



# **“East of Europe, Out of Schengen”**

**Perspectives of post-Soviet world**

# Wrocław 20<sup>th</sup> April 2012

## INTEGRATION OR IMITATION?

### EU policy towards its Eastern Neighbours

#### Introduction

The European Union's policy towards the six post-Soviet countries, Ukraine, Belarus, Moldova, Georgia, Armenia and Azerbaijan, has entered a new phase since 2004. These countries, in becoming the immediate neighbourhood of the EU, found themselves the focus of an integration policy. However, this policy *de facto* includes no membership offer, even with regard to the European partners. Although this has not been stated explicitly, many facts indicate that the EU's intention has been to determine the final Eastern borders of the European Community in a 'soft' way, i.e. while minimising economic and political divides. Does the European Union's policy towards its Eastern neighbours have any chance of success? To what extent can the objective of 'external integration', i.e. the adoption of EU standards by its Eastern neighbours, be achieved? The European Neighbourhood Policy is currently being reviewed and the revolutions in North Africa have triggered a fresh debate on this policy. Alongside this process, Poland's forthcoming presidency of the EU (given that Poland grants high priority to rapprochement with its Eastern neighbours) provides yet another pretext for posing the above questions. However, these considerations extend beyond current events and the EU calendar.

There are aspects of the central question, namely: Is the EU capable of exporting its own model of governance? This question is currently more focused on the local than the global potential of the European Union. Can it continue the process of 'making Europe wider'?

This text formulates the thesis that Eastern Europe'<sup>1</sup> (EE) convergence to EU standards in political and economic terms is an enormous challenge, which requires great determination from both sides. Meanwhile, actions taken by the EU so far prove that it does not see integration with its Eastern neighbours as an issue important enough to warrant investing significant resources in this process. At the same time, however, the EU – in part to maintain its credibility or possibly due to political and bureaucratic inertia – is unlikely to relinquish its policy of promoting its own model within its immediate neighbourhood. A continuation of

---

1 The six neighbour countries are usually referred to as Eastern Europe and the Southern Caucasus. In turn, the term 'Eastern Europe' *per se* usually also covers Russia. However, the term 'Eastern Europe' used in this text, for ease of reference, corresponds to the definition of this term used in the declaration signed by the EU and the six neighbour states after the first Eastern Partnership summit in Prague in 2009. The document defined all the partner states, Belarus, Ukraine, Moldova, Armenia, Azerbaijan and Georgia, as Eastern European countries.

this dual strategy may lead to a pretence in which both the EU and its Eastern partners will be merely imitating an integration. Both sides will in fact be playing this game without focusing on achieving the goal and without any hope of implementing it; Brussels in order to avoid an evident failure and cover up its weakness, and Eastern European countries in order to exploit this process for domestic political reasons and in relations with Russia. Although a revision of the previous EU policy is not a sufficient measure in itself (since a great deal depends on the partner states), it appears to be necessary for enabling progress on integration. The author points out three desirable approaches and counsels against two inadvisable ones.

Firstly, it would be worthwhile formulating a clear and attractive strategic message, which makes references not to the concept of 'neighbourhood' but rather to the idea of a united Europe. Contrary to broadly voiced concerns, this is possible without making a clear offer of membership.

Secondly, it is worth taking the risk of greater diversification between ordinary partner states and those ready to treat the EU as a social, economic or political model. The EU would have to pledge greater openness to the latter countries in such issues as the movement of people, access to the agricultural and services market, and possibilities for privileged institutional co-operation.

Thirdly, more emphasis should be placed on grassroots democratisation: aside from providing funding, it is necessary to encourage a greater openness to society at large in the six neighbour countries and to use more flexible mechanisms aimed at developing self-reliance instead of dependence, alongside offers of firm support when it comes to civil dissent against an authoritarian regime. Having embarked upon a more distinct and engaged policy, the EU will have greater opportunities for resisting the temptation to which it has previously succumbed to the creation of instruments which do not bring any added value. Although they provide temporary substitutes for concrete actions, the continuation of such a policy in the longer run often leads to even deeper bilateral frustration. It does not seem advisable for now to declare a stronger engagement in the area of 'frozen conflicts' (which many experts have recently encouraged). The EU is still lacking the instruments and political will necessary to confront Russia in this field. Given this situation, any attempts at intensifying the EU's security policy towards its Eastern neighbours are doomed to failure and may only undermine the European Community's credibility.

This text consists of two parts. The first part, *Eastern neighbourhood – how far from the EU?*, outlines the major challenges any strategy aimed at the region's drawing closer to the EU must face. The second part, *The Eastern vector of neighbourhood policy*, analyses actions taken by the EU towards Ukraine, Belarus, Moldova, Georgia, Armenia and Azerbaijan since they have been considered the EU's neighbours. At the end conclusions and recommendations for the future are presented. This analysis intentionally refrains from referring to the differences in the policies towards the Eastern neighbours adopted by individual member states and to the role particular institutions have played (the European Commission, the European Council, the European Parliament) in the development of the European Union's strategy.

Obviously, those issues have had a great impact on the EU's actions. However, the subject of this text is the European Community strategy, i.e. the actions taken by the EU on behalf of all its institutions and member states (regardless of their individual preferences).

## Executive Summary

The Eastern European countries have three major assets:

(1) they are relatively functional and predictable so they appear unlikely to become sources of crises which could pose a serious threat to the European Union's security;

(2) the region has significant potential for grassroots democracy: over the past decade, mass protests against election fixing took place in each of the countries on at least one occasion, some of which ended in blocking attempts at deepening authoritarian practices;

(3) most of these countries also show significant potential related to their European identity. The development of closer relations with the EU enjoys strong public support in most of the countries in this region. Although a major part of the elite is not clearly resolved to integrate with the EU, political leaders in Georgia and Moldova, and to some extent in Ukraine and Armenia, see the EU as a 'civilisational model' worth copying. Most of these countries, despite the lack of clear [membership] perspectives, feel they have the right to expect the door to the European Community to remain open to them. Strong as those assets may be, the task of drawing Eastern Europe closer to the EU is one of the toughest integration challenges. This is Europe's poorest region, where none of the countries has a political system which meets EU standards. At the same time, the differences between individual Eastern European countries and EU member states vary quite significantly. Moreover, proximity at the political level does not entail similarity at the economic level. Paradoxically, the two countries which are most distant from the EU in political terms, Belarus and Azerbaijan, are the richest ones and can boast the fastest economic growth rates (in terms of GDP *per capita*). In turn the countries most assimilated to the EU, which are seen as the leaders of the European Neighbourhood Policy, may deem the past fifteen years as wasted time from the point of view of reducing the economic gap between them and the European Union. Ukraine's and Moldova's GDP *per capita* has increased since 1995 in comparison to the average EU level by as little as 2–3%. Eastern Europe also has surprisingly weak economic ties with the EU. The European Community's largest partner in this region, Ukraine, sends as much as three quarters of its exports to countries other than EU member states.

Challenges in the context of integration policy not only result from the situation in Eastern European countries but are also posed by an external actor, in the form of Russia. Moscow has been trying to limit the integration between Eastern European countries and the EU, seeing it as competing against its own influence. To implement its strategy, Russia has employed such measures as economic pressure, supporting separatism (especially in Abkhazia, Southern Ossetia and Transnistria) and authoritarian political forces (for example, it supports the Belarusian regime). The EU has heightened its activities with regard to Eastern Europe since

2004. Bilateral contacts have been intensified and multilateral institutions for co-operation have been established. The EU has also shown greater engagement in critical situations in the region (for example, a post-conflict monitoring mission was sent for the first time to an Eastern neighbourhood country). New financial instruments have been created which enable assistance to be offered in more varied forms, including direct budgetary support and reinforcement of individual state institutions. The value of funds allocated for both financial assistance and preferential loans (for example, from the EIB) has been raised. However, such activities have led primarily to the development of a network of mutual contacts and mechanisms for policy implementation. Some of these activities were preventive as they did not allow conflicts to escalate and inhibited authoritarian tendencies in the region. Nevertheless, the actual integration process has been very limited. Most of the goals set as part of the Partnership and Co-operation Agreements currently in force – and the Action Plans developed on the basis of those agreements – remain unfulfilled. Although work on Association Agreements commenced (with all countries except Belarus), and negotiations regarding the Deep and Comprehensive Free Trade Area (DCFTA) with Ukraine are on track, problems appeared right from the beginning.

Negotiations with Kyiv have been in place for almost three years now, and no end date has been determined as yet. Meanwhile, after an Association Agreement is signed it must still be ratified by all member states. The slow progress on integration was due to a number of factors, many of which were not linked to EU policy. However, one can point to three problems within this policy which have undoubtedly reduced the effectiveness of the EU's actions.

1. The strategic deficit and de-Europeanisation of policy

The EU has been unable to answer the question regarding the membership prospects of Eastern European countries or to determine clearly the goal which an integration not involving membership should seek. This gave rise to a policy of evasion, where the key strategic issues were either not mentioned or formulated in a very complicated and vague manner. This made EU policy incomprehensible to both member and partner states, and also undoubtedly had a demotivating effect on both parties. The fear of the Eastern neighbours' membership aspirations also resulted in the de-Europeanisation of the policy towards Eastern Europe. Clear statements as to whether three countries from this region were part of the old continent and references to the idea of a united Europe were avoided in EU documents. This inhibited the potential provided by virtue of their European identity. In this manner the EU deprived itself of an important element potentially capable of generating political will in the integration process.

2. The limited offer and ambivalent perceptions as regards integration

The policy of integration with Eastern European countries was being implemented in conditions where the measures applied to date had been significantly restricted. First of all, the lack of membership prospects entailed both a significant reduction of financial support and an inability to make full use of the conditionality mechanisms. However, the limitations went far beyond this issue. The EU very quickly withdrew from its initially stated readiness to

share 'everything apart from the institutions.' The documents regarding policy towards Eastern Europe provided for selective integration separate from membership. The scope of potential exclusions was not precisely determined. The lack of readiness to formulate a more attractive offer stemmed from an ambivalent approach, visible at the beginning and gaining in strength over recent years: while seeking to draw Eastern European countries closer to it, the EU was at the same time taking a defensive approach in an attempt to prevent opening itself up to neighbour countries. It is worth noting that the EU was resisting precisely those areas where a move towards the EU was seen as especially beneficial by most partner states (for example, the introduction of a visa-free regime, access to the agricultural market, etc.).

### 3. Unresolved dilemmas: democracy or stabilisation; policy towards Russia

The EU, in the context of promoting its values, was unable to resolve the dilemma of whether it should condemn authoritarian tendencies and support grassroots democratic movements or rather choose stability and economic benefits resulting from trade co-operation with Eastern European governments (regardless of their attitude to democracy). The inability to resolve this problem was especially evident in the case of Belarus, with regard to which the more business-oriented and pro-democracy options were chosen interchangeably, and no decisive actions were taken in either direction.

The attempt to reconcile the priority for democratisation with the business-oriented and stabilisation goals also led to a blurring of the criteria applied as part of the diversification policy. Initially, it was intended to provide a more generous offer to those neighbour countries which had made greater integration progress. In practice, the more advanced forms of co-operation were always offered in the first instance to Ukraine (the biggest partner in the region), and relations with Azerbaijan (a country rich in raw materials) were much better than with Belarus, which has a similarly authoritarian regime. The EU also was unable to resolve the dilemmas linked to Russian policy towards Eastern Europe, which in many areas opposed the goals and actions taken by Brussels. If this issue were raised explicitly, it would entail a confrontation with Russia, for which the EU is unprepared. At the same time, turning a blind eye to Moscow's actions undermined the credibility of the EU and its policy. In an attempt to save face and at the same time avoid an overly costly confrontation with Russia, the EU was on the one hand sending discreet signals of dissatisfaction (at the time of the Orange Revolution or the Russia-Georgia war), and on the other hand was minimising its activity in potentially contentious areas (for example, issues linked to separatism). The EU has been trying to compensate for a deficiency of genuine integration with its Eastern neighbours by making progress in procedural and institutional areas (creating Action Plans, launching negotiations regarding Association Agreements, establishing multilateral institutions as part of the Eastern Partnership, and granting Action Plans for establishing a visa-free regime to Ukraine and Moldova). These new institutional solutions are obviously necessary for the implementation of the ENP goals in the East. However, the risk is that the

Agreements and the Action Plans will become an objective *per se* and instead of supporting integration they will be merely imitating the process. The dynamics of relations between the EU and Eastern Europe since 2004 makes this scenario seem increasingly likely. Avoidance of

this scenario is not entirely dependent on the EU. The actions taken by the partner states are equally important, if not more so. However, since this text concerns EU policy, the recommendations are made in reference to this. The following actions appear to be of key significance for supporting genuine integration:

**Formulating a clear and attractive strategic message referring to the idea of a united Europe.** Contrary to broadly voiced concerns, this is possible without making a clear offer of membership.

**Taking the risk of applying a more decisive policy of diversification.** On the one hand this would mean giving up (or slowing down, in the case where previous measures cannot be rescinded) those actions aimed at creating new instruments which produce no added value (for example, Association Agreements with countries which are not interested in integration and treat the EU as an ordinary partner, or the development of an excessive number of multilateral bodies). On the other hand, those countries which are interested in integration should be encouraged through:

(1) applying the available policies and instruments as soon as possible (at present, starting DCFTA negotiations with Moldova and Georgia and granting the latter country an Action Plan for a visa-free regime are of key significance);

(2) admitting that, as modernisation progress is made, the EU will open up the agricultural sector to them, introduce the free movement of people and undertake the process of building privileged institutional relations. **A broader opening of the EU to Eastern European societies by providing them with better access to EU programmes and offering more efficient support to civil organisations.**

This kind of support requires not only money but also adequate measures aimed at developing self-reliance instead of dependence. It would be reasonable to create a financial facility designed specifically to support civic society organisations (which *inter alia* would make it possible for the EU to award small grants for the grassroots activities). It seems unreasonable to prematurely declare a more intensive engagement than is presently the case in an area of so-called 'frozen conflicts' (which many experts have recently encouraged). The EU is still lacking the measures and political will necessary to confront Russia in this field. Given this situation, any attempts at intensifying the EU's security policy are doomed to failure and may only undermine the European Community's credibility.

Part I. Eastern neighbourhood – how far from the European Union?

Geographically, Belarus, Ukraine and Moldova are situated on the European Union's doorstep and share (as do the Western Balkans) a common land border with six EU member states. The Southern Caucasus is much more distant. Georgia is the only country from this region to share a border (maritime in the Black Sea) with the EU. The other two are merely neighbours of Georgia. From the perspective of the goal of moving closer to the EU', geography obviously is important but only partly determines the disparities between these countries and the European Union. What is much more significant are disparities in politics (model of

governance and the values inherent in it), the economy (the gap in prosperity levels) and identity (the status granted to the EU in the minds of the elite and the public). The factor of utmost importance, on which possibilities of development in all of the aforementioned areas depend, is the level of stability. Drawing closer to the EU is a process which requires long-term action. Meanwhile, dramatic and unpredictable crises may momentarily scupper tenuous integration efforts which have been underway for many years.

### 1. The political mosaic

The view that political systems in Eastern Europe are moving further away from EU standards is predominant among experts and politicians. However, when evaluating this aspect, one should consider it from a long-term perspective and also refrain from seeing changes in political systems only in terms of the degree to which a given country can be said to be democratic or authoritarian. Political systems vary across Eastern Europe and have different historical and cultural origins, thus offering totally different prospects for establishing closer integration with the EU.

Summing up, it can be said that the political systems of the Eastern neighbours are not moving closer to the EU model. It would, however, be an oversimplification to state that they are regularly departing from it. There are two countries (very different from each other) in Eastern Europe, Azerbaijan and Belarus, whose models of governance have nothing to do with EU standards. In the case of Azerbaijan, the situation appears to be fixed. In the case of Belarus, changes are likely but the direction they will take is difficult to predict at the moment. In the other countries, the changes in the system are characterised by an alternation between less and more democratic phases and at the same time having very durable institutional mechanisms, which are far from EU democratic standards. All countries defined as the Eastern neighbourhood of the EU, regardless of the political system operating there, appear to be stable and efficient enough not to pose the risk of plunging themselves into institutional chaos, which could generate destabilisation and threat around them (for example through mass migrations).

### 2. The prosperity gap

Eastern Europe is definitely the poorest part of Europe. The prosperity gap between those countries and the EU is much wider than in the case of the Balkan countries and absolutely incomparable to Central Europe's situation in the 1990s. The GDP *per capita* of the EU's most important partner in the Eastern neighbourhood, Ukraine, is five times lower than the average level of the EU. Ukraine is, however, in a much better situation than the poorest country in this region, Moldova, whose GDP *per capita* is equivalent to 9% of the average level of the EU. At the same time, it is definitely good news that the GDP values in all the Eastern neighbourhood countries have moved closer to the EU level over the past 15 years. However, the tempo of reducing this gap has varied from country to country. Paradoxically, the countries which have achieved the greatest success in this area are Azerbaijan and Belarus, the two countries in the region which are most distant from the EU in terms of their political system. Belarus has been the absolute champion in catching up with the EU average level,



even when compared to Central European countries, which have been developing at the fastest rate.

While Azerbaijan's rise in prosperity has had obvious sources and has been linked to the rapid development of the energy sector at the time of a boom on the raw material market (the Azeri economy is based on this sector), the case with Belarus is not so clear. Belarus's impressive growth is partly an effect of its being sponsored by Russia in exchange for political concessions. Cheap raw materials, used for the production of fuel and artificial fertilisers, have generated a major part of Belarusian foreign currency revenues. Belarusian goods have been traded on the Russian market on preferential conditions, which also has greatly contributed to the development of Belarusian economy. Thus, the impressive economic growth is to a significant extent artificial and is likely to slow down as the politically motivated support from Russia is reduced. However, regardless of the foundations and durability of economic convergence to the EU average, the most rapidly developing countries in this region are at the same time the least engaged partners as part of the ENP.

In turn, the countries which are seen as the ENP's leaders in the East may deem the past fifteen years as a time of wasted opportunities from the point of view of lessening the economic gap between them and the European Union. Ukraine's and Moldova's GDP *per capita* has increased since 1995 in comparison to the average level of the EU by merely 2–3%.

### 3. The weakness of economic bonds

Trade exchange between the EU and Eastern European countries is less intensive than their potential allows. In 2009, the 72 million residents of the Eastern neighbourhood consumed only 2.1% of EU exports, while 2.4% of EU exports were sent to the Balkan countries, which have a total population of 27 million.

Some EU member states (Germany and Central Europe) have slightly stronger trade bonds with the Eastern neighbours. However, even for those states, trade with Eastern Europe, not to mention the Southern Caucasus, is of minor significance (for example, in 2009, exports to Ukraine accounted for 2.6% of Poland's total exports).

Trade exchange between the European Union and Eastern Europe is certainly asymmetrical. The EU is a much more important partner for Eastern Europe. However, Eastern European exports are not oriented towards the EU markets so much as could be expected, especially considering their geographical location. They do not reach, even approximately, the levels of exports from the Western Balkans or new member states (for example, in 2009, Croatia sent 61% of its exports to the EU, and Poland 79%). The EU is only the most important outlet for three out of the six countries from this region. The European Community's main partner in the Eastern neighbourhood, Ukraine, sells three quarters of its exports to non-EU member states. This situation is similar to Georgia's. The dynamics of exports from Eastern Europe to the EU are symptomatic. The share of exports to the EU has increased significantly over the past few years only for Moldova and Georgia. In the other countries of this region, the proportion of exports to the EU remained more or less at the same level until 2008 and has

significantly fallen since then. This fall indicates that other trade partners have become relatively more significant than the EU as a consequence of the crisis in this region.

The energy sector is given key significance in the economic relations between the EU and Eastern Europe. Azerbaijan is an exporter of hydrocarbons (however, its supplies to the EU are at present very small). All countries from this region, excepting Armenia, are transit states for raw materials imported by the EU. The largest quantities of oil and gas are supplied to the EU via Belarus and Ukraine. Raw materials sent by this route are especially vital for Germany and Central European countries. However, this route will become less important when Baltic Pipeline System-2 and Nord Stream are launched according to plans at the end (both investments are aimed at increasing exports of Russian raw materials directly from Russian territory via the Baltic Sea to the EU). In turn, the volumes of transit to the EU via Azerbaijan (Kazakh oil) and Georgia (Azeri gas and Azeri and Kazakh oil) are still tiny.

The prospects for developing this route are quite uncertain, given the slow progress in the implementation of the EU's 'Southern Transport Corridor' project, which was planned for use in supplying fuel from the Caspian Sea Region to the EU via the Southern Caucasus and Turkey. Therefore, it can be stated that in the case of the energy sector the currently existing ties between the EU and Eastern Europe will be weakening, while prospects for developing new elements of co-operation are very uncertain.

#### 4. The EU – partner or development model?

The perception of the European Union varies strongly in individual Eastern European countries at the level of both the government and public opinion. In this aspect the situation in the region is very much unlike Central Europe at the beginning of the 1990s, with its total determination to integrate with the European Community at any price. The ruling class's attitude to the EU in Eastern neighbourhood countries depends primarily on the two issues: their stance on membership prospects and the extent to which they see the EU as a social, economic and political model worth copying. Based on official statements and actions taken by the governments, the situation of the Eastern partners in those two dimensions can be presented in the following way:

Over the past six years (since the launch of the European Neighbourhood Policy) this stance has remained principally unchanged in all Eastern neighbourhood countries, except for Moldova, which has taken a more pro-EU approach since the 2009 election. At present, no Eastern European government is conducting an offensive aimed at being given a membership perspective. This is however an effect of the correct intuition that such initiatives have no chance of success. Nevertheless, the Ukrainian and Moldovan elites share the opinion that such a perspective should be opened up to those two countries. Georgia formulates similar expectations, albeit less confidently, being aware that the geographical distance poses an additional impediment to such aspirations. Expectations regarding membership perspective do not always go hand in hand with the belief that the EU is the only civilisational model which has no alternatives. This determined stance is presently represented by the government of Moldova and to a slightly lesser extent by the government of Georgia (part of the ruling class believe that their country should follow the ultraliberal path).

The Ukrainian political elite demonstrates an even more reserved and selective approach. Kyiv currently sees the EU as one of the possible development models, which should be copied selectively (especially given the lack of membership perspectives) depending on the pragmatic interests of Ukraine. The other three Eastern neighbours at present neither formulate any expectations with regard to membership perspectives, nor see the EU as the main development model. The Armenian government perceives the EU as a source of partial modernisation. In turn, for the leaders of Azerbaijan and Belarus, the EU is mainly a trade partner and a political actor which offers an economic and political counterbalance to Russia.

The government's policy in most cases corresponds to the preferences of the public in a given country. This is the case with Moldova and Georgia, where prointegration sentiments dominate, and with Belarus, where Eurosceptic views are prevalent. This is also true to some extent in the case of Ukraine, where ambivalence in the stances can be observed: a greater part of the public support integration; however there is also a large share of the public which opposes it. The strongest dissonance between the government and public opinion is present in Armenia, where citizens support integration with the EU much more strongly than is expressed in the policy of their government. However, in general, the potential for public support for integration is high across the Eastern neighbourhood: most people in four of the five Eastern European countries, where surveys were conducted, believe that integration with the EU is an attractive direction for their country's development.

##### 5. The constructive and the destructive instability

Crisis situations in the East have taken a great variety of forms over the past decade and should absolutely not be seen altogether as a measure of the region's instability. First of all, we should distinguish the crises which developed from the desire (of the opposition or citizens) to undermine the legitimacy of authoritarian practices used by the ruling class. As many as five such major events (which usually took the form of large-scale post-election public protests) took place in Eastern Europe over the past decade: in 2003 in Georgia, in 2004 in Ukraine, in 2006 in Belarus, in 2008 in Armenia and in 2009 in Moldova. These protests caused a clear democratisation of the political system and a reorientation of the government's policy towards a pro-European and pro-reform direction in two countries, Georgia and Moldova, and helped prevent the reinforcement and entrenchment of the authoritarian regime in one case, Ukraine. The *status quo* was preserved in all other cases. Such crises undoubtedly proved the weakness and instability of those states. However, at the same time, they were the most effective way of reversing anti-democratic trends in the region. They also revealed that the countries had such strong institutions that even very serious political turmoil did not lead to chaos and a collapse of the institutional order.

The regularly recurring disputes over oil and gas supplies between Russia as one side and Ukraine or Belarus as the other are another kind of crisis situation. As an effect of such conflicts, fuel supplies from Russia to Western Europe have been reduced or cut as many as six times since 2004. These crises caused problems to several EU member states, without however adversely affecting the economy of the European Union as a whole. Their main consequence was to undermine the certainty about the stability and reliability of Russian raw

material supplies via the territories of Eastern European countries. The main cause of the 'energy wars' were non-transparent business relations between Russia and Eastern European countries, involving corruption schemes. This was also coupled with the Russian practice of using oil and gas as tools in Moscow's political game. One of the most important and most difficult issues which is adversely affecting stability in the region is separatism and the quasi-states which have emerged in effect of it. These are Abkhazia and South Ossetia (which formally belong to Georgia but practically are heavily dependent on Russia), Transnistria (a part of Moldova *de iure*) and Nagorno-Karabakh (formally belonging to Azerbaijan and in fact controlled by Armenia).

In the latter two cases, the situation has remained almost unchanged since the early 1990s. Meanwhile the conflict over South Ossetia, which received support from Russia, became intensified in 2009. This gave rise to a five-day war between Russia and Georgia (in legal terms, the two countries are still at war because no peace accord has been signed as yet). As a result of the war, Moscow recognised South Ossetia and Abkhazia as independent states. No prospects for resolving the disputes can be seen in any of the four cases. The separatisms are potential flashpoints. However, their negative impact extends far beyond the military threat. They are weakening their mother states (Moldova, Georgia) and those involved in conflicts (Armenia), thus strengthening corruption and illegal business in those countries and are also contributing to keeping the tension and even hatred between individual countries (Georgia-Russia and Armenia-Azerbaijan).

The existence of quasi-states significantly reduces the room for manoeuvre for Armenia, Azerbaijan, Georgia and Moldova primarily in the international community, for example by impeding them in their potential efforts to integrate with the Euro-Atlantic structures. All the para-states are operating to some extent owing to support from Moscow. This is especially true with South Ossetia, Abkhazia and Transnistria<sup>7</sup>. In effect, the Russian Federation has immense possibilities for shaping the situation around these conflicts. This potential is used by Russia to maintain its influence across Eastern Europe and restrict those elements of co-operation with the West which are seen as contrary to Moscow's interests.

## 6. Conclusion: Europe is still divided

Eastern Europe's closer integration with the EU is one of the toughest integration challenges the European Community has faced. This is the poorest region of Europe, where none of the countries meet EU standards regarding political systems to various extents. The past decade has shown that achievements in the area of civil freedoms and the rule of law in those countries may even regress in a few years. At the same time, this is a strongly diversified region; the gaps between individual Eastern European countries and the EU are very different. Moreover, political similarity does not entail economic similarity. The three Eastern neighbours which are closest to the EU in political terms include the two poorest countries of the region and the two which have the weakest economic bonds with the EU (if the criterion is the share of their exports which go to the EU market). Additionally, a significant part of the Eastern European elite is lacking a clear determination to treat the EU as an optimal civilisational model.

However, Eastern Europe in some areas has unique potential in comparison to other neighbours of the EU. Eastern European countries are sufficiently effective and predictable so they appear unlikely to become sources of crises which could pose a serious threat to the European Union's security. Paradoxically, the main factor which may potentially destabilise the region is external and is linked to the policy Russia applies to separatisms existing in this area.

Eastern European countries also have significant potential for grassroots democracy: over the past decade, mass protests against election fixing took place in each of the countries at least once, some of which ended in blocking attempts at entrenching authoritarian practices. Integration with the EU has great public support in most countries in the region. Most of these countries, despite the lack of clear membership perspectives, feel they have the right to expect that the door to the European Community should remain open to them.

## Part II. The Eastern vector of the neighbourhood policy

### 1. The institutional evolution from the European Neighbourhood Policy to the Eastern Partnership

The European Union's policy towards Eastern Europe has evolved significantly over the past two decades. In the 1990s, the perception of this region as a post-Soviet area was prevalent in the European Community: it was seen mainly as the periphery of the former empire at the core of which was Russia. At the beginning of this century, when it became clear that the EU and the European post-Soviet countries would inevitably share common borders, the European Community's outlook on Eastern Europe started changing. It was seen more and more often as a future Eastern neighbourhood of the EU. Then the issue of offering membership perspectives to countries such as Ukraine or Moldova was seriously raised for the first time. The European Neighbourhood Policy (ENP) was initiated in 2004, when seven Central European states joined the EU. The ENP *de facto* drew a distinction in the EU policy between Eastern European countries and the rest of the post-Soviet area, thus sealing their special status as EU neighbours. However, at the same time, the European nature of the Eastern neighbourhood was blurred since these countries were lumped together with the EU's overseas neighbours (eleven countries from North African and the Middle East).

Two years after the enlargement a debate on strengthening the ENP commenced (the European Commission published two communications regarding this matter in 2006 and 2008, the issue of ENP+ was also raised twice in the European Council's conclusions). In effect, new elements of sectoral co-operation were added to the policy and a decision to start negotiating (initially only with Ukraine) a new framework agreement which was to include a Deep and Comprehensive Free Trade Area. Another significant stage in the ENP's evolution was the launch of the Eastern Partnership (EaP) initiative in 2009, which was proposed and promoted by Sweden and Poland. One of the things this initiative was the first to introduce were durable instruments of multilateral co-operation.

### 2. The (non-) strategic vision, or Where is the ENP heading?

The key issue in the debate on the EU's policy towards Eastern Europe was the strategic goal it would be heading for. Granting membership perspectives to the new neighbours raised serious doubts in most EU member states from the very beginning. At the same time, ruling out this possibility explicitly would undermine the European Union's credibility as this would be contrary to article 49 of the Treaty on the European Union, which provides that each European country which has met certain conditions has the right to apply for membership of the European Union. For this reason attempts were made to determine goals which would extend beyond ordinary co-operation but would not mean pursuit of membership. The most precise proposal was formulated by the then president of the European Commission, Romano Prodi, who said: "a proximity policy does not need to start from a promise of membership but it should not rule it out."

Its goal can be 'sharing everything but institutions': the common market, free trade and also common way of dealing with threats (for example, taking actions aimed at ending conflicts in Europe).

Similar, if slightly more cautious, proposals were put forward in the Communication from the European Commission 'Wider Europe – Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours' (11 March 2003). It provided that the "New Independent States (NIS) should be offered the prospect of a stake in the EU's Internal Market and further integration and liberalisation to promote the free movement of – persons, goods, services and capital (four freedoms)." The communication mentions article 49 and at the same time indicates that although a further enlargement of the EU Eastwards requires a debate, this issue is still open to all interested European countries. Finally, the goals of the policy towards Eastern neighbours were presented in the ENP Strategy Paper, which was published in May 2004 and was later approved by the Council. It stated that the new policy "offers a means to reinforce relations between the EU and partner countries, which is distinct from the possibilities available to European countries under Article 49 of the Treaty on European Union."

One of the goals of the ENP is "moving beyond co-operation to a significant degree of integration, including through a stake for partner countries in the EU's Internal Market." Thus the solutions adopted were much more cautious than those proposed during the debate. The document lacked any (whether positive or negative) references to membership perspectives for Eastern European countries. This possibility was neither ruled out nor confirmed. The "significant degree of integration" goal set in the document assumed that the process would be selective (thus diverging from the idea of 'sharing everything but institutions') but it did not determine the scope of such integration. Consequently, the ENP not only avoided addressing the question about membership but also its goals were formulated in such an unclear way so as to safeguard the EU even from any excessive integration commitments to its Eastern neighbours not involving membership.

The goals of Eastern Partnership, an initiative adopted in 2009 to reinforce the Eastern dimension of the ENP, were formulated in an equally unclear way. The conclusions of the European Council as of 20 March 2009 presenting the guidelines of the EaP include the

following statement<sup>9</sup>: “The Eastern Partnership will bring about a significant strengthening of EU policy with regard to its Eastern partners by seeking to create the necessary conditions for political association and further economic integration between the European Union and its Eastern partners. The Eastern Partnership will also help to build trust and develop closer ties among the six Eastern partners themselves.” It is also worth noting that in all the concept documents much more attention is focused on the significance of the policy for the six Eastern European countries than on the benefits for the EU itself. The latter are principally reduced to the statement (in both the ENP and the EaP) that establishing closer relations with the EU contributes to promoting stability, prosperity and good governance in the neighbouring countries, which is important for the European Union. Such an ‘altruistic’ formulation of the goals seems to intentionally diminish another key aspect of the neighbourhood policy, namely increasing the scope of the application of EU standards, which entails building up the European Community’s potential as a player on the international arena.

### 3. The first treaty cycle – Partnership and Co-operation Agreements

The core of EU policy towards its Eastern neighbours consists of the two-stage cycle focused on bilateral agreements:

- (1) the strenuous and extremely long-lasting process of negotiating and ratifying them,
- (2) followed by their implementation.

It took almost ten years to develop the first agreement of this kind, which was completed in the late 1990s. That process fitted in with the regional strategy. The same type of agreements, the Partnership and Co-operation Agreements (PCA), were signed with all post-Soviet countries, except for the Baltic states and Belarus. The PCA first of all set the rules of economic co-operation (including access to markets, the transit of goods, etc.). They provided for drawing closer to EU standards in several areas (however, a failure to implement those provisions did not entail any consequences). Those agreements were also used as a legal base for the establishment of institutions for bilateral co-operation between the EU and individual countries from this region. These include annual Co-operation Councils (ministers from the partner states and the EU Troika), a Co-operation Committee at the level of senior officials and subcommittees dealing with issues from particular sectors (for example, trade and investment, customs, cross-border co-operation, justice and internal affairs, etc.). An annual summit is also held in the case of Ukraine. Initially, the ENP was strictly a political initiative, bearing no legal or institutional implications.

The Action Plans introduced and signed as part of it until 2005 were purely political documents and were intended to support the implementation of PCA provisions aimed at the adoption of EU standards by the partner states. A breakthrough came with the decision to start negotiating Association Agreements (AA). This was taken during a debate on the reinforcement of the ENP. It marked the beginning of another cycle linked to bilateral agreements which has not moved further than the negotiation phase at that point. The decision to develop new agreements was made mainly because both the EU and the Eastern European countries needed to demonstrate a movement forward to a new, more advanced stage of

relations. To a much lesser extent it was an effect of the real implementation of the previous agreements. Most of the goals set under the PCA and specified in the Action Plans had not been achieved.

#### 4. The second treaty cycle: Association Agreements and the Deep and Comprehensive Free Trade Area

The Association Agreements (AA) are unlikely to bring anything new as regards the strategic offer and membership prospects for the signatory states. The part devoted to the establishment of the Deep and Comprehensive Free Trade Area (DCFTA) has the greatest added value and is the most important new element in comparison to the PCA.

The other parts of the Association Agreements cover:

- (1) political dialogue in the area of foreign and security policy,
- (2) justice and home affairs, and
- (3) economic and sectoral co-operation.

However, the DCFTA is to be negotiated only with those Eastern neighbours which are ready for this (i.e. those which are members of the WTO and have met certain preconditions determined by the EU). The Association Agreements, and especially their part regarding the DCFTA, are much more compulsory in their nature for the partner states than the PCA. Certain elements of the EU market can be opened up to a given country on condition that the country has adopted the relevant regulations applicable in the EU. Some issues, in case of breach of any obligations agreed by the parties, can be handled by the application of the dispute solving mechanism. The next instance may even see them referred to the Court of Justice of the European Union.

Although such solutions do not guarantee that all provisions of the new agreement will be implemented, they still offer a greater chance for the AA to become a more effective instrument for drawing the Eastern neighbours closer to the EU than the Partnership Agreements which are currently in force. The DCFTA is intended to be a project with a significantly broader scope than a regular free trade area and is to lead to the elimination of non-tariff barriers through the harmonisation of legislation and the adoption of similar standards. The first and thus far the only DCFTA is being negotiated with Ukraine (negotiations are planned also with Moldova and Georgia). The agreement provides for a full liberalisation of trade exchange for 95-97% of goods (according to the tariff lines and export values as of 2005-2007).

This agreement, given the body of regulations and market access it provides for, may be more advanced than the Europe Agreements, which were signed with Central European countries in the 1990s. However, these theoretically mutually beneficial solutions have raised numerous controversies and revealed conflicts of interest between the parties. These have resurfaced during the DCFTA negotiations the EU and Ukraine have been conducting since 2008. The EU limits access to its internal market in such sensitive areas as agricultural and food products



(the restrictions are imposed on 20% of products in this group; although the DCFTA will facilitate access it will not bring about a total opening up of this segment of the EU market) and some types of services. From Ukraine's point of view, these are precisely the areas which offer opportunities for achieving significant benefits already in the short term. This belief is even reinforced by the expectation that the DCFTA, given its nature (mainly raw materials and low-processed goods), will bring relatively low benefits to exports already existing, on which quite small tariff and non-tariff barriers are imposed anyway.

Ukraine is also trying to protect its market and limit the scope of implementation of regulations in some areas which are important for the EU (such as the full protection of geographic indicators, access to energy distribution related services, the full abolition of tariffs on industrial products and the elimination of export tariffs). This stance Ukraine is taking results from the following three factors:

- (1) Given the modest aid from the EU and the weakness of the Ukrainian state, the government in Kyiv fears that it could not fulfil its obligations before the transition periods expire, which could lead to an asymmetrical opening up of the markets to Ukraine's disadvantage.
- (2) The Ukrainian government also assumes that, given the lack of real membership perspectives (which means it will not be able to influence the shape of EU regulations in the future), the cost and risk entailed in the implementation of *acquis communautaire* on such a large scale will be much higher than the expected advantages.
- (3) However, first of all, the Ukrainian ruling class (and the business circles supporting it) do not want to relinquish the existing protectionist solutions for the sake of long-term strategic benefits and the risk of incurring the related economic and political costs.

The areas of disagreement outlined above have made the negotiations longer than had been planned. Two years since the launch of the negotiations, the parties are unable to determine when they will end. The problems which have become evident during the negotiations with Ukraine seem to concern a broader scope than the special character of EU-Ukraine relations and are very likely to resurface also during DCFTA negotiations with other Eastern partners.

##### 5. Sectoral co-operation – a chance for a genuine rapprochement?

Aside from the PCA and the AA, sectoral co-operation is introduced for the purpose of integration in the areas which are important for both parties. At present this co-operation covers, for example, energy issues. The EU would like all the Eastern neighbours to become members of the European Energy Community (EEC), which would entail a partial adoption of EU standards in the organisation of their energy sectors and in the transit of raw materials (EEC members are obliged to guarantee the independence of the transport system operator from the producers and thus to ensure access to the transport infrastructure according to free competition principles). Other issues which either are already being negotiated or may be negotiated in the future as part of sectoral co-operation include: a coordination of transport policy and the Common Aviation Area Agreement.

The most important area covered by sectoral co-operation, from the Eastern neighbours' point of view, is the visa regime. Most neighbour countries (especially Ukraine, Moldova and Georgia) have declared great determination in their efforts to achieve the level of integration necessary to enable the introduction of a visa-free regime (Ukraine, Georgia and Moldova have unilaterally lifted visa obligations on EU citizens). When the EU moved closer to the borders of the Eastern European countries, this had an immediate adverse effect on them. The new member states as part of the accession process had to cancel the visa-free regime, which had been in force in the 1990s. However, the visa regimes introduced in the initial phase were predominantly very flexible, which prevented a reduction in the crossborder traffic. The real visa barrier appeared with the enlargement of the Schengen Area in 2007, which inflicted the greatest losses upon the largest and the closest Eastern neighbours of the EU, Belarus and Ukraine.

The new EU member states from Central Europe granted 40% less visas to citizens of Eastern European countries in 2008 than in 2007: 50% less to Belarusians and around 30% less to Ukrainians. The total number of visas granted was reduced by more than 600,000. More visas were granted in 2009, but their number was significantly smaller than before the enlargement of the Schengen Area. Initially, the EU visa policy with regard to its Eastern neighbours was focused on minimising threats and paid less attention to the negative impact on crossborder contacts. However, this approach evolved in the following years (one example of this is the Communication from the European Commission on Strengthening the ENP of December 2006), which was reflected in concrete actions taken by the EU.

Four agreements establishing a more flexible visa regime with Ukraine, Russia, Moldova and Georgia came into effect by 2011. They simplified the visa procedures for some categories of travellers (for example, students, close relatives, athletes, members of official delegations, etc.), shortened the visa granting procedure and reduced the cost of the visa (from 60 to 35 euros). The latter solution was of key significance for citizens of those countries since the other facilitations concerned relatively small groups of people. One of the long-term objectives of Eastern Partnership, which was initiated in 2009, is the total lifting of the visa requirement with regard to the countries covered by this initiative.

However, the EU has been very cautious about this issue so far. It took Kyiv a long time, much debating and many efforts to be presented in November 2010 with an Action Plan for visa-free movement (this solution was less binding on Brussels than the road map Ukraine had requested). The same kind of Action Plan was proposed to Moldova at the beginning of 2011. This policy of the European Union is mainly an effect of very strong resistance from many of its member states due to their fear of an upsurge in illegal immigration from the East.

#### 6. Diversification: more for more?

As part of the EU policy with regard to its neighbours, including Eastern Europe, the offers addressed to particular countries are quite diversified. In Eastern Europe, Ukraine is the most advanced partner as part of the EU's neighbourhood policy. It was the first country to start negotiating the Deep and Comprehensive Free Trade Area agreement, it has signed a document implementing the Association Agenda and is the most advanced in sectoral co-

operation. At the opposite end of the scale is Belarus, co-operation with which is based on the Trade and Co-operation Agreement signed in 1989 with the Soviet Union.

The general assumption is that the diversification of the policy towards Eastern European partners should be a function of the engagement and potential of individual Eastern European countries in the process of their integration with the EU. However, in practice, an important part is also played by informal criteria, among which the following may be distinguished:

**Geographical proximity.** The countries which border the EU directly are given higher priority than the overseas partners from the Southern Caucasus. However, at the same time, much stricter criteria in the area of human rights and democracy are applied to the countries located in the close neighbourhood. The geographical criterion appears to be the reason for the preferential treatment of Moldova in comparison to Georgia (the negotiations regarding the Association Agreement were launched earlier and the agreement establishing a more flexible visa regime was signed) and on the other hand for adopting a more principled stance with regard to Belarus than Azerbaijan. Although the two countries have similar problems in the area of democracy and human rights, this issue does not impede relations with Baku but has been preventing co-operation with Belarus for many years.

**Regional standardisation.** The EU wants in a way to standardise its policy with regard to the entire region. This means that, despite the assumed diversification, it avoids overly large differences at the level of its formal offer. This is probably due to its unwillingness to make certain partners feel both excessively privileged (which could lead to a demanding attitude towards Brussels) or unfairly undervalued (which could cause frustration and enmity towards the EU). This is also an expression of the EU's desire to keep a bureaucratic order in the area of external relations. This kind of approach was reflected, for example, in the simultaneous launch of negotiations regarding Association Agreements with all Southern Caucasian countries despite the vast differences in the levels of their engagement (high in the case of Georgia and low in the case of Azerbaijan).

**The European Union's interests with regard to individual countries.** The level of the EU's engagement depends on the degree of significance a given partner has for the EU. The fact that Azerbaijan is a major oil and gas producer in this region and an important transit country for the planned Nabucco gas pipeline certainly makes the EU more inclined to turn a blind eye on the authoritarian practices applied by this country's regime. In turn, when dealing with Ukraine, the EU is obviously guided by the calculation that both the challenges and the potential benefits that contacts with this country of fifty million people may bring are larger than in the case of the small Southern Caucasian states or Moldova. Precisely this higher potential seems to be one of the main factors which, regardless of the numerous problems and perturbation, determine Ukraine's status as the leader of the ENP's Eastern direction.

It is also symptomatic that the DCFTA negotiations with Kyiv were commenced without setting any preconditions, except for WTO membership, while Georgia and Moldova are expected for example to adopt EU regulations regarding sanitary and phytosanitary standards as well as intellectual property rights. The existence of such informal criteria undermines the principle of greater offer for greater achievements. This gives rise to accusations that the EU

is using double standards (for example with regard to Belarus and Azerbaijan) and reduces the EU's flexibility in terms of support for the most engaged partners (for examples, small countries located far from the EU, such as Georgia). This also makes it difficult for Brussels when negotiating subsequent treaty agreements with the partners which are unable to absorb the new legal solutions (for example, Azerbaijan and Armenia).

## 7. Multilateral co-operation

In the first years after enlargement, the European Union applied only bilateral policy towards its Eastern neighbours. In 2007, the EU initiated a regional cooperation project, the Black Sea Synergy. It was targeted at all the countries in the Black Sea basin, in the broad meaning of the term, including Russia, Turkey and the Eastern European states (excepting Belarus). The idea of establishing regional co-operation along the Black Sea coast was partly a consequence of Romania's and Bulgaria's accession to the EU, which made Brussels more interested in this region. To minimise costs, no new institutions were established and it was decided that the Black Sea Synergy would be operating on the basis of an already existing Organization of the Black Sea Economic Co-operation (BSEC). During the first years of its existence this initiative was rather inactive. In order to revive it, a concept appeared for establishing partnerships in three sectors: ecology, transport and energy. The ecological partnership is the only one to have been formally initiated so far (in March 2010).

The partnerships are aimed at implementing regional projects to facilitate attracting commercial funds allowing for the implementation of greater infrastructural investments. Multilateral co-operation between the EU and its Eastern neighbours was institutionalised as late as 2009 as part of the implementation of the Eastern Partnership policy, one of the objectives of which, aside from reinforcing bilateral co-operation, was to initiate multilateral co-operation between Eastern European countries and the EU27. This co-operation was organised on the basis of four theme platforms. The platforms in turn may appoint expert panels to address narrowly defined issues. The work of the platforms is summed up at an annual summit at the ministerial level. Eastern Partnership summits are also held biennially at the head of state level.

Intergovernmental multilateral co-operation is to be supplemented with co-operation at other levels: business, local government, parliamentary and non-governmental. Multilateral flagship projects are to ensure "concrete substance and more visibility to the Eastern Partnership initiative".

The way the Eastern Partnership has been functioning so far proves that multilateral co-operation with Eastern European countries has a totally different nature than bilateral relations. Such co-operation broadens the channels for communication and mutual dialogue, which is doubtless an advantage of it. However, at the same time, the decision-making process in all the multilateral bodies is based on consensus, which *de facto* means reducing co-operation to the smallest common denominator. This sometimes leads to situations contrary to EU standards (for example, representatives of civil society have not been admitted to participation in the Thematic Platforms due to objections from Belarus). This also makes impossible to raise some issues, especially sensitive ones, and prevents the application of any

conditionality. Euronest is an example of an attempt to apply conditionality. The European Parliament appealed for a limitation of the participation of Belarusian MPs in this initiative because the elections in their country had not been recognised by the EU. This met with sharp opposition from President Alyaksandr Lukashenka, who not only blocked the creation of Euronest but also became more critical of the Eastern Partnership as a whole.

The organisation of structures which operate at the level of ministers, officials and experts and which enable regular multilateral communication both within the Eastern European region and between the partner countries and the EU member states is an achievement of the Eastern Partnership which is undeniably great. However, more than a year and a half since the beginning of the operation of these multilateral forums, increasingly strong doubts are appearing as to the tasks they should be carrying out. According to the Declaration published after the first summit of the Eastern Partnership, their objective is to “share information and experience on the partner countries’ steps towards transition, reform and modernisation. It will facilitate the development of common positions and joint activities.” In turn, the platforms themselves are to “adopt a set of realistic, core objectives, with a corresponding work programme, and will review the progress achieved.” In practice, these countries have too little in common and differ too much in their respective approaches to system transformation and modernisation to be able to add substance to the regular multilateral meetings. Furthermore, some issues, for example energy co-operation, are addressed as part of other multilateral bodies. The Thematic Platforms are also lacking the funds to be able to embark on activities other than organising educational workshops and seminars and sharing know-how. Their impact on the flagship projects is minimal because the projects are initiated by the European Commission and are consulted via channels independent from the Platforms. In effect, the Platforms can dispose of the instruments necessary for the implementation of their work programmes to a very limited extent.

Thus the programmes have become merely a set of purely political guidelines. The implementation of specific projects is to provide important added value in multilateral co-operation as part of the Eastern Partnership. However, it is difficult to assess the Partnership’s performance in this area. Although all the flagship initiatives (with the exception of the energy initiative, which Armenia is in opposition to) have been set in motion within the first eighteen months since the launch of this project, a very small part of the funds to be spent on them as part of the present financial perspective has been allocated to the implementation of multilateral projects as part of the Eastern Partnership until the end of 2010 (a total of approximately 24 million euros was allocated in 2010 to both bilateral and multilateral activities as part of the Eastern Partnership).

Nevertheless, larger tenders for projects are planned to be announced starting in 2011, when – according to Commissioner Štefan Füle’s promises – larger funds will be disbursed from the pool allocated to the Eastern Partnership. Funds from other sources are also routed to the Eastern Partnership; an agreement envisaging the allocation of approximately 350 million euros to the flagship initiative ‘Small and Medium-sized Enterprises’ was signed with the EIB and EBRD in the second half of 2010.

## 8. The EU with regard to Eastern European societies

All official ENP documents emphasise the great significance of co-operation at the level of society and of developing ties between ordinary citizens of the partner countries and the EU member states. This objective with regard to the East is attained primarily through scholarships (mainly the Erasmus Mundus programme) and co-operation involving young people (the Youth in Action programme). The two programmes, highly important as they are, still have a very limited scope and cover annually around 2,500 people from all the Eastern European countries. The EU also offers significantly less scholarships than are needed in individual countries. In turn, in the case of the Youth in Action programme, the Eastern partners' room for action is limited since they may not initiate projects (organisations from these countries are not authorised to file applications and thus act as coordinators of projects).

Other activities which the EU sees as being important goals of its policy include establishing closer co-operation between civil organisations from the member states and Eastern Europe, and increasing the potential of those from Eastern Europe. The EU also views influence on government policies as an important goal of its policy. These goals are attained for example by allowing non-governmental organisations from the partner states to join in (through various kinds of consultations) concept work and evaluation of EU policies with regard to the region, and by financing the projects they implement. However, representatives of the non-governmental sector from the Eastern neighbourhood countries point out that their access to information in some important areas is still very limited (for example, regarding the details of the projects financed by the European Commission or budget aid), which impedes and sometimes even prevents the independent monitoring of the ENP's implementation.

The insufficiency of funds available to social organisation is also a problem. Most of the money distributed by EU delegations in Eastern neighbourhood countries to be spent on civil society purposes originate from the European Instrument for Democracy and Human Rights (EIDHR) and is allocated to projects related to human rights and democratisation, which especially in the cases of the most advanced partners (such as Ukraine, Georgia and Moldova) seems to be insufficient. The Civil Society Forum of the Eastern Partnership was also initiated in 2009. The Forum and the organisations engaged in it managed to institutionalise it within the first year of its operation.

Thematic groups corresponding to the four Eastern Partnership intergovernmental platforms and working subgroups, whose goal is to coordinate non-governmental activities in the EU and partner states regarding issues which are given high priority by social organisations (for example, respect for human rights or liberalisation of the visa regime) were created. A Steering Committee consisting of 17 individuals, elected at the annual meeting of the Civil Society Forum, is in charge of coordinating all activities of the Forum. This Forum has received support from the European Commission, which has co-organised and financed its annual conventions, working group meetings and sessions of the Steering Committee. However, aside from the undeniable achievements, one can already see the challenges the Forum is facing more than one year since the beginning of its operation. Its further development requires logistical and technical support, which can be provided by a permanent

secretariat. Another challenge is posed by the uneven development of this initiative across the partner states: The best-developed national platforms of the Civil Society Forum are in Belarus and Armenia. This is linked on the one hand to the different potentials of the non-governmental sectors in various Eastern Partnership countries (Azerbaijan has the weakest) and on the other to the existence of alternative pro-EU forums at which non-governmental organisations from these countries can co-operate (Moldova and Ukraine have the best-developed structures of this kind).

Nevertheless, the key problems the Civil Society Forum addresses are analogous to those local which non-governmental organisations point out with regard to the ENP. They concern, firstly, the lack of access to information on actions taken at the governmental level (for example, activities as part of the Eastern Partnership's Thematic Platforms) and, secondly, the very limited possibility of backing multilateral non-governmental projects with EU funds. Moreover, even if such projects can be implemented, their profile is defined in a top-down way in tenders announced by the European Commission. However, there are no mechanisms which would enable the generation of proposals for common civil activities in a grassroots way. Meanwhile, this need seems to be of key significance for an active and innovative co-operation of non-governmental organisations both as part of the Forum and outside it.

#### 9. The money language

After the collapse of the USSR, financial aid for Eastern Europe was mainly provided as part of TACIS (Technical Assistance for the Commonwealth of Independent States), which covered all the CIS countries and Mongolia. A partial reform of external action financial instruments was carried out in the EU during the preparation of the New Financial Perspective 2007–2013. This also affected the Eastern neighbourhood area. Since 2007, aid funds for Eastern European and Southern Caucasus countries have been provided mostly as part of the European Neighbourhood and Partnership Instrument (ENPI). The instrument covers Ukraine, Moldova, Belarus, Georgia, Armenia, Azerbaijan, Russia and those North African countries to which the ENP is addressed. The ENPI funds available as part of the present financial perspective have been divided in advance into a part allocated to the Eastern and Southern neighbourhood and a supra-regional part.

The former part is used to financially support bilateral, regional and cross-border projects for Eastern Europe and Russia. In turn, the supra-regional part offers funds to Eastern (and also Southern) neighbours for such projects as TAIEX, Twinning and SIGMA. The Governance Facility, which is available as part of the ENPI and is used to support the most advanced partners in the area of good governance, and the Neighbourhood Investment Facility, which provides funds to stimulate and prepare investments (which are later financed mainly with EIB loans), are also supra-regional projects. Additionally, Eastern Europe receives financial support as part of thematic instruments, including the EIDHR, and loans from the EIB.

The level of financial assistance offered to the neighbours, including Eastern Europe, has significantly increased in comparison to the previous financial perspective. Around 4 billion euros has been allocated to the six eastern ENP countries and Russia as part of the ENPI to be used in 2007 – 2013 (for comparison, the TACIS funds which were made available to the

entire CIS and Mongolia in 2000-2006 were worth 3.1 billion euros). The loan facilities available from the EIB for the same period are to reach 3.7 billion euros (loans worth 0.6 billion euros were available to the countries covered by TACIS in 2000-2006). At the same time, Eastern European countries receive clearly lower financial support as part of bilateral assistance than other neighbouring regions. The total funds to be spent on bilateral assistance to the Eastern neighbours is equivalent to as little as 45% of the sum allocated to the Southern neighbours. The disproportion is even greater when one compares the levels of support offered by the EU to the Eastern neighbours and the Western Balkan countries. The funds available to the Western Balkans as part of bilateral assistance are worth two times as much as those allocated to Eastern Europe. This means that the value of assistance *per capita* offered to them is seven times higher. The levels of bilateral assistance are also significantly diversified within the region. Ukraine gets the largest part. However, when calculated according to the number of residents, the level of support it receives is the second lowest after Belarus. Moldova has the highest *per capita* rate (fifteen times higher than Belarus and five times higher than Ukraine). Thus, the funding logic is to some extent correlated to the progress made by a given country in relations with the EU (in this context, the relatively low assistance to Georgia and high to Armenia is quite puzzling). Bilateral funds are divided at the onset of the financial perspective (both between the regions and initially between the countries), which offers quite limited possibilities of flexible response to events and the application of the conditionality mechanism. In 2007-2010, a sum as low as 50 million euros was allocated as part of the Governance Facility for 'rewarding' the countries which made especially big progress in democratic and state institution reforms.

At the same time, the EU may 'reward' or respond to emergencies by granting extra funds for macroeconomic assistance (for example, it gave 90 million euros to Moldova in 2010) or special aid packages, as it did with Georgia, which was offered 500 million euros for reconstruction after the war.

#### 10. Responding to crises

Geographic proximity has certainly made the EU more exposed to the consequences of crisis situations in Eastern Europe and at the same time more responsible for the way they are handled: since 2004, the eyes of the international community and the countries concerned themselves are more and more often on Brussels whenever a crisis situation occurs. The EU's reactions and possibilities have been different in each of the three types of crisis situations happening in Eastern Europe:

- (1) crises linked to elections (public protests and waves of repression),
- (2) energy conflicts, and
- (3) problems related to separatism and para-states.

**1.** As regards post-election crises, the EU played the most active part during the Orange Revolution in 2004 in Ukraine. For example, it was engaged in a mediation mission (the EU representative for common foreign and security policy, Javier Solana, participated as a



negotiator in the three rounds of the talks between the two conflicting parties) and a monitoring mission (the European Parliament sent its observers to watch the repeated runoff of the presidential election). The EU also addressed the issue of the Ukrainian crisis during the summit with Russia on 25 November 2004 and made it clear that it would not accept the result of the fixed election in Ukraine and opposed Russian pressure in the form of support for only one candidate. It can be stated that the EU's engagement contributed to the achievement of the compromise, one element of which was the re-holding of the presidential runoff in compliance with democratic standards.

This engagement was possible to a great extent owing to the special activity of individual EU member states (first of all Poland and Lithuania), which encouraged EU representatives to take more radical steps. However, the reaction from Brussels to many other crises was usually limited to appealing for a peaceful and democratic resolution of the conflict. The EU's indecision was often linked to the difficulty of making a clear choice: to what extent it should risk further escalation of the crisis and support the 'subversive' actions of the regime's opponents in the name of democratic values and to what extent it should aim at soothing and stabilising the situation. This dilemma was especially evident at the time of the most recent post-election crisis in Moldova in spring 2009.

The EU seemed to be then more inclined to ensure stability even if it would have had to accept the use of force by the Moldovan government. Challenges to EU policy have been posed not only by post-election crises but also by brutal repressions used by some states against their citizens who participate in demonstrations and political opposition before and after elections. In this case, the inconsistency in the treatment of individual Eastern neighbourhood countries is also noteworthy. The repressions Belarus resorted to in 2004 and 2010 were criticised very sharply by the EU and caused a temporary freezing of relations with the regime and the imposition of visa sanctions on Lukashenka's associates.

Meanwhile, the opposition was treated in an almost equally radical way by the authorities in Azerbaijan in 2005 and in Armenia in 2008, which met with critical political declarations but did not entail any sanctions or restrictions on the implementation of the ENP with regard to these countries.

2. Similarly, the European Community mainly used political pressure on the conflicting parties when addressing problems with oil and gas supplies caused by Russia's disputes with Ukraine or Belarus. The EU also attempted to take long term preventive measures and to alleviate the consequences of potential new crises. For example, the 'early warning mechanism', as part of which Russia was to give advance notification of possible breaks in oil and gas supplies, was created. After the gas crisis in 2008, the EU offered Ukraine the possibility to access investment funds (approximately 2.2 billion euros) in exchange for the modernisation of its energy sector in compliance with EU standards. This reform was to prevent any potential crises in the future caused partly by the non-transparent solutions applied in the Ukrainian gas sector both internally and in dealings with Russia. Although the Ukrainian government at first reacted positively to this proposal, it did not implement it in practice as it was unable to carry out the necessary reforms.

3. The EU showed greatest engagement in situations related to 'separatism' during the Russia-Georgia war, which lasted a few days and which was caused by the conflict over Southern Ossetia. The EU contributed to the development of the armistice and its acceptance by both parties, owing to which it became possible to stabilise the situation and persuade Russia to withdraw its troops from Georgia proper (however, contrary to the arrangements, the troops were not moved back to their place of deployment before the war). A few days after the end of the conflict, around 250 EU observers were sent to Georgia, who since that time have been the only external mission to monitor the situation in the conflict region until now (however, the observers are not allowed to enter the separatist republics). The EU's strong presence during the settlement of this conflict was possible, as it was in the case of the Orange Revolution, mainly owing to the engagement by several member states particularly interested in this issue, especially France, which was holding the EU presidency at that time. The EU participates or is an observer in multilateral negotiations as part of the 5 + 2 format (the conflicting parties, Russia, Ukraine, the OSCE + the USA and the EU) regarding the conflict in Transnistria (this format in fact has not been functioning since 2006).

It also participates in the Geneva talks initiated after the Georgia-Russia war. The EU has also taken long-term activities focused on a single target. One example of this is the European Border Assistance Mission (EUBAM) operating at the Moldovan-Ukrainian border, including its Transnistrian section, which was initiated in 2005. This mission is targeted at improving the standards of operation of the customs officers and border guards and thus reducing cross-border crime linked to the existence of the Transnistrian separatism. However, in general, the EU has very limited possibilities to influence the situations resulting from separatism. Firstly, to break the deadlock over the frozen conflicts, a very strong engagement extending beyond political declarations would be required (for example, sending monitoring or peacekeeping missions to the frozen conflict areas), which would entail higher costs, which the EU appears unready to incur. Secondly, the existence of the separatisms is strongly linked to the Russian policy aimed at keeping the countries from this region within its zone of influence. At present, the EU is lacking the political will necessary to raise this issue in a more unequivocal way since this would cause serious tension in relations with Russia (this happened during the Orange Revolution and the Russia-Georgia war).

Avoiding this problem, which strategy the EU seems to have been pursuing over the past two years, has led to the *de facto* turning of a blind eye on Moscow's policy (for example, the deployment of Russian troops in territories of other countries contrary to their will). In turn, this in fact prevents any efficient action aimed at resolving the crises.

#### 11. Conclusion: the integration deficit

The EU has certainly intensified its activity with regard to Eastern Europe since 2004. Bilateral contacts have become more active, and multilateral co-operation institutions have been created. The EU has also significantly increased its engagement in crisis situations in the region (for example, a post-conflict monitoring mission was sent to a country in the Eastern neighbourhood for the first time). New financial facilities have been created allowing for more diversified forms of assistance, including direct budgetary support, and the

reinforcement of certain state institutions. The value of the funds to be both spent as aid and allocated to preferential loans (for example, from the EIB) has increased. These activities have led first of all to the development of a network of contacts and a set of instruments for policy implementation. The EU has also taken some preventive actions to stop conflict escalation and hold back authoritarian tendencies in the region. However, the real integration process has been very limited. Ukraine's accession to the WTO (which was a precondition for the launch of the DCFTA negotiations) and the sectoral agreements establishing more flexible visa regimes with four partner countries (visa facilitations in exchange for readmission agreements) can be named among the major successes in this area.

Most of the integration projects the PCA and the Action Plans envisaged have not been implemented. Although negotiations of new, much more ambitious Association Agreements have been set on track, problems have already appeared at this stage; negotiations regarding the most important element of the AA, the Deep and Comprehensive Free Trade Area, have been underway for almost three years with Ukraine, and the date of their finalisation has still not been determined. Meanwhile, the signing of the agreement would be only the first step towards its implementation. It needs to be ratified by all EU member states (in the case of the Partnership and Co-operation Agreements the period between their signing and effective dates lasted nearly three years).

It appears that one of the main causes of this situation has been the disproportion between the policy's ambitions, the challenges it needs to face and the instruments available to it. The underlying assumption is that the European Union's policy towards Eastern Europe since 2004 has been to extend beyond ordinary co-operation between neighbours and to implement one of the most ambitious goals one can set in international relations: to lead to the building of modern states in the immediate neighbourhood of the EU according to the model developed by Western European countries. So this is to be a continuation of the Eurocentrist modernisation policy the European Community has been pursuing for decades.

However, this is the first time this policy is to be implemented with significantly less instruments available than before. First of all, it does not offer membership perspectives. As a result, much lower financial support (than in the case of countries which have a chance for accession) is being offered. It is also impossible to fully apply the conditionality mechanisms, including the mechanism which refers to the concrete obligation of regular monitoring and progress evaluation. However, the reductions concern many more issues than these. The offer of 'sharing everything but institutions' made in the first half of this decade is no longer valid because the EU is reluctant to open its sensitive sectors, introduce a visa-free regime, etc. This indicates that the EU has an ambivalent approach. On the one hand, it wants integration and on the other it appears uncertain whether it makes sense at all and is taking a defensive attitude, trying to protect itself from becoming open to its neighbours. The concern about the membership aspirations of the Eastern neighbours has also led to the de-Europeanisation of the policy towards Eastern Europe. Clear statements whether three countries from this region are part of Europe and references to the idea of a united Europe have been avoided in EU documents. This has inhibited the full usage of their potential related to their European identity.

This way the EU has deprived itself of an important instrument which could have generated political will in the integration process. Another problem in EU policy has been the impossibility to adopt a consistent and clear stance on the promotion of European values. The EU has been caught in a double bind between the feeling that it should condemn authoritarian tendencies and support grassroots democratic movements and on the other hand the temptation to choose stability and business benefits resulting from good co-operation with the governments (regardless of their attitude to democracy).

Postscript. How to avoid the pretence?

Seven years since the launch of the ENP, the policy of the Eastern neighbourhood's 'external' integration formulated by the European Union is facing very serious challenges. It is becoming increasingly likely that relations between the European Community and Eastern European countries will turn into a pretence aimed only at imitating integration. In the short run, this pretence may turn out to be beneficial for both parties. However, in the longer term, this may lead to a weakening of the EU's position not only locally but also globally. To prevent the situation from developing in this direction it is necessary to revise the EU's policy. At the same time, it is worth noting that a revision *per se* will not guarantee success since very much depends on the partner countries. Contrary to what is usually assumed, it is not true that the EU's possibilities in dealings with the Eastern neighbours must remain very limited due to the lack of a clear offer of membership perspectives. However, the opinion that strategic issues may be disregarded and the policy can be restricted only to technocratic moves (negotiating new legal frameworks and creating institutions and procedures) is equally unreasonable. A revival of the EU's policy towards its Eastern Neighbours on the one hand requires long-term consideration, which will make the policy more legible and boost the political will for its implementation in both the EU and the partner countries.

However, on the other hand, innovative fundamental actions are necessary to enable the use of the instruments available to the EU to the maximum extent and at the same time to reduce those areas of activity which will not bring measurable effects and only consume the already scarce political and financial resources allocated to the Eastern dimension of the ENP.

Redefining the strategic message A fundamental problem in the policy towards the Eastern neighbourhood is the deficiency in the political will for integration from both the partners and the European Union. Redefining the previous political message could be one of the key factors which could contribute to improving the attitude to this policy. It seems reasonable to give up focusing the strategy on the idea of Europe's neighbourhood (as the name of the European Neighbourhood Policy indicates). This approach is strongly demotivating for the partner states and to some extent also to EU member states as it presumes in advance the existence of divides in relations between the EU and Eastern Europe by presenting Eastern Europe as 'surroundings', thus the peripheries of the EU.

Drawing on the idea of a 'united Europe' appears much more attractive and likely to inspire the wish to draw closer to the EU. It needs to be emphasised that a 'united Europe' should not be identified with the European Union (and thus a membership offer) but defined as a community of standards, values and, consequently, also interests in relations with the world

outside Europe. More decisive diversification The relatively limited offer the European Community presents to the neighbour countries is undoubtedly one of its weaknesses. This could be partly remedied by applying a more decisive diversification. On the one hand this would mean giving up (or slowing down, in the case where previous measures cannot be rescinded) those actions aimed at creating new instruments which produce no measurable effects (for example, Association Agreements with countries which are not interested in integration, or the development of an excessive number of multilateral bodies). On the other hand, those countries which are interested in integration should be encouraged through:

(1) launching the available instruments as soon as possible (at present, starting the DCFTA negotiations with Moldova and Georgia and granting Georgia an Action Plan for a visa-free regime are of key significance);

(2) declaring firmly that, as modernisation progress is made, the EU will open up the agricultural sector to them, introduce the free movement of people and undertake the process of building privileged institutional relations. Broader opening up at the level of society It also seems worthwhile to put a stronger emphasis on policy targeted at society in the neighbour countries.

Three lines of action are possible in this area:

(1) Increasing access to EU programmes, such as the Culture Programme, the European Voluntary Service or Europe for Citizens, and also broadening the availability of the already opened up programmes, such as for example Youth in Action (so that the Eastern partners may initiate projects).

(2) Granting more effective support to civil organisations. This requires not only money but also a redefining of the existing instruments to stimulate self-reliance and not dependence. This requires for example civil organisations to be offered greater access to information at the governmental level (for example, the activity of the Thematic Platforms of the Eastern Partnership) and the creation of mechanisms to enable proposals to be conceived for common civilian action at grassroots level.

The latter seems to be of key significance for an active and innovative cooperation between nongovernmental organisations both in Eastern Europe and between such organisations from the neighbour countries and EU member states.

(3) Offering firm support to grassroots protest movements against authoritarian regimes. It has become clear over the past five years that post-election crises in Eastern European countries are the most successful means of holding back authoritarian tendencies in this region. The level of stability of these countries is such that events of this type – although beyond any doubt being proof of the weakness of government structures – do not cause uncontrolled institutional chaos. Given these experiences, it seems that fear of destabilisation in crisis situations should not limit the EU's pro-democracy actions. These crises should be seen as a display of the democratic potential rather than a source of threat to stability of the EU's neighbourhood. Entrenchment of multilateral institutions It is evident after more than a year

that a clear concept regarding the goals and the formula of operation of multilateral institutions as part of the Eastern Partnership, and especially the Thematic Platforms, is missing.

This may lead in the future to a gradual loss of the feeling that these meetings make sense (which has already happened to many multilateral institutions operating as part of the Barcelona Process). It appears that this problem could be resolved by strengthening the link between the work of the Platforms and the planning and consulting of projects implemented as part of the Eastern Partnership, including those related to flagship initiatives, and by developing mechanisms which would allow the European Commission to absorb the ideas for projects proposed by participants of the platforms. Refraining from a declaration of increased engagement in frozen conflicts In turn, it appears inadvisable to make a rash declaration of an increase in the present level of engagement in issue of frozen conflicts (which many experts have recently encouraged). The EU is still lacking the leverage and political will necessary to confront Russia in this field. Given this situation, any attempts at intensifying the EU's security policy towards para-states are doomed to failure and may only undermine the European Community's credibility.

*Analysis by Katarzyna Pełczyńska-Nałęcz (Ośrodek Studiów Wschodnich im. Marka Karpia)*  
*Materials gathered by Katarzyna Jarzyńska*  
*Edited by Andrzej Potocki*

With the financial support of the European Parliament. The sole liability of this publications rests with the author and the European Parliament is not responsible for any use that may be made of the information contained therein.



**Wrocław 20<sup>th</sup> April 2012**