily a 'natural' choice as a first foreign language anymore.

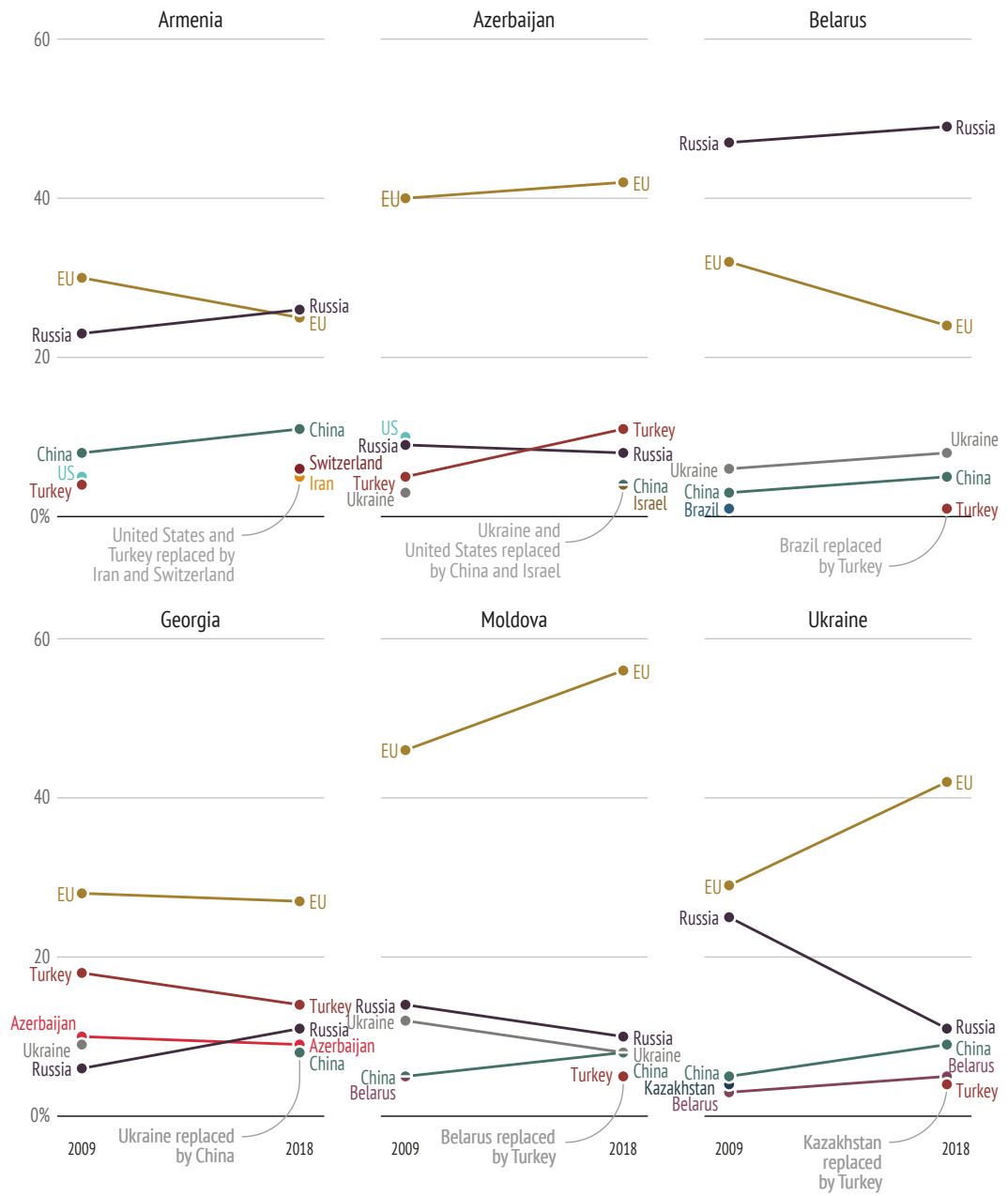
The EaP states follow different paths in terms of political and economic orientation, which further dilutes the notion of a single post-Soviet space. Belarus and Armenia are members of the Russian-led Collective Security Treaty Organisation (CSTO) and of the EAEU. At the same time, Georgia and Ukraine are seeking membership of NATO. Furthermore, together with Moldova they became associated members of the Eastern Partnership and they eventually hope to join the EU. Belarus and Azerbaijan are not yet members of the World Trade Organisation (WTO), whereas four other EaP states are. Accordingly, trading patterns have changed over the past decade. Membership in the EAEU meant that Russia once again became Armenia's main trade partner and consolidated Russia's importance for Belarus. EaP states now trade with China, Turkey and Iran more than was the case a decade ago. This has led to a situation where apart from energy trade, there is little complementarity between the economies in the region. As a result, the EaP states exchange goods more with outside powers than between themselves.

Furthermore, there is a growing mismatch between Russia's perceptions of the EaP and these states' perceptions of themselves. For example, given that the overwhelming majority of Georgians claim that they are 'very proud' to be

³¹ For instance, in Georgia the number dropped from 6.4% in 1994 to 1.1% in 2016 and in Ukraine from 33.9% down to 24.4%. In Moldova, the number of native Russian speakers slipped from 11.3% to 9.4% between 2004 and 2014. In Armenia, less than 1% of the population declared Russian as their native language in 2017: <https://www.segodnya.ua/world/russkiy-yazyk-teryat-svoe-vliyanie-na-postsovetskoy-prostranstve-financial-times-1013859.html>; <http://www.statistica.md/newsview.php?l=ro&id=5582&idc=30>; <https://www.bbc.com/russian/features-42427481>.

FIGURE 2 | **New traders in town**

Top 5 trade partners of EaP countries, 2009 and 2018, % of total trade



Data: IMF, 2019

Georgian and that 44% of Russians believe that Georgia is not a proper foreign country at all, it is obvious that tensions and conflicts are likely to continue in the future.³²

This internal trend of emerging distinctive national identities underpins a wider tendency in the EaP region towards opening up and engaging with a plurality of actors on its own terms. The transition towards ‘post-post-Soviet’ is also closely connected with the trend of more active citizenship; in many EaP countries, regardless of their governments’ political orientation, people are increasingly becoming more vocal in their criticism of government policies and no longer demonstrate the emblematic features of ‘post-Soviet inertia’ – passivity and disengagement from public affairs.

TREND 4 - FROM SUBJECTS TO CITIZENS

In the late 1980s and early 1990s, societies in EaP states experienced waves of mobilisation demanding national emancipation and political liberalisation, which in the end precipitated the collapse of the Soviet Union.³³ Subsequently, after gaining independence, violent conflicts flared up and national economies all but collapsed, leading most people to concentrate on personal survival and effectively withdraw from public engagement. At the beginning of the new millennium societal dynamics started to transform and major political upheavals took place in Moldova (2002–2003), Georgia (2003 and 2007) and Ukraine (2000–2001, 2004)

and later on in Armenia (2008). By the 2010s, anti-government protests had become more widespread and more common throughout the EaP countries (see Figure 3).

Some of the recurring themes in the protests are frustration with oligarchic structures and their corrupt relationship with ruling elites, abuse of power, a lack of transparency, democracy and the rule of law and the widespread and persistent poverty of the majority of the people. The spark that sets off such protests is often a wildly felt injustice – a case of rigged elections, outrageous misuse of power or an economic issue, like a rise in electricity prices or public transport fares – which then quickly expands to include expressions of more general distrust towards the elites. In countries where there is more pluralism and perhaps when more divisions are already present within the elite, the protests are more likely to have an impact and lead to change.

There are several distinctive features in the protests that have taken place during the last decade. As in most political protests globally, in the EaP states young people play the most prominent role in the protests. The protests are an expression of the generational shift taking place in these societies.³⁴ By protesting, the young participants are learning the skills of public campaigning, demonstrating and building networks.³⁵ The internet and social media are key tools in all of the protests. The Orange Revolution in Ukraine was a harbinger in this sense; Ukrainian activists relied on digital tools and technologies to communicate with each other, recruit new supporters, collect funds and reach wider audiences overseas.³⁶ Since then, the use of social media has expanded, becoming a powerful asymmetric tool in the hands of protesters.

32 “International relations: US, EU, Ukraine, Belarus, Georgia”, *Levada*, October 3, 2014, <https://www.levada.ru/2014/10/03/mezhdunarodnye-otnosheniya-ssha-es-ukraina-belarus-i-gruziya/>

33 See Mark Beissinger, *Nationalist Mobilization and the Collapse of the Soviet State* (Cambridge: Cambridge University Press, 2002).

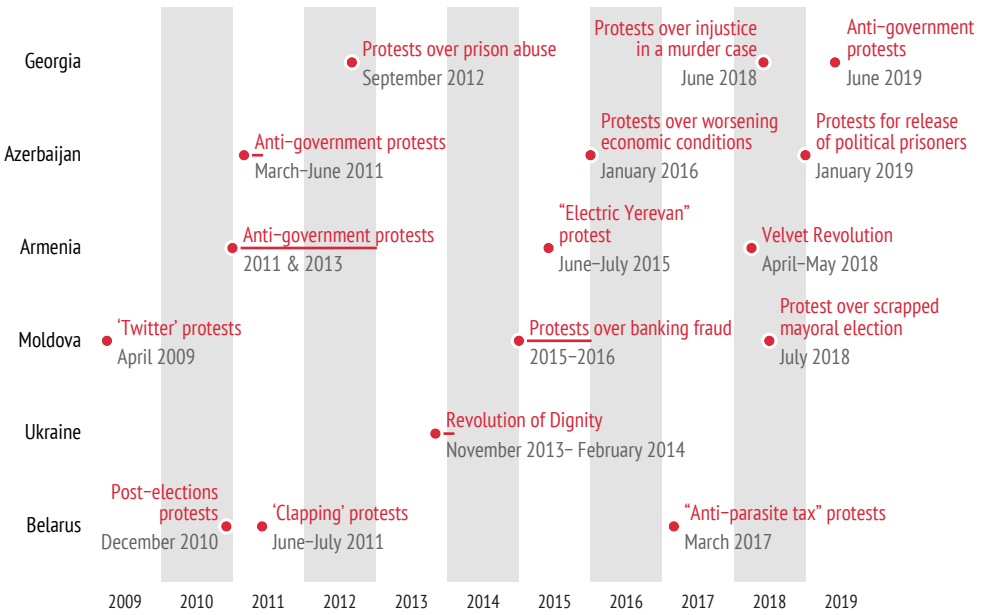
34 Olga Onuch, “EuroMaidan Protests in Ukraine Social Media versus Social Networks”, *Problems of Post-Communism*, vol. 62, no. 4, July/August 2015, pp.217–35.

35 Georgi Derluguian, “Armeniya na vyhode iz postsovetskoi restavratsii: analiz vozmozhnostei” [Armenia on the way out from post-Soviet restoration: the analysis of possibilities], *Universitet Dimitriya Pozharskogo*, Moscow, 2017, pp. 47–66.

36 Myroslaw J. Kyj, “Internet Use in Ukraine’s Orange Revolution”, *Kelley School of Business*, vol. 49 (2006), pp. 71–80.

FIGURE 3 | From anger to action

Major popular protests in EaP countries, selected events, 2009-2019



Data: EUISS

For example, in 2011, a series of protests dubbed ‘silent protests’ or ‘clapping protests’, fuelled by deteriorating living standards in Belarus, were coordinated via Facebook and the Russian social network VKontakte.³⁷ In 2012, the death of a conscript in Azerbaijan led to widespread anger and protest organised via the Facebook page ‘Stop Soldier Deaths’, which gathered 17,000 online expressions of support in several days, with 3,000 people turning out to protest in the centre of Baku.³⁸ In neighbouring Armenia, out of ten civic initiatives undertaken over the last few years, seven were organised via social networks.³⁹ Furthermore, the ‘Revolution of Dignity’ in Ukraine began with a Facebook post calling for people to gather on the main square in Kyiv.⁴⁰ These examples show that

network activism in the EaP states is not limited to cyberspace; the online noise generated by network communities migrates and spreads to the streets and has tangible consequences for politics.

The protests in EaP states also reflect the global trend of protest networks becoming more fragmented and polycentric, especially due to the rise of social media platforms. In the early 2000s, charismatic opposition leaders and their parties were organising and leading the protests, yet in the second decade of the millennium, the politicians seem to be behind the curve. For example, in 2013-2014 the main opposition parties in Ukraine had to catch up with a rapid sequence of unexpected events – rather than

37 Oleg Boldyrev, “Belarus: Silent Protests Frighten Regime”, BBC, June 30, 2011, <https://www.bbc.com/news/world-europe-13975788>.

38 Shahla Sultanova, “Azerbaijan Government Worried by Facebook Activism”, *Institute for War & Peace Reporting*, April 2, 2013, <https://iwpr.net/global-voices/azerbaijan-government-worried-facebook-activism>.

39 Derluguian, “Armeniya na vyhode iz postsovetskoi restavratsii”, p.53.

40 Mustafa Nayem, “Uprising in Ukraine: How It All Began”, *Open Society Foundations*, April 4, 2014, <https://www.opensocietyfoundations.org/voices/uprising-ukraine-how-it-all-began>.

being in the vanguard themselves. Similarly, in Belarus, the opposition tried to jump on the train of the 2017 protests that spread across the country, triggered by the ‘social parasite tax’. In 2015–2016, the mass protests against the banking fraud in Moldova were coordinated by a civic platform called Justice and Truth. In Georgia, the protests against a miscarriage of justice in 2018 were even completely leaderless.

In the short term, the protesters in the 2010s got what they wanted more often than not. Ukraine signed the Association Agreement (AA), which President Yanukovich had initially refused to sign. In Armenia, authorities backtracked on the decision to increase the *marshrutka* fee in 2013 and suspended the increase of electricity tariffs in 2015. Similarly, Prime Minister Serj Sargsyan resigned after only 6 days in office. In Georgia, the Prosecutor General was forced to step down. Even in tightly controlled Azerbaijan and Belarus, both of the strongmen leaders combined a tough response to the protests (arrests) with measures aimed to placate the protestors, cancelling the bread tax and ‘parasite tax’ respectively.⁴¹ However, in the case of Moldova, the results have been less positive. So far, the government has failed to bring all those responsible for the massive banking fraud to justice.

Another distinctive feature of the protests is what happens in their aftermath when the revolutionary energy has dissipated. In the first decade of the millennium, societies stepped back after protests that initiated revolutionary change, while leading figures from the Non-Governmental Organisation (NGO) sector migrated to the corridors of power. In 2010s, this pattern slowly began to change. After major

shake-ups in the top echelons of power, NGOs still often supply governments with brainpower (e.g. Armenia after the ‘Velvet Revolution’), but societies as such apparently strive to stay engaged in public affairs via various other forms of civic activism. After 2014, civic networks in Ukraine were actively involved in helping to provide social services that the state was incapable of delivering because of the war. Generally, the number of Ukrainians who are involved in volunteer activities for social needs is growing (from 10.2% in 2012 to 18.3% in 2018) and the same applies to the number of Ukrainians donating money or clothes for social causes (from 28.9% in 2012 to 38.5% in 2018).⁴² There are no signs of demobilisation in Armenia either. Even after

Nikol Pashinyan swept to power, environmental protests demanding that the gold mine near the town of Kapan be shut down continued unabated.⁴³ In 2016, some of the Justice and Truth activists in Moldova established the party with a similar name, which won seats in the parliament in February 2019, and subsequently participated in the formation of the new government in June 2019. Arguably, the last wave of protests that took place across the region planted the roots of greater citizen activism.

It seems that at least in some EaP states, fragile pluralism and a kind of rudimentary social contract is emerging. This does not mean that the abuse of power by state authorities has been fully eliminated, but it does indicate that people are less afraid of ruling regimes than in the past and that they will continue to demand that their voice be heard. Ruling elites’ room for manoeuvre has shrunk significantly and civil society exercises much greater pressure than it did a decade ago. In all likelihood, governments will

If elites fail to deliver, more contestation and social turbulence cannot be ruled out.

41 “Azerbaijan Forced to Cut Bread Taxes after Widespread Protests”, *The Guardian*, January 15, 2016, <https://www.theguardian.com/world/2016/jan/15/azerbaijan-forced-to-cut-bread-taxes-after-widespread-protests>; “Belarus Suspends ‘Social Parasite’ Tax”, *BBC*, March 9, 2017, <https://www.bbc.com/news/world-europe-39221147>; “Lukashenka Cancels ‘Parasite Tax’ on Unemployed in Belarus”, *RFERL*, January 26, 2018, <https://www.rferl.org/a/belarus-lukashenka-cancels-parasite-tax/28999724.html>.

42 “Gromadska aktivnist gromadyan Ukraini” [Public activity of the citizens of Ukraine], *Democratic Initiatives Foundation*, February 19, 2019, <https://dif.org.ua/article/gromadska-aktivnist-gromadyan-ukraini>.

43 Knar Khudoyan, “Anti-mining Activists Put New Armenia’s ‘People Power’ to the Test”, *OC-Media*, September 13, 2018, <https://oc-media.org/anti-mining-activists-put-new-armenias-people-power-to-the-test/>

face a less docile and more engaged public in the coming decades. If elites fail to deliver satisfactory results, more contestation and social turbulence cannot be ruled out.

TREND 5 – DEMOGRAPHIC DECLINE

One of the most striking and deeply felt changes in the EaP states since the 1990s has been the significant loss of population (with the exception of Azerbaijan).⁴⁴

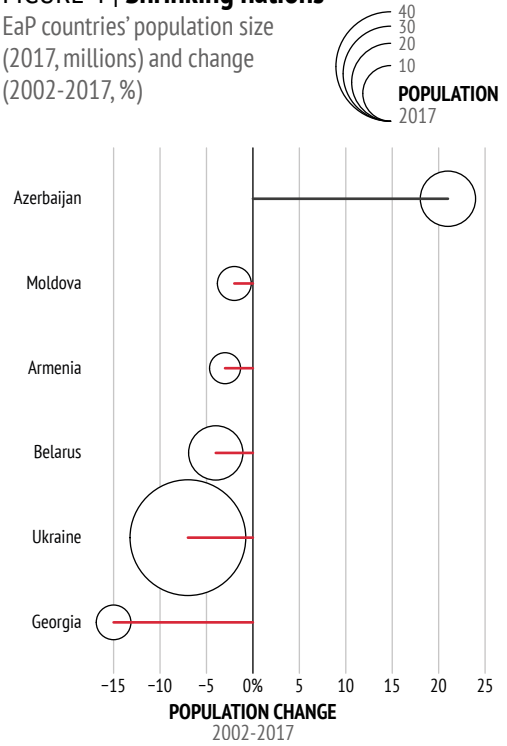
The reasons for this demographic decline are manifold. The profound economic disruption experienced in the 1990s depressed living standards, pushed up mortality rates and reduced life expectancy (which later recovered slightly between 2010 and 2015). The economic turbulence and changing cultural patterns (e.g., couples starting a family and having their first child later than their parents did) lowered fertility rates.⁴⁵ However, the most significant factor driving this demographic decline was, and continues to be, migration (Figure 5).

Immediately after the collapse of the Soviet Union, many people born in the former satellite republics but living in Russia returned to their countries of birth while many Russians left the republics and moved back to Russia. After this first phase, the migration flows ran from the ‘newly independent states’ predominantly to

Russia and were mostly motivated by economic factors.

FIGURE 4 | Shrinking nations

EaP countries’ population size (2017, millions) and change (2002-2017, %)



Data: World Bank, 2019

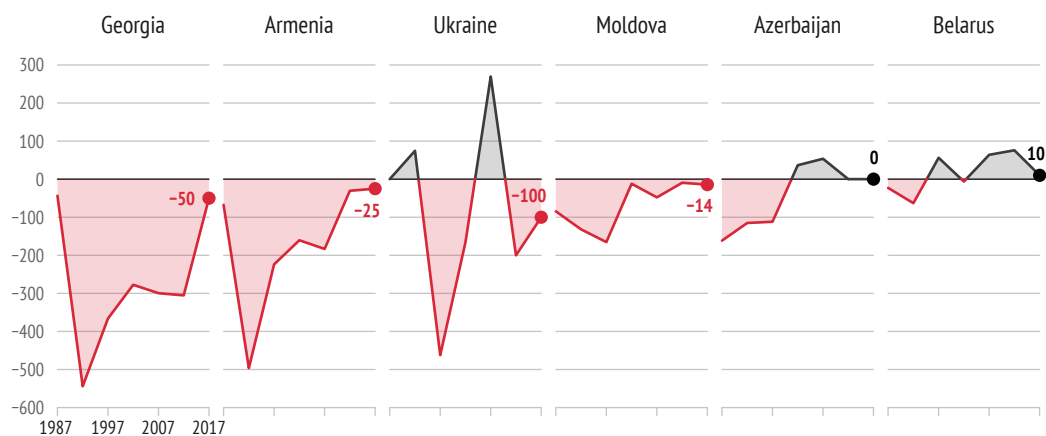
The transition towards a free market economy was painful for all states, but the subsequent collapse of the economy in the 1990s was even worse in many of the EaP states than in Russia. The flow of migrants increased as the Russian economy took off during the first decade of the new millennium. As a result of these Soviet and post-Soviet migration patterns, Russia hosts significant diasporas of former Soviet republics and many more of their citizens as guest

⁴⁴ The data for actual population in 2017 might not correspond to reality, as many citizens who migrate do not notify authorities or do not officially change their place of residence. Authorities themselves may underreport populations’ natural decline for electoral purposes (‘dead souls votes’). Thus, the decline might be much deeper than indicated by official data or estimates of international organisations.

⁴⁵ United Nations, “World Population Prospects - The 2017 Revision”, New York, 2017, https://esa.un.org/unpd/wpp/Publications/Files/WPP2017_KeyFindings.pdf.

FIGURE 5 | Coming and going

Net migration in EaP countries, 1987-2017, thousands



Data: World Bank, 2019

workers.⁴⁶ By 2012, Russia was a major source of remittances for all EaP states.⁴⁷

Nevertheless, various data indicate changing patterns of migration in the 2010s. Due to economic stagnation and cumbersome employment procedures in Russia, the stock of migrants from the EaP in Russia stopped growing – or stagnated in absolute terms. This emerging trend went hand in hand with a gradual reorientation of the EaP labour force towards other markets for economic or political reasons. For example, the share of Georgians working in the EU picked up from 10% in 2000 to 20% in 2015, while that in Russia dropped from 65% in 2000 to 54% in 2015.⁴⁸ Another case in point is the migration of Ukrainian workers to the EU.

According to the Ukrainian Statistical Agency, between 2015 and 2017 39% of Ukrainian migrants went to work in Poland, while 26.3% opted for Russia.⁴⁹ Similar trends are observable in the case of labour migration from Belarus to Poland and from Moldova to Italy.⁵⁰

Correspondingly, this trend is reflected in the geography of remittances and the diminishing importance of Russia as a source of remittances for some EaP states. This process accelerated because of the devaluation of the Russian rouble as well, which in practice meant that workers could buy less US dollars or euros before wiring the money home. The share of Russia in Georgia's remittances illustrates the decline: remittances from Russia fell by 23% between

⁴⁶ International Organisation for Migration, "Extended Migration Profile of the Republic of Moldova 2010–2015", 2017, <https://iom.md/sites/default/files/publications/docs/Extended%20Migration%20Profile%20of%20the%20Republic%20of%20Moldova%202010-2015.pdf>.

⁴⁷ National Bank of Georgia, <https://www.nbg.gov.ge/index.php?m=304>; National Bank of Ukraine, https://bank.gov.ua/control/en/publish/article?art_id=8875949&cat_id=47388; Uladzimir Valetka, "Development and Side Effects of Remittances in the CIS countries: The Case of Belarus", *CARIM East*, 2013, <http://www.carim-east.eu/media/CARIM-East-RR-2013-42.pdf>; "Remittance from Russian to Azerbaijan Increased", *CESD*, May 22, 2012, <http://cesd.az/new/?p=3731>; Marianna Grigoryan, "Armenia: Russia Puts Squeeze on Migrant Workers", *Eurasianet*, February 24, 2014, <https://eurasianet.org/armenia-russia-puts-squeeze-on-migrant-workers>.

⁴⁸ United Nations Department of Economic and Social Affairs (UN DESA), "International Migrant Stock: The 2017 Revision", <http://www.un.org/en/development/desa/population/migration/data/estimates2/estimates17.asp>.

⁴⁹ Pavel Aptekar, "Maydan razvernul migratsiyu" [Maidan expanded migration], *Vedomosti*, February 12, 2019, <https://www.vedomosti.ru/opinion/articles/2019/02/12/793969-maidan-razvernul-migratsiyu>.

⁵⁰ Andrei Yeliseyev, "Migration between Belarus and Poland: Current Trends and Prospects", *East Center*, March 2018, http://east-center.org/wp-content/uploads/2018/03/EAST_migration_Poland_Belarus.pdf; UN DESA, "International Migrant Stock: The 2017 Revision".

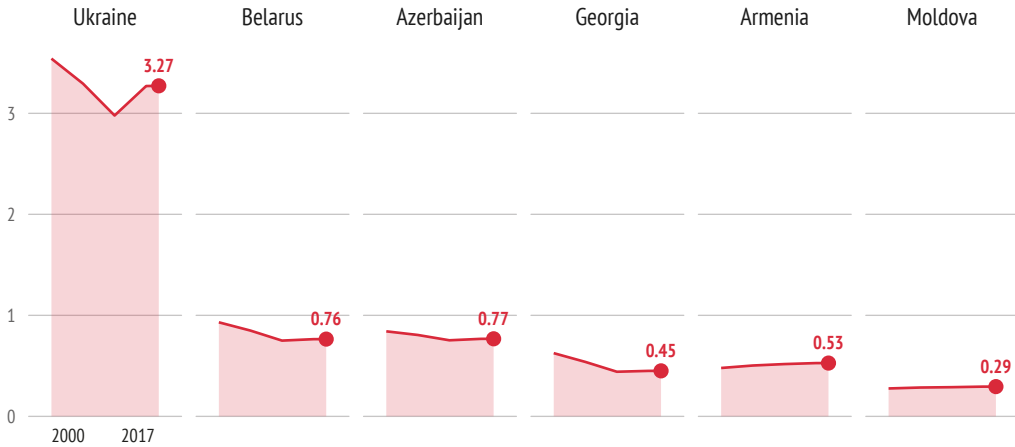
2010 and 2017,⁵¹ whereas those from Israel surged from 1% in 2012 to 9% in 2017.⁵² An even sharper change in the geography of remittances took place in the case of Moldova: from 2012 to

2018, Russia’s share halved from 64% to 27.1%, whereas the EU’s share doubled from 18.6% to slightly above 40%.⁵³ In addition, in Ukraine by 2017 Poland (34%) by far outstripped Russia

FIGURE 6 | Neighbourly exchanges

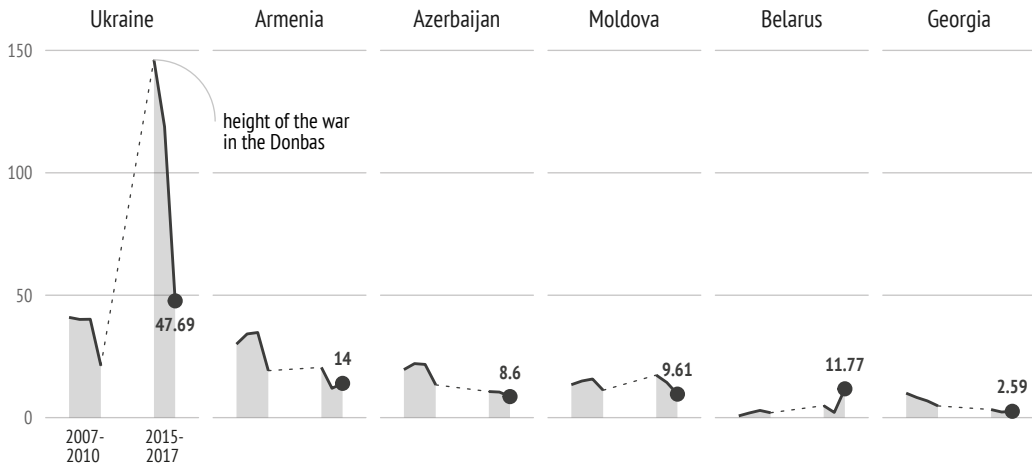
EaP countries’ migrant stock in Russia

2000-2017 millions



Migration balance between EaP countries and Russia

2007-2010 and 2015-2017, thousands



Data: UN DESA, 2017 (migrant stock); Rosstat, 2018 (migration balance)

51 State Commission on Migration Issues, *Brief Migration Profile – Remittances*, Tbilisi, 2016; National Bank of Georgia, <https://www.nbg.gov.ge/index.php?m=304>.
52 “Our Dependence on Remittances from Russia has Decreased”, *FactCheck*, December 25, 2017, <https://factcheck.ge/en/story/33608-our-dependence-on-remittances-from-russia-has-decreased>.
53 National Bank of Moldova, “Evolution of Money Transfers to Physical Persons from Abroad via Banks in Republic of Moldova (2016)”, <https://www.bnm.md/ro/content/evolutia-transferurilor-de-mijloace-banesti-din-strainatate-efectuate-favoarea-17>; National Bank of Moldova, “Evolution of Money Transfers to Physical Persons from Abroad via Banks in Republic of Moldova (2018)”, <https://www.bnm.md/ro/content/evolutia-transferurilor-de-mijloace-banesti-din-strainatate-efectuate-favoarea-persoanelor-2>.

(14%), which was previously the key source of remittances.⁵⁴ If the Russian economy does not return to faster rates of economic growth, the pattern of workers from EaP countries turning towards the EU, Israel, Turkey and US for employment opportunities is likely to speed up in the next decade, while Russia itself will experience demographic decline which previously has been offset by migrants from the neighbourhood.⁵⁵

Another major driver of population loss is conflict, which has changed the demographic composition in some parts of EaP states. The most dramatic recent development has taken place in Ukraine. Here, in total nearly 1.3 million people were displaced from Crimea and from parts of Donbas.⁵⁶ In the wake of the illegal annexation by Russia in 2014, a large number of Crimean Tatars and Ukrainians have left Crimea (some 40,000 have registered as IDPs). This loss has in turn been offset by the inflow of Russians from the mainland, thereby altering the ethnic composition on the peninsula.⁵⁷ At the same time, ongoing low-intensity fighting in Donbas and the precarious social and economic conditions contribute to a further decrease of population in territories controlled by Russian proxies (the Donetsk People's Republic [DNR] and Luhansk People's Republic [LNR]).⁵⁸ Moreover, other separatist republics continued to experience a

loss of populations long after the cessation of major hostilities. For example, according to the self-proclaimed 'authorities' in Transnistria, the population fell from 730,000 in 1989 to 476,000 in 2015.⁵⁹ In informal talks, 'officials' from Transnistria confide that the real figure is in fact much lower than that publicly provided.⁶⁰ Another example is South Ossetia, where according to the separatist 'authorities' the population declined from 98,000 in 1989 to 53,000 in 2015.⁶¹

The negative demographic trend has several implications for the EaP states. On the positive side, migrants keeps economies afloat by sending home hard currency. They help their families to pay utility bills and sustain themselves. These sums regularly exceed by far the amount of foreign direct investment (FDI) EaP states manage to attract annually.⁶² Additionally, migration reduces pressure on state budgets, substantially diminishing the obligations the government has *vis-à-vis* cohorts of unemployed citizens. In most cases, labour migrants also acquire new knowledge and have the opportunity to improve their mastery of foreign languages and learn other professional skills.⁶³ Labour migration is often circular and migrants return home on a regular basis. They react quickly to changes in the domestic

54 National Bank of Ukraine, https://bank.gov.ua/control/en/publish/article?art_id=8875949&cat_id=47388.

55 Tatyana Lomskaya, "Protok migrantov v Rossiu dostig istoricheckogo minimum" [Influx of migrants to Russia hits the all-time low], *Vedomosti*, April 8, 2019, <https://www.vedomosti.ru/economics/articles/2019/04/08/798624-chislo-migrantov-rossii>.

56 "Over 1.3 Million People Forced from Donbas and Crimea Need a Decent Law", *Kharkiv Human Rights Protection Group*, July 2, 2015, <http://khp.org/en/index.php?id=1435753478>.

57 Alexander Alikin, "Russia: Migration Helping to 'Russify' Crimea", *Eurasianet*, January 27, 2017, <https://eurasianet.org/s/russia-migration-helping-to-russify-crimea>.

58 "V LNR i DNR perestchitali naseleniye" [In LDR and DNR the population was recounted], *Donetskiye Novosti*, February 7, 2018, <https://dnews.dn.ua/news/665801>; "Zakhvachenniye boyevikami rayoni Donbassa stremitel'no teryayut naseleniye" [The areas of the Donbas taken over by fighters are rapidly losing their population], *Chetvertaya Vlast'*, January 20, 2017, <http://vlada.io/slider/zahvachennyye-boevikami-rajony-donbassa-stremitelno-teryayut-naselenie/>

59 Ministry of Economic Development of Transnistrian Moldovan Republic, "Kratkiye predvaritel'niye itogi perepisi naseleniye Pridnestrov'ya 2015 goda" [Brief preliminary results of the 2015 Transnistrian census], <http://mer.gospmr.org/novosti/kratkije-predvaritelnye-itogi-perepisi-naseleniya-pridnestrovyya-2015-goda.html>.

60 Author's interview with a representative of an international organisation, Chisinau, April 2013.

61 "South Ossetia Hit by Population Crisis as Birth Rate Drops 20% in Five Years", *Democracy & Freedom Watch*, February 22, 2018, <http://dfwatch.net/south-ossetia-hit-population-crisis-birth-rate-drops-20-five-years-49986>.

62 For example: whereas FDI amounted to 1.7% of GDP in Moldova in 2017, remittances amounted to 16.3% GDP: *Statistical Yearbook*, "International Accounts of the Republic of Moldova", 2017, <https://bnm.md/en/content/statistical-yearbook-international-accounts-republic-moldova-2017>; In the case of Ukraine, these amounted to 2.3% and 8.3% respectively: National Bank of Ukraine, "External Sector Statistics", 2018, https://bank.gov.ua/control/en/publish/article?showHidden=1&art_id=19486397&cat_id=47388#2.

63 For more, see Paul Collier, *Exodus: How Migration Is Changing Our World* (Oxford: Oxford University Press, 2013).

environment. If the conditions at home improve, many might resettle in their home country again.

On the negative side, the demographic decline means that EaP populations (again excluding Azerbaijan) are getting older.⁶⁴ This in turn puts pressure on the pension system and healthcare sector. It leads to the deficit of labour and may stifle economic growth. Interestingly, in many EaP states employment opportunities in the information and communications technology (ICT) sector have managed to keep a significant number of professionals at home, and this along with other factors has helped to usher the region into the digital age.

TREND 6 - EMBRACING THE DIGITAL AGE

In a region where the economic transition has been an extremely difficult and painful process, the ICT sector has been one of the few positive exceptions – this despite the considerable brain drain from practically all of these states. Significantly, the EaP states are currently the most competitive European market for outsourcing software development. The main reason is that

labour costs are much lower compared to Europe or Russia. According to one estimate, the cost of doing ICT business in Moldova is 30%–40% cheaper than in Russia or Romania.⁶⁵ Secondly, there is more supply of professionals in this field than in other parts of Europe. According to a market study, the reason for the significant number of IT specialists is twofold:⁶⁶ due to the massive problems affecting heavy industry and other technical sectors in these countries, many engineers have since changed focus and learned programming in order to find work. Furthermore, the region inherited a large number of technical universities from the Soviet era, and they keep producing IT specialists and engineers at a relatively rapid rate. With 16,000 graduates in the ICT field each year, Ukraine has the fourth-largest ICT workforce in the world.⁶⁷ Thirdly, the governments of EaP states have also embraced the sector, providing it with favourable tax regimes and facilitating the creation of tech clusters and e-governance projects.⁶⁸

Overall, the interplay of these factors explains the expanding export of ICT services from EaP states. In Belarus, the export of ICT services skyrocketed from \$274.1 million in 2011 to over \$1 billion in 2017.⁶⁹ In Ukraine, the IT sector was one of the drivers of economic recovery in the wake of the war, with export figures jumping from \$2.7 billion in 2015 to \$4.5 billion in 2018.⁷⁰ In Moldova, the share of IT services in the overall export of services climbed from

64 United Nations, “World Population Prospects - The 2017 Revision”, https://esa.un.org/unpd/wpp/Publications/Files/WPP2017_KeyFindings.pdf.

65 Claudia Patricolo, “Moldova’s ICT sector is Primed for Further Growth”, *Emerging Europe*, February 4, 2019, <https://emerging-europe.com/intelligence/moldovas-ict-sector-is-primed-for-further-growth/>

66 Viacheslav Pronskiy, “How Much Do You Pay for Developing Services in Europe?: Market Research”, *Yalantis*, 2015, https://yalantis.com/blog/the_cost_for_it_services_in_the_world_market_research/

67 Tom Coupe, “Ukraine’s Labor Force: Producing Little, with Lots of Education”, *Vox Ukraine*, September 10, 2015, <https://voxukraine.org/rukraines-labor-force-producing-little-with-lots-of-education-or-why-comprehensive-reforms-are-needed-ru/>

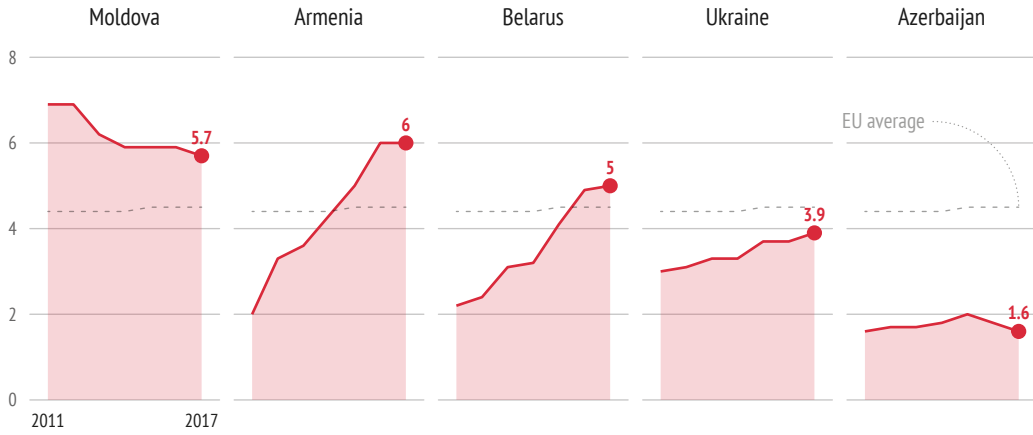
68 Maija Palmer, “Belarus Tech Dream is a Walk in the Park”, *Financial Times*, March 1, 2017, <https://www.ft.com/content/48f3b14a-f81e-11e6-9516-2d969e0d3b65>.

69 Alena Mikhalkovich, “Is the IT sector Belarus’s Most Successful Industry?”, *Belarus Digest*, June 1, 2017, <https://belarusdigest.com/story/is-the-it-sector-belarus-most-successful-industry/>; “For The 1st Time Belarus’ HTP Exports Hit Record \$1bn in 2017”, *BelarusFeed*, 2018, <http://belarusfeed.com/belarus-hi-tech-park/>

70 Denys Krasnikov, “Study: Ukraine Exports \$4.5 Billion Worth of Tech Services in 2018”, *Kyiv Post*, January 29, 2019, <https://www.kyivpost.com/technology/study-ukraine-exports-4-5-billion-worth-of-tech-services-in-2018.html>; Jane Kuhuk, “Ukrainian IT Service Export Reaches \$3.6 billion in 2017”, *Ukraine Digital News*, January 18, 2018, <http://www.uadn.net/2018/01/18/ukrainian-it-services-export-reaches-3-6-billion-in-2017/>

FIGURE 7 | Eastern promises of the digital economy

Share of ICT industry in national GDP in EaP countries, 2011-2017, %



Data: Azerbaijan State Statistical Committee, 2018; Belarus National Statistical Committee, 2018; Enterprise Incubator Foundation, 2018; Eurostat, 2018; Moldova National Bureau of Statistics, 2018; State Statistics Service of Ukraine, 2018; Noravank Foundation, 2017

5.6% in 2011 to almost 9% in 2016.⁷¹ These dynamics pushed up the share of the ICT sector in GDP in half of the EaP states (see Figure 7).

Georgia is not represented in the graph, because its statistical agency does not gather statistical information on ICT as a separate category. However, it has been estimated that the sector constituted 2.5% of the country's GDP in 2015,⁷² which is clearly less than the share of the sector in the countries represented in the graph (except Azerbaijan). The main reason is that Georgia does not have an equally large supply of qualified workforce in comparison to, for instance, neighbouring Armenia. In addition, one of its policy priorities has been to build a comprehensive e-Governance framework since the mid-2000s.⁷³ Georgia has approached digital

technology mainly as a gateway to governmental transparency and efficiency and as a tool to improve its 'business-enabling environment'.⁷⁴ Although Georgia branded itself effectively as the pioneer of e-governance in the region early on, international estimates actually demonstrate that this improvement has been registered across all EaP states; all score better than the world average. Interestingly, Belarus, comparatively more repressive in terms of political freedoms, became a regional leader in the e-governance field.

Economic actors and governments are not the only ones to have embraced the digital age; citizens themselves have also done so. Internet speed is comparable to many European countries and the number of internet users keeps growing.⁷⁵ Secondly, as migration often leads

71 Vlad Bercu, "Fenomenul industrie IT: un succes ce se vrea tot mai mare [Phenomenon of IT Industry: a Growing Success], *Capital*, September 26, 2018, <https://capital.market.md/ro/content/fenomenul-industriei-it-un-succes-ce-se-vrea-tot-mai-mare>.

72 Michael Emerson and Tamara Kovziridze (ed.), "Deepening EU-Georgian Relations", CEPS, 2016, p. 145, <https://www.ceps.eu/system/files/Georgia%20e-version%20with%20covers.pdf>.

73 Bernhard Krabina et al., "A Digital Georgia", *Data Exchange Agency*, <http://www.dea.gov.ge/uploads/eGeorgia%20Strategy.pdf>; Ministry of Economy and Sustainable Development, "Pilot Survey of Labour Market Needs in Georgia", https://www.mes.gov.ge/uploads/Pilot%20Survey%20on%20Labour%20Market%20Needs%20in%20Georgia_June%202012_MoESD_GIZ%20PSDP%20Geo.pdf.

74 Bernhard Krabina et al., "A Digital Georgia".

75 "Internet in Europe Stats", *Internet World Stats*, <https://www.internetworldstats.com/stats4.htm>; "Internet in Asia Stats", *Internet World Stats*, <https://www.internetworldstats.com/stats3.htm#asia>; Speedtest Global Index, 2019, <https://www.speedtest.net/global-index>.

to families living far apart, free of charge apps allowing relatives to communicate via internet (Skype, Viber or Whatsapp) are extremely popular in EaP states. The origins of Viber can in part even be traced to the EaP region itself, the application having been co-developed and later sold by a Belarusian citizen.⁷⁶ Even the older generation has learned how to use these new and cheaper communication tools in order to stay in touch with children living and working abroad on a daily basis. Thirdly, just like people in the rest of world, the populations of the EaP have signed up massively to social networks (Odnoklassniki, Facebook, VKontakte) to reach out to friends, read news, seek entertainment and/or to organise professional and civic activities.⁷⁷

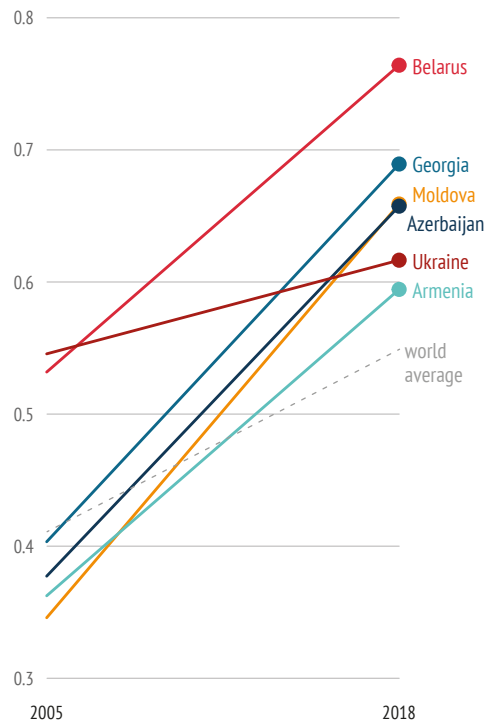
While digitalisation has a significant benign potential, it also brings with it vulnerabilities, however. On the one hand, e-governance and the e-economy increase the number of potential targets for cyber-intrusions and attacks. The more states rely on digitalisation to ensure the smooth functioning of the energy, banking or transportation sectors, the bigger the temptation is for hostile powers to try to disrupt or damage critical infrastructure. Similarly, the more citizens rely on social networks to access news and organise themselves, the greater the temptation is for local rulers to misuse and abuse these technologies to stay in power, fend off public pressure and organise counter-mobilisation. The EaP states were not an exception in this regard during the last decade.

Publicly available information designates Russia as the main external driver behind the instrumentalisation of cyberspace in conducting malign activities in EaP states. After the first salvos in cyberspace in Georgia in 2008 (DDoS attacks orchestrated by Russia), Moscow continued to conduct cyber espionage. In 2011, Georgian authorities discovered that 300–400

computers in governmental agencies were infected with malware planted by unknown hackers. The program was searching any documents containing key words like NATO, USA, Russia and CIA. Georgia's investigation (which culminated in a hack-back operation) led to the Russian Ministry of Internal Affairs.⁷⁸

FIGURE 8 | The digital state

EaP Countries in the UN E-Government Development Index, 2005 and 2018, score



Data: UN E-Government Knowledge Base, 2018

Russia had also been conducting cyber operations in Ukraine long before the annexation of Crimea. Russian cyber intrusions in Ukraine coincided with the victory of Viktor Yanukovich in the 2010 presidential elections, leading to the subsequent *rapprochement* with Russia for which he pushed. The first known cyber

⁷⁶ “Belarusian Who Created the Program Viber Sold it to the Japanese for 900 Million”, *Land of Ancestors*, <http://landofancestors.com/facts/346-belarusian-who-created-the-program-viber-sold-it-to-the-japanese-for-900-million.html>.

⁷⁷ Victor Gotisan et al., “Mapping Digital Media: Moldova”, *Open Society Foundations*, January 10, 2012; Ashot Melikyan et al., “Mapping Digital Media: Armenia”, *Open Society Foundations*, November 12, 2013.

⁷⁸ Thomas Rid, *Cyber War Will Not Take Place* (New York: Oxford University Press, 2013), pp.151–52.

intrusion (using the ‘Snake’ malware which is associated with the Russian FSB)⁷⁹ could be traced back to 2010. Since then, the number of cyber penetrations using this cyber espionage toolkit spiralled from 3 cases in 2011 to 14 cases in the first months of 2014.⁸⁰ What did change in the context of Ukraine in 2014, is that besides cyber espionage, Russia started launching attacks on the country’s economic and political critical infrastructure, all the while being accompanied by digitally enabled disinformation.⁸¹

Moreover, there is mounting evidence that Russia does not only target EaP states it considers hostile to its interests. For instance, an investigation into a phishing attack against the Democratic National Committee in the US revealed that between March 2015 and May 2016 Russian hackers (from APT-28, also known as Fancy Bear) simultaneously targeted email accounts in more than 100 countries.⁸² Based on the email addresses that were targeted in this timeframe, the investigation discovered that Armenia was in the top 10 most targeted countries (41 individuals).⁸³ Another cyber forensic investigation conducted by Palo Alto Networks pinpointed that Belarus was also a victim of Russian cyber infiltrations in 2018.⁸⁴

However, it must be recognised that there are cases where EaP states have engaged in hostile

cyber operations against each other as well. Numerous reports confirmed that in 2016 Armenia and Azerbaijan resorted to cyber means to disable each other’s government websites and online mass-media outlets, while simultaneously employing violence along the front line.⁸⁵ It is noteworthy that in this case, Russia actually served as a role model for the warring parties. They took their inspiration from the integration of military operations with cyberattacks, which Russia practised in Georgia (2008) and later in Ukraine (2014-ongoing).

The struggle for democratisation in the EaP states will increasingly engulf cyberspace.

And apart from the synchronisation of military and cyber tools, Russia has inspired the EaP states in another way as well: local rulers have increasingly emulated Russian approaches to deal with political opposition by suppressing social mobilisation and, enabled by new communication tools, turn

the digitalisation of society to the state’s own advantage. Over the last decade then, EaP states have proved the thesis that the digital revolution can work both ways: it can both promote and undermine democratisation in the region.⁸⁶ The strategies to exploit the increasing digitalisation of society have gradually evolved from a straightforward and unsophisticated approach (shutting down the internet, or launching cyberattacks against media outlets) to more refined strategies, like the use of bots and trolls in disinformation campaigns against political

79 Julian Röpke, “‘Snake’ is Affiliated with Russia’s FSB”, *Bild*, March 2, 2018, <https://www.bild.de/politik/inland/bild-international/cyber-attack-on-germany-54980786.bild.html>.

80 John C. K. Daly, “Ukrainian-Russian Dispute Moves Into Cyberspace”, *The Jamestown Foundation*, March 20, 2014, <https://jamestown.org/program/ukrainian-russian-dispute-moves-into-cyberspace/>

81 Andy Greenberg, “How an Entire Nation Became Russia’s Test Lab for Cyberwar”, *Wired*, June 20, 2017, <https://www.wired.com/story/russian-hackers-attack-ukraine/>

82 Raphael Satter, “Russia Hackers Pursued Putin Foes, Not Just US Democrats”, *AP News*, November 2, 2017, <https://www.apnews.com/3bca5267d4544508bb523fa0db462cb2>; “Threat Group-4127 Targets Google Accounts”, *Secureworks*, June 26, 2016, <https://www.secureworks.com/research/threat-group-4127-targets-google-accounts>.

83 Samvel Martirosyan, “Armenia at the Center of State-Sponsored Cyber Attacks”, *EVN Report*, January 19, 2018, <https://www.evnreport.com/politics/armenia-at-the-center-of-state-sponsored-cyber-attacks>.

84 Bryan Lee & Robert Falcone, “Dear Joohn: The Sofacy Group’s Global Campaign”, *unit 42*, December 12, 2018, <https://unit42.paloaltonetworks.com/dear-joohn-sofacy-groups-global-campaign/>

85 Satenik Tovmasyan, “Information Warfare: Armenia-Azerbaijan Cyber War Intensifies amid Karabakh Clashes”, *Armenia Now*, April 5, 2016, https://www.armenianow.com/karabakh/71214/armenia_karabakh_azerbaijan_information_warfare; https://www.theregister.co.uk/2016/09/02/azerbaijani_hacktivists_ransack_armenia/

86 For more, see Evgeny Morozov, *The Net Delusion: The Dark Side of Internet Freedom* (New York: Public Affairs, 2011).

opponents.⁸⁷ This trend is likely to gather force in the next decade. Overall, it seems likely that the struggle for democratisation in the EaP states will increasingly engulf cyberspace.

CONCLUSION

The megatrends covered in this chapter point towards a future of risks and opportunities. What they vividly demonstrate is that this region is not some retrograde ‘post-Soviet’ backyard; these countries are very much connected to European and global markets, are part of the global ‘fourth industrial revolution’ and their citizens are capable of shaping their own futures. Furthermore, many of these trends are

interlinked in complex ways and are mutually reinforcing; the rise in citizen activism in many of these countries indicates a new sense of autonomy which is reflected in growing independence in foreign policy postures and choices. In a similar vein, citizens who distrust the national elite often call on external actors to help in their fight against corrupt ruling regimes and the abuse of power.

The following case study chapters shed light on these complex interconnections and dynamics and explain in greater detail how the EU’s Eastern Partnership policy has contributed to the social and economic development of the respective countries. They also highlight both the risks and opportunities ahead and how EU policy might address those in the future.

⁸⁷ Freedom House, “Moldova”, 2010, <https://freedomhouse.org/report/nations-transit/2010/moldova>; “Attack on ‘Courier’ computers and ‘Rustavi 2’ website – cyberattack on ‘Rustavi 2’”, *Rustavi 2*, October 25, 2018, <http://rustavi2.ge/en/news/116904>; Pavlo Kalashnik, “Pislya vidalennya fejkovikh pidpisnikiv na YouTube, naybil’she vtrabila storinka Timoshenko” [After the removal of fake subscribers on YouTube, Tymoshenko’s page lost most], *Hromadske*, December 19, 2018, <https://hromadske.ua/posts/pislya-vidalennya-fejkovih-pidpisnikiv-na-youtube-najbilshe-pereglyadiv-vtrabila-storinka-timoshenko>; Ron Synovitz & Diana Raileanu, “Copycat Hacks: Moldovan Facebook Trolls Used Russian Tactics To Promote Kremlin Foes”, *RFERL*, February 27, 2019, <https://www.rferl.org/a/moldovan-facebook-trolls-used-russian-tactics-to-promote-kremlin-foes/29793394.html>.

CHAPTER 2

UKRAINE

New engines for the partnership

by

KATERYNA ZAREMBO AND LEONID LITRA

Having moved on from the years of lost opportunities (2009–2013), Ukraine has made significant progress over the last five years in building closer and deeper relations with the EU. However, the accomplishments are fragile and the reforms remain reversible. The new level of EU–Ukraine cooperation needs to pass the test of elections and a change of government in Ukraine in 2019. The country’s ability to stay on the path of European integration will depend to a large extent on sustaining the current reform drive launched in the wake of the Revolution of Dignity (2013–2014) and on the willingness and capacity of the EU to offer Ukraine fresh incentives, which would stimulate further political, economic and social transformations. An upgraded version of the Eastern Partnership (EaP) could play a decisive role in bringing about structural reforms in Ukraine in the next decade. This chapter aims to provide an overview of evolving perceptions in Ukraine of the EaP programme and more broadly of the EU, as well as to outline major achievements and their beneficiaries, identify areas where progress still needs to be made and propose an agenda for a revamped EaP.¹

TRENDSETTER BUT LATECOMER

Since its launch in 2009, the EaP has been considered by many in Ukraine as an asymmetric answer to the country’s efforts to achieve integration with the EU and the high expectations it has had in this regard. At the time of its launch, Ukraine had already been engaged in talks for over two years on the Enhanced Agreement with the EU, later known officially as the Association Agreement (AA). Similarly, Ukraine already had a visa dialogue with the EU in place since October 2008. Thus, the EaP, which offered exactly the same things to the EU’s other eastern neighbours, was perceived as having little added value for Kyiv since Ukraine already had the core bilateral elements of the EaP on the table.²

The disappointment, from a Ukrainian perspective, essentially derived from the fact that the EaP does not offer EU membership – even if the political debate about membership in Ukraine itself was often characterised by

1 The authors are grateful to Veronika Movchan, Kateryna Kulchytska and Daryna Marchak for their expert contribution to this paper.

2 Iryna Solonenko, “Added Value? Eastern Partnership and EU–Ukraine Bilateral Relations”, Friedrich Ebert Foundation, 2011, https://library.fes.de/pdf-files/ipg/2011-3/11_solonenko.pdf.

inconsistency and rhetorical posturing by politicians. Still, these expectations had been bolstered in the wake of the 2004 Orange Revolution, when the governing elites started calling upon the EU for a concrete membership perspective. Another criticism voiced in Ukraine was the perceived insufficient allocation of funds to the EaP programme,³ which was interpreted by some sceptics in Kyiv as reflecting a lack of interest and commitment from the EU side. However, in the end the policymakers in Kyiv decided to follow Napoleon's dictum *on s'engage et puis on voit* ('you commit yourself, and then you see') and took up the role of an icebreaker in advancing the relations of the EaP countries with the EU (e.g. by negotiating for more benefits for itself and the EaP countries from the EU).

In general terms, the EaP was perceived as a 'one-size-fits-all' policy and Ukraine saw the EaP as an initiative that at most complemented the bilateral agreement that Kyiv had already signed with the EU with some additional multilateral layers of cooperation. Therefore, Ukraine's main focus was rather on the bilateral track with the EU than on the EaP as such.⁴ This is not to say that it neglected the EaP altogether; Ukraine saw the value of the multilateral dimension of the EaP and tried to use it to its advantage. The EaP offered bi-annual summits, annual ministerial meetings and various thematic reunions and multilateral flagship projects, which were seen by Ukraine as potential formats for more frequent and more intensive dialogue with the

Ukraine's quest for more EU funds has not always been matched by a capacity to absorb these funds.

EU. Aside from the high-level meetings and closer and periodic interaction with ministerial counterparts in the EU, Kyiv has been interested in multilateral projects that offer additional possibilities for sectoral cooperation and extra funding. In this regard, Ukraine has shown interest in projects related to border management, energy efficiency, the environment, and phytosanitary standards. Ukraine's quest for more EU funds, however, has not always been matched by a capacity to absorb these funds. In 2017, a scandal broke out in Ukraine when the public found out that €22 million allocated for the country's energy efficiency fund had not been used at all.⁵

Ukraine also perceived the EaP as a step forward because it differentiated between the EU's southern and eastern neighbours, putting them institutionally in separate baskets.⁶ Furthermore, it was generally received reasonably well by civil society too as the programme allowed NGO representatives to participate in the meetings of the EaP thematic platforms and endowed them with an important role in monitoring how the Association Agenda and visa-free dialogue were progressing.⁷ Local media on the other hand paid relatively little attention to the EaP, which in turn meant that it was widely unknown to the public at large. This could also partially explain the originally low levels of public support for the programme and European integration overall (37% in February 2013).⁸ This has changed gradually over the years, though, and by now, European integration is

3 "Kakaya Ukraine pol'za ot Vostochnogo Partnerstva?" [What is the use of the Eastern Partnership to Ukraine?], *Unian*, May 6, 2009, <https://www.unian.net/politics/218349-kakaya-ukraine-polza-ot-vostochnogo-partnerstva.html>.

4 Olena Snygir et al, "Initiativa ES 'Schidne partnerstvo' perspektivi efektyvnoy realizatsiy ta mozhlyvosti dlya Ukraini" [EU's Eastern Partnership Initiative: Perspectives of a successful implementation and opportunities for Ukraine], National Institute for Strategic Studies, 2011, http://www.niss.gov.ua/content/articles/files/Shidne_partn-ce670.pdf.

5 "Evropa predpalagaet Ukraine noviy plan" [Europe offers Ukraine a new plan], *Segodnya*, November 17, 2017, <https://www.segodnya.ua/politics/evropapredlagaet-ukraine-novyy-plan-1091079.html>.

6 "Kakaya Ukraine pol'za ot Vostochnogo Partnerstva?", *Unian*, May 6, 2009.

7 Solonenko, "Added Value? Eastern Partnership and EU-Ukraine Bilateral Relations."

8 Kyiv International Institute of Sociology, "Geopolitical Orientations of Ukrainian Citizens: Constants and Changes of the Last Years (February 2012-February 2015)", March 18, 2015, <https://www.kiis.com.ua/?lang=eng&cat=reports&id=507>.

supported by a solid and stable majority (58.5% in September 2018,⁹ a high figure given that EU membership has not even been offered). Similarly, the European model is widely regarded as the only viable template to follow in order to ensure the modernisation of the country. The Revolution of Dignity to a large extent helped to crystallise this belief and shift the balance decisively in favour of the European option.

Finally, the turning point that galvanised pro-European sentiment among the public and anchored EU integration in Ukraine's political agenda was Ukraine's former president Viktor Yanukovich's decision not to sign the Association Agreement in November 2013. This refusal sparked the Euromaidan protests. From the outset, one of the core demands of the protesters was Ukraine's signature of the deal. This meant that the EU's agreement with Ukraine became a key trigger for the mobilisation of the Ukrainian people and the sustained protests. It also led to increasing support for the EU in Ukraine, reaching 52% already in March 2014.¹⁰ Public support for the EU in Ukraine was linked in particular to the Association Agreement, seen as a crucial step to transform the country and address its chronic malaise – high-level corruption. The perspective of visa-free travel was an additional mobilising factor, the 'real and palpable' benefit of European integration ordinary citizens could enjoy in the mid-term. Russia's aggressive tactics and military intervention in Ukraine in 2014 and Kyiv's deepening cooperation with the EU meant that the Russian-led Eurasian Economic Union (EAEU) was a marginal option for Ukrainians, supported only by 10.5% of the population in 2018 (down from 42% in 2012).¹¹

Besides re-enforcing pro-European sentiment in Ukraine, the Revolution of Dignity and Russia's subsequent aggression against the country also exposed a deficit in the security dimension of the EaP. The worsening security situation in Ukraine generated a growing demand in Kyiv not only for greater European support for reforms but also for more assistance to ensure the country's national security. War, unfortunately, has been one of the factors that spurred the EaP programme in the first place: the 2008 Russian-Georgian war was a catalyst for the creation of the EaP, a process that had been on-going since at least spring 2008: the initiative was formally launched in May 2009. However, in its initial version the EaP de-emphasised the security domain, focusing on the promotion of trade and people-to-people contacts. Russia's aggression against Ukraine once again demonstrated that the security dimension cannot be ignored and that the EaP needs to complement the economic dimension with a strong security component.

Paradoxical as it may sound, Russia's aggressive policy towards some of the EaP countries has actually improved their performance in implementing reforms.¹² In Ukraine, the reform process has accelerated and the scope has been widened to areas that had been previously untouched. Thus, compared to pre-war years, Ukraine now has a much better track record in initiating reforms. However, although reforms are partially a solution to certain national security concerns, in order to be sustainable these need a protective security umbrella. Kyiv hopes that the renewed EaP will offer Ukraine more assistance to build such a shield, and thus help the country to mitigate external threats and maintain focus on a domestic transformational agenda.

9 "Almost 60% Want Ukraine in EU – Poll by Gorshenin Institute", Gorshenin Institute, January 25, 2019, http://gorshenin.eu/news/news/1060_almost_60_want_ukraine_in_eu_poll_by.html.

10 International Republican Institute, "Public Opinion Survey Residents of Ukraine", 2014, <https://www.iri.org/sites/default/files/2014%20April%205%20IRI%20Public%20Opinion%20Survey%20of%20Ukraine%2C%20March%2014-26%2C%202014.pdf>.

11 International Republican Institute, "Public Opinion Survey Residents of Ukraine", 2017, https://www.iri.org/sites/default/files/2017-may-survey-of-residents-of-ukraine_en.pdf; "Almost 60% Want Ukraine in EU – Poll by Gorshenin Institute", Gorshenin Institute.

12 Bartek Teslawski, "The 'Eastern Partnership Plus' is the EU's Failure", *New Eastern Europe*, December 7, 2017, <http://neweasterneurope.eu/2017/12/07/eastern-partnership-plus-eus-failure/>

The widely shared opinion today in Ukraine is that the EaP needs to be upgraded if it is to stay relevant for the country and region in general.¹³ There is also a consensus in Ukraine that the EaP states that have the most developed relations with the EU and those who have a less ambitious agenda with the EU should follow parallel, but separate, tracks. Apart from this, there is also a growing desire for EaP co-ownership in Kyiv. When the EaP was established, its success largely depended on the will and commitment of the local political and business elites. However, once Ukraine signed the Association Agreement, Kyiv considered the EU to be equally responsible, as the document envisions mutual legally binding commitments. Therefore, the future of Ukraine–EU relations depends not only on the efforts made by Kyiv in implementing the Association Agreement (which remains essential for ultimate success), but also on the EU’s ability to deliver on commitments and its willingness to open ‘new doors’ of integration in the spirit of the ‘more for more’ approach.

BETTER LATE THAN NEVER

For Ukraine, the 10 years of EaP could symbolically be broken up into two periods: before and after the Euromaidan Revolution and the signature of the Association Agreement. The agreement was signed on 21 March (the political part) and 27 June 2014 (the economic part). Substantial parts of the Association Agreement

The widely shared opinion today in Ukraine is that the EaP needs to be upgraded if it is to stay relevant for the country and region in general.

have been applied provisionally since 1 November 2014 (political sections), and the parts pertaining to the Deep and Comprehensive Free Trade Area (DCFTA) since 1 January 2016. The period starting from 2014 was marked by the two biggest achievements on Ukraine’s European integration path so far: the Association Agreement and visa liberalisation, as well as numerous domestic transformations connected to these two milestones. Hence, one could say that the commonly heard assertion in Ukraine that progress in the last four years (since 2014) has been greater than the progress made in the previous 23 years is valid for Ukraine–EU relations as well.

This section presents some of the most important elements of Ukraine’s achievements. It is by no means an exhaustive list, but is rather an attempt to outline some of the key highlights on Ukraine’s path to Eurointegration so far.

Association Agreement and DCFTA: gains outweigh costs

The specific tangible results from the key EaP components – the Association Agreement and the DCFTA – have been positive developments in trade relations between the EU and Ukraine. Despite the fact that since 2014 Ukraine has not been in control of 7% of its territory (which is also associated with the loss of production capacities), its volume of trade with the EU is growing and its exports have outgrown the pre-war years: in 2017 Ukrainian exports to the EU reached a record of \$17.5 billion, more than in 2013 (\$16.8 billion).¹⁴ In 2018

13 “V MID prizvali ES usilit’ sotrudnichestvo v ramkakh ‘Vostochnogo Partnerstva’” [The MFA called on the EU to strengthen cooperation in the framework of the Eastern Partnership], *Unian*, November 21, 2018, <https://www.unian.net/politics/10345785-v-mid-prizvali-es-usilit-sotrudnichestvo-v-ramkakh-vostochnogo-partnerstva.html>.

14 “Zovnishnya torgivlya Ukraini tovarami z kraïynami ES za 2013 rik” [Ukraine’s external trade in goods with the EU member states in 2013], *Ukrstat*, http://www.ukrstat.gov.ua/operativ/operativ2009/zd/ztt_ES/ztt_ES_u/ztt_ES13_u.htm.

the trend continued and Ukraine's exports to the EU grew by a further 12%, reaching \$20.1 billion.¹⁵ Overall, the volume of exports from Ukraine to the EU grew by roughly 4.9% in 2018 in comparison to 2015, the year before the provisional application of the DCFTA (it should be noted that 2014-2015 were recessionary years for Ukraine). The share of exports to the EU in Ukraine's total exports also exceeded 40% in 2017, which beats the record of 2003 when it stood at 38%.¹⁶ Moreover, exports to the EU have helped to some degree to offset the effects of Russian trade restrictions on imports from Ukraine and the transit blockade via Russian territory (towards trade partners in Central Asia). Thus, the DCFTA helped to ensure Ukraine's economic stability in the midst of war with Russia. What is also noteworthy is that the biggest share of Ukraine's exports to the EU are processed products (43% in 2017) as opposed to raw materials (29%) and semi-finished products (27%). These facts counter the widespread assumption in the country that Ukraine is only capable of exporting raw materials.¹⁷

Another important development is that in 2017 around a hundred export 'newcomers' from Ukraine accessed the EU market, which is a sign that Ukraine is diversifying its exports to the EU.¹⁸ The outlook for the pace of exports and imports growth also seems good: while the growth rates in both trade directions are comparable, Ukrainian exports to the EU beat pre-war (2013) levels in 2017 and continue to grow while EU imports to Ukraine had still not reached pre-war levels as of 2018.¹⁹

Big business gains most from the DCFTA but small and medium-sized enterprises (SMEs) feel the benefits too. According to a survey conducted by the Institute for Economic Research and Political Consulting among 1,019 businesses engaged in foreign economic activity, the positive effect is felt by some 30% of SMEs and 38% of big businesses. The same study shows that 16% of exporters and 36% of importers have experienced the positive effects of the Association Agreement.²⁰ Some 6% reported a negative effect while the rest did not acknowledge any effect at all. Overall more than 14,000 Ukrainian companies export to the EU out of 22,500 companies who engage in trade abroad, i.e. over 60%.²¹

Sectoral breakdown of trade shows that businesses engaged in service provision profited most (46% of the businesses polled), with transportation and IT services from Ukraine being in big demand in the EU. At the same time, agricultural enterprises reported the smallest gain, as was acknowledged by 26% of the surveyed agro-firms. In terms of regional distribution, companies from Central and Western Ukraine (such as Poltava Oblast, Kyiv city, Lviv Oblast, Ivano-Frankivsk Oblast and Rivne Oblast) were the ones most likely to report a positive assessment of the effects of trade liberalisation, arguably because they are the ones which had established close trade relations with the EU even before the DCFTA was launched. The geography of those less optimistic about the positive effects of the DCFTA is wider and includes regions from West, Central

15 "Tovaroobig mizh Ukrainoyu ta ES zris na 12%" [Trade turnover between Ukraine and the EU grew by 12%], *Eurointegration Portal Ukraine-Europe*, January 11, 2019, <https://eu-ua.org/movyny/tovaroobig-mizh-ukrainoyu-ta-yes-zris-na-12>.

16 Veronika Movchan, "Eksport sprostovuye mifi: sho pokazala torgovlyva Ukraini z ES u 2017 rotsi" [Export refutes the myths: what showed Ukraine's trade with the EU in 2017], March 13, 2018, <https://www.eurointegration.com.ua/articles/2018/03/13/7078607/>

17 Ibid.

18 Ibid.

19 European Commission, Directorate-General for Trade, "Ukraine", https://webgate.ec.europa.eu/isdb_results/factsheets/country/overview_ukraine_en.pdf; "Geografichna struktura zovnishnyoi torgovli tovarami z kraiyami ES u 2018 rotsi" [Geographic structure of external trade in goods between Ukraine and the EU member states in 2018], *Ukrstat*, http://www.ukrstat.gov.ua/operativ/operativ2018/zd/ztt_ES/ztt_es_u/ztt_es18_u.htm.

20 The Institute for Economic Research and Policy Consulting, "Sproshennya protsedur torgovli v Ukraini: otsinki ta ochikuvannya biznesu" [Trade Facilitation in Ukraine: Business Evaluations and Expectations], 2018, http://tfd.ier.com.ua/wordpress/wp-content/uploads/2018/07/TFD_III_2017-2018_report.pdf.

21 EU Delegation to Ukraine, "EU Support to Reforms in Ukraine: Key Results", June 2018, https://cdn4-eeas.fpfis.tech.ec.europa.eu/cdn/farfuture/gmUYRbjG6Q7ayBesKbJVNhHtj2Hij38bCLjhMBXUGUY/mtime:1545039610/sites/eeas/files/styles/manual_crop/public/support-for-ukraines-reform-programme-large.jpg?itok=9N5IxxVa.

and Eastern Ukraine (e.g., Luhansk Oblast, Volyn Oblast, Kherson, Sumy and Kirovohrad Oblasts). Luhansk and Donetsk Oblasts (both in Eastern Ukraine) were also the ones with the highest share of respondents who argued that the DCFTA was actually detrimental to their business.

Although the surveys reveal that agro companies are not very enthusiastic about the dividends gleaned from the DCFTA, data nevertheless demonstrate that the situation is actually overall rather favourable for Ukraine's agro producers who, with a number of exceptions, can now trade freely with the EU. Actually, Ukraine's growing food exports in 2017 made it the fourth biggest agro exporter to the EU.²² It is worth mentioning here, however, that exports of certain agricultural products exceed duty-free supply quotas offered by the EU. For example, in the first 11 days of 2019 the quota for Ukrainian honey was exhausted.²³ In fact, it is regularly the case that a number of Ukrainian products exceed the tariff quotas before the end of the year. For example, in 2018 this was the case for Ukrainian honey, malt and wheat gluten, processed tomatoes, grape and apple juice, wheat, corn, barley groats and flour and butter, as well as poultry meat.²⁴ The Association Agreement does allow for the revision of the tariff quotas after a five-year implementation period, but in order to ask for a revision Ukraine needs to uphold its own commitments first. So far, this process has stalled for several years already: a major bone of contention between the EU and Ukraine is the timber export ban which the Ukrainian parliament refuses to lift in breach of the Agreement. Ukraine needs to resolve this impasse swiftly.

When examining the results of the Association Agreement, it should be remembered that the DCFTA remains just one aspect of the agreement, so the analysis should not be limited exclusively to the trade element. The introduction of the online state procurement system Prozorro in 2016, to mention just one other example, is another case of the Association Agreement having a positive effect. As of June 2018, it made it possible to save some \$1.9 billion of state funds and, importantly, benefited not only the state but also the businesses which could now compete on transparent and equal terms rather than being forced to seek some non-transparent undercover deals with state authorities. A further positive development is Ukraine's attractiveness for foreign businesses and investment. As of late 2018, 40% of the European Business Association (EBA) members in Ukraine were not satisfied with Ukraine's investment climate, while 25% found it favourable.²⁵

While these figures may not seem very encouraging, they mark a significant contrast with 2016, when 63% of respondents were very critical about Ukraine's investment climate and only 9% found it favourable. This is definitely good news for Ukraine's image as an investment destination, although corruption and a judiciary influenced by vested interests are still the key concerns for the overwhelming majority of European investors. Overall, an attempt at a definitive list of 'success stories' within the context of the implementation of the Association Agreement is difficult due to differing perspectives, but the Ukrainian Centre for European Policy estimates that in the period 2014-2018 public procurement, technical barriers to trade and taxation, corporate activities and consumer rights protection featured among the most

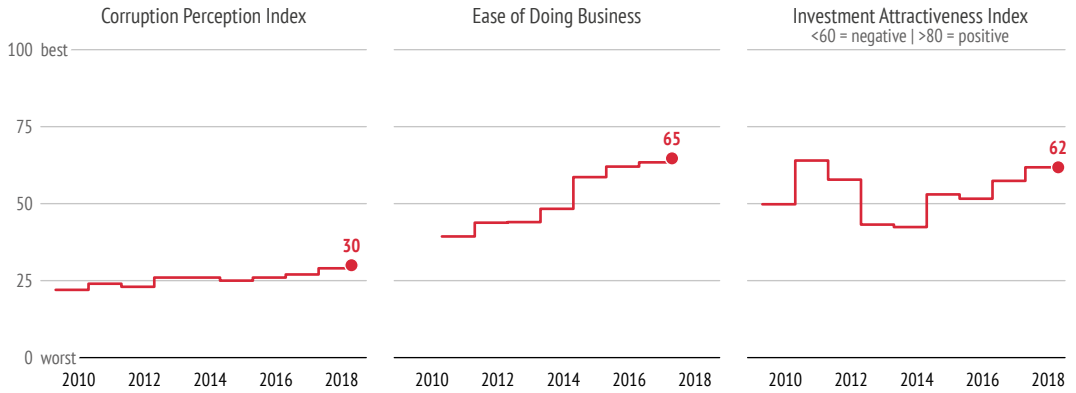
22 European Commission, "Monitoring EU Agri-Food Trade: Development in 2017", 2017, https://ec.europa.eu/agriculture/sites/agriculture/files/trade-analysis/monitoring-agri-food-trade/2017-december_en.pdf.

23 Nataliya Mehed, "Ukraina za pochatok roku vicherpala kvoti na eksport medu do ES" [Ukraine at the beginning of the year exhausted the quota for honey export to the EU], *Deutsche Welle*, January 12, 2018, <https://p.dw.com/p/2qkCm>.

24 Ministry of Agrarian Policy and Food of Ukraine, "Tarifni kvoti ES na med ta obrobleni tomaty vibrani Ukrainoyu v povnomu obsyazi – Olha Trofimtseva" [EU tariff quotas on honey and processed tomatoes have been fully used by Ukraine – Olha Trofimtseva], December 6, 2018, <http://minagro.gov.ua/uk/node/26620>.

25 European Business Association, "Indeks investitsiynoi privablivosti Ukraini. Nastroi investoriv u 2-mu pivrichi 2018 roku" [Investment Attractiveness Index of Ukraine. The Mood of Investors in the 2nd Half of 2018.], December 2018, <https://eba.com.ua/wp-content/uploads/2018/12/Invest-Index-2nd-half-2018.pdf>.

FIGURE 1 | Ukraine's position in international ratings
scores, 2009-2018



Data: Transparency International, 2019; World Bank Group, 2019; European Business Association, 2019

advanced spheres of the Ukrainian legislation approximation to the EU *acquis*.²⁶

First effects of visa-free regime

After the EU abolished visas for short-term trips to Ukraine on 11 June 2017, the fears of sceptics on both sides of the border were proved wrong: for those in the EU who feared that the Union would be flooded by illegal workers and asylum-seekers from Ukraine, and for those in Ukraine who suspected that a liberalised visa regime with the EU would remain a mirage and they would be turned back at border checkpoints (and therefore preferred to have a visa 'just in case'). According to the Ukrainian Border Service, between 11 June 2017 and 11 June 2019 Ukrainians made 42.6 million border crossings to the EU, 3 million of which were visa-free (using biometric passports only).²⁷

In total from 2016 to September 2018 (the latest available statistics) 10.7 million biometric passports were issued, according to the State migration service.²⁸

Furthermore, while it took 13 months for the first million biometric passport holders to travel to the EU, this was reduced to only 5 months for the next million.²⁹ It can be assumed that this is at least in part due to new air connections to cities in the EU (including low-cost options) and development of infrastructure. In 2018 there were 38 foreign airlines operating on the Ukrainian market, compared to 29 active in 2016, the year before the introduction of the visa-free regime. Ukrainian airport infrastructure got a boost too, with Odessa, Poltava, and Zaporizhia airports undergoing renovation in 2017-2018, while there are more plans in the pipeline for the modernisation of Zakarpattia airport and the construction of a new one on the

²⁶ Ukrainian Centre for European Policy, "Ukraine and the Association Agreement. Monitoring of Implementation 2014-2018", Kyiv, 2018, p. 14, http://ucep.org.ua/wp-content/uploads/2018/12/Report_2014-2018_WEB_FINAL.pdf.

²⁷ However, journalists have argued that the data provided by Ukraine's State Border Service is flawed and the number of visa-free entries is significantly higher. See Sergiy Sydorenko, "Rik bez viz ta statistika bez pravdi: sho ne tak iz danimi pro bezvizovyi poiyzdki ukrainstiv" [A year without visas and statistics without truth: what is wrong with the data on visa-free travel of Ukrainians], *European Truth*, June 12, 2018, https://www.eurointegration.com.ua/articles/2018/06/12/7082966/?fbclid=IwAR2cnlmochedsox89gvAT_jjquAskFm8T93ul1KiqOuR0270CZwkiN_a0U-g.

²⁸ Authors' calculations based on statistics of the State Migration Service. State Migration Service of Ukraine, "Statistika z oscovnoj diyal'nosti" [Statistics on main activities], <https://dmsu.gov.ua/diyalnist/statistichni-dani/statistika-z-osnovnoj-diyalnosti.html>.

²⁹ State Border Guard Service of Ukraine, "2 mil'yonu ukrainstiv skoristalisya bezvizom pryamuyuchi do krain ES" [2 million Ukrainians already used visa-free travel to EU countries], January 3, 2019, <https://dpsu.gov.ua/ua/news/2-milyoni-ukrainciv-skoristalisya-bezvizom-pryamuyuchi-do-krain-s/?fbclid=IwAR3JZ-vNP6Q6cyeq1YkDdLTL04UTA5NTpQmpHuhuTV96oxFZsDa6gIV250>.

border of Zaporizhia and Dnirpo oblasts.³⁰ As a result, Kyiv as well as regional airports (Lviv, Zaporizhia, Odessa, Kharkiv, Dnirpo, Chernivtsi, Kherson) registered a steady increase in passenger traffic, in some cases (Kyiv Zhuliany, Chernivtsi and Kherson) as much as by over 50% in 2018.³¹ Ukraine's airports actually beat passenger traffic records in 2018, exceeding 20 million for the first time in the country's history.³²

The belief that more low-cost airlines would enter the market forced regular airlines to change strategies. It is noteworthy that when Ryanair was expected to enter the Ukrainian market in 2017 but failed to agree on the terms, Ukrainian International Airlines (UIA), owned by the Ukrainian Dnipro-based oligarch Ihor Kolomoyskyi, nevertheless changed their pricing policy and introduced a low-cost option. At the same time, the low-cost Hungarian airline WizzAir increased its presence in Ukraine. Eventually, Ryanair did enter the market in 2018, further increasing competition. As of 2019, 94 low-cost flights to foreign destinations are operated by airlines in Ukraine, compared to 40 in 2017, and there has been a fourfold increase in the number of low-cost domestic flights in just one year too, from 8 in 2018 to 33 in 2019.³³ The increase in low-cost flight offers, more routes and heightened competition among the

operators has ultimately made travel more affordable for Ukrainians and benefited the Ukrainian transportation sector. Moreover, this trend is not confined to the air transportation sector, as the visa-free regime gave a boost to the Ukrainian railway industry too.

In 2018 Ukrzaliznytsia started two new routes to Riga and Vilnius (as part of the new international 'Four capitals' route Kyiv-Minsk-Vilnius-Riga), offering trips to nine EU countries altogether: Austria, Bulgaria, Czech Republic, Hungary, Latvia, Lithuania, Poland, Romania and Slovakia. The most popular route is the Intercity express to the Polish city of Przemyśl, which carried over 300,000 passengers from Ukraine in 2018, or roughly 75% of the total passenger traffic from Ukraine to the EU that year.³⁴ In 2018 railway passenger traffic to the EU increased by 1.8 times in comparison to 2017, reaching 676,000 passengers.³⁵ It is worth noting that in the first half of 2018 Ukrzaliznytsia's profits almost quadrupled in comparison to the same period in 2017,³⁶ although this cannot be attributed solely to the increase in passenger traffic to the EU. In 2018, for the first time in the post-Soviet era, the EU became the main destination for railway passengers travelling from Ukraine, taking over from Russia.³⁷

30 "Zlit chi posadka? Sho vidbuvaetsya z regionalnymi aeroportami" [Take-off or landing? What is going on with Ukraine's regional airports], *Ekonomichna Pravda*, November 21, 2018, <https://www.epravda.com.ua/publications/2018/11/21/642828/>

31 State Aviation Administration of Ukraine, "Statistika. Operativna informatsiya" [Statistics. Operational information], <https://avia.gov.ua/pro-nas/statistika/operativna-informatsiya/>

32 "Ochen malo letayut. Omelyan rasskazal o norme aviapereletov na odnogo ukraintsa" [Very few fly. Omelyan spoke about the rate of flights for one Ukrainian], *Novoe Vremya*, March 7, 2019, <https://biz.nv.ua/markets/ochen-malo-letayut-omelyan-rasskazal-o-norme-aviapereletov-na-odnogo-ukrainca-50009707.html>.

33 "Rozkvit loukosteriv ta novi zakordonni poizdy: iak bezviz z ES za dva roky zminyv rynek pasazhyrskykh perevezhen v Ukraini" [The flourishing of lowcosters and new international routes: how the visa free regime with the EU changed the passenger transport market in Ukraine], *Unian*, June 11, 2019, <https://www.unian.ua/tourism/news/10582218-rozkvit-loukosteriv-ta-novi-zakordonni-pojizdi-yak-bezviz-z-yes-za-dva-roki-zminiv-rinok-pasazhirskih-perevezhen-v-ukrajini.html>.

34 "Ukrzaliznitsiya' zapuskaye noviy marshrut do Pol'shi" [Ukrzaliznitsiya' starts a new route to Poland], *Radio Liberty*, December 5, 2018, <https://www.radiosvoboda.org/a/news-ukrzaliznytsia-polshcha/29639641.html>.

35 "Zaliznichni perevezennya z Ukraini do krain ES u 2018 rotsi zrosli maizhe vdvichi" [Rail transportation from Ukraine to the EU countries has almost doubled in 2018], *European Truth*, January 10, 2019, <https://www.euointegration.com.ua/news/2019/01/10/7091415/>

36 "Ukrzaliznytsia", *PAT*, Interim Report as of June 30, 2018, <http://l2u.su/qbSX>.

37 Mikola Topalov, "Khochesh yakist' – plati groshi. Yak Ukrzaliznitsiya bude diliti potyagi na klasi" [Want quality – pay money. How Ukrzaliznitsiya will split trains into classes], *Economic Truth*, October 25, 2018, <https://www.epravda.com.ua/publications/2018/10/25/641953/>

As for the concerns about illegal migration, the fact is that the number of people turned back at border checkpoints, as of 2017,³⁸ constituted only 33,000 out of millions of border crossings (less than 1%), although worryingly the increase from 2016 to 2017 was 4.7%. What is more worrisome is that Ukrainians account for one of the largest categories of ‘unregulated migrants’ sojourning in the EU (33,795 in 2017).³⁹ The good news, on the other hand, is that, according to the EU Commission assessment report, trends between the first half of 2017 and the first half of 2018 indicate no increase in the number of those illegally staying in the EU, but ‘a considerable increase in the number of refusals of entry’.⁴⁰ The key reason for this is that the ‘embassy filter’ (accounting for 2–5% of visa refusals) was moved to the Schengen border itself. Still, it should be remembered that this trend is characteristic for all countries after the introduction of the visa-free regime with the EU, so this is not typical of Ukraine’s situation *per se*.⁴¹ The report indicates, too, that corruption, in addition to illegal migration, constitutes one of the key concerns for the EU *vis-à-vis* Ukraine. Thus, it is important for Ukraine to live up to its obligations too and intensify efforts to combat this problem systematically.

Corruption, in addition to illegal migration, constitutes one of the key concerns for the EU *vis-à-vis* Ukraine.

POLITICAL CAPITAL AND DIVIDENDS

While the period 2014–2018 marked unprecedented progress in EU–Ukraine relations, paradoxically this has not been reflected in rating boosts for the incumbent decision-makers. In April 2019 Petro Poroshenko, Ukraine’s president in 2014–2018, lost to Volodymyr Zelenskyi, who won a landslide victory after garnering almost 74% of votes cast against the incumbent’s 23%. Poroshenko also had the highest negative rating of all politicians at 50.3%.⁴² Several factors may account for this. First of all, it is a number of years since the DCFTA and visa-free regime were introduced and they are now somewhat taken for granted. Second, the perception of the effect of eurointegration reforms differs across society: according to the results of the nationwide poll conducted in autumn 2018, 18% of respondents confirmed that they have felt the positive effect of Ukraine’s integration with the EU, 64% said that they had not experienced any positive effects and 17.5% could not answer.⁴³ Not all reforms have been cost-free for citizens and this in turn has led to a more sceptical assessment of these structural reforms. Finally, households’ perception of their socio-economic situation is probably the key factor in assessing the government’s achievements. When asked about this, roughly 70% of Ukrainians respond that things are

38 European Commission, “Report from the Commission to the Parliament and the Council. Second Report under the Visa Suspension Mechanism.”, COM(2018) 856, Brussels, January 19, 2018, https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/20181219_com-2018-856-report_en.pdf.

39 “Statistics on Enforcement of Immigration Legislation”, Eurostat, June, 2018, https://ec.europa.eu/eurostat/statistics-explained/index.php/Statistics_on_enforcement_of_immigration_legislation#Non-EU_citizens_found_to_be_illegally_present.

40 European Commission, “Report from the Commission to the Parliament and the Council. Second Report under the Visa Suspension Mechanism.”

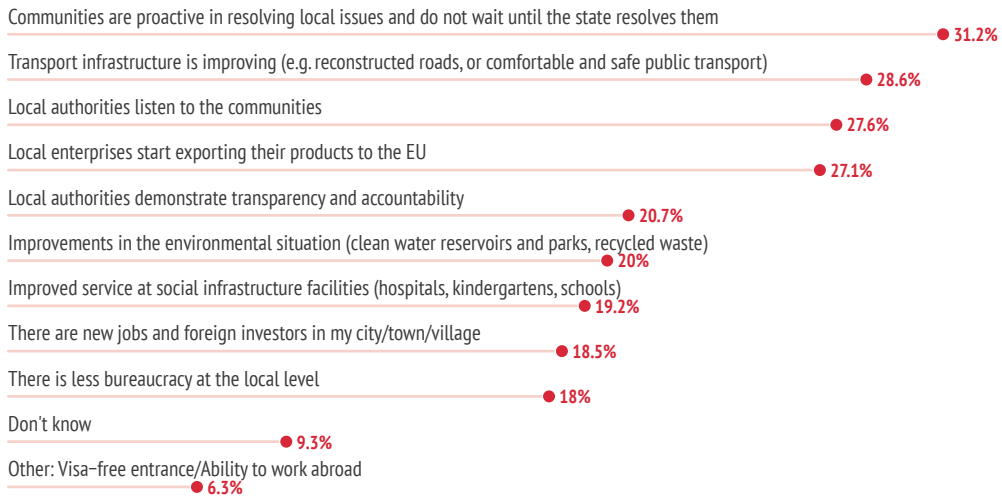
41 Interview with Kateryna Kulchytska, migration expert, deputy director of “Europe without Barriers”, Kyiv, February 25, 2019.

42 Sociology group ‘Rating’, “‘Portraits of the Regions’: Outcomes: Summary Data, Comparative Analysis of the Regions,” December 26, 2018, http://ratinggroup.ua/en/research/ukraine/portrety_regionov_itogi_svodnye_dannye_sravnitelnyy_analiz_mezhdu_oblastyami.html?fbclid=IwAR09wPbJGrJ09CelXqEB1m1ToeS3vklUjjQ7iSyLJS_W-HEho80LBJBOCj.

43 New Europe Center, “What Kind of Foreign Policy are Ukrainians Expecting from the Next President?,” February 14, 2019, <http://neweurope.org.ua/en/analytics/mizh-lukashenkom-i-merkel-yakoyi-zovnishnoyi-polityky-ukrayintsi-ochikuyut-vid-nastupnogo-prezydenta-ukrayiny/>

FIGURE 2 | What positive effect from Ukraine’s integration with the EU did you feel?

% out those who stated they did feel such an effect (multiple answers possible), 2018



Data: New Europe Center, 2019

going in the wrong direction in the country and some 57% report a deterioration in their living standards in the last year. Thus, regardless of the progress on the European track, the incumbent politicians are likely to be ‘punished’ at the upcoming parliamentary elections for their inability to improve the domestic economic situation as swiftly as the population would like.

It is noteworthy that the percentage of those who say that they have experienced positive benefits from integration with the EU is highest among the 18–24 age group (25%). This is very likely also due to the increased mobility opportunities for young people, including in the educational sphere: since Ukraine was admitted to the Erasmus+ programme in 2014, more than 5,200 Ukrainian students have benefited from the Erasmus exchange programme in the period up to summer 2018. While this may seem like a drop in the ocean when we consider that Ukraine has a total student population of 1.5 million, this represents a significant advantage and enhancement which had not been available to Ukrainian students before.

All that being said, while European integration does enjoy the support of society at large, as of 2018 there are four oblasts (Kharkiv, Donetsk, Luhansk and Odessa) in the east and south of the country where the number of opponents to EU integration outstrips the number of supporters.⁴⁴ Hence, it is vital for the EU and the Ukrainian authorities to find better ways to communicate with the citizens of these regions, so that there are no large segments of the population who feel alienated or excluded from Ukraine’s European agenda.

NOT SUCCESS STORIES (YET)

Some areas where the EaP agenda failed to deliver substantial results or underperformed are also worth mentioning. While the fields in question merit in-depth analysis, we will limit ourselves here to outlining the key developments.

44 Sociology group ‘Rating’, “‘Portraits of the Regions’: Outcomes: Summary Data, Comparative Analysis of the Regions”.

First, Comprehensive Institution Building (in Ukrainian parlance known as ‘Public Administration Reform’), which was part of the EaP programme in 2009, has so far failed to translate into tangible results. Since the new Civil Service Law came into force in 2016, experts have observed very few actual changes. Among other issues, numerous legislative changes pertaining to the implementation of the law, including amendments to the law itself, have not been executed. The reform implementation process is also flawed in many ways, due to deficiencies among the authorities responsible for its implementation and poor understanding of the reform among the bureaucracy, from ministerial level down to lower-level employees.⁴⁵ Experts note that while the EU was previously very vocal in support of the reform, currently there is very little public criticism of the reform coming from the EU despite its awareness of the shortcomings in its implementation, which diminishes the ‘sandwich effect’ (i.e. bottom-up pressure from civil society combined with external pressure from international donors) necessary to push through reforms in Ukraine.⁴⁶

Another story which is (hopefully) yet to become a success is the signature and implementation of the Common Aviation Area (CAA) Agreement between Ukraine and the EU. While the CAA was initialled in Vilnius back in November 2013, its signature is still pending due to delays on the EU side in completing all the necessary internal procedures (due to disagreement between Spain and the United Kingdom over the formulation and wording of the article about the territorial application in terms of Gibraltar). Currently the looming solution to this impasse anticipated by the Ukrainian authorities is Brexit, which will mean that after the UK leaves the EU, Spain’s formulation of the text would apply. However, even in this case there are other risks to the EU-Ukraine CAA, such as

a proposal from Ukrainian aviation lobbyists to reopen and review the text of the agreement, which would then stall the process again. If this were to happen, Ukraine would be shooting itself in the foot.

The EaP multilateral track has also produced rather mixed results. Ukraine had a wide network of relations with all EaP countries even before the launch of the initiative. Therefore, many contacts on both a multilateral and bilateral basis with EaP peers would have taken place in any case, with or without the EaP policy. On the other hand, Ukraine is obviously more inclined to strengthen ties with Moldova and Georgia, which share its EU membership aspirations, than with Belarus, Armenia and Azerbaijan, which pursue a different foreign policy course. It is with a view to uniting efforts in the pursuit of the pro-European course and exchanging best practices that an inter-parliamentary assembly between Ukraine, Moldova and Georgia was established in 2018. This move signals Ukraine’s preferences for greater differentiation within the EaP framework, including its multilateral domain.

Finally, the energy sector is another area where certain successes have been achieved, but the endeavour to ensure that the reforms initiated are irreversible is far from over. On the one hand, Ukraine joined the European Energy Community in 2011, transforming its loss-making national gas company Naftogaz (its deficit was equal to 6.2% of GDP in 2014) into the biggest net contributor to the national budget (accounting for 19.8% of state budget revenues in January–July 2018),⁴⁷ and since 2016 has stopped purchasing gas directly from Russia. Ukraine was able to cover its domestic needs by means of reverse gas imports from Slovakia. On the other hand, Ukraine trails behind in terms of transposing and implementing EU legislation in the energy field.

⁴⁵ Interview with an expert familiar with the reform (on conditions of anonymity), Kyiv, February 25, 2019.

⁴⁶ Vsevolod Samokhvalov, “Bridging Linkages, Leverage and Functional Cooperation: Cross-dimensional Networks in EU Democracy Support in Ukraine”, Unpublished manuscript (2019).

⁴⁷ Naftogaz Group, “Naftogaz Open Letter: A Year Without Gas Imports from Russia”, November 25, 2016, <http://www.naftogaz.com/www/3/nakweben.nsf/0/371FE97DD813E51FC225807600517667?OpenDocument&year=2016&month=11&nt=News&Naftogaz+Group+Pays+UAH+78.1+Bln+to+State+Budget+in+Jan-July+2018>”, *Unian*, August 9, 2018, <https://economics.unian.info/10218998-naftogaz-group-pays-uah-78-1-bln-to-state-budget-in-jan-july-2018.html>.

According to the civic monitoring coordinated by the Ukrainian Centre for European Policy, Ukraine did not adopt even one of 17 directives due for implementation in 2014–2018.⁴⁸ Moreover, the process of ‘unbundling’ Naftogaz so that it complies with EU competition norms is still in the making. Worse still, EU-Ukraine relations in the energy field are overshadowed by the implementation of alternative gas pipeline projects in Europe, which, if carried through, will significantly undermine Ukraine’s transit role and affect national security.

THE EASTERN PARTNERSHIP FOR THE NEXT DECADE

A reformed EaP as seen by Ukraine presents an ambitious initiative that builds on the existing instruments and adds new ones. Hence, the following recommendations for a revised EaP could be offered.

Differentiate. Ukraine hopes to see a reformed EaP that reflects the *de facto* situation on the ground. The split in the EaP between the associated countries and countries that are not aspiring to join the EU already exists and indeed a study has concluded that the EaP is *de facto* a ‘multi-speed’ initiative.⁴⁹ The ‘associated’ countries – Georgia, Moldova and Ukraine – could qualify for a separate dimension, e.g. an ‘Eastern Partnership Plus’ that would offer access to new elements of cooperation with the EU. This offer could entail more funds for the implementation of the Association Agreement; cooperation on the security dimension; wider and deeper inter-institutional cooperation

and access to EU institutions as an observer. Creating such a special dimension of the EaP would actually be in the spirit of its ‘more for more’ approach and would be an encouraging step for the countries seeking closer European integration. The EaP could become like a football league, where the best performers play in the premier league, accompanied by the relevant resources, while others play in the lower league where they still have a chance to advance if their performance merits this.

Expand the security dimension. Russia’s annexation of Crimea and aggression against Ukraine in 2014 forced Kyiv to reflect on requesting further possible contributions from the EU in the field of security. Up until now, the EU has been focusing on soft security; mainly fighting corruption (and rightly so), and supporting capacity building in the civilian security sector with the support of the EU Advisory Mission in Ukraine (EUAM). However, given the security threats that Ukraine currently faces from the east (via the sea and over the ground) the soft security approach probably needs to be expanded, in parallel with the possible and gradual inclusion of Ukraine in some of the EU’s defence initiatives. First, the EUAM mission regional offices could be expanded (e.g. in Mariupol) and the number of mission mobile teams multiplied. Second, the EU could offer participation in some Permanent Structured Cooperation (PESCO) projects, especially when it comes to enhanced military training and exercises, disaster relief and, most importantly, cybersecurity. Given Ukraine’s accumulated experience in dealing with non-linear warfare and cyber forensic data gathering in the aftermath of numerous cyberattacks, such cooperation could also be useful for the EU partners.⁵⁰ Third, the European Parliament’s proposal to create the position of an EU Special Envoy for the situation in the East of Ukraine and Crimea deserves

⁴⁸ Ukrainian Center for European Policy, “Ukraine and the Association Agreement. Monitoring of implementation 2014–2018”, Kyiv, 2018 p. 14, http://ucep.org.ua/wp-content/uploads/2018/12/Report_2014-2018_WEB_FINAL.pdf.

⁴⁹ Eastern Partnership Index: <http://eap-index.eu>.

⁵⁰ Leonid Litra, Dumitru Mînzărari et al., “A New Security Agenda for the Eastern Partnership: Assessing the Key Security Risks for the EU, Georgia, Republic of Moldova and Ukraine”, Eastern Partnership Think Tank Forum, December 2018, <http://eap-csf.eu/wp-content/uploads/Policy-Paper-A-new-security-agenda-for-the-Eastern-Partnership-Assessing-the-key-security-risks.pdf?fbclid=IwARogRgBJTMVdfqdB7ijvHafX-niHPLkFbovSWGd5VaWdJaaW6LJ-wdWgRT4>.

serious consideration.⁵¹ This would signal greater EU involvement in the monitoring of the conflict and in the resolution efforts. Still, security remains a two-way street and in this spirit, Ukraine has already signalled its willingness to contribute to European security itself. It has been participating in the EU's CSDP missions since 2003 (e.g. Operation Atalanta) and it has also made a significant contribution to peacekeeping world-wide: in 2016, among European countries Ukraine had the fourth-largest peacekeeping contingent in UN operations.⁵² In the coming decade, Ukraine could make an important contribution to the CSDP missions in the EU's southern neighbourhood.

More funding and assistance with absorption. In the economic area, there is a growing perception in Kyiv that the current EU formula, which was included in the AA, is not going to ensure that Ukraine achieves significant economic growth.⁵³ Ukraine's trade with the EU has increased, but this is also due to Kyiv cutting economic ties with Moscow after the events of 2013–2014. Without a significant programme aimed at funding the transformation of the economy, Ukraine might not fully take advantage of the DCFTA. The EU proposal on the Trans-European Transport Network is a good example of working on creating the necessary economic infrastructure with beneficial multiplying effects.⁵⁴ However, more support is needed in areas like certification, meeting EU standards, creating export capacity and pairing with business partners in EU countries. It is

Security remains a two-way street and in this spirit, Ukraine has already signalled its willingness to contribute to European security itself.

important to keep the EU's existing instruments in place as they have proved to be effective and were helpful for Ukraine when negotiating the Association Agreement. The European Neighbourhood Policy Instrument (ENPI) is a model of funding that was tailored to the needs of EU neighbours and has been relatively easy to operate with. It is vital to keep the ENPI as a funding scheme for the EU's neighbours, including Ukraine. Simultaneously, Ukraine would need continuous assistance in enhancing its absorption capacities. There is willingness to absorb funds, but eastern partners lack skills and experience in how to turn ideas into real projects.

Give Ukraine a stake in the policy shaping process. There is a big structural asymmetry in the AA/DCFTA between Ukraine and the EU. Ukraine's commitment in terms of the transposition of the *acquis* and the newly adopted EU legislation is similar to that of countries that are part of the European Economic Area (EEA), the European Free Trade Area (Norway, Iceland, Lichtenstein) and the countries that are part of Stabilisation and Association Agreements (Western Balkans). The nature of the transposition, in the case of associated countries, however, is less ambitious and requires equivalence and not homogeneity.⁵⁵ Nevertheless, unlike the above countries, Ukraine has no access to shaping the EU legislative process, although Ukraine will have to adopt that legislation in some form. To facilitate better cooperation, in the future Ukraine could be allowed access to the EU policy-shaping process

51 EU–Ukraine Parliamentary Association Committee Eighth Meeting 17–18 September 2018 (Lviv, Ivano-Frankivsk), Final Statement and Recommendations, http://www.europarl.europa.eu/cmsdata/153526/PAC_UA_8th_18092018_recommendations.pdf.

52 Kseniya Oksamytna, “Contributor Profile Ukraine”, *Providing for Peacekeeping*, 2016, <http://www.providingforpeacekeeping.org/wp-content/uploads/2016/09/Ukraine-Oksamytna-6-Sept-2016.pdf>.

53 Balazs Jarabik (ed.), “The State of Implementation of the Associations and Free Trade Agreements with Ukraine, Georgia and Moldova with a Particular Focus on Ukraine and Systemic Analysis of Key Sectors”, European Parliament, November 16, 2017, http://www.europarl.europa.eu/thinktank/en/document.html?reference=EXPO_STU%282017%29603836.

54 European External Action Service, “Eastern Partnership: new Indicative TEN-T Investment Action Plan for stronger connectivity”, January 18, 2019, https://eeas.europa.eu/delegations/georgia/56763/eastern-partnership-new-indicative-ten-t-investment-action-plan-stronger-connectivity_en.

55 Vladimir Bilcik, Alexander Duleba et al., “Integration without Membership, Potential and Limits of Ukraine's Association”, Slovak Foreign Policy Association, Bratislava, April 2017, http://surec.sk/data/K1_Duleba_AA.angl_cbc01014.pdf.

in the early stages (via consultations) as is the case already for EEA states. This exercise might become an important part of Ukraine's 'socialisation' with EU institutions and foster smooth cooperation in other fields.

Invest more in young people. It is very important to continue efforts to familiarise the youth of the country with European processes and foster their sense of belonging to the European family. A second Eastern Partnership European School and a new College of Europe, both with campuses in Ukraine (for instance in Odessa and Kyiv), would provide a powerful boost for the integration of Ukrainian students and academia into the EU framework, while also serving as an incubator for innovative ideas and solutions.

Progress on membership perspective. Ideally, Ukraine would like to see the EU clearly acknowledging the membership perspective – or a specific milestone after which such a perspective could be granted. The political elite in Kyiv are fully aware of the EU's constraints in making a statement regarding membership. Yet Ukraine sees membership not as an immediate process, but rather as an aspirational goal that needs to be kept alive as a powerful motivational incentive.

Continue engagement. 2019 is clearly an important year for Ukraine in terms of its internal political cycle, with presidential and parliamentary elections unfolding consecutively. However, it is crucially important for the EU to continue engaging with Ukraine to implement reforms. After all, this is what the Ukrainian public expects. A recent survey has shown that the Ukrainian public is eager for the EU to put pressure on the country's authorities to enact reforms (28%).⁵⁶ In particular, 45% expect the EU to take a more active role in tackling corruption.⁵⁷ Even more significantly, almost 54% of respondents declared that continuation of the European integration process will be an important or decisive factor influencing their voting preferences in the upcoming elections.⁵⁸ Thus, there is a quite significant demand and expectation from Ukrainian citizens that the authorities will continue on the path to European integration and at the same time, that the EU will be actively engaged in the reform process. Clearly there is an appetite and drive for sustainable change in the country, that needs to be sustained by the EU's insistence on reforms accompanied by a renewed package of incentives.

56 New Europe Center, "What Kind Of Assistance Do Ukrainians Expect from the EU and the US?", October 2018, <http://neweurope.org.ua/en/analytics/na-yaku-dopomogu-ukrayintsi-ochikuyut-vid-yes-ta-ssha/>

57 Open Neighbourhood Programme, EU Neighbours – East, "Annual Survey Report – Ukraine", June 2018, https://euneighbours.eu/sites/default/files/publications/2018-07/EU%20NEIGHBOURS%20east_AnnualSurvey2018%20report_UKRAINE.pdf.

58 Ukrainska Pravda, "Opros pokazal, kakoy vneshney politiki ozhidayut ukraintsi ot sleduyushego prezidenta" [Survey showed what foreign policy Ukrainians expect from the next president], February 14, 2019, <https://www.pravda.com.ua/rus/news/2019/02/14/7206636/>

CHAPTER 3

MOLDOVA

Renewed hope after a string of setbacks

by
IULIAN GROZA

Launched a decade ago by the EU, the Eastern Partnership (EaP) aimed at creating a stable, prosperous and secure eastern neighbourhood. To achieve this goal, the Republic of Moldova, along with five other countries from the region, was offered the prospect of political association and economic integration, based on the values of democracy and rule of law, shared ownership, differentiation and mutual accountability. Looking back from the perspective of 2019, the case of Moldova demonstrates clearly both the successes and failures of the EaP. This chapter will explore this in greater detail. First, it will show how the Moldovan elites viewed the EaP when it was initiated and to what extent and why those perceptions have changed over time. The analysis will then assess what worked and what did not work for Moldova in the EaP, reviewing the state of play of the country's relations with the EU. Finally, the chapter will conclude by outlining what the EaP may look like after 2020 and how it can help in securing Moldova's sustainable transformation and bring the country closer to the EU.

CHANGING ATTITUDES

Over the past decade, the goal of European integration has dominated Moldova's foreign and domestic policy agenda, although the pace of reform has sometimes faltered. The country's governing elites often lacked the rigour or political will to pursue a systemic European integration process beyond mere declarations or promises. It is also true that European integration was often perceived in Moldova more as a geopolitical choice between East and West and less as a means of securing a long-term political, economic and social transformation of the society in line with European standards, rules and values. This perception has influenced the attitudes of Moldovan citizens towards the EU over time. Finally, this also shaped Moldova's attitudes towards the EaP, evolving successively from initial reluctance to forward-looking enthusiasm to less ambitious pragmatism – but now hopefully poised to receive fresh impetus as the advent of a new pro-reform technocratic government in early June 2019 presents a new window of opportunity for EU-Moldova relations.

From reluctance to enthusiasm

Before 2009, Moldova's approach towards the EU was twofold. First, it agreed to follow the implementation of the EU-Moldova European Neighbourhood Policy (ENP) Action Plan. Second, the country pursued closer regional integration within South-East European cooperation formats with clear European perspectives (i.e. the Stability Pact for South-Eastern Europe, later RCC, SEECP, CEFTA, etc.). When the EaP proposal was put on the table in November 2008,¹ Moldova showed reluctance to embrace the initiative as it did not provide for a clear membership perspective. In February 2009, Moldovan President Vladimir Voronin stated that the EaP reminded him of a new Commonwealth of Independent States – a 'CIS 2' – only in this case controlled from Brussels and forming a ring around Russia.² This highly sceptical position should be viewed in the context of Russian-Moldovan relations which, at the time, were improving as a result of the EU's mounting criticism of Moldova and its poor performance in conducting reforms. However, by spring 2009 this scepticism had given way to hesitant engagement. President Voronin decided not to attend the EaP Summit in Prague but sent instead the minister of foreign affairs, who tacitly confirmed Moldova's participation in the EaP.³

Meanwhile, in Moldova the public mood had changed with the 'Twitter Revolution' after the contested victory of the Communist party in the elections that took place in April 2009. The

new liberal and democratic coalition installed after the early parliamentary election held on 29 July 2009 promised systemic reforms.⁴ EU-Moldova relations entered a 'honeymoon' period. Notwithstanding the internal political crisis, the new coalition government sought to advance negotiations on a new Association Agreement and to obtain visa-free travel to the EU. Power rotation at the top also changed Moldova's attitude towards the EaP, with the new authorities interpreting it as a preparatory phase before accession to and full membership of the EU.⁵ The country became more active in exploring the multilateral dimension of the EaP, in particular focusing on regional cooperation by supporting the creation of a common economic area and by promoting interconnectivity among EaP states and with the EU. In contrast to its initial reticence, Moldova gave the impression of having become the most enthusiastic member of the EaP.

The renegade 'success story'

From 2012 on, the EU referred to Moldova as its most prominent, committed and reliable partner,⁶ with the country being dubbed the 'success story' of the EaP. When compared to other EaP partners, Moldova was indeed doing better ahead of the 2013 EaP Vilnius Summit.⁷ Subsequently, after concluding the Association Agreement and obtaining visa-free travel to the EU in 2014, Moldova became more ambitious with regard to the EU and the EaP, asking for a clear European perspective. The Moldovan

1 European External Action Service (EEAS), "Joint Communication of the European Commission and EU's HR FASP to the European Parliament and European Council", *JOIN(2015) 50*, Brussels, November 18, 2015, http://eeas.europa.eu/archives/docs/enp/documents/2015/151118_joint-communication_review-of-the-enp_en.pdf.

2 "Vostochnoe Partnerstvo napominayet kol'tso vokrug Rossii" [The Eastern Partnership is like a ring around Russia], *Kommersant.ru*, February 27, 2009, <https://www.kommersant.ru/doc/1126593>.

3 Andrei Stratan, "The Future Relations of the Republic of Moldova with the EU", Speech at the EaP Summit in Prague, May 7, 2009, http://communicate.md/index.php?task=articles&action=view&article_id=1641.

4 "Discursul lui Vlad Filat în sesiunea Parlamentului din 25 septembrie 2009" [The speech of Vlad Filat in the Parliament], Moldova.org, September 25, 2009, <https://www.moldova.org/discursul-lui-vlad-filat-in-sedinta-parlamentului-din-25-sept-203703-rom/>

5 "Iurie Leancă: Următorul pas în relațiile cu UE este recunoașterea perspectivelor de aderare", [Iurie Leanca: The Next Step in Relations with the EU is Recognition of Accession Perspective], *Interlic*, November 27, 2013, <http://www.interlic.md/2013-11-27/iurie-leanca-urmatorul-pas-in-rela-iile-cu-ue-este-recunoa-terea-perspectivelor-de-aderare-32402.html>.

6 Stefan Fule, Speech at the Berlin EU-Moldova Forum, October 22, 2012, http://europa.eu/rapid/press-release_SPEECH-12-753_en.htm.

7 Eastern Partnership Index 2015, <http://www.eap-index.eu/node/111>.

government was also actively lobbying the European Commission and EU member states for a pledge that by 2018 a so-called road-map with a clear membership perspective would be on the table.

However, immediately after the November 2014 parliamentary elections, when a massive banking fraud was revealed,⁸ the bubble of Moldova's 'success story' burst. The scandal exposed systemic problems in the financial-banking sector, the judiciary, regulatory and law enforcement bodies as well as high-level corruption across the board. This plunged the country into a deep economic and political crisis. Public support for EU integration in Moldova declined. While in 2010 almost 63% of citizens were in favour of EU accession, this number plummeted to 45% in 2015.⁹ This steep decline can also be attributed to the excessive politicisation of the European integration narrative by the previous governments and their failure to deliver change whose impact would be felt by citizens. The banking fraud exposed the systemic and pervasive corruption of the 'pro-European' elite in power. Ahead of the 2015 Riga EaP Summit, Moldova was already a renegade success story.

A new window of opportunity?

The original positive narrative of EU-Moldova relations gradually gave way to disappointment and certain misgivings. In the wake of the financial scandal the EU reviewed its approach to Moldova, focusing now on strengthening the resilience of society and pressing on with the reform process: it put pressure on

the government to implement the Association Agreement, depoliticise institutions and advance the investigations into the banking fraud. Based on the so-called Priority Reform Action Roadmap that was adopted by the government to respond to the EU's criticism, a degree of progress was acknowledged in particular in the financial-banking sector. Ultimately, the EU resumed its direct budget support to Moldova, while the International Monetary Fund (IMF) launched a macro-financial support programme. The internal situation started to stabilise somewhat.

However, it seemed to work only for a while. Moldova took a more defensive stance towards the EU in 2017 as more (entirely deserved) criticism poured in from Brussels. The incumbent parliamentary majority led by the Democratic Party were more preoccupied with expanding their political control over the state institutions and changing the electoral system, without a clear cross-party consensus and all the while ignoring the recommendations of the Venice Commission. At the same time, although the situation in the banking sector stabilised, there was no real progress in the banking fraud investigations. The reform of the judiciary system stalled as well, which led to the cancellation of the last tranches of the EU budget support for the justice sector.¹⁰ In response, the EU started to apply the strict conditionality clause for its assistance. Apart from technical benchmarks, this also included political conditionality referring to the need to respect effective democratic mechanisms, rule of law and human rights.¹¹ As the EU imposed more normative conditionality, support for the EU among Moldovan citizens went up by 10%.¹²

8 "Radiography of A Bank Fraud In Moldova: From Money Laundering To Billion Fraud And State Debt", *Transparency International*, December 20, 2016, <http://www.transparency.md/2016/12/20/radiography-of-a-bank-fraud-in-moldova-from-money-laundering-to-billion-fraud-and-state-debt/>

9 Institute for Public Policy, "Barometer of Public Opinion", November 2010, <http://ipp.md/old/libview.php?l=ro&idc=156&id=558>; Institute for Public Policy, "Barometer of Public Opinion", November 2015, http://ipp.md/old/public/files/Barometru/Brosura_BOP_11.2015_prima_parte_final.pdf.

10 European External Action Service (EEAS), "Moldova: EU Cuts Budget Support Programme for Justice Reforms", October 11, 2017, https://eeas.europa.eu/delegations/moldova/33723/moldova-eu-cuts-budget-support-programme-justice-reforms_en.

11 European External Action Service, "Remarks by HR/VP Mogherini on Breaches of Human Rights, Democracy and the Rule of Law in Moldova", July 5, 2018, https://eeas.europa.eu/headquarters/headquarters-homepage/47997/remarks-hrvp-mogherini-breaches-human-rights-democracy-and-rule-law-moldova_en.

12 Institute for Public Policy, "Barometer of Public Opinion", May 2018, http://ipp.md/wp-content/uploads/2018/05/BOP_05.2018_sondaj.pdf.

By 2018 Moldova had clearly moved into the camp of EaP underperformers. Its attitude and expectations towards the EaP consequently became less ambitious. Due to its diminished credibility as a result of the corruption scandals, Moldova was compelled to hide behind *demandeurs* like Ukraine and Georgia. Moldova simply had no powerful arguments other than the geopolitical one (the perceived threat from Russia) to support any eventual demands for more benefits and assistance from the EU. Thus, ahead of the 2017 Brussels EaP Summit, the country was aiming to start an enhanced bilateral dialogue with the EU in areas that were less linked with the value-based reform agenda, like a security and defence dialogue with a particular focus on addressing hybrid threats. Concerning the multilateral dimension of the EaP, Moldova was seeking more opportunities for closer cooperation between the Associated EaP Partners and the EU to explore the potential of the Deep and Comprehensive Free Trade Area (DCFTA), increase transport connectivity and deepen cooperation in the energy and digital fields.

However, EU-Moldova relations continued to deteriorate after the controversial cancellation by a court of the results of the early local elections in Chisinau in June 2018. The EU suspended all disbursements of the EU macro-financial assistance and direct budget support programmes. The EU-Moldova dialogue entered a cooler phase marked by uncertainty. As 2019 neared, the ruling Democratic Party had put reforms on the back burner and deployed political, financial and media resources at hand to boost its political ratings and cling to power after the February parliamentary elections.

After months of uncertainty and failed attempts to establish a functional coalition, Moldova's

main political forces, the pro-Russian Party of Socialists and the pro-EU ACUM bloc ('Now!'), managed to form a parliamentary majority on 8 June 2019,¹³ relegating the former ruling Democratic Party to the opposition benches. This alliance between the two parties, which had hitherto seemed impossible due to what appeared to be irreconcilable differences, was a rare act of political maturity whereby both entities set aside geopolitical differences and prioritised the national interest. It took however about a week for the newly created technocratic government of Maia Sandu, the leader of the Party for Action and Solidarity, one of the two parties forming the ACUM bloc, to take office after a peaceful transfer of power from the former incumbents, a development welcomed by the international community and Moldovan civil society. After the resignation of the outgoing government led by Pavel Filip, the Constitutional Court also rescinded its controversial decisions issued on 7–9 June 2019,¹⁴ ahead of the announced hearing of Moldova's case by the Venice Commission on 20 June 2019.¹⁵

By 2018 Moldova had clearly moved into the camp of EaP underperformers.

In a period of ten years Moldova has come full circle and is now entering a new phase in its relations with the EU. Moldova initially turned a cold shoulder to the EaP initiative, only for this attitude to be succeeded shortly thereafter by an enthusiastic embrace of the policy as rela-

tions with the EU improved. Since 2016, political relations had been on a downward slope again. Despite this, economically Moldova has become more dependent on the EU market than was the case a decade ago due to the impact of the DCFTA. However, with the altered political circumstances as of early June 2019, and the advent of the new pro-reform technocratic government led by Masa Sandu, the Association Agreement and Moldova's European integration process are now back on track as the cornerstones of

¹³ "Parliament Votes Confidence in Maia Sandu Government," *Infotag*, 9 June 2019, <http://www.infotag.md/politics-en/276408/>

¹⁴ Constitutional Court of the Republic of Moldova, Press-Release, "Constitutional Court Has Revised its Acts Delivered on 7–9 June 2019", <https://www.constcourt.md/libview.php?l=en&id=1509&idc=7&t=/Media/News/>

¹⁵ Venice Commission, 65th meeting of the Council for Democratic Elections, announced for 20th June 2019, <https://www.venice.coe.int/webforms/events/?id=2704>.

Moldova's foreign and domestic policy. This creates a historical momentum for the country to rebuild its tattered democracy. It also opens up a new window of opportunity for resuming and deepening Moldova's Association process with the EU, including in the framework of the EaP and possibly beyond.

EAP DIVIDENDS FOR MOLDOVA

When assessing Moldova's participation in the EaP, it appears that progress was achieved more in areas that did not involve sustainable implementation of systemic reforms, respect of democratic principles and rule of law. This is perhaps not surprising, since these require stronger political will from Moldovan governing elites and would shatter the veto powers of vested interests. The 2009 EaP offer for Moldova worked much better when this implied short-term financial, economic or political gains for the elites that they could use to bolster their internal support. In turn, the EU's conditionality and benchmarking policy was much more effective every time there was an important reward attached; be it EU assistance, visa-free travel or access to the EU market for Moldovan products via the DCFTA.

The DCFTA's short-term returns

The DCFTA has proven to work at least in part, as exports to the EU increased in value terms by 22% compared with the pre-DCFTA period

– from USD 1,4 billion in 2014 to USD 1.9 billion in 2018.¹⁶ Almost 70% of Moldova's exports go to the EU market. Meanwhile Moldova's exports to CIS countries have decreased by 47% since 2014.¹⁷ The Moldovan agri-food sector is clearly the sector which has benefited most from the DCFTA. The exports of agricultural produce to the EU grew by 44%, offsetting the losses of exports to the CIS, caused by Russian trade restrictions on Moldovan wine, fruits and vegetables, as well as by the armed conflict in Ukraine. The fact that the value of agri-food exports to the EU increased by about 515 million USD, compensating the decrease of about 512 million USD in exports of these products to Russia, Belarus and Ukraine, provides more evidence in this regard.¹⁸ Looking at the different types of agri-food products, wine exports to the EU, on which quotas were lifted in 2014 before the signature of the DCFTA, increased by 42%.¹⁹ Exports of natural honey increased more than twofold. Similarly, exports of sunflower seeds increased threefold, amounting to over a share of the agri-food exports to the EU of over 24%.²⁰

Assessing the impact of the DCFTA on the Moldovan economy in general, a few figures should be highlighted. The net increase in exports since 2014 due to the effect of the DCFTA is estimated at around €367 million.²¹ This contributed to the creation of over 15,000 jobs, helped increase budget revenues by 5% (€355 million) and led the amount of capital in the private sector to grow by €320 million.²²

The Transnistrian region, the breakaway territory on the left bank of the Nistru River, represents a special case when it comes to the implementation of the DCFTA. Tiraspol made

16 Calculation based on the data of the National Bureau of Statistics: <http://www.statistica.md/category.php?l=en&idc=336>.

17 National Bureau of Statistics, "Moldova's foreign trade in 2018", February 15, 2019, <http://www.statistica.md/newsview.php?l=ro&idc=168&id=6256>.

18 "The Economic Impact after 4 Years of Implementation of the Association Agreement EU-Moldova", *Expert-Grup*, September 14, 2018, <https://www.expert-grup.org/en/biblioteca/item/1687-impactul-economic-dupa-4-ani-de-implementare-a-acordului-de-asociere-rm-ue/1687-impactul-economic-dupa-4-ani-de-implementare-a-acordului-de-asociere-rm-ue>.

19 Calculation based on the data of the National Bureau of Statistics: <http://www.statistica.md/category.php?l=en&idc=336>.

20 Ibid.

21 "The Economic Impact after 4 Years of Implementation of the Association Agreement EU-Moldova".

22 Ibid.

an informal agreement with Chisinau on customs tariffs and the gradual lifting of import duties in 2015, which paved the way for the DCFTA to be extended to the Transnistrian region as well in January 2016. It slowly introduced EU norms in the region and increased its dependency on the EU market, making it the only breakaway region in the EaP that is part of and implements some elements of an EU-type agreement. In 2018, 35% of exports from the region were directed to the EU (in particular to Romania, Germany Poland and Italy), while only around 10% of exports went to Russia.²³ However, if Moldova proper is excluded from the region's export statistics (30% of goods go to the right bank),²⁴ then the EU share in Transnistria's exports climbs to 50%.

A positive side effect of the DCF-TA was the opening of new trade opportunities. Third states have shown greater interest in trade agreements with Moldova as it can serve as a potential gateway to European markets. Since 2016, Moldova has implemented a free trade agreement with Turkey and is currently negotiating a free trade arrangement with China. While Russian pressure in the short-run had a negative impact on the Moldovan fruit and wine sectors, ultimately the fall-out from this was positive: Russian trade restrictions prompted Moldovan producers to diversify exports and improved the quality of Moldovan products.

Still, the potential offered by the DCFTA for the Moldovan economy has yet to be fully exploited. More needs to be done by the Moldovan

authorities to fully take advantage of the trade facilitations offered by the agreement. For example, exports of meat and eggs to the EU market are still banned due to the slow pace of implementation of EU sanitary and phytosanitary requirements. The EU's DCFTA Facility and the EU4Business support programmes for small and medium-sized enterprises (SMEs)²⁵ have provided new impetus for the development of SMEs in Moldova.²⁶ However, more efforts are needed to provide SMEs with access to new funds, improve access to the EU market and build up their capacities to protect their business from rent-seeking vested interests.

Impact of visa-free travel

The visa-free travel regime with the EU is probably the outcome of the EaP that has worked best for Moldova.

The visa-free travel regime with the EU is probably the outcome of the EaP that has worked best for Moldova. Since this was introduced in 2014, over 2 million Moldovan citizens (over 50% of the population) have travelled to the EU without visas, with citizens having crossed the

Moldovan border en route to EU member states over 6.25 million times. The majority of these travellers are aged between 18 - 36 (i.e. 62.8%), while 23.2% are over 46 years old.²⁷

Moldova continues to respect the requirement for visa-free travel to the EU. The cooperation on readmission and return with Moldova is functioning well. According to Frontex data, the number of refusals of entry to the EU is low, registering a rate of 0.3% while the figures for

²³ "SCC: In 2018, the Pridnestrovian Foreign Trade Turnover Increased by 26 percent", *Novosti Pridnestrovyia*, January 19, 2019, <https://novostipmr.com/en/news/19-01-19/scc-2018-pridnestrovian-foreign-trade-turnover-increased-26-cent>.

²⁴ "Exportul transnistrean în UE a crescut cu 42,2% [Transnistrian exports to the EU grew by 42.2%]", *Infotag*, December 5, 2018, <http://www.infotag.md/rebellion-ro/270009/>

²⁵ "EU4Business Country Report 2018", *EU4Business*, http://www.eu4business.eu/files/community/pdf/annual_report_2018_8.pdf.

²⁶ Note: By 2018, within the EU4Business programme over 22 projects have been supported in Moldova by an ongoing EU contribution of €41,8 million, complemented by EIB and EBRD funds. Most of the projects provide financing support and improve access to markets. Since 2009, over 550 enterprises have received EU advisory services support. Over 4,220 SMEs received loans, accumulating a total value of €210.8 million, creating 810 additional jobs in enterprises and contributing to the sustainability of another over 20,000 jobs.

²⁷ Interview with the Head of the Moldovan Border Police General Inspectorate held on 22 April 2019, Chisinau, Republic of Moldova.

illegal stay were about 0.5%.²⁸ The number of Moldovan asylum seekers remained low (1,610 applications were registered in 2018) and the asylum recognition rate stayed in the range of 1.35% in 2017.²⁹

However, the European Commission stresses in its 2018 Report on the Visa Suspension Mechanism, that in order to fully benefit from the visa-free travel regime with the EU, the Moldovan authorities still need to effectively implement the Law on the Prevention and Fight Against Money Laundering, including the declaration of wealth and interests, the fight against corruption and the effective recovery of the proceeds of crime. The Commission also points out the need to review the conditions for granting tax incentives and the ‘citizenship through investment’ scheme introduced in 2018.

Ultimately, visa-free travel to the EU, coupled with the liberalisation of the country’s air space in 2012, when Moldova acceded to the EU’s Common Aviation Area, has contributed to a higher number of Moldovan citizens travelling to the EU. Whereas the majority of Moldovans still use cars, buses and trains to travel to EU destinations, the number of those who travel by air has tripled compared to 2014 (i.e. 270,000 citizens in 2018).³⁰ Moreover, airfares have become cheaper and low-cost airlines have introduced new routes from Chisinau to EU cities. In general, visa-free travel to the EU has provided additional opportunities for improved mobility and enhanced people-to-people contacts for young people, families and business.

Enhanced sectoral cooperation

The Association Agreement frames not only the relations with the EU, but also shapes Moldova’s internal policy reform process. It also includes the necessary conditions for gradual approximation with the EU’s legal and institutional standards. In 2018 the Moldovan authorities reported that over 40% of the EU *acquis* included in the Association Agreement has been transposed in the national legislation (i.e. 285 out of 698 EU directives and regulations).³¹ However, the challenge lies in the effective and practical implementation of the new legislation, which is often inconsistent, in particular in the areas of competition, public procurement, energy market regulation, and other spheres which are exposed to rent-seeking interest groups behind the government.

The Association Agreement also provided Moldova with opportunities to explore new linkages with the EU in the area of foreign and security policy. EU-Moldova CSDP cooperation deepened after concluding the framework participation agreement and the agreement on security procedures for the exchange and protection of classified information. Furthermore, Moldova has been making a modest, yet important expert contribution to the European Training Mission in Mali (EUTM Mali)³² since 2014. In 2015–2016 Moldova also contributed to the EU Military Advisory Mission in the Central African Republic.³³ Finally, Moldova benefited from EU support in implementing the Integrated Border Management strategy and received assistance in setting up joint border control points with Ukraine, including one over the Transnistrian segment of the Moldovan-Ukrainian border. A

²⁸ Ministry of Foreign Affairs and European Integration, Press Release, “More than 2 million Moldovan Citizens Have Freely Travelled to the EU in the Last 5 Years”, 28 April 2019, <https://www.mfa.gov.md/en/content/more-2-million-moldovan-citizens-have-freely-traveled-eu-last-5-years>.

²⁹ European Commission, “Second Report under the Visa Suspension Mechanism”, COM(2018) 856, Brussels, December 18, 2018, https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/20181219_com-2018-856-report_en.pdf.

³⁰ Calculations based on the data of the National Bureau of Statistics, <http://statbank.statistica.md>.

³¹ Ministry of Foreign Affairs and European Integration of the Republic of Moldova, “Report on the Implementation of the National Plan for the Implementation of the EU–Moldova Association Agreement (2017–2019)”, February 2019, https://www.mfa.gov.md/sites/default/files/raportul_final_pnaaa_2017-2019_anul_2018_o.pdf.

³² European Union Training Mission Mali: <http://eutmmali.eu/en/>

³³ European Union Military Training Mission in RCA: https://eeas.europa.eu/csdp-missions-operations/eutm-rca_en

special contribution in this regard was provided by the EU Border Assistance Mission to Moldova and Ukraine (EUBAM).³⁴

Education and research

Moldovan students are eligible under the Erasmus+ programme for short- and long-term exchange educational programmes.³⁵ Thanks to the Erasmus+ Capacity Building programme, over 31 project proposals have been initiated by higher education institutions in Moldova. Over 22 mobility partnerships have been concluded by Moldovan higher education institutions with similar institutions from the EU.³⁶ Long-term mobility opportunities in the form of master programmes are also available for Moldovan students.³⁷

Moldova was the first EaP country to become a full association member of the EU Programme Horizon 2020,³⁸ through which the EU supports research and innovation with a view to fostering integration in the European Research Area. Moldovan researchers and innovators can also access other European networks and initiatives, such as EURAXESS, COST, Enterprise Europe Network, EUREKA. To date, Moldovan organisations participate in 48 Horizon 2020 projects with a total EU contribution of €4.79 million.³⁹ In addition, under the Horizon 2020 scheme Moldovan students may also apply for research projects and programmes within the Marie Skłodowska-Curie Actions (MSCA) programme. In 2018, 9 Moldovan organisations participated in the MSCA, with an EU contribution of €1.7 million in 2018.⁴⁰ Aiming to

enhance national coordination and implementation mechanisms in the area of research and innovation, in 2018 the government created the National Agency for Research and Innovation (NARI).⁴¹ NARI also facilitates the participation of Moldovan organisations in EU programmes and networks, such as EaP Plus, EaPTC, Interreg and Erasmus.

DRAWBACKS AND FAILURES

Over the last few years, Moldova has benefited from an increased volume of EU financial and technical support. However, the Moldovan authorities have largely failed to exploit this fully and convert the assistance into systemic transformations. This in turn has forced the EU to review its previously highly generous approach.

More assistance, less returns

Since 2009, Moldova has been the recipient of diverse EU assistance instruments via bilateral and multilateral support programmes within the European Neighbourhood Instrument (ENI). According to Moldova's aid management platform,⁴² in the past decade the EU has committed over €935 million, of which €442 million has been actually disbursed. If compared with the period between 1991 and 2009 (€235 million) the total amount of EU support provided to Moldova has tripled in the last 10 years. However,

³⁴ European Union Border Assistance Mission: <http://eubam.org/>

³⁵ Erasmus Plus Moldova: <http://www.erasmusplus.md/ro/article/pentru-studenti>.

³⁶ Erasmus Plus Moldova, http://www.erasmusplus.md/sites/default/files/field/artcile/file/proiecte_mobilitate_de_credite_2016.pdf.

³⁷ Erasmus Plus Moldova, <http://www.erasmusplus.md/ro/article/mobilitate-de-lunga-durata-master-doctorat>.

³⁸ Horizon 2020: <https://www.h2020.md/>

³⁹ European Commission, "H2020 Projects – Summary", <https://webgate.ec.europa.eu/dashboard/sense/app/e8a41234-20b4-4e7e-80ef-335dd9e6ae36/sheet/941d3afe-da24-4c2e-99eb-b7fcbd8529ee/state/analysis>.

⁴⁰ European Commission, "Marie Skłodowska-Curie Actions", ec.europa.eu/research/mariecurieactions/

⁴¹ National Agency for Research and Development, "Horizon 2020", <http://ancd.gov.md/>

⁴² Government of the Republic of Moldova, Aid Management Platform, <http://amp.gov.md/TEMPLATE/ampTemplate/dashboard/build/index.html#saved/224>.

the bulk of the EU funding was provided during the ‘honeymoon period’ in EU-Moldovan relations, that is to say from 2010 to 2014, via technical assistance and direct budget support, including EaP ‘more-for-more’ performance funds and a macro-financial assistance (MFA) programme totalling €90 million in grants (2010–2012), matching the IMF programme of USD 586 million.

In addition, EU member states provided over €366 million of actual disbursements via bilateral support programmes. The European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) in turn committed over €577 million of investments, supporting in particular energy and water supply investment projects, waste management and road and railroad infrastructure reconstruction. The EIB has also funded special projects to support the development of agri-food sectors such as *Filière-du-vin* and *Fruit Garden Moldova* in response to multiple trade embargos imposed by Russia. Moldova participates in the Eastern Europe Energy Efficiency and Environment Partnership (E5P). To date Moldova has pledged over €29.6 million in contributions.⁴³ Three projects have been initiated in Moldova by the EBRD and the EIB with a total budget of €67.11 million and €13 million of E5P funds. Key energy efficiency and renewable energy objectives and targets in line with EU commitments are envisaged by the Energy Strategy 2030⁴⁴ and by the National Action Plan on Energy Efficiency for the years 2016–2018⁴⁵ and the National Renewable Energy Action Plan (NREAP) 2013–2020.⁴⁶

From 2015 onwards, the EU started to apply stricter conditionality closely linked to the results of the reform process and to respect for democratic principles, rule of law and human

rights. In June 2015, the EU’s direct budget support was suspended for the first time due to the lack of progress in the investigation into the banking system fraud. Even though it resumed in 2016, in 2017 the EU again cancelled the last tranches of budget support for the justice sector, due to the government’s failure to implement the Justice Sector Reform Strategy. The tightening of EU conditionality was also motivated by the findings and recommendations of the European Court of Auditors’ Report from September 2016 that evaluated EU assistance for Moldova’s public administration in four areas (justice, public finance, public health, and water) totalling €218.6 million from 2007–2013.⁴⁷ Currently, as a result of the application of the conditionality principle in addition to the suspended budget support programmes, the new EU macro-financial assistance programme worth €100 million in grants and loans remains suspended as Moldova’s democracy and rule of law has backslided, in particular since mid-2018. On top of that, the European Commission decided for the first time to reduce its assistance to Moldova’s government and reorient the funds to support local civil society, the independence of the mass-media, SMEs and local communities. However, with the advent of the new government in June 2019, this situation might change.

Democratic backsliding

The value-based part of the Association Agreement remains unaddressed. Political and democratic transformation processes in the country have still not taken place. Those reforms that have been initiated have largely tackled secondary elements that are important but do not bring about fundamental changes, thereby

⁴³ E5P Moldova: <http://moldova.e5p.eu/>

⁴⁴ Government of Moldova, “Decision on Moldova’s Energy Strategy Till 2030”, Chisinau, February 5, 2013, <http://lex.justice.md/md/346670/>

⁴⁵ Government of Moldova, “Decision Approving the National Plan of Measures in Field of Energy Efficiency for the Period 2016–2018”, Chisinau, December 30, 2016, <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=369635>.

⁴⁶ Government of Moldova, “Decision Approving the National Plan of Measures in fField of Renewable Energy Resources”, Chisinau, December 27, 2013, <http://lex.justice.md/viewdoc.php?action=view&view=doc&id=351034&lang=1>.

⁴⁷ European Court of Audit Report, “Strengthening the EU Assistance to Public Administration in Moldova”, September 2016, http://www.eca.europa.eu/Lists/ECADocuments/SR16_13/SR_MOLDOVA_EN.pdf.

having only a marginal impact on the country's internal transformation. Action has been taken at the policy level to improve the functioning of the justice system. However, the process whereby judges and prosecutors are appointed is still questionable in terms of fairness and it is disputed whether it is merit-based. Systemic deficiencies such as the direct appointment of the judges of the Supreme Court of Justice by the parliament and the presence of political figures in the Supreme Council of Magistrates, militate against any real prospect of justice sector reform. The previous government showed no interest or willingness in depoliticising the judicial sector, including the Prosecutor's Office, which in turn resulted in selective justice practices and culminated in decisions to exclude political parties from elections or even invalidate election results.⁴⁸ On top of all this, the workings of the Moldovan Constitutional Court, which within just one week in early June 2019 managed to issue, revise and cancel its own decisions on the parliament and government, largely grounding its judgements on 'factual circumstances' rather than on the provisions enshrined in the country's constitution, clearly need to be urgently reviewed. The behaviour of the Constitutional Court is ultimately symptomatic of the unreformed rule-of-law system and indicates how deeply the democratic environment in Moldova has been degraded.

Furthermore, the promotion of integrity and the fight against high-level corruption has

remained largely selective and declarative. The institutional integrity framework continues to be deliberately jeopardised because the authorities retain the option of exercising a political veto on investigations in this field. Even the National Integrity Authority created in 2016 was later circumscribed in its scope and is still

The promotion of integrity and the fight against high-level corruption has remained largely selective and declarative.

not fully operational. Illustratively, investigative journalists have reported numerous cases of lack of integrity of public officials and undeclared assets and property. Despite a public outcry, the prosecutor has failed to act on them.⁴⁹

The fight against high-level corruption, particularly political corruption, has in practice resulted in symbolic sanctions

with no recovery of assets, selective legal practices or outright impunity. The investigations and prosecution against all those involved in the banking fraud have still not been brought to a conclusion. The continuous postponement of the final ruling of the Court of Appeal on the case of Ilan Sor (one of the culprits in the affair), who has been sentenced to 7 years imprisonment by the Court of Instance but was nevertheless still elected to the Moldovan parliament, speaks volumes.⁵⁰ One of the key internal factors that has negatively impacted Moldova's performance on its path to sustainable transformation is the nexus between big business and government institutions which repeatedly thwarts reforms, sustains high-level corruption and discredits the judiciary.

48 "Who is the Judge Who Cancelled the Elections in Chisinau?", *Digi 24*, June 20, 2018, <https://www.digi24.ro/stiri/externe/moldova/cine-este-judecatoarea-care-a-anulat-alegerile-de-la-chisinau-950049>.

49 "Investigation: Who are the Sponsors of Judges from Moldova?", *Agora*, May 4, 2018, <http://agora.md/stiri/44992/investigatie-cine-sunt-sponsorii-judecatorilor-din-republica-moldova>.

50 Marc Champion, "This Man's About to Get Elected After a \$1 Billion Bank Fraud", *Bloomberg*, February 22, 2019, <https://www.bloomberg.com/news/articles/2019-02-22/this-man-s-about-to-get-elected-after-a-1-billion-bank-fraud>.

The DCFTA and vested interests

The number of enterprises exporting goods to the EU increased from 1,018 in 2013⁵¹ to 1,672 in 2018,⁵² the majority of them being SMEs. However, the benefits are not evenly distributed between SMEs and larger companies. The majority of the beneficiaries in value terms are the companies that act as monopolies catering for narrow economic groups and vested interests (e.g. grain and processed cereals exporters). Thus, large producers have been the main beneficiaries of the DCFTA. The large agricultural enterprises receive sizeable subsidies from the government and have been constantly overstepping the export quotas for products subject to the anti-circumvention instrument. The DCFTA has inadvertently supported the political clientelism of these large producers and has failed yet to bring substantial benefits to society at large.

Another aspect of the DCFTA that has not functioned as intended is the diversification of industrial production. The only exception is the production of machinery and equipment, which did register a 11% growth in 2018, compared with 2014 – with a share of 29% of the total exports to the EU. However, this business model is highly dependent on spare parts imports and subsequent re-export after domestic processing. The failure to conclude the Agreement on Compliance Assessment and Acceptance of Industrial Products (ACAA) with the EU does not ensure a proper investment climate for new sectors of the economy and thus limits the opportunities to attract FDI, generate jobs, ameliorate citizens' welfare and improve the competitiveness of the Moldovan economy. There are numerous reasons why the ACAA has not yet been negotiated and concluded, among the most important being insufficient trust on the EU side that the domestic certification and

verification procedures meet EU standards. Even if the technical standards are being constantly updated and harmonised with the existing EU ones, more than just approximation of standards and framework legislation is required for a successful conclusion and entry into force of the ACAA. The reluctance from the EU side to negotiate and conclude the Agreement at the same time means that an important incentive is put on hold, which could otherwise be used to push for systemic and irreversible reforms in the justice sector, party financing, rule of law, integrity or independence of the media.

The membership perspective is even further away

After ten years Moldova is no closer to attaining its EU membership perspective, contrary to the country's initial aspirations. Even though it was not promised in the EaP framework, this was the sought outcome when the Moldovan authorities decided to engage with the EaP. This is largely the fault of previous Moldovan governments which failed to root out corrupt practices or promote democracy and the rule of law while paying lip-service to pro-European reforms.

On the EU side, internal challenges make the debate on further enlargement complicated. Still, the current lack of a membership perspective is ultimately the end result of the corrupt and predatory behaviour of the Moldovan political elite from 2009 onwards, which showed little understanding of or respect for European values. This current situation should not discourage the pro-reform camp and civil society in Moldova from aspiring to European values and reforms and demanding action to secure Moldova's integration with the EU. Now, however, the arrival in power of the new pro-reform coalition government of Maia Sandu, formed by ACUM and the Party of Socialists

51 "Moldova's Exports to the EU Represent 65% of All Exports in 2016", *AA/DCFTA in Moldova*, February 16, 2017, <http://dcfta.md/exporturile-republicii-moldova-catre-tarile-uniunii-europene-au-detinut-o-cota-de-pestre-65-din-totalul-de-exporturi-in-2016>

52 Ministry of Foreign Affairs, "Report on Execution of the National Plan for Implementation of AA Moldova-EU 2017-2019", 2018, <http://www.mfa.gov.md/img/docs/Raport-impl-PNAAA-2017-2019-an-2018.pdf>.

of Moldova and appointed on 8 June 2019, opens up a new chance for resuming a more ambitious EU-Moldova Association process with the EU. It may not automatically imply a membership perspective, but it could definitely provide a basis for enhanced cooperation and the participation of Moldova in EU structures and policies based on the country's level of approximation and track record in implementing reforms as per the Association Agreement. Moreover, the ongoing EU reflection about the future of the EaP could facilitate this, by providing new integration opportunities that would facilitate closer linkages with the EU.

A VIEW OF THE EAP BEYOND 2020

The 10th anniversary of the EaP offers an occasion to reflect on how the EaP may evolve in the run-up to the next EaP Summit in 2020. The concluding section outlines a list of recommendations on the future of the EaP, reflecting a Moldovan perspective.

Smarter EU conditionality

The political situation in Moldova in recent years and the poor state of its relations with the EU demonstrate that more creative and forward-looking ideas are needed. Ultimately, the essential thrust of any new proposals for the future of the EU's EaP policy should be to prevent further backsliding in Moldova by continuing to apply EU conditionality, as it now seems clear that the EU's strict conditionality worked in Moldova and that this approach is a positive example

to be explored for other EaP Countries. What is however crucial is to ensure that this approach is applied consistently and avoid repeating the mistakes of the past. It is encouraging that the new government led by Maia Sandu has received clear signals from Brussels already that substantial EU support will be resumed and rapidly mobilised once the conditions are met and the new government delivers for citizens, including on the economy and with regard to the respect of the rule of law, judicial reform and ensuring media plurality.⁵³ To enhance the effectiveness of the EU's assistance however in such areas as the unreformed judiciary or inefficient anticorruption policies, the EU's conditionality should be better targeted and recalibrated. EU funds should not be simply cut or suspended but redirected from government to the stakeholders upholding reforms (independent mass-media, civil society organisations, SMEs, local administrations).

At the same time, the EU's support policies need to focus on a more long-term transformation agenda. This may imply tailored game-changer flagship initiatives. Smarter and more targeted EU conditionality may require smaller-scale interventions with a multiplying effect that could help dismantle the system put in place by the previous government which maintains the *status quo* in the service of vested interests. One

EU funds should not be simply cut or suspended but redirected from government to the stakeholders upholding reforms.

of the first such flagship initiatives could target the justice sector and include establishing and empowering at least one public independent authority able to initiate and secure a profound change in the area of judiciary and law enforcement. Thus, an example in this regard could be for the EU to support from A to Z the creation of a specialised anticorruption court, to which previous Moldovan governments have already committed and failed to deliver. Lessons learned and best

⁵³ European Commission, Statement, "Commissioner for European Neighbourhood Policy and Enlargement Negotiations Johannes Hahn called the Prime Minister of the Republic of Moldova, Maia Sandu", June 15, 2019, https://ec.europa.eu/commission/commissioners/2014-2019/hahn/announcements/commissioner-johannes-hahn-speaks-prime-minister-republic-moldova-maia-sandu_en.

practices applied by the EU in other EaP countries (i.e. Ukraine) as well as in the Western Balkans (i.e. the judicial vetting system in Albania) could be taken into account. A possible EUJUST mission could also be considered.

Decentralised EU support and better absorption capacities

The current draft of the Multiannual Financial Framework (MFF) 2021–2027, which combines the current twelve external action instruments, requires thorough impact assessment.⁵⁴ It is indeed necessary to ensure that EU assistance is more targeted, merit-based and closely linked to strict conditionality applied to the reform process, democratic development, rule of law and respect for human rights. However, if the new MFF does not spell out clear-cut requirements, indicators and, more importantly, safeguards, it may indeed potentially lead to a reduction in funds for EaP partners, in particular if the EU will have to divert important portions of funds to the South. This would be regrettable, as the aim to increase the resilience of the EaP countries and their societies (as spelled out in the EU Global Strategy), requires even more support, not less, and significant decentralisation of assistance. It need not be over-focused on central authorities (as has too often happened over the last decade) but reach out to local communities and support regional development especially in the regions with conflict potential. In parallel, technical assistance would improve the capacities of local authorities to effectively absorb funds.

Differentiated integration

The membership perspective should be kept open for the EaP partners that embarked on the accession path and are delivering on the

implementation of their respective Association Agreements. At the same time, the EU can open up avenues for differentiated integration with EaP associated states, which may take various forms.

Looking at the EU's enhanced cooperation instrument, EaP partners may consider more active *cooperation with the new European Public Prosecutor's Office (EPPO)* created by 22 EU member states to investigate and fight high-level corruption and fraud involving EU funds.⁵⁵ Georgia, Moldova and Ukraine already have cooperation agreements with EUROJUST. As a next step in justice and home affairs cooperation, special bilateral operational cooperation arrangements between EPPO and EaP countries could be concluded. This would provide for more effective operational cooperation between countries like Moldova and the EU in the investigation of the 2014 banking fraud, cases of high-level corruption and fraudulent spending of EU funds in Moldova.

Another example would be to gradually offer the EaP Partners, in particular those implementing DCFTAs with the EU, *access to the EU's Single European Payment Area (SEPA)*, an EU payment-integration initiative for simplified bank transfers in euros across Europe. Opening SEPA for countries like Moldova will first and foremost benefit the citizens directly and potentially provide for new opportunities for the development of SMEs. This will allow private consumers, businesses and public administrations from EaP countries to make and receive credit transfers, direct debit payments and card payments under the same basic conditions and will make all cross-border electronic payments in euro as easy as domestic payments. Moreover, accession to SEPA will also have an indirect long-term impact, as it will require that the candidate countries observe the highest EU standards for improved governance in the banking sector and ensure proper implementation of anti-money laundering policies in place.

⁵⁴ European Commission, "EU Budget for the Future", June 14, 2018, https://ec.europa.eu/commission/sites/beta-political/files/budget-may2018-neighborhood-development-cooperation_en.pdf.

⁵⁵ Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office ('the EPPO'), *OJ*, L283/1, 2017, <https://eur-lex.europa.eu/eli/reg/2017/1939/oj>.

Looking at the issue of security cooperation with the EU, more EaP deliverables may be discussed to promote a specialised intergovernmental security platform between the EaP and the EU member states, dedicated to *countering hybrid threats*. In this regard, EaP partners' capacities can be further enhanced with EU support by facilitating the creation of national security risk assessment mechanisms and effective early-warning systems flagging up security-related hybrid threats.

At the same time, EaP partners could be offered the opportunity to participate and benefit from *the EU's Permanent Structured Cooperation (PESCO) in the area of security and defence*. PESCO provides for cooperation with third states that could be invited to participate in individual projects without giving them decision-making rights, if the given third state satisfies a set of conditions put forward by the EU Council Decision. Certainly, any decision to admit associated EaP states should be preceded by a needs and feasibility assessment. Given the current security challenges, Moldova is interested in projects pertaining to: the Joint EU Intelligence School, European Union Training Mission Competence Centre (EU TMCC), Deployable Military Disaster Relief Capability Package, Cyber Threats and Incident Response Information Sharing Platform, Cyber Rapid Response Teams and Mutual Assistance in Cyber Security.⁵⁶

Enlargement-type toolbox

To demonstrate more political will in attaining tangible results in the process of combating political and high-level corruption and reform of the judiciary, the associated EaP countries should be open to closer EU oversight of this process. Consequently, the EaP policy should provide for a special mechanism for constant monitoring and conditional support for the

justice sector reforms and the fight against high-level corruption. In this regard, the EU could use an enlargement-type toolbox and draw inspiration from positive examples such as the *Cooperation and Verification Mechanism*.⁵⁷

Alongside the implementation of the Association Agreements and DCFTAs with the EU, EaP partners, aspiring to further integration perspectives with the EU, may benefit from an enhanced *legal approximation facility* to support the transposition of the EU *acquis* into the legislation of the associated countries. This facility could also include a strong component aiming at improving the capacities of non-governmental actors to conduct independent monitoring and assessment of policies in line with DCFTA provisions and value-based commitments as per the Association Agreement. The support could target an integrated and harmonised instrument for monitoring the implementation of the Association Agreements in Moldova, Georgia and Ukraine, with an extension to Armenia on the Comprehensive and Enhanced Partnership Agreement. As the implementation of the Association Agreements is progressing, the focus of the monitoring could shift accordingly, favouring targeted *ex-post* evaluations of sectors and incorporating lessons learned from the first cycle of newly adopted and tested national policies transposing EU legislation.

The foreseen support may also target an active involvement of non-governmental actors in piloting *pre-accession-like instruments such as screening the legal and institutional national frameworks for their compatibility with the EU acquis*. Such screening is formally conducted by the European Commission together with the EU accession candidates during the negotiation process to ascertain the degree of alignment of the candidate countries with the EU *acquis*. A similar approach and methodology could be replicated in the case of the EaP Associated countries to review the state of play in the

⁵⁶ Note: PESCO includes a list of 34 projects. The first 17 projects were adopted by the Council in March 2018 and a second list of 17 projects was adopted in November 2018. The list of PESCO collaborative projects is available at: <https://www.consilium.europa.eu/media/37315/table-pesco-projects-updated.pdf>.

⁵⁷ European Commission, "Cooperation and Verification Mechanism for Bulgaria and Romania", https://ec.europa.eu/info/policies/justice-and-fundamental-rights/effective-justice/rule-law/assistance-bulgaria-and-romania-under-cvm/cooperation-and-verification-mechanism-bulgaria-and-romania_en.

implementation of the EU *acquis* as set out in the Association Agreements and also identify the gaps which need to be further addressed. The sector assessment could be conducted based on a list of questions borrowed from the screening questionnaires already used in the case of Western Balkans candidate countries.

Among the first chapters to assess could be those referring to the value-based part of the EU *acquis* (e.g., judiciary, fundamental rights). This process should help better prioritise reform initiatives in those areas on which the EaP governments shall be required to focus more in the future.

CHAPTER 4

GEORGIA

Overcoming the libertarian legacy

by

VANO CHKHIKVADZE

This chapter focuses on EU–Georgia relations and Georgia’s role in the Eastern Partnership (EaP). It evaluates both the achievements and the shortcomings and provides detailed recommendations for the way ahead.

The five years that have elapsed since Georgia signed the Association Agreement (AA) with the EU provides a sufficient timeframe for evaluating the short-term benefits that the agreement was expected to deliver. Together with the visa liberalisation action plan (VLAP), the AA has been and still is the main driving force for reforms, regulation and standard-setting in a country that staunchly pursued a policy of deregulation for several years. The AA includes an important trade component, with the establishment of a Deep and Comprehensive Free Trade Area (DCFTA) between Georgia and the EU. However, the AA/DCFTA (which provisionally entered into force in 2014 and fully in 2016) has not yet succeeded in delivering significant and tangible benefits to the Georgian population at large.

The EaP and the AA/DCFTA leave the membership perspective neither open nor closed.¹ Under the terms of the agreement, the Georgian

authorities are required to harmonise the country’s legislation with that of the European Union. However, given that Georgia is going through a difficult and wide-ranging reform process after the era of deregulation and neo-liberal experimentation, and is constrained by limited financial and human resources, the perception in Georgia is that the benefits of the EaP have not trickled down to ordinary citizens quickly enough.

The chapter is divided into three parts. The first part gives a general overview of Georgia’s path towards European integration before and after its engagement in the EaP, while the second part assesses the changes and benefits that the EaP has brought to the various strata of Georgian society, as well as its shortcomings. The third part of the chapter attempts to look ahead from a ten-year perspective and provides recommendations for reforming the existing policy framework. It concludes that the EaP format requires a comprehensive review, which would then generate fresh initiatives and offer tangible benefits. Such an upgrade will ultimately make the EaP more attractive for the partner countries who seek much deeper relations with the EU.

¹ In the Association Agreement, Georgia is called an ‘Eastern European country’, interpreted by some in Georgia as an attempt to avoid any possible linkage with Article 49 of the EU treaty – giving the opportunity to any *European State* to become an EU member.

FROM NATO TO THE 'EUROPEAN HOME'

'NATO-first' approach

Officially launched in Prague in May 2009, the EaP was preceded by two important milestones for Georgia. In April 2008, at the NATO Bucharest summit Georgia received a clear promise that, together with Ukraine, it will eventually become a NATO member country.² In August of the same year, the Russo-Georgian war claimed the lives of 228 Georgian civilians and 169 Georgian servicemen³ and left two of the country's regions occupied by Russian military forces.

Before these two events in 2008, the Georgian leadership had placed more emphasis on Georgia's NATO membership than on the country's EU integration. Georgia's ambitious plan for NATO membership was eagerly supported by the US administration which at the time backed Mikheil Saakashvili's reformist team. During his visit to Kyiv in 2008, the then president of the US George W. Bush expressed strong support for post-Soviet Ukraine and Georgia joining the alliance, despite Russia's vehement objections. The initial lack of enthusiasm towards EU integration also stemmed from the vagueness of the European Neighbourhood Policy (ENP), launched in 2003, which did not promise tangible benefits for Georgia. The jointly agreed European Neighbourhood Policy Action Plan (ENP AP), adopted for five years in 2006, was 'rather a reflection of existing priorities of the Government of Georgia than something new'.⁴ Additionally, the EU did not

express an interest in updating the Partnership and Cooperation Agreement (PCA), which was the only legally binding document between the two parties. Signed in 1996 and in force since 1999, the PCA was regarded as outdated and no longer reflecting the reality on the ground.

Singaporisation

In fact, President Saakashvili had instead chosen to pursue a policy of 'Singaporisation' in the economic sphere, which he considered a model serving 'as a guarantor of success for Georgian reforms.'⁵ This approach was enshrined in the Act of Economic Freedom that President Saakashvili rolled out in 2009 and which was then approved by the Georgian parliament. It introduced a referendum on tax increases, banned the establishment of new regulatory agencies and put an end to the introduction of new licences and permits.⁶ In practice, the application of such neo-liberal measures meant that the economy was swiftly deregulated. The policy aimed at abolishing malfunctioning state institutions, which in most cases were hotbeds of corruption. This approach later on translated into amending the labour code so as to make it easier for employers to hire and fire workers, and included scrapping workplace safety standards, abolishing food safety regulations and agencies, stopping mandatory technical inspections of cars etc. In 2005, Georgia pursued reforms which were masterminded by the Minister for Reform Coordination, Kakha Bendukidze, who drastically reduced the number of licences and permits required to start a business and eliminated 12 out of 21 taxes. These measures, combined with the privatisation of state assets, dramatically improved Georgia's ranking in various international indexes (e.g.

2 NATO, "Bucharest Summit Declaration", April 3, 2008, https://www.nato.int/cps/us/natohq/official_texts_8443.htm.

3 "Russia Lost 64 Troops in Georgia War", *Radio Free Europe*, February 21, 2009, https://www.rferl.org/a/Russia_Lost_64_Troops_In_Georgia_War_/1497137.html.

4 Author's interview with former Georgian government official, Tbilisi, January 16, 2019.

5 "Saakashvili Visits Singapore", *Civil.ge*, July 29, 2013, <https://old.civil.ge/eng/article.php?id=26315>.

6 "Saakashvili Lays Out Act on Economic Freedom", *Civil.ge*, October 6, 2009.

Georgia jumped from 100th place in 2006⁷ to 11th in 2010 in the World Bank's annual *Ease of Doing Business* report)⁸ and brought historic double digit economic growth (the country's economy grew by 12.3% in 2007, the highest ever annual growth since its independence).

Return to 'the European home'

Georgia's EU integration process gained fresh momentum in the wake of the 2008 Russo-Georgian war. After the war, the EU's presence and role in Georgia increased considerably. For example, it was Nicolas Sarkozy, the president of France, the country holding the EU presidency at the time, who mediated the six-point ceasefire agreement between the warring parties on 12 August 2008. The EU also played a crucial role in supporting Georgia's non-recognition policy of occupied Abkhazia and South Ossetia. Furthermore, it supported Georgia by organising a donors' conference in October 2008, which helped to raise \$4.5 billion for post-war rehabilitation. It also established the European Union Monitoring Mission (EUMM) to Georgia, tasked to monitor compliance with the six-point-agreement. As a result, the security profile of the EU in Georgia was bolstered significantly.

Georgia's EU integration process gained fresh momentum in the wake of the 2008 Russo-Georgian war.

The enhanced role and activity of the EU in Georgia became a catalyst for convincing Georgian policymakers that the country should seek to establish closer political linkage with the EU and place less emphasis on the deregulatory policy of 'Singaporisation'.

After the war, the Georgian leadership eventually decided to pursue both NATO membership and closer political links with the EU. This shift was clearly demonstrated by President Saakashvili's statement in 2009 that 'joining the European Union is more important to Tbilisi than being part of NATO since entering Europe is like coming home'.⁹ Since then, European integration has become one of the few single objectives that the extremely polarised Georgian political class have proved able to agree on. On 29 December

2016, the Georgian parliament unanimously adopted a resolution on the country's foreign policy orientation, stressing that Georgia's key foreign policy priority is the country's full integration into the EU and that 'based on Article 49 of the Treaty of the European Union, Georgia aspires towards the membership of the European Union'.¹⁰ Additionally, new amendments to the country's constitution came into force in December 2018, stipulating that the 'constitutional organs shall take all measures within the scope of their competences to ensure full integration of Georgia into the European Union and the North Atlantic Treaty Organization'.¹¹

7 World Bank, "Doing Business in 2006", 2006, <http://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB06-FullReport.pdf>.

8 World Bank, "Doing Business in 2010", 2010, <http://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB10-FullReport.pdf>.

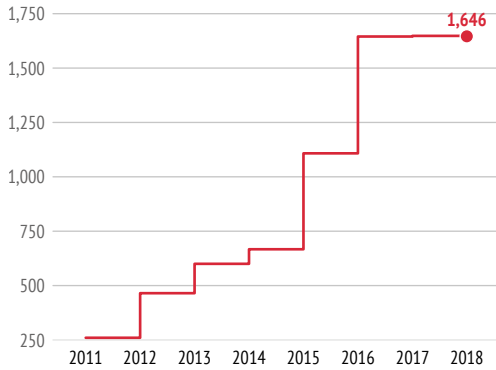
9 "Saakashvili in Barcelona Calls for Investing in Georgia", *Civil.ge*, February 18, 2009, <https://old.civil.ge/eng/article.php?id=20444>.

10 Parliament of Georgia, *Resolution of the Parliament of Georgia on the Foreign Policy of Georgia*, December 29, 2016. Unofficial translation of the resolution available at: <http://parliament.ge/uploads/other/53/53452.pdf>.

11 Constitution of Georgia, Article # 78.

FIGURE 1 | Activation of the IPRM hotline

2011-2018



Data: EUMM Georgia, 2018

Note: 2018 figures until 25 September

The political support for Georgia's EU integration process mirrored general public feeling on the issue. This was very much reflected in the growth (except in 2015) of public support for Georgia's EU membership which amounted to 79% in 2009,¹² 80% in 2011,¹³ 83% in 2013,¹⁴ 61% in 2015¹⁵ and 71% in 2017.¹⁶ This is the highest level of public support for EU membership in the EaP region. One explanation for such a high level of approval is that the EU integration of Georgia is perceived by the public as being a potential security guarantee, a shield that would protect the country in the event of any further major hostilities with Russia. Moreover, the EU is viewed as a mediator that helps to manage tensions and address incidents along the *de facto* border with Abkhazia and South Ossetia. Indeed, the EUMM plays a crucial role in managing the only on-ground

communication channel between the conflicting parties, through the Incident Prevention and Response Mechanism (IPRM) and its 24/7 hotline. The hotline helps the local authorities to exchange information on illegal detentions, acts of violence, coordinate border crossings for medical reasons, and to combat criminality along the Administrative Boundary Line (ABL). Usage of the hotline has progressively increased every year (see Figure 1).¹⁷

EaP bolsters the momentum

Georgia's gravitation towards Europe after the Russo-Georgian war of 2008 was in turn strengthened with the development of the EaP and was further enhanced by the AA/DCFTA negotiations.

In May 2009, the EU launched the EaP initiative, which – unlike the ENP and its Action Plan – promised Georgia tangible benefits. The 'carrots' listed in the Joint Declaration of the Prague Eastern Partnership Summit were 'political association and further economic integration between the European Union and interested partner countries' as well as 'supporting mobility of citizens and visa liberalisation in a secure environment'.¹⁸ The offer was reconfirmed two years later at the Warsaw Eastern Partnership Summit, when the EU reiterated that one of the core objectives of the EaP was to enhance the mobility of citizens in a secure and well-managed environment. This entailed visa facilitation and readmission agreements as a first step and, once these agreements

12 Eurasia Partnership Foundation, "Georgian Public Opinion – Attitudes Towards European Integration – 2009", October 23, 2009, http://www.epfound.ge/wp-content/uploads/2016/08/eusurveyreport_georgia_aug09_2.pdf.

13 Eurasia Partnership Foundation, "Georgian Public Opinion – Attitudes Towards European Integration – 2011", December 5, 2011, http://www.epfound.ge/wp-content/uploads/2016/08/eu_report_final_eng_corrected_25jan2012.pdf.

14 Eurasia Partnership Foundation, "Georgian Public Opinion – Attitudes Towards European Integration – 2013", January 21, 2014, http://www.epfound.ge/wp-content/uploads/2016/08/eu_survey_report_2013_final_eng_.pdf.

15 Eurasia Partnership Foundation, "Georgian Public Opinion – Attitudes Towards European Integration – 2015", October 25, 2015, http://www.epfound.ge/wp-content/uploads/2016/08/eu_attitudes_survey_eng_nov_24_1.pdf.

16 Eurasia Partnership Foundation, "Georgian Public Opinion – Attitudes Towards European Integration – 2017", October 10, 2017, <http://www.epfound.ge/wp-content/uploads/2017/10/2017-EU-survey-report-ENG-.pdf>.

17 European Union Monitoring Mission, "The EUMM Monitor Issue #7", October 2018, https://eumm.eu/data/file/6486/The_EUMM_Monitor_issue_7_ENG.pdf.

18 Council of the European Union, "Joint Declaration of the Prague Eastern Partnership Summit", 8435/09, Brussels, May 7, 2018, https://www.consilium.europa.eu/media/31797/2009_eap_declaration.pdf.

were concluded and effectively implemented, gradual steps towards visa-free regimes on a case-by-case basis.

The EaP offered the partner countries two formats: bilateral and multilateral dimensions. Since the very beginning of the EaP, the Georgian leadership (both the previous and current governments) have been more interested in developing the bilateral dimension of the EaP.¹⁹ Therefore, Georgia has engaged actively in the EaP programme with the aim of forging closer economic ties with the EU, to fully avail of the bilateral dialogue with the EU and to gain the status of the ‘best pupil in the class’ in order to get even more from the EU in return.²⁰

WHAT HAS (NOT) CHANGED IN GEORGIA UNDER THE EAP?

The five years of the AA (and its economic component, the DCF-TA) have demonstrated that the benefits brought by EU integration are uneven. The AA fell short in tackling the main concerns of Georgian society – unemployment and poverty. It did not manage to bring about a substantial increase in foreign direct investment (FDI) and it did not stimulate high economic growth. On the other hand, the visa-free regime brought concrete benefits to many citizens who are now able to travel to and study in the EU more easily.

Since 2009, the EaP has been the main driver of reforms in the country.

From Singaporisation to adherence to EU regulations

Since 2009, the EaP has been the main driver of reforms in the country. The representatives of the executive and legislative branches of the government have consistently praised the value of the EaP in this regard. First and the foremost, the ‘Eastern Partnership helps Georgia and fellow Georgians to learn what standards really mean’,²¹ especially in view of the fact that during Soviet and post-Soviet times Georgians frequently played with the rules. For example, for a long time the country’s food safety system was not functional, due to corruption coupled with, in later years, deregulation. Slowly, however, the EaP started to change the situation, even before the AA entered into force. In fact, the negotiations for the DCFTA with the EU set the process in motion, reintroducing the issue of standards and regulations on the bilateral agenda.

Initially, the Georgian leadership was considering signing a so-called simple free trade agreement – mainly focused on lifting tariff barriers – with the EU, in line with its (then) libertarian economic approach. However, based on a feasibility study, the EU was more interested in an FTA+, arguing that ‘the greatest benefits would accrue with a Deep FTA+ involving a significant approximation of law along the priorities of the ENP Action Plan for Georgia along with additional flanking measures on e.g. competition and corruption and their effective implementation, which would mean a re-branding of Georgia as a safe and attractive investment location.’²²

¹⁹ Author’s interview with Tbilisi-based diplomat, December 4, 2018, Tbilisi.

²⁰ Author’s interview with Tbilisi-based diplomat, December 5, 2018, Tbilisi.

²¹ Ibid.

²² Centre for Social and Economic Research (CASE), ‘Economic Feasibility, General Economic Impact and Implications of a Free Trade Agreement between the European Union and Georgia’, May, 2008, http://www.case-research.eu/files/?id_plik=2885.

Georgia entered into Association Agreement negotiations with the EU during Saakashvili's administration and these negotiations continued, and were finalised by, the Georgia Dream coalition led by the billionaire Bidzina Ivanishvili that took power in 2012. The radical shift from deregulation to building up state agencies and introducing regulations was difficult and took time. For example, after the Rose Revolution, the country's food safety system was abandoned altogether. Kakha Bendukidze's libertarian logic was reflected in his blunt advice to compatriots: 'if they got food poisoning, they should boycott the restaurant'.²³ This approach was discontinued during the preparatory stage of the DCFTA negotiations, when the European Commission sent a fact-finding trading mission to Georgia in October 2008 and delivered its recommendations as a precondition for launching the negotiations. At the time, the EU's Neighbourhood Commissioner, Benita Ferrero-Waldner commented: 'we have to ask them [the Georgian leadership] to also do their part; it means that a free trade agreement can only be there when, of course, the right legislature is there'.²⁴ The recommendations covered issues related to technical barriers to trade, sanitary and phytosanitary measures, intellectual property rights and competition. Focusing on these key areas, the government of Georgia developed a strategy of harmonising Georgian legislation and standards with those of the EU. During the AA/DCFTA negotiation process, which lasted more than two years, Georgia pursued a simple strategy which aimed at 'keeping the deregulation policy in those fields where it was feasible and delaying harmonising

Georgian legislation with the EU *acquis* for as long as possible'.²⁵

After more than two years of negotiations, Georgia signed the Association Agreement. This fully entered into force on 1 July 2016, requiring that Georgian legislation be aligned with that of the EU. It covers a broad range of areas and directly affects citizens' lives. For example, starting from 1 January 2019, Georgia re-introduced mandatory inspection of all types of vehicles (this had been suspended under the Saakashvili government in September 2004). Nowadays, according to the official statistics of the Ministry of Internal Affairs, 1.12 million vehicles are registered (Georgia has a population of 3.4 million people hence the data provided indicates that on average every third citizen has a car).²⁶ According to the report of the State Audit, 46% of the vehicles registered in Georgia are more than 20 years old and 45% are more than 10 years old. In the majority of cases, those vehicles do not meet environmental standards since they are not equipped with catalytic converters (that limit noxious emissions),²⁷ which according to the Environment Committee of the Georgian Parliament is a major source of air pollution in Tbilisi.²⁸

Overall, regulatory approximation is a long, costly and laborious process. The implementation of EU standards and regulations will inevitably take time in Georgia and thus the benefits, such as greater access to the European market (meaning more exports) will come with some delay. Thus, the DCFTA is unlikely to have an immediate impact, but will rather deliver benefits in the long run.

²³ Quentin Peel, "FT Report: Georgia 2007 - Preaching Creative Destruction", *Financial Times*, October 31, 2007.

²⁴ Speech by EU Neighbourhood Commissioner Benita Ferrero-Waldner at the European Parliament, December 15, 2009, Brussels.

²⁵ Author's interview with member of the AA/DCFTA negotiation team, January 16, 2018.

²⁶ "Number of Cars in Georgia Hits 1.12 million", *Tabula*, April 22, 2017, <http://www.tabula.ge/en/story/119537-number-of-cars-in-georgia-hits-112-million>.

²⁷ State Audit Office of Georgia, "State Audit Report of Effectiveness", January 31, 2018, <https://sao.ge/files/auditi/auditis-angarishebi/2018/atmosferuli-haeris-dabinzureba.pdf>.

²⁸ Research of the Committee of Environment of the Parliament of Georgia conducted by NGO 'Ecovision', <https://bit.ly/2uEQ0GB>.

FIGURE 2 | Georgian exports to the EU, Russia and other CIS countries
2014-2018



Data: National Statistics Office of Georgia, 2018; European Central Bank, 2019

The DCFTA – not yet a game-changer

The EU remains one of the key destinations for Georgian exports (24% in 2017).²⁹ According to the preliminary data, Georgian exports to the EU reached a record high of \$730 million in 2018, which represents a cumulative growth of almost 17% since 2014 (see Figure 2). However, exports to the EU declined sharply in 2016 and it took almost two years for export levels to recover.

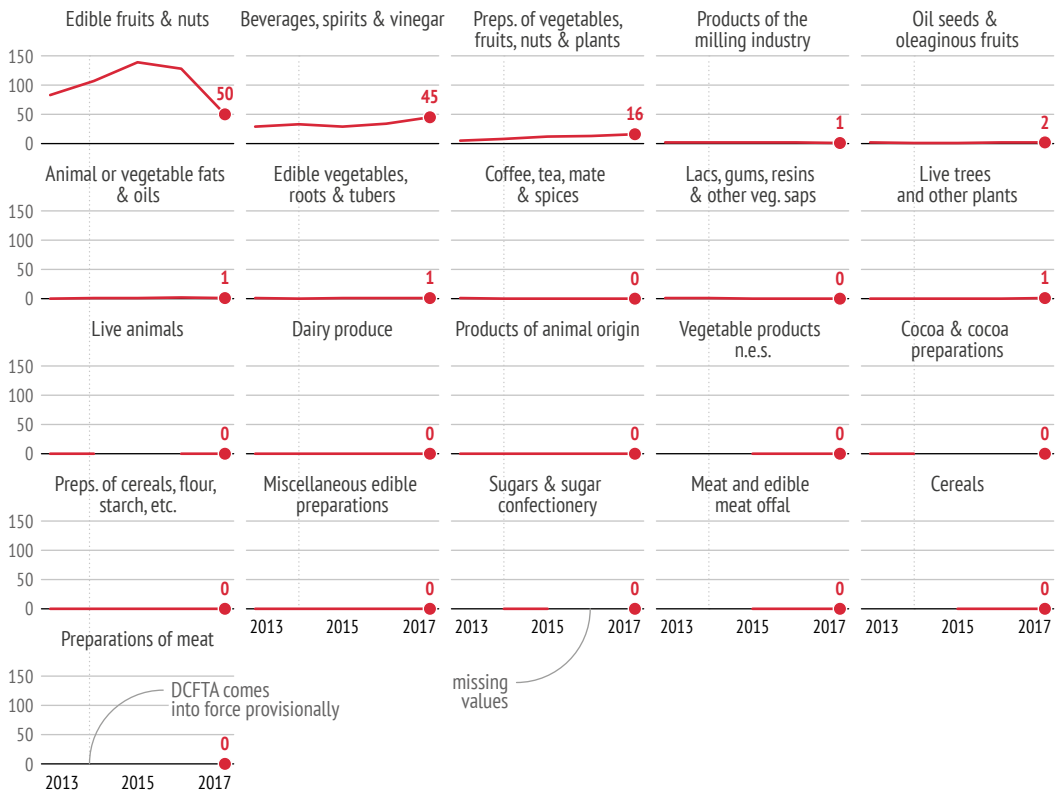
The structure of Georgian exports to the EU remains almost the same as it was before the DCFTA, so the agreement had hardly any impact in this regard (see Figure 3). The DCFTA abolished almost all trade tariff barriers between the EU

and Georgia, but the non-trade barriers like the sanitary, phytosanitary and technical standards remain a key hurdle for Georgian producers trying to access the EU market. For instance, Georgia is allowed to export only four types of products of animal origin to the EU: leather, wool, honey and fish. The main agro-food export items are hazelnuts and wine, as was the case before the DCFTA was in place.

Despite the AA/DCFTA being in force since 2014, the market of the Commonwealth of Independent States (CIS) still remains the top destination for Georgian exports. This is partially due to the country’s recovering trade relations with Russia. Strikingly, Georgian exports to Russia have almost doubled since 2014. Still, trade relations with Russia are susceptible to disruption in the future due to political and security factors – as they have been in the past.

²⁹ European Commission, “European Union, Trade in Goods with Georgia”, https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_georgia_en.pdf.

FIGURE 3 | Georgian Agro-food exports to the EU
2013-2017, € millions



Data: European Commission, 2018

Taking yet a different perspective, another interesting development brought about by the AA/DCFTA may be observed. Even though the DCFTA may not yet have substantially increased EU-Georgian trade, it may have contributed indirectly to the conclusion in 2017 of the FTA between Georgia and China. Arguably, for China, Georgia might become just another conduit to the European market. It is still premature to assess the impact of the Georgia-China FTA (which entered into force in January 2018); nevertheless the liberalisation of trade in goods and services with China opens opportunities for Georgia to diversify its

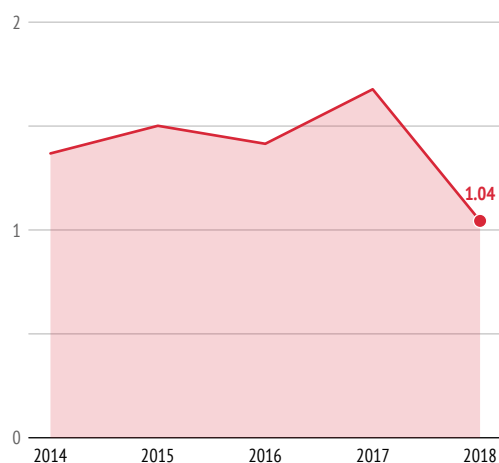
exports geographically and reduce its dependence on the Russian market. Implementation of EU phytosanitary standards by Georgia may widen access for its agro products to not only the European, but also the Chinese market. The FTA may also attract Chinese investors seeking to exploit the ‘made in Georgia’ scheme to access the European market on favourable terms.³⁰ There is also potential for the DCFTA to intensify Georgia’s economic relations with neighbouring Turkey, which comes second in terms of trade (with a 15% share), after the EU – Georgia’s main trading partner. The tri-lateral deal on diagonal cumulation³¹ between

30 Tamara Kovziridze, “Georgia-China FTA: A Side Effect of the EU-Georgia DCFTA?”, 3 DCFTAs, July 3, 2017, <http://www.3dcftas.eu/system/tdf/China-Ge%20FTA%2026.06%20final.pdf?file=1&type=node&id=362&force=>

31 European Commission, “Taxation and Customs Union Common Provisions”, https://ec.europa.eu/taxation_customs/business/calculation-customs-duties/rules-origin/general-aspects-preferential-origin/common-provisions_en#diagonal_cumulation.

the EU, Georgia and Turkey, reached in 2018,³² may support the integration of various supply chains of production in Turkey and Georgia and subsequently increase Georgia's industrial exports to the EU.³³

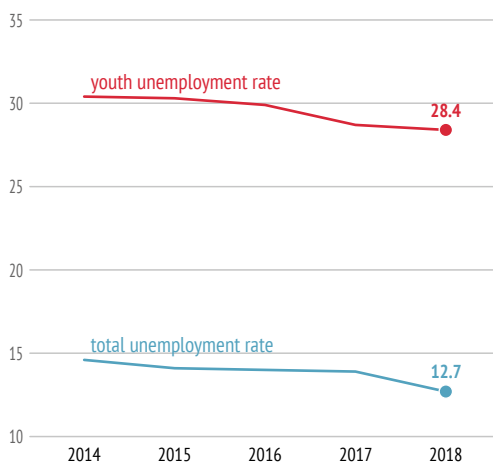
FIGURE 4 | FDI in Georgia
2014-2018, € billions



Data: National Statistics Office of Georgia, 2018

While the EU member states are by far the main investors in Georgia, the DCFTA has not become a significant catalyst for Georgia in attracting foreign direct investment (FDI). Still, it would be an oversimplification to blame the DCFTA for this. Certainly, there were expectations in Georgia that the new economic accord with the EU would help to increase the country's attractiveness and lure more foreign investors to Georgia as a result. However, the DCFTA alone cannot make the difference if closer relations with the EU are not accompanied by structural reforms, in particular those concerning the business environment, for which progress depends solely on the will of the government.

FIGURE 5 | Unemployment rates in Georgia
2014-2018, %



Data: National Statistics Office of Georgia, 2018; World Bank, 2018

Overall, the DCFTA has not been a game-changer for Georgia yet: unemployment remains one of the biggest challenges and the primary concern of the population, economic growth is sluggish and poverty remains widespread. Georgia's economy is growing slowly and GDP per capita has even been falling. The GDP per capita was €4,438 in 2014, €3,756 in 2015, \$3,857 in 2016, \$4,045 in 2017 and \$4,344 in 2018.³⁴ For comparison, this is two times less than the GDP per capita of the EU's poorest country.³⁵ According to the official data of the National Statistics Office of Georgia, the ratio of the country's population living below the absolute poverty line remains high: 23.5% in 2014; 21.6% in 2015; 22% in 2016 and 21.9% in 2017. In short, the data shows that the population at large has not yet massively felt the effects of the DCFTA. Visa-free travel with the EU, coupled with the liberalisation of the aviation market, has generated a much bigger impact.

³² "Diagonal Cumulation was Signed between Georgia, EU and Turkey", *dcfta.gov.ge*, March 20, 2018, <http://www.dcfta.gov.ge/en/news/274/Diagonal-Cumulation-was-signed-between-Georgia,-EU-and-Turkey>.

³³ "Will the EU Accept Goods Made in Georgia from Turkish Materials as Georgian?", *Georgian Journal*, March 20, 2015, <https://www.georgianjournal.ge/business/29994-will-the-eu-accept-goods-made-in-georgia-from-turkish-materials-as-georgian.html>.

³⁴ World Bank, "GDP per capita - Georgia", <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=GE>.

³⁵ GDP per capita in Bulgaria in 2017 was \$8,227.

Greater mobility

In the last five years, one of the most tangible benefits deriving from Georgia's EU integration process has been the abolition of short-term visa requirements for Georgian citizens travelling to the EU and Schengen zone member states. From 28 March 2017 to 1 September 2018, around 291,943 Georgian nationals travelled to the Schengen area without a visa.³⁶ The main destination for Georgian travellers is Germany (83,063 in 2018), followed by Italy (55,047), Greece (41,573), Spain (30,622) and France (30,214).³⁷

So far, visa liberalisation has been the most important milestone in EU-Georgia relations. The visa dialogue was launched in 2012 and it finished five years later with the abolition of short-term visas for Georgian citizens holding biometrical passports. None of Georgia's immediate neighbours (Russian Federation, Turkey, Armenia, and Azerbaijan) has been able to avail of such a benefit. In 2013-2016, the visa liberalisation action plan (VLAP) was the key driver of reforms in Georgia and the most effective instrument of leverage that the EU has ever deployed. VLAP was often the main reason why certain legislation was enacted in the country. For example, Georgia passed an anti-discrimination law in May 2014 only because it was required by the VLAP. The same applies for asylum legislation and personal data protection laws.

Scrapping visa requirements also brought practical benefits for the citizens of Georgia. The number of biometrical passports issued has been increasing annually and as of September

2017, more than half of the country's population holds biometrical passports and can potentially benefit from visa-free travel.

Visa-free travel with the EU has had various ramifications in terms of illegal crossings, asylum applications and readmissions. Firstly, the number of detected illegal crossings by Georgians into the EU has dropped by more than a half (from 239 in 2015 to 63 in the first half of 2018). Secondly, however, the number of refusals of entry increased from 810 in 2016 to 2,655 in 2017. In 2018, 341 Georgian citizens were refused permission to enter Italy, 316 to

enter Cyprus, 271 to enter Germany and 186 to enter Poland. This increasing number of refusals might be explained by the main screening point having been shifted from EU member state consulates to the EU member state border checkpoints. Thus, the increase in the refusal rate at the border was predictable. Thirdly, the number of Georgian citizens applying for

asylum in the EU+³⁸ increased significantly. In 2018 asylum applications from Georgia rose for the second consecutive year. In the same year, Georgian nationals lodged almost 20,000 asylum applications in the EU+.³⁹ In the first half of 2018, France was the EU member state receiving the majority of asylum applications – 2,905 (out of 9,680), followed by Germany (2,700) and Greece (595). Nevertheless, despite the growing number of applications, the readmission and return mechanisms put in place before the visa-free regime entered into force worked efficiently. The return rate of Georgian citizens ordered to leave EU territory went up from 45% in 2015 to 63% in 2017. This means that although the number of asylum applications

So far, visa liberalisation has been the most important milestone in EU-Georgia relations.

³⁶ European Commission, "Commission Staff Working Document", SWD(2018) 496, Brussels, December 19, 2018, p. 38, https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/20181219_swd-2018-496-report_en.pdf.

³⁷ Ministry of Internal Affairs of Georgia, "Statistics of Georgia's Border Crossing", 2018, <https://info.police.ge/uploads/5c5ab62e1a0ee.pdf>.

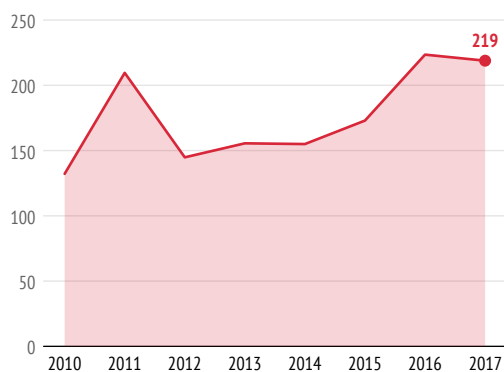
³⁸ EU member states plus the countries that are in the Schengen zone, but are not EU members.

³⁹ European Asylum Support Office, "EASO EU+ Asylum Trends 2018 Overview", February 13, 2019, <https://www.easo.europa.eu/sites/default/files/EASO-2018-EU-Asylum-Trends-Overview.pdf>.

from Georgians has increased, once they have been refused, they are swiftly repatriated back home.⁴⁰

FIGURE 6 | Biometric passports in Georgia

2010-2017, thousands



Data: Ministry of Justice of Georgia, 2017 (in response to author's freedom of information request)

Note: 2017 figures until August

The visa liberalisation process was preceded by the cutting of bureaucratic red tape in the aviation market: Georgia signed the EU Common Aviation Agreement in 2010, which provisionally entered into force in November 2012. Georgia ensured the maximum deregulation of the aviation sector, allowing global companies to operate in the market and to stimulate further competition. In 2012, the budget airline Wizz Air entered the Georgian market, starting its first flights from Kutaisi international airport (some 230 km away from the capital Tbilisi) to Kyiv, Ukraine. As of January 2019, Wizz Air operates to 19 destinations in 13 countries.⁴¹ As a consequence, the total annual number

of passengers that Kutaisi airport served increased from 4,527 in 2011 to 617,373 in 2018.⁴² The two other airports (Tbilisi and Batumi) followed this trend (see Figure 7). These accelerated rates of passenger traffic made Georgia the 'fastest growing air travel market in the world', according to the CAPA Centre for Aviation.⁴³

Because of increased competition in the aviation market, airfares subsequently went down, making travel to and out of Georgia more affordable. This was reflected not only in the number of Georgians travelling abroad, but also in the influx of international tourists to Georgia. The number of tourists almost doubled between 2014 and 2018, from 4 to nearly 8 million.⁴⁴ In 2017 alone, the number of visitors from the EU soared rapidly: United Kingdom +39.9%, Netherlands +31.1%, Spain +29.9%, France +29.6% and Germany +25.7%.⁴⁵ This surge in visitor numbers in turn sustains Georgia's burgeoning travel and tourism industry, which contributed 31.0% to GDP and represented 7.8% of total employment in 2017.⁴⁶

Greater mobility is also facilitated via educational programmes that the EU offers to Georgian students. One of the crucial benefits that integration into EU programmes offers young Georgians is better quality education and access to leading universities in the EU member states via Erasmus+. The main destination country for Georgian students is Germany, followed by Italy, Poland, Spain and France.

Georgia is also a beneficiary of the Erasmus+ credit mobility programme, ranked 6th among 131 partner countries. It is the second beneficiary of the EaP's international credit mobility

⁴⁰ European Commission, "Commission Staff Working Document," SWD(2018) 496.

⁴¹ These are: Austria (Vienna), Cyprus (Larnaca), Czech Republic (Prague), France (Paris), Germany (Berlin, Dortmund & Munich), Greece (Athens & Thessaloniki), Hungary (Budapest), Italy (Rome & Milan), Latvia (Riga), Lithuania (Vilnius), Poland (Katowice, Warsaw & Wrocław), Spain (Barcelona) and the UK (London).

⁴² Official passenger statistics of the Georgian Civil Aviation Agency for all civil airports operated in Georgia: <http://gcaa.ge/eng/regular.php>.

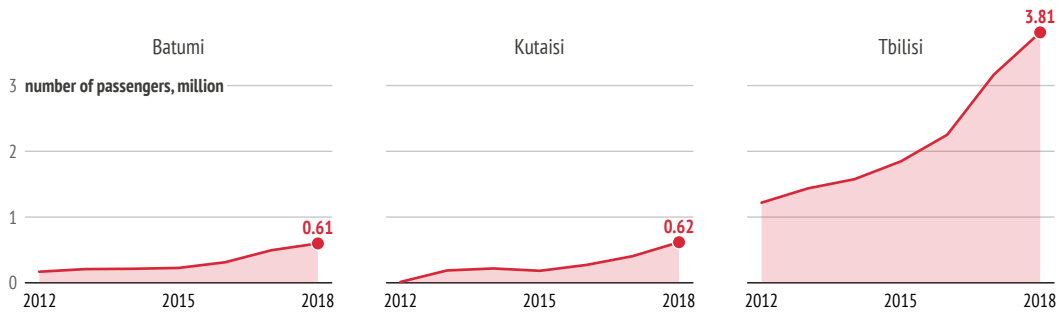
⁴³ "Report: Tourism in Georgia to Grow 40% in 2017", *Agenda.ge*, April 26, 2017, <http://agenda.ge/en/news/2017/801>.

⁴⁴ World Travel & Tourism Council, "Economic Impact Georgia 2018", 2018, <https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2018/georgia2018.pdf>.

⁴⁵ "Unprecedented Growth of Tourism Continues in Georgia", *Georgian Journal*, January 5, 2018, <https://www.georgianjournal.ge/business/34076-unprecedented-growth-of-tourism-continues-in-georgia.html>.

⁴⁶ World Travel & Tourism Council, "Economic Impact Georgia 2018".

FIGURE 7 | Annual passenger statistics comparing three international airports in Georgia
2012-2018, number of passengers, millions

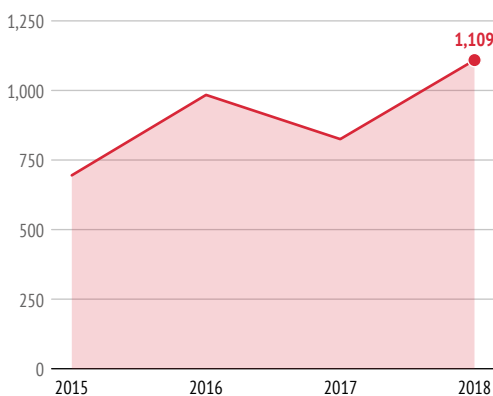


Data: Civil Aviation Agency of Georgia, 2018

regional budget, receiving 25% of the total budget in 2015-2018.⁴⁷

Finally, since 2016 Georgia is also an associated member of the EU framework programme Horizon 2020. In the last 2 years, 26 scientific organisations from Georgia were involved in 21 international research projects, receiving €2.2 million to carry out scientific activities.⁴⁸

FIGURE 8 | Number of Erasmus scholarships for Georgians
2015-2018



Data: European Commission, 2018

LOOKING AHEAD: GEORGIA AND THE EAP BY 2029

Having obtained the AA/DCFTA and visa-free travel, Georgia has reached a certain endpoint. The local stakeholders in Georgia in both the governmental and non-governmental sectors agree that AA implementation and the harmonisation of Georgian legislation with that of the EU is of crucial importance. However, there should be a clearly articulated strategy about what should be the next stop for EU-Georgia relations. During her first official visit to Brussels, President of Georgia Salome Zurbishvili stressed this point as well, commenting that 'currently the real question is where we go from here.'⁴⁹ She tried to answer that question herself, mentioning that Georgia is developing an action plan to 'become a member without actually being a member' of the EU. A reviewed, updated and upgraded EaP may serve this purpose.

Seen from Tbilisi, the EaP in its current form has reached its limits and it will require deep and comprehensive reform for it to remain

⁴⁷ European Commission, "Erasmus+ Country Factsheet: Georgia", 2018, https://ec.europa.eu/programmes/erasmus-plus/resources/documents/country-factsheet-georgia_en.

⁴⁸ Georgian Platform, "Horizon2020", <http://horizon2020.ge/>

⁴⁹ "President Zurbishvili Interviewed on Georgia's European Policy", *Civil.ge*, January 24, 2019, <https://civil.ge/archives/274624>.

attractive for the partner countries. A revisited EaP would involve a rethink of its institutional design, as well as a new offer for states that have more advanced relations with the EU.

In terms of its institutional design, the EaP requires better differentiation between member states. A renewed EaP could contain a new institutional framework for the associated members, without imperiling existing ones for all six EaP states. Georgia would like to turn recent high-level meetings at the EU-Georgia level into a permanent format of bilateral EU-Georgia annual summits.⁵⁰ In the same spirit, the ministerial EaP-EU meetings could in the future be preceded by meetings of the three associated EaP members and the EU. For Tbilisi, a re-booted EaP might also open doors to EU agencies and programmes, with Georgia in the role of an observer or as a fully-fledged member. For example, Georgia will particularly gain from involvement in the COPERNICUS programme – giving it the opportunity to improve civil and environmental protection.⁵¹

The renewed EaP could include a strong security pillar as well. Since Georgia signed the framework agreement with the EU on participation in crisis management missions and operations in 2013, it has taken part in a number of CSDP missions in Mali, Somalia, the Central African Republic and Libya.⁵² In some cases, the contribution was quite substantial. For example, in 2014 Georgia deployed 156 military

Georgia covets a closer security relationship with the EU, with the aim of strengthening its own national security.

personnel to EUFOR in the Central African Republic.⁵³ Georgia intends to continue its active involvement in the crisis management operations on the EU's southern flank. At the same time, Georgia covets a closer security relationship with the EU, with the aim of strengthening its own national security. The EU already helps Georgia to maintain the ceasefire via the EUMM. Nevertheless, more can be done. For example, given the fact that in the past Georgia has been the target of cyberattacks and infiltrations,⁵⁴ there is a strong interest in Tbilisi in participating in EU projects and programmes aiming to enhance cybersecurity. The experience Georgia gained in the process of defending itself against cyberattacks can be valuable for the EU as well. Considering the visa liberalisation process, it would be mutually beneficial for Georgia and the EU if Georgia was given the opportunity to take part in the Internal Security Fund (ISF). This would be relevant in particular regarding the ISF's Borders and Visa instruments, which aims to ensure a high level of security in the Union, while facilitating legitimate travel.⁵⁵

As the DCFTA in Georgia has had a slow start, the EU can play a significant role in helping to facilitate its swifter implementation and amplify the positive returns. The EU has begun to sponsor various tools to help Georgian SMEs increase their competitiveness and capacity to reach the EU market.⁵⁶ This type of aid needs to be scaled up in the years to come. Additional

50 Delegation of the EU to Georgia, "High-Level Meeting between Members of the European Commission and the Georgian Government to Take Place Tomorrow", November 20, 2018, https://eeas.europa.eu/delegations/georgia/54081/high-level-meeting-between-members-european-commission-and-georgian-government-take-place_en.

51 Copernicus: <https://www.copernicus.eu/en>.

52 Ministry of Defence of Georgia, "Mission in Mali", <https://mod.gov.ge/en/mission/59/mission-in-mali>; Ministry of Defence of Georgia, "Mission in the Central African Republic", <https://mod.gov.ge/en/mission/57/mission-to-central-african-republic>.

53 Ministry of Defence of Georgia, "Mission in the Central African Republic."

54 Carolina Vendil Pallin and Fredrik Westerlund, "Russia's War in Georgia: Lessons and Consequences", *Small Wars & Insurgencies*, vol. 20, no. 2 (2009), pp. 400–24; Niklas Nilsson, "Russian Hybrid Tactics in Georgia", *Institute for Security & Development Policy*, January 26, 2018, <http://isdp.eu/publication/russian-hybrid-tactics-georgia/>

55 European Commission, "Internal Security Fund – Police", https://ec.europa.eu/home-affairs/financing/fundings/security-and-safeguarding-liberties/internal-security-fund-police_en.

56 "EU Helps Georgian Apparel Industry Compete on European Markets", *Agenda.ge*, April 2, 2018, <http://agenda.ge/en/news/2018/729>.

assistance would be welcome in the implementation of costly EU standards and regulations which put a heavy burden on local businesses. Assistance is also required to improve the skills of the workforce in order to better meet the needs of the labour market. The overall objective should be to make the DCFTA deliver benefits to all segments of society by contributing to the alleviation of poverty and increasing youth employment. Ultimately, this will help limit labour migration and preserve the country's existing pool of talent and intellectual potential.

At the technical level, the EU can use the enlargement tools *vis-à-vis* Georgia to set higher benchmarks and meet the country's ambitions. The EU can replicate the same approach that it

applies in assessing the reforms undertaken in the candidate countries, by dividing the evaluation reports along the negotiation chapters. At the same time, the Georgian government can also pre-emptively assess its readiness for further integration in the EU, making use of the evaluation questionnaires countries of the Western Balkans had to fill out before acceding to candidate status. A more rigorous evaluation of Georgia's performance under the AA will help not only to discipline the government, but will also augment bottom-up pressure on governing elites. Combined with the abovementioned innovations, a significant review of the EaP could in 10 years' time bring Georgia closer to its main objective, full integration with the EU.

CHAPTER 5

BELARUS

From discord to humming the same tune?

by

DZIANIS MELYANTSOV

From the outset, Belarus and the EU approached the Eastern Partnership (EaP) with different goals and objectives. Belarus first entered into cooperation within the EaP framework with only modest expectations, focused on increased technical cooperation and foreign investments, whereas the EU pursued a more ambitious agenda of ‘stability, security and prosperity’ for the region.¹ Because of this disparity, the early phase of the EaP turned out to be a disappointment for both Belarus and the EU. Initially the programme did not dramatically alter the dynamics in EU–Belarus relations. It mostly served to maintain channels of communication open between Minsk and Brussels in a climate of strained relations due to the imposition of sanctions² and the absence of a framework agreement between Belarus and the EU. Regionally, the EaP has not delivered in the short run on the grand objectives set by the EU at its inception. However, post-2013 developments (notably, the annexation of Crimea) changed the EaP equation for both the EU and Belarus. On the one hand, the EU became more realistic about what is achievable in the short to mid-term in the region, including in Belarus. On the other hand, Minsk became more aware

of the urgent need to balance Russia’s influence by normalising relations with the EU and by diversifying its exports. In this context, the EaP offered a useful platform for multilateral engagement between the EU and Belarus (along with the other neighbouring states), which in turn fostered enough trust to establish new formats of bilateral dialogue and cooperation.

This chapter examines Belarus’s original motives as it acceded to the EaP and analyses its expectations *vis-à-vis* the implementation of the initiative. It goes on to provide an overview of the successes and failures of the EaP from Minsk’s perspective. The chapter concludes by assessing the outlook for the future of the EaP and EU–Belarus relations.

ENGAGING THE EU, PLACATING RUSSIA

On 26 November 2008, European and Belarusian media published the first reports about a

1 European Commission, “Communication from the Commission to the European Parliament and the Council - Eastern Partnership”, COM(2008) 823, Brussels, December 3, 2008, <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52008DC0823&from=EN>.

2 EU sanctions against Belarus were first introduced in 1998.

draft document that was being prepared by the European Commission for six of the EU's eastern neighbours – Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. The draft communiqué envisaged the signing of Association Agreements with these countries over the course of several years, the creation of a free trade area, and a gradual transition towards a single market. The deeper integration that was envisioned for the EaP states willing to embark on this road would imply significant approximation with the EU's legal and institutional standards. This bilateral offer for the EaP states would then be supplemented by four multilateral platforms facilitating enhanced cooperation in the fields of democracy and governance, economic integration and convergence, energy security and people-to-people contacts. In addition, the EaP project provided for a gradual increase in financial support to the region, rising from €6 per capita back in 2008 to €12 in 2013 and €20 in 2020.³

During the preparatory phase of the EaP in 2008, various formats of interaction with Minsk were considered, including the complete exclusion of Belarus from the initiative. However, the Eastern Partnership Declaration, adopted by the European Council in the spring of 2009, not only did include Belarus (albeit only in its multilateral framework) but also declared an identical status for all of the participating countries, defining Belarus for the first time as 'a partner of the European Union'. Officially, Minsk appreciated this 'non-discriminatory' move by the EU. And although for some of the six countries, the benefits of EaP membership might have seemed

Joining the EaP required a remarkable balancing act from Belarus.

too modest, for Belarus they were more than the country might reasonably have expected, given its history of a tense bilateral relationship with the EU (caused by the regime's poor human rights record). Furthermore, the inclusion of Belarus in the EaP was perceived by the Belarusian leadership as a political advance in itself. This was even more the case seeing as it had not taken any significant steps to liberalise its political system in the wake of the suspension of some of the EU sanctions in 2008.⁴

Overall then, the Belarusian authorities welcomed the invitation to join the EaP.⁵ The EU was an immediate neighbour and its main market for exports (44% in 2008),⁶ so a chance to improve politically strained relations and in addition secure some financial resources from Brussels was a welcome one. Although this was not stated publicly, the leadership was becoming more wary of Russia after its military invasion of Georgia in 2008 and the mood of public opinion reflected these shifts, too. In 2009, the number of Belarusian citizens who supported EU integration exceeded the number of those in favour of integration with Russia for the first time.⁷

Still, joining the EaP required a remarkable balancing act from Belarus. While accepting the invitation from Brussels, Minsk needed to continue to demonstrate loyalty to its military and economic ally, Russia. Moscow was very sceptical about the EaP initiative, as it considered it as posing a threat to its own integration ambitions.⁸ On 7 May 2009, the foreign ministry of Belarus published a statement, in which it explained that the Joint Declaration

3 Philippa Runner, "Brussels to Recognise 'European Aspirations' of Post-Soviet States", *EUobserver*, November 24, 2008, <http://euobserver.com/24/27167>.

4 The sanctions were reinstated again in 2010, due to a crackdown on anti-government protests in Minsk.

5 "Minsk pozitivno otsenivaet reshenie ES o vkluchenii Belarusi v initsiativu Vostochnoe Partnerstvo [Minsk appreciates positively the decision of the EU to include Belarus in the Eastern Partnership initiative]", *Finance.ua*, February 24, 2009, <https://news.finance.ua/ru/news/-/152859/minsk-pozitivno-otsenivaet-reshenie-es-o-vklyuchenii-belarusi-v-initsiativu-vostochnoe-partnerstvo>.

6 IMF, "Belarus, Exports to Partner Countries", 2008, <http://data.imf.org/regular.aspx?key=61013712>.

7 "Trends of Change in Belarusian Public Opinion", *IISEPS*, <http://www.iiseps.org/?p=114&lang=en>.

8 Valentina Pop, "EU Expanding its 'Sphere of Influence,' Russia Says", *EUobserver*, March 21, 2009, <https://euobserver.com/foreign/27827>.

of the Prague Eastern Partnership Summit had been drafted with the active participation of Belarus and that it was aligned with the national interests of the country. It was emphasised that the implementation of the programme ‘should not be directed against any third countries.’⁹

Minsk strived to reassure Moscow that Belarus’s participation in the EaP would not undermine Belarus–Russia integration and did not mean reorientation towards the West.¹⁰ The Belarusian leadership was at pains to convince the Kremlin that it had no intention of ‘walking away from Russia’ and presented its involvement in the EaP as a mere technical exercise whose main purpose was elimination of the trade barriers with the EU.¹¹ This charm offensive was accompanied by subtle diplomatic gestures. The level of Belarus’s representation at the inaugural EaP summit in Prague was downgraded: President Lukashenko did not attend the summit but dispatched the First Deputy Prime Minister Vladimír Semashko in his stead. On the day of the summit, President Lukashenko met with Russian Ambassador Alexander Surikov to underline the close nature of Belarus’s relations with Russia.¹² In the end, Russia seemingly acquiesced to Belarus’s participation in the initiative. In an interview, Russia’s foreign minister Sergey Lavrov said that Russia had no suspicions with respect to Belarus’s intentions.¹³ Moreover, Moscow’s misgivings about the EaP being an inherently geopolitical project were also dispelled when Minsk joined the Eurasian Customs Union in

2010, which mutated in 2015 into the Eurasian Economic Union (EAEU).

In summary, Minsk perceived the EaP positively, seeing its significant potential for enhancing engagement with the EU on a practical level. At the same time, the Belarusian authorities sent unequivocal signals to both Brussels and Moscow that the country’s participation in the initiative would not have priority over the Belarusian–Russian bilateral framework and Russian-led integration projects in the post-Soviet region.

In 2019, in principle Minsk still considers the EaP a valuable instrument in its communication and cooperation with the EU. Belarus actively participates in all EaP ministerial meetings and summits and proposes projects and initiatives within EaP multilateral frameworks. However, despite a much more dynamic interaction between the EU and Belarus since 2014, there are increasing signs of disappointment and disillusionment in Minsk. For instance, Belarusian foreign minister Uladzimir Makiej commented in a TV interview about the EaP that ‘certain headway has been made, but there is no real progress that our ordinary citizens could appreciate’. He emphasised that in the future the EaP should focus more on programmes aimed at improving citizens’ well-being.¹⁴ At a press conference following the 10th round of EaP informal ministerial dialogues, Makiej reiterated that Belarus is interested in using the constructive potential of the EaP to overcome divisions and restore confidence in society: ‘We said that

9 “Press–sekretar’ MID: Belarus’ ne sobirayetsya vybirat’ mezhdru uchastiyem v Vostochnom partnerstve i svoimi interesami v SNG” [Press–secretary MFA: Belarus does not intend to choose between participation in the Eastern Partnership and its own interests in the CIS], *Belapan*, May 21, 2009, https://belapan.by/archive/2009/05/21/eu_305726/

10 “Minsk razvivaet dialog s ES dlya uluchsheniya usloviy trgovli [Minsk develops dialogue with the EU in order to improve trade conditions]”, *RIA Novosti*, May 8, 2009, <https://ria.ru/20090508/170415227.html>.

11 Ibid.

12 “Alexander Lukashenko Urges Transparency in Belarus–Russia Relations”, *BELTA*, May 7, 2009, <http://loev.gomel-region.by/en/republic-en/view/alexander-lukashenko-urges-transparency-in-belarus-russia-relations-5577/>

13 “Lavrov: Rossiya tsenit pozitsiyu Belarusi po Vostochnomu partnerstvu” [Lavrov: Russia appreciates Belarusian position on the Eastern Partnership], *TUT.by*, December 2, 2017, <https://news.tut.by/economics/571382.html>.

14 “Makey o coglashenii s ES: K sozhaleniyu, partnery vkluchili nekotorye passazhi” [Makiej on the agreement with the EU: Unfortunately, the partners have included some new passages], *TUT.by*, December 2, 2017, <https://news.tut.by/economics/612529.html?crnd=58643>.

the Eastern Partnership should be focused on achieving concrete results, should be pragmatic and have such an effect that regular citizens of our countries can benefit from this initiative.¹⁵ Thus, disappointment in Minsk is fuelled not so much by the lack of progress in bilateral relations, but by the perception that the EaP's positive potential is not being exploited fast enough. Belarus is looking for an acceleration of the normalisation of its relations with the EU and for more practical benefits deriving from more intense interaction.

On a societal level, while support for EU integration grew in 2009, the EaP programme as such remained largely unknown in Belarus. According to independent public opinion polls conducted in 2010, only 21% of Belarusians knew about the EaP. In 2013, this number dropped to 13.7%: the primary reason for this is most probably the overall deterioration in relations with Brussels after the 2010 presidential elections, when the violent crackdown on protesters triggered a new round of EU sanctions against Belarus.¹⁶ Moreover, lack of information about the EU may be ascribed to scant coverage of such topics in programmes and news on the state-owned media outlets: as a result, only 8.4% of the population were aware that Belarus participated in the initiative, as is shown in the same study.¹⁷ Another public opinion survey in 2013 also revealed that 20.8% of respondents thought that Russia participated in the EaP as well, although this has never been the case.¹⁸

In general, as one might expect, awareness about the EU itself and support for Belarus's European integration are much higher than knowledge about the EaP specifically. In public opinion, before the 2014 conflict in Ukraine, support for the EU in Belarus slightly decreased compared to the 2009 peak-point, but it was still equal to support for integration with Russia.¹⁹ Only after 2014 did it drop significantly, as Belarusians increasingly embraced Russia's state-media narratives on the origins of the crisis in Ukraine.²⁰ This decline, however, did not translate into much more extensive support for integration with Russia in the long run. Rather, it further consolidated the ranks of Belarusians who do not see the country in either of the integration blocs and thus favour pursuing an independent foreign policy course (increasing from 20.4% in 2010 to 31.1% in 2015).²¹ Moreover, after two years of decline, the pro-European option in Belarus began to recover lost ground (from 25% in December 2015 to 34% in June 2016).²²

WHAT WORKED FOR BELARUS?

When joining the EaP, Minsk was motivated by pragmatic goals – to increase bilateral trade and multilateral engagements, to attract investments and new technologies and to ensure additional technical and financial aid. Belarus also wanted to counterbalance the

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- 15 Tatyana Korovenkova, "Makey rasskazal, kak sdelat' Vostochnoe partnerstvo uspeshnym" [Makiej told how to make the Eastern partnership successful], *Naviny.by*, June 22, 2018, <https://naviny.by/article/20180622/1529657703-makey-rasskazal-kak-sdelat-vostochnoe-partnerstvo-uspeshnym>.
- 16 "Belarus and the World: Geopolitical Choice and Security in the Light of Economy and Culture", *BISS*, 2010, <https://belinstitute.com/sites/biss.newmediahost.info/files/attached-files/sa%20010610%20en%20geopolit.pdf>.
- 17 *Ibid.*
- 18 "Belarus and Eastern Partnership: National and European Values", *ODB-Brussels*, 2013, https://odb-office.eu/expertise_/research/public-opinion-poll-belarus-and-eastern-partnership-national-and-european-values.
- 19 IISEPS data: <http://www.iiseps.org/?p=114&lang=en>.
- 20 Yury Drakakhurst, "Whose Side is Belarus on Anyway?", *Open Democracy*, May 12, 2016, <https://www.opendemocracy.net/en/odr/whose-side-is-belarus-on-anyway/>
- 21 "REFORUM: Geopolitics and Reforms: Who do Reformers Have to Rely On?", *BISS*, 2015, <https://belinstitute.com/en/node/2530>.
- 22 Independent Institute of Socio-Economic and Political Studies (IISEPS), "Trends of Change in Belarusian Public Opinion", *Bulletins Infocus* no. 12, 2015, <http://www.iiseps.org/?p=114&lang=en>.

disproportionately significant political and economic influence of Russia, by normalising relations with the West in general and with the EU in particular. This trend was already noticeable in 2007, when the Belarusian authorities first took some small steps towards cooperation with the EU. The war in Georgia and especially the war in Ukraine accelerated this process and lent it new urgency. At the same time, these attempts at *rapprochement* with the EU were also a reflection of shifts in public opinion concerning geopolitical orientations and foreign policy preferences.

Differentiated approach

After the military conflicts in Georgia and Ukraine, the EU has revisited its priorities regarding its neighbourhood, and it is now more ready to accept different sets of goals and models of interaction in the eastern neighbourhood.²³ The EU's practice of differentiating among neighbours turned out to be beneficial for Belarus. Indeed, the Belarusian authorities finally got more or less what they initially wanted – more projects and investments in the economic and infrastructure spheres and less political conditionality. This technical approach also seems to have helped calm Russia's fears that Belarus had embarked on a path of political Westernisation, through its participation in various European initiatives with normative strings attached.

In January 2015, the EU prepared a sort of 'roadmap' aimed at improving the Belarus-EU relationship, entitled 'The List of Possible Additional Concrete Measures to Deepen the

EU's Policy of Critical Engagement with Belarus'. Despite the fact that the paper was not an officially restricted document, it was not published and was not made available to the general public. The 'roadmap' contained 29 measures²⁴ that could be implemented if Minsk officially continued to further demonstrate its desire to move closer to the EU, making specific steps forward.

The most significant prospective measures that could be implemented by the EU included: the development of sectoral dialogues with Belarus; the application of the TAIEX tool for technology transfer; granting Belarus observer status in the EU's Northern Dimension; commencement of negotiations over a Mobility Partnership; the signing of a visa facilitation and readmission agreement; the signing of a Memorandum on an Early Warning Mechanism; the reinforcement of the bilateral dimension of the EaP; abolition of textile import quotas; assistance in negotiations of the new agreement with the IMF; facilitation of Belarus's accession to the WTO; the establishment of the Partnership and Cooperation Agreement (PCA) as a new legal framework for relations between the EU and Belarus; suspension and subsequent lifting of sanctions, etc.

It is noteworthy that among these proposals there are some bilateral instruments of engagement, which the EU has made available to other EaP states in the past. Thus, although Belarus is largely excluded from the bilateral framework of the EaP, the EU began to selectively experiment with expanding some bilateral offers to Minsk too. The Mobility Partnership, which covers issues of migration, asylum and mobility, is a case in point.²⁵

23 European Commission, "Towards a New European Neighbourhood Policy", November 2015, http://eeas.europa.eu/archives/docs/enp/documents/2015/151118_staff-working-document_en.pdf.

24 Commission Delegated Decision, April 15, 2016, [http://www.europarl.europa.eu/RegData/docs_autres_institutions/commission_europeenne/actes_delegues/2016/02164/COM_ADL\(2016\)02164_EN.pdf](http://www.europarl.europa.eu/RegData/docs_autres_institutions/commission_europeenne/actes_delegues/2016/02164/COM_ADL(2016)02164_EN.pdf).

25 Council of the European Union, "Joint Declaration on a Mobility Partnership between the Republic of Belarus and the European Union and its participating Member States", DS 1233/1/15, Brussels, May 4, 2015, https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/international-affairs/global-approach-to-migration/specific-tools/docs/mobility_partnership_of_belarus_en.pdf.

Sanctions lifted, new bilateral formats set up

Following the outcomes of the presidential (2015) and parliamentary (2016) elections in Belarus, the EU lifted almost all of its sanctions against the Belarusian authorities and businesses.²⁶ In total 170 persons, including the President of Belarus and three defence companies, were removed from the blacklist. The decision came as a result of the release of six political prisoners²⁷ (including the 2010 presidential candidate Nikolai Statkevich) and because of the absence of post-electoral violence.²⁸ The move became an important milestone for the further deepening of relations with the EU. The lifting of the sanctions was then followed by the adoption of the EU's Country Strategy paper on Belarus for the period 2017–2020.²⁹ At the same time, while Belarus does not yet benefit fully from the EaP bilateral track, its participation in the programme's multilateral regional initiatives and projects has been widened (see examples further below). In parallel, the EU and Belarus have shaped new formats of bilateral cooperation outside the EaP framework as well. For example, in the past two years, the EU and Belarus have established a formal sectoral Dialogue on Trade as well as Customs Dialogue in addition to already existing dialogues on human rights, the economy, finances and environment protection.

In order to structure the growing number of cooperation programmes and instruments, the parties decided to unveil a new format of bilateral engagement: the EU–Belarus Coordination Group. As the Belarusian foreign ministry noted, this was a new format for structured, integrated dialogue.³⁰ The invitation to civil society representatives to participate in some discussions was an innovative feature of the new format, though the influence of civil society in Belarus remains rather limited. Since its inception through to the end of 2018, the group has met 6 times.³¹ Overall, the launch of the Coordination Group framework represents a significant step towards the institutionalisation of the Belarus–EU relationship, in the absence of a framework agreement.

EU funding: down and up again

Over the past decade EU funding for Belarus has fluctuated, reflecting the ups and downs in bilateral relations. In the 2007–2013 budget period, the EU spent €185 million as technical assistance in Belarus, focusing on energy and energy efficiency, food safety, the green economy and local and regional development.³² Among the most successful and important projects was the reconstruction and modernisation of border crossing points on the Belarus–Lithuania and Belarus–Poland borders, which helped to significantly increase passenger traffic and cargo

26 Council of the European Union, “Belarus: EU Prolongs Arms Embargo and Sanctions against 4 individuals for One Year”, February 23, 2018, <https://www.consilium.europa.eu/en/press/press-releases/2018/02/23/belarus-eu-prolongs-arms-embargo-and-sanctions-against-4-individuals-for-one-year/>

27 Andrei Makovsky, “Belarus Leader Pardons Six Jailed Opposition Figures”, *AP*, August 23, 2015, <https://www.reuters.com/article/us-belarus-rights-prisoners/belarus-leader-pardons-six-jailed-opposition-figures-idUSKCN0QSO9820150823>.

28 Jennifer Rankin, “EU Lifts Most Sanctions against Belarus Despite Human Rights Concerns”, *The Guardian*, February 15, 2016, <https://www.theguardian.com/world/2016/feb/15/eu-lifts-most-sanctions-against-belarus-despite-human-rights-concerns>.

29 EU Neighbours – East, “Belarus: Country Strategy Paper 2017–20”, 2016, <https://library.euneighbours.eu/content/belarus-country-strategy-paper-2017-20>.

30 “Eleven Priorities of the Dialogue. What Minsk and Brussels Discussed at the Inaugural Meeting of the Coordination Group”, *TUT*, April 8, 2016, <https://news.tut.by/politics/491767.html>.

31 European External Action Service, “EU–Belarus Coordination Group Met for the Sixth Time”, December 13, 2018, https://eeas.europa.eu/headquarters/headquarters-homepage/55451/eu-belarus-coordination-group-met-sixth-time_en.

32 “Sotrudnichestvo Belarusi i ES v oblasti mezhdunarodnoy technicheskoy pomoshi v 2007–2013 gg. Promezhutochniye rezul'tati” [Cooperation of Belarus and the EU in the field of international technical assistance in 2007–2013. Intermediate results], *EU ITA Centre in Belarus*, 2014, <http://cu4eu.by/upload/iblock/490/49004496b8238555dd2b5ae62d3c5cdd.pdf>.

flow, thereby strengthening Belarus's capacity as a transit country.³³

From 2014–2017, the EU's initial assistance package to Belarus under the European Neighbourhood Instrument (ENI) amounted to between €71 million and €89 million – significantly lower compared to the previous financial perspective.³⁴ This was partially a reflection of deteriorating bilateral relations in the aftermath of post-electoral violence in 2010. However after another thaw in relations was initiated in 2014, a decision was taken in 2016 to increase the amount of assistance to €91.5 million.³⁵ This means that in 2016, the EU bilateral assistance package was in fact doubled. The priority sectors under this programme were social inclusion (30% of the total allocations), environment (25%), local/regional economic development (25%), civil society development (10%) and capacity development (10%).³⁶

The strategic framework for EU bilateral cooperation with Belarus for the period 2017–2020 is set out in the Single Support Framework, which replaced the multi-annual indicative programmes. The indicative bilateral allocation for the current programming period reflects the positive expectations on the EU side and shows a further increase in support, with assistance amounting to between €112 million and €136 million. This is broken down in the following categories: economic development and market opportunities (40%); strengthening institutions and good governance (15%); connectivity, energy efficiency, environment and climate

change (15%); mobility and people-to-people contacts (20%); complementary support for capacity development/institution building (5%); complementary support for civil society development (5%).³⁷

According to the Single Support Framework, apart from bilateral European Neighbourhood Instrument (ENI) funds (40%), in the future support can also be provided through a variety of other instruments like the TAIEX and Twinning instruments, the COSME programme for small and medium-sized enterprises, regional programmes in support of the Mayors for Economic Growth and the Covenant of Mayors initiative.³⁸ Additionally, innovative financial instruments such as the blending of grants with loans or equity from public and private financiers, including via the European Investment Bank (EIB), could be explored. Finally, cooperation could be expanded in the framework of the Neighbourhood Investment Facility and the European External Investment Plan.

Multilateral framework pays off

Along with its growing bilateral engagement, Belarus's participation in the EaP's multilateral initiatives, covering topics like SMEs, energy and research, has significantly expanded. Consequently, this multilateral cooperation within the EaP has already led to some substantial returns, and promises to deliver more in the not-so-distant future.

33 Roman Ivut et al., "Razvitiye tranzitnogo potentsiala respubliky Belarus' v uslovivakh formirovaniya yeyo transportno-logicheskoy sistemiy [Development of transit capacity of the Republic of Belarus in the context of its transport-logistical system], *BelISA*, February 25, 2015, http://belisa.org.by/pdf/Publ/Art3_132.pdf.

34 European External Action Service, "Programming of the European Neighbourhood Instrument 2014–2020. Strategy Paper and Multiannual Indicative Programme for EU Support to Belarus (2014–2017)", http://eeas.europa.eu/archives/docs/enp/pdf/financing-the-enp/belarus_2014_2017_programming_document_en.pdf.

35 European Commission, "New EU Support to Private Sector Development and Strengthening Institutions in Belarus", September 19, 2006, http://europa.eu/rapid/press-release_MEMO-16-3107_en.htm.

36 European External Action Service, "Programming of the European Neighbourhood Instrument 2014–2020. Strategy Paper and Multiannual Indicative Programme for EU support to Belarus (2014–2017)".

37 European Commission, "Programming of the European Neighbourhood Instrument (ENI) – 2017–2020", http://ec.europa.eu/transparency/regcomitology/index.cfm?do=Search.getPDF&ds_id=53950&version=1&AttLang=en&db_number=1&docType=DRAFT_MEASURE.

38 EU Neighbours – East, "EU4Energy: Covenant of Mayors East (CoM East)", <https://www.euneighbours.eu/en/east/stay-informed/projects/eu4energy-covenant-mayors-east-com-east>; European Committee of the Regions, "Mayors for Economic Growth", April 9, 2017, <https://cor.europa.eu/en/news/Pages/Mayors-for-Economic-Growth.aspx>

Under the EU4Business initiative, which supports private sector development in EaP states, 900 enterprises have so far benefited from loans, training and advice and 3,900 new jobs have been created, helping SMEs to grow and increase trade opportunities. The overall EU contribution in this sector amounted to €24 million.³⁹ In June 2017, Belarus joined the Eastern Europe Energy Efficiency and Environment Partnership (E5P). This Trust Fund, managed by the European Bank for Reconstruction and Development (EBRD), supports loans for municipal sector projects on energy efficiency and the environment across the EaP countries, and it will provide Belarus with gradual access to €10 million, for key projects in energy efficiency and environmental protection.⁴⁰

Furthermore, in 2018 Belarus and the European Investment Bank (EIB) opened a new chapter of cooperation, by signing the first ever loans provided by the EU bank in the country. The loans, for a total amount of nearly €160 million, target sectors and projects in the areas of social and economic infrastructure, private sector development and climate action. A first loan of €84 million will finance the upgrading of wastewater treatment services serving close to 2 million citizens in the Belarusian capital Minsk.⁴¹ The EIB loans to small businesses, intermediated through Belagroprombank and Belarusbank, will facilitate investment projects and help to meet the financial needs of private sector companies in Belarus.

In some cases, Belarus was even a trendsetter within EaP multilateral platforms. From 2015, Belarus was one of the driving forces behind

promoting the digital space as a new field of cooperation between the EU and EaP states. This effort was reflected in the 2015 and 2017 EaP Summit declarations, which endorsed the idea of digital market harmonisation.⁴² This was later further developed under the title of the EU4Digital initiative, which will foster cooperation in the digital sphere between the EU and the six partner countries.⁴³

Belarusian civil society is another sphere that benefited greatly from the launch of the EaP multilateral platforms. The EaP Civil Society Forum (CSF), established in the framework of the EaP as well as being incorporated in the National Platform at the country level, helped to boost cooperation and coordination of civil society organisations (CSOs) on a national level and promoted ideas emanating from Belarusian civil society with the EU institutions. From that point on, cooperation between state authorities and CSOs was also included in EaP project documentation, cementing it as a condition in the policy agenda.

Research and enhanced mobility

EU mobility programmes for students and academics, as well as cooperation in the research field, have provided Belarusians with some dividends too. Under the Horizon 2020 programme, more than €12 million was allocated to Belarus for different projects for the period 2002-2017. As a result, Belarusian scientists took part in 113 projects that aimed, *inter alia*,

39 "EU Makes Businesses in Belarus Stronger", *EU4Business Factsheets*, January 30, 2019, <https://euprojects.by/news/eu-makes-businesses-in-belarus-stronger/>

40 EU Neighbours – East, "Eastern Europe Energy Efficiency and Environment Partnership Launches in Belarus", July 11, 2018, <https://www.euneighbours.eu/en/east/stay-informed/news/eastern-europe-energy-efficiency-and-environment-partnership-launches>.

41 European Investment Bank, "First Ever EIB Support for Belarus – Development of Water Infrastructure and Private Sector", November 20, 2018, <https://www.eib.org/en/infocentre/press/releases/all/2018/2018-289-first-ever-eib-support-for-belarus-development-of-water-infrastructure-and-private-sector.htm>.

42 Council of the European Union, "Joint Declaration of the Eastern Partnership Summit", Riga, 2015, <https://www.consilium.europa.eu/media/21526/riga-declaration-220515-final.pdf>; Council of the European Union, "Joint Declaration of the Eastern Partnership Summit", Brussels, 2017, <https://www.consilium.europa.eu/media/31758/final-statement-st14821en17.pdf>.

43 Delegation of the European Union to Kazakhstan, "Eastern Partnership: Promoting Stronger Digital Economies for the EU's six Eastern Partners", February 28, 2019, https://eeas.europa.eu/delegations/kazakhstan/58917/eastern-partnership-promoting-stronger-digital-economies-eu%E2%80%99s-six-eastern-partners_en.

at strengthening scientific and technological cooperation, bridging the gap between research and innovation and exchanges of technological innovations and practices.⁴⁴ Starting from September 2018, Belarusian teams of scientists joined the Horizon 2020 innovation project on quantum technologies.⁴⁵

Between 2015 and 2017, Erasmus+ provided almost 1,000 students and academic staff from Belarus with the possibility to study or teach in EU countries.⁴⁶ Additionally, after the EU-Belarus negotiations on a Mobility Partnership were concluded in 2015, the partnership's first project, called the Mobility Scheme for Targeted People-to-People Contacts (MOST), was launched in the same year. In the space of three years, around 2,200 Belarusians (entrepreneurs, doctors, and artists) took advantage of this mobility scheme. Its positive impact explains the decision to extend the project for another three years.⁴⁷

And these benefits were not exclusive to Belarusian nationals either, as EU citizens benefited from Belarus's increased openness as well: the normalisation of relations between Belarus and the EU had a positive impact on people-to-people contacts, and in particular on tourism. After Belarus in 2017 unilaterally introduced a visa-free regime for European countries (for stays of up to 30 days), the number of incoming visitors began to grow rapidly. Thus in 2018, the number of tourists almost doubled compared to 2017. The majority of these visitors came from Lithuania, Poland and Latvia.⁴⁸

WHAT DID NOT WORK?

Belarusian relations with the EU have made significant headway over the years. Nevertheless, there remain several fields where progress has been meagre, or non-existent. Addressing some of these obstacles to progress might help unlock the full potential of EU-Belarus relations.

After 10 years, Belarus does not yet fully participate in the EaP. None of the three 'grand bilateral offers' of the EaP (political association, free trade and a visa-free regime) apply to Belarus. Furthermore, because of the absence of contractual relations between Minsk and Brussels, Belarus cannot enjoy fully-fledged membership in the European Neighbourhood Policy (ENP) and it is largely excluded from the bilateral dimension of the EaP.⁴⁹ This in turn limits the country's access to the EU financial instruments that are available to the rest of the neighbours. On the other hand, some elements that the EaP offers to partner countries are not available to Belarus in the first place, due to its membership in alternative regional projects or because it lacks membership in international institutions regulating trade issues. For example, Belarus is not yet a member of the World Trade Organisation (WTO) and for this reason the EU cannot offer an FTA to Belarus. Yet even if Belarus were to join the WTO, its membership in the EAEU precludes it from negotiating a separate FTA with the EU. Therefore, Belarus's membership in the EAEU imposes certain limits

44 Delegation of the European Union to Belarus, "EU Projects with Belarus", December 4, 2017, https://eeas.europa.eu/delegations/belarus_en/947/EU%20Projects%20with%20Belarus.

45 "A Belarusian Team Joined the FET Flagship on Quantum Technologies", *EaP Plus*, October 23, 2018, <https://www.eap-plus.eu/object/news/230>.

46 Delegation of the European Union to Belarus, "EU Projects with Belarus".

47 European External Action Service, "Belarus: EU Mobility Project Builds Bridges between EU and Belarusian Professionals", January 30, 2018, https://eeas.europa.eu/headquarters/headquarters-homepage/39013/belarus-eu-mobility-project-builds-bridges-between-eu-and-belarusian-professionals_en.

48 "V Belarusi chislo turistov i ekskursantov iz Evrosoyuza v 2018 godu viroslo pochti v 2 raza" [In Belarus, the number of tourists and visitors from the European Union rose almost two times in 2018], *Belta*, March 8, 2019, <https://belta.by/society/view/v-belarusi-chislo-turistov-i-ekskursantov-iz-evrosojuza-v-2018-godu-vyroslo-pochti-v-2-raza-339319-2019/>

49 The Partnership and Cooperation Agreement signed in 1995 was not ratified by all EU member states due to the domestic political situation in Belarus.

on how far bilateral economic relations with the EU can actually advance.

Although the EU and Belarus have created a new bilateral format for dialogue and cooperation, the two sides still cannot agree on the Partnership Priorities for 2018–2020 – a roadmap for future bilateral relations, which should guide joint project activities and promote closer engagement between the financial institutions of Belarus and the EU. This document was supposed to have been approved in 2017, but the process stalled due to the construction of the Belarusian Nuclear Power Plant (NPP) and the nuclear safety concerns this project raised in the EU.⁵⁰

There are also problems associated with trade and the access of Belarusian agricultural goods to the European market. In this context, Minsk suffers from the delays in the negotiation process and the lack of specifics in the EU's requirements concerning phytosanitary and other standards. In practice, these obstacles have led to a situation where Belarus over the last decade was unable to expand agri-food exports to the European market, while the EU significantly increased such exports to Belarus.⁵¹ In order to focus attention to this issue, it was addressed at the highest level by the Belarusian authorities.⁵² More decisive steps by the EU would benefit Belarus, especially given that access to the European market is becoming increasingly important in the face of frequent restrictions on market access imposed by

Russia.⁵³ Thus, agro-exports to the EU are not just an issue of trade exchange for Belarus, but one of economic resilience.

While important steps have been made, the programmes enhancing mobility have still not been used to their full potential. The negotiations over visa facilitation and a readmission agreement have been ongoing for over four years now and have not yet concluded. Both sides share the responsibility for the delays in this case. Belarus initially tried to obtain a visa facilitation accord without a readmission agreement. This was not acceptable for the EU, however, as the visa facilitation and the readmission agreement formed a package deal, as was the case with the other EaP states. This slowed down the negotiation process. On the other hand, the EU kept raising new, additional issues in the context of the negotiations (e.g., there was an additional security requirement for Belarusian diplomatic passports).⁵⁴ Unfortunately, as the process drags on, the citizens are caught in the middle. Belarus has among the highest number of Schengen visas per capita in the world:⁵⁵ in 2017, 710,504 citizens had Schengen visas, which amounts to almost 7.5% of the population.⁵⁶ A visa facilitation agreement therefore promises a substantial benefit for future visa applicants, as it envisions reducing the Schengen visa fee from €60 to €35.⁵⁷

Neither does Belarus fully participate yet in all multilateral tracks available for EaP states. For example, Belarusian MPs are still unable to

50 "Lithuania Urges EU to Pressure Belarus over Nuclear Safety", *Reuters*, July 4, 2018, <https://www.reuters.com/article/us-baltics-energy/lithuania-urges-eu-to-pressure-belarus-over-nuclear-safety-idUSKBN1J1U1Q4>.

51 European Commission, "Agri-food Trade Statistical Fact Sheet", March 15, 2018, https://ec.europa.eu/agriculture/sites/agriculture/files/trade-analysis/statistics/outside-eu/countries/agrifood-belarus_en.pdf.

52 President of the Republic of Belarus, "Vstrecha s evrokomissarom po evropejskoj politike sosedstva I peregovoram o rasshirenii ES Iohannesom Hanom" [Meeting with European Commissioner for the European neighbourhood policy and EU enlargement negotiations Johannes Hahn], June 21, 2018, http://president.gov.by/ru/news_ru/view/vstrecha-s-evrokomissarom-po-evropejskoj-politike-sosedstva-i-peregovoram-o-rasshirenii-es-johannesom-xanom-18968/

53 "Shrinking Economic Freedom and Milk War with Russia – Belarusian Economic Digest", *Belarus Digest*, March 6, 2018, <https://belarusdigest.com/story/shrinking-economic-freedom-and-milk-war-with-russia-belarusian-economic-digest/>

54 Igar Gubarevich, "Schengen Visa Facilitation: Jeopardised by Fear of Migrants?", *Belarus Digest*, March 10, 2017, <https://belarusdigest.com/story/schengen-visa-facilitation-jeopardised-by-fear-of-migrants/>

55 European Commission, "EU launches Mobility Partnership with Belarus", October 13, 2016, https://ec.europa.eu/neighbourhood-enlargement/news_corner/news/2016/10/20161013_2_en.

56 "Schengen Visa Statistics by Third Country", *Schengen Visa Info*, April 10, 2018, <https://www.schengenvisainfo.com/statistics/visa-statistics-third-country-2017/>

57 "EU Hopes to Ease Visa Regime with Belarus in 2018", *Schengen Visa Info*, October 24, 2018, <https://www.schengenvisainfo.com/news/eu-hopes-to-ease-visa-regime-with-belarus-in-2018/>

attend the EuroNest sessions (the parliamentary assembly encompassing delegations from the European Parliament and EaP national parliaments), because of concerns regarding the Belarusian parliament's legitimacy as a democratically elected body.⁵⁸ As a way out of the deadlock, the European Parliament offered a compromise solution, stating that the Belarusian delegation to EuroNest could be composed of five members of parliament accompanied by five representatives from the opposition.⁵⁹ Belarusian officials categorically rejected such a solution, however. From Minsk's standpoint, double standards were being applied: the European Parliament had no problems with Azerbaijani representatives being engaged in EuroNest, although the latter's legislative body is perhaps not more democratic than its Belarusian counterpart.⁶⁰ The situation has remained quasi-frozen ever since. In order to find another way to continue engaging with the political opposition and civil society, the European Parliament created a working group on Belarus, which has convened 14 times since 2011.⁶¹ In parallel, MEPs have maintained official contacts with Belarusian parliamentarians too, a development which has been welcomed in Minsk.⁶²

Finally, there remains the problem that a legal framework for the bilateral relationship

is missing. The EU suspended the ratification process of the Partnership and Cooperation Agreement, signed back in 1995, after the 1996 referendum in Belarus. Due to the lack of a framework agreement, Belarus cannot fully benefit from various European programmes. Both trade and political dialogue suffer from this too. Therefore, over the past couple of years, official Minsk has constantly pointed to the need to start negotiations over the conclusion of a new framework agreement with the EU.⁶³ For its part, Brussels adopts an incremental approach, focusing first on immediate deliverables which have been stalled for years, such as the process to simplify the visa regime and sign the Partnership Priorities. After these targets are met, the EU might move on to more comprehensive bilateral agreements with Belarus. Minsk however considers that these tracks can be followed in parallel instead of in sequence.

Overall, it is not the case that the country seeks to withdraw from the EaP initiative altogether. The Belarusian administration is still willing to actively use this instrument, provided that it keeps offering practical benefits. To ensure that such benefits are delivered, the EU's cooperation in helping to overcome the above-mentioned obstacles is indispensable.

Due to the lack of a framework agreement, Belarus cannot fully benefit from various European programmes.

58 European Parliament, "Euronest 2018 Way Forward after the Eastern Partnership Summit", July 2018, [http://www.europarl.europa.eu/RegData/etudes/BRIE/2018/625133/EPRS_BRI\(2018\)625133_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2018/625133/EPRS_BRI(2018)625133_EN.pdf).

59 Tanya Korovenkova, "Minsk Adamant About Imposing its Conditions on EU", *UDF.by*, June 6, 2013, <https://udf.by/english/politics/81174-minsk-adamant-about-imposing-its-conditions-on-eu.html>.

60 Charles Recknagel, "'Never Been Worse': Opposition, Election Monitors Boycott Vote In Azerbaijan", *RFERL*, October 31, 2015, <https://www.rferl.org/a/azerbaijan-parliamentary-elections-boycott/27337398.html>.

61 EuroNest Parliamentary Assembly, "Working Group on Belarus", <http://www.europarl.europa.eu/euronest/en/working-groups-&-other-events/wg-on-belarus.html>

62 "Statement by Mr Bogdan Andrzej Zdrojewski, Chairman of the Delegation, on the visit to Belarus on 18-19 June 2015", http://www.europarl.europa.eu/cmsdata/121700/Statement%20D-BY%20Chair%2019%20June%202015_%20Minsk%20.pdf.

63 "Makei: Belarus' Framework Agreement with EU May Be Signed in Near Future", *Belarus.by*, November 24, 2017, https://www.belarus.by/en/press-center/speeches-and-interviews/makei-belarus-framework-agreement-with-eu-may-be-signed-in-near-future_i_69466.html.

LIMITS AND OPPORTUNITIES OF THE EAP

The EU is committed to the so-called policy of ‘critical engagement’ vis-à-vis Belarus. This means a gradual deepening of the EU’s cooperation with Belarusian state bodies, while simultaneously offering support to civil society and pushing for keeping political and economic reforms in Belarus on the agenda. For its part, Belarus is interested in deepening relations with the EU at a much faster pace. Seen from Minsk, the improvement of relations is hampered by the legacy of the EU’s isolation policy, which has influenced critical decisions by the respective EU bodies, leading to residual sanctions remaining in place. At the same time, the EaP region itself is becoming more pluralistic and more disunited, as the interests of each of the ‘post-Soviet six’, their geopolitical orientation and the depth of their relations with the EU are increasingly divergent.

Nevertheless, over the last few years, the process of the normalisation of EU–Belarusian relations has proceeded unabated. A particular impetus to this process was given by the conflict in Ukraine, which brought regional security and stability to the forefront. It changed the way the EU looked at the region and gave Belarus an opening to engage more with the EU. At the same time, Minsk valued participating in the EaP since it was almost the only platform providing direct communication with the EU. The new role Belarus now plays as a host and facilitator of the negotiations on the conflict in

The Belarusian authorities do not regard the EaP as a tool for political transformation.

Ukraine has demonstrated Minsk’s capacity to play a constructive role in the region and helped to rebuild bridges with the EU. This in turn has translated into finding new modes of cooperation, including formats both inside and outside the EaP framework. Belarus is determined to continue playing a positive role in the future and to show that it can be a reliable partner in the region.⁶⁴

The trajectory of EU–Belarusian relations during the last 10 years has proven that the best outcomes can be achieved when cooperating within spheres of common interests. From Minsk’s perspective, political conditionality can stall the process and undermine the achievements of the still fragile normalisation of relations between the two. The Belarusian authorities do not regard the EaP as a tool for political transformation. Thus, the explicit promotion of European values and an emphasis on political conditionality is likely to continue meeting resistance from Minsk in the future. For the authorities, political stability is much more valuable than any benefits to be gained from EU projects or financial support.⁶⁵

This is not to mention the negative reaction that might be expected from Russia if Belarus were to pursue further European integration. In addition, the Belarusian authorities are not convinced by the precedents set in Georgia, Moldova and Ukraine when it comes to political and economic approximation with the EU, seeing as they are not all

considered equally successful.⁶⁶

Thus, looking ahead to the next decade, Belarus would envision something along the following lines as a model for the future partnership and for EU–Minsk relations in general: first, a

64 “What are the Minsk Agreements?”, *The Economist*, September 14, 2016, <https://www.economist.com/the-economist-explains/2016/09/13/what-are-the-minsk-agreements>; “Belarus’ vsyegda yavlyalas’ nadezhnim partnerom ES – Pirshtuk” [Belarus has always been a reliable partner of the EU], *Naviny.by*, July 18, 2017, <https://naviny.by/new/20170718/1500379895-belarus-vsegda-yavlyalas-nadezhnym-partnerom-es-pirshtuk>.

65 President of the Republic of Belarus, “Vstrecha s evrokomissarom po evropejskoj politike sosedstva I peregovoram o rasshirenii ES Iohannesom Hanom” [Meeting with European Commissioner for the European neighbourhood policy and EU enlargement negotiations Johannes Hahn].

66 Author’s off-the-record discussions with Belarus officials, November–December, 2018.

legal basis for Belarusian relations with the EU needs to be established. An updated PCA or other agreement of this type would be a step in the right direction. Second, Minsk hopes to join and fully participate in all multilateral dimensions of the EaP, including EuroNest, especially since contacts between the European Parliament and the Belarusian National Assembly have increased in frequency lately.⁶⁷ Third, the Belarusian authorities are mostly interested in joint infrastructural and technical projects that could improve Belarus's potential as a transit state between Europe and Asia. Additionally, Minsk is looking for more EU funds aimed at improving the country's energy efficiency.

Fourth, Belarus is interested in broader access to the European market to balance its exports and gradually diminish Russia's economic influence. Last but not least, Belarus is eager to improve people-to-people contacts, which would result from the implementation of a visa facilitation scheme (in the short run) and liberalisation of the visa regime (in the mid-term), which could boost the EU's soft power at little cost to Brussels. Thus, a pragmatic EU approach towards Belarus can benefit both parties: through more political engagement and financial support from the EU side, connectivity on Europe's eastern borders would be enhanced, and societal support for the EU would grow.

67 "Boleslav Pirshtuk vstretilsya s delegatsiyey Yevropeyskogo parlamenta" [Boleslav Pirshtuk met with a delegation from the European Parliament], *Belta*, October 29, 2018, <https://www.belta.by/photonews/view/boleslav-pirshtuk-vstretilsja-s-delegatsiej-evropejskogo-parlamenta-14138/>

CHAPTER 6

ARMENIA

Striving for complementarity

by

MIKAYEL HOVHANNISYAN

Armenia-EU relations have evolved gradually, but steadily, from relative unfamiliarity in the 1990s towards a greater degree of mutual understanding and engagement. The signing of the Partnership and Cooperation Agreement (PCA) in 1996 and Armenia's integration into the European Neighbourhood Policy (ENP) in 2004 were the first steps on this path.¹ They gave Armenia the opportunity to become familiar with the EU's values and principles and to receive significant assistance from Brussels. With the launch of the Eastern Partnership (EaP) in 2009, Armenia was offered a format for even closer integration with the EU. Although Armenia swiftly initiated steps to seize all the benefits of the EU's new offer, the intervention of Russia, proposing the Eurasian Economic Union (EAEU) as an alternative regional project, derailed this process. In the end, Armenia joined the EAEU and, because of this, the EU and Armenia had to recalibrate bilateral relations and find ways to conclude a new, but less ambitious, framework agreement. The 2018 Velvet Revolution raised hopes that relations with the EU could be intensified, within the limits imposed by EAEU membership and the country's security imperatives.

This chapter aims to provide a detailed analysis of EU-Armenia relations under the EaP framework. It first explains how and why Armenia's stance towards the EaP initiative fluctuated over the last decade, and then proceeds with an analysis of the EaP's failures and achievements in Armenia. The chapter concludes with some thoughts on Armenia's expectations *vis-à-vis* the EaP in the coming decade.

ARMENIA'S ZIGZAGS

The past 10 years of the EaP have been a bumpy road for Armenia and its relationship with the EU: characterised by high hopes, disappointments and U-turns. Retrospectively, this period can be divided into three phases, namely the pre-accession to the Russian-led EAEU, the period of reflection and the Comprehensive and Enhanced Partnership Agreement (CEPA) negotiations period. During the first phase (2009-2013), Armenia worked towards a more ambitious agenda, based on the expectation that the Association Agreement (AA), encompassing a Deep and Comprehensive Free

¹ European Community, "Partnership and Cooperation Agreement between the European Communities and the Republic of Armenia", L 239/3, Brussels, September 9, 1999, https://eeas.europa.eu/sites/eeas/files/eu-armenia_partnership_and_cooperation_agreement_en.pdf.

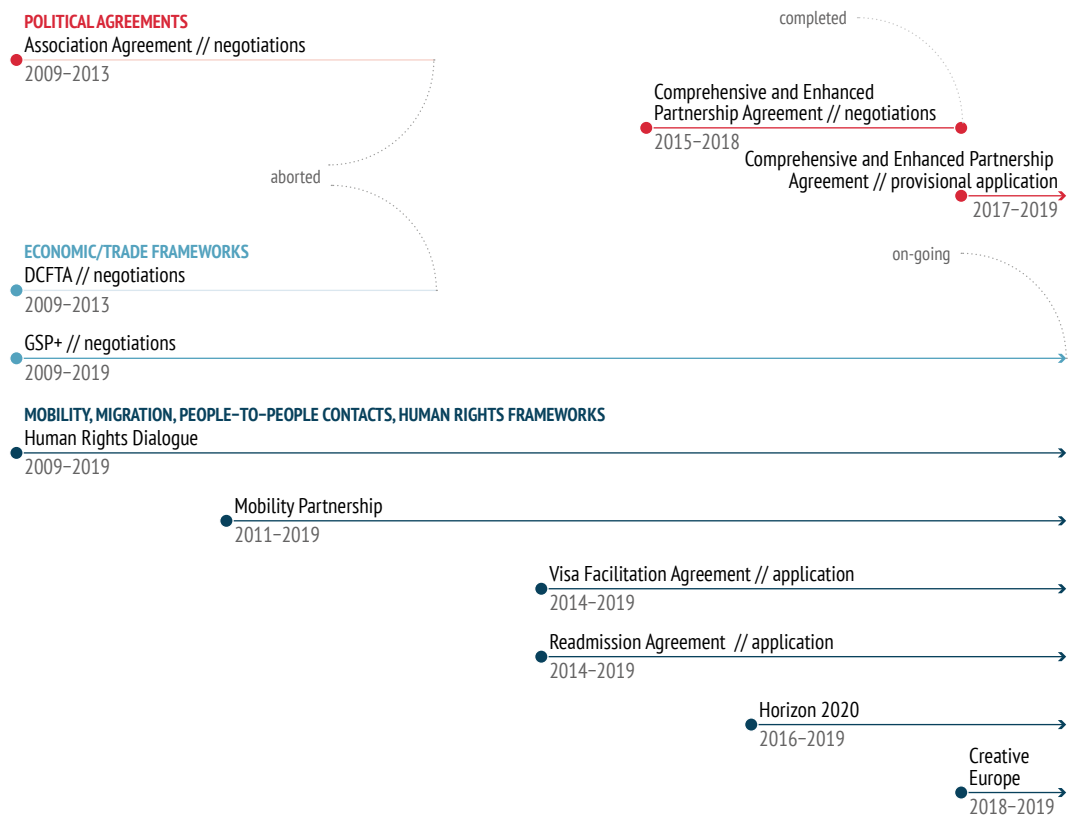
Trade Area (DCFTA), would be signed. The period between September 2013 (when Armenia joined the EAEU) and 2015 was also an important phase since it was a period of reflection when the country developed an understanding of the ‘red lines’ demarcating the two different integration formats, the EU and the EAEU. This period also gave the country pause to reflect on the opportunities that would be available to Armenia as a result of being affiliated to either of the integration frameworks. Finally this period was important for internal political processes due to the fact that the authorities lost a significant amount of their external political legitimacy and support. The third phase (2015–present) unfolded after the opening of a new round of negotiations between Armenia and the EU and was aimed at identifying the

new agenda, one which however provided narrower scope for bilateral cooperation due to Armenia’s membership in the EAEU.

Early enthusiasm

With the launch of the EaP in 2009, Armenia was offered a closer integration format with the EU. In addition to the bilateral relationship, the format also offered a multilateral platform for the six post-Soviet states participating in the EaP. It included the opportunity for even closer integration into the European market and better mobility, for those countries eligible to sign the AA and DCFTA. Armenia’s political class and civil society enthusiastically embraced the EaP. There were several reasons for this attitude.

FIGURE 1 | EU agreements and frameworks with Armenia since 2009



The EaP was initiated during an extremely problematic period for Armenia in terms of domestic politics. Mass demonstrations took place after the presidential elections in February 2008, leading to clashes between supporters of the opposition on one hand and the police and army on the other. This resulted in the killing of ten people, in mass arrests, political repression and a deep political crisis.² Due to these discredited elections and a critically low level of public trust, the newly elected president Serzh Sargsyan was desperately lacking in legitimacy. In turn, the only way to compensate for the lack of internal support was through external political engagements with global and regional actors that would portray him as being successful in the negotiating of international agreements. Fortunately for Sargsyan, two such occasions appeared almost simultaneously: first, an official dialogue between Armenian and Turkish authorities was launched via what was afterwards dubbed ‘football diplomacy’ and resulted in the signing of the Zurich Protocols, supported by the US, the EU and Russia.³ Then, in May 2009, Armenia joined the EaP – an ambitious project aimed at a better approximation of the EU’s eastern neighbours to its legal, economic and political standards.

In addition to compensating for the low legitimacy ratings of the then president, the EaP gave Armenia new opportunities in terms of foreign policy too. As a landlocked country in

As a landlocked country in a geopolitically challenging neighbourhood, Armenia has had a strong tradition of conducting a ‘multi-vector’ foreign policy.

a geopolitically challenging neighbourhood (2 of Armenia’s 4 borders with its neighbours are closed), and with significant diasporas outside its territory, Armenia has had a strong tradition of conducting a ‘multi-vector’ foreign policy, or what was called ‘complementarity’ back in 2007.⁴ This entails a constant balancing act between global and regional powers, with the aim of safeguarding Armenia’s security and economic development. Therefore, the EaP was received positively and seen as an opportunity to deepen economic relations with the EU states, as well as with other EaP countries.⁵ It was also considered as a long-awaited chance to counterbalance Russia’s political and economic leverage over Armenia, which had increased significantly during the presidency of Robert Kocharyan (1999–2009). This was particularly due to the ‘property in exchange for debt’ programme whereby Armenia transferred control of key state assets and strategic infrastructure to Russia in exchange for the Kremlin writing off part of the country’s debt.⁶

Moreover, the Armenian expert community and civil society hoped that the EaP would help in promoting reforms and democratic norms in the country, in particular regarding the protection of human rights, the fight against corruption, and justice sector reform. The EaP initiative was seen as an exceptional opportunity to boost these reforms in the country, since the financial support provided to the Armenian government by the EU was conditioned on the

2 Human Rights Watch, “Democracy on Rocky Ground”, February 25, 2009, <https://www.hrw.org/report/2009/02/25/democracy-rocky-ground/armenias-disputed-2008-presidential-election-post-election>.

3 “Turkey, Armenia Sign Landmark Agreement To Normalize Ties”, *RFERL*, October 10, 2009, https://www.rferl.org/a/Turkey_Armenia_To_Sign_Landmark_Agreement_To_Normalize_Ties/1848293.html.

4 Alexander Markarov and Vahe Davtyan, “Post-Velvet Revolution Armenia’s Foreign Policy Challenges”, *Demokratizatsiya*, vol. 26, no. 4 (2018), pp. 531–46.

5 “Is Armenia Testing a New Foreign Policy Concept?”, ANI Armenian Research Center, February 2, 2018, <https://www.aniarc.am/2018/02/02/is-armenia-testing-a-new-foreign-policy-concept/>

6 Emil Danielyan, “Russian Parliament Ratifies Debt Deal With Armenia”, *RFERL*, May 14, 2003, <https://www.azatutyun.am/a/1571472.html>; Vladimir Socor, “Armenia’s Giveaways to Russia: From Property-for-Debt to Property-for-Gas”, *The Jamestown Foundation*, April 19, 2006, <https://jamestown.org/program/armenias-giveaways-to-russia-from-property-for-debt-to-property-for-gas/>

progress registered in the reform implementation process.⁷ In the 2010s, the EaP showed its value in facilitating the promotion of reforms when Armenian civil society used EaP channels to pressure the government on violations of the rule of law, freedom of movement and assembly and the freedom of the media. The Armenian public mirrored this initial enthusiasm too: trust in the EU soared from 31% in 2009 to 37% in 2011.⁸

Major setback

The state of Russian–Armenian relations and particularly cooperation in the sphere of security has always been perceived as an important factor to be borne in mind when evaluating the impact of the EaP and Armenia–EU cooperation. Since signing a bilateral treaty in 1995, Russia has had a military presence on Armenian soil, patrolled Armenia’s border with Iran and Turkey and supplied Armenia with military equipment at preferential prices. In 2010, this agreement was deepened and extended until 2044.⁹ Armenia is also part of the Russian-led Collective Security Treaty Organisation (CSTO), which envisions a security clause in the event of external aggression.¹⁰ Overall, Russia is considered to be an important element in Armenia’s national security.

Before 2013, there had been no signs that Russia would try to derail Armenia’s association process with the EU. However, tensions between Armenia and Russia began to grow in spring 2013, when it was officially announced that

the AA and DCFTA negotiations had been concluded. In response, Russia started to increase its pressure on Armenia through three major tools: the strong Russian economic presence in Armenia; the presence of Armenian working migrants in Russia; and the Nagorno–Karabakh conflict.¹¹

Russia has a significant economic presence in Armenia. It owns a large portion of Armenia’s strategic infrastructure, such as factories and companies in the energy and telecommunications sectors.¹² Through its economic presence, Russia possesses strong leverage over the Armenian authorities and Armenian society at large. This is the case with regard to energy prices, for example: the mass protest that occurred in the summer of 2015, known as ‘Electric Yerevan’, was sparked by a 17% hike in electricity tariffs – a price increase that was determined by the Russian company Inter RAO, which owned the electricity distribution network in Armenia at the time.¹³ Inter RAO is in turn led by individuals close to the Russian leadership, so the Kremlin has access to channels through which it can exert influence.

Migration, particularly when it concerns migrants illegally working in Russia, is another instrument of pressure. In response to the expected signing of the Association Agreement between Armenia and the EU, Russia threatened to deport illegal migrants back to Armenia, which would have increased internal pressure on the government and had a negative impact on the economy in a country where a significant part of the population is strongly dependent on remittances sent by migrants working abroad.

7 This opinion was expressed by many Armenian civil society experts during meetings with various EU representatives.

8 Caucasus Research Resource Center, “Trust Towards EU 2009”, <https://caucasusbarometer.org/en/cb2009am/TRUSTEU/>; Caucasus Research Resource Center, “Trust towards EU 2011”, <https://caucasusbarometer.org/en/cb2011am/TRUSTEU/>

9 Breffni O’Rourke, “Russia, Armenia Sign Extended Defense Pact”, *RFERL*, August 20, 2010, https://www.rferl.org/a/Russian_President_Medvedev_To_Visit_Armenia/2131915.html.

10 J.H. Saat, “The Collective Security Treaty Organization”, Conflict Studies Research Centre, February 2005, https://www.files.ethz.ch/isn/92581/05_Mar.pdf.

11 “Nagorno–Karabakh Profile”, *BBC*, April 6, 2016, <https://www.bbc.com/news/world-europe-18270325>.

12 Aram Terzyan, “The Anatomy of Russia’s Grip on Armenia: Bound to Persist?”, *CES Working Papers*, vol. 10, no. 2 (2018), http://www.ceswp.uaic.ro/articles/CESWP2018_X2_TER.pdf.

13 Nona Shahnazarian, “Here is Not Maidan, Here is Marshal Baghramian: The Electric Yerevan Protest Movement and its Consequences”, *PONARS Policy Memo*, no. 413, January, 2016, http://www.ponarseurasia.org/sites/default/files/policy-memos-pdf/Pepm413_Shahnazarian_Jan2016_0.pdf.

In the case of Armenia, around 80% of these remittances come from Russia.¹⁴

Finally, the Nagorno-Karabakh conflict, and Russia's role as a potential catalyst for the escalation of the conflict, was probably the strongest instrument of pressure that Moscow brought to bear on the Armenian authorities and on society in general. Pressure from Russia resulted in Serzh Sargsyan's decision to withdraw from signing the AA and DCFTA; instead Armenia joined the Russia-led EAEU in 2015.

Rebuilding complementarity

After joining the EAEU, Armenia needed to reformulate its multi-vector foreign policy and its approach towards the EU. As an alternative to the 'either or'¹⁵ approach Sargsyan called for 'integration to both', indicating Armenia's willingness to cooperate with the EU as far as this was possible within the limits of EAEU membership. Armenia's determination to find a new *modus vivendi* with the EU was fuelled by evolving views on Russia: the perception of Russia's exceptional role as a security guarantor started to change, in particular after the so-called Four-Day War in April 2016 – the strongest escalation of the Nagorno-Karabakh conflict ever since the ceasefire was signed.¹⁶ One of the major concerns among the Armenian public in this respect was the fact that Azerbaijan was using weapons, bought from Russia throughout the past decade, against Armenia. This fact has put the strategic partnership between Armenia and Russia, as well as the effectiveness of the CSTO, under question among the public at large. Accordingly, as

reported in one opinion poll, 51.4% believe that Russia has had a negative impact on the conflict in Nagorno-Karabakh, while 59.4% did not expect the CSTO to provide help in the event of Armenia going to war with Azerbaijan.¹⁷

After two years of negotiations, Armenia was finally able to clinch a new deal with the EU in 2017, called the Comprehensive and Enhanced Partnership Agreement (CEPA).¹⁸ This preserved many elements of the AA, but excluded the DCFTA component, as this was incompatible with Armenia's membership in the EAEU. The question in 2017 was subsequently whether there was enough political will in Yerevan to implement the accord. As it turned out, the commitments made by the previous Armenian authorities in this context actually had a significant impact in highlighting the discrepancy between these promises and the uninspiring reality of the Serzh Sargsyan regime. It could even be argued that this, combined with other existing factors (corruption, bad governance, lack of democracy, poor economic performance), influenced the events of Spring 2018 and resulted in a change of government in the country. The peaceful transfer of power, known as the Armenian Velvet Revolution, once again renewed hopes for comprehensive reforms in the country.

From the outset, the leader of the protests, and later prime minister, Nikol Pashinyan, and his team insisted that the country's foreign policy course would stay the same. Indeed, the transitional government programme, unveiled before the elections, confirmed the aim to simultaneously develop relations with all major international partners. The difference in foreign policy with that of previous governments was claimed

14 Marianna Grigoryan, "Armenia Faces Cash-Crunch as Russian Remittances Slump", *Eurasianet*, April 9, 2015, <https://eurasianet.org/armenia-faces-cash-crunch-as-russian-remittances-slump>.

15 Naira Hayrumyan, "And-and vs. either-or: Armenia says EU Free Trade Area, Customs Union Not A Dilemma Yet", https://www.armenianow.com/commentary/analysis/47283/armenia_european_union_eurasian_russia_customs.

16 "Armenian Public Overviews its Attitude Towards Russia", *Aravot*, September 14, 2017, <https://www.aravot-en.am/2017/09/14/199734/>; "Armenia-Backed Forces Report 97 Dead in Nagorno-Karabakh Fighting", *Reuters*, April 14, 2016, <https://www.reuters.com/article/us-nagorno-karabakh-armenia-casualties-idUSKCN0XB0EB>.

17 Tatevi Harutyunyan, "66.71% of Armenian Society Ties Armenia's Future to EU Membership: Survey", *Aravot*, February 1, 2019, <https://www.aravot-en.am/2019/02/01/231106/>.

18 Council of the European Union, "Armenia Comprehensive and Enhanced Partnership Agreement", 2017/0238, Brussels, September 25, 2017, https://eeas.europa.eu/sites/eeas/files/eu-armenia_comprehensive_and_enhanced_partnership_agreement_cepa.pdf.

to be ‘qualitative’ rather than a significant change in fundamental orientation. In practice, this means that Armenia aims to utilise the existing potential of cooperation frameworks with both Russia and the EU to their full extent.

Nevertheless, the prime minister has stated that there is much room for improvement in terms of the country’s membership of both the EAEU and the CSTO, and that Armenia intends to address these issues. More concretely, Pashinyan has stated that the positions of the CSTO member states on security issues need to be harmonised.¹⁹ The prime minister has also mentioned that there remain significant barriers to trade within the EAEU and that one of the major aims of the EAEU member states should be to overcome these barriers.

In parallel with this, the new government has announced that the effective implementation of the CEPA, as well as intensifying talks on visa liberalisation with the EU, are among its top priorities. The prime minister has constantly emphasised the importance of the CEPA for reforms in Armenia. During his meeting with the EU’s Special Envoys for the Eastern Partnership in February 2019, Pashinyan underlined: ‘The Comprehensive and Enhanced Partnership Agreement is the main instrument of our cooperation, and Armenia is fully committed to its implementation. This is a landmark strategic document, which provides effective mechanisms for advancing both our partnership with Europe and the reforms in our country.’²⁰ The government’s policy aimed at deepening relations with the EU can also count on broad popular support: in a Gallup public poll, 79% of respondents consider the conclusion of the CEPA with the EU a

positive development.²¹ According to another survey, almost 87% believe that the government should focus on further developing relations with the EU.²² Even more noteworthy is the fact that when asked which institution they trust (a question with multiple possible answers), the EU came in first place with 70%, whereas the EAEU trailed far behind with 48%.²³ It seems that the Armenian public are quite critical of the process by which Armenia was steered towards joining the EAEU rather than integrate further with the EU.

MISSES, HITS AND OPPORTUNITIES

The enthusiasm with which Armenia engaged with the EaP programme fluctuated from time to time and the decision to rescind from the association process still casts a shadow on bilateral relations. However, the evaluation of the achievements of the EaP in the case of Armenia are still primarily positive.

Learning curve

The first phase of Armenia’s involvement in the EaP can be considered a process of familiarisation with EU norms and standards. Back in 2009, at all levels in Armenia there was very little knowledge about the EU, its values and institutions. Now, having been involved in the EaP for ten years, Armenia has become much more experienced in communicating and interacting with various EU institutions. In this

¹⁹ Aza Babayan, “Pashinyan: ODKB – ochen’ vazhnaya organizatsiya dlya Armenii” [Pashinyan: the CSTO is a very important organisation for Armenia], *RFERL*, December 5, 2018, <https://rus.azatutyun.am/a/29639464.html>.

²⁰ The Prime Minister of the Republic of Armenia, “PM Receives EU Special Envoys for Eastern Partnership”, February 12, 2019, <http://www.primeminister.am/en/press-release/item/2019/02/12/Nikol-Pashinyan-meeting/>

²¹ Siranuysh Gevorgyan and Sargis Arutyunyan, “Gallup Organisation: Bol’ shinstvo grazhdan Armenii nastroeni optimistichno v plane budushego strani i pravitel’stvo Pashinyana” [Gallup Organisation: The majority of Armenian citizens are optimistic about the future of the country and the government of Pashinyan], *RFERL*, November 27, 2018, <https://rus.azatutyun.am/a/29623822.html>.

²² Harutyunyan, “66.71% of Armenian Society Ties Armenia’s Future to EU Membership: Survey”, *Aravot*, February 1, 2019.

²³ EU Neighbours – East, “Annual Survey Report: Armenia”, June 2018, https://www.euneighbours.eu/sites/default/files/publications/2018-07/EU%20NEIGHBOURS%20east_AnnualSurvey2018report_ARMENIA.pdf.

sense, the EaP has been important from an educational point of view. The negotiations of the AA and DCFTA, which were monitored by civil society and covered by the media, significantly increased knowledge about the EU among the public. At the same time, Armenian state officials who were involved in the negotiations as well as civil society actors involved in the monitoring process, have gained first-hand knowledge about the functioning of the EU and the logic of working with it. This subsequently made the process of negotiating the CEPA more efficient and smoother. Since the new framework agreement was essentially an 'Association Agreement – minus', consisting of major parts of the AA, but excluding the components that would conflict with Armenia's commitments as an EAEU member state, the participants were already familiar with the main principles and were well prepared. Now, looking back with a decade's hindsight, we can conclude that Armenia's bureaucratic apparatus has accumulated invaluable knowledge and experience in dealing with the EU, which would not have been possible, or would have taken more time, were it not for the EaP. Apparently, this experience did not only serve Armenia well in negotiations with the EU, but had at least one other unintended effect: arguably, the DCFTA talks also prepared Armenian negotiators for dealing more confidently with the Eurasian Economic Commission. This way, Yerevan was able to extract at least some more favourable terms (e.g., longer transition periods to adjust to common customs tariffs) from an otherwise forced accession to the EAEU.²⁴

Still the major donor

In spite of Armenia's oscillating approach towards European integration, the EU remained by far the country's biggest international donor throughout the last decade, providing much needed technical and financial assistance in various fields. According to a study conducted by the Union of Informed Citizens between 2007 and 2014, the EU, its member states and European financial institutions provided approximately 51% of all international aid to Armenia. In second place came the US with 32%.²⁵ The situation has not changed since then; between 2016 and 2018, the EU remained the major international donor in Armenia.²⁶ For the year 2019, the EU plans to increase assistance once more, by up to 25%.²⁷ Moreover, the discussions on organising an international donors conference for Armenia (which was postponed in 2012) is back on the EU-Armenia agenda.²⁸ If it goes ahead, such a conference might generate additional resources, necessary to support the economic development of Armenia in the long run.

The EU's financial assistance targets various fields such as energy efficiency, nuclear security, education, public transportation, justice, agriculture, innovation and access to basic public services. In 1995, Armenia restarted work on the second unit of the Metsamor Nuclear Power Plant (commissioned in 1976), which covers 40% of the country's electricity needs.²⁹ Its re-opening was preceded by an evaluation by international experts and a set of

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- 24 Eurasian Economic Union, "Treaty on the Accession of the Republic of Armenia to the Treaty on the Eurasian Economic Union", May 29, 2014, https://docs.eaeunion.org/docs/en-us/0017354/itia_11102014_doc.pdf; Veronika Movchan and Michael Emerson, "The Eurasian Economic Union's Problematic Customs Union", 3 *DCFTAs*, January 11, 2018, http://www.3dcftas.eu/system/tdf/The%20Eurasian%20Economic%20Union_0.pdf?file=1&type=node&id=411.
- 25 "V 2007 – 2014 godakh ES i SSHA predostavili Pravitel'stvu RA grantov na summu 450 millionov dollarov SSHA" [In the years 2007 – 2014 the EU and US provided £450 million in grants to the government of the RA], *Union of Informed Citizens*, August 31, 2015, <https://uicarmenia.org/ru/915>.
- 26 Union of Informed Citizens, "Granti pravitel'stva Armenii na 2018 god" [Armenian government grants for 2018], February 9, 2018, <https://uicarmenia.org/ru/4189>.
- 27 "EU to Increase Financial Assistance for Armenia by 20–25% This Year", *Arka News Agency*, February 26, 2019, http://arka.am/en/news/politics/eu_to_increase_financial_assistance_for_armenia_by_20_25_this_year/
- 28 Anna Karapetyan, "Otnosheniya Evrosoyuza i Armenii aktiviziruyutsya" [Relations between the European Union and Armenia are becoming more active], *Armedia*, January 31, 2019, <https://armedia.am/rus/news/67486/otnosheniya-evrosoyuza-i-armenii-aktiviziruyutsya.html>.
- 29 "The Uncertain Fate of Armenia's Nuclear Power Plant", *The Armenian Weekly*, October 20, 2017, <https://armenianweekly.com/2017/10/20/uncertain-fate-armenias-nuclear-power-plant/>

measures to enhance the security of the plant was drafted. From 1995 on, the EU has provided funds to ensure nuclear security. In total, the EU has covered 29% of the funds provided by international donors for this purpose since 1995 (only second to the US, which has a share of 34%).³⁰ Thus, the EU assistance helped to extend the life of the nuclear reactor until 2027 and contributed to guaranteeing Armenia's energy security. Furthermore, the EU is an essential donor in other domains as well: It provided €10 million for the modernisation of the metro in Yerevan and made €26 million available for science, research and innovation.³¹ The European Investment Bank (EIB) pledged €7 million to support energy efficiency and waste management projects in Yerevan.³² Armenia is also set to benefit from €732 million of financial assistance from the EU and World Bank for infrastructure development until 2030.³³

In recent years there has been an increase in awareness among Armenian citizens about the aid provided by the EU. One survey shows that the number of those who are aware of the EU's assistance went up from 62% in 2016 to 69% in 2018. 66% of respondents found that this assistance has been effective, up 4% from 2016. When asked about particular fields in which they have observed the EU's contribution, education, agriculture and health care were among the most mentioned.³⁴

Trade and the GSP+ effect

Trade relations between Armenia and the EU have grown significantly over the last few years. A comparison of imports and exports between the EU and Armenia is illustrative: the 2009 data shows that imports to Armenia were approximately equal to €535 million and exports approximately €161 million, whereas in 2018 imports grew to approximately €864 million and exports to approximately 373 million.³⁵ In 2018, Armenia's total trade turnover with the EU states increased by 19%. Yet in this case, it should be noted that the increase can be ascribed to greater imports rather than exports from Armenia. Among the EU states, the highest volume of trade turnover was registered in Germany, increasing by 28% as compared to 2017.³⁶ It is noteworthy that the EU remains the main export market for Armenian producers (28.4%), three years after the country joined the EAEU.³⁷

The General Scheme of Preferences Plus (GSP+) that the EU granted to Armenia in 2009 powered the burgeoning trade relations over the last decade. Under the GSP+, Armenia can export products duty-free for 6,291 out of 9,655 of the EU's product classifications.³⁸ Thanks to the programme, the total value of preferential imports from Armenia into the EU increased from €42 million in 2014, to €108 million in 2016 alone. Similarly, the utilisation rate of the

30 "Granti poluchenniye Armyanskoy AES" [Grants received by the Armenian nuclear power plant], August 2, 2017, <https://uicarmerenia.org/ru/3516>.

31 EU Neighbours – East, "Dlya ES Armeniya yavlyayetsya ne posto sosyedom, a chastyu evropeyskoy sem'I" [For the EU, Armenia is not just a neighbour, but a part of the European family], September 6, 2016, <https://www.euneighbours.eu/ru/east/eu-in-action/stories/dla-es-armenia-avlaetsa-ne-prosto-sosedom-castu-evropeiskoi-semi>; "ES predostavit Armenii 26 mln yevro na innovatsii" [EU will provide Armenia with 26 mln euro for innovations], *Sinkhuya Novosti*, December 14, 2018, http://russian.news.cn/2018-12/14/c_137672547.htm.

32 European Investment Bank, "Armenia: EIB Targets Energy Efficiency and Solid Waste Infrastructure", December 1, 2017, <https://www.eib.org/en/infocentre/press/releases/all/2017/2017-344-eib-targets-energy-efficiency-and-solid-waste-infrastructure-in-armenia.htm>.

33 "Kharakter poluchayemogo ot ES finansirovaniya i sravneniye s drugimi stranami VP" [The nature of funding received from the EU and comparison with other EaP countries], *Union of Informed Citizens*, January 23, 2019, <https://uicarmerenia.org/ru/5406>.

34 EU Neighbours – East, "Annual Survey Report: Armenia."

35 European Commission, "European Union Trade in Goods with Armenia", https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_armenia_en.pdf.

36 "EU-Armenia Trade Turnover Grows by 19%: GSP+ System Contributes to Facilitation of Export", *Tert.am*, February 20, 2019, <https://www.tert.am/en/news/2019/02/20/arm-eu/2926966>.

37 European Commission, "European Union Trade in goods with Armenia".

38 Enterprise Europe Network, "EU Generalised System of Preferences GSP+ Armenia", http://eenarmenia.am/en/multicontent/usefull_links/252/

GSP+ grew from 90% in 2014 to 93% in 2016.³⁹ In this respect, the existence and extension of the GSP+ can compensate to some extent for the failure to sign the DCFTA, at least before a better and more sustainable option is found. What however has not changed much over the years are the main items of export. Currently, under the GSP+ Armenia exports metals and mineral ore (80%), textiles (17%), crayfish, juices, jams and other processed food (1.5%), tobacco (0.8%), and clocks (0.4%).⁴⁰ Therefore, Armenia's exports structure has not yet been diversified, a problem that still needs to be addressed in the coming years.

Mobility on the rise

One of the most significant perceived benefits of the EaP has been the perspective of a visa-free regime between Armenia and the EU. Mobility has always been an important issue for Armenian society, due to its significant diaspora and history of labour migration. In this respect, the signings of the Mobility Partnership⁴¹ (2011), Visa Facilitation Agreement⁴² (December 2012) and Readmission Agreement⁴³ (April 2013) were considered great achievements. In addition to reducing the visa application fee, visa facilitation has contributed to the rise in the number of visas issued to Armenian citizens.

The available statistics show that whereas in 2015 50,590 people received a Schengen visa, in 2017 this number increased to 57,601. Another positive development is the increasing number of multiple entry visas (MEVs) issued: these increased from 20% in 2015 to 26.2% in 2017. Despite this positive trend, the visa refusal rate has remained high, in the range of 12%.⁴⁴ Additionally, a comprehensive evaluation of the application of the visa facilitation agreement unveiled shortcomings in its implementation. Resolving these issues, and further harmonising the visa requirements and procedures would significantly boost the benefits of the visa facilitation agreement for Armenian citizens.⁴⁵

The second engine behind increasing mobility, in the case of young people, is access to the Erasmus Mundus and Erasmus+ programmes. Between 2004 and 2014, 800 students from Armenia made use of Erasmus Mundus. The number of people availing of Erasmus+ has been constantly expanding too; from 300 students and teachers in 2015 to 577 beneficiaries in 2017. It is worth noting that student and teacher mobility between Armenia and the EU has worked both ways. More students and academics from Europe travelled to Armenia under Erasmus+ as well, increasing from 67 in 2015 to 311 in 2017. Overall, in the period 2015–2017, Armenia became the third-biggest beneficiary

³⁹ European Commission, "The EU Special Incentive Arrangement for Sustainable Development and Good Governance ('GSP+') Assessment of Armenia Covering the Period 2016 – 2017", *SWD(2018) 23*, Brussels, January 19, 2018, http://trade.ec.europa.eu/doclib/docs/2018/january/tradoc_156537.pdf.

⁴⁰ European Commission, "EU Generalised System of Preferences GSP+ Armenia", July 2017, <http://eenarmenia.am/files/uploads/2017/07/756-eda7b872030cbe391ba1325252b441e5.pdf>.

⁴¹ Council of the European Union, "Joint Declaration on a Mobility Partnership between the European Union and Armenia", *14963/11*, Brussels, October 6, 2011, https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/international-affairs/global-approach-to-migration/specific-tools/docs/mobility_partnership_armenia_en.pdf.

⁴² European Union, "Agreement between the European Union and the Republic of Armenia on the Facilitation of the Issuance of Visas", *L 289/2*, Brussels, October 31, 2013, [https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:22013A1031\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:22013A1031(01)&from=EN).

⁴³ European Union, "Agreement between the European Union and the Republic of Armenia on the Readmission of Persons Residing without Authorisation", *L 289/3*, October 31, 2013, [https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:22013A1031\(02\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:22013A1031(02)&from=EN).

⁴⁴ Schengen Visa Info, "Schengen Visa Statistics by Third Country – 2015", April 19, 2016 <https://www.schengenvisainfo.com/statistics/schengen-visa-statistics-third-country-2015/>; Schengen Visa Info, "Schengen Visa Statistics by Third Country – 2017", April 10, 2018, <https://www.schengenvisainfo.com/statistics/visa-statistics-third-country-2017/>

⁴⁵ Stepan Grigoryan and Nikolay Israyelyan, "Monitoring Report: Agreement between the European Union and the Republic of Armenia on the Facilitation of the Issuance of Visas (4th monitoring)", European Neighbourhood Council, July 2018, <http://www.encouncil.org/wp-content/uploads/2018/07/Analysis-of-the-Facilitation-of-the-Issuance-of-Visas-as-part-of-EU-Armenia-Relations.pdf>.

(after Ukraine and Georgia) of the Erasmus+ programme in the EaP countries.⁴⁶

Incentives and conditionality

One of the most important aspects of the EU-Armenia cooperation agenda is conditionality – the attachment of conditions to assistance, linking economic benefits with the requirement to implement various reforms. In this respect, both GSP+ and visa facilitation are extremely important, not only because of their direct impact on the economy and on mobility (in the form of lower visa fees, simplified application procedures, etc.) but because of the reforms that are connected to the assistance. Under the GSP+ scheme for example, Armenia committed itself to ratifying and/or implementing 27 international conventions, covering issues of fundamental human rights, labour rights, environment protection, climate change and good governance.⁴⁷ In exchange for this approximation of legislation and practices to international standards in the field of human rights, Armenia is offered asymmetric trade advantages. EU missions in turn regularly evaluate the implementation of these agreements and civil society plays a role in monitoring the government's performance as well. Jointly, the EU and CSOs mount pressure on the government to deliver on its commitments. Similarly, as the government in Yerevan continues to insist on opening the visa-free dialogue with the EU, Brussels can use the principle of conditionality to encourage more reforms in the country as well. For example, the need to develop and adopt a comprehensive anti-discrimination law (which has been postponed several times) has to be a precondition for visa liberalisation dialogue.

Failures and misses

The last decade has been overshadowed by several disappointments when it comes to legal and regulatory approximation between the EU and Armenia. A major setback took place in 2013, when President Sargsyan caved in to Russian pressure and made a U-turn in terms of integration priorities. The period between September 2013 and December 2015 (launch of the CEPA negotiations) not only represents roughly two years of lost time, but also resulted in a certain inertia when it came to cooperation. The distortion of the dynamics in bilateral relations caused significant delays in all reforms that were tied to the economic dimension through the conditionality approach. Visa liberalisation, legislative improvements and the delay in joining the Horizon 2020 and Creative Europe programmes have slowed down the pace of cooperation in various sectors.

As then President Sargsyan pushed for constitutional reform to transform Armenia from a presidential to a parliamentary republic, the EU attempted to support Armenia by assisting the country in reforming the electoral system. This reform process was launched in spring 2016, with the involvement of the opposition and civil society. Yet due to the obstinacy of the ruling party, this endeavour did not result in a positive change.⁴⁸ President Sargsyan managed to carry out his constitutional changes and take over the position of prime minister under a new electoral system advantageous to him in spring 2018. It was only after nationwide protests and blockades of the country's main roads that he resigned and made space for new political forces in the government and parliament.

There are untapped resources for facilitating greater people-to-people contacts between the EU and Armenia as well. Mobility could still be boosted, if both sides can come to an

⁴⁶ European Commission, "Erasmus+ for Higher Education in Armenia", 2017, https://ec.europa.eu/assets/eac/erasmus-plus/factsheets/neighbourhood/erasmusplus_armenia_2017.pdf.

⁴⁷ Democracy Reporting International, "Promoting Human and Labour Rights through GSP+", <https://democracy-reporting.org/country/gsp/>

⁴⁸ Gagik Aghbalyan and Suren Deheryan, "Armenia's Landmark Electoral Code Curtailed", *IWPR*, September 10, 2016, <https://iwpr.net/global-voices/armenias-landmark-electoral-code-curtailed>.

understanding on the Common Aviation Agreement (CAA). Although the sides agreed on the text in 2017, it has so far not entered into force, while Armenia's aviation market has been expanding over the last 3 years. For example, passenger traffic via the two main airports, Yerevan and Gyumri, rose by 10% and 57% in 2018 respectively. The number of flights and landings in both airports registered almost a 10% increase in the same year.⁴⁹ It is estimated that the liberalisation of the aviation market under the sectoral agreement with the EU might further increase passenger traffic (by an estimated 87,000) and generate an additional €16 million in revenue in the next five years.⁵⁰

The regional and multilateral potential of the EaP remains the weakest part of the initiative. No significant success has been registered in this area, with the exception of the Eastern Partnership Civil Society Forum, which enhanced the chances for the voices of civil society organisations to be heard. The EU could undertake more efforts in this direction and focus mainly on long-term processes, such as education, people-to-people contacts and culture, which would allow the societies of the EaP countries to utilise the positive legacy of their common past in their mutual effort to integrate further with Europe.

The EaP has had a modest positive impact on the Armenia-Azerbaijan relationship, as it has opened additional opportunities for communication between the two parties. If one day there is political will from both sides, the EaP could be used as a platform to initiate an alternative, informal dialogue, or it could support communication aimed at confidence building at a societal level, in addition to the official channels. One of the possible tools

Armenia is currently the only EaP country that has integrative frameworks with both the EU and Russia.

for such communication is the Eastern Partnership Civil Society Forum, which includes civil society actors from all EaP states and can be used as a platform for conflict transformation dialogue in future.

WHAT IS ARMENIA EXPECTING FROM THE EAP?

Looking back over the past decade, Armenia went through a turbulent period of protests, changes in foreign policy priorities and a re-escalation of conflict in Nagorno-Karabakh. Despite these challenges and difficulties, Armenia has managed to stabilise its relations with the EU and find new frameworks for future cooperation. Armenia is currently the only EaP country that has integrative frameworks with both the EU and Russia. Its membership of the EAEU and the signing of the CEPA as a framework document regulating almost all areas of EU-Armenia relations create a unique set of opportunities. Armenia can thus in the future serve as a model for EaP states with a similar status and facing similar dilemmas.

The EaP is currently viewed with a degree of optimism in Armenia. The new framework agreement with the EU has now been signed and there is political will to move forward to expand the existing potential for the bilateral relations dimension. In particular, the multilateral framework is viewed positively as it could bring tangible benefits on issues such as education, culture and ecology. All in

49 "Passenger Traffic in Armenian Airports Grows Strongly in 2018", *Panorama.am*, January 10, 2019, <https://www.panorama.am/en/news/2019/01/10/Passenger-traffic-Armenian-airport/2056855>.

50 Delegation of the European Union to Armenia, "EU Concludes Negotiations with Armenia for a New Aviation Agreement", November 24, 2017, https://eeas.europa.eu/delegations/armenia/36186/eu-concludes-negotiations-armenia-new-aviation-agreement_en.

all, there appears to be a growing demand and more willingness in Yerevan to re-engage with the EU. This opens a window of opportunity for the EU to use its transformative power to bring about reform and development in Armenia.

Armenia has a certain number of expectations from the EaP programme in the short and medium term. First, the CEPA has been signed and 80% of its measures have entered into force, but only provisionally. To make it fully effective, all EU member states need to ratify the accord. By April 2019 twelve of the EU member states had ratified the CEPA.⁵¹ Yerevan yearns to see the CEPA fully ratified in 2019. At the same time, the sides are still engaged in developing a roadmap for the implementation of the CEPA and this process of finalisation needs to be accelerated.

Second, Prime Minister Pashinyan and his team are highlighting two important aspects of EU integration, which could benefit from additional assistance: support to the reform implementation process and economic development. The government has launched comprehensive governance reform, which is an ambitious and complex process requiring not only political will, but a high level of management skills as well. The EU could support Armenia in this regard by offering technical and financial assistance for these wide-reaching reforms. A comprehensive mission of high-level advisors from the EU would be one way to support this process. Additionally, in terms of economic development, action could be taken in a number of fields that would not only spur economic development, but would ultimately enhance Armenia's resilience: here, there should be a particular focus on projects designed to support the diversification of exports, the development of alternative resources of energy and the IT sector.

Third, more progress can still be achieved in promoting people-to-people contacts. Since 2013, Armenia has unilaterally liberalised the visa regime for EU citizens. On the other hand, Armenian citizens have been enjoying the fruits of the visa facilitation agreement for six years already. Now it is time to take the next step. Yerevan would like to launch the visa liberalisation process and receive the roadmap to this end, as described in the CEPA. Visa liberalisation, coupled with the entry into force of the Common Aviation Agreement (CAA), might give impetus to the development of the aviation market, attract more airlines and reduce airfares. The development of the aviation market is essential for the country, two of whose borders with immediate neighbours are closed. Visa liberalisation will also endow the EU with the leverage to encourage further reforms in Armenia in the fields of public order, human rights, justice and equality. At the end of this process, the biggest winners will be the citizens of Armenia, who will benefit not only from more mobility opportunities, but also from the reforms carried out under the visa-free roadmap.

Finally, seeing as civil society in Armenia was one of the main catalysts of peaceful political change in 2018, it should be bolstered to remain the driving force behind the transformations. One way to ensure future active participation of civil society and enhance its monitoring role, is to make full use of the CEPA provisions, which carve out a distinct place for civil society in the process of the implementation of the EU-Armenia framework agreement (via a special platform). The EU could encourage the Armenian government to institutionalise the participation of civil society actors even further and to maintain a close dialogue with them on major political and economic issues. At the same time, via capacity-building projects the EU can give an additional boost to civil society's ability to monitor the implementation of the CEPA.

51 "Finland ratifies Armenia-EU CEPA", *Armenpress*, April 29, 2019, https://armenpress.am/eng/news/972999.html?fbclid=IwAR2lWGh514Y7atmVdx4M31ehSZM6hmyXXL1MavgL4Y5uias3kPavz_HgHfo.

CHAPTER 7

AZERBAIJAN

An enduring ambivalence?

by
ZUR SHIRIYEV

When the Eastern Partnership (EaP) was launched in 2009, it was welcomed by key Azerbaijani stakeholders for a variety of reasons: the government saw it as a means to accelerate pragmatic cooperation with the EU,¹ the opposition hoped that it would amplify pressure from the EU for democratic reforms, while civil society anticipated that it would lead to closer ties and more institutional and material support from Brussels. Despite these different perspectives, all groups were united in their belief that relations with the EU would deepen as a result of the EaP. However – due to various internal and external factors – this outcome has not materialised and EU–Azerbaijan relations have remained problematic throughout the past decade. This chapter sheds light on the history of Azerbaijan’s involvement in the EaP, explores the current state of play and offers recommendations on how the EaP could work better for Azerbaijan in the future.

SHIFTING ELITE PERCEPTIONS

Over time Azerbaijan’s ruling elite’s perception of the EaP has evolved from a mildly positive view to disappointment and pessimism. Both external and internal issues and developments – often interconnected – have shaped this process. The external dimension includes Azerbaijan’s perception of Russia, Baku’s expectations *vis-à-vis* the EU and energy security concerns in Europe. The internal dimension encompasses issues such as societal pressure for democratisation, human rights and imperatives of regime survival.

First attempt

The timing of the EaP’s launch partly explains why it was received so positively by Azerbaijan’s political elite. Due to Moscow’s decision to cut off gas supplies to Ukraine in 2006 and 2009, which had led to gas shortages in some

This chapter was commissioned before the author joined the staff of International Crisis Group.

1 Elmar Məmmədov, “Azərbaycanın Xarici Siyasəti: Təsir edən Faktorlar və Prioritetlər” [Factors Affecting Foreign Policy Choices of Azerbaijan and Priorities], *Azertac*, 2 June 2009, https://azertag.az/xeber/AZARBAYCANIN_XARICI_SIYASATI_TASIR_EDAN_AMILLAR_VA_PRIORITETLAR-446023.

parts of Europe, Azerbaijan's role as a potential alternative gas supplier for Europe had been reinforced.² The EU and Azerbaijan adopted a Memorandum of Understanding (MoU) in 2006³ and after years of delays, the Nabucco gas pipeline project, aiming to connect gasfields in the Caspian region with the European market, made some headway in the wake of Russia-Ukraine energy spats.⁴ All this culminated in the conclusion of the Joint EU-Azerbaijan Declaration in 2011 on the Southern Gas Corridor.⁵ Azerbaijan was eager to speed up the process of delivering its own gas to the European market. Therefore, in collaboration with Turkey, Azerbaijan assumed the financial burden of launching the Trans-Anatolian Natural Gas Pipeline (TANAP) project in 2012, and in 2013 the Trans-Adriatic Pipeline (TAP) was selected to deliver Azerbaijani gas to Europe.⁶ The bilateral agenda for energy cooperation bolstered the Azerbaijani authorities' confidence that the country plays a critical role in the EU's energy policy – despite the fact that it supplies only 5% of the EU's gas demand.⁷ Nevertheless, Baku was convinced that Azerbaijan and the EU had strong mutual interests and this led to the elite's assumption that the EU would concentrate mainly on regional issues such as strengthening the EU's energy security and reducing dependence on Russian supplies, rather than on democracy and human rights promotion in Azerbaijan.

EU-Azerbaijan relations have remained problematic throughout the past decade.

There was another factor that contributed to Azerbaijan's positive expectations regarding the EaP. In Azerbaijan, the EaP was mainly understood as a reaction to the Russo-Georgian war of 2008, and as an instrument for offering more active EU institutional engagement to the South Caucasus. This was seen as an opportunity to be capitalised upon, but Baku carefully watched how Moscow responded to the initiative in order to avoid friction. Although Russia's reaction was negative from the outset (it varied from belittling and playing down the importance of the EaP to accusing the EU of trying to expand its sphere of influence as part of its quest for hydrocarbons),⁸ the extent of Russia's displeasure – and its readiness to act on it in the case of Ukraine in 2013–2014 – was not anticipated in Baku.

During the early years of the initiative, the Azerbaijani authorities believed that Russia was not strongly critical of the EaP and therefore that it would not take retaliatory measures against the EaP participants, and against Azerbaijan in particular. There were two main reasons for this. First, after a brief freeze in EU-Russia relations due to the Georgian war, Russia had quickly engaged in a 'reset' policy with the US and attempted to restore relations with the EU. The second reason was that in 2008, Moscow launched a new, more structured trilateral negotiation format (that

2 "Timeline: Gas crises between Russia and Ukraine", *Reuters*, January 11, 2009, <https://www.reuters.com/article/us-russia-ukraine-gas-timeline-sb-idUSTR50A1A720090111>.

3 European Commission, "President Barroso and the President of Azerbaijan sign a Memorandum of Understanding on Energy Partnership", November 7, 2006, http://europa.eu/rapid/press-release_IP-06-1516_en.htm.

4 Thomas Grove and Orhan Coskun, "EU, Turkey sign Nabucco Gas Pipeline Deal", *Reuters*, July 13, 2009, <https://www.reuters.com/article/us-energy-nabucco-iran/eu-turkey-sign-nabucco-gas-pipeline-deal-idUSTR56C1VN20090713>.

5 European Commission, "Joint EU-Azerbaijan Declaration on the Southern Gas Corridor", January 13, 2011, <http://gpf-europe.com/upload/iblock/bb6/20500c15d01.pdf>.

6 TAP, along with TANAP, is a part of the Southern Gas Corridor project. The 878 km-long TAP pipeline will connect with the Trans-Anatolian Pipeline (TANAP) at the Turkish-Greek border, run through Greece and Albania and the Adriatic Sea, before coming ashore in Southern Italy. See: Trans-Adriatic Pipeline, "TANAP and TAP Complete Pipeline Connection," November 27, 2018, <https://www.tap-ag.com/news-and-events/2018/11/27/tanap-and-tap-complete-pipeline-connection>.

7 European External Action Service (EEAS), "Facts and Figures about EU-Azerbaijan Relations", Eastern Partnership (EaP), https://eeas.europa.eu/sites/eeas/files/eap/factsheet_azerbaijan_eng_web.pdf.

8 See e.g. Susan Steward, "Russia and the Eastern Partnership: Loud Criticism, Quiet Interest in Cooperation", *SWP*, May 2009, https://www.swp-berlin.org/fileadmin/contents/products/comments/2009C07_stw_ks.pdf; Valentina Pop, "EU Expanding its 'Sphere of Influence,' Russia says", *EU Observer*, March 2009, <https://euobserver.com/foreign/27827>.

included Russia, Azerbaijan and Armenia) on the Nagorno-Karabakh conflict. Moscow had just concluded a war in Georgia and intended to show that it could be a peacemaker too. As a result, for the first time since 1994, Azerbaijan and Armenia agreed to sign a document, called the 'Moscow Declaration', that addressed some elements of the peace process and committed the conflicting parties to a gradual approach in settling the conflict.⁹ As a sign of its positive intentions, the Russian gas monopoly Gazprom also offered to purchase gas from Azerbaijan.¹⁰ In short, Moscow was reaching out to Baku and not the other way around, in a reversal of the usual pattern of their relationship. Whereas in Baku, Russia was previously perceived as a preserver of the *status quo* with regard to the resolution of the Nagorno-Karabakh conflict, these developments led to it being perceived differently.¹¹ This was seen as a new chapter in Russia-Azerbaijan relations, not least because the declaration could have laid the basis for changes in the conflict resolution process that would favour Azerbaijan. From Baku's perspective in 2009, therefore, Azerbaijan could successfully play both games: deepening relations with the EU while at the same time using its new opening with Russia to advance its security agenda in the region.

The EU had not substituted its normative agenda for one focused exclusively on energy issues, as Baku had expected.

The unravelling

Baku's assumptions about the EU and Russia proved to be incorrect and disillusionment soon set in. Firstly, the EU had not substituted its normative agenda for one focused exclusively on energy issues, as Baku had expected. On the contrary, the EaP began to be perceived by members of the ruling elite, especially by the 'old guard',¹² as a programme that strengthened and contributed to the emergence of the so-called non-systemic opposition – i.e. genuine opposition that is not 'approved' by the government. The EaP gave Azerbaijan's civil society a framework for increased activity while, at the same time, the EU began to press the government to ensure respect of fundamental human

rights. For example, the European Parliament called for targeted sanctions and visa bans on officials involved in political persecution in Azerbaijan.¹³ The authorities reacted harshly and began to engage in anti-Western rhetoric. The narrative promoted by the government was essentially the same as that deployed in Russia: Western countries were accused of collaborating with the opposition and civil society groups to create a 'fifth column', promoting a colour revolution in Azerbaijan and pursuing a policy of double standards to interfere in the country's internal affairs.¹⁴ This was perceived as a threat to the stability of the political regime, especially in the midst of an economic downturn.¹⁵

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- 9 "Declaration by Azerbaijan, Armenia and Russia on Nagorno Karabakh", November 2, 2008, https://www.esiweb.org/pdf/esi_turkey_tpq_vol7_no3_fariz_ismailzade.pdf.
- 10 "Gazprom Makes Commercial Offer for Azeri Gas", *Reuters*, September 8, 2008, <https://www.reuters.com/article/us-russia-summit-gazprom-azerbaijan/gazprom-makes-commercial-offer-for-azeri-gas-idUSL870719720080908>.
- 11 Interview with senior Azerbaijani official, Baku, February 2019.
- 12 The term 'Old guard' designates officials who were appointed by Heydar Aliyev (1993–2003) but who have only emerged as an influential power centre under Ilham Aliyev's presidency.
- 13 European Parliament, "Resolution of 10 September 2015 on Azerbaijan", 2015/2840(RSP), Strasbourg, September 10, 2015, <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2015-0316+0+DOC+XML+V0//EN>.
- 14 Richard Kauzlarich, "The Heydar Aliyev Era Ends in Azerbaijan Not with a Bang but a Whisper", *Brookings Institution*, January 13, 2015, <https://www.brookings.edu/opinions/the-heydar-aliyev-era-ends-in-azerbaijan-not-with-a-bang-but-a-whisper/>
- 15 Nailia Bagirova, "Azeri Central Bank Devalues Currency by 33.5 pct to Dollar", *Reuters*, February 21, 2015, <https://www.reuters.com/article/azerbaijan-currency-devaluation/update-1-azeri-central-bank-devalues-currency-by-33-5-pct-to-dollar-idUSL5NoVV0C920150221>.

As a result, Baku took several steps aimed at disengagement with the EU. Azerbaijan cancelled the negotiations started in 2010 concerning an Association Agreement (AA), terminated its participation in the Euronest Parliamentary Assembly (the inter-parliamentary forum between the EU and EaP member states) and the EU-Azerbaijan parliamentary cooperation committee in 2015 and hinted at counter-sanctions, should restrictive measures be initiated by the EU.¹⁶

In parallel, the Azerbaijani authorities took measures to reduce the EU's perceived meddling in its internal politics and to strengthen their grip on power. Azerbaijan rebuffed the EU's insistence on a normative agenda and refused to implement any substantial reforms in the field of the judicial system, democracy and human rights. When the EU (particularly the European Parliament) reiterated its calls for the government of Azerbaijan to respect human rights, the situation worsened. The government tightened its control over civil society and the human rights situation grew worse. In 2012, Azerbaijan introduced a restrictive law that forbid NGOs from accepting funding from international donors.¹⁷ The clampdown on civil society increased in intensity following the Maidan movement in Ukraine, where civil society demonstrated its force, waving EU flags. These events made Azerbaijan's elite even more suspicious of both the EaP and civil society actors and organisations. As a result, during the past few years the space for civil society has become even more restricted and Azerbaijan's 'consolidated autocratic regime' has strengthened further.¹⁸

The developments in Ukraine in 2013–2014 changed Azerbaijan's perceptions of Russia and of the regional dynamics too. After 2014, it was clear that a resurgent Russia saw the EU as its

adversary and that the post-Soviet space was one of the key arenas in this heightened geopolitical competition. Russia sought to expand its territory, enlarge the Eurasian Economic Union (EAEU), and to instrumentalise separatist groups in the post-Soviet space to strengthen its position. In particular, the Maidan revolution of 2013 and the war that followed demonstrated how far Russia was ready to go to oppose deeper integration with the EU and this served as a warning to Azerbaijan's elite. Azerbaijan wanted to remain aloof from Russia's EAEU project as well as from the deepening EaP integration process, which foresaw the signing of an Association Agreement. Azerbaijan is familiar with Russia's classic posture of strategic boldness and tactical prudence, hence it knew that some appeasement of Russia combined with a public rebuking of the EU was required from its side.

A new attempt

The authorities in Azerbaijan hoped that Russia's illegal annexation of Crimea would spur wider international debate and focus increasing attention on questions of territorial integrity. They hoped that the EU would change its position on Nagorno Karabakh and show more support for Azerbaijan. However, the EU has maintained a neutral position on the question, which has prompted a wave of criticism from Baku. Azerbaijan reproached the EU for having 'never openly called Armenia an occupying force nor offered a substantial measure for the solution of the conflict in line with the territorial integrity of Azerbaijan'.¹⁹ Azerbaijan called on the EU to support its territorial integrity in line with the EU's policy towards other post-Soviet separatist conflicts in Ukraine, Moldova and Georgia. Furthermore, it would like to see the EU using tougher language

16 Eldar Mamadov, "EU and Azerbaijan: Breaking Up or Muddling Through?", *Eurasianet*, September 16, 2015, <https://eurasianet.org/eu-and-azerbaijan-breaking-up-or-muddling-through>.

17 Mina Muradova, "Azerbaijan Restricts NGO Funding", *CACI Analyst*, February 20, 2013, <https://www.cacianalyst.org/publications/field-reports/item/12654-azerbaijan-restricts-ngo-funding.html>; Khadija Ismayilova, "Azerbaijan: Government Closes Two International NGOs", *Eurasianet*, April 19, 2011, <https://eurasianet.org/azerbaijan-government-closes-two-international-ngos>.

18 See the *Nations in Transit* reports 2009–2018 by Freedom House: <https://freedomhouse.org/report/nations-transit/2018/azerbaijan>.

19 Interview with senior Azerbaijani diplomat, Baku, December 2018.

towards Armenia and even imposing sanctions on Yerevan.²⁰ The EU's refusal to take a strong stance on the question therefore generated more resentment among the ruling elite. Additionally, its approach to the Nagorno-Karabakh conflict tarnished the image of the EU in the eyes of the wider public as well, and reduced support for the EaP.²¹ The number of those having a positive attitude to the EU in Azerbaijan went down from 47% in 2017 to 39% in 2018.²²

In spite of the sceptical attitude towards the EU and the EaP, EU-Azerbaijan relations since 2016 have gone through a phase of normalisation and cautious re-engagement. This phase continues to this day. Several factors explain this carefully calibrated revival of cordial relations. Azerbaijan's economy tanked in 2015-2016 as oil prices collapsed, exposing its overreliance on the export of raw materials.²³ The EU was perceived as a potential ally who could help correct this structural problem. The EU also reviewed its neighbourhood policy in 2015 and Baku expected that Brussels might be more flexible in its approach towards Azerbaijan this time around. Last but not least, Armenia, the country with whom Azerbaijan has been locked in conflict for decades, was close to clinching a new accord with the EU. Hence,

Its approach to the Nagorno-Karabakh conflict tarnished the image of the EU in the eyes of the wider public, and reduced support for the EaP.

Baku was determined not to be eclipsed by its regional rival.

While the 'Russian factor' was genuinely important, Azerbaijan's mounting criticism towards the EU also served as a pretext for seeking more tailored cooperation with Brussels. Azerbaijan's policy openly challenged the EU's 'incentive-based approach' and highlighted the differences between the different EaP states; in some cases (notably in the cases of

Georgia, Ukraine and Moldova), this approach worked and the three states concerned went on to sign Association Agreements, including provisions for the creation of a Deep and Comprehensive Free Trade Area, with the EU. In other cases – as the 2015 *Review of Neighbourhood Policy* acknowledged – '[The EaP] has not proven a sufficiently strong incentive to create a commitment to reform, where there is not the political will.'²⁴ As a result,

country-specific agreements emerged as the solution. In line with this logic, Azerbaijan proposed to the EU to open negotiations on a new framework agreement that would be different in substance from the Association-type agreements. Baku also resumed its participation in Euronest and released 51 political prisoners.²⁵ These positive developments culminated in President Aliyev's visit to Brussels in 2017 after a long hiatus. The EU reciprocated

20 "Azerbaijan Calls on EU to Show Same Sensitivity for Nagorno-Karabakh over Crimea", *Hurriyet Daily News*, March 25, 2014, <http://www.hurriyetdailynews.com/azerbaijan-calls-on-eu-to-show-same-sensitivity-for-nagorno-karabakh-over-crimea-64072>.

21 Interview with independent Azerbaijani expert, December 2018.

22 EU Neighbours East project, "OPEN Neighbourhood — Communicating for a Stronger Partnership: Connecting with Citizens Across the Eastern Neighbourhood", June 2017, https://www.euneighbours.eu/sites/default/files/publications/2017-10/EUNEIGHBOURSEast_AnnualSurvey2017report_EaP_OVERVIEW_o.pdf; EU Neighbours East project, "OPEN Neighbourhood — Communicating for a Stronger Partnership: Connecting with Citizens across the Eastern Neighbourhood", June 2018, https://www.euneighbours.eu/sites/default/files/publications/2018-07/EU%20NEIGHBOURS%20east_AnnualSurvey2018report_EaPOverview.pdf.

23 Daniel Heinrich, "Azerbaijan's Economic Miracle Hits Snags after Oil Boom", *DW*, April 11, 2018, <https://www.dw.com/en/azerbaijans-economic-miracle-hits-snags-after-oil-boom/a-43339470>.

24 European Commission, "Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Review of the European Neighbourhood Policy", *JOIN(2015) 50*, Brussels, November 18, 2015, <https://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex:52015JC0050>.

25 Norwegian Helsinki Committee, "Azerbaijan Releases 51 Political Prisoners", March 25, 2019, <https://www.nhc.no/en/azerbaijan-releases-51-political-prisoners/>; "Azerbaijani Lawmakers Vote To Resume Relations With European Parliament", *RFERL*, September 30, 2016, <https://www.rferl.org/a/azerbaijan-eu-parliament-resumes-relations/28024958.html>.

in kind. In line with the reviewed ENP, the EU opened talks on the new framework agreement in 2017.²⁶ It also successfully negotiated new Partnership Priorities with Azerbaijan, which laid down cooperation priorities in the fields of good governance, economic development, connectivity, mobility and people-to-people contacts. In the energy field, the European Investment Bank (EIB) has granted a €932 million loan for the TANAP project.²⁷ Although bilateral relations are on a slightly ascending trajectory, the question remains whether this phase is sustainable and if the two sides have learned sufficiently from previous mistakes to make this positive dynamic last.

THE STATE OF PLAY

In 2009, Azerbaijan's president Ilham Aliyev declared that the EaP meant getting easier access to Europe, educational programmes and 'access to the EU's best practices, bringing our lives closer to the EU standards'.²⁸ The EaP was assumed to open the door to a variety of new instruments and opportunities across different sectors. Many of these opportunities were already available under the European Neighbourhood Policy (ENP), but the EaP made further funding available. However, Azerbaijan has often been constrained and unable to make use of many of these possibilities because of limited absorption capacity.

Opportunities with limited outreach

Between 2015 and 2017, some 900 students and academic staff members from Azerbaijan participated in Erasmus+. During the same period, 47 institutions from Azerbaijan were involved in capacity building in higher education projects. These figures are substantially lower than in other EaP states (except in Belarus).²⁹ The educational programmes and research projects were limited by the lack of information about and awareness of these opportunities among the Azerbaijani public. In the EaP regional survey, respondents from Azerbaijan demonstrated a significantly lower level of awareness about the EU's financial support to the country.³⁰ Another problem is that in Azerbaijan, the EU programmes are often seen as 'elitist' – available largely to those who already enjoy a certain level of social and economic privilege, rather than broadening accessibility to people living in rural areas and from disadvantaged socio-economic groups.

It is worth noting that the educational opportunities were also limited for other reasons: the programmes did not consider the capacity of local schools and universities, which were for the most part unable to manage the authorisation process for educational programmes, for instance, by offering the International Baccalaureate. Azerbaijan would have needed more capacity-building prior to attempting to engage substantially with its EU counterparts. The same applies to higher education institutions in Azerbaijan; for instance, while the EU-funded Eastern Partnership Connect (EaPConnect)³¹ project aims to create a world-class research

26 European Council, "EU to Launch Negotiations on a New Agreement with Azerbaijan", November 14, 2016, <https://www.consilium.europa.eu/en/press/press-releases/2016/11/14/azerbaijan/>

27 "European Investment Bank Approves 932 mln Euro Loan for TANAP Pipeline", *Hurriyet Daily News*, March 16, 2018, <http://www.hurriyetaidailynews.com/european-investment-bank-approves-932-mln-euro-loan-for-tanap-pipeline-128844>.

28 Library of the President of the Republic of Azerbaijan, "Ilham Aliyev's Speeches and Interviews – 2009", p. 97, 2009, <http://files.preslib.az/site/ialiyev/2009.pdf>.

29 European Commission, "Erasmus+ for Higher Education in Azerbaijan", July 2018, https://www.eunighbours.eu/sites/default/files/publications/2018-07/erasmusplus_azerbaijan_2017.pdf.

30 EU Neighbours East project, "OPEN Neighbourhood — Communicating for a Stronger Partnership: Connecting with Citizens Across the Eastern Neighbourhood", June 2018.

31 Eastern Partnership Connect: <https://www.eapconnect.eu/>

and education network in the EaP, the Azerbaijan National Academy of Sciences simply does not have the required research capabilities. These issues have curtailed the participation of Azerbaijani scholars. The EU, however, has begun to address these problems by supporting projects that improve research and development (R&D) capacities in higher and vocational education institutions.³²

The other problem is financing. Since 2013–2014, Azerbaijani legislation has changed, restricting the funding of independent institutions and civil society organisations by foreign donors. These legal barriers are also applicable to private universities and therefore constitute an obstacle to development. Still, despite these difficulties, it is important to mention that the EU remains the largest foreign donor supporting civil society in Azerbaijan.³³

Dilemmas for and from civil society

From the outset EaP programming had a strong focus on civil society, but this failed to take into account the actual capacity of civil society groups and the funding restrictions described above.

Civil society groups in Azerbaijan have been marginalised both in terms of expertise and outreach. Much of the international funding in the 1990s and early 2000s was focused on democracy promotion, which resulted in local NGOs generally becoming experts on elections, democracy and human rights promotion and

advocates for political reform. However, these issues were soon securitised by the authorities, who were apprehensive about any changes that could challenge their control. Pressure by the state authorities either forced the activists to cease their activities, or turned them into more partisan and political actors. This further entrenched the state's distrust.

The second issue following the 2009 and 2014 crackdowns on independent media and civil society was that EaP financing, especially in 2014, focused on the basic survival of these groups rather than ensuring genuine societal impact.³⁴ Such a change of priorities was understandable in the light of mounting pressure exercised by the state on the non-governmental sector. However, in the eyes of many locals, this created a kind of 'NGOcracy', meaning a group of people who know how to apply for grants without understanding how to create impact.³⁵

Structural weaknesses regarding how democratic reforms are promoted in the EaP format compounded the problems. The EaP focuses too much on trying to promote democracy-building initiatives through civil society organisations, without understanding how the role of civil society differs in each country. During its early years, the EaP did not provide enough opportunities to support the emergence of new civil society groups on various sectoral topics. When such opportunities did finally emerge, the Azerbaijani civil society groups did not benefit, mainly because of the lack of internal capacity on the one hand, and restrictive legislation on the other hand. Thus, it is not surprising that some successful projects are often designed and implemented by Azerbaijanis living abroad.³⁶

32 Ministry of Education of Azerbaijan, "Strengthening Research Development and Innovation (RDI) in Higher Education in Azerbaijan", <https://www.rdi.edu.az/en/>; UNDP Azerbaijan, "EU, UNDP Extend Support for Vocational Education Development in Azerbaijan", May 24, 2018, <http://www.az.undp.org/content/azerbaijan/en/home/presscenter/pressreleases/2018/05/24/eu-undp-extend-support-for-vocational-education-development-in-azerbaijan-.html>.

33 EEAS, "Facts and Figures about EU–Azerbaijan Relations".

34 Interview with member of Azerbaijani civil society, Baku, March 2019.

35 Orysia Lutsevych, "Civil Society in Post-Soviet Europe: Seven Rules for Donors", *Open Democracy*, March 15, 2013, <https://www.opendemocracy.net/en/civil-society-in-post-soviet-europe-seven-rules-for-donors/>; Jana Kobzova, "Can the EU Support Democracy in the Eastern Partnership?", *European View*, 13 (2014), pp. 109–14.

36 European Endowment for Democracy, "Meydan TV – Azerbaijan's free and alternative Media Channel", <https://www.democracyendowment.eu/we-support/meydan-tv-azerbajians-free-and-alternative-media-channel/meydan-tv-azerbajians-free-and-alternative-media-channel>

Benefits and shortcomings

The Azerbaijani authorities embrace the EaP on certain issues – like energy, infrastructure and transport – that are linked to the country's commercial interests. Azerbaijan is a part of the EU₄Energy initiative established in 2016. It supports the development of the energy sector, including the improvement and standardisation of communication processes involving all potential stakeholders, among whom the business community and international donors.³⁷ However, other regional initiatives of which Azerbaijan is part (for example, Black Sea Synergy, the Baku Initiative) have largely lacked synergies and complementarities with the EaP initiative.

Beyond the energy and transport sector, Azerbaijan has benefited from the border programmes, such as the €2.6 million³⁸ Red Bridge project, which was implemented under the Eastern Partnership Flagship Initiative. This project supported Azerbaijan and Georgia in maintaining open and secure borders, facilitating the legal cross-border movement of persons and goods and promoting trade and exchange between the two countries.

Projects that are more problematic include the Euronest Parliamentary Assembly, which has not been able to facilitate genuine discussion or cooperation between parliamentarians from EaP member states as hoped, especially not between Azerbaijani and Armenian MPs. The failure is rooted in two issues. First of all, it is because MPs from Azerbaijan and Armenia were never 'forces for change' in the case of peace negotiations – or anything else of political significance for that matter. They are not democratically elected politicians with independent powerbases and profiles, but are bound to the official narrative and discourse.

Furthermore, the Azerbaijani parliament lacks legitimacy among the other Euronest participants. Among those taking part in Euronest, only the MPs from Belarus and Azerbaijan are not elected through more or less democratic elections, in stark contrast to the other MPs. The elections in other countries have brought forward a generation of young, independent MPs who shun the old-school MPs from Belarus and Azerbaijan.

While parliamentary diplomacy under EaP auspices has made little headway, the EU has pursued a parallel track, which has promoted a bottom-up approach. Since 2010 the EU has invested in various projects in order to connect with civil society actors in Azerbaijan and Armenia and give them a bigger voice in the confidence-building and conflict-resolution process.³⁹ Bridging the gap between the two societies is an essential precondition for a sustainable settlement of this protracted violent conflict.

Azerbaijan's negotiation difficulties and reluctance to join the WTO has constituted a substantial obstacle and made progress on DCFTA negotiations impossible from the beginning. For the new framework agreement, the EU continues to insist that Azerbaijan apply WTO standards before joining the WTO. Azerbaijan's traditional position is that joining the WTO will damage the agriculture sector in particular. The EU disagrees with this notion, reasoning that 'Under the WTO rules, Azerbaijan will be allowed to subsidize its agricultural sector of a specific amount, which will be negotiated in the accession process. The amount which is currently being discussed is significantly higher than the amount of subsidies that is currently bestowed on Azerbaijani farmers: this means that Azerbaijan will keep the necessary policy space to support its domestic producers in a more transparent and less trade-distorting

37 "EU₄Energy Supports Azerbaijan in Developing a Long-Term Energy Strategy", *EU₄Energy*, September 27, 2018, <https://energycharter.org/media/news/article/eu4energy-supports-azerbaijan-in-developing-a-long-term-energy-strategy/>

38 European External Action Service, "EU, UNDP Assist Azerbaijan and Georgia to Improve Veterinary and Phytosanitary Border Control", September 14, 2018, <https://europa.eu/!Xg97gF>.

39 The European Partnership for the Peaceful Settlement of the Conflict over Nagorno-Karabakh: <http://www.epnk.org/>

way.⁴⁰ Despite these structural difficulties and the slow progress on WTO membership, the EU is Azerbaijan's first trading partner and the largest foreign investor in both the oil and non-oil sectors. Additionally, the EU is by far the largest market for Azerbaijan exports (54%).⁴¹ Azerbaijan is also the only state in the EaP that enjoys a positive trade balance with the EU.⁴²

The economic crisis in Azerbaijan, caused by falling oil prices in 2015–16, revealed the fragility of its oil-based economy, where the government budget depends on the revenue from oil and gas exports.⁴³ Since the crisis, there has been a slight change in attitude towards some proposed economic reforms in Azerbaijan, which could indicate increasing opportunities for economic cooperation within the EaP format as well. Currently, the EU supports Azerbaijan's diversification and assists in funding, training and expert support of companies through the EU4Business initiative. Under this programme, 11,300 enterprises in Azerbaijan have received loans and training and this in turn has helped to create 3,000 jobs.⁴⁴

The visa-facilitation and readmission agreements between Azerbaijan and the EU were signed in November 2013.⁴⁵ This reduced the visa application fee and made the procedure of obtaining visas easier. While this is an improvement in particular for frequent travellers and for citizens belonging to privileged groups, it falls short of visa freedom. Visa freedom would certainly strengthen the EU's attractiveness and appeal to ordinary Azerbaijanis, increasing the understanding of the benefits of

the EaP. The Common Aviation Area (CAA) between the EU and Azerbaijan can bring yet more advantages and enhanced mobility. The two sides have been engaged in the negotiations since 2014, but have failed to conclude them as of May 2019.⁴⁶ This agreement has a strong potential to deliver direct benefits, by reducing airfares (through the liberalisation of the aviation market) and by further improving the security of air traffic.

THE WAY FORWARD

The EaP has altered the standing and the geographical perception of EaP states in certain international contexts. Increasingly, the six states are referred to as 'Eastern Partnership states' rather than 'post-Soviet states' – not only in EU documents, but also more generally. Perhaps this is an indication that the post-Soviet label is gradually weakening after almost 30 years. The EU deserves merit for this rebranding process. However, beyond this important but highly symbolic process, the EaP can contribute even more to EU–Azerbaijan relations.

First and foremost, the EaP envisions a new generation of agreements between the EU and its eastern neighbours. As the EaP turns ten, an agreement between the EU and Azerbaijan is still missing. At the same time, the Partnership and Cooperation Agreement (PCA) is 20 years old and does not reflect the changes that bilateral relations underwent in the past two decades. The immediate task is thus to conclude

40 Transtec, "Advantages of WTO Membership for the Republic of Azerbaijan", [https://www.transtec.be/website2/pixportal.nsf/pGen00/TRAC-AKNFBC/\\$FILE/Brochure%20EU-Azerbaijan_EN_BD.pdf](https://www.transtec.be/website2/pixportal.nsf/pGen00/TRAC-AKNFBC/$FILE/Brochure%20EU-Azerbaijan_EN_BD.pdf).

41 European Commission, "European Union, Trade in Goods with Azerbaijan", https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_azerbaijan_en.pdf.

42 Ibid.

43 Wade Shepard, "What Azerbaijan Plans To Do When The Oil Runs Out", *Forbes*, December 3, 2016, <https://www.forbes.com/sites/wadeshepard/2016/12/03/what-azerbaijan-plans-to-do-when-the-oil-runs-out/>

44 EU4Business Azerbaijan: <http://www.eu4business.eu/azerbaijan>.

45 European External Action Service, "EU Signs Readmission Agreement with Azerbaijan", February 28, 2014, http://eeas.europa.eu/archives/delegations/azerbaijan/documents/press_releases/2014/20140228_eu_signs_readmission_agreement_with_azerbaijan.pdf.

46 "Azerbaijan, European Commission Mulling Draft Agreement on Common Aviation Space", *Stategeast*, February 15, 2019, <https://www.stategeast.org/azerbaijan-european-commission-mulling-draft-agreement-on-common-aviation-space/>

the negotiations on the new framework agreement and ensure a swift ratification process of the document in the coming year.

Secondly, simultaneously with a new accord, the sides can make progress on sectoral integration in the field of aviation transport. After 5 years of negotiations, the parties are within reach of concluding the deal on the CAA, which has positive potential for EU and Azerbaijani travellers. With slightly more political will in Baku, the agreement could be finalised in 2019.

Thirdly, the EaP should try to reach out to a wider audience in Azerbaijan, rather than just to the “NGOcracy” and to privileged groups within society. It needs to reach ordinary people in rural areas, local authorities and youth and grassroots movements. This could be an opportunity for the EaP to design tools that engage sections of society that are sceptical about cooperation with the EU. Speaking in concrete terms, more support needs to be provided to capacity-building projects in the field of education, so that Azerbaijani students and academics can make the best of EU-sponsored exchange and research programmes. The oil and gas sector is economically dominant, but employs only around 1% of the workforce.⁴⁷ Therefore, EU projects aimed at supporting the creation of jobs in the non-oil sector need to increase in the coming decade. Moreover, the process of economic diversification in Azerbaijan can be facilitated by accession to the WTO. The EU could play a facilitating role in supporting Azerbaijan’s swift integration into this international trade body. To further increase

As the EaP turns ten, an agreement between the EU and Azerbaijan is still missing.

people-to-people contacts, the EU might consider the option of entering a visa-free dialogue with Azerbaijan in the not so distant future. All these measures combined will help to increase the visibility of the EaP, demonstrate its utility and win over public opinion in Azerbaijan.

Last but not least, there is a need for a profound review of the role of civil society in Azerbaijan, including a recognition of its weaknesses, and a realistic assessment of its potential for impact. A new generation of civil society actors, that is qualitatively different from the old NGO generation and opposition activists, has already emerged. There is also a new wave of investigative journalists and scholars. But this generational shift is poorly reflected in the composition of Azerbaijan’s representation in the EaP’s Civil Society Forum and EaP media conference. New

faces from Azerbaijan have to be integrated in these formats. To benefit fully from the input of civil society groups and experts’ capacity to innovate, the EU could engage more closely with the third sector in the process of planning and customisation of EU instruments and programmes to local needs. This has the potential to increase participation rates and amplify the impact of these programmes. Civil society can also be involved in the monitoring of the Partnership Priorities’ implementation and, at a later stage, of the new framework agreement. This approach will help to diversify the EU’s engagements in Azerbaijan and enable the EU to pursue more efficiently its double-track strategy of working with both the government and the non-governmental sector.

⁴⁷ Sarvar Gurbanov, Jeffrey B. Nugent and Jeyhun Mikayilov, “Management of Oil Revenues: Has That of Azerbaijan Been Prudent?”, *Economies*, vol. 19, no. 5 (2017), pp. 1–20.

CONCLUSION

From ‘Eastern’ to ‘Partnership’

by

SINIKUKKA SAARI AND STANISLAV SECRIERU

The previous chapters have vividly demonstrated how the EaP has impacted the EU’s neighbouring states in many – sometimes not quite anticipated – ways. A significantly denser multi-level network of bilateral and multilateral relations has been created between the EaP states and the EU in the ten years of the framework. In the past decade, the EU has gradually expanded its economic, diplomatic and security presence in the eastern neighbourhood. A bigger foothold and a wider involvement have helped contribute to a more nuanced understanding of the region and of the complex dynamics at play in each of the countries. The EU is now better positioned to engage with these states in a more effective manner.

The same applies for the EaP states in their relations with the EU. The institutional structures and governance cultures in the EaP region are very different compared to the corridors of policymaking in Brussels. Correspondingly, almost all the chapters in this volume have highlighted the learning aspect of EU-EaP engagement; after having interacted with the EU over the past decade, EaP state officials have by now figured out how the legalistic multilevel governance of the EU functions.¹ Although mutual misinterpretations of intentions or actions do still occur, the ability to read and understand

each other’s logic and intentions has increased significantly over the years.

In order to improve relations even further in the future, there is an increased need to move away from seeing the EaP states as ‘target states’. Over the years, many of them have grown into true partners who can contribute significantly to the common agenda and to cooperation. In other words, in the coming decade the emphasis needs to shift from the word ‘Eastern’ towards (a closer, mutually beneficial and re-enforcing) ‘Partnership’.

The six previous chapters paint a picture of many tangible achievements. Trade volumes and people-to-people contacts between EaP states and the EU have increased. DCFTAs are gradually producing the anticipated effects in Moldova and Ukraine and – albeit at a much slower pace – in Georgia too. The visa-liberalisation and facilitation agreements, coupled with Common Aviation Area Agreements, have triggered a positive dynamic of bringing down ticket prices and increasing passenger traffic in EaP airports. Tens of thousands of students and academics have taken part in the Erasmus+ programme. Finally, contractual relations have deepened and widened: the Association Agreement with three EaP states and

1 “Szef MSZ: Partnerstwo Wschodnie wymaga wzmocnienia. Szef MSZ Azerbejdżanu w Polsce [Head of the MFA: the Eastern Partnership needs to be strengthened. Minister of Foreign Affairs of Azerbaijan in Poland]”, *Polskie Radio 24*, April 17, 2019, <https://polskieradio24.pl/5/1222/Artykul/2296453,Szef-MSZ-Partnerstwo-Wschodnie-wymaga-wzmocnienia-Szef-MSZ-Azerbejdżanu-w-Polsce>.

the Comprehensive and Enhanced Partnership Agreement (CEPA) with one other (soon two) are major achievements that will signpost the path into the next decade.

Despite all these accomplishments, the past ten years of the EaP have certainly not been all sunshine and rainbows. Many of the initial presumptions the EU had when the EaP kicked off have proved to be too simplistic and formulaic. Along the way, the EU has learned some valuable lessons, which now deserve some reflection.

LESSONS LEARNED

Complexities of transition. The EaP was initially based on the presumption of a relatively frictionless gradual transformation and a steady increase of prosperity, democracy and stability in the eastern neighbourhood. When reality did not always match this schematic presumption, a mixture of fatigue and puzzlement settled in. In the intervening years, the complex reality has not changed, but the EU has gradually come to terms with the non-linearity of political and economic reforms in the eastern neighbourhood. For the next decade of the EaP, the EU will need a big dose of strategic patience – and strategic thinking – about how best to promote transformations in the EaP states as well as the necessary funds to back up its policy. This will require greater agility and flexibility in the way the EU operates in the region and how it allocates funds. In the end, fatigue and inaction are likely to be more costly for the EU than pursuing a more proactive, forward-looking and resolute policy in Europe's east.

No more frontrunners. In the ten years that the EaP has been in existence, the EU has been quick to brand countries embracing political

change and promising reforms as 'frontrunners' and 'success stories'. As has been vividly described in the previous chapters, however, the impulse to confer poster child status on some EaP states proved to be premature and unhelpful in practically all of the cases. When conditionality was not applied in a systematic manner, the performance of the frontrunners stalled quickly. Moreover, the status indirectly legitimised the elite as 'pro-European reformers', despite their regularly non-transparent practices and in so doing did a disservice to societies demanding meaningful change – and to the EU's image in the neighbourhood. In the next decade, the focus needs to be on sustained performance in pursuing reforms and implementing them in practice. Sustainability of reforms is the ultimate benchmark measuring success.

The EU has gradually come to the terms with the non-linearity of political and economic reforms in the eastern neighbourhood.

Need for insider partners. Over the last decade, the EU's approach has been mostly a top-down one relying on governmental cooperation with the EaP states. This has not always worked, because the governing elites have often been an obstacle rather than an enabler for meaningful change. The lesson that the EU has learned along the way is that a

key strategic partner in the monitoring of the implementation of reforms is civil society. At a later stage, the EU discovered that civil society can also be a rich source of innovative ideas on how to think more creatively about conditionality and how to make it work.² In addition, sometimes the 'revolving door' of politics has brought yesterday's activists into parliament, or even into government, making cooperation with the new authorities smoother and more effective. The bottom line is that the EaP states' governments should never be the sole channel of communication and engagement.

Comprehensive and resolute. As the previous chapters reveal, a greater presence does not automatically translate into greater influence.

² Author's interview with EU official, Kyiv, 2018.

The past ten years have shown that policies that are comprehensive and tailored to the specific circumstances of each country work better than a technical and hands-off approach to reforms, applied in a uniform manner to all EaP states. Reforms are always politically conditioned, hence they should not be treated as a technical exercise. To gain influence and traction, a combination of incentives and strict conditionality is needed, applied regardless of short-term disadvantages and costs. This approach would also enhance the reputation of the EU – and increase respect for its institutions and values – in these rapidly emancipating societies (who expect a more vigorous policy from Europe) and among the progressive parts of the elites.

Corruption is also a security issue. Networks of corruption, prevalent in many of the EaP states, hinder economic development, reduce societal trust and undermine political stability. However, the dramatic events that have taken place in the eastern neighbourhood in recent years have revealed that corruption is also a significant security issue. Corruption enables and stimulates hybrid threats: this then leads to politicians being eager to trade political influence in exchange for material benefits, law-enforcement bodies being unwilling to address outside interference, armies being poorly prepared to deflect camouflaged attacks, banking authorities allowing money to be laundered, and the list goes on. The way corruption is both perceived and combated needs to change. The fight against corruption is part and parcel of a comprehensive security approach that prioritises the strengthening of resilience. The punitive dimension of fighting corruption (arrest and sentencing) shall go hand in hand

with innovative preventive strategies. As the example of ProZorro in Ukraine demonstrates, digital solutions offer effective preventive mechanisms that reduce the space for corruption. There is a significant need and demand for the EU to take a more active role in fighting corruption. In the past three years, citizens of EaP states have witnessed that the EU's support in tackling corruption is the least effective area of assistance. At the same time, the fight against corruption is among the top three issues where they think the EU is needed.³

East meets south. Until recently, the southern and the eastern neighbourhood were seen as two separate and disconnected areas. However, there are growing linkages – both benign and malign – between the southern and eastern neighbourhood. Russia's annexation of Crimea and the upgrade of its military base in Sevastopol enabled Moscow's intervention in Syria. The war in Donbas has generated a pool of fighters who Russia later re-deployed to Syria as mercenaries via illegal private military companies.⁴ The war in Syria displaced around 22,000 Syrian-Armenians to Armenia.⁵ The disruption of technical military ties between Russia and Ukraine has created new opportunities for cooperation in this field between the Gulf States and Ukraine.⁶ Russia's heavy-handed policy towards Moldova and Ukraine has forced local agro-holdings to look for export opportunities in the Middle East.⁷ The economic impact of Russia's war against Georgia has pushed Tbilisi to attract new investments from rich Gulf States. In other words, what happens in the east may spill over to the south and vice versa. This highlights the fact that the EU needs a 360-angle view and an integrated strategy

3 EU Neighbours –East, “OPEN Neighbourhood — Communicating for a Stronger Partnership: Connecting with Citizens across the Eastern Neighbourhood”, June 2018, https://www.euneighbours.eu/sites/default/files/publications/2018-07/EU%20NEIGHBOURS%20east_AnnualSurvey2018report_EaPOverview.pdf.

4 “Cossack Fighter Laments Russian ‘Utilization’ Of Mercenaries In Syria”, *RFERL*, February 22, 2018, <https://www.rferl.org/a/syria-russian-mercenaries-cossack-shabayev-interview/29056934.html>.

5 “Syrian-Armenians in Armenia: Problems and Prospects”, *OSF Armenia*, 2016, <http://www.osf.am/wp-content/uploads/2017/11/Syrian-Armenians-in-Armenia.-Repatriates-or-Refugees-policy-brief.pdf>.

6 “Antonov, Saudi Taqnia Aeronautics Agree On AN-132 Aircraft Production Work-Share”, *Defense World*, March 6, 2018, http://www.defenseworld.net/news/22079/Antonov_Saudi_Taqnia_Aeronautics_Agree_on_AN_132_Aircraft_Production_Work_share.

7 “Moldova va creste exporturile de fructe catre Orientul Mijlociu [Moldova will increase exports of fruits to the Middle East]”, *Noi.md*, March 20, 2019, <https://noi.md/economie/moldova-va-creste-exporturile-de-fructe-catre-orientul-mijlociu>; “Ukraina pobila record eksporta yablok v strani Blizhnego Vostoka” [Ukraine has broken the record of apple exports to the countries of the Middle East], *Agro News*, November 22, 2018, <https://agronews.ua/ru/node/103534>.

to deal with the challenges from the east and south. It should also attempt to amplify positive linkages between EaP states and the MENA region. The added value of this approach is the EU's greater coherence and increased solidarity on foreign and security issues.

The Russia factor. Another lesson learned the hard way is that policies towards the EaP region cannot be conducted as if Russia did not exist, and vice versa. During the early years of the EaP, there was an attempt to insulate EU-Russia relations from EU-EaP relations and to compartmentalise different policy areas. In practice, this led to policies towards the eastern neighbourhood that omitted the potential impact of Russia's role and goals in the region. In an attempt to avoid criticism from Russia's side, the EU played down security issues in its policies and concentrated on more 'neutral' areas, such as trade and people-to-people contacts. Both attempts backfired: EU-Russia political relations are at an all-time low; and at the present point in time some eastern partners are in a more vulnerable position than before. This lesson is now inscribed in the five principles guiding EU-Russia relations, of which two in fact deal more with the eastern neighbours than with Russia.⁸ The EU Global Strategy also underscores this kind of comprehensive regional approach and highlights the importance of neighbours' resilience for the EU's own security. In the coming decade, this principle needs to be consistently translated into concrete policies.

TRANSLATING LESSONS INTO ACTIONS

The lessons learned need to be followed by practical adjustments. The EaP for the next decade has to reflect these lessons and the

changes that have occurred in EaP states and in the wider region. The key findings below point towards some possible ways forward, but it is by no means an exhaustive list.

Smart differentiation. Some differentiation between the EaP states has already happened, as some of them signed the Association Agreement, some did not; some enjoy visa-free travel, some are yet to sign facilitation agreements; some declared their ambition to one day become members of the EU, while some became members of the Eurasian Economic Union (EAEU). As the previous chapters make clear, all of the EaP states want more differentiation in the future and the EU could provide this without eroding the existing common formats. Greater differentiation for associated members could take the form of enhanced sectoral cooperation. Associated members could join some EU programmes and agencies as well as take steps to engage more closely with and later become part of the EU energy and banking market. In the case of non-associated members of the EaP, differentiation could mean greater support for the diversification of the resource-based economy in Azerbaijan, the reduction of high levels of industrial energy consumption in Belarus and economic development in Armenia. Simultaneously, the EU could encourage and assist Azerbaijan and Belarus on their way to WTO membership, which could further spur bilateral trade relations.

Foster the environment for reforms. Sustainability of reforms can be achieved if all the major stakeholders in a society row in the same direction. The EU can contribute to this process by diversifying its engagement and financial support in the region. Civil societies have been great allies and a source of innovative ideas on how best to promote reforms in these states. However, there are partners in reform beyond the civil society sector. The EU needs to further diversify its engagements and reach out to the constituencies that are prone to support EU integration (e.g., business communities, youth, diasporas) and, most importantly, to those who

⁸ Foreign Affairs Council, March 14, 2016, <https://www.consilium.europa.eu/en/meetings/fac/2016/03/14/>

might initially be hesitant about it (e.g., the church, national minorities). This greater diversification could be followed by a wider distribution of financial support. One can also consider ‘smart conditionality’, i.e. the re-direction of more funds to the stakeholders mentioned above, when and if the government fails to deliver reforms. Moldova is a case where the EU has already experimented with this approach. This greater diversification should be combined with new incentives that would directly benefit the ‘ordinary people’ – the majority of people who do not belong to a small, well-to-do urban minority. Similarly, the EU may also consider more thoroughly the social impact of its policies in the east. If reforms create clear winners and losers, even economic growth does not necessarily make the region more stable or the citizens more content.

Growth needs infrastructure.

While trade with the EU is growing, the regional infrastructure is barely able to sustain this. Infrastructure is often the bottleneck to progress. More than two decades after the collapse of the Soviet Union, energy and/or transportation infrastructure is often still orientated towards Russia. The prevailing infrastructure was never designed for intensive trade exchanges with countries in Western Europe. Developing the EaP states’ infrastructure and plugging it into that of the EU – which is often their biggest trading partner – is the task for the next decade.

The world is here. EaP states are neither Russia’s exclusive turf, nor located only in the EU’s immediate neighbourhood. Third powers such as China, Turkey and the Gulf States have raised their diplomatic and economic profile significantly in the EaP states in recent years. This in turn has ramifications for the EaP and the EU’s transformative power in the region. The agenda for EaP in the next decade should factor in not only the Russian role, but the growing polycentrism in the neighbourhood. Sometimes the values and working methods of other third states do not match those espoused by the

EU. Sometimes, however, the EU’s agenda and third powers’ interests might overlap and there could be scope for coordination and cooperation in the neighbourhood. For example, both Turkey and the EU are committed to support Gagauz autonomy inside Moldova. And more generally, growing trade exchanges with third powers improve the economic resilience of EaP states, which is one of the EU’s objectives too. There could also be possibilities to build stronger partnerships or to deepen existing partnerships with like-minded powers (e.g., Japan, Canada, the US) and financial institutions too (World Bank, IMF, EBRD). Such partnerships with like-minded players could be used to improve the coordination of development aid, infrastructure projects, support for reforms, and diplomatic signalling against democratic backsliding. The activity of ambassadors in the G7 format in Ukraine set a good example which could be replicated in other EaP states.

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Security interdependence. It is often assumed that security cooperation serves only neighbours. Ten years ago, it was common to assume that Russia’s coercive tools were only targeted towards the eastern neighbours. However, what happened in the ‘east’ was later repeated in the ‘west’ as well: disinformation campaigns, cyberattacks, funding of political parties and groups from

obscure sources, trolling – and even in extreme cases politically motivated assassinations. The EU is not insulated from hybrid tactics and there are many things that the EU states can still learn from their eastern neighbours. Hybrid security challenges are issues where the EU and EaP states can work together as partners. Enhanced cooperation in cybersecurity and in the fight against money laundering could be two fields for joint multilevel in-depth cooperation. The EU’s assistance to safeguard Ukraine’s elections from cyber-meddling is a good start. But as EaP states grow more digitally-dependent the areas which require robust cyber defence will expand. Cooperation should be dynamic: rather than focusing on policing critical infrastructure, cyber capabilities

and procedures should ensure protection of governments' and economies' critical functions. Thus, more could be done in the coming decade. Examples of potential future cooperation could be joint cyber exercises and cyber dialogues with the three associated members. It is quite puzzling that the EU has a cyber-dialogue with Brazil but not with its eastern partners. The interlinkages between the EaP states and the EU are undeniable. For instance, the Not-Petya malware which targeted Ukraine in 2017 spread rapidly to the EU. Illegal assets from Russia traversed the EaP banking system and were laundered in banks in the EU.⁹ It is in the EU's interest to act pre-emptively, rather than to deal with these security threats *post-factum* and often at a much higher economic and security cost.

Perceptions do matter. The communication problems of the EU in the eastern neighbourhood are well-known. Lately efforts have been made to improve this but much more needs to be done in the next decade. The strategy needs an upgrade, otherwise the beneficiaries of EU funds in the neighbourhood might not even be aware that their projects have been financed by EU taxpayers' money or, worse, might believe that the support came from some other quarter. A revamped communication strategy fit for the cyber age might include several elements: adding strategic communication experts with local knowledge to the EU delegations in the East; developing and promoting a kaleidoscope of simple, accessible and attractive messages about what the EU does in the EaP and the benefits it brings for ordinary people; ensuring

As EaP states grow more digitally-dependent the areas which require robust cyber defence will expand.

that projects outsourced for implementation to other organisations visibly indicate the EU's financial support in all promotional materials and activities; significantly scaling up cultural projects and exchanges; enhancing the EU's presence and communication via social media as more and more citizens pick up the information from digital information sources.

Communication in the neighbourhood is only one side of the coin, however. The other side is how the EU communicates the EaP programme back home. The EaP is not a charity project, but a useful, mutually beneficial partnership. For instance, the DCFTAs have granted EU exporters gradual facilitated access to a market of around 50 million people. Trade figures demonstrate that it is not only the Eastern Partners who benefited from new framework agreements; European companies did overwhelmingly too. Visa liberalisation brings additional revenues to the EU's tourist and transportation services sectors. Implementation of the visa-free road maps has enhanced the exchange of information between law-enforcement bodies, facilitating the fight against trans-border crime and making societies safer. Furthermore, the EU is more secure and more prosperous when these states are functioning better, and when European and local firms enjoy a better business environment. In short, as the EaP turns ten, European citizens need to hear the story of a Partnership that, although it is not problem-free, is nevertheless delivering today and has the strong potential to bring even more benefits to the EU in the coming decade.

9 "Report: Russia Laundered Millions via Danske Bank Estonia", OCCRP, <https://www.occrp.org/en/projects/28-ccwatch/cc-watch-indepth/7698-report-russia-laundered-billions-via-danske-bank-estonia>; Anne Kauranen and Johan Ahlander, "Nordea handled about \$790 million in suspicious transactions: Finnish TV", *Reuters*, March 4, 2019, <https://www.reuters.com/article/us-nordea-bnk-moneylaundering/nordea-handled-about-790-million-in-suspicious-transactions-finnish-tv-idUSKCN1QL11S>.

ABBREVIATIONS

AA

Association Agreement

ACAA

Agreement on Compliance Assessment and Acceptance of Industrial Products

ATP

Autonomous Trade Preferences

CAA

Common Aviation Area

CEFTA

Central European Free Trade Agreement

CEPA

Comprehensive and Enhanced Partnership Agreement

CIA

Central Intelligence Agency

CIS

Commonwealth of Independent States

COSME

EU programme for the Competitiveness of Small and Medium-Sized Enterprises

CSDP

Common Security and Defence Policy

CSO

Civil Society Organisation

CSTO

Collective Security Treaty Organisation

DCFTA

Deep and Comprehensive Free Trade Area

DDoS

Distributed Denial of Service

EAEU

Eurasian Economic Union

EaP

Eastern Partnership

EaPTC

Eastern Partnership Territorial Cooperation

EBA

European Business Association

EBRD

European Bank for Reconstruction and Development

EIB

European Investment Bank

ENI

European Neighbourhood Instrument

ENP

European Neighbourhood Policy

EPPO

European Public Prosecutor's Office

ESP

Eastern Europe Energy Efficiency and Environment Partnership

EUAM

European Union Advisory Mission in Ukraine

EUBAM

European Union Border Assistance Mission

EUMM

European Union Monitoring Mission

EUSR

EU Special Representative

EUTM

European Union Training Mission

FDI

Foreign direct investment

FTA

Free Trade Agreement

GDP

Gross domestic product

GSP

Generalised System of Preferences

ICT

Information and Communications Technology

IDP

Internally Displaced Person

IMF

International Monetary Fund

IPRM

Incident Prevention and Response Mechanism

ISF

internal Security Fund

IT

Information Technology

MEP

Member of the European Parliament

MFF

Multiannual Financial Framework

MoU

Memorandum of Understanding

NATO

North Atlantic Treaty Organisation

NGO

Non-Governmental Organisation

OSCE

Organisation for Security and Cooperation in Europe

PCA

Partnership and Cooperation Agreement

PESCO

Permanent Structured Cooperation

RCC

Regional Cooperation Council

SEEC

South East Europe Cooperation Process

SEPA

Single European Payment Area

SMEs

Small and medium-sized enterprises

TAIEX

Technical Assistance and Information Exchange

USD

United States Dollars

USSR

Union of Soviet Socialist Republics

VLAP

Visa Liberalisation Action Plan

WTO

World Trade Organisation

NOTES ON THE CONTRIBUTORS

Vano Chkhikvadze works as EU Integration Programme Manager at the Open Society Georgia Foundation (OSGF). He focuses on EU-Georgian relations and runs projects promoting the integration of Georgia into European structures. Prior to joining the Open Society Foundation, he worked for two years as Country Analyst with the European Stability Initiative; previously he worked for the Eurasia Partnership Foundation and served at the Office of the State Minister on European and Euro-Atlantic Integration of Georgia. He holds an MA degree from the College of Europe.

Iulian Groza is an expert in European affairs and good governance with a particular focus on EaP countries. He is a former Vice Minister of Foreign Affairs and European Integration of the Republic of Moldova (June 2013 to March 2015). Currently, he is the Executive Director of the Institute for European Policies and Reforms (IPRE) from Chisinau. He is a PhD candidate at the Moldovan State University and holds a BA degree in international law. He also completed postgraduate European Studies at Birmingham University and Security Studies at SNSPA in Bucharest.

Mikayel Hovhannisyan has around 20 years of experience of working with civil society in Armenia and South Caucasus. As Programme Director at the Eurasia Partnership Foundation (EPF) he manages EPF's participatory democracy portfolio. His area of expertise includes the Eastern Partnership and EU-Armenia relations, civil society development, participatory democracy and regional integration. He is an active member of the Eastern Partnership Civil Society Forum and currently is the coordinator of the Working Group 1 of the Forum (focusing on democracy, human rights, good governance and stability).

Leonid Litra is a Senior Research Fellow at the New Europe Center in Kyiv (Ukraine) and previously served as Research Fellow at the Institute of World Policy (Ukraine) and Deputy Director at the Institute for Development and Social Initiatives in Chisinau (Moldova). He has authored publications on the democratisation of the post-Soviet space, European integration and frozen conflicts, and regularly contributed to Freedom House's *Nations in Transit* Report and the Bertelsmann Transformation Index. He was a Carnegie Research Fellow at Yale University in 2009 and holds a Master's degree in International Relations and European Studies from the European Institute of High International Studies in Nice (France).

Dzianis Melyantsou is the coordinator of Belarus's Foreign Policy Programme at the Minsk Dialogue Council on International Relations. A graduate of the history department at Mahilou State University, he then studied at the Institute for International Relations and Political Science in Vilnius (Lithuania), where he defended his MA thesis on International Relations and Diplomacy in 2006. He also holds an MA in International Relations from the Belarusian State University (Minsk). From 2007 to 2017 he worked as a senior analyst at the Belarusian Institute for Strategic Studies (BISS). He specialises in Belarusian foreign policy, Belarus-EU and Belarus-US relations, international and European security.

Sinikukka Saari is a Senior Associate Analyst at the EUISS. Her area of expertise is the post-Soviet region: Russia, the Eastern Partnership countries and Central Asia. Prior to joining the EUISS, she worked at the Policy Planning and Research Unit of the Ministry for Foreign Affairs of Finland. She has also worked

as a Senior Research Fellow at the Finnish Institute of International Affairs and as an Analyst for the European Union Monitoring Mission in Georgia. She holds a PhD in International Relations from the London School of Economics and Political Science.

Stanislav Secrieru is a Senior Analyst at the EUISS. He was previously a policy analyst at the Open Society European Policy Institute in Brussels, a Partnership for Peace Research Fellow at the NATO Defence College, a Research Fellow with the Study Programme on European Security at the Institute for European Politics in Berlin, and a Senior Research Fellow at the Polish Institute of International Affairs (PISM). He has also worked on research projects addressing political and security developments in the eastern neighbourhood for the European Council on Foreign Relations (ECFR) and Freedom House.

Zaur Shiriyev is a Research Fellow working for International Crisis Group, based in Baku (Azerbaijan). He has more than ten years' experience in academia and think tanks, with expertise in security, conflict resolution and foreign policy issues pertaining to the broader South Caucasus region. Prior to joining International Crisis Group in February 2018, he

was an Academy Associate with the Russia and Eurasia Programme at Chatham House, from 2015 to 2018. He was a Senior Research Fellow at ADA University, Baku, from May 2014 to March 2017. Previously, he worked as leading Research Fellow at the Center for Strategic Studies (SAM) in Baku (Azerbaijan) from 2009 to 2014, the Turkish Asian Center for Strategic Studies in Istanbul and the International Strategic Research Organisation in Ankara.

Kateryna Zarembo is a deputy director of the New Europe Center, in Kyiv (Ukraine). She is also a lecturer at the National University of Kyiv-Mohyla Academy (Ukraine), where she has been co-teaching a course on European foreign and security policy for the MA in German and European Studies. She has extensive international experience, having been a Visiting Fellow at the Friedrich Schiller University of Jena in Germany (2016), Free University of Berlin (2018) and the Istituto Affari Internazionali in Rome (2018). She has authored and co-authored numerous academic and policy publications on Ukraine's foreign and security policy, EU-Ukraine relations and civil society. She obtained her PhD in political science from the National Institute of Strategic Studies (Kyiv).

Ten years after the launch of the Eastern Partnership (EaP), this *Chaillot Paper* looks back on its evolution, unveils shifting attitudes towards the EaP programme and provides analyses of both the successes and failures experienced in the six partner states. Furthermore, it examines how the present and future trajectories of these states are being influenced and shaped by powerful regional and global megatrends. These countries are actively shaping their own futures and also developing in different, distinctive directions. Finally, the paper suggests ways in which the EaP could be adapted to fend off regional challenges and take advantage of rising opportunities in the coming decade.

The EU has gradually expanded its economic, diplomatic and security presence in the eastern neighbourhood over the past ten years, contributing to a more nuanced understanding of the region and of the complex dynamics at play in each of the countries. As this *Chaillot Paper* shows, the EU is now better positioned to engage with all of these states in a more effective and mutually beneficial relationship.