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The Eastern Partnership: Time for an Eastern Policy of the EU?

Abstract

The Eastern Partnership (EaP) was officially launched in May 2009 as a European Union (EU) policy framework to enhance relations with six countries in Eastern Europe and the southern Caucasus.¹

This paper argues that the design of the EaP, which is a predictable technocratic response from the EU institutions supported primarily by a number of new and a few old member states and building on the success of the latest round of enlargement 2004-07, runs the risk of not achieving the market-driven rapprochement between the EU and the EaP countries that it sets out to do. Moreover, the question has to be raised whether the EaP in its current set-up is equipped to deal with the strategic significance of this region which would require the EU to take a stance on a number of foreign and security policy issues. Here, member states' diverging interests on Russia as well as their differing geographical focus (south or east) may well stand in the way for an effective implementation of the EaP's objective of a stable and increasingly prosperous neighbourhood. In any event, relations to the EaP countries is bound to become one of the priority areas of the newly appointed EU foreign and security chief, Catherine Ashton, as she sets about establishing the strengthened office of High Representative (HR) for Foreign Affairs and Security/Vice President for External Relations of the European Commission.

1. Background

In May 2008, Poland and Sweden tabled a joint proposal in the Council to strengthen EU's relations with countries in the EU's Eastern neighbourhood by setting up the EaP. The initiative was initially intended to strengthen the EU's European

Neighbourhood Policy (ENP) widely considered to be insufficiently tailored to the participating countries' needs and not recognizing the different aspirations they hold vis-à-vis the EU.

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¹ The EaP countries include Ukraine and Moldova in eastern Europe and Georgia, Azerbaijan and Armenia in southern Caucasus. Formally Belarus is also counted among the EaP countries but relations with the EU are conducted on expert level as political ties remain complicated as long as the country is ruled by the authoritarian president, Alexander Lukashenka. All countries are participants in the EU's Neighbourhood Policy although Belarus is not fully covered by the policy, and all except for Belarus have concluded Partnership and Cooperation agreements with the EU (in the case of Belarus an agreement was completed in 1995 but was not ratified and remains frozen since 1997). Ukraine is currently negotiating an association agreement with the EU while preparations for bilateral negotiations with Moldova are under way.

The Polish-Swedish initiative was preceded by a highly symbolic proposal of the French President Nicholas Sarkozy to launch a Mediterranean Union. The initiative of the French presidency served to underscore the existence of underlying differences of view among EU member states in terms of foreign policy outlook and interests – differences that had been sharpened by the accession of ten countries from Central and Eastern Europe 2004-07 and were now becoming highly visible.² As a response to the French proposal, the Polish-Swedish initiative was a deliberate attempt to push relations with non-EU eastern European countries further up the EU's agenda in order to hold up their position in the competition for the attention of the Brussels bureaucracy, the Union's financial resources and political support. Poland and Sweden had another thinly veiled motivation behind the EaP initiative namely to create an antechamber for those eastern European countries who had clearly stated their aspiration to join the EU, notably the Ukraine, Georgia and Moldova, but to whom the EU was becoming increasingly reluctant to accord membership perspectives. The governments of Poland and Sweden being long-standing champions of further enlargement to the East decided that the time for actively promoting these countries' membership of the EU was not propitious due to an increasingly hostile public opinion in many member states and an ever-more cautious, sometimes even openly unsympathetic, stance taken by national political leaders on further enlargement of the Union. Therefore a framework designed to keep the more ambitious countries' economic modernization process on track towards compliance with EU's *acquis* would improve their chances of a future membership of the EU, while for the countries with lower ambitions, regulatory alignment to the *acquis* would in any case assist their modernization efforts and improve on their ability to deepen trade relations with the EU. Finally, those member states advocating stronger relations with the countries in eastern Europe felt that with the up-coming Czech presidency in the spring 2009,³ followed by Sweden holding the presidency in the autumn the same year and Poland scheduled to lead the EU in the autumn 2011, there was a window of opportunity to carry the process forward over string of friendly presidencies.

Other member states reacted initially with polite support to the Polish-Swedish initiative. However, a number of criticisms to the initiative were raised, such as EaP risked duplicating, or even diluting, existing policy processes (the ENP), overlapping with existing regional cooperation initia-

tives (the Black Sea Economic Cooperation and the EU's Black Sea Synergy), cementing the trend towards regionalization of EU foreign policy priorities and competing for the EU's scarce resources, in particular financial, with other regional partners (chiefly in the Mediterranean and the Near East).

Just as the proposal for the EaP seemed destined to be forgotten in the meandering of EU's policy-making, Russia entered Georgian territory in August 2008 to defend the break-away republics of South Ossetia and Abkhazia and their quest for independence. The war in Georgia made clear the strategic importance of the Caucasian republics and the vulnerable position of eastern European countries lying between the Russian Federation and the EU. At once, it became clear that these former CIS republics, half-forgotten in the period of EU's enlargement to countries in Central and Eastern Europe when good relations with Russia were seen as paramount, were in fact essential to EU's foreign policy aims of stability and prosperity in the neighbourhood. The existing ENP was perceived as an inadequate response to the countries in the post-Soviet region which deserve a specific policy focus better tailored to their needs and aspirations vis-à-vis the EU than the one-fit-all template of the ENP. In addition, it was felt that their geo-strategic position requires the EU to include relations to these countries in its fledgling foreign and security policy in a more systematic and joined-up manner than what is currently the case.

The war in Georgia speeded up the policy process in the EU during the autumn 2008. In the space of a few months the Commission had produced a Communication on the EaP⁴ whose policy prescriptions were subsequently endorsed by the European Council summit in December 2008. The strategy got the final stamp of approval by the member states in a special summit in May 2009 in Prague where the EaP was officially launched.

Even though the EaP attracted near consensus among the EU member states when it was launched and was welcomed, at least officially, by the EaP countries, a number of issues related to the model and method of economic, administrative and civic integration of the EU's approach has been questioned. There are also those who question whether the EU member states have sufficient resolve to mend their differences over the appropriate policy towards Russia in order to endow the EaP with the necessary strategic significance.⁵

² Jonas Tallberg (ed.), Li Bennich-Björkman, Anna Michalski and Daniel Naurin, *Europa efter utvidningen*, SNS förlag, 2009

³ The Czech Republic has a long history of favouring closer relations to the countries in the EU's eastern neighbourhood and tabled as proposal to that effect already in 2008. 'Talking Point – Was the Czech EU presidency's Eastern Partnership summit a success?', Czech Radio 7, Radio Prague 12 May 2009 <http://www.radio.cz/en/article/116173>

⁴ European Commission, *Eastern Partnership*, COM(2008) 823 final, 3 December, 2008.

⁵ Natalia Shapovalova, 'The EU's Eastern Partnership: still-born?', Policy Brief no. 11, FRIDE, May 2009

2. The Structure of the Eastern Partnership

The proposed framework for strengthening the relations with the six EaP countries has pointedly been labeled an “enlargement lite” strategy⁶. It has also been argued that the EaP risks undermining the Union’s existing instrument for regional cooperation, the ENP, by making it redundant and there is certainly a real issue of duplication and overlapping to be resolved between the two.⁷ However, the real issue at the moment does not seem to be the EU’s inability of reforming redundant policy frameworks but rather whether the proposed structure of the EaP, once up and functioning, will reconcile underlying ambiguities as to its overall aim. In order to cater for individual countries’ ambitions vis-à-vis the EU and their different stages of economic development, the EaP is built on a two-pronged structure: a bilateral track where the EU offers strengthened bilateral relations in the form of deep and comprehensive association agreements; and a multilateral track which offers an overall political dimension and multilateral cooperation along with intensified regional cooperation among the countries in the region.

2.1 Bilateral Association Agreements

The EU’s recognition of the need for differentiation among the EaP countries is clearest in its offer to conclude bilateral association agreements. These agreements are built on the notion of the EaP countries’ gradual integration into the European economy with the ultimate aim of establishing a ‘deep and comprehensive free trade area’ (DCFTA). In contrast to other examples of comprehensive free trade areas with neighbouring countries such as the European Economic Area (EEA), the Commission proposes that the agreements should be tailored to individual countries’ economic structure and level of modernization, and evolve according to the EaP countries’ level of ambition to comply to EU’s standards. Association to the EU’s internal market entails market liberalization, regulatory alignment and dealing with non-tariff barriers to trade. Approximation to the EU’s extensive regulatory framework which is a precondition for association to the internal market will be no small feat for the EaP countries, some of whom have yet to finalize their entry into the World Trade Organization (WTO). In order to facilitate regulatory convergence, the EU offers an institution-building program which will reach beyond what has already been undertaken within the ENP.

As part of the association agreements, the EaP will include

action in areas specifically chosen for their strategic importance for the EaP countries, namely mobility, energy security and economic and social development. Within each of these areas, the EaP will include pacts negotiated bilaterally between the EU and the EaP countries and promote visa facilitation schemes, border management modernization and integration into the EU’s energy cooperation frameworks, including infrastructure investment. The EaP bilateral track also includes a regional development dimension tapping into EU’s experience in promoting balanced social and economic development, cooperation with existing regional frameworks and promotion of cross-border cooperation.

2.2 Multilateral Framework

Alongside the bilateral dimension of the EaP, the EU has a clear interest in encouraging a strengthening of the ties among the EaP countries themselves both to deal with the EU as a group and to improve stability and economic and social development in the region. To this aim, the EaP is setting up four **thematic platforms** for multilateral dialogue and co-operation among officials from the EaP countries, EU member states, the Commission and other EU institutions and stakeholders on an ad-hoc basis. The thematic areas focus on four overall themes: democracy, good governance and stability; economic integration and convergence with EU policies; energy security; and contacts among people. In the summer months of 2009, all four platforms were convened in Brussels for the first of their twice-yearly meetings. The emphasis of these meetings was on regulatory convergence both to policy areas where EU regulation is extensive, such as the internal market, or to areas governed by policy convergence rather than regulation such as employment, social affairs or macro-economic policy.

So-called **flagship projects** are to be put in place to support the activities of the thematic platforms. The Commission has suggested projects in the following areas: border management; small- and medium sized companies; energy; disaster relief; and environmental governance. Again, the emphasis of the suggested projects is on regulatory convergence to the EU acquis and on methods of governance that would facilitate the EaP countries application of EU regulatory frameworks.

Politically, the most important aspect of the multilateral dimension is the **institutional structure** that underpins the EaP. The biannual meetings of the heads of state and government and the annual spring meeting of the ministers of for-

⁶ Nicu Popescu and Andrew Wilson, *The Limits of Enlargement-Lite: European and Russian Power in the Troubled Neighbourhood*, European Council on Foreign Relations, Policy Report, June 2009.

⁷ Christophe Hillion and Alan Mayhew, *The Eastern Partnership – something new or window-dressing?*, Sussex European Institute, Working Paper, no. 109, January 2009.

eign affairs do not only give the EaP countries a regular contact with the European political leaders and high officials, it also places EaP in the policy-making structure of the EU among strategic partners and regions which guarantees the EaP a slot on the crowded agenda of the EU. Finally, the EaP includes a **civic society forum** that act alongside the thematic platforms bringing together representatives from civil society and non-governmental organizations with participants from the Commission and the European Economic and Social Committee to give input of varying kinds to the thematic platforms and the political process.

As the work of putting the EaP into practice went under way with a first set of meetings of the thematic platforms in the summer 2009 and a civil society forum scheduled for mid-November, it seems appropriate to make a critical assessment of the EU's approach to deepened relations to EaP countries.

3. The plus and minuses of the "enlargement-lite" approach

The structure and objectives of the Commission's approach bear, as commentators have pointed out, strong resemblance to the EU's policy of enlargement to the East.⁸ One obvious, but nevertheless crucially important, difference is that the EU member states have not officially given these countries a "candidate" status, not even included them in the category of "potential candidates". The truth of the matter is that there is very little appetite among a majority of the member states to widen the group of would-be members for a variety of reasons, be it the lack of popular support in the current member states or the lack of progress in the on-going enlargement negotiations, with the exception of Croatia. In a context of economic slow-down, ongoing institutional reform and lack of resolve to fully embrace the implications of a future Turkish EU membership, the prospects for the eastern European countries to adhere to the Union seem bleak. The EaP countries are well aware of this state of affairs and have therefore come to accept the EaP as the best on offer from the EU for the time being. Some of them grudgingly such as Ukraine which has clearly stated its ambition to seek EU membership when the time is ripe, while others, such as Armenia and Azerbaijan, have no officially declared intention to apply for EU membership and on the whole appear lukewarm to EU's membership conditions.

3.1 Deep Free Trade and Approximation to EU Rules and Regulation

The bilateral track of the EaP offers the potentially significant option of concluding association agreements (AA) to act as precursors to a "deep and comprehensive" free trade area with the EU.⁹ Bilateral association agreements offer some important advantages for the EaP countries which are not applicable in accession negotiations and were not offered to the EFTA countries in the context of the EEA: The AAs (1) are based on a promise of real differentiation between the countries as each country will be in the position to decide the extent and pace of integration with the EU; (2) differentiation will stand a greater chance of being effective as the countries will negotiate independently of each other; (3) the EU seems prepared to consider supporting specific countries beyond the EaP multilateral dimension, for instance in the area of energy¹⁰; and (4) the promise to include cooperation on foreign and security policy is an indication of EU's willingness to address the region's strategic issues and specific security concerns.

Despite these characteristics, AAs also entail a number of stumbling blocks of which the most significant is the potential mismatch between the demands put on the EaP countries in terms of regulatory convergence and compliance with the EU acquis and the overall benefit of concluding ambitious association agreements with the EU. The issue is intimately linked to the lack of membership perspective for the EaP countries. Regulatory convergence requires not only the involvement of national regulatory bodies, ministries, the national legislature and public and private stakeholders, but also political will and financial resources to steer the process through opposition from various domestic interest groups with vested interests to defend. The promise of membership constituted without doubt the central source of motivation for the applicant countries of Central and Eastern Europe in the adjustment process of national legislation to the EU acquis up until accession, but membership as a motivation for regulatory convergence is not applicable to the EaP countries, at least not for now.

Differentiation in practice

The AAs will, even if differentiation is implemented as promised, still put extensive demands of regulatory adjustment and compliance on the EaP countries. This begs the

⁸ See for instance, Popescu and Wilson, *The Limits of Enlargement-Lite*, or Helen Wallace, *The European Union and its Neighbours*, ELIAMEP Thesis, No. 4, May 2009.

⁹ The EU has set up membership of the WTO as condition before negotiations before an AA may be undertaken. This requirement concerns Azerbaijan and Belarus which have not yet concluded their WTO accession negotiations.

¹⁰ The EU and Ukraine signed an agreement in March 2009 to fund the modernization of the country's gas distribution infrastructure and a financial assistance package was concluded in July 2009 between the European Commission, the EBRD, the IMF and the World Bank on the one hand and Ukraine on the other.
<http://www.euractiv.com/en/energy/putin-warns-eu-ukraine-pipeline-deal/article-180577> <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1218&format=HTML&aged=0&language=EN&guiLanguage=en>

question whether the governments in some EaP countries, given their patchy and lackluster performance of economic and social transformation, will consider it worthwhile to adopt the EU *acquis*, particular in the areas where regulatory alignment is associated with high costs. Some governments in eastern Europe and southern Caucasus may simply find the prospect of open markets and free and fair competition unattractive and the effort of regulatory modernization too high in comparison to the benefits they expect to derive from EU market integration. An observer¹¹ has noted that the offer of a DCFA is 'just too remote' for most EaP countries and feasibility studies carried out by the Commission on Armenia and Georgia found that the countries were not 'able to negotiate such far-reaching trade liberalization and even less to implement and sustain the commitments that it would require.'¹²

At the other end of the spectrum, we have countries for which differentiation will work to their advantage. At the moment of writing, Ukraine is negotiating an enhanced free trade agreement with the EU which envisages improved terms of trade and market integration based on legislative approximation to the European standards. Although progress is slower than expected due to Ukraine's current economic difficulties which have put a brake on the modernization process and political in-fighting further exacerbating the deceleration, the policy of differentiation should allow Ukraine to move forward at its own speed independently of other EaP countries.¹³ This was the main motive for Ukraine to support the creation of the EaP which otherwise amount to a deception as it fails to open up for membership perspective for the participating countries. Furthermore, the eventual signing of the EU-Ukraine agreement will act as an important example to other EaP countries and hopefully spur on their efforts of economic modernization. In the meanwhile, the EU must overcome its deep reluctance to make progress on those issues of special importance to Ukraine as well as to other EaP countries chiefly the vexing issue of visa liberalization where some member states put up an unyielding stance despite a general supportive position on economic integration and other issues.

Another important aspect of differentiation, made clear in the Commission Communication, is that the policy will work according to the partner countries' ability, i.e. only those countries that are 'willing and able to take on the resulting

far-reaching commitments with the EU' should be offered to negotiate AAs, including the longer-term objective of the establishment of a DCFTA.¹⁴ This implies that the price of differentiation through bilateral AAs tailored to the EaP countries' level of ambition and ability may result in a fragmentation *de facto* of trade patterns at least in the short-and-medium term and that the EU's intention of promoting stability and economic growth in the region through regional economic integration may be compromised. Trade diversion away from the region towards the EU was observed in the years preceding the Central and Eastern European countries' full integration into the internal market and was generally held as a necessary development in order to speed up these countries' economic modernization.¹⁵ Once the Central and Eastern European countries were set to become member of the EU, intra-regional trade patterns were re-established based on the logic of proximity.

Conditionality

If the carrot of membership of the EU is not applicable to EaP countries, at least not for the time being, then by inference the stick of fulfilling the criteria for accession is not fully valid either. In the case of the EaP, it seems likely that conditionality will be more of the traditional kind between trading partners i.e. the suspension of the association agreements or threat thereof in the case of non-compliance. Conditionality may also apply to the multilateral dimension of the EaP based on a version of naming-and-shaming and group competition, although its impact will be less significant than in the run-up to accession of the countries in Central and Eastern Europe when the so-called "beauty-contest" pushed applicants to outperform each other.

It seems probable that the preventative conditionality, i.e. the EU's assessment as to the 'willingness and ability' of individual EaP countries to conclude AAs and move further along the path of EU integration, will be the most forceful instrument to entice the EaP countries to adopt EU regulation. In addition, the EU will have a whole range of smaller carrots, but nonetheless significant, to offer besides the AAs in the form of financial support, the selection of flagship project in the interests of specific EaP countries and in the sphere of foreign- and security policy. In this context the role of the multilateral dimension, in particular the thematic platforms, seems all the more important in facilitating the economic, social and

¹¹ Natalia Shapovalova, 'EU's Eastern Partnership: still-born?', p.3.

¹² European Commission, Directorate-General Trade, http://ec.europa.eu/trade/issues/bilateral/regions/caucasus/index_en.htm

¹³ See interview with Hryhoriy Newyria, 'Ukraine deputy PM: "We chose a realistic path to EU integration"', EurActive, 30 July 2009

¹⁴ European Commission, *Eastern Partnership*, p. 4

¹⁵ See, for instance, Paola Guerrieri, *Trade Patterns, FDI and Industrial Restructuring of Central and Eastern Europe*, Working Paper 124, BRIE, July 1998.

democratic transformation that the EU is expecting of the EaP countries. In addition, the EU's weight in international financial institutions is important to drum up support and coordinate financial assistance to stabilize public finance and promote economic modernization, as has been the case in the stabilization loans offered by the IMF in 2008-09.

3.2 Political will

It must be recognized that in spite of the professed willingness of the EU to accommodate the differing ambitions and abilities of the EaP countries, there is a strong element of asymmetry which risks scupper the good intentions of member states and EU institutions. After all, the EaP countries are with the exception of Ukraine, small countries with relatively backward economies with little perceived overall economic interest for most EU member states, beside the notable exception of oil and gas resources. It is certainly the case that the success of the EaP is dependent on member states' political commitment. All parties have a stake in its success but because of the strategic nature of this partnership, EU member state governments cannot contend themselves to rely only on the Commission to make the association processes work, but need to invest political capital as well. In this context, many observers have deplored the poor record of attendance of member states' prime minister and presidents at the Prague summit which marked the launch of the EaP.¹⁶ Perceptions and symbolism is important in the region and the EU can achieve already a great deal by ensuring that ministerial summits are well-attended and high officials from the EU institutions and member states should make a point of visiting the EaP countries regularly.

We have unfortunately already witnessed specific domestic concerns among EU member states coming in the way of real progress on the ground, notably by blocking progress on visa free access to the EU for EaP country citizens. The visa liberalization scheme proposed in the Commission Communication did not get an unequivocal stamp of approval of the EU member states at the Prague summit to the great regret of the EaP countries. The summit communiqué enounces in principle to 'promote mobility of citizens of partner countries through visa facilitation and readmission agreements' but EU member governments were careful not to make any specific promises, foreseeing 'gradual steps towards visa liberation as a long term goal for individual partner countries on a case-by-case basis provided that conditions for well-managed and secure mobility are in place.'¹⁷

4. The strategic context of the EaP

The EaP, as we have seen, builds mainly on the traditional soft power instruments of the EU, market integration, regulatory approximation, and financial and technical support. The question whether the EaP will require the EU's involvement in areas of foreign and security policy is very little elaborated in official documents. In a way, however, the question was already answered through the EU's engagement in the monitoring mission in the wake of the Georgian war. Nevertheless, before the creation of the EaP there was no coherent overarching strategic policy towards the regions and rather than dealing with issues in an ad-hoc manner as they arise, the time has come for the EU to make a longer term systematic commitment to the region's stability and economic development. The EaP is destined to become a test-case for the new HR for EU foreign and security policy as the provisions of the Lisbon Treaty are implemented, both because of the strategic importance of the EaP countries themselves and the unavoidable link to EU's policy on Russia.

4.1 The EaP countries and relations in the region

Not wanting to embark on a full-fledged analysis of the EaP countries, a few observations of the characteristics of these countries which will have a bearing on the implementation of the partnership seem appropriate nevertheless.

EaP countries' economic and social development

The first observation concerns the differences in size, population and economic activity of the EaP countries. Ukraine with a population of 46 million and a relatively large economy is by far the biggest country in the group. The other countries are small both geographically and in terms of population. Their economies are of modest size and tend to be geared to goods derived from natural resources, some of which such as Azerbaijan's oil and gas resources are significant. Economic links are shaped by their geographic position between the expanding EU and Russia, historical experiences being former Soviet republics as well as ethnic animosity or kinship. Historical trading patterns, existing infrastructure and a high number of guest workers which reside legally in Russia are aspects that speak in favour of economic relations with Russia while the EU, by the sheer size and sophistication of its market, is the destiny of choice. The EU receives also a large number of migrant workers, primarily from Ukraine but contrary to Russia most of them reside illegally in the EU underlining the precariousness of their situation.¹⁸

¹⁶ For instance, Popescu and Wilson, *The Limits of Enlargement-Lite*.

¹⁷ *Joint Declaration of the Prague Eastern Partnership Summit*, Prague, 7 May 2009, <http://europa.eu/rapid/pressReleasesAction.do?reference=PRES/09/78&format=PDF&aged=0&language=EN&guiLanguage=en>

¹⁸ Migrant workers from the EaP countries number an estimated 8.5 million in Russia while in the EU the estimated figure is 3.9 million. Only Ukrainian workers are more numerous in the EU than in Russia (3 million versus 2 million). Figures quoted from Popescu and Wilson, *The Limits of Enlargement-Lite*, p. 34.

The EU is the EaP countries' most important trading partner with the exception of Belarus. Only Azerbaijan currently enjoys a surplus in trade with the EU while Ukraine, Moldova, Armenia, Georgia and Belarus import more from the EU than they export (data from 2008, European Commission DG Trade). Access to the European market is important for their economic development but concluding next-level agreements with the EU beyond the existing PCAs will depend on the countries' ability and willingness to agree to the demands of regulatory alignment and compliance to EU standards.

Even before the onset of the financial and economic crisis, many EaP countries struggled with the regulatory alignment to the EU *acquis* as their economic development was characterized by a slow transformation from the command economy of the Soviet Union to a modern market economy. Despite progress in certain areas, there is a clear pattern of incomplete economic and social reforms, a disappointing record as concerns the adoption of modern policies of public administration and incomplete reforms of democratic institutions. In the wake of the crisis, lackluster public policy reform and modest result as concerns regulatory alignment have become even more pronounced as all the EaP countries have had to face dwindling growth rates and high exposure to financial instability due to unsustainable public finances. Many EaP countries have a long-standing problem of transparency as concerns the intertwining of the political elite and the economy, a high level of corruption and under-performing judiciaries.¹⁹ The lack of economic modernization prompted the Commission to emphasize the rule of law, good governance, the principle of the market economy and sustainable development among the commitments that the EaP countries will need to adhere to in order to conclude AAs with the EU.

Political instability and stalled democratic reforms

The second observation concerns the situation of political instability and lack of progress in democratic reforms. Some countries such as Ukraine, Georgia and Moldova have undertaken steps towards democratization, notably in the colour revolutions, but the state of their democratization remains uncertain and political life is characterized by instability. In Ukraine the prime minister and the president are locked in a struggle for power which has resulted in deadlocked reforms, slow policy responses to the economic crisis and further weakened the executive's credibility among the citizens, international organizations and foreign creditors. In Georgia, the sitting government of President Saakashvili is under con-

stant attack by the opposition since a number of years resulting periodically in civil unrest and demands for the President's resignation. The Russian invasion in August 2008 underscored the Saakashvili regime's disputed policy towards the break-away republics and uncertain control *de facto* over Georgian territory, and ultimately served to undermine its chances to join NATO. In Moldova, the incumbent communist government was accused of fraud in the general election of April 2009 and subsequently forced to re-count the votes after violent street protests which eventually resulted in the opposition being able to form government. In Armenia and Azerbaijan it is doubtful whether democratic reforms were ever seriously contemplated and in recent years both countries seem to backtrack with national regimes taking on an increasingly authoritarian character, particularly in Azerbaijan where President Aliyev has introduced changes to the constitution allowing for a lifetime presidency. Belarus, finally, is governed by a post-communist authoritarian regime headed by President Lukashenka once dubbed 'the last remaining dictator in Europe'. The EU suspended all relations with Belarus in 2006 and introduced economic sanctions but has lately taken steps towards engaging the Belarusian regime on an expert level.

The dubious democratic credentials of the EaP countries pose a particular problem for the EU and led to a debate within the EU whether the Union should adopt a normative or realistic stance towards these countries. For now, it has chosen to deal with these countries on the official governmental level, with the exception of Belarus which participates on the level of experts. The EU has had an uneasy relationship to the political regime of Belarus ever since the arrival to power of Lukashenka and therefore the inclusion of Belarus in the EaP, in particular whether or not an invitation should be sent to Lukashenka to the official launching ceremony, was the object of controversy among EU member states.²⁰ Officially, the EU institutions have referred to the importance of values and principles being both the foundation of the partnership and one of its major objectives. The Commission Communication stated that 'the EaP will be based on mutual commitments to the rule of law, good governance, respect for human rights,...' and that one of the four thematic platforms should address democracy and good governance.²¹ In a similar vein the joint statement from the Prague summit 2009 reiterated the commitment while adding international law and democracy to the principles and values on which the agreement will be based. These declarations of intent belie the fact that the EU has entered into partnership

¹⁹ See the Commission's Progress Reports on the implementation of the European Neighbourhood Policy in 2008 for Armenia, Azerbaijan, Georgia, Moldova and Ukraine http://ec.europa.eu/world/enp/documents_en.htm#3

²⁰ Andrew Rettman, 'Values to form core of EU Eastern Partnership', *EUobserver*, 18 March 2009

²¹ European Commission, *Eastern Partnership*, p. 3.

potentially leading to deep association with countries whose democratic credentials leave a lot to wish for and raises the question whether and, if so on what terms, the EU should raise the issue of democratic conditionality.

The Commission gives a partial answer in its Communication stating that the 'level of ambition of the EU's relationship with the EaP countries will take into account the extent to which these values [rule of law, good governance, respect for human rights, respect for and protection of minorities...] are reflected in national practices and policy implementation.'²² But this leaves the question open on what basis value-based norms and principles will be assessed, how this process will take place and who will provide the evidence. Even if these concerns are handled by the Commission according to the processes and procedures in place through the ENP, it leaves the EU with a potential conflict of interests as progress reports and assessments are approved in the Council whereas the political rapprochement of the EaP countries is of strategic interest to the EU, in particular in the pursuit of its foreign and security policy objectives. At the civil society forum that preceded the summit in Prague in May 2009, fears were expressed that the EaP will support existing regimes by turning them into partners to the EU and in the process undermine domestic opposition groups. Many civil society actors from the EaP countries deplored the air of respectability that the EaP gave national politicians and demanded to be included in the multilateral dimension of the EaP and EU institutions to make use of their observations in the monitoring of EaP countries' progress in the area of democracy and human rights.²³ The Commission appears ready to heed such demands by inviting civil society to submit on-line contributions to the Commission's progress reports on the implementation of the ENP in 2009.²⁴

Frozen Conflicts

A third observation concerns the existence of unresolved conflicts in the region which is one of the principal reasons for political instability and lack of cooperative arrangements among the countries in Eastern Europe and the Caucasus. Some conflicts involve neighbouring EaP countries as in the case of Armenia and Azerbaijan over Nagorno-Karabakh while other conflicts involve Russia. The most conspicuous conflict is also the most recent, namely the Russian invasion of Georgia as a step in the dispute over the break-away republics of Abkhazia and South Ossetia. There is also a lingering dispute between Russia and Ukraine over the distribution of gas and Russia's withdrawal of its Black Sea fleet

from Crimea. In the case of Moldova, Russian troops are stationed in Transnistria since the early 1990s nominally as peace keepers but equally as reminders of internal political tension between the Russian-speaking part of the population, favouring closer links to its big neighbour in the east, and the Romanian-speaking majority cultivating closer ties to Romania in the south and by extension, the EU. The existence of frozen conflicts in the region puts particular emphasis on the EU's abilities as an international actor: in the shorter term in the area of peace-keeping and post-conflict stabilization, for instance in Georgia where the EU keeps a monitoring mission since 1 October 2008 to monitor the implementation of the two cease-fire agreements between Russia and Georgia, or conflict-resolution and mediation, for instance in Nagorno-Karabakh where France participates in an international mediation mission. In the medium-to-long term the EU is planning to use the various ENP and EaP instruments to promote economic ties between the countries in the region in parallel to their rapprochement to the EU. The EaP relies on an underlying assumption that regulatory alignment to the EU *acquis* will help creating economic integration also among the EaP countries which could with time lead to a 'Neighborhood Economic Community' being set up between the EaP countries and the EU. Extending the internal market to Eastern Europe and the Caucasus requires a strong commitment from the EaP countries in terms of regulatory convergence, active policy of interaction with EU institutions and a willingness to cooperate with neighbouring countries. Given the existence of numerous regional conflicts, questions regarding the robustness of the assumption of regional economic integration as a means to achieve stability and prosperity have to be raised. What incentives can be brought to bear on the partners to resolve these conflicts and which processes and mechanisms should be put in place to ensure progress towards closer regional integration?

Oil and gas politics

Finally, this set of observations about the EaP countries would not be complete without considering the issue of oil and gas which sets the strategic backcloth of Eastern Europe and southern Caucasus. Without going into detail, suffice to note that whether the EaP countries are suppliers of oil and gas as in the case of Azerbaijan, hosts of existing gas distribution infrastructure as in the case of Ukraine and Georgia or owners of large oil refineries as in the case of Belarus, oil and gas politics are very present in these countries' strategic outlook and involve them directly in major actors' power poli-

²² European Commission *Eastern Partnership*, p. 3.

²³ Author's notes from the Civil Society Forum, Prague, 6 May 2009.

²⁴ http://ec.europa.eu/world/enp/pdf/consultation/consultation2009_en.pdf

tics. The EU in order to secure its interests as a major energy consumer has made a bid to stabilize market conditions through common regulation in the framework of the European Energy Community which Ukraine and Moldova have been invited to join. Some EU member states and the European Commission have a stake in gas infrastructure projects such as the Nabucco pipeline which aims at improving the security of gas supplies to domestic markets in the EU. Given the overall geo-strategic importance of oil and gas, the EaP has dedicated one thematic platform to energy security. In addition, the EU together with international financial institutions has undertaken to finance the up-grading of Ukraine gas infrastructure and the European Commission facilitated the negotiations surrounding the set-up of the Nabucco pipeline project as well as supplying start-up finance to get the building of the pipeline going.

Many EU member states are partially or entirely dependent on imported gas from Russia. Given the time and investment necessary to build new distribution networks from alternative suppliers, the dependency on Russian gas will persist in the medium term. In addition, given the technical characteristics of gas which makes storage and distribution dependent on stationary infrastructure, the EU's promotion of normal market conditions has little impact. Liquefied gas which can be transported more easily require expensive storage and conversion facilities which have as yet to attract the necessary investment to become a real alternative to traditional gas distribution. Therefore, EU member states' energy dependency will remain a highly politicized issue and make them vulnerable to being played out against each other. It also conditions their stance on countries in the eastern neighbourhood. The lingering gas dispute between Ukraine and Russia, for instance, revealed differences in member states' positions on the appropriate policy to adopt towards Russia which partially reflect their gas dependency, partially, their deep-seated views on Russia's long term intentions.

4.2 Russia: competitor or partner?

Any discussion on the strategic importance of Eastern Europe and southern Caucasus has to include Russia and its relations to the countries in the region. Being former republics of the Soviet Union, the EaP countries have close economic, social and political ties to Russia. The nature of their relationship to Russia varies a great deal from being close allies such as Armenia to seeking to dissociate themselves from Russian tutelage by achieving full sovereignty over their territory and political, economic and social integra-

tion with Europe as in the case of Ukraine. Historic legacies as well as ethnic and religious affinities make relations to Russia complex in countries where parts of the population harbour allegiance to Russia as in Moldova and Ukraine where large Russian-speaking minorities exist or in Georgia where break-away republics demand independence supported by Russia. For all EaP countries, relations to Russia whether fashioned by historical default or choice, play a major role in their economic and political transformation and are at the heart of their fragile, incomplete, statehood. Observers note that Russia's sway over the countries in the region looms large as it wields powers both of attraction and coercion and does not refrain from using either in a manner more judicious and effective than the EU.²⁵ Others, however, believe that Russian attempts to dominate the countries in the post-Soviet area have not been particularly successful and that Russia in fact fears a gradual but inexorable shift of influence away from Russia towards Europe.²⁶

With the rise of an increasingly self-conscious Russian foreign policy in recent years grounded in a strengthened self-identification as a great power, Russia has used increasingly sophisticated levers towards the countries in the neighbourhood in order to regain authority in a region it considers being in its sphere of influence. To increase its attractiveness, Russia has used its control over the production and distribution of gas strategically by offering gas at low prices, strategic investment in infrastructure or acquisition of the entire production of gas as in the case of Azerbaijan. It also offers visa-free access to its domestic market where millions of migrant workers from the EaP countries find jobs which takes off some the heat from the EaP countries' troubled economies where joblessness would otherwise run even higher. The remittances sent back to their home countries account for an important source of foreign currency earnings. In addition, in the wake of the financial and economic crisis, Russia has offered emergency loans to the EaP countries. Nevertheless, Russia is also known for turning economic incentives against the EaP countries when the conditions demand it. For instance, control over the gas tap has been used against Ukraine, and in extension EU member states in Central and Eastern Europe, when disputes about the prices and payments flare up. Russia is also known to have expelled Georgian workers in 2006 and uses trade embargos and other trade defence instruments when relations turn sour with neighbours. And as the ultimate symbol of Russian coercive power, the deployment of the Russian Army in all six EaP countries serves as a reminder of Moscow's dominance dur-

²⁵ Popescu and Wilson, *The Limits of Enlargement Lite*.

²⁶ Susan Stewart, *Russia and the Eastern Partnership: Loud Criticism, Quiet Interest*, SWP Comments 7, Berlin, May 2009.

ing the days of the Soviet Union even in disputed areas where these troops act nominally as 'peace-keepers'. The number of Russian troops stationed in the region is estimated at about 30 000 men.²⁷

Although the EU still counts as the destination of choice for work, study or tourism for most citizens of the EaP countries, the legal difficulties and costs involved in visiting or residing, let alone working, in the EU member states reduce the force of attraction of the EU considerably. In addition, the success until recently of the Russian economy made some of the less democratically conscious political leaders among the EaP countries look towards Russia as a model for economic development. Nevertheless, the EU remains by far the most important trading partner for all EaP countries except Belarus and the financial stabilization loans granted by the EU during the height of the global financial crisis, along with the financial support granted to support economic modernization in the framework of the ENP has driven home the importance of the EU as an economic and political anchor of reform.

Russia's reactions to the EaP

When the proposal of an EaP was launched in May 2008, the Russian Foreign Minister, Sergey Lavrov, reacted negatively accusing the EU of extending its sphere of influence into areas traditionally regarded by Russia as under its influence.²⁸ The EU's explanation for not inviting Russia to join the EaP was to refer to Russia's choice to stay outside the ENP. The EU made a point, however, in emphasizing that Russia is welcome to join the thematic platforms when and where common interests exist – an offer which the Russians have declared themselves willing to accept.

Russian sensitivity to EaP may seem somewhat overblown given that the partnership is essentially a strengthened version of the ENP to which Russia never voiced any particular concern. Among the speculation as to why the EaP has attracted so strong resentment, at least rhetorically, two factors have been mentioned: the EU's offer to include Belarus which could lead to stronger links between the two has set off fears in Russia that its ties to Belarus will grow weaker; and the EU's promise to finance the modernization of Ukraine's gas distribution infrastructure without involving Russia has led to fears that it may weaken its power to influence Ukrainian politics.²⁹ Regardless which particular reasons sparked Russia's harsh reactions to the creation of the EaP, it is clear that the partnership is seen by Russia as an initiative

with the potential to alter the strategic situation in the post-Soviet region.³⁰ From a strategic perspective, the EaP may be seen in juxtaposition to developments in NATO and its relations countries in eastern Europe and south Caucasus. Russian misgivings about NATO enlargement to Georgia and Ukraine weighted in the decision to postpone de facto their accession in spite of the statement of the NATO summit in Bucharest in 2008 which pledged that these two countries 'will become members of NATO'.³¹ As the strategic situation in the post-Soviet region develop and the outcome of current attempts to "reset" Russian-American relations become clearer, EU's policy to the EaP countries has an important role to play in stabilizing the region and furthering socio-economic modernization.

There is no one who doubts that EU's relations to Russia have an important impact on the overall political context of the EaP as well as its more immediate implementation. Official EU documents have stated as much by pledging that the EaP 'will be pursued in parallel with the EU's strategic partnership with Russia' (Commission Communication) while the Prague summit declaration reiterated that the EaP 'will be developed in parallel with the bilateral cooperation between the EU and third states'. The summit declaration's failure to mention Russia by name may be an indication of the signatories' wish to recognize that other third countries, for instance Turkey, also have a stake in the development of the EaP or maybe out of concern to avoid the impression that Russia would be given sway over the future direction of the partnership. Negotiations between the EU and Russia for a follow-up to the PCA that expired in 2007 were suspended in 2008 after only a few months because of the Russian invasion of Georgia in August the same year.

Russian sensitivities to the EU forging structured relations to the countries in Eastern Europe and the Caucasus underline the strategic significance of the EaP and the importance for the EU to fully invest in its implementation. The EU should reiterate its strategic interest in a peaceful and increasingly prosperous eastern neighbourhood with its Russian counterparts and underline the win-win character of EU's commitment to the region which has the potential to benefit Russian economic and political interests as well. Negotiations with Russia on a new contractual agreement with the EU will be an important crossroads for relations in the wider region and should reflect the interests of the EaP countries as well as forging a new base for EU-Russia cooperation.

²⁷ Popescu and Wilson, *The Limits of Enlargement-Lite*.

²⁸ Valentina Pop, 'EU expanding its 'sphere of influence' Russia says', *EUObserver*, 21 March 2009.

²⁹ Susan Stewart, *Russia and the Eastern Partnership*, pp. 2-3.

³⁰ Hiski Haukkala, *From Zero-Sum to Win-Win? The Russian Challenge to the EU's Eastern Neighbourhood Policies*, European Policy Analysis, the Swedish Institute of European Policy Studies, 2009:12EPA

³¹ North Atlantic Treaty Organization, Bucharest Summit Declaration, the North Atlantic Council meeting, Bucharest, 3 April 2008 <http://www.nato.int/docu/pr/2008/p08-049e.html>

5. By way of conclusions

Although the EaP is still very much a project under construction, the EU has with the EaP made a substantial offer of political and economic association which has the potential to tie the EaP countries firmly to the EU. The EaP is the EU's response to a volatile region whose political stabilization and economic development are of strategic importance to Europe. Even before the outbreak of hostilities in Georgia, it was abundantly clear that the EU needed a self-standing policy towards the eastern neighbourhood and the war served to drive this point home. The EaP draws heavily on the instruments elaborated in view of the EU's enlargement to the countries of Central and Eastern Europe, but without offering the prospect of membership. The assumption of economic integration through regulatory alignment presents the EaP countries with a demanding undertaking, but the principle of differentiation could act as a motivation for the countries which are doing well to strive even harder for regulatory alignment and a reason for doing better for those which are lagging behind in their process of economic modernization and democratization. The advantage of the enlargement-lite approach lies in the possibility to offer differentiated associations to the EU so that EaP countries may forge ties that correspond to their political ambitions and state of socio-economic development. The disadvantage is that the EU will not have the same possibility to encourage regulatory convergence because membership as a carrot to fulfill the economic and political criteria for entry or as a stick in the event of non-fulfillment will not be applicable. The EU should therefore prepare for the event that some of the EaP countries' regulatory alignment to the EU *acquis* is slow, or even stalling, and make sure that the partnership offers other elements of interest to the EaP countries than deep market integration. The flagship projects and the multilateral dimension will be important in this respect and the EU should invest to make them worthwhile and relevant for the EaP countries. The EU will also have to strike the right balance between rewarding the countries that perform well and leaving laggards behind lest the valuable objective of regional integration among the EaP countries would be compromised.

Alongside the association process, the EU has undertaken to invest both politically and financially in important infrastructure projects in the energy sector, for instance in Ukraine, or in the construction of the Nabucco pipeline. It has still to deliver on the promise to facilitate the access of citizens of the EaP countries to the EU, let alone seriously

consider proposals for visa liberalization. Here the EU could improve its image with the populations in the EaP countries substantially by improving the implementation of the measures already agreed on and helping the EaP countries to comply with EU standards.

The EU must also strike a balance in the area of democracy promotion where its concerns to forge close relations with the countries in the EaP should not prevent it to support the process of democratization, even if this means directing criticisms at sitting governments. Cooperation with the Council of Europe on Belarus is a promising step as well as the Commission's call on civil society organizations operating in the EaP countries to report on the situation in their countries.³²

This paper argues that in order to succeed in achieving the aims of stability and prosperity in Eastern Europe and the Caucasus, the EaP does not appear strong enough strategically in its current layout. EU institutions and the member states should decide to strengthen the partnership's foreign and security dimension currently mentioned only briefly in official documents. In concrete terms, the EU's should join up the Commission delegations and the EU's special representatives and increase the cooperation with member states' diplomatic representations in the region. With the accession to NATO of Ukraine and Georgia being on ice for the time being, the EU could play an important role in addressing foreign and security concerns in the region by for instance taking a more active role in peace-keeping and mediation. In general the EU should strive towards better cooperation and greater clarity as to the respective roles of the various international organization active in the area, be it NATO, OSCE, the EBRD, the World Bank, the IMF or the Council of Europe.

The EaP will certainly be one of the priority areas for the strengthened office of the HR of EU foreign and security policy. Apart from allocating resources in terms of financing and recruiting staff with expertise in the area, the HR will have to nudge Russia towards accepting the EaP and work to change its current negative view on the initiative to regard it instead as an opportunity to achieve the global aims of stability and economic development in the region which will benefit Russia and Europe alike.

³² The Commission's call for consultation concerns all ENP countries, not specifically the countries in Eastern European and Southern Caucasus.

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