

# German-American Dialogue on the Post-Soviet Space

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June 14-15, 2017

## **Panel I – U.S. programs and priorities in the post-Soviet space – renewal or continuity?**

The third workshop of the post-Soviet Space took place in Washington, DC on June 14-15, 2017 under the title “Transatlantic Cooperation in the EU’s Eastern Neighborhood: Old Challenges, New Policies?” The meeting was a continuation of the workshops held in Berlin and DC in 2016 and started with a discussion on U.S. programs and priorities in the post-Soviet space. The panel consisted of speakers from the U.S. government, the EU, and Germany and sought to assess the U.S. commitment to the Eastern Partnership countries going forward.

A speaker began with examples of the positive impact the U.S. has had in Central and Eastern Europe. After the dissolution of the Soviet Union, the U.S. was active in assisting the post-communist and post-Soviet states with economic development, democracy building, and governance. While the Baltics and Central European states eventually graduated into the European Union, the transformation of Eastern Europe and the southern Caucasus has been more challenging, not only because of their shorter lifespan as sovereign states, but also due to less available development aid. When it comes to institution-building, U.S. efforts have focused on assisting these countries in harmonizing their laws, norms and regulations with those of the EU. It was noted that for this reason, much depends on the success of the EU’s approach, which places similar demands on the countries as those required for EU accession but without the incentive of membership. This has been a major point of debate, especially for those countries in the Eastern Partnership (EaP) that have completed Association Agreement (AAs) and Deep and Comprehensive Free Trade Agreements (DCFTAs) with the EU— namely Georgia, Moldova and Ukraine. It was in this vein that the first panel discussion commenced.

One panel member grappled with the question of how EU harmonization can remain attractive to the EaP countries without a real membership perspective. This further raised questions as to whether the current EU incentives and reform requirements are misaligned and to what extent there need to be further incentives for domestic reforms. A panelist stressed that the prospect of EU accession cannot be the EU’s only negotiating tactic and went on to explain that the European Neighborhood Policy was partially conceived as an alternative to EU membership. However, it was argued that continuous enlargement is not feasible and most of the neighborhood countries are still a long way from meeting the criteria. Working towards

membership risks that countries will only follow through on reforms until they have joined the EU, knowing that they are unlikely to lose membership if they begin backsliding on EU laws, as Hungary's and Poland's recent political climate has demonstrated. Another participant commented that if EU accession were a possibility, Russia will continue to regard the AAs/DCFTAs as a direct affront to its regional interests. Thus, an ongoing challenge for the EU is maintaining a dialogue with Russia despite disagreements over its policies towards the post-Soviet countries.

Despite a debate surrounding the membership question, there was agreement on the need for tailor-made approaches that reflect the specific needs of each country. One participant offered an alternate path forward, arguing that the principles of the Mechanism for Cooperation and Verification (CVM) could be applied to the Eastern Partnership countries as well. CVM can be invoked by the European Commission when a new member state has failed to implement an EU law or regulation (especially in the area of freedom, security, and justice) and sets up benchmarks for the careful monitoring of progress. The speaker pointed out that this monitoring process helped reform the judiciaries in Bulgaria and Romania and led to positive spillovers in other sectors as well. If the EU does not provide these countries with clear benchmarks, then the autonomous leaders will not be stringent enough on reforms.

Pivoting back to the American point of view, it was repeatedly emphasized that the overall objective is still a Europe that is whole, free, and at peace. According to a panelist, the U.S. objectives in the post-Soviet space have not changed, though participants questioned the commitment of the current U.S. administration to this region. It was mentioned that until the U.S. government takes a more concrete stance, USAID will continue working on strengthening independent media, supporting civil society organization, combatting corruption, promoting economic growth, and countering violent extremism, albeit with a more limited budget. More details were provided on the individual areas of assistance:

**Media Space**— The media space must be nurtured financially to ensure the availability of high-quality content to citizens and to counterbalance the overwhelmingly Russian and oligarchic control of public information. One strategy is to build a network of journalists and media outlets, focus on honing their skills, and ultimately increasing government accountability through wider access to an independent, unbiased, and pluralistic media landscape.

**Civil Society Organizations**— For U.S. policies in the post-Soviet space, a 3-step method was recommended going forward. This would include the following components:

1. Prevention – ensure there is a space and environment for civil society to operate.
2. Adaption – keep approaches flexible, as it is counterproductive to be overly rigid in agenda-setting.
3. Sustain and Support – support and continue expanding organizations such as the Black Sea Trust that encourage cross-border collaboration and who are key players in fostering people-to-people programs.

**Corruption**— Combatting corruption requires a multi-faceted and pragmatic approach. A good example of past USAID interventions in this area are its anticorruption efforts in Serbia, which set up transparent rules and a magistrate program in the justice department that ultimately saw more people paying government-issued fines and fewer people taking bribes.

**Economic Growth**— Economic assistance is a critical component to aid with effects that are felt more immediately by citizens. The speaker referenced previous efforts by USAID that provided local municipalities with pragmatic, hands-on support with large construction projects that built up local infrastructure and contributed to economic growth. One goal that has yet to be achieved is decreasing economic dependencies on Russia by providing access to higher value markets. There is a need to stop Russia from continuing to dominate the energy supply space and to help countries in the eastern bloc diversify and develop regional energy markets.

**Countering Violent Extremism**—the fight against terrorism was raised as a new and pressing challenge. One panelist stressed the need to better understand the push and pull factors and tailor programs to the community-level. It is not just the lack of economic opportunity, but also the lack of agency that is contributing to violent extremism.

Looking ahead, a participant stressed that the U.S. needs to encourage Congress to play a larger role in solidifying relationships with Eastern Europe through legislation and target soft security vulnerabilities like the Russian propaganda channeled through the media. The Eastern European countries need to be engaged constantly for transition, which means stepping up U.S. assistance with financial resources and helping countries implement reforms on the ground. A positive example is the banking sector reform in Ukraine, during which the U.S. Treasury Department sent experts to reform the National Bank. The U.S. also needs to better.

Regarding the EU, one participant felt it was too passive in assisting with the implementation of reforms. A comparison was drawn to the lack of EU leadership in the Balkans after the U.S.

turned the lead over to the EU in 2005. Reform requires follow-up, and when politicians in these countries take obstructionist actions, they should face consequences that the U.S. and EU need to jointly enforce. It was also said that the U.S. should be playing a larger role in the Minsk process, which bled into a conversation on the current state of transatlantic cooperation in this region that one participant bluntly described as “insufficient.”

This sentiment was echoed by another panel member, who argued for the necessity of a small group of representatives from the EU and U.S. who can discuss exactly what is happening on the ground, and for this we need better overall information sharing. The obstacle to this, they stated, was a lack of clear articulation of administrative policy from the U.S. to the EU. For example, the U.S. initially indicated that it was going to take a more lenient stance on Russia, but then Congress proceeded to pass a bill to impose stronger sanctions followed by Secretary Tillerson’s confirmation that negotiations with Russia are at an all-time low. This was a challenge for Germany, which will maintain sanctions and work through the Minsk process, but is also committed to continuing a discourse with Russia coordinating closely with the U.S. and EU-

Given the current precariousness of U.S aid, one participant asked whether Europe needs to broaden its role in the post-Soviet space. The need for more people on the ground was emphasized, as one cannot simply change the direction of a country from outside. In response, it was said that although these regions are vitally important for the EU as neighbors, the EU cannot play the role of nation-building by setting criteria and then letting it play out. The point was made that virtually no one in the EU currently supports accession of the Western Balkan countries, let alone the Eastern Partnership frontrunners, as they have not sorted out their domestic issues enough to even entertain membership.

Another participant asked why there is not more burden-sharing between the U.S. and EU, specifically in the case of Ukraine. A panelist again stressed that the EU needs more clarity on the U.S. government’s policy on the post-Soviet space, having been given none since the new administration took office. A further point was that the EU and U.S. have worked hard to define a division of labor, in which the EU builds the institutions, while USAID takes a more developmental approach.

A listener then made the comment that the greatest challenge Europe and the U.S. are now facing regarding their relationship with the post-Soviet space is that both are becoming too introspective. This is dangerous with an aggressive and active Russia on the Eastern flank, the speaker warned, and the EU and U.S. must defend the possibility of there even being a European path by ensuring that Russia does not continue to act on its revisionist goals. The speaker went on to speak about the Russian soft power tools that undermine the European future of these countries, and stressed that we need to help weaker countries as they try to resist by keeping open the possibility of a future within Europe. While security has long been a

priority, it is in the realm of soft power where there is the most uncertainty and need for cooperation, one participant argued.

A panelist responded that the EU is willing to give these countries the “full toolbox” to help them reach democracy, but there is simply no blueprint of historical success, and the EU is only able to do so much in the face of overt Russian interference. In response to a question on how the EU-U.S. can continue to cooperate if a concrete U.S. policy towards this region never manifests, the panelist stated, “I dread to think of the idea that there is not a U.S. policy.” It was stated that Congress can play a role in the absence of a clear stance on behalf of the administration, but that this cannot be a replacement for a U.S. policy on Eastern Europe. When it comes to Germany, it was stated that beyond a clear U.S. position, the expectation is to discuss and coordinate the sanctions on Russia within the EU, to work through the Minsk Process, to cooperate directly with the U.S. and Eastern Partnership countries, and to engage with Russia. The speaker went on to say how maintained coordination of sanctions between the two governments led to historical success in curtailing Russia.

Others commented that there need to be incentives for better behavior from struggling countries, and that in the past the most success was achieved through collaboration with individual states instead of through one general overarching policy. It was also noted that one must differentiate between the post-Soviet and the post-totalitarian space, which partially explains the transformation gap between the former communist countries of Central Europe and those of Eastern Europe and the southern Caucasus.

However, the key theme the panel repeatedly gravitated towards was that of EU-U.S. policy coordination, which also wrapped up the conversation. Chancellor Angela Merkel’s speech from earlier this year was brought up, in which she was quoted saying that the U.S. administration is no longer a reliable partner. However, a member of the EU clarified that this certainly does not signal Germany would like to downgrade its relationship with the U.S. and that it is as committed as ever to preserving the transatlantic partnership.

## **Panel II – The EU and Germany’s Policy Towards the Eastern Neighborhood and the Need for Greater Transatlantic Cooperation**

During the second panel, the discussion transitioned to a stronger focus on the EU and Germany’s policies towards the Eastern Neighborhood, while elaborating on the previous points for greater transatlantic cooperation.

The opening remarks looked at the initial intentions of the Eastern Partnership from the Prague Summit. While the EU saw an opportunity for the prospective stabilization of the region, Russia interpreted this as an act of hostile interference in its sphere of influence. Panelists agreed that the Eastern Partnership needs to include mechanisms to increase the ownership of participating countries so that they do not lose track of reforms, especially if they do eventually join the European Union. Again, the point was made that the Eastern Partnership cannot operate with one policy to fit all respective countries.

In the case of Ukraine, it was mentioned that the EU created its own disappointment by not following up well enough on reforms, which has subsequently been utilized by Russian propaganda.

Next, the conversation turned to some of the remaining issues within the ENP at large. There are multiple instances where the expectations from the European Union to the countries involved are unrealistic, and can turn counterproductive, as in the case of demanding democratic elections before a country is ready to do so. Moreover, the balance between old and new oligarchs does not alter the situation significantly, especially as seen in the agricultural sector in Ukraine. The continuation of the oligarchic ownership style creates a threat to the democratization process and makes it harder for the general population to see the fruits of EU funds. Finally, it is difficult to find consensus among EU countries on what the policy should be. Countries have different national interests and different ideas on what should be invested in the Eastern Neighborhood.

Some suggestions for how the ENP could be improved are:

- Support and aid so people on the ground and the public are more aware of the tangible benefits of transformation;
- Tackle corruption better by emphasizing reforms in the justice sector;
- Create a stronger sense of ownership within the Eastern Partnership countries, not only for the sake of following the Association Agreement, but also for their own good.
- Tailor conditionality to the respective country's political climate and needs and determined if it is effective;
- Increase regional cooperation, as most participating countries only look to Brussels but should interact with each other on a higher level to create positive synergies.

Out of all the current foreign policy challenges in the world, the panel agreed that the conflict in Ukraine is the challenge with the highest possibility of success, considering the status quo and associated risks. Unlike the Western Balkans, we have not witnessed an extensive brain-drain of elites in Ukraine, where there still is a highly educated upper class that speaks English well and

is interested in western integration. If Ukraine ends up aligning with 'European' values, 'Putinism' will have a hard time surviving due to the heavy reliance on foreign policy wins to distract domestic issues.

On the geostrategic implications of this alignment, it is important to not only consider the political affiliation, but also the impact on society as a consequence of this. A speaker noted that two areas in which the EU and the US have responded well are military aggression, thanks to the European Reassurance Initiative, and Energy, specifically through investments in reverse flow capabilities and LNG infrastructure. Areas where they need to improve are disinformation and cyber aggression by exposing and discrediting the perpetrating actors.

A major structural challenge is Russia's lack of understanding of the principled balance between large and small states in the EU. Russia still operates on the notion that foreign policy decisions post-WWII are made by the large victorious powers and has failed to adapt to the new context for political debate, in which small and new states carry just as much weight. Panelists also emphasized the difference in the post-communist and post-soviet states to explain the different development stages between countries in Central and Eastern Europe.

When it comes to Germany, there is a noticeable shift in mood between the younger and older generation, with the former having a more critical picture of Russia and the latter often still having sympathies for Germany's former Ostpolitik. The political parties on the fringes of both ends of the political spectrum also sympathize strongly with Russia's foreign policy positions; however, the German government firmly stands behind U.S. sanctions and is wary of Russia's illicit interference in foreign elections

During the broader discussion, a participant mentioned that the EU needs to focus on strategic communication that lets constituents know why these initiatives matter. One way of achieving this would be to highlight success stories as incentives for continued cooperation. In terms of a joint EU/U.S. presence, it was suggested that there be a combined special envoy, as in the case of the OHR in Bosnia. Panelists did not seem to share the vision, and stated that two voices are often better than one in this type of cooperation.

### **Working Dinner- Perspectives on transatlantic cooperation towards security and stability in Europe**

During the working dinner participants had the chance to discuss their perspectives on the transatlantic cooperation towards security and stability in Europe with congressmen from the

Republican and Democratic Party. The inputs by both speakers were commented on by a representative of the German Think Tank community and followed by a discussion with the audience. It was emphasized that the Congress will continue to play an active role in contributing to a strong transatlantic cooperation on European security. Current budget proposal that show a drastic cut in support to the wider Europe will be balanced within Congress. Furthermore, a new law on sanctions ensures that the pressure on Russia following its attempts to influence the presidential elections in the U.S. will be upheld. Still, uncertainties were raised regarding the upcoming policy choices to be made by the president, linked to the unclear stance towards Russia. One participant mentioned that there is a need for more coherence between the U.S. and EU and that the narrow definition of national interest would not lead to sustainable outcomes. In order to ensure coherence, there first needs to be an articulated policy, which is still lacking from the side of the U.S., as one participant highlighted. Although there is widespread concern about a possible withdrawal of commitment to the transatlantic cooperation, participants were confident that the strong links within the transatlantic community will prevent a drastic change of policy.

### **Panel III – Which pace of transformation in the Eastern Partnership countries?**

The third panel turned from the EU and U.S. policies to perspectives from Georgia, Moldova, and Ukraine. Panelists reflected on the Eastern Partnership and the extent to which it has provided the partners with the necessary tools for reform, considering also the pace of transformation since its inception.

Georgia, Moldova, and Ukraine are much more connected to the EU and U.S. than Belarus, Armenia, and Azerbaijan, who are more closely aligned with Russia. The official U.S. policy is to continue supporting the most cooperative countries, while allowing the others to chart their own path. A participant mentioned that the current administration may respect the path chosen by Armenia, Belarus, and Azerbaijan, but that is it unclear who is speaking for these countries and who is choosing their path.

The panelist provided an overview of developments in Georgia, Moldova, and Ukraine:

**Georgia** is the most transformed of the group, epitomized by the peaceful and democratic transfer of power. Successes were seen in prison reforms, which reduced prison deaths from about 2,000 annually to 5, and changing the culture of corruption so that services were no longer linked to bribes. The fight against corruption requires continued vigilance, but this was a



huge step forward. Remaining challenges are the capital market, pension reform, media pluralism, and most importantly, stronger institutions, specifically the judicial system.

**Moldova** has had a rough period but started to recover as evidenced by the IMF package they applied for, as well as acceptance of an EU-led six-month reform roadmap. Their challenges will be continuing to meet the IMF conditions, the need for banking, judicial and anti-corruption reforms.

**Ukraine** has recently put in place a Visa-free regime that has been touted as a great success. The economic recovery from 2014 has seen a 2% growth in the following years, and the nationalization of PrivatBank was a win. Ukraine no longer depends on Russian gas and has established multiple anti-corruption agencies. The remaining challenges include a U.S. role in the Minsk agreement, the Russian occupation, and the sanctions regime from the United States. Although an anti-corruption court and bureau were established, neither have power without continued support from the U.S., and corruption continues to run deep.

One of the speakers displayed an infographic, in which participants saw the “Democracy Index” of each of the Eastern Partnership countries, calculated by Freedom House. One could see Georgia and Ukraine tied for the most democratic, with Georgia continuing to improve and Ukraine shaky in the years 2011/2012. Moldova was third but waning over the last few years. Armenia was fourth with a steady line, and Belarus was fifth, leaving Azerbaijan significantly below the others.

An important pattern noted by the speaker was data showing that the year following a country’s entry into the EU, their democracy scores decreased in every instance. They referenced Hungary, which has fallen out of the recognized realm of a consolidated democracy after Victor Orban came to power. It was also discussed that in 1994 many of the now EU member states, such as Bulgaria and Romania, had very low democracy scores—lower than Georgia and Ukraine have currently—but their scores drastically improved with the prospect of EU membership as a motivator. The speaker concluded that the prospect of EU membership has a stronger impact on reform than EU membership itself.

Highlighting one of the greatest successes achieved in Ukraine, one of the panelists spoke about how everyone can see and feel the ripple effects of the new Visa-free travel regime. They went on to point out its strengthening effect on institutions, and maintained that it is the first time that a Ukrainian passport became a valued. The participant strongly believed in the need for an individual approach to policy in the Eastern Partnership countries, and the only concrete path should be taking the pace of change country by country. They also pointed out that the Eastern

Partnership may stabilize relations in the region, but it is not the end goal of these countries, and the question of enlargement still hangs in the air. The stabilization of this area is in the EU's best interest, and they need to do everything within their power to avoid gray zones, since that is where extremism breeds. The EU should also try to encourage a dialogue between partner countries and Moscow, since regional circumstances need to be considered.

Another speaker pointed to four challenges that Georgia is currently facing. The first is that the referendum in Turkey is changing the DNA of the region and will negatively influence the democratization process of its neighbors. They mentioned that the EU delivered on a lot of promises for the Partnership countries and enjoys an approval rating of 80% in Georgia. However, the U.S. remains the lynchpin of the region. Another challenge for the EU and U.S. is the emergence of China and Iran as important players, especially China wielding its economic power to influence the region. Russia continues to play a meticulously planned game in the EaP, and trade between Russia and Georgia has increased. The third challenge is that Russia, still believing in limited sovereignty (Brezhnev doctrine), has not changed its Soviet mindset. The only way to counter this is by giving some prospect of EU enlargement, and not excluding Azerbaijan, Belarus and Armenia just because they are headed in a direction away from the EU. They must be encouraged to change and then rewarded for doing so. The fourth challenge is not maintaining momentum for institutional resilience and support for a democratic profile in the Eastern Partnership countries, keeping permanent engagement with civil society players, human infrastructure and capital, NGOs and any other mechanisms on the ground.

Regarding what comes next in Georgia and other Eastern Partnership states, the speaker emphasized the need for continuing democratic consolidation, a formal democratic plutocracy, constitutional reforms that allow for all the political elites to not be skewed toward the party in power, ensuring fragmentation in the political elite, having checks and balances on the president, and most importantly, promoting free media. The conversation then transitioned to another speaker who spoke to the situation in Moldova.

In Moldova, a wave of democratic reforms has passed into legislation but has not yet been properly implemented. The speaker explained that the government plays with legal provisions so it can avoid the substance of the reform, and encouraged external pressure. It was said that corruption remains the largest threat in Moldova, with over 90% of Moldovans polled agreeing with that statement. It was repeated that the EU and U.S. need to work more closely with step-by-step implementation and not just hand over a list of priorities without following up. For example, a package of laws to advance government integrity was passed last year, and implementation still has not begun. A separate remark concerned the DCFTA, mainly that the money generated from the trade agreement needs to be scrutinized in greater detail because it

often winds up in the pockets of big entrepreneurs rather than being spread to the lower class that really needs the benefits. This ties into how the funds from enhanced trade are taxed and the offshore jurisdictions that allow for tax evasions. This is unacceptable, as democracy-promoting institutions need taxes to thrive.

When it comes to Belarus, Azerbaijan, and Armenia, a participant pointed out that these countries are not choosing a different path but are confronted with illegitimate choices under the pressure exerted on them by Russia. This was countered by one of the panelists, saying that the people living there are not as concerned with democracy and freedom than with the economy, since the employment situation is so dire. For this reason, the economic concerns need to be solved before engaging in other reforms. They went on to speak about the need to promote democratic values and supporting those who do. At the base, Moldova, Georgia and Ukraine have respect for human rights, and trying to find openings in the other three countries to move things forward is difficult, as there have been sanctions in place for a long time.

A different participant encouraged a strategic vision for the partner countries, saying there is no chance for a free democracy to survive in any of the countries without EU links, and the EU should not create artificial alternatives given that setbacks are more likely when the people know they are not wanted or do not want to join themselves.

Another audience member posed a question about better integrating the Russian ethnics into the Eastern Partnership countries, after a panelist insisted that the Russian influence operations are so strong and so perpetual that it is difficult for the U.S. and EU to comprehend the extent of their impact. Another speaker agreed that special attention needs to be given to the Russian ethnic populations, but that these populations differ greatly from country to country in terms of their issues and their Soviet history. Rather than applying models that work in one place but not in another, there needs to be a de-escalation of corruption in security services, surveillance laws, and a respect for citizen rights. The way forward includes a pluralistic environment for politics and media, access to real information, an open space for debate in parliament, and a commitment by the EU and U.S. to help sustain economies if countries choose this path.

#### **Panel IV: Scenario Building: The European Neighborhood Policy beyond 2020 and future challenges**

The fourth panel sought to look at the broad developments and the role western actors can play in shaping policy to respond to emerging trends in the Eastern Neighborhood. Panelists were asked to present their best and worst-case scenarios, key drivers, what policy areas and

countries can make a difference, and what the inherent role for the U.S. is in relation to the future of the Eastern Neighborhood Policy.

One speaker presented the worrisome scenario that with a more pragmatic ENP policy (2020 deliverables), there will be a stronger focus on stabilization instead of transformation. The future of ENP would be to preserve status quo and focus on stabilization rather than reaching new horizons. The EU offers reform incentives (through Association Agreements and DCFTAs), however, it must be considered that vested interests are profiting more from positive economic developments than the general population, since they are in control of economic entities. Key reform drivers will be internal challenges that lead to resistance against the alleged pro-European reform governments. However, there is a need for more active EU/U.S. involvement on the ground and better communication efforts within the EaP countries as well as within the EU to confront Russian misinformation.

Another speaker highlighted the need for a more active involvement of the EU, e.g. in Ukraine, by not only focusing on the technical side of the reform process. The EU would need to come out of their comfort zone, engage politically, and celebrate the success stories. There is a gap between the civil society and general population that needs to be overcome, as approval rates for the bill on tax reporting of NGOs was showing. Key drivers are SMEs and young Entrepreneurs that are still facing heavy constraints due to expensive loans and oligarchic control over key economic sectors (Agriculture, etc.). The example of Poland's transition would show that SME financing is the key to a successful economic transformation. Concerning Donbass, it was mentioned that there is a need to support economic and social reconstruction and community building within the liberated areas.

One panelist concluded the workshop with their worst-case scenarios: a deepening transatlantic rift with a lacking policy consolidation between the EU and the U.S., an even stronger and consolidated Russia (under Putin) as well as the failure of an intra-European defense initiative. It would be crucial to help the EaP countries (esp. Ukraine) to become an economic success story that would lead to and serve as an economic magnetism. Rewards are currently too little, and there is a need to win the mindset of the young generation, since their identity will not necessarily be pro-western. Whether any of these scenarios come to fruition is unclear; however, one way to ensure progress is for the EU and U.S. to maintain a strong partnership on these issues and continue to invest in the countries on a rocky transformative path.

The fourth and final workshop of the dialogue will be held in Berlin after the German parliamentary elections.