

# What future for the Eastern Partnership?

## More than a partnership, less than a membership

Velina Tchakarova \*

Following the Vilnius summit of the Eastern Partnership (EaP) in 2013, which eventually triggered the Maidan protests in Ukraine, much happened in the next two years. Meanwhile, Ukraine was experiencing the hardest period of its recent history after losing Crimea to Russia, facing a military conflict in Eastern Ukraine (with more than 9000 civilian and military casualties and over 1.3 million internally displaced persons), coupled with a threatening economic collapse and a possible default. Georgia and Moldova, on their part, signed the Association Agreements and the Deep and Comprehensive Free Trade Area with the European Union, whereas Armenia decided to join the Eurasian Economic Union (EAEU). Azerbaijan was the only country within the Eastern Partnership (EaP) initiative, which decided to remain rather neutral towards the integration incentives from the East and the West, while elevating its gas supplying role through the Southern Gas Corridor project. In the first half of 2015, the security situation in Eastern Europe, especially with regard to the Ukrainian crisis, partially stabilized, even though the military conflict was only temporarily halted through the negotiated cease-fire in Minsk. The Minsk 2 agreement was signed in February 2015 and introduced a de-escalation as well as a preliminary establishment of a fragile peace.

For Europe, one of the worst case scenarios of frozen and hot military conflicts along its periphery in the Eastern neighborhood, coupled with a political, economic, financial or social destabilization as well as a possible flood of refugees and displaced persons became reality. Even after the Minsk 2 cease-fire settlement, Ukraine remained far from safe and stable. Repeated cease-fire breaches and a new intensification of the Ukrainian conflict since the beginning of the summer showed how fragile the situation really is. Thus, both Brussels and the EaP countries regarded the Eastern Partnership as one of the realistic approaches

towards more “stability, security and prosperity” through positive developments in the field of good governance, political reforms or economic liberalization. The greatest achievement in this context was the signing of the Association Agreements (AA) by Ukraine, Moldova and Georgia last year. Although the economic part of the AA (DCFTA) was postponed in the case of Ukraine until the beginning of 2016, it is only a matter of time until Kiev joins the other two countries on the economic integration track as well. From this perspective, the actual implementation of the AA (and DCFTA) became the most substantial part of the EaP initiative.

However, it immediately became clear that the costs of the transformation of the political, economic and social systems of the AA countries would be enormous, and thus eventually might lead to considerable dissatisfaction with the government’s politics among the population. That is why there is a risk that one of the greatest achievements of the Eastern partnership so far – the AA (and DCFTA) – might also turn into one of the greatest challenges for the EaP countries, when it comes to dealing with growing public dissent. Not only strong political will and commitment will be required for the introduction and implementation of the unpopular reforms, but also a strong engagement by the EU member states, which has to follow through promoting, supporting and strengthening the implementation process with all possible tools and instruments. In a nutshell, the EaP initiative offers *more than a partnership, less than a membership*, which basically substitutes the European membership perspective for the last six remaining European countries. However, the final destination of the process should lead to an integration into the EU, even though without a participation at the level of the institutions. For this reason, the three EaP frontrunners – Moldova, Ukraine and Georgia – see the implementation of the AA (and DCFTA) as an ultimate goal to achieve an EU membership perspective

option in the long run, even if Brussels bureaucrats strictly separate the process of association from the enlargement process.

### The Riga Summit on May 21-22, 2015

The Riga summit turned out to be the non-event that everybody was predicting.<sup>1</sup> It did not produce the desired results or a great breakthrough in the policy of the EU towards Eastern Europe. However, the timing of the Riga summit was more than important for the EU in order to reaffirm its political commitment towards the EaP countries as well as to discuss possible steps and measures for the next two years. Not only was the summit a good opportunity to evaluate the interim results after Vilnius 2013, but it also provided a necessary platform for high-ranking European and Eastern European politicians to meet together and address urgent issues such as the Ukrainian crisis. What became clear in the forefront of the event, was that the AA signees had already marked some progress, particularly in the field of trade. For instance, the Moldavian exports to the EU increased by 20% in a year, while the Georgian ones rose by 12% in the first six months after the introduction of the DCFTA.<sup>2</sup>

At the Riga summit, Ukraine and Georgia sought to achieve primarily a visa-free regime, which was much desired by both the political elite and the population of these countries. However, the EU decided against granting it based on the progress both countries had made in this field, which eventually triggered a wave of dissatisfaction. So far, Moldova remains the only EaP country that has successfully negotiated a visa-free regime with the EU. Future chances of a visa-free regime seem rather high in the case of Georgia, but certainly not before the end of 2016 in the case of Ukraine. Since Ukraine and Russia have not demarcated their common border yet, which partially goes along Eastern Ukraine, it will be difficult for Kiev to negotiate a visa-free regime as one of the conditions is the

demarcation of all borders. Ukraine unilaterally started building a wall along its border with Russia in the hope of solving the border issue as soon as possible.

The focus of the Riga summit was Ukraine for understandable reasons. Prior to the summit, the newly elected Ukrainian president and government launched transformation efforts centered around major structural problems such as oligarchy, nepotism, corruption and bad governance. By appointing foreigners to key posts, who eventually adopted the Ukrainian citizenship, Kyiv tried to import external competences and skills and thus to strengthen good governance. At the same time, Ukraine faced more difficulties in the field of economic recovery where the prognoses for growth remained quite pessimistic. By 2020, Ukraine's GDP will still be one-third lower than in 1990.<sup>3</sup> In the next two years, the economy will recover restrainedly with around 2% growth per year. Moreover, the economic recovery will depend strongly on the successful implementation of the AA, especially with regard to institutional reforms and better business environment.<sup>4</sup> These issues were addressed by the participants at the Riga summit, while stressing the need for financial, technical and diplomatic support. Due to the fact, that Ukraine had to postpone the economic part of the AA, the EU granted Kyiv Autonomous Trade Measures and a financial package of 11 billion Euro. Additionally, Ukraine received a Macro-Financial assistance package of 1.8 billion Euro in 2015.<sup>5</sup>

In the wake of the Euromaidan revolution, the continuing military conflict in Eastern Ukraine and the ongoing financial and economic crisis, considerable uncertainty still hangs over all forecasts with regard to Ukraine. Key risks include a return to a large-scale military conflict with Russia but also a "possible failure of debt-restructuring talks, the knock-on effect of another bout of turbulence on international financial markets and the rapid decline in popular support for the current reforming government."<sup>6</sup> Nevertheless, key partners of Ukraine such as the USA provided Kyiv with military training and technical support for the Ukrainian army in order to strengthen the defense capabilities with regard to a possible risk of large-scale military conflict in Eastern Ukraine. Meanwhile, interna-

tional institutions such as the IMF addressed the possible risk of unsuccessful debt-restructuring by announcing their financial support despite the final results of the talks. This means that the IMF will lend to Ukraine even if Kyiv would be in arrears to private bondholders.<sup>7</sup> Ukraine signed also a deal with some of its largest creditors for restructuring \$18bn of debt, "involving a 20% reduction in the total to be repaid."<sup>8</sup> However, there is a dualism in terms of Ukraine's economic ties with third countries. On the one hand, Kyiv is focused on the implementation of the AA, which will create a great demand for modernization, technology transfer and investments from the European countries. On the other hand, Russian rebel-held Eastern Ukraine is increasingly orienting its economy towards Russia due to the fact that existent production chains, trade ties and various jobs are linked to Russia.

In the light of previous achievements such as a visa-free regime with the EU, Moldova's expectations from the Riga summit were not so high compared to Ukraine and Georgia. However, the greatest challenge for Moldova remained the preparation for the implementation of the various chapters of the AA. The false political promise that some parties linked to their election campaign during the last elections in Moldova led to the misperception and thus wrong expectation that the EU would give Moldova a membership perspective option during the summit. Even when the leaders of the EU countries expressed at the Riga summit their strong political will and support, especially for the three frontrunners of the EaP, the AA ratification process was clearly delaying the start of the implementation of the political association and economic integration of these countries.

The relations to Belarus have improved over the last year due to the fact that Belarus was playing a key role in the negotiation process between Russia, Ukraine and the EU over a cease-fire agreement in Eastern Ukraine. Two different documents – Minsk I and Minsk II – came out of this very important negotiation process on the peace in Ukraine. Belarus received access to the multilateral forum of the EaP initiative and resumed talks with the EU, which was a gradual success compared to prior summits. Armenia, on its part, joined the Eurasian Economic Union in 2015, and thus refrained from negotiating

further on AA and DCFTA. Meanwhile, Azerbaijan was balancing between the two integration projects of the EU and the EAEU but it remained neutral towards joining any of them. Certainly, Baku will try to establish strategic relations with the EU, which are different from those linked to AA and DCFTA, due to its potential role as an energy supplier for Europe.

Compared to the previous financial framework of the EaP, the EU considerably increased the financial allocations based on conditionality. There are preconditions that the EaP countries have to fulfill in order to receive financial support – like sectoral development or reform policy and strategy, stability oriented macroeconomic framework and a program on improvement of public financial management.<sup>9</sup> The European Commission identified the cooperation priorities for the EaP countries and set a financial framework for each of the six countries through the Eastern Neighborhood Instrument.<sup>10</sup> Armenia will receive a financial support for the period 2014-2017 between €140-170 million in the private sector development, public administration reform and justice sector reform. Azerbaijan will receive for the same period of time between €77-94 million in the top priority fields of regional and rural development, justice sector reform and education and skills development. And Belarus, on its part, will allocate the sum of €71 to €89 million, while improving social inclusion, environment and local and regional economic development. All together, the EaP countries will receive financial means for the period 2014-2017 between €418-511 million, covering four priority sectors – the Eastern Partnership including Flagship Initiatives, the regional cooperation frameworks, energy and transport initiatives involving the wider region as well as horizontal and sectoral support for multilateral cooperation.<sup>11</sup>

## Relations with Russia

One of the most challenging questions that European policy makers will have to address in the near future is how they will shape the relationship between the EU and Russia, which will affect respectively the relations between the EaP countries and Russia. The relations between Brussels and Moscow marked a record low since their institutionalization back in the 1990's.

Only a year after the introduction of sanctions, which the EU members have prolonged recently, one can clearly see the negative implications on the bilateral relations but also for both Russia and the EU. In particular, mutual trade and economy were harmed to a great extent. EU member states that are more dependent on Russian gas had to diversify their gas supplies. Some of them faced a difficult dilemma after the sudden withdrawal of the “South Stream” project that was meant to provide gas to Bulgaria, Serbia, Hungary, Slovenia and Austria. The newly launched initiative “Turkish Stream” would offer a gas supply to Europe through the Turkish-Greek border but Russia and Turkey did not agree on gas discount prices during the first round of negotiations and thus halted them temporarily.

Both the EU and Russia introduced alternative integration models to Eastern Europe, and thus found themselves in a direct competition, which was affected by the deterioration of the bilateral relations. Even though, the EU and Russia cannot fully refrain from the bilateral track to shape their relations, Brussels and Moscow will more likely prefer the regional level of talks, where a future outcome might be negotiations over a possible Free Trade Area (FTA) between the EU and the Russia-led integration project Eurasian Economic Union. In the meantime, they will make use of multilateral forums as well as mediation efforts by third countries to put various topics of common interest – among them energy, trade, economy etc. – on the discussion table, respectively to avoid conflicting topics such as defense provocations, economic and diplomatic sanctions, or Russian military presence in Ukraine. Surely, the Russian approach of coupling the Eurasian economic integration with political influence projection in the near abroad will face harsh critics and growing unacceptance in the countries of Eastern Europe.

### **Outlook for the EU, Russia and Eastern Europe**

A new cold war style escalation between the EU and Russia will further determine the foreign and security policy agenda in the years to come. The prospects of a lasting bilateral cooperation are quite poor, in particular in the common

spaces of economy, freedom, security and justice as well as external security. Economic sanctions, the deterioration of the political dialogue, decreasing economic and trade relations, as well as increased military exercises and provocations (for example, in the air and at sea) will shape the bilateral relationship.

Negotiations on a free trade agreement between the European Union and the Eurasian Union seem more realistic than the improvement of bilateral relations between Brussels and Moscow in the near future. One can assume that trilateral talks and negotiations between Brussels, the EU members (including the EaP countries) and Moscow offer a more pragmatic framework for dialogue than the previous negotiations framework of the four common spaces of interest. What exactly the substance and the particular areas of cooperation will be remains yet to be seen. However, the current Status Quo of the bilateral relations will not change much, contrary to the deepening relations between the EU and the EaP countries.

It seems quite unlikely that the bilateral relations between Brussels and Moscow would experience a new revival in the future. On the contrary, the EU will deepen relations with Ukraine and the other EaP frontrunners, taking a rather critical stance towards Russia. Since the outbreak of the Ukrainian crisis, it became clear that the two models of integration of the EU and the EAEU are in a direct competition in the common neighborhood, which is expected to intensify with the deteriorating bilateral relations between Brussels and Moscow. Most likely the three EaP frontrunners will focus mainly on the European Association, whereas Armenia and Belarus will further deepen the Eurasian Economic integration, while Azerbaijan will remain rather neutral towards the two models of integration. Even if Brussels and Moscow would not completely avoid the bilateral track of relations (the Partnership and Cooperation agreement has been automatically renewed since 2007, as no new substance has been added to the four common spaces and the negotiations have been stalled), they will probably rely more on the regional level of cooperation between the EU and the EAEU. The Russian approach to integration, which links

economic stimulus and subsidies to political influence will face increasingly opposition from the countries in the former post-Soviet space. Still, Russia will further promote and support the Eurasian Economic integration by all means and with all efforts.

The EU and its members will focus on stabilizing the Ukrainian economy, finance and political system. However, Brussels will keep the trilateral format, which involves also Russia, when discussing urgent topics such as peace talks on Eastern Ukraine, gas supplies, trade and economic issues or the high number of refugees. One major question that they will have to address is how to shape the future trade relations, in particular with regard to compensation of Ukraine's declining trade with Russia.

### **Recommendations**

The following policy recommendations appear in connection with the EU's interests in Eastern Europe and its policy of security, stability and prosperity in the eastern neighborhood. The Eastern Partnership initiative needs a geographical prioritization as well as a special focus on the three frontrunners – Ukraine, Moldova and Georgia. A comprehensive implementation of the association process at all desired levels in these three countries is urgently required. The EU has to offer a transfer of technical, financial and institutional know-how as well as teams of experts, specialists and bureaucrats from the member states in order to strengthen and promote the process of adaptation of the technical regulations and standards as well as to speed up the implementation of the AA/DCFTA. Brussels must set realistic short and middle term goals for the three eastern European countries – Azerbaijan, Belarus and Armenia in order to encourage them to participate in particular projects and fields of the bilateral track of the EaP. It can happen in the context of diplomatic efforts as well as at the various platforms provided by the Eastern Partnership. A definition of realistic foreign and security policy objectives in accordance with the Article 7 of the AA is another must for all EaP countries so that the process can be institutionalized as well.



The immediate stabilization of Ukraine's financial situation as well as preventing the country from default are necessary measures that the EU can focus on. Brussels should also introduce a comprehensive approach of structural reforms to eradicate the defective Ukrainian system of nepotism, corruption and oligarchy. The economic modernization and the intensification of the trade relations should be among the top EU priorities in the relations with Ukraine. Brussels should also pressure Ukraine to implement the Minsk II-agreement and link it to the progress of the AA/DCFTA in order to impose certain conditionality for appeasement of Eastern Ukraine. Strengthening democracy seems one of the most urgent but also achievable goals due to the fact that the EU has various instruments and tools at its disposal. Promoting the work of NGOs and deepening the cooperation in fields such as students' exchange, scientific research or civil society programs are only few examples that can be pointed out. The EU also addresses issues considering the human rights, the rule of law or election atrocities.

## Conclusion

The Eastern Partnership needs a new *modus vivendi* for the relations of the EU with the six countries. Clearly, the current principle of *more than a partnership, less than a membership* will not create sufficient incentives for the countries to implement the AA/DCFTA. It is thus to be expected that as soon as the EaP countries make progress in implementing the AA/DCFTA, they will link the success of the association/economic integration process to a membership perspective option. Receiving the option of EU membership perspective would be sufficient for the political elites to justify the high costs of the transformation and the shock reforms as well as the sacrifices of their population in terms of higher consumption prices and taxes.

In terms of the AA and DCFTA, the ratification process is almost over but the hardest part will begin with the factual implementation of all chapters coupled with the technical adaptation. It is not surprising that the three frontrunners wish to be separated from the rest of the EaP countries due to the AA/DCFTA track. However, there is a risk of too much fragmentation within the EaP group that could eventually ruin the

group affiliation of some of the countries such as Belarus.<sup>12</sup>

Surely, the multilateral platform of the EaP is a helpful tool for discussing urgent issues together or simply putting country-specific topics on the agenda and gaining experience from one another. But at the same time, the group approach towards the EaP countries has not proved itself to be much effective so far. From the current perspective, the EU has to deal with very different countries within the initiative: two countries – Georgia and Moldova – have signed both the AA and the DCFTA, another one – Ukraine – has not signed the DCFTA part of the AA yet, and further two – Belarus and Armenia – have decided to join the Eurasian Economic Union, whereas Azerbaijan is still balancing between both the European Union and the Eurasian Union, while being in search of new kind of a relationship with the EU apart from joining the AA and DCFTA.

The future challenges are to be found in the fields of consolidating statehood, strengthening democracy and good governance but also addressing the risks of conflicts and instabilities as a result of existent frozen conflicts. Except for Belarus, the other five EaP countries are faced with unresolved separatist issues, which makes the case for more crisis management through the EaP initiative. Advancing economic integration and regulatory approximation with the EU will shape the future of the Eastern Partnership to a great extent in the years to come.

## Literature

- 1) Carp/Schumacher, p. 1.
- 2) The Eastern Partnership – a policy that delivers.
- 3) Ukraine's economy II: What's next?
- 4) Ibid.
- 5) The Eastern Partnership – a policy that delivers.
- 6) Ibid.
- 7) Mayeda, A., & Klimasinska, K.
- 8) Ukraine agrees 'win-win' debt restructuring deal.
- 9) EU budget support to Eastern Partnership Countries: Moldova, Georgia, Ukraine. 2014, p. 3.
- 10) European Commission 2014, September 8.
- 11) Ibid.
- 12) Belarus FM: Eastern Partnership split can ruin whole initiative 2015, June 5.

Belarus FM: Eastern Partnership split can ruin whole initiative. (2015, June 5). Retrieved August 25, 2015, from <http://tass.ru/en/world/798960>  
Carp, S., & Schumacher, T. (2015, July 1). From Survival to Revival:

The Riga Summit 2015 and the revised ENP. Retrieved August 24, 2015, from <http://www.egmontinstitute.be/wp-content/uploads/2015/07/SPB65.pdf>

EU budget support to Eastern Partnership Countries: Moldova, Georgia, Ukraine. (2014). Retrieved August 25, 2015, from [http://eap-csf.eu/assets/files/WG1\\_EU\\_Budget\\_support\\_last\\_en.pdf](http://eap-csf.eu/assets/files/WG1_EU_Budget_support_last_en.pdf)  
Eastern Partnership. A policy that delivers. Brussels. (2015, May 21). Retrieved August 24, 2015, from [http://eeas.europa.eu/factsheets/docs/factsheet\\_eastern\\_partnership\\_en.pdf](http://eeas.europa.eu/factsheets/docs/factsheet_eastern_partnership_en.pdf)  
European Commission - PRESS RELEASES - Press release - The Commission sets out cooperation priorities for the Eastern and the Southern Neighbourhood for coming years. The European Neighbourhood Instrument (ENI). (2014, September 8). Retrieved August 25, 2015, from [http://europa.eu/rapid/press-release\\_IP-14-977\\_en.htm](http://europa.eu/rapid/press-release_IP-14-977_en.htm)

Joint Declaration of the Eastern Partnership Summit (Riga, 21-22 May 2015). (2015, May 21). Retrieved August 24, 2015, from <http://www.consilium.europa.eu/en/workarea/downloadAsset.aspx?id=40802196824>

Mayeda, A., & Klimasinska, K. (2015, June 9). IMF Says It May Finance Ukraine Even If Creditors Don't Get Paid. Retrieved August 24, 2015, from <http://www.bloomberg.com/news/articles/2015-06-09/imf-says-it-may-finance-ukraine-even-if-creditors-don-t-get-paid>

The Eastern Partnership – a policy that delivers. (2015, May 21). Retrieved August 24, 2015, from [http://europa.eu/rapid/press-release\\_MEMO-15-5019\\_en.htm](http://europa.eu/rapid/press-release_MEMO-15-5019_en.htm)

Ukraine agrees 'win-win' debt restructuring deal. (2015, August 27). Retrieved August 27, 2015, from <http://www.theguardian.com/world/2015/aug/27/ukraine-agrees-win-win-debt-restructuring-deal>

Ukraine's economy II: What's next? (2015, July 29). Retrieved August 24, 2015, from <http://country.eiu.com/article.aspx?articleid=603387244&Country=Ukraine&topic=Economy&subtopic=Forecasts&subsubtopic=Economic outlook>

\* *Velina Tchakarova is a AIES Senior Research Fellow.*

© Austria Institut für Europa- und Sicherheitspolitik, 2015

Alle Rechte vorbehalten. Nachdruck oder vergleichbare Verwendungen von Arbeiten des Austria Instituts für Europa- und Sicherheitspolitik (AIES) sind auch in Auszügen nur mit vorheriger Genehmigung gestattet. Die im AIES-Fokus veröffentlichten Beiträge geben ausschließlich die Meinung der jeweiligen Autorinnen und Autoren wieder.

Schlossgasse 6, A-2344 Maria Enzersdorf  
Tel. +43 (0)2236 411 96, Fax. +43 (0)2236 411 96-9  
E-Mail: [office@aies.at](mailto:office@aies.at), [www.aies.at](http://www.aies.at)

Layout: AGENCY Medienbüro Patrick Meyer