

Challenges and Perspectives for a Sustainable Transformation in the EU's Eastern Neighbourhood

Iulian Groza, Mathias Jopp, Iurie Leancă, Iulian Rusu

Policy Paper on Eastern Europe and Central Asia

No 01/18

This paper was prepared as part of the project “German-American Dialogue on the Post-Soviet Space: Assessing the State of European Integration and Potential for Transatlantic Cooperation – the Case of Moldova” supported by the Transatlantik-Programm of the Federal Republic of Germany, funded by the Federal Ministry for Economic Affairs and Energy (BMWi) through means of the European Recovery Program (ERP). The views expressed in the study are the views of the authors alone.

ISSN 2625-459X

About the author

Iulian Groza is Executive Director of the Institute for European Policies and Reforms (IPRE), Chişinău

Mathias Jopp is Director of the Institut für Europäische Politik (IEP), Berlin

Iurie Leancă is Deputy Prime Minister for European Integration and Former Prime Minister of the Republic of Moldova, Chişinău

Iulian Rusu is Associate Expert on European integration policies at the Institute for European Policies and Reforms (IPRE), Chişinău

About the project

The project: “**German-American Dialogue on the Post-Soviet Space: Assessing the State of European Integration and Potential for Transatlantic Cooperation – the Case of Moldova**” seeks to foster a transatlantic dialogue on the post-Soviet space and is implemented in co-operation with the German Marshall Fund of the United States (GMF).

The project aims at reviewing policies and instruments of Germany, in the framework of the European Neighbourhood Policy and the Eastern Partnership and those of the U.S., both with respect to their capacity to support transformation processes in the post-Soviet space. It further seeks to create synergies between German and American approaches to the region and to identify the specific domestic obstacles to transformation within the countries of the Eastern Partnership.

Within a series of four dialogue workshops in Berlin and Washington, the dialogue and exchange between representatives from the U.S., Germany and other EU member states and the target countries of the Eastern Partnership was fostered.

About the IEP

Since 1959, the **Institut für Europäische Politik (IEP)** has been active in the field of European integration as a non-profit organisation. It is one of Germany’s leading research institutes on foreign and European policy.

IEP works at the intersection of academia, politics, administration, and civic education. In doing so, IEP’s tasks include scientific analyses of problems surrounding European politics and integration, as well as promoting the practical application of its research findings. | www.iep-berlin.de

Table of Contents

Executive Summary	4
I. EAP POLICY IMPACT ON THE TRANSFORMATION IN THE EU'S EASTERN NEIGHBOURHOOD	5
I.1. A GENERAL OVERVIEW ON ALL EAP COUNTRIES	5
I.2. A FOCUS ON THE IMPACT OF THE EAP POLICY ON THE TRANSFORMATION IN THE ASSOCIATED COUNTRIES	6
GEORGIA.....	6
UKRAINE.....	7
MOLDOVA.....	7
II. KEY CHALLENGES AND PERSPECTIVES FOR THE FUTURE OF THE EAP	9
II.1. THE RUSSIAN FACTOR – EU VS RUSSIA STRUGGLE HOW TO MITIGATE THESE CHALLENGES?.....	9 10
II.2. INTERNAL RESISTANCE TO REFORMS HOW TO ADDRESS THE INTERNAL RESISTANCE TO TRANSFORMATION IN THE EAP COUNTRIES?.....	11 11
III. A REVIEW OF THE EU’S 20 DELIVERABLES FOR THE EASTERN PARTNERSHIP BY 2020	13
IV. PERSPECTIVES AND FUTURE PRIORITIES	16
CONCLUSIONS	19

Challenges and Perspectives for the Sustainable Transformation in the EU's Eastern Neighbourhood

Iulian Groza, Mathias Jopp, Iurie Leancă, Iulian Rusu

Executive Summary

Since it was launched in May 2009, the Eastern Partnership (hereinafter EaP) aimed to provide for political association and economic integration of the EaP states with the EU, having as its main goal the creation of a stable, prosperous and secure Eastern neighbourhood. The EaP has been a heterogeneous creation since it combined states with different ambitions and was perceived in different ways by the EU and its partners. Armenia, Azerbaijan and Belarus, with some exceptions in the case of Armenia at the beginning, have considered the EaP as a practical platform with which to facilitate people-to-people contacts, sectorial and economic cooperation with the EU. Georgia, Moldova and Ukraine on the contrary have viewed the EaP as an opportunity to advance political and economic ties with the EU, that would later lead to a membership perspective.

To date AA/DCFTAs with Georgia, Moldova and Ukraine have fully entered into force. On top of this, Georgia, Moldova and Ukraine enjoy visa-free travel with the EU, which, coupled with the access to the EU's Common Aviation Area (so far open for Georgia, Moldova and soon to Ukraine), is a major, tangible achievement felt by the ordinary citizens. Although Armenia joined the EEU, in October 2015, the EU has negotiated and concluded on the margins of the EaP Summit the Comprehensive and Enhanced Partnership Agreement (CEPA). The new EU-Armenia agreement is in fact a softer version of the AAs, without the ambitious DCFTA component. In spite of a severe deterioration of the human rights situation in Azerbaijan over recent

years, the EU has launched the official negotiations on the new agreement in February 2017. The situation on human rights will be important in the context of the progress of the negotiations. In early 2016 the EU started a new re-engagement policy towards Belarus. In Belarus, the EU pays particular attention to cooperation with local civil society organisations. EU-Belarus Partnership Priorities are scheduled to be concluded soon.

Despite certain progress in transposing the EaP political and normative framework into national agendas, in particular of the Associated countries by means of AA/DCFTAs and visa liberalization, actual results of transformation, as perceived by society within these countries, are not yet felt. The Associated states embarked on a reform process that is similar to the countries from Central Europe despite having less resources. However, poor practical implementation of reforms remains to be one of the main criticisms for most of the EaP countries, if not all. In this regard, the veto powers of vested interests, systemic corruption, and poor functioning state institutions, coupled with the external pressures from Russia on the EaP region represent the key challenges for the democratisation and transformation of the EaP countries. Hence, the EU is determined to put more effort into making the EaP deliver more tangible results to benefit the citizens in the EaP countries and at achieving the overall goals of increasing stabilisation and resilience in the EaP region as provided by the ENP Review and the new EU Global Strategy. Therefore, the EaP Brussels Summit from November 24th 2017 represented an important milestone for assessing the results and setting up new ambitious objectives and targets for the EU's EaP policy and its power of transformation. Against

this background, the current background paper aims to make a brief assessment of the impact of the EaP policy on the reform process in the EaP countries, with a particular focus on the associated countries and to address in more detail the key challenges to the EaP power of transformation in the region. Further it presents the key elements of the “EaP – 20 deliverables for 2020” endorsed by the Brussels Summit and finally introduces a set of key EaP priorities beyond the Summit.

I. EaP policy impact on the transformation in the EU's Eastern Neighbourhood

I.1. A general overview on all EaP countries

Since it was launched in May 2009, the EaP aimed to provide for political association and economic integration of the EaP states with the EU, having as its main goal a stable, prosperous and secure Eastern neighbourhood.

In June 2014 Georgia, Moldova and Ukraine concluded the Association Agreements/Deep and Comprehensive Free Trade Areas (AA/DCFTAs) with the EU. To date, the AA/DCFTAs with Georgia and Moldova fully entered into force as of July 1st, 2016, while the EU-Ukraine Agreement, after a delayed internal ratification procedure by the 2016 Dutch referendum, entered into force on the September 1st, 2017. The EU has negotiated and concluded the new Association Agendas for the years 2017 – 2019 with Moldova in August 2017 and with Georgia in November 2017. It involved an inclusive process of consultations with the local civil society organisations. The negotiations on the new Association Agenda with Ukraine is pending to start before the end of 2017.

Out of all six EaP countries, Georgia, Moldova and Ukraine are leading the process of approximation to the EU, while others have a more limited interaction with Brussels. The associated partners are in pole position precisely due to the signature and implementation of the Association Agreement. On top of this, Georgia, Moldova and Ukraine enjoy visa-free travel with the EU, which, coupled with the access to the EU's Common Aviation Area (so far open for Georgia, Moldova and soon eventually to Ukraine), is considered the biggest tangible achievement that is felt by the ordinary citizens.

Although Armenia joined the EEU, in October 2015 the EU has decided to initiate negotiations on a Comprehensive and Enhanced Partnership Agreement (CEPA) with Armenia, that was initialled in March 2017¹ and concluded on the margins of the EaP Summit in Brussels. The new EU-Armenia agreement is in fact a softer version of the AAs, without the ambitious DCFTA component, but a lighter free-trade component that had to be adjusted due to Armenia's commitments under the EEU. It also provides for opening talks on the Common Aviation Area and the starting of the Visa Dialogue when conditions are due. CEPA should also generate more EU funding to support its implementation.

In November 2016², the EU has announced its readiness to launch negotiations on a new comprehensive agreement with Azerbaijan, broadening the scope of bilateral cooperation in line with the objectives of the reviewed ENP in 2015. In spite of severe deterioration of the situation in the area of human rights in Azerbaijan over recent years, the EU has launched the official negotiations on the new agreement in February 2017. The situation on human rights in will be important in

1 https://eeas.europa.eu/delegations/armenia/23120/joint-press-release-european-union-and-republic-armenia-initialling-eu-armenia-comprehensive_en

2 <http://www.consilium.europa.eu/en/press/press-releases/2016/11/14-azerbaijan/>

the context of the progress of the negotiations. Azerbaijan is also seeking to get access to the Common Aviation Area.

Reflections on a new bilateral contractual framework between the EU and Belarus are still pending. The main preoccupation of the EU in its relations with Belarus still remains the situation in the area democracy and human rights. Belarus was the only EaP country confronted by prolonged EU restrictive measures that relates to general arms embargo introduced in 2011, as well as on asset freeze and travel ban against four individuals³. However, this started to change in early 2016 due to a new re-engagement policy of the EU towards Belarus. In February 2016⁴, after the release in August 2015 of all remaining political prisoners, the EU has lifted the restrictive measures against 170 persons and three companies affiliated to the Belarusian authorities. The EU-Belarus cooperation went beyond the interactions in the framework of the multilateral track of the EaP and regular Human Rights Dialogues. In April 2016, the EU-Belarus Coordination Group was initiated as a format for structured bilateral multi-issue dialogue. The EU attaches particular attention to the cooperation with local civil society organisations that are invited in different EU-Belarus dialogue formats, including the EU-Belarus Human Rights Dialogue and the most recent Coordination Group.

I.2. A focus on the impact of the EaP policy on the transformation in the Associated countries

Georgia

Georgia is currently seen as the most stable and predictable country in the EaP. The fact that Georgia, if compared to Ukraine, managed to deliver faster on the Visa Liberalization Action Plan benchmarks, proves once again that Georgia is so far the best in delivering reforms. The Freedom House Nations in Transit report (NIT 2017) placed Georgia as the best performing among the EaP countries (general rating - 17/29).⁵ According to the International Republican Institute (IRI) public opinion poll issued in April 2017, ⁶Georgians are the most euro-optimists compared to the other EaP countries. Hence, over 90% of Georgian citizens fully support (64%) or some-what support (26%) the accession of Georgia to the EU. Similar IRI polls issued on Ukraine (October 2016) and Moldova (November 2017) have showed a comparatively lower support for EU accession, 51% and 49% respectively. At the same time, it must be stressed that support for the integration into the alternative EEU led by Russia is still high in Moldova (38%) in comparison with the other two EaP Associated partners.

Georgia is also among the top 50 countries (44) in the 2016 TI Corruption Perceptions Index, surpassing even a number of EU member states (i.e. Latvia, Cyprus, Czech Republic, Malta, Slovakia, Croatia, Hungary,

3 <http://www.consilium.europa.eu/en/press/press-releases/2017/02/27-belarus-arms-embargo-sanctions/>

4 <http://www.consilium.europa.eu/en/press/press-releases/2016/02/15-fac-belarus-conclusions/>

5 <https://freedomhouse.org/report/nations-transit/2017/georgia>

6 http://www.iri.org/sites/default/files/iri_poll_presentation_georgia_2017.03-general.pdf

Romania, Italy and Greece).⁷ This performance shall bring more EU support to Georgia under the incentive-based approach. In addition to securing irreversibility in transformation in the case of Georgia, it is urgent for the EU to provide more support in valuing economic opportunities provided by the AA/DCFTA. One of the issues in Georgia that society has voiced most ardently is the need to ensure economic stability after a rather prolonged economic crisis generated by national currency devaluation in 2016.

Ukraine

Since a new pro-reform government was installed in 2014 after the ‘Revolution of Dignity, Ukraine was struggling with both Russia’s aggressive military intervention and with an urgent need to resolve shortcomings in democracy and the rule of law, as well as the economic situation of the country. Thus, despite being affected by constant political, economic and military turmoil, Ukraine seems to be on a positive performance trend lately. The moderate progress was possible largely due to targeted EU financial and expert support provided to the Ukrainian Government, which mainly came in the form of promoting new and much-needed institutional and legislative reforms, such as the reform of the civil service, the creation of a new National Anticorruption Bureau (NABU), and the implementation of a new public procurement system (ProZorro) that is delivering first results in improving the transparency in the management of public funds. A clear breakthrough for Ukraine was the launch of the new electronic system for asset declarations of public officials. Although it faced delays and resistance from the Ukrainian political establishment, the system is managed by a new National Agency for the Prevention of Corruption.

The progress made in the area of judicial reform and anticorruption measures is also highlighted in the recent (2017) Freedom House ‘Nations in Transit’ report on Ukraine.⁸ At the same time, Ukraine still remains to be among the EaP countries with the highest index of corruption perception, ranking 131.⁹ This holds true in spite of a minor improvement of 2 points in the TI Corruption Perception Index (2016). Thus, it has to be mentioned that the implementation of reforms and their concrete results need more political will from the Ukrainian political leadership in order to prove irreversible. This is also confirmed by the IRI poll¹⁰ from October 2016 that places the anticorruption reform, reform of the public authorities, and judicial reform in the top 5 priority issues for Ukrainian authorities.

Moldova

Moldova was the so-called „success story” of the Eastern Partnership before the end of 2014. With respect to crucial internal reforms, the success of Moldova was indeed more an exercise of wishful thinking. The key promises of the pro-European government were to combat pervasive corruption and transform the judiciary, the police, and the Office of the Prosecutor General into professional, rules-based institutions that function with integrity and public trust. This would in turn create a responsive state capable of unleashing the creative energy of the private sector to generate jobs and jump-start economic development. Instead, the opposite happened. Despite massive support from the European Union for a reform agenda, the coalition parties fought each other to a standstill for control over line ministries, courts, prosecution and anti-corruption agencies, with the law-enforcement and the judiciary being the most sought-after “prizes”. Corruption became even more embedded in public

7 http://www.transparency.org/news/feature/corruption_perceptions_index_2016#regional

8 <https://freedomhouse.org/report/nations-transit/2017/ukraine>

9 http://www.transparency.org/news/feature/corruption_perceptions_index_2016#regional

10 http://www.iri.org/sites/default/files/iri_ukraine_poll_-_october_2016.pdf

institutions, especially in the law enforcement, the judicial system, public service, the educational system and the legislature.

As a result, the increasingly tight control of vested interests generated a decrease in public trust in Moldovan political parties and state institutions, including the Parliament, the Government, the President's office and the judiciary.

Over the last year, a series of long-awaited reforms have been initiated by the Moldovan authorities to improve justice and to promote the integrity of the banking sector. The EU has consolidated its position as Moldova's main trading partner.¹¹ Exports to the EU increased in 2016 to 63 per cent of all exports. Only slightly more than 20 per cent of Moldovan exports now go to CIS countries. Due to its intensive trade links with the EU, the trade with Russia has become much less significant, and the losses were largely compensated for.¹²

Macro-economic stabilisation, with the help of the IMF programme, stands out as one of the most important elements of the year 2016-2017. Reforms to public finance, as well as economic and banking governance, are also progressing, but slower than planned. Progress on judicial, public administration, and anti-corruption initiatives has taken place mostly on paper and have been slowly implemented due to weak government capacity, inconsistent policy-making, and state capture. The EU decided to withhold, on October 2017, the EUR 28 million final tranche

under the justice reform program citing Moldovan authorities' insufficient commitment to reform the sector.¹³

In July 2017, Moldova moved from a proportional electoral system to a mixed one, amid much controversy. In this regard, the EU has been very vocal on the issue since it is related to democracy and good governance in Moldova. The EU has tied EUR 100 million in macro-finance assistance (MFA) to Moldova with the need to respect the effective democratic mechanisms, including a multi-party parliamentary system. Currently, the European Commission and EEAS is closely reviewing progress on the conditions, in particular assessing the impact and implementation of the new electoral reform. Given the strong EU conditionality concerning reforms referred to the next disbursements of the EUR 100 million MFA are expected to be delayed.

The internal situation in Moldova continues to be monopolized by the geopolitical agendas of the political parties. This trend became even more obvious with the win of Igor Dodon in the recent presidential elections, the leader of the Socialist Party, a pro-Russian opposition party that promotes the denunciation of the EU-Moldova Association Agreement, supports closer ties with the Russian Federation, and Moldova's observer status in the EEU. It is the ruling governing coalition controlled by the Democratic Party that appears to be the main defender of the European track of Moldova. The matter is further complicated by the fact that the new President of Moldova won the elections largely due to a non-declared support provided by the Democratic Party via its affiliated media and local party structures. One of the effects of this artificial political atomization of the Moldovan society

11 External trade activity of the Republic of Moldova in January-June 2017, National Bureau of Statistics of the Republic of Moldova, 7 August 2017, <http://www.statistica.md/newsview.php?l=ro&id=5710&idc=168>.

12 European Parliament Study „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“, 16.11.2017, [http://www.europarl.europa.eu/RegData/etudes/STUD/2017/603836/EXPO_STU\(2017\)603836_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2017/603836/EXPO_STU(2017)603836_EN.pdf)

13 EU Delegation in Moldova Press Release, 11/10/2017, EU cuts budget support programme for justice reforms, https://eeas.europa.eu/delegations/moldova/33723/moldova-eu-cuts-budget-support-programme-justice-reforms_en

over geopolitical agendas is that the support for the EU and EEU is practically even, while over 90% of the Moldovan citizens view corruption to be the main problem of the country. These figures are confirmed by the most recent IRI opinion poll on Moldova issued in November 2017.¹⁴ The Transparency International Index 2016¹⁵ also places Moldova among the countries with one of the highest perceptions of corruption (rank 123/176), surpassing Ukraine only with 1 point.

The EU's main focus is on the institutional reform, the de-politicisation of state institutions, and the reconstruction of institutional checks and balances, as these will bring necessary improvements to the business environment and help restore the trust of the population.

II. Key challenges and perspectives for the future of the Eastern Partnership

II.1. The Russian factor – EU vs Russia struggle

The new EU Global Strategy on Foreign and Security Policy¹⁶ states that for the EU, managing the relations with Russia represents a key strategic challenge. On the other hand, Russia¹⁷ sees the EU as a serious geopolitical rival and has stood firmly against the EaP countries' closer cooperation and integration with the West. From Russia's perspective, the EaP is viewed as being in direct competition with Russian

interests in the post-Soviet space, which is perceived by Russia as its 'zone of influence'. The most recent Russian foreign policy concept¹⁸ goes even further in blaming the West and the EU for the serious crises that appeared in the region and between Russia and the West. Evidently, these assertions do not reflect an objective state of play or the EU's position, but rather represent a continuation of the Kremlin's adversarial vision of the West, which includes the EU. Thus, the differences between the EU and Russia's objectives are manifested not only in their direction, but also in their manner. While Russia views the struggle over the EaP as one of competing interests, the EU places more importance on values.

It should be underlined that since the EaP was launched, the EU has repeatedly declared that it is not a policy directed against Russia. Nonetheless, Russia's strategic documents as well as its assertive actions against individual EaP countries indicate that it was not convincing enough for Moscow, at least until 2013 when the EU and four out of six EaP countries significantly advanced in concluding new AA/DCFTAs. Before that, Moscow did not perceive the EaP as a real threat, having failed to believe that it would propel the EaP countries into a genuine process of integration with the EU. Russia's prevailing perception prior to 2013 was due to a lack of appetite in several EU member states about new eastward enlargements and the internal weaknesses of the EaP countries themselves. At that time, a clear shift appeared in the Russian attitude towards the EaP policy, as the Kremlin realized the potential transformative power these new Agreements on the future of the respective EaP countries could hold. Russia became increasingly worried that the new AA/DCFTAs would weaken its influence over

¹⁴ http://www.iri.org/sites/default/files/wysiwyg/2017-11-8_moldova_poll_presentation.pdf

¹⁵ http://www.transparency.org/news/feature/corruption_perceptions_index_2016#regional

¹⁶ http://www.eeas.europa.eu/archives/docs/top_stories/pdf/eugs_review_web.pdf

¹⁷ <http://static.kremlin.ru/media/events/files/ru/18iXkR8XLAtxeilX7JK3XXy6Y0AsHD5v.pdf>

¹⁸ http://www.mid.ru/ru/foreign_policy/official_documents/-/asset_publisher/CptlCk6B6Z29/content/id/2542248

the respective EaP countries that were on their way to embarking on a solid process of absorbing EU norms and standards.

Moscow aims at weakening the EU leverage over the EaP region, undermining the basic pillars of the EaP and pushing especially the most advanced countries to embark on the alternative Russia-led Eurasian political and economic integration process. In this context Russia, has unfolded a variety of measures that were a combination of soft and hard power tools. It started with Ukraine and Armenia. Even though Ukraine resisted, the price for this was a war in the Eastern part of the country supported by Russia and the illegal annexation of Crimea.

Georgia had already been under permanent pressure due to Russia's actions directed against Georgia's territorial integrity and sovereignty. Russia continued by widening its relations with the separatist regions of South Ossetia and Abkhazia, while Moldova suffered from trade embargoes imposed unilaterally by Russia on strategic goods and deportations of Moldovan migrants residing in the Russian Federation.

In a broader context, it should be also admitted that Russia's assertiveness on the EaP also strengthens the influence of the vested interests in the respective countries, which often use the pressure from Russia as an excuse against pursuing a sustainable reform agenda. Consequently, the geopolitical competition over pro-European and pro-Russian vectors pushed the EU into supporting pro-European governments regardless of their track record of reforms. Moreover, in Moldova it also contributed to a polarisation of the society, as the political parties were calling on the citizens to choose between Russia and the EU, rather than focusing on real issues of reforms. Since 2014, Georgia and Ukraine is much less polarised over geopolitical vectors.

How to mitigate these challenges?

One should be clear that the more the EU is uncertain about the political perspectives for the relations with the EaP partner countries, particularly those with European aspirations, the stronger the pressure from Russia becomes. Russia has applied different methods to affect the sovereign choices of the Eastern partners, coercing them to refrain from further European integration and to support the Russian alternative Eurasian integration process. At the same time, the lack of a common understanding by the EU and by the Eastern Partners themselves about EaP priorities and objectives can further increase the vulnerability of the countries in the region. The situation is also complicated by an existence of different visions among the EU member states over EU's policy with respect to Russia.

To be more effective in tackling the Russian factor the EU should be united, more creative and proactive in addressing the roots of the challenges. The task for the EU is very complex and will also demand a balance between pursuing a 'selective engagement' with Russia when their interests overlap, as stated in the EU's Global Strategy, and further developing the potential of the EaP policy to strengthen partners' resilience, as defined in the most recent Joint Communication of the European Commission and EEAS to the European Council and European Parliament, which outlines a strategic approach to resilience in the EU's external action¹⁹.

On top of that, the EU should prevent or deal with its internal challenges as well (i.e. Brexit, Catalonia, the wave of populism that is challenging core EU principles and values or the raising security threats from the southern neighbourhood), which currently are, and most likely will continue, to be exploited by Russia in order to weaken the EU's ability to be effective in

¹⁹ Joint Communication to the European Council and European Parliament „A strategic approach to resilience in the EU's External action, 07 June 2017, https://eeas.europa.eu/headquarters/headquarters-homepage/27711/strategic-approach-resilience-eus-external-action_en

pursuing its regional and global objectives. Moreover, the EU will have to ensure the practical implementation of a consistent and united approach of its policy towards Russia, as maintaining unity will continue to be a constant test for the EU member states, which have different perspectives vis-à-vis their relations with Russia.

II.2. Internal resistance to reforms

Despite certain positive developments transposing the EaP political and normative framework into national agendas in particular of the Associated countries by means of AA/DCFTAs and visa liberalization, the real results of transformation as perceived by society within these countries, continue to be long awaited. There is a growing trend that the AA/DCFTAs are delivering less than it was expected. On one hand, unlike the countries that joined the EU and the pre-accession states, the Associated EaP countries do not have the access to the structural EU funds to that extent that would allow them a smooth modernization.²⁰ On the other hand, the poor practical implementation of reforms remains to be one of the main criticisms for most of the EaP countries, if not all.

In this regard, the main obstacles to a sustainable transformation in the EaP are the veto powers of the vested interests, systemic corruption, and poor functioning state institutions. This is confirmed by the most recent Transparency International Corruption Perceptions Index (2016)²¹ that underlines that capture of political decision-making is one of the most pervasive and widespread forms of political corruption in the EaP region. The culture of impunity prevails among politicians and oligarchs. In the majority of the EaP countries, there are close links between politicians and business owners. Companies, networks and

individuals unduly influence laws and institutions to adapt policies, the legal framework and the wider economy to their own interests.

How to address the internal resistance to transformation in the EaP countries?

The current EU balancing approach between fragile stability and the need to pursue real transformation in these countries has to be reviewed. Unless the Eastern partners improve their governance, modernize their economies and become more attractive to investors, they will remain economically and politically fragile to external pressures.

The new EU Global Strategy is already referring to the objective to strengthen resilience in the EU neighbourhood. In the short-term, the EU will most likely continue to engage with the existing governments, including those controlled by vested interests given its objective for stabilization and with the lack of real alternatives on the ground. From this perspective, it is crucial that any EU engagement should not compromise values and should discourage any actions by the vested interests that are directed against these values. Hence, the EU must apply more targets and stricter conditionality on the respective governments to deliver on real reforms in strengthening the rule of law and democratic institutions, fighting high-level corruption, and promoting good governance.

In case the governments are not advancing on systemic reforms, the EU should go beyond general statements on reform goals and step-up to assist the governments in developing and implementing more concrete reform agendas, while closely monitoring the delivery on benchmarks, under strict and targeted conditionality on financial assistance. In this regard, certain experience is already in place in some EaP countries, such as the EU Support Group in Ukraine.

20 A bittersweet victory: Ukraine's Association Agreement with the EU, Ok-sana Khomei, Alena Permakova, Dmytro Sydorenko and Balazs Jarabik, <http://www.neweasterneurope.eu/articles-and-commentary/2404-a-bittersweet-victory-ukraine-s-association-agreement-with-the-eu>

21 http://www.transparency.org/news/feature/europe_and_central_asia_an_overall_stagnation

On the other hand, it should be clear that this type of approach works less or even backfires in countries like Azerbaijan or Belarus that are less dependent on the EU assistance or perceive any strong EU statements on issues of reforms as patronizing and even as an interference in the internal affairs.

However, more could be done in this direction in the case of the Associated EaP partner countries. Thus, the EU should have a stronger prioritization and become more specific in formulating reform proposals with benchmarks in the “game-changer” areas, which would limit the scope of vested interests. These areas include the independence of the judiciary, law enforcement authorities and regulatory bodies, a non-selective justice in fighting cross-party high-level corruption, more transparency in party financing, and an independent media. The EU policies should also attach more attention to the public administration reform, assisting the countries in making state institutions more efficient and independent. At the same time, the EU should keep the enlargement-like toolbox open and draw inspiration from successful examples that managed to secure systemic reforms in the EU accession process or within EU member states. An example of this is the Cooperation and Verification Mechanism for Romania and Bulgaria²².

The EU should provide more targeted support to strengthen local civil society and to create more opportunities for the development of small and medium sized businesses. This should ultimately consolidate their role as core societal actors counterbalancing the vested interests and keeping the governments accountable. It would also pressure the governing elites more effectively to pursue a real transformation agenda that is inclusive and benefits the entire society, not just those in power. In addition, while engaging with the existing governments, the EU should seek stronger cooperation with reform-minded opposition

elites and agents of change from within the state institutions, law enforcement and regulatory bodies to increase their independence from the vested interests.

Aiming at strengthening the internal resilience and in turn the irreversibility of the EaP transformational agenda in the region, the EU and EaP countries themselves should improve diversity, social cohesion and dedicate more attention to the integration of (Russian) linguistic minority and the ethnic groups, so that they become part of the process and feel that they have a real stake in the success of the countries’ transformation. Thus, the actions shall not be limited to national information and communication campaigns in the Russian language, or to efforts to counter Russian propaganda by improving the media environment in the respective countries, but also include the promotion of more structured national integration policies. If tackled efficiently, in the long-run this objective may also address the geopolitical challenges to the future of the EaP, associated with Russia’s agenda in the region.

Finally, the EU membership perspective for the aspiring EaP partners is another key issue that should not be overlooked or ignored. Thus, there should be at least a frank and open discussion between the EU and its aspiring EaP countries on this topic. The governments of the Associated EaP partners often declare that the lack of a clear EU membership perspective is one of the key reasons for declining internal support for the European transformational model. While recognizing that a clear European perspective for Georgia, Ukraine and Moldova may indeed provide an important incentive for pursuing crucial internal reforms, it should be noted that the lack of it cannot be realistically considered as an obstacle to internal transformation.

²² https://ec.europa.eu/info/effective-justice/rule-law/assistance-bulgaria-and-romania-under-cvm/cooperation-and-verification-mechanism-bulgaria-and-romania_en

III. A review of the EU's 20 deliverables for the Eastern Partnership by 2020

Although there is a struggling task to identify the best ideas on how to deal with the Eastern Partnership in the future, there is a general consensus about the need to upgrade and reshuffle the initiative in order to make it more functional – this is precisely why the EU High Representative and Vice-president of the European Commission Federica Mogherini has put forward the Joint Staff Document “Eastern Partnership – 20 deliverables for 2020”, which have been endorsed by the EaP Ministerial in June 2017²³ and respectively by the Summit in Brussels.

By this new instrument, the EU is aiming both at providing more tangible results to benefit the citizens in the EaP countries and at achieving the overall goals of increasing stabilisation and resilience in the EaP region as provided by the ENP Review and the new EU Global Strategy. One should welcome the European Commission and EEAS's approach to bringing certain pragmatism into the reflections about the future of the EaP. However, what should be avoided is that the respective deliverables and corresponding targets become too pragmatic and not include more ambitious measures by limiting themselves to those that have already been agreed on by the EU and EaP countries until now. The prioritization on a set of concrete EaP deliverables reveals a more structured and targeted approach from the EU side that has the potential to make the EaP more operational and indeed attempting to embrace the objective of bringing more tangible results to benefit societies from the EaP countries.

The respective priorities include short-term milestones by the next EaP Summit and medium-term targets by the year 2020, which correspond to four key areas of intervention endorsed by the previous EaP Summit in Riga, i.e. (1) economic development and market opportunities; (2) strengthening institutions and good governance; (3) connectivity, energy efficiency, environment and climate change; (4) mobility and people-to-people contacts. It also introduces deliverables referring to three cross-cutting areas, namely strengthening civil society, ensuing gender equality and improving strategic communication within the EaP. In order to ensure the effective implementation of all relevant deliverables, the document underlines the importance of full alignment between the EaP policy and funding instruments, including the relevant contributions from the IFIs. From this perspective, it is crucial that the EU ensures effective synergies between the process of fine-tuning the final set of key priorities and the current mid-term review of the European Neighbourhood Instrument (ENI) by the EaP Summit in Brussels.

Cross-cutting deliverables

Civil Society. The EU will pursue a more structured engagement with civil society organisations at the grassroots, local and national level in the EaP countries by improving their technical expertise and skills to generate evidence-based inputs to public policies.

Gender equality. While welcoming very ambitious milestones and targets to support gender equality and non-discrimination, a cautious tone is noticeable in reference to the implementation of anti-discrimination requirements, which are essentially just a footnote to the ‘local values and traditions’ from different EaP countries. This may indicate a moderate level of expectations in delivering on the relevant targets.

²³ https://eeas.europa.eu/headquarters/headquarters-homepage/28117/eu-revises-20-key-deliverables-2020-eastern-partnership_en

Communication. The final cross-cutting deliverable on strategic communication includes a number of outputs to improve EU visibility and credibility in the EaP region via stronger and tailor-made communication campaigns and strategies. It also refers to actions aimed at countering Russia's disinformation and improving the outreach to Russian speaking audience. However, one would expect the targets to be more specific and indeed more strategic.

While working towards media plurality, it is important that the EU not only addresses the Russian content media, but also the influence of internal political and vested interests. According to the most recent Freedom House 'Freedom of the Press Report,' the media is partially free or not free in the majority of EaP countries. Georgia is an exception, being the only EaP country where the media is free. Nevertheless, the issue of media concentration owned or controlled by vested interests in the EaP countries is a widespread phenomenon.

Economic development and market opportunities

Here the EU focus is on strengthening the macroeconomic stability, including by regular macroeconomic EaP dialogues and relevant macro-financial assistance subject to stricter conditionality. The EU also aims at supporting EaP countries' economies to become more attractive for foreign direct investment. The proposed measures aim to support market access, an improved regulatory framework, promotion of innovation and the development of SMEs, as well as increased access to finance and improving the weak financial sector infrastructure. The key instruments provided by the EU to this end are the EU4Business initiative, including cooperation with EBRD, EIB and other IFIs. The EU is also focusing on the diversification of the economic activity in the EaP countries and providing for new job opportunities to benefit the citizens, in particular on the local and regional level via the new

initiative 'Mayors for Economic Growth – M4EG.' Under the current priority a specific deliverable is dedicated to supporting the implementation of the DCFTA by the EaP associated partners with a particular focus on increasing exports to the EU market and addressing in turn the quality aspects (i.e. SPS measures, TBTs, conformity assessment and acceptance of industrial goods). This should aim at diminishing the impact of the economic restraints applied by Russia. One of the specific added values proposed under the current priority relates to the harmonisation of the roaming tariffs within the EaP countries, a process which already is planned to start within the EU as for June 15, 2017.²⁴ In this regard, the respective target should be revised to be more ambitious so that citizens from the EaP could already benefit from 'Roam-Like-At-home' by 2020.

One can observe that most of the proposed milestones and targets relate more to the associated partners. This is an objective reflection of the level of economic interaction and individual partners' engagement with the EU. In order to support the implementation of the DCFTA by the associated partners, the EU should take steps in establishing a special legal approximation facility to support the transposition of the EU acquis in the relevant countries. At the same time, the document does not include any targets towards building an 'economic area' with the DCFTA EaP countries, even though this is mentioned in the ENP review and EU Global Strategy. Looking at the deadline of 2020, the EU should consider including a set of concrete measures in achieving this objective.

Strengthening Institutions and Good Governance

In order to improve governance and strengthen independent state institutions, the EU is rightfully paying attention to four key deliverables aiming at consolidating the rule of law and anticorruption

²⁴ http://europa.eu/rapid/press-release_MEMO-17-885_en.htm

system, supporting the implementation of key judicial reforms, assisting public administration reform, and strengthening resilience. All these deliverables should contribute to sustainable economic growth and increase the public trust in state institutions.

When tackling corruption, the focus of the EU is on improving integrity in the public sector, the creation of independent authorities specialized in fighting high-level corruption and improving the asset recovery mechanisms. While welcoming the reference to the GRECO recommendations on political party funding, the EU should include more specific and game-changer measures and indicators related to fighting political and high-level corruption.

With regard to the public administration reform, the aim is to support the establishment of a professional, depoliticised and accountable civil service across the EaP region. This should provide an improved quality of public services for the citizens and business community. A particular focus shall be given to an inclusive and evidenced-based policy by improving citizens' engagement in line with Open Government Partnership agendas and strengthening a constructive dialogue with civil society. This should reinforce transparency and accountability, including in economic governance via citizens' budgets. The access to information and a reengineering of the service delivery can be improved by implementing E-governance practices. It is important to emphasize that more targets should be included in relation to local public administration and decentralisation reforms. Post legislative scrutiny via better parliamentary oversight in the implementation of the relevant legislation, in particular with respect to the AA/DCFTA countries, should also be considered.

The EU aims at supporting the partners via capacity building projects, ensuring security of the population, and making them more resilient to security threats and better prepared to prevent and respond to conflicts and crisis. However, when reviewing the propo-

sed targets and milestones, the focus to achieve this deliverable is largely reduced to the support of civilian security and crisis management. There are only two milestones that aim to improve the capacities of the EaP countries to prevent cyber-attacks. The targets are less ambitious on security cooperation and support to security sector reforms in the EaP countries, which was mentioned among the top priorities in the ENP review and should be key to strengthening resilience. The only reference to security is the aim to improve participation of EaP partners in EU CSDP missions and EU battlegroups. More attention should be given to measures that would support external resilience to 'hybrid threats.'

Connectivity, energy, environment and climate change

The main focus is on contributing to better transport links and improving relevant infrastructure that shall open new opportunities for better mobility of goods and citizens among the EaP countries and with the EU member states. This in turn will set better prospects for economic development. The measures particularly refer to the reconstruction and expansion of the interchanges on TEN-T corridors by including them into the list of highest priority projects that would channel targeted funding. Increasing the participation of the EaP countries in the EU common aviation area is also among the targets, as by now only two countries have concluded Common Aviation Agreements with the EU (Georgia and Moldova), Ukraine is expected to conclude it soon.

There are a number of important objectives that aim at strengthening the energy security across EaP region. The measures especially refer to improving natural gas and electricity interconnectivity among the EaP partners and with the EU. In this regard, the framework of cooperation is ensured by the participation of some EaP countries in the Energy Community and the use of the EU4Energy initiative involving partners

that are outside the Energy Community arrangements. The work plan includes milestones and targets relevant mainly to gas interconnections between the EU and Moldova, expansion of the South Caucasus Gas Pipeline and electricity interconnection between Georgia and Armenia. There is also a reference to the adoption of projects of strategic importance (Projects of Energy Community Interest (PECI) and Projects of Mutual interest (PMI). However, it would be important to outline more specifically in the list of targets other energy interconnection projects such as the electricity interconnection between Moldova and Ukraine with the EU.

Mobility and people-to-people contacts

The final priority emphasizes bringing the EU and EaP partners' societies closer together and offers more tangible results to citizens. The key tools to achieving progress are broadening the benefits of the Visa Liberalisation, Mobility Partnerships and integrated border management. One must also acknowledge the importance of having the visa free travel conditions in place for the citizens of Ukraine, Moldova and Georgia. The objective to start the Visa Dialogue with Armenia by 2020 was decided on the occasion of the EaP Summit in Brussels that should encourage the citizens of Armenia. It is also important to see that the prospect for launching the Visa Liberalisation Dialogue with Azerbaijan is outlined. However, when it comes to Belarus, no such prospects are considered. The focus here will be more on the aim to conclude and implement the Visa Facilitation and Readmission Agreement with the EU.

IV. Perspectives and future priorities²⁵

Political perspectives

- The EU should continue to keep an open-door policy and send a clear and frank message to the Associated EaP countries with regard to the **European integration perspectives**. The membership perspective needs to be alive as a political principle if one desires to see the EaP evolve and succeed. This means that guarantees under Article 49 TEU need to apply with respect to those partners, who thoroughly implement AA/DCFTA provisions and demonstrate enduring commitment to democratic consolidation. At the same time, the aspiring EaP countries should work in an inclusive manner towards building a national consensus to unite society over the narrative that the ultimate goal of the implementation of the AA/DCFTAs is to transform the countries into functioning, modern and prosperous democracies. European integration should not be a goal in itself, but rather a vehicle to secure the transformation.

Security and defence cooperation

- The EU should pay more attention to **security challenges** not only by “soft power” mechanisms, but also expand their reach and role in the settlement of the Russia-sponsored conflicts in the EaP states. The security challenges that

25 I. Groza, L. Litra, I. Porchikhidze, EAP Think Tank Forum Policy Recommendations for the EaP Summit, 20.10.2017, http://www.ipre.md/eapttf2017/image/Policy-Recommendations-2017-EaP-Summit_Upgrading-the-EaP.pdf

affect the entire region demand more vision and direct engagement from the EU in terms of strengthening the cooperation across the security and defence sectors as well as on the ground presence through its CSDP missions.

- Five out of six EaP partners are affected by conflicts. Even though **conflict prevention** is mentioned among the aims of the EaP 2020 deliverables, there are no targets providing for concrete measures. The EU should support any EaP partners' initiative to strengthen cooperation and exchanges among themselves in conflict prevention, settlement and post-settlement rehabilitation. The EaP countries themselves should **deepen their joint cooperation in the area of security and defence capabilities**, learning from countries that are most successful in countering hybrid warfare.

Communication and media freedom to weaken the external propaganda and controlled media

- One of the basic preconditions to address the 'hybrid threats' is the presence of a free, open and independent media environment, which is as important as **countering external propaganda**. Thus, the EU should unfold more resources to counter Russian disinformation efforts and support local independent media content in Russian/local languages.
- The EU should put pressure on the EaP governments to support free and pluralistic media environment in the respective countries and **address the issue of media concentration and transparent ownership**.
- The EU and EaP countries should **address the communication and visibility gap** regarding the EaP countries within the EU itself. The EU should also increase its visibility in the EaP countries through further promoting its pro-

grams, projects and activities, provide support for independent media and media literacy of various groups and back-up initiatives aimed at reducing the polarization within the EaP countries. The capacities of EU Strat Com East Task Force should be increased through additional financial support. In addition, the strategic communication capabilities in the EaP countries should be strengthened.

Strengthen internal resilience to reforms

- The EU needs a more long-term approach not only in ensuring stability, but also in **creating a proper environment for its sustainability in EaP region**, by focusing on continuous internal transformation efforts. Democratization should remain a key pre-condition for the EU's deeper engagement with all EaP partners. The EU should discourage any actions of the vested elites directed against this goal.
- While engaging with the existing governments from the EaP region, the **EU should seek stronger cooperation with reform-minded elites and agents of change** from within the state institutions, law enforcement and regulatory bodies to increase their independence from the vested interests. This engagement needs to be based on a thorough understanding of the political and economic context of the partner countries.
- the EU should also ensure a **closer oversight on the process of fighting political and high-level corruption** as well as vested interests in the associated EaP countries. The same refers to the deliverables of the justice sector reform. A special mechanism to ensure constant monitoring and conditioned support of justice sector reforms and the fight against high-level corruption. From this perspective, the EU should keep the enlargement-like tool-

box open and draw inspiration from positive examples that managed to secure systemic reforms in the EU accession process or within EU member states.

- A better **balance between EU budgetary and project-based support** should be found. Thus, a part of the funds from the EU budgetary support should be allocated to project based activities that would support a specific reform. The EU should strictly follow the **smart conditionality** approach – no reforms, no disbursements. The EU macro-financial assistance (MFA) shall be conditioned **with concrete reform implementation measures** that refer not only to the macro-economic indicators, but also good governance, rule of law, democracy and human rights as in the case of the EU's most recent decision on the MFA for Moldova.
- The EU should also pay particular attention to instruments which **protect the civic space in the EaP countries** in particular by: (1) putting more emphasis on the implementation by the EaP governments of Council of Europe's best practices regarding the CSO cooperation²⁶; (2) reviewing the cooperation environment with civil society organisations; (3) supporting the development of early-warning tools to discourage any pressure on the civic space in the region, and (4) giving a more active role to CSOs in the monitoring of the implementation of the reforms agenda in individual EaP countries as well as in the oversight process of the EU assistance.
- The EU and the EaP countries should consider developing new support and **inclusive cooperation programs involving other specific societal groups**, such as churches and different local ethnic communities.

Improve and explore the potential of DCFTAs with Associated EaP countries opened to others

- The EU should be more visionary and active in exploring and potential of DCFTAs with Associated EaP countries by assessing the feasibility and the impact for the implementation of a long-debated idea for a **Common Economic Area** among the EaP Associated partners with the EU, that would be gradually open to other non-associated partners considering the level of their institutional compliance.
- In this regard, the EU should be more ambitious in providing support for the implementation of the AA/DCFTAs, in particular by establishing tailored a **'legal approximation facility'** to support the transposition of the EU acquis in the associated countries in a cost-effective way to address the specific, most-acute problems these countries face.
- The EU should provide **new opportunities for the willing and able EaP Countries to further integrate with EU instruments and institutions**, especially on those related to economic integration where a consensus within the EU exists. Thus, setting targets such as EaP countries to benefit from 'Roam-Like-At-home' as mentioned in the 20 EaP Deliverables is welcomed. However, the EU should not stop there and consider more ambitious objectives, for instance granting gradual access for the EaP partners to the Single European Payment Area (SEPA). This may become yet another game-changing objective of the EaP in the future that would (i) bring additional benefits to citizens, (ii) create new opportunities for improved trade and investment, and (iii) more importantly be used as an important leverage on EaP governments to secure systemic reforms in the financial-banking sector.

²⁶ Guidelines on Civil Society Organizations' participation in Council of Europe's co-operation activities, please see: <https://rm.coe.int/1680656cef>

Support energy security and independence

- The EU should offer additional financial and political support to **strengthen energy independence from Russia**. This should take place through development of energy infrastructure with such elements as gas interconnectors, high-voltage transmission lines, and programmes for green energy development. Moreover, the EU and the European Energy Community should closely monitor and support the effective implementation the EU's 3rd Energy Package with all EaP partner countries.

Improve mobility

- The EU should **open Visa Dialogues with the other EaP countries** provided the preconditions are in place. The EU needs to use this tool for all the EaP countries both as an opportunity to improve mobility and people-to-people contacts with the EU, as well as to leverage transformation in the respective countries. The EU should ensure that Visa Dialogues with the three EaP Associated states are used to assess progress in the implementation of the justice and home affairs reforms.

Conclusions

If anything, visa liberalization or the real prospect of it has arguably been proved to be the main if not the only real result of the EaP that directly benefits the citizens of the partner countries. The EU needs to use this tool for all of the EaP countries both as an opportunity to improve mobility and people-to-people contacts with the EU, as well as a means to leverage transformation in the respective countries. Another important result of the EaP so far is the progress in

embarking on political association and economic integration between the EU and three out of the six EaP partners – Georgia, Moldova and Ukraine – by way of the AA/DCFTAs. However, the timely implementation of the new Agreements with the EU remains to be a challenge, as their impact on internal transformation in the respective associated countries is limited due to the lack of clear political will to pursue a genuine reform agenda. The other three non-associated EaP countries – Azerbaijan, Armenia and Belarus – chose a less politically ambitious path in relation with the EU. This has ultimately contributed to a clear division of the EaP countries into two groups, which underlines an urgent need for the EU to further review its policy towards EaP and make it even more tailored to the individual aspirations and the level of ambitions among the EaP countries.

The security challenges that affect the entire region demand more vision and tools from the EU in terms of strengthening the cooperation across the security and defence sector. It should both help consolidate the capacities of the interested EaP countries to resist, but also to build-up more trust and confidence within the EaP in the first place. The instability in the EaP regions is caused mainly by two challenging factors: The first is external, which is related to the Russian 'soft and hard power' projected against the sovereign choices of EaP countries, in an effort to force them to gravitate closer to or even be absorbed by the Russian 'sphere of influence'. The second is an internal factor that is manifested by the fact that the EaP countries are still lacking a clear political will from the local elites to pursue a real modernization and transformation agenda. The 2015 ENP review provides a new reinforced dimension on security cooperation, with the main focus on reinforcing partners' resilience against the external and internal challenges, as it was later enshrined in the EU Global Strategy published in June 2016. The big question is, however, whether the 2015 ENP review will manage to provide effective long-term mitigation instruments to seriously address these

factors, in particular in the cases where there is a clear link between the Russian interests to weaken these countries and the vested interests that are an obstacle to transformation. Stabilization of the neighbourhood will remain the short to medium term priority of the EU. However, the EU also needs a more long-term approach not only in ensuring stability, but also in creating a proper environment for its sustainability. The success of the EU approach to the East and consequently of the EaP was and will always be dependent on how the individual partners and the EU fine-tune their interest through long-term cooperation. Without clear efforts from both the EU and individual partners to match their interests, the EaP is doomed to fail or will lead to limited results at best.

The EaP needs a new impetus in order to become more effective and successful. For that, the EU and EaP states need to deepen the economic cooperation through the creation of a common economic area; make a stronger emphasis on the security dimension; boost its cooperation in energy issues; reconsider the direct budget support and the macro-financial assistance; improve the communication strategy in order to adapt it to local needs; consider giving access to EU programmes and agencies; and make available the EU membership perspective for countries that aspire to become members and deliver on the committed reforms.

Editorial Team

Publisher: Prof. Dr. Mathias Jopp, Director, IEP

Editors:

Dr. Katrin Böttger, Deputy Director, IEP

Layout: Dagmar Kolatschny, Fabian Weber

Institut für Europäische Politik e.V.
Bundesallee 23
10717 Berlin

info@iep-berlin.de
www.iep-berlin.de

Supported by:



Bundesministerium
für Wirtschaft
und Technologie

Dialog Europa

Otto Wolff - Stiftung