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The Post-Vilnius Challenges of the Eastern Partnership

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Papers presented at the Panel '*Russia, EU's Eastern Partnership and Vilnius Summit*' of the 13th Annual Aleksanteri Conference 'Russia and the World'. Aleksanteri Institute of the University of Helsinki. October 23-25, 2013, Helsinki, Finland.

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Introductory note

On October 23-25, 2013 the Aleksanteri Institute of the University of Helsinki organised its 13th Annual Aleksanteri Conference under the title 'Russia and the World'.² At the conference directing its focus on Russian foreign policy as well as on Russia's standing in current international affairs the Estonian School of Diplomacy (ESD) and the Estonian Center of Eastern Partnership (ECEAP) convened the panel '*Russia, EU's Eastern Partnership and Vilnius Summit*'.

The panel aimed at addressing the developments leading to the 3rd Eastern Partnership Summit in Vilnius on 28-29 November 2013. Alexander Izotov from the School of International Relations of the Saint Petersburg State University analysed Russia's position *vis-à-vis* the Eastern Partnership. Kristi Raik from the Finnish Institute of International Affairs explained challenges that the EU is facing within its Eastern neighbourhood and in having the Eastern Partnership as an element of its foreign policy. Alexei Sekarev, Team Leader of the Eastern Partnership Territorial Cooperation Support Programme, Tbilisi, provided insights to the issues – sometimes successes, sometimes obstacles – related to the implementation of the EU approximation and cooperation policies by the political elites of the EaP partner countries. Mia Hurttu from the Finnish Ministry of Foreign Affairs discussed all the three papers from diplomat's perspective.

This collection publishes the three presentations updated by taking into consideration the Vilnius Summit results. The papers ask questions about Eastern Partnership's future. The challenges this policy is about to face both within the difficult processes of AA/DCFTA (Association Agreement/Deep and Comprehensive Free Trade Agreement) implementation as well as within the context of the rapidly changing international relations.

Contributors and editor of this collection take an opportunity to thank the Aleksanteri Institute and the Estonian Ministry of Foreign Affairs for their support in making the panel and this publication possible.

2 <http://www.helsinki.fi/aleksanteri/conference2013/>.

Russia and the EU`s Eastern Partnership in the Context of the EU-Russia Relations

Alexander Izotov

Abstract

The paper analyzes the EU's Eastern Partnership as an element of the EU-Russia relations. In the beginning it outlines the determinant factors which shape the Russian attitudes towards the Eastern Partnership. After that it focuses on the analysis of the evolution of the Russian perceptions of the EU activities within the post-soviet space since the beginning of the European Neighborhood Policy. Besides, the paper analyzes the EU and Russian approaches towards the region of their common neighborhood in comparative perspective. In the conclusion the paper outlines the possible implications of the EU's Eastern Partnership developments for the EU-Russia relations in the context of the EaP Vilnius summit.

Determining factors of the Russia's attitudes towards the EU's Eastern Partnership

For Russia its relations with the European Union are very important due to a number of crucial reasons, first of all because of the economic rationale as the EU is largest trade and investment partner of Russia. The same time the EU-Russia relations are complex and multifaceted, they depend on many different factors of political, economic and ideational nature.² In this way the EU's Eastern Partnership (EaP) occupies a special position among the determining factors of the EU-Russia relations and the Russian policy towards the European Union.

The general Russian attitude towards the EaP is based on the fact that the EU's Eastern Partnership is targeted at the countries of the western part of the post-soviet space (Belarus, Ukraine and Moldova) and the region of South Caucasus (Georgia, Armenia, Azerbaijan), this region is very important for Russia and its foreign policy because of number of reasons rooted in history and identity debates, security concerns and pragmatic economic-political interests. Also it is very important that the EaP supposes some level of integration of the target-countries with the EU norms and policies however the Russian attitude towards the integration processes within the post-soviet space without its own participation and leadership in these processes is quite sensitive.

There are several factors which influence the shaping of the Russian attitude and approaches towards the EU's Eastern Partnership.

At the conceptual level of the current Russian foreign policy thinking the countries of the post-soviet space are top priority for the Russian international activities due to a number of political, security, economic, historical and ideational reasons. The multilateral integration projects within the post-soviet space initiated and supported by Russia are connected not only with the objectives of the Russian foreign policy, these projects are also connected with the current Russian international identity as it is seen by the most part of the current Russian political elite. According to these views the central goal of the foreign policy is the preservation of the country's global power status. Besides, the dominant Russian foreign policy discourses and the most part of the Russian political elite see the great power concept rather in conservative terms of the realist visions of international relations and European foreign policy thinking of nineteenth century when the hard power and coercion played more important role than attractiveness and soft power approaches. Also during 2000-s gradually the idea of the multipolar world became dominant in the Russian foreign policy discourses. Therefore according to this thinking Russia is regarded as one of the power centers of the multipolar world being independent from other global actors as well politically and normatively equal to the western community and its international actors.³ Following this the successfulness of the project of the regional post-soviet integration would support the international status of Russia as a great power and reinforce its international policies and activities at the global level.

Also two points more should be noted. Firstly, the Russian political discourse on the EU-Russian common neighborhood is very much connected with the debates on the security issues and concerns. So the Russian CIS agenda (especially in the case of the Western NIS and South Caucasus) is under permanent risk of securitization. Secondly, such countries as Russia, Belarus and Ukraine are still socially quite interdependent; this interdependence is rooted into the specificities of the post-communist transitions and nation-building in these countries and its ethno-linguistic commonalities.

2 For analysis of the conceptual approaches to the EU-Russia relations see: Makarychev, A. Sergunin, A. The EU, Russia and models of international society in a Wider Europe // *Journal of Contemporary European Research*, Volume 9, Issue 2 (2013)

3 For the detailed analysis of the main conceptual changes in the Russian foreign policy since 2000 see: Trenin D. Vladimir Putin's Fourth Vector // *Russia in global affairs*, 30 of June, 2013.

Beside conceptual level there is a *group of economic reasons* explaining the Russian interests towards the post-soviet space and its concerns about the EaP. The economic strength of Russia is mainly based on the export of its energy resources to the EU, since that the region of the western part of the post-soviet space is a very important area from the viewpoint of energy transit – oil and gas produced in Russia and Caspian / Central Asian regions. The policy of export and transit of crude hydrocarbons is very important element of the Russian foreign policy and the influence or even control over the energy transit infrastructure of the energy transit countries (western NIS) is one of the important priorities of the Russian energy and foreign policies. Therefore the Russian attitude towards the “energy dimension” of the EU’s EaP is quite sensitive. Besides, some groups of the Russian business are interested in free access to the markets of the post-soviet countries.

The level and quality of the relations between Russia and the Western community and its key actors (first of all the EU, NATO and their key member-states) is crucial factor which influences the Russian attitudes and policies towards the EU activities within the western part of the post-soviet space. In this respect the Russian-Euro-Atlantic relations are of great importance for the shaping of the Russian attitude towards the Western community, namely the quality of the relations between Russia and the U.S. and between Russia and the NATO. Regarding the EU-Russia relations it is important whether the EU and Russia have a strong cooperative agenda for the development of its mutual cooperation and how deep and comprehensive it may be.

Another reason of the Russian concerns on the Eastern Partnership is the fact that it was initiated and actively lobbied mainly *by new EU member-states* of the East-Central Europe and Baltic region which joined the Union in 2004 and 2007. Even after the official start of the EaP in spring of 2009 the representatives of new EU member states were more involved in the functioning of the EaP institutions (especially in the EaP’s multilateral track) to compare with the representatives of the old or “western” EU member-states.⁴ Improving bilateral relations between new member-states and Russia has hardly been an easy matter, nevertheless some positive changes on several bilateral tracks have already taken place. First of all it is improvement

of the relations between Russia and Poland. At the same time it would not be correct to regard new EU member states of Baltic and Central and Eastern European area as having a single collective position in their relations with Russia. In practice each new EU member state is distinguished by its own, special, way of dealing with Russia, which is not necessarily charged with a negative modality. Quite frequently the “Russian issue” becomes a challenge for the coordination of new EU members’ foreign policies.⁵

The last but not the least *the level and quality of the relations between Russia and the target states of the EaP* is crucial for the shaping of the Russian perception of the EU’s policies within the post-soviet space. For example the Orange revolution in Ukraine of 2004-2005 resulted not only in sharp deterioration of the relations between Ukraine and Russia, also it resulted in the most significant revision of the Russian policy towards the post-soviet space and towards the EU activities within this region. Also in this respect it is very important to admit that the domestic politics of most of the EaP countries are quite turbulent and complicated with the secessionist conflicts and territorial disputes in some cases. Moreover in the domestic politics of several countries of the EU-Russian neighborhood (e.g. Ukraine, Moldova) quite frequently the competing political forces declare of their “pro-western/European” or “pro-Russian/Eurasian” international orientation. Of course the most of these political forces mainly use the declarations about “geopolitical” orientations as a part of their electoral rhetoric the same time preserving the key political interests of its leaders and elites and orientation at the electoral success. Nevertheless sometimes the electoral debates on the “geopolitical” or “international” orientations in these countries do not invest into the stabilization of the EU-Russian relations over the region of their common neighborhood.

4 See: Delcour L. The institutional functioning of the Eastern Partnership: An Early Assessment. Estonian Center of Eastern Partnership, Eastern Partnership Review No. 1, October, 2011.

5 Rącz, A. The Greatest Common Divisor: Russia’s Role in Visegrad Foreign Policies // The Polish Quarterly of International Affairs, 4/2012.

Evolution of the Russia's attitudes on the EU's policies towards its Eastern neighborhood⁶

The start of the European Neighborhood Policy in 2003-2004 was mainly caused with the EU eastern enlargement of 2004. On the whole this time coincided with the beginning of the deterioration of the relations between the Western community and Russia caused with the increasing values gap, the growing EU displeasure with the course of the Russian political transformation and the mutual disputes over the economic and trade issues including the difficulties of the EU-Russian energy dialogue. Regarding the EU eastern enlargement the Russian political elite was mostly disappointed with its results as prior to 2004 its dominant sentiment had been that the EU enlargement would automatically lead to the improvement of the relations between the acceding countries and Russia. However rather the whole set of unresolved problems in the interrelations between new member-states and Russia moved up to the level of the EU-Russian relations as a whole. Nevertheless the Russian concerns about the EU enlargement were more about economic matters without paying much attention to the EU activities within its new eastern periphery.⁷ Regarding the initial Russian reaction towards the European Neighborhood Policy it was quite passive.⁸ Russia mainly paid attention to the point that it should stay outside of the ENP and prefer the development of the special bilateral framework for the Russia-EU relations on the equal footing rejecting the idea of conditionality. In other words Russia did not want to be treated by the EU as just one of the European Neighborhood countries that would affect its international status as a major power. In result in 2003 the EU and Russia agreed that their relations will be developed within the framework

of Four EU-Russian Common Spaces;⁹ in 2005 four "road maps" for the implementations of these common spaces were adopted by the EU and Russia.¹⁰

Also before the Orange revolution in Ukraine Russia was quite skeptical about the EU abilities to influence the countries of the western part of the post-soviet space. In the very beginning of the ENP Russia did not take seriously new EU policy paying attention to the absence of the membership perspectives for the ENP target countries and to the "too broad" geographical scope of new EU policy and "European neighborhood" covering territory from Morocco to Belarus. That time Russia was quite confident in dealing with the countries of the post-soviet space. In September of 2003 Russia, Belarus, Kazakhstan and Ukraine signed the Agreement on establishing of the Single economic space between them. Also in 2003 Russia almost convinced the president of Moldova V.Voronin to accept the so-called Kozak plan on the resolution of the Transdnistrian conflict which would legitimize the Russian military presence in Moldova.

The Orange revolution in Ukraine in 2004-2005 is crucial for understanding of the change in the Russian reaction and approaches to the EU policies towards its eastern neighborhood. If after the EU eastern enlargement the EU-Russian relations became more complicated the Orange revolution in Ukraine and the Russian reaction to it resulted in the systemic crisis of the Russia-Ukrainian relations and also it resulted in the deterioration of the relations between Russia and some new EU member states (first of all between Russia and Poland). Therefore by the beginning of 2005 the levels of the relations between Russia and EU, between Russia and new EU member states and between Russia and Ukraine, a key country of the EU-Russian neighborhood, had been seriously affected and damaged not speaking about increasing tensions in the NATO-Russia relations caused with the plans of further NATO enlargement to the East and the Russian negative reaction to it.

Also the Orange revolution demonstrated the unsuccessfulness of the integrationist projects within the post-soviet space initiated by Russia, first of all the Single economic space. Not surprisingly that all these factors resulted in the general revision of the Russian policy towards the post-soviet space

6 For the comprehensive analysis of this topic see: Khudoley K., Izotov A. Russia and the European Union: Partnership and Conflict Undefined // *The European Neighbourhood after August 2008*. Republic of Letters Publishing / ed. by V. Made and A. Sekarev. Dordrecht, NL, 2011. P. 199-232.

7 Arsyukhin E. *Opasnij ultimatum*. (Arsyukhin E. A Dangerous Ultimatum). // *Rossiyskaya gazeta*. 24th February 2004 // <http://www.rg.ru/2004/02/25/ultimatum.html>

8 See Gretski, I., Treschenkov E. *Evropeiskaya politika sosedstva: Njuansi vospriyatia v Rossii* (European Neighborhood Policy: Nuances of the Russian perception) // *Mezhdunarodnie protsessy*, 2012, No. 3.

9 EU - Russian Joint Statement "300th anniversary of St. Petersburg - celebrating three centuries of common European history and culture" on results of the EU - Russian Summit in Saint-Petersburg, 31 of May, 2003.

10 The Road Maps of the four EU-Russian Common Spaces, Moscow, 10 May, 2005.

and to the revision of the Russian attitudes towards the EU policies within this area.¹¹ The EU and ENP became to be regarded by Russia as competitors in the area of the western part of the post-soviet space and South Caucasus, the same time Russia was excluded from the ENP and could not influence it. Therefore Russia had tried to find new approaches and leverages in dealing with the countries of the western part of the post-soviet space in assertive way at bilateral and multilateral levels. The key element of this new Russian approach at the bilateral tracks was connected with its energy policy and liberalization of the gas prices. But on the other hand such countries as Ukraine and Belarus controlled transit routes of the Russian oil and gas to the EU and it gave them a counter leverage to oppose the Russian policies. This situation several times resulted in the acute gas disputes between Russia and Ukraine (2005-2006, 2008-2009) and between Russia and Belarus (2006-2007) that had affected the energy security of the EU and contributed into the debates on the development of the common EU energy policy. Also these gas crises have undermined the reputation of Russia, Ukraine and Belarus as credible gas suppliers or transit countries. At the multilateral track in 2007 Russia, Belarus and Kazakhstan decided to establish a custom union, at its initial stage this project looked like a restricted version of the former project of the Single economic space.

On the whole during the period between 2005 and 2008 the relations between Russia and EU remained stagnant, the relations between Russia and several new EU members were in state of frustration complicated with Russian-Polish and Russian-Lithuanian trade-political disputes that had affected the level of the EU-Russia relations in 2006-2007 blocking the process of the preparations for the negotiations on new EU-Russia contractual agreement. The relations between Russia and several countries of the western part of the post-soviet space were quite turbulent that culminated in the Russian-Georgian military crisis and hostilities in August of 2008. Also the active debates on the possible NATO enlargement to the countries of the common neighborhood reinforced after the Orange revolution influenced negatively the

Russian-Euro-Atlantic relations and strongly securitized the Russian perception of the western part of the post-soviet space.

The proposal of Poland and Sweden to develop the EU's Eastern Partnership in spring of 2008¹² from the very beginning was strongly influenced not only with normative but also with geopolitical reasons, namely with the EU concerns about the Russian policy towards the western part of the post-soviet space. These concerns increased after August of 2008 that had accelerated the formalizing of the EaP within the EU institutions by the end of 2008. On 1st of September, 2008 the Extraordinary European Council condemned the Russian policy during August military conflict with Georgia and asked the Commission to prepare its proposals on new EU external policy.¹³ However by 2008 within the EU there had already been the political debates on the regionalization of the ENP into its southern and eastern dimensions. In 2008 the Union for the Mediterranean was launched jointly by the EU and its southern neighbors, it apparently also facilitated a positive decision on the establishment of the Eastern Partnership thus keeping some kind of inter-regional balance between the EU external dimensions.

Regarding the initial Russian reaction to the EaP it should be admitted that the finalizing of the EaP initiative by the EU Commission took place during the autumn of 2008, that months were characterized with dangerous exacerbation of the Western-Russian relations followed after the crisis of August, 2008. It is not surprisingly that Russia expressed its enough strong concerns about new EU policy and Russia took the EaP as a matter of greater political importance than the ENP. Russia was quite surprised that the EU comprising 27 member-states could develop new dimension of its external policies within a short period of time. The main Russian fear was that the EaP would "alienate" the post-soviet countries from Russia¹⁴ especially

11 Zayavlenie Gosudarstvennoi Dumi Federalnogo Sobrania RF ot 3 dekabrya 2004 goda "O popitkah destruktivnogo vmeshatelstva izvne v razvitie situatsii na Ukraine. (The statement of the State Duma of the Federal Assembly, 3rd December, 2004: "About the attempts of destructive interference into the situation in Ukraine) // Sobranie zakonodatelstva RF. 13.12.2004. №50. Par.4997.

12 "Polish-Swedish proposal Eastern Partnership", 23 of May, 2008. from web-site of the MFA of Poland // <http://www.msz.gov.pl/Polish-Swedish,Proposal,19911.html>

13 Extraordinary European Council, Brussels. 1 September, 2008. Presidency conclusions. Brussels, 6 October, 2008. 12594/2/08.

14 Novaya politika Vostochnogo partnerstva Evrosouza poka ne do kontsa ponyatna Rossii, zayavil predstavitel Gosdumi. (The Eastern Partnership, a new policy of the EU is not yet clear for Russia, said the State Duma Member). // Belapan informational agency, 16th January 2009 // <http://belapan.com/archive/2009/01/16/278001/>

developing its multilateral track.¹⁵ Another Russian concern was about a fact that the EaP had been set forth by Poland and Sweden and actively lobbied mainly by new EU members, with which Russia had experienced the most strained relations.

Nevertheless by the date of first EaP summit in Prague in May of 2009 Russia had softened its position towards the Eastern Partnership. It can be explained with several reasons. Firstly the EU tried to convince its Russian partners that the EaP was not targeted at the Russian interests. It should be admitted that several days before Prague Eastern Partnership summit the foreign minister of Poland R.Sikorski visited Moscow and had talks with its Russian counterpart on the EaP issues.¹⁶ Also the EU spoke about possibility to have Russia and Turkey involved in discussions about particular activities in the framework of the EaP. Another reason of decreasing of the Russian fears about the Eastern Partnership was lack of interest to the Prague summit expressed by some key EU members like Britain and France. Thus after the first EaP summit Russia changed its rhetoric towards the Eastern Partnership from stressing the issues of security concerns to the critics of the political and institutional coherence of the EaP, paying attention to the lack of its financing and divergent interests of the EU members and the target countries regarding the EaP.¹⁷

During the period between 2009 and 2012 the EU – Russia relations over the issues of the Eastern Partnership were smoother than during 2008-2009 because of several reasons. This period is characterized with the improvement of the relations between Russia and the western entities at several levels. At Russian-Euro-Atlantic level the start of the US-Russia “reset” despite of its rather modest results made mutual relations less tense and changed the rhetoric. Besides, the loss of the prospects of some post-soviet countries to join the NATO in the short-term perspective reduced the level of sensitiveness in Russia’s attitude towards the political processes within the post-soviet space. At level of the EU-Russia

relations the start of the Partnership for modernization initiative in 2010 despite of its rather modest practical results changed the modality of the mutual relations proposing new EU-Russian cooperative agenda. Besides, there have been positive changes at the level of the relations between Russia and several new EU members, first of all between Russia and Poland since 2009-2010. The last but not the least, the relations between Russia and Ukraine became more stable after V.Yanukovich was elected as the Ukrainian president in February of 2010. Besides, the Russian-Ukrainian Kharkiv agreements of 2010 have lifted some Russian security concerns regarding Ukraine.

All these changes were determined with some domestic and international factors. Concerning first ones “the modernization discourse” declared by the Russian president D.Medvedev (2008-2012) in 2009 can be admitted. Regarding the country’s foreign policy objectives the modernization strategy supposed “the cooperation for modernization” with the developed countries as a general priority.¹⁸ In practice this political strategy resulted in the signature of the declarations for “modernization partnership” between Russia and EU¹⁹ as well between Russia and most of the EU member states.

Regarding the international factors first of all the consequences of the world economic and financial crisis should be admitted. The growing economic difficulties of 2008-2009 had strongly contributed into the prevention of the dangerous exacerbation of the Russian-Western relations after August of 2008. Also the improvement of the relations between Russia and Poland had its strong economic reasons. Besides, the world economic crisis and sharp decline in oil prices in 2008-2009 made the region of the post-soviet space less attractive in terms of the international economic competition for its natural resources.

As a result of all these improvements in the relations between Russia and the Western community the Russian attitude towards the EaP became less sensitive although remaining not positive. On the whole the paragraphs on the Eastern Partnership in the annual surveys of the Russian foreign policy

15 Rossiya prokladno otnositsya k idee EC o “Vostochnom partnerstve” – Mironov. (Russia is lukewarm about the EU idea of Eastern Partnership. – Mironov) // Reuters. 12th June 2008.

16 Transcript of Remarks and Response to Media Questions by Russian Foreign Minister Sergey Lavrov at Joint Press Conference Following Talks with Polish Foreign Minister Radoslaw Sikorski and the fifth meeting of the Committee on the strategy of Russian-Polish cooperation, Moscow, May 6, 2009. URL: http://www.mid.ru/Brp_4.nsf/arh/BB730A61DF963D64C32575AE0056BEC2?OpenDocument

17 Interview of Russia’s Permanent Representative to the European Communities V.A. Chizhov // Nezavisimaya gazeta. Dippkurier. 18 May. 2009

18 In February of 2010 the Russian government delivered the document. “Programma effektivnogo ispolzovania na sistemnoi osnove vneshnepoliticheskikh faktorov v tselyah dolgosrochnogo razvitiya Rossiiskoi Federatsii” (Programme for the effective use of foreign policy elements for long-term national development) // Russkii Newsweek 11.05.2010 / <http://www.runewsweek.ru/country/34184>

19 Joint Statement on the Partnership for Modernisation EU-Russia Summit. 31 May-1 June 2010. Rostov-on-Don, 1 June 2010.

and diplomatic activities (for 2010, 2011 and 2012 years)²⁰ prepared by the Russian ministry of foreign affairs are written in moderate wording stressing that Russia looks attentively after this EU initiative and hopes that the implementation of the EaP would take into account the Russian interests and the processes of the post-soviet integration. It is very telling that the Russian officials and experts paid quite little attention to the second summit of the Eastern partnership which took place in the autumn of 2011 in Warsaw to compare with the Prague summit of 2009.

On the whole the world recession and subsequent financial and debt crisis in Eurozone did not result in the loss of the EU interests in its eastern neighbors; in 2010 the EU started the negotiations on the Association agreements with four countries of the Eastern Partnership – Moldova, Georgia, Armenia and Azerbaijan. Regarding the EU eastern neighbors most of them are interested in the Eastern Partnership but each state is distinguished by its own, special, expectations from the EaP and a way of dealing with it. These ways of dealing with the EaP may vary from the wishes of the EU joining as the main national priority (e.g. Moldova, Georgia, Ukraine) to the development of the mutual relations on the equal footing without conditionality (e.g. Azerbaijan) not speaking about the EU-Belarus deadlock. Because of this situation the idea of the further differentiation of the Eastern Partnership is becoming more popular within the EU.²¹

In May of 2012 the EU Commission delivered a communication on the “road map” to the Vilnius summit of the Eastern partnership scheduled at the end of November of 2013.²² This document was accompanied with two other documents which deal with the “road maps” for the bilateral and multilateral tracks of the EaP. The most ambitious objective of the “Vilnius road map” was the conclusion or initialing of the Association agreements including Deep and Comprehensive Free Trade Area (DFTA)

with several EaP countries, first and foremost with Ukraine. The negotiations between the EU and Ukraine on the Association were started in 2007 and had been finalized in December of 2011 but its signature was suspended by the EU because of its displeasure with the trends of the Ukrainian political development including such issues as the rule of law and selective justice. However in the beginning of 2013 the EU and Ukraine apparently could reach some kind of political deal because of the promises of the Ukrainian leadership to implement some reforms in order to meet the EU requirements on the signature of the Association agreement and due to the fact that Ukraine had become a normative battleground between the processes of the European and Eurasian integrations led respectively by Brussels and Moscow.

Since 2009 Russia has also achieved some results in developing of the so-called Eurasian economic integration. In June of 2009 Russia, Belarus and Kazakhstan adopted a decision that the customs union between them would start to function on 1 of January of 2010, but due to some problems of the bilateral economic relations between Russia, Belarus and Kazakhstan (mainly between Russia and Belarus) the customs union actually started to function six months later, in July of 2010. Moreover in autumn of 2011 V.Putin, then the Russian prime minister (2008-2012) during his electoral presidential campaign put forward the idea of the establishing of the Eurasian economic union with supranational institutions as one of the key priorities of the Russian foreign policy.²³ Later it was confirmed by new Russian foreign policy concept adopted in February of 2013.²⁴ Distinguishing feature of this new Eurasian integration project is its declared idea that it should be developed taking into account the EU integration model and the WTO principles thus developing from the customs union to the single economic space and then to the Eurasian economic union.

Therefore the relations between Russia and the European Union over the post-soviet space are becoming more competitive again not only in political but also in normative terms. The annual survey of the Russian foreign policy for 2012 indicates that

20 See: *Obzory vneshnepoliticheskoi i diplomaticheskoi deyatelnosti Rossiiskoi Fedratsii* (The Surveys of the foreign policy and diplomatic activities of the Russian Federation) / www.mid.ru/brp_4.nsf/obzory

21 See: Raik, K. A rocky road towards Europe: The prospects for the EU's Eastern Partnership Association Agreements. Finnish Institute of International Affairs. Briefing Paper 110 (2012)

22 European Commission and High Representative of the EU for Foreign Affairs and Security Policy Joint Communication to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions «Eastern Partnership: A Roadmap to the autumn 2013 Summit». Brussels, 15.5.2012. JOIN(2012) 13 final / http://ec.europa.eu/world/enp/docs/2012_enp_pack/e_pship_roadmap_en.pdf

23 Putin V. Novi integratsionni proekt dlya Evrazii: budustchee kotoroe rozhdaetsya segodnya (A new integration project for Eurasia: The future in the making) // *Izvestia*. 03.10.2011.

24 Concept of the Foreign Policy of the Russian Federation. Approved by President of the Russian Federation V. Putin on 12 February 2013 / <http://www.mid.ru/bdomp/ns-osndoc.nsf/1e5f0de28fe77fdcc32575d900298676/869c9d2b87ad8014c32575d9002b1c38!OpenDocument>

it would be desirable to establish the links between the Eurasian and European integrations.²⁵ The idea of the common European and Eurasian free trade area would be a theoretical solution but Kazakhstan and Belarus are still not members of the WTO, the EU is also involved in talks with U.S. and the NAFTA on the common Euro-Atlantic free trade area and Russia is quite skeptical about the idea of further liberalizations of the EU-Russia trade relations (WTO+) at least in the short-term perspective.

Regarding the current Russian attitude towards the Eastern Partnership it seems that now Russia has more concerns about the bilateral track of the EaP, namely the prospects of the signature of the Association agreements including DFTA between the EU and Eastern partnership countries, first of all between the EU and Ukraine. As Russia has tried to convince the Ukrainian leadership to join the Customs union but Ukraine had rejected this proposal and chosen the Association agreement with the EU it was regarded as some kind of political or even symbolic loss of the Russian integrationist project. Although the initiative of the Eurasian integration initially was declared to be economic and depoliticized this project has its strong political and symbolic dimensions for Russia. Apart from symbolic and political aspects there are purely economic Russian concerns related to the expected losses in the mutual trade and weakening of the Russian-Ukrainian business relations. Besides, in Russia there are perceptions that the signature of the EaP Association agreements would mean almost joining the EaP countries to the EU. The same time it is rather very questionable whether the signature of the Association agreement will give a start to the integrationist spillover which would require deep normative convergence with the EU and fundamental change in the political practices of the EaP countries. Also the implementation of the DFTAs will apparently bring serious economic benefits to the EaP countries rather in the middle-term than in the short-term perspective. At most one may hope that the signature of the Association agreements would influence or change the current political trends in the EaP countries and it will be the very beginning of the long term process of its convergence with the EU. The crucial question what does mean the Eastern Partnership (and Associa-

tion agreements) for the political elites of the EaP countries, is it an instrument for deep modernization and Europeanization or a tool for the permanent geopolitical maneuvering.

EU – Russia policies over the region of their common neighborhood in the context of the EU-Russia relations and Vilnius EaP summit

The general Russia's attitude to the EU's Eastern Partnership is determined by the Russian negative reaction to the integration processes within the region of the post-soviet space without its own participation and leadership. Since that the relations between the European Union and Russia over the region of their common neighborhood are of competitive nature. There worst case scenario is the risk of the zero sum game thinking. The competitive nature of the EU-Russia relations over their common neighborhood may be smothered if there is cooperation or at least stability at four levels of relations between Russia and the western international actors: Russia-Euro-Atlantic relations; Russia-EU relations; the relations between Russia and new EU members; the relations between Russia and the countries of the common EU-Russian neighborhood.

Regarding the competition between the European and Russian/Eurasian integration projects and the EU and Russian policies these actors propose the different concepts of the region of their common neighborhood.

The EU approach is transformative and region-building; such issues as democratic transition, rule of law, social justice and structural economic reforms are in the center of the EU normative policies. This approach is oriented at the concepts of "new regionalism" where the role of the shared values and social actors is significant for the region construction. The same time "new regionalism" approaches suppose sharing of the sovereignty and blurring the borders however the most important political goal of the ruling elites of the countries of the EU-Russian neighborhood is preserving and enforcement of their sovereignty. Also the EU

25 *Obzory vneshnepoliticheskoi i diplomaticheskoi deyatel'nosti Rossiiskoi Fedratsii* (The Surveys of the foreign policy and diplomatic activities of the Russian Federation) / www.mid.ru/brp_4.nsf/obzory

approach is oriented at the support of new political elites of the region and it is mainly targeted at new generations of these countries who grew up after the collapse of the Soviet Union and who are more familiar with the participatory political culture.

The Russian approach is more conservative; it is mostly oriented at the preserving of the current status quo. The most part of the Russian political elite is more interconnected with the so-called "old" ruling elite groups in the post-soviet countries who are rooted to the soviet nomenklatura. On the whole the Russian approach does not support the acceleration of the nation/identity-building as well the deep transition processes in the countries of the common EU-Russian neighborhood, it is more oriented at the preserving of the paternalistic political culture in them. Nevertheless the conservativeness of the Russian approach towards the post-soviet space should not be overestimated. For example Russia pushed Belarus to implement some economic reforms targeted at liberalization and privatization as a condition for obtaining of the Russian loans during 2011-2013 financial crisis in Belarus.

The mutual EU-Russia distrust prevents them from the comprehensive dialogue on their relations with its common neighbors. There are many fields of the EU-Russia competition within this region. First of all the EU and Russian policies in the field of the energy transit are competitive. The main directions of the energy transit competition are the alternative routes of the transit of hydrocarbons, the control over the gas transit systems in the countries of common neighborhood and the energy sector reform in these countries. Also regarding the so-called "frozen conflicts" resolution the EU and Russia are rather competitors than partners. Yet one should not regard the competition between Russia and the EU over the post-Soviet space as something unavoidable and absolute. For example, Russia has always taken the presence of NATO on this territory much closer to heart than that of the EU. Besides, the EU and Russia have sharing interests over the region as both of them would like to see it as a stable region and both of them are interested in the secure energy transit. Theoretically these issues may be the starting points for the deep and comprehensive EU-Russia dialogue.

The EU's Eastern Partnership and the EU-Russia relations over the countries of their common neighborhood are the significant elements of the overall relationships between the EU and Russia. Nevertheless the center of gravity in the EU-Russia relations has been in the economic and energy issues so far.

The crucial question of the "post-Vilnius period" in the EU-Russia relations is how the issue of the common neighborhood will influence the overall relations between Moscow and Brussels and will it result in the general revision of the Russia's policy towards the European Union. It is clear that the countries of the EU-Russian common neighborhood will remain the field of the EU-Russian/Eurasian normative battleground and 2013 EaP summit is not a final point in the EU-Russia relations over this region. The same time as for as today there are no many chances for cooperative agenda between the EU and Russia on their common neighborhood, the concept of the EU-Russian common neighborhood as the EU-Russian interface today is rather illusionary. If in the future the membership prospects for some EaP countries (first of all for Ukraine) will be opened by the EU²⁶ and these countries will start serious and irreversible preparations for the EU membership (not only at rhetorical level) these processes may influence strongly the EU-Russia relations and even change its fundamental structures.

Formally the results of Vilnius summit were rather modest. During the summit only the association agreements with Georgia and Moldova were initialed, the signature of the Association agreement with Ukraine did not happen. Also the visa facilitation agreement with Azerbaijan and Framework agreement in participation in EU crisis management operations with Georgia were signed as well the Civil aviation agreement with Ukraine was initialed.

But on the other hand the Vilnius EaP summit may become some kind of political watershed for the Eastern Partnership as the debates on the EaP, relations with the EU and Europeanization / association were brought in the center of the political discourses of at least several EaP countries with the most dramatic situation in Ukraine.

Regarding the EaP countries the implementation of the Eastern Partnership strategic goals depends on the substantial Europeanization of these countries, successful reforms and convergence with the values shared by the EU societies. Since the signature of the Association agreements is only first step in a long way the processes of their implementations and the coherence of the EU policy during this processes are very important. Of course Russia is very important external player which can strongly

26 For a analysis of the relations between the Eastern Partnership political rhetorics and the membership perspective see: Made, V. From Prague to Warsaw: A study of Eastern Partnership's rhetorics in the context of EU membership perspective from 2009-2011. Estonian Center of Eastern Partnership. Eastern Partnership Review No. 7, November, 2011.

influence the politics of the countries of the EU-Russia common neighborhood and it has various resources for it. However it seems that the ruling elites and societies of the EaP countries are the main stakeholders of the relations between these countries and the EU. Much will depend on their interests and willingness to implement appropriate reforms and pay the costs. However as for as today it seems that most of the political and business elites of the EaP countries based on the clientelistic networks are not interested very much in deep Europeanization, structural reforms and change of the current political practices. Their interest towards the Eastern Partnership and the EU are more geopolitically motivated, the ruling elites of the EaP countries are interested first of all in preserving of the sovereignty of their countries and in preserving their own power within their domestic politics. These interests are determinant when these elites are choosing between the EU and the Russian offers or prefer not to choose any of them.

As for the Russian attitude towards the EU's EaP it is correlated with the realization of the Russian projects of the post-Soviet/Eurasian integration. Apparently Russia will develop this political strategy towards the countries of the post-Soviet space targeted at the development of the Eurasian integration during the post Vilnius period. The current project of the Customs union and its institutional design tries to absorb some experiences of the EU integration and more connected with the WTO norms. Nevertheless among the EaP countries only Belarus is strongly oriented at the Eurasian integration (as the EU alternative is blocked due to the EU-Belarus deadlock). Georgia and Moldova are EU oriented, while Azerbaijani oil-rich political elite prefer to rely on its energy resources in its relations with the EU and Russia. Armenia is more complicated case; the decision of its president to join the Customs union in September of 2013 is caused with the geopolitical reasons of searching for the guaranties against Azerbaijan and thus preserving the status quo in Armenian-Azerbaijani rivalry. Due to some aspects of the Armenian domestic politics and the regional situation (first of all closed Turkish-Armenian border) the problem of Karabakh status quo in its relations with Azerbaijan dominates the Armenian security debates. In result the signature of the EU-Armenia Association agreement apparently will be out of agenda in the short-term period but the decision of the Armenian president does not mean Armenia's refusal from the developing of its cooperation with the EU. Besides, Belarus,

Kazakhstan and Armenia will hardly agree on any political integration within the Eurasian projects.

But the most dramatic situation regarding the EaP is currently in Ukraine after Yanukovich's EU U-turn. It seems that his decision not to sign the Association agreement has been reasoned with the political calculations targeted at enforcement of his personal political powers within Ukraine taking into considerations the presidential elections scheduled at 2015. But it is very important that this decision has brought the issue of the association with the EU is in the center of the current political turbulences, the political elites have become splited and confronted, significant part of the society is involved in the mass street protests against the president and the government. Without any doubts Russia and EU are very important factors which have strongly influenced the zigzag policies of the Ukrainian president towards the association with the EU but currently the main actors who will define the future are the Ukrainian political elites and society. Now the situation in Kiev and other regions of Ukraine is dramatic, very unstable and fragile, the radical changes may happen quite rapidly and it is possible that the current protests are the beginning of the long-term political turbulence where the strategic objective of the competing political forces will be the presidential elections of 2015.

The future of the EaP and the cooperation between the EU and the EaP countries will much depend on the global economic factors, especially the way the European Union will deal with the current situation in the Eurozone and the conditions of the Russian economy. The EaP countries, their elites and societies will look attentively at the EU and "Russian" political economy and social models while choosing the ways and depth of cooperation with each of them.

If the EU will be successful in resolving of the current financial and debt problems apparently it will become more persistent in consolidation of its institutions and deepening the integration processes as well as deepening the cooperation with its eastern neighbors. It is quite telling that Germany (although keeping in mind its relations with Russia) has become stronger supporter of the EaP objectives.

From the Russian perspective the successfulness or unsuccessfulness of the so-called Eurasian economic integration is crucial for its relations with the post-Soviet countries. Today Russia still has sufficient financial resources to support the economies of the common neighborhood coun-

tries and to compare with the EU approach based on the conditionality Russia can provide these countries with the loans without requiring about implementation of the reforms or political conditionality asking just for the political loyalty of their leaders. The same time it seems that the EaP countries would get important economic benefits from the DFTAs only in the mid-term perspective and these benefits will be conditional to the implementation of the serious reforms. The key problem is the implementation of the Association agreements. As for as today it is not clear very much whether the adoption of the Association agreements with those countries which are planning sign them will quickly result in serious changes in its domestic politics or its political elites will prefer "to run the business as usual." Thus apparently the competition between the EU and Russia on their common neighbors will remain in the future with a risk of the zero sum game strategies.

Nevertheless despite all importance of Russia and the EU the main stakeholders of the EaP development will be the EaP target countries and its social actors. They will be key stakeholders in the further development of the post-communist transition where the modern political nation buildings, transition to the participatory political culture resulting in democratic consolidation, consolidation of the market economy institutions and good governance are the principal elements. The philosophy of the Eastern Partnership is not only about the development of the bilateral cooperation between the EU and EaP countries, increasing of the share in their mutual trade and investments or geopolitical calculations. First of all it relates to the political and economic transition of these countries targeted at Europeanization but it can take quite long period of time.

Eastern Partnership as Differentiated Integration: The challenges of EaP Association Agreements²⁷

Kristi Raik

²⁷ The paper draws largely on K. Raik, “A rocky road towards Europe: The prospects for the EU’s Eastern Partnership Association Agreements”, Briefing Paper 110 (2012), Finnish Institute of International Affairs, http://www.fia.fi/en/publication/271/a_rocky_road_towards_europe/; and K. Raik and T. Tamminen, “Inclusive and Exclusive Differentiation: Enlargement and the European Neighbourhood Policy”, forthcoming.

Setting the scene: modernisation versus geopolitics

These days, when the dominant narrative about Europe is that of managing decline, it should be reassuring that some outsiders still find the EU attractive. For countries such as Ukraine, Moldova and Georgia, the EU is the only possible considerable source of support for modernisation. For the EU, the goal of “political association and economic integration” with the Eastern partners is of major strategic importance. The Eastern Partnership (EaP) policy aims to tie the six Eastern neighbours (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine) to the EU and make them more like us. It is about development of the neighbours, but it is also about viability and credibility of the EU that has repeatedly defined neighbourhood as a key priority and has an obvious interest to advance stability and wellbeing beyond its borders.

One of the key priorities of the EU’s Eastern Partnership policy is to conclude new, ambitious association agreements, including deep and comprehensive free trade (DCFTA), with the partner countries. In the meantime, Russia has stepped up efforts to re-integrate the CIS region. Building on the Customs Union, which so far has Russia, Belarus and Kazakhstan as members, it has set the goal to establish a Eurasian Economic Union. The common neighbours between the EU and Russia are forced to choose: economic integration with the EU through DCFTA, or the Customs Union and eventually Eurasian Union led by Russia. The U-turn of Ukraine on the eve of expected signature of the association agreement at the Vilnius Summit was a major defeat for the EU. However, in spite of the bitter failure of the Vilnius Summit, the decision of Ukrainian president Yanukovich not to sign the agreement with the EU has also exposed that a large share of the Ukrainian people support the EU orientation and, regardless of the internal troubles in the EU, even continue to be motivated by a European ‘dream’. The massive turn-out of Ukrainians, especially the younger generation, at pro-EU demonstrations in late November (although not as extensive as the Orange Revolution nine years ago) underscores that the future path of Ukraine is contested and the EU option still has chances to materialize.

The aggressive efforts by Russia to press its regional integration project forward reflect fundamental differences between the political and economic models of the EU and Russia and between

the ways in which the two actors view their common neighbourhood. EaP is the option that is likely to offer more sustainable economic development and a stronger degree of political self-determination for the neighbours. The preference of Moldova, Georgia and until recently Ukraine for the EU is partly explained by their political and security concerns related to Russian dominance. In the medium to longer term, these countries also expect larger economic benefits from the DCFTA. Belarus has had little choice but to join the Customs Union, since it has been practically isolated by the EU for years because of its authoritarian regime and is politically and economically dependent on Russia. Azerbaijan has little interest to join either the Customs Union or the DCFTA, as it can rely on its energy wealth.

Russia approaches the region through geopolitical lenses and is playing a zero-sum game. The case of Armenia exposed the geopolitical sensitivity of DCFTAs when Armenia announced in September 2013, soon after having concluded negotiations with the EU, that it will join the Customs Union instead. Armenia is a special case among EaP countries, having Russia as a long-term ally and a provider of security guarantees against Azerbaijan. Ukraine, by contrast, is likely to make every effort to resist Russian pressure to join the Customs Union even after having put the EU agreement on hold. In all, the EU has been drawn into a geopolitical rivalry over its Eastern neighbourhood.

This paper takes a step back from the tensions surrounding the Vilnius Summit and seeks to examine the longer-term prospects for the new association agreements to move towards the goal of political association and economic integration between the EU and its Eastern neighbours. It focuses on the three most advanced countries: Ukraine, Moldova and Georgia. It will first outline the key features of the agreements and discuss the difficulties involved in ensuring the implementation of the agreement and the related political conditions. Secondly, it will compare EaP association agreements to existing alternative models of integration, the EEA and enlargement, and reflect on possible alternative paths. To conclude, the paper argues that the EaP agreements are problematic tools for future relations between the EU and Eastern neighbours for three reasons: they are difficult and costly to implement; they create an exclusive model of differentiated integration that is problematic for democracy and sovereignty of the partner countries; and they fail to offer a satisfactory longer-term prospect for the more European-oriented neighbours.

A new model of differentiated integration

The EU came up with a new model of contractual relationship with outsiders in 2007, when it started negotiations with Ukraine on an “enhanced agreement” (as it was originally called), including deep and comprehensive free trade. The new agreement, originally designed for Ukraine in response to the orange revolution of 2004, was envisaged as an ambitious and innovative tool for extending EU norms beyond its borders and bringing neighbouring countries as close as possible, while stopping short of membership. In 2011, the EU and Ukraine concluded negotiations on the first new type of association agreement that includes DCFTA. However, the EU suspended the signature of the agreement due to the failure of Ukraine to address serious problems with the political and legal system, such as politically motivated trials, lack of independence of judiciary and selective use of law. The case of Ukraine suggests that the EU’s leverage and ability to use the agreement as a tool to push for reforms is rather weak.

Negotiations on similar agreements were concluded with Moldova, Georgia and Armenia in 2013. In addition, Azerbaijan is negotiating a new association agreement excluding DCFTA. DCFTA is to be extended to the Southern neighbourhood as well. Negotiations with Morocco were launched in March 2013 and Tunisia is expected to follow soon.

What makes DCFTA truly ambitious and controversial at the same time is that it has a legally binding character and implies extensive adoption of EU common market legislation by the partner countries. In short, DCFTAs are about enlargement of the common market. The partner countries can benefit from the new business opportunities created by the DCFTA only if they do actually implement the common market standards regarding competition policy, sanitary and phyto-sanitary rules, public procurement, intellectual property rights, and so forth. Impact assessments made in the case of Ukraine foresee substantial long-term benefits, but point to short-term costs of market opening and implementation of EU norms.²⁸ The political and sectoral parts of the association agreements list a lot of commitments and goals, e.g. in the areas of migration, energy, transport and environment, but their implementation hinges on the goodwill of the parties, and non-compliance is not likely to have severe consequences or high costs. The agreements include the so-called human rights clause, like all the EU’s external agreements concluded since the 1990s, meaning that an infringement of democratic principles and human rights may cause unilateral suspension of the agreement, but the EU has rarely activated this clause.

Table. Progress of Association Agreements between the EU and Eastern neighbours

Country	Launch of negotiations on Association Agreement	Launch of negotiations on DCFTA part	(Expected) time of conclusion
Armenia	July 2010	March 2012	negotiations concluded in July 2013; in September 2013 Armenia announced that it will join the Customs Union instead
Azerbaijan	July 2010	-	?
Belarus	-	-	-
Georgia	July 2010	December 2011	negotiations concluded in July 2013; agreement initialled at Vilnius Summit, to be signed in 2014
Moldova	January 2010	December 2011	negotiations concluded in July 2013; agreement initialled at Vilnius Summit, to be signed in 2014
Ukraine	March 2007	February 2008	negotiations concluded in December 2011; agreement initialled in March 2012; signature on hold

28 O. Shumylo-Tapiola, “Ukraine at the Crossroads: Between the EU DCFTA & Customs Union”, Ifri Russia/NIS Center, Russie.Nei.Reports No. 11, April 2012.

The EU has limited tools to ensure the implementation of the new agreements. In order to support the implementation, another new policy tool was launched by the EU and Ukraine in 2009: an Association Agenda that outlines jointly agreed reform priorities, derived from the Association Agreement. For Ukraine, the Agenda had above all a symbolic value as a sign of advancement to a new level in the EU relationship, since it replaced the earlier European Neighbourhood Policy (ENP) Action Plan. The latter continues to be the key document in the EU's relations with most other ENP countries. The EU has launched preparations for an Association Agenda with Moldova and Georgia. In the case of Ukraine, the practical value of the Agenda has been limited: Ukraine has made disappointingly slow progress on the reforms set out therein and, in any case, the same measures could have been taken without negotiating a separate document. The resources used for negotiating the Agenda could have been better invested in actual work on the reforms. A positive aspect of the Agenda is that, being a public document, it provides the domestic civil society and media with an instrument to monitor and put pressure on the government.

The final stage of negotiations on the EU-Ukraine association agreement coincided with deterioration of the level of democracy and rule of law in Ukraine starting from 2010. The conclusion of the Ukraine agreement thus posed a critical test for the EU's claim that the deepening of the relationship depended on Ukraine's commitment to democracy, human rights and the rule of law. The EU's decision made in 2011 to suspend the signature of the agreement due to Ukraine's failure to satisfy the political criteria did not come easily. There were doubts about the effectiveness of such a move among experts and concern about Ukraine turning away from the EU as a result. The Ukrainian opposition appealed to the EU to conclude the agreement. However, especially in the aftermath of the Arab Spring and the EU's pledges to place democratisation at the heart of the ENP, conclusion of the agreement would have dealt a serious blow to the EU's credibility. Moreover, those member states that were not keen about Ukraine's European aspirations were happily making use of a good excuse to put the process of Ukraine's integration on hold. As an interim step, the EU and Ukraine initialled the agreement in March 2012, signalling that it was technically ready to be signed and both sides were committed not to re-open the text.

By suspending the signature of the agreement with Ukraine, the EU set an important precedent for other similar agreements. It signalled that the EU was serious about pledges to place democracy and the rule of law at the heart of its neighbourhood policy. However, Ukraine's response to the suspension suggested that the agreement was not a strong incentive for political change in the neighbourhood. The fact that the Ukrainian leadership did not embark on a quick solution to the Tymoshenko affair as soon as it became a blockage to the association agreement was a defeat for the EU. In the autumn of 2013, Ukraine made only half-hearted attempts to meet the other political conditions set by the EU. The EU was faced with a classical dilemma between interests and values: it had a strong strategic interest to build deeper contractual relations with the Eastern partners, especially Ukraine, but it had made the conclusion of new agreements conditional upon political criteria that Ukraine did not meet. In the hope of signing the agreement at the Vilnius Summit, the EU seemed ready to loosen the political criteria. This carried the danger of diluting the idea of the agreements and ridiculing the 'more for more' principle of the ENP. Prior to the Vilnius Summit, the political conditionality of the agreement with Ukraine was focused on the case of Tymoshenko, but excessive attention to this case diverted attention from more systemic problems. If Yulia Tymoshenko were freed tomorrow, Ukraine would still be deeply corrupt, semi-authoritarian and lacking an independent judiciary. In terms of practical EU approximation, it is doing worse than Moldova, Georgia and in some areas even Armenia.²⁹

While Ukraine is a key test of the leverage of the Eastern Partnership and the attractiveness of the association agreement, smaller and strongly EU-oriented partners, such as Moldova and Georgia, are more receptive to EU influence and less likely to endanger their EU relations for the sake of short-term political gains. Ukraine has had a tendency to think of itself as too big and geo-strategically important to be abandoned by the EU, which partly explains its lax attitude towards the implementation of reforms.

In recent years, Moldova has become the new front-runner with the strongest European-oriented reforms in the Eastern neighbourhood. It also has

29 International Renaissance Foundation in cooperation with the Open Society Foundations, "European Integration Index for Eastern Partnership Countries", <http://www.eap-index.eu>

the highest democracy scores in the CIS region, according to international watchdogs such as Freedom House and the Economist Intelligence Unit. It has been one of the main beneficiaries of the EU's 'more for more' approach, attracting additional funds thanks to real reform efforts (annual bilateral assistance increased from 57 million EUR in 2009 to 79 million in 2011, and is set to further increase to 100 million in 2013). It has to be kept in mind, however, that Moldova is motivated by the ultimate goal of EU membership, even if it accepts that this is not on the agenda right now. If the membership perspective question remains a taboo for the EU over the coming years, Moldova's enthusiasm is likely to wane.

One of the major challenges for Moldova is to tie in the separatist region of Transnistria to the implementation of the DCFTA. It is very important that Transnistrian observers have been allowed to attend Moldova's DCFTA negotiations. Transnistrian companies, most of which are already registered in Chisinau, have a pragmatic interest in the potential trade opportunities that the agreement opens up. They need the EU's help with the implementation of EU standards, just as all Moldovan businesses do. The DCFTA has a great potential to contribute to the re-integration of the country in a pragmatic manner, in the spirit of European integration history. The same cannot be said of the separatist areas of Georgia, where the political situation is much more polarised and there are no preconditions for the registration of local companies in Tbilisi, which would be a starting point for their involvement in the DCFTA.

Although Moldova and Georgia have been taking domestic reforms relatively seriously, there is a mismatch between the prioritisation of political and security concerns by the Eastern neighbours and the emphasis on legal harmonisation and economic integration by the EU.³⁰ The neighbours tend to look at the association agreements with the EU primarily through geopolitical lenses, as a safeguard against Russian dominance. They also seek the EU's support in managing their conflicts with Russia, above all when it comes to the separatist regions of Georgia and Moldova. The very birth of the Eastern Partnership was provoked by geopolitics, notably the 2008 war in Georgia that pushed the EU to react to the aggressive policy of Russia in the common neighbourhood. The neighbours

see their relations with the EU as a counterbalance to Russian efforts to regain a dominant role in the region. Paradoxically, they seek to strengthen their sovereignty vis-à-vis Russia through deepening their relationship with the EU, although European integration is all about sharing sovereignty and the DCFTAs imply ceding parts of national control to the EU. The Eastern Partnership reflects the general tendency of the EU to play down issues of hard security and geopolitics and pursue economic integration as an instrument for enhancing stability and peace. The partner countries' interest in EaP is undermined by a number of factors, including Russian pressure, domestic political (above all for the more authoritarian leaders) and economic costs of EU approximation and the unclear endpoint of the EU path. Furthermore, the economic crisis has weakened the EU's attractiveness and soft power.

Precedents and alternatives to EaP agreements

The closest precedents to the EaP association agreements are the Stabilisation and Association Agreements (SAA) with the Western Balkan countries, a decisive difference being that the SAAs confirm the status of the partner countries as "potential candidates for European Union membership", whereas the Eastern Partnership agreements are not foreseen to make similar commitments. While the Western Balkan countries seem to be on track towards membership, the case of Turkey is more complex. There has been debate in Europe about creating a special model for Turkey and possibly other EU-outsiders that would differ from full membership. Turkey is already in a customs union with the EU and has harmonized its legislation in many areas. The EU formally acknowledged Turkey as a candidate country in 1999. Ever since then, the resistance of some member states, notably Germany and France, to Turkish membership has provoked reflections on a possible multi-tier Union where Turkey could be a member, but not in the inner core. Turkey has rejected the alternative proposals, seeing them as an offer of second-class membership.

However, recent discussion about Britain's place in Europe has revived visions of differentiated integration where the core group (the Eurozone) would move towards deeper integration, whereas another group of member states would stick to a looser form of integration. Several commentators

30 Katarzyna Wolzcuk, "Perceptions of, and Attitudes towards, the Eastern Partnership amongst the Partner Countries' Political Elites", *Eastern Partnership Review* No. 5, December 2011.

have reflected on the possibility that Turkey and the UK might enter a similar new form of relationship with the EU. Importantly for Turkey's national pride, this new option has been presented as "Turkey's British way – not secondary status" but "full membership".³¹ Alternatively, a new kind of associate or "virtual" membership could be negotiated as a temporary solution that would tie Turkey more closely to the EU while negotiations on full membership continue.³² Considering the icy reception among the member states to the British idea of a re-negotiated EU relationship, it is hard to imagine that the EU would be ready to negotiate a special deal for Turkey that would give the latter full rights of membership but limited responsibilities. A new kind of differentiated model with different institutional frameworks and decision-making powers for the core group versus the others might be more acceptable for some core countries, but it is hard to claim that this would not imply a secondary status for the outer tier.

For the EU-oriented Eastern neighbours, some form of membership-lite or associated membership (similar to what has been proposed for Turkey) might be an interesting second-best option. It would be more feasible than full membership, taking into account that these countries are very far from satisfying the membership criteria. However, the option of having to implement EU rules without taking part in their creation is hardly tempting unless it is an intermediary phase on the path towards full membership.

The DCFTA part of EaP agreements can also be compared to the European Economic Area, negotiated in 1989–1993 between the then European Community and members of the European Free Trade Association (EFTA).³³ The EEA countries participate in the EU's internal market and adopt most of its legislation, but they are involved in the

related policy-making only to a limited degree.³⁴ The extensive and binding adoption of EU legislation by EEA countries makes this by far the most advanced model of differentiated integration that goes beyond EU borders. The EEA countries also contribute financially to the EU for their participation in the single market, but they are not entitled to receive subsidies from EU funds.

Out of the seven EFTA states that originally signed the EEA treaty in 1992, three (Austria, Finland and Sweden) soon became EU members. The other four (Iceland, Lichtenstein, Norway, Switzerland) have so far chosen to stay outside the Union, but have joined the Schengen Area. Switzerland rejected membership in the EEA in a referendum in 1992 and has since developed a unique and complex relationship with the EU, based on a number of bilaterally negotiated agreements. Norway has been close to joining the EU twice, but the 'no' camp won the referenda in 1972 and in 1994. Iceland applied for EU membership in 2009 and proceeded rapidly in accession negotiations held from 2010 to early 2013. However, the public opinion has been rather against joining the EU, and the new government that came to power in 2013 put the negotiations on hold.

Neither the EEA nor the Swiss model is a particularly attractive alternative to full membership: There is a strong logic for the partner countries to pursue full membership once they have committed themselves to implementing EU legislation in any case, so as to avoid being governed by externally decided rules. From the viewpoint of democracy, the EEA is a rather problematic arrangement due to the limited possibilities of the EEA countries to influence EU law-making.

Some countries have reflected upon and rejected the EEA as a model for their relationship with the EU. For example, British PM Cameron has referred to the EU relations of Norway and Switzerland as models that would not serve the interests of the UK.³⁵ Some representatives of the EU have suggested the EEA or 'EEA plus' as a possible solution for Turkey, Ukraine and other neighbouring countries in the East and South, but the idea has received little support and has not been officially proposed

31 Kemal Dervis, quoted in *Hurriyet Daily News*, 6 February 2012, <http://www.hurriyetdailynews.com/eu-to-have-two-types-of-memberships-scholar.aspx?pageID=238&nID=40637&NewsCatID=344>. See also Katinka Barysch, "Can Turkey and the UK learn from each other's EU strategies?" Centre for European Reform, 25 January 2013; Nathalie Tocci and Dimitar Bechev, "Bringing Turkey back to the EU debate", *EurActiv*, 21 December 2012; Andrew Duff, "The case for an Associate Membership of the European Union", LSE blog, 6 March 2013 <http://blogs.lse.ac.uk/europpblog/2013/03/06/associate-eu-membership/>

32 cf. S. Ülgen, "Avoiding a Divorce: A Virtual EU Membership for Turkey", Carnegie Endowment for International Peace, 5 December 2012.

33 Per Magnus Wijkman, "Fostering Deep and Comprehensive Free Trade Agreements for the Eastern Partners", *Eastern Partnership Review* No. 8, December 2011.

34 On the Europeanising effects of EEA, see M. Egeberg & J. Trondal, "Differentiated Integration in Europe: The Case of EEA Country, Norway." *Journal of Common Market Studies*, 37: 1, 1999, pp. 133-142.

35 Speech by PM David Cameron, 'UK and the EU', 23 January 2013.

by the Union.³⁶ These countries lack the specific features of the current EEA members that make the latter fairly satisfied with the EEA and hesitant or opposed to full EU membership. The EEA countries are rich and lack the prospect of gaining from the EU's agricultural policy and Structural Funds. They are internally relatively stable and do not need EU membership as a stabilising factor. Unlike some EU neighbours, they do not have security concerns that would push them to seeking membership in the EU. Iceland, though, has recently experienced unprecedented political instability and the rise of new security concerns (resulting from the withdrawal of US forces in 2006), which so far pushed the country further away from the EU, but may yet lead to a revival of interest in EU accession.³⁷ Moreover, the EEA is ill-suited as a model for ENP countries because the latter lack the administrative capacity to implement the obligations of EEA membership. It is also worth noting that the purpose of EEA is not to serve as a stepping stone towards full membership, but it is rather seen as a permanent arrangement for those countries that are not interested in joining the EU.

To sum up, all the partner countries that have previously negotiated agreements comparable to the DCFTA have been included in the EU accession process if they so wished. Yet the EaP explicitly rejects the question of membership, thus creating an exclusive model of differentiated integration.

Conclusion

Ahead of the Vilnius Summit, the success of EaP was primarily defined as the conclusion of association agreements. The real challenge, however, is implementation of the agreements and the ability of the EU to offer sufficient stimulus to the partner countries to engage in difficult domestic reforms. The EU has created a model of integration that is exclusive, costly to implement and fails to offer the kind of European (i.e. membership) perspective that the more European-oriented neighbours desire. Quite like the EEA, DCFTAs are problematic from the viewpoint of democracy and sovereignty because they foresee binding adoption of EU

legislation by the partner countries without offering the latter much opportunities to influence EU law-making. A promise that further reforms will eventually lead to EU membership would motivate the partner countries to stay on a European-oriented course, but due to EU-internal reasons such a promise is not likely to emerge any time soon. In short term, real success of EaP will thus depend on whether the new agreements will function as a motor of modernisation at least in the cases of Moldova and Georgia. The agreements need to be coupled with extensive assistance, close monitoring of implementation, active dialogue and close linkages between the EU and the partners. In a longer term, the principled question of whether the EU is willing to accept the neighbours as full members of the European community (provided that they meet the conditions, of course) awaits to be answered.

Since no EaP agreement is in force as yet and there is no clarity over the potential of the Customs Union, one can expect the geopolitical rivalry between the EU and Russia to continue in coming years. The EU should consistently prove that its strategy in the region is driven by the goals of system change and modernisation in the partner countries. The success of EaP will depend on whether the modernisation aspect will dominate over geopolitics.

36 Official Norwegian Reports NOU 2012: 2, "Outside and Inside: Norway's agreements with the European Union", unofficial translation, Chapter 13, http://www.eu-norway.org/Global/SiteFolders/webeu/NOU2012_2_Chapter%2013.pdf

37 Bailes and Thorhallsson (2013) 'Iceland and Europe: Drifting further apart?', FIIA Briefing paper 139, Finnish Institute of International Affairs, http://www.fiaa.fi/en/publication/360/iceland_and_europe/

The EU Eastern Partners: Post- Vilnius Domestic and Foreign Policy Challenges

Alexei Sekarev

Abstract

The paper examines the significance of inauguration of Association Agreements (AA) together with Deep and Comprehensive Free Trade Agreements (DCFTA) in the political relations between the EU and its Eastern Partners. It looks at the maturity of reform accomplishments on the partner countries' side, which are supposed to underpin the political association with the EU in the long run. The focus then turns to the most challenging reform commitments, which will need to be met in medium-term perspective to duly implement the agreements. A country insight on Armenia and Ukraine discusses the policy and costs of suspension of the political association and free trade with the EU for the economy.

The EU "took note" of Ukraine's decision to suspend the process of preparing for signature of the agreements, calling it "a disappointment not just for the EU but, we believe, for the people of Ukraine". Commissioner Fule reiterated nevertheless that EU's door remained open for the country.³⁹ According to the reports from the Vilnius summit, President Yanukovich proposed to sign a joint statement with the EU, however, this move came as too late.

AA/DCFTA: Status before and after Vilnius

The Vilnius Eastern Partnership summit marked progress in bilateral relations between the EU and, respectively, Azerbaijan, Georgia and Moldova. The Association Agreements between the EU and Georgia and the EU and Moldova were initialled on 29.11.2013, while EU and Azerbaijan initialled a Visa Facilitation Agreement.

The EU and Armenia adopted a joint statement, in which they expressed the need to revisit the basis of their relations. The parties will not proceed with initialling the AA/DCFTA "due to Armenia's new international commitments".

Ukraine's contractual relations with the EU have not changed, contrary to expectations, in result of the Vilnius summit. On 21 November 2013, the Cabinet of Ministers of Ukraine adopted an Order No. 905-p suspending the process of preparation for signature of the Association Agreement between the EU and Ukraine. The government justified the decision by the need to assure the "national security", assess in more detail measures needed to "restore production losses and directions of trade and economic relations with the Russian Federation" and "attain the appropriate level of domestic market", which would be "the basis for parity of relations between Ukraine and EU member states" and "for the economic security of the country".³⁸

38 Kabinet ministriv Ukrainy. Rozporyadzhennya "Pytannya ukladannya Uhody pro asotsiatsiyu mizh Ukrainoyu, z odniyei storony, ta Yevropeiskym Soyuzom, Yevropeiskym Spivtovarystvom z atomnoyi enerhii i yikh derzhavamy-chlenamy, z inshoi storony. Zakon2.rada.gov.ua/laws/show/905-2013-p. Retrieved 22.11.2013.

39 Statement and Remarks by EU High Representative, 131121/04 and 131129/01 respectively.

Status of AA/DCFTA with EU Eastern Partners as per 01.12.2013

Country	Status before Vilnius Summit	Remarks	Status after Vilnius Summit
Armenia	Negotiations completed on 24.07.2013	In a Joint Statement of 29.11.2013, EU and Armenia stressed the importance of revisiting the basis of their relations. The parties will not proceed with AA/DCFTA initialling “due to Armenia’s new international commitments”	Same as before the summit
Azerbaijan	Non-preferential trade and investment agreement under negotiations	WTO accession is a prerequisite for starting DCFTA process	Visa facilitation agreement initialled
Belarus	none	EU has frozen moves towards closer economic partnership with Belarus until its government is able to show a greater commitment to democracy and political and civil rights	Same as before the summit
Georgia	Negotiations completed on 22.07.2013		AA/DCFTA initialled on 29.11.2013
Moldova	Negotiations completed on 12.06.2013		AA/DCFTA initialled on 29.11.2013
Ukraine	Agreement initialled on 19.07.2012		Same as before the summit

Sources: EEAS, DG TRADE, Lithuanian Presidency

Ukraine’s government decision ignited massive protests in Kyiv and other Ukrainian cities, which made the prevailing public sentiment in favour of the European integration of the country more than evident. The strength of the demonstrations has caused uncoordinated and sometimes panicky reaction of the authorities. “Law enforcement” units brutally disseminated peaceful protests in the night of 30 November 2013, a move that received criticism from the U.S., EU and even Ukrainian President. Several influential members resigned from the Ukrainian ruling Party of Regions, trying to distance themselves from the policy line, which President himself admitted to have taken under

an economic pressure and blackmail of Russia.⁴⁰ Following attempts of the Kyiv city authorities to outlaw demonstrations, supported by government officials from the Ministry of Interior, protests have assumed also a note against suppressing the right to freely express public opinion. The government, tailing an old Soviet propaganda stereotype, started to publish letters from public organisations in “support” of its decision to suspend European integra-

40 ZN.UA/Interfax Ukraina, 22.11.2013. European media confirmed that Yanukovich had received “promises of political, economic and personal character” from Putin during a clandestine meeting on a military airport near Moscow on 9.11.2013 and in the weeks before the Vilnius Summit. Cf. Geplatzte Verlobung: SPIEGEL, 48/2013, S. 98-99; Schaukeln zwischen Ost und West, F.A.Z. 30.11.2013, S.2.

tion.⁴¹ Nevertheless, the confrontation between the authorities and people on the streets has produced preconditions for a deep political crisis.

Foreign policy and agreements-driven domestic reforms

For advanced Eastern Partnership countries, AA/DCFTA implementation is more about domestic reforms rather than foreign policy. This is vivid from the contents of the agreements and has always been reiterated by the EU during negotiations. The point of time, at which the Agreements are signed or initialled, is the central milestone in the reform process. By this point, normally, the reforms have been on-going for some time and are to continue in future so that the agreements are implemented appropriately. By signing or initialling the agreements, parties commit themselves to continuation of reforms, which subsequently become legally binding once the agreements enter in force.

This situation has implications for both partner countries and the EU itself.

Partner countries find themselves in historically new situation: from the point of signing or initialling onwards it becomes impossible to reverse the reforms, unless the loss of international credibility and trustworthiness poses no problem to the government. Thus is equally true about Georgia, Ukraine, Moldova and Armenia, notwithstanding continuing application of selective justice (Ukraine), domestic political uncertainties (Georgia, Moldova) or even the avowal in favour of the Russia-led Customs Union (Armenia). The complexity or expensiveness of the reforms ahead is likewise no excuse for dragging on, which is best illustrated in the case of Ukraine.

The EU receives new legal basis to apply conditionality to the politically associated partner countries. The exercise that has been mastered in pre- and selected post-accession cases will be extended to the Eastern Partnership after Vilnius. AA/DCFTAs envision timelines for full compliance with the EU regularly framework, normally with a magnitude of 5 years.

On both sides, foreign policy faces challenges before – rather than after – the signature of the agreements. And the challenge is not only to strike the geostrategic balance and position the countries in some way between Russia and the EU competing for markets and influences.

The stronger challenge has been to define the point in the political process between the EU and partner countries, at which the milestone of political association can be confidently set, so that the legal commitment to reforms rests from that point onwards on a solid basis. It would be logical to expect that, by that point, relations between parties to the new agreements would have reached some critical mass, allowing them to ascend to a new quality signified by the political association. The analysis will show that in practical terms this is not necessarily the case.

Having two decades of PCA negotiations and implementation at the common background, AA/DCFTA negotiators – as well as the experts' community – on both sides have learnt the lesson how difficult it has been to arrive at any meaningful results if the target has been moving at both sides. Notoriously enough, PCA implementation has never been possible to monitor in any meaningful way, owing to the softness of the commitments under the agreement. The bilateral cooperation mechanism, consisting of Cooperation Councils, Cooperation Committees and Subcommittees, would revolve as a platform of exchange of political declarations.

On the partners' side, the most typical barriers to closer relations to the EU, apart from quite frequent political crises in the EaP region, have been the following:

- **Vested interests between politics and economy**
Favouritism in decision making, diversion of public funds due to corruption and other manifestations of vested interests constitute jeopardy to regulatory convergence in trade-related areas such as competition & IPR protection, public procurement etc. Understandably, this erodes the depth and comprehensiveness of free trade agreements
- **Predominance of individuals rather than institutions in public governance**
Policy structures tend to change each time an alternative political force wins elections. This

41 Na adresu uryadu nadkhodyat' lysty z pidtrymkoyu obranoho kursu (Government is receiving letters in support of the course taken). Department of information and public communication of the Secretariat of the Cabinet of Ministers, kmu.gov.ua, 28.11.2013, 14:55.

environment nourishes adverse motivation and curbs down any strategic thinking, with extremely negative impact on the quality of policies. The new political history of Armenia, Georgia, Moldova and Ukraine offers abundant evidence of the threats originating from weak institutions. Also in Azerbaijan and Belarus, which stay beyond association with the EU, the brutality toward political opponents has underlined the weakness of institutions

- **Inclusion / exclusion of civil society**
Strongly linked to the systemic features mentioned above, civil society has found itself in a difficult position vis-à-vis policy structures. Cases of effective exclusion of independent organisations from the policy process – for fears of destructive influences to the system or any other reasons – are broadly as common as the established frameworks of consultations between the government and civil society. As a result, civil society organisations frequently face the existence dilemma, specifically in an environment of under-funding, and may demonstrate lack of immunity to systemic flaws. This has weakened participatory European integration

Seen against the systemic barriers, the success of AA/DCFTA negotiations with four EaP countries is commendable. Both parties to the agreements deserve praise: the EU for having effectively departed from the softness of PCAs and introducing technical trade-related benchmarks to DCFTAs negotiations, and the partner countries for having taken up the commitment and endorsed often painful reforms. The international environment of EU enlargement, economic upturn in the EU neighbourhood and policy initiatives to upgrade contractual relations with the Eastern Partners has facilitated the new approach.

Focusing negotiations on politically less sensitive technical issues such as product and accounting standards, IPR protection, accreditation etc. went well in line with the integration into the world (i.e. not necessarily EU) markets and hence national policy tasks. “Getting stock” at the EU common market has been perceived as most tangible anticipated result of a DCFTA and created additional motivation to business groups across the EaP region. In practical terms, negotiations have involved technically oriented, experienced government staff as well as independent expert commu-

nity, void of political ambitions. DCFTA negotiations have obviously profited from this combination of conducive environment and strong commitment and could be concluded in a relatively short time of 3-5 years.

The case of Ukraine

Ukraine’s inconsistent position before the Vilnius Summit, ahead of which the EU had announced its technical readiness to sign the AA/DCFTA,⁴² is an example of lowest quality of policy the country has ever demonstrated during more than two decades of independence. This does not concern the sovereign right of the country to determine its strategic alignment, which Ukrainian leader have been confronted with throughout the country’s history.⁴³ This rather concerns misunderstanding – or possibly deliberate disregard – of types of assistance the EU has been and intends to continue rendering to Ukraine:

- **Macro-financial assistance:** in case of jeopardy to the public finance, be it state budget deficit compromising social spending or temporary inability to service sovereign external debt, the EU can offer short- to medium-term support to the country. Macro-financial assistance is a policy-based financial instrument of support to third countries, which, in a form of medium- or long-term grants, complements financing provided in the context of an IMF reform programme.⁴⁴ In other words, European Union may take such decision only on condition that the recipient country cooperates with the IMF on any of its assistance programmes. Ukraine has been received such assistance on many occasions, notably during the crisis of 1998-99,⁴⁵ and the mentioned ruling has retained its validity since

42 Press Release by the European Commission IP/13/436 of 15 May 2013.

43 Parallels with Bohdan Hmelnytsky’s Pereyaslav’ska Rada of 1654, with which opinion leaders from Russia tend to flatter the modern Ukrainian leadership, will most certainly continue to reveal deception and disrespect of Ukraine’s national interests by the “strategic partner”. Cf. Ivan Krypyyakevych. *Istoriya Ukrainy*. Kyiv, 1992, pp.64-65.

44 Macro-Financial Assistance to non-EU Countries: ec.europa.eu/economy_finance/eu_borrower/macro-financial_assistance/index_en.htm retrieved 23.11.2013

45 Cf. Report from the Commission on the Implementation of macro-financial assistance to third countries in 1999, COM(2000) 682 final, 27.10.2000, p.39-42.

then. In this light it comes either as negligence or deliberate deception to accuse the EU of wishing to subject political association with Ukraine to unpopular measures at the cost of population.⁴⁶

- **Costs of regulatory convergence:** Ukrainian officials were sending conflicting – albeit similarly false – messages about the costs of introduction of EU product standards and technical regulation under DCFTA. The President mentioned 500 billion US-\$, while the Prime Minister – 160 billion EUR.⁴⁷ What both omitted was the provision in DCFTA, which stipulates that adoption of EU standards shall take place progressively and cover specific sectors,⁴⁸ i.e. not the whole economy. However, it is common knowledge, reconfirmed in the experience of all countries that successfully accomplished negotiations about free trade with the EU in any form, that regulatory convergence is a costly exercise. Denouncing the overestimation by the Ukrainian leaders, DG TRADE estimated the related costs at around 1-2 bn EUR annually.⁴⁹
- **Technical assistance:** EU technical assistance has exactly the objective to assist “newcomers” to free trade area with regulatory convergence. For Ukraine, 610 million EUR were pledged for technical assistance in case the country decides to go for a DCFTA.⁵⁰ Logically, this assistance is agreement-driven, i.e. can be disbursed in case the legal basis – an international agreement stipulating the establishment of a free trade area – is in place.

Given the technical character of the financial flows described above, the way Ukrainian leadership used the related arguments to justify the decision to suspend the signature of AA/DCFTA comes

as extremely awkward. Confusion about the technical aspects of EU-Ukraine cooperation, which has truly reached an advanced stage compared to other Eastern partners, is embarrassing for the President and Prime Minister. The low policy quality lies in their inability to rely on technical knowledge gathered by the government over years of cooperation toward political association and free trade.

Commenting in Ukraine’s decision to suspend signature of the agreements with the EU, Chairman of the External Committee of the European Parliament Elmar Brok noted that President Yanukovich and his government “have a distorted relation to reality, to democracy and to the rule of law, as I have realised after many hours of discussions with him”.⁵¹

The case of Armenia

In the international experts’ circles, Armenia has recently been cited as a “silent reformer”, to reflect the country’s unexpectedly impressive record in the AA/DCFTA framework. In the progress reports 2013, the European Commission commended the country for “very good progress ... on the Sectoral Policies”, which allowed to close 25 of 27 chapters by April 2013.⁵² According to ECEAP research, Armenia has also displayed continuous improvements of public administration toward the European principles, notably with regard to transparency of policy making, reducing irregular payments and bribes and consolidating public finance.⁵³ On several important indicators, Armenia has been front-running in the EaP region.

Owing to the good progress, DCFTA negotiations were completed on 24 July 2013, a development that would have been hardly considered plausible even one year before. The conclusion of negotiations opened a chance for upgrading the contractual relations with the EU at the 2013 Vilnius Summit.

It is obviously worthwhile to shed more light to the way Armenia have conducted reforms. At the beginning of PCA implementation in 1999, the country suffered a terror outbreak in the Parliament, which apart from sacrificing the key political figures of that time also signalled fragility of the evolving state institutions. In the following years the country acceded to WTO, however, many

46 Interv’yu Prezidenta ukrainskym telekanalam. Transcript of interview of President Yanukovich to Ukrainian TV channels, 27.11.2013. www.president.gov.ua/news/29605.html retrieved 28.11.2013

47 Azarov: perekhod Ukrainy na evrostandarty oboidetsya v 160 milliardov evro: www.glavred.info, 5.11.2013 retrieved 15.11.2013; Zavodam potribni \$500 mlrd. dolariv dlya perekhodu na yevrostandarty – Yanukovich. economics.lb.ua/state/2013/11/14/240948.html retrieved 15.11.2013

48 EU-Ukraine Deep and Comprehensive Free Trade Area: key elements. DG TRADE tradoc150981, 2013.

49 Statement by Peter Balas, Deputy Director General, cited in lb.ua/news/2013/11/28/243225.html retrieved 29.11.2013.

50 Familientreffen ohne Höhepunkt. F.A.Z. 28.11.2013, S.5.

51 “Die EU ist überrascht und überfordert”. Interview to *Süddeutsche Zeitung*, 29.11.2013, p.7.

52 Staff Working Document SWD 2013 (85), 20.3.2013

53 ECEAP Comparative Report on Public Administration Reforms in Eastern Partnership, Tallinn 2013. www.eceap.eu

trade-related areas, notably customs, TBT, SPS public procurement and IPR protection stayed broadly as they have been before WTO accession. International technical assistance in those areas failed owing to the prevailing vested interests in those sectors. For instance, standardisation has for a long time been the area of corruption, because the functions that are normally separated between the public and private sector have been mixed up. Customs have identified themselves – prompted by the fiscal authorities – as the source of revenue rather than trade promoter, which is attributable at the end of the day to the deficient revenue capacity in an environment of corruption. Till now for instance, Armenian customs apply their own “indicative” rather than contract prices when calculating import fees. The policy is being cited as a political decision by authorities.

Against this background, the country’s accomplishments under DCFTA are historically important. After a decade of resistance, attempts to reform the Quality Infrastructure have finally brought results with the adoption of a Road Map for related reforms. These reforms will require almost another decade to become fully implemented, however, the EU party has considered the endorsement of the road map by the Government in December 2010⁵⁴ sufficient to consider respective DCFTA negotiations chapter as closed – on the assumption that the road map is implemented as planned.

The decision to make a U-turn to the Russia-led Customs Union seems void of any meaningful justification. This is true for both sides: neither Russian nor Armenian authorities bothered to offer one for the public and the economy. The U-turn came at a moment as the regulatory convergence with the EU has gained momentum after a decade of resistance, while the EU communication policy seemed to finally hit the ground and make Europe attractive to the broad public and business community. Noteworthy is also that the country’s resource endowment has drawn attention of international investors from all over the world.

Armenia’s small economy does not consist of two parts, of which one would integrate in the EU, the biggest Armenia’s trade partner, and the other seek benefits in “restoring historical ties” with Russia, Belarus and Kazakhstan. The time between the Armenian decision in early September 2013 and the Vilnius Summit has been too short to conclude about any medium-term developments with regard

to reverting JDMC-driven reforms. However, at least two consequences can be considered as inevitable in case Armenia freezes DCFTA process:

Customs will impede trade: according to experts’ calculations, fees for imported cars will rise several times

The EU will be forced to re-consider assistance programmes and most probably close down Comprehensive Institution Building, an initiative that has been agreement-driven from the very start.

Challenges to foreign policy

The main provisions related to political association with the EU as well as economic cooperation are standard in all four agreements negotiated with the Eastern Partners. Obviously, due account is taken of the particulars of each economy, which are reflected in country-specific transitional provisions. The similarity of fundamental issues, however, might have initiated some kind of bi- or multi-lateral consultations between the partner countries on the relations with the EU. Reference might be taken to the experience of the Visegrád Group, which had facilitated European integration of the members and remains an important platform of the East-European EU MS.

This kind of coordination is missing among the EU-oriented Eastern Partners, which possibly increases the “opportunity costs” of European integration. Several reasons may be given for why the countries do not coordinate their AA/DCFTA processes on the political level. Obviously, the negotiations with the EU are of bilateral nature, and the partner countries have always been in favour of putting forward and discussing their own agenda. The “homework” of reforms would also require concentration on domestic issues rather than discussing those with other partner countries.

The accompanying foreign policy task has been to analyse, where would the AA/DCFTA-induced reforms position the country geopolitically. Attempts to coordinate the process at GUAM have been never clearly articulated, and geopolitical choice was left to a unilateral decision. In this sense, countries would keep political considerations to themselves rather than discuss with the neighbours. No meaningful attempts have been made to meaningfully coordinate European integration in the bilateral political framework.

The lack of coordination can be also seen as generated by (i) insufficient policy analysis capaci-

54 For the adoption of the Road map, see <http://www.mineconomy.am/eng/45/gortsaruyt.html>

ties in the governments; (ii) increasing differences in internal policy coordination mechanisms of different EaP countries, and finally (iii) deficient accountability of public administrations.

At the technical level, however, horizontal meetings were taking place, mostly supported by EU-funded technical assistance programmes. The EaP multilateral track brings together professionals in the areas of trade, justice and home affairs as well as civil society representatives to discuss main agreements-driven reforms. Multilateral platforms created in the CIS framework should also be mentioned, such as the International commission on competition policy, where also some EU MS have an observer status.

The role of Russia

Russia has issued enormous pressure on Armenia and Ukraine to force them to withdraw from the agreements negotiated with the EU. The country deems inconsistency of its pressure with the international law as unimportant compared to restoring its influence in the region. Obviously, Russia's resistance weakens the Eastern Partnership as policy initiative. But at the same time nothing prevents that "genuinely strategic EU partner" from getting itself closer to the EU along the regulatory convergence, facilitation of academic contacts and visa-free travel at some point in future. The EU has several times offered free trade negotiations to Russia, however, to no avail. The framework of the EU-Russia relations remains hence confined to the non-binding four common spaces, where no meaningful results can be expected without political will. Russia may be losing a chance to build a qualitatively new basis for discussing the delicate issue of interests and influences in the EaP region – something, which has only sporadically (and beyond the formal structures) occurred so far.

The six EaP countries' bilateral relations with Russia diverge significantly. Russia itself can develop these relations on the bilateral basis only, since all post-Soviet cooperation frameworks including the Customs Union are far from being efficient in determining domestic reforms – even in case of Belarus. But these frameworks may be efficient in impeding AA/DCFTA process without offering any tangible results instead. For example, convergence of product standards with the EU, which is purely technical by nature, may become a political problem and confuse the governments as to which direction to take.

The EU-Russia dialogue has not succeeded so far to make the Eastern Partnership attractive to Russia. With the Lisbon Treaty in force, this issue should be attended anew in an attempt to dismantle the "either-or" approach, whereby Eastern EU partner countries are torn between the spheres of influence of Russia or EU.⁵⁵ It is the multilateral dimension of the Eastern Partnership that could become the test field for the new approach.

Concluding remarks

AA/DCFTA-driven reform agenda is similar in all countries standing under the agreements, while country specifics (structure of the economy and exports, development levels and potential etc.) are properly reflected. In all cases however, in view of complexity of national state building, the reforms need political will to succeed. Armenia and Ukraine have demonstrated that this political will is missing, at least in short- and medium-term perspective. The turn toward the Customs union of Armenia and suspension of AA/DCFTA process by the current Ukrainian leadership are sovereign decisions of independent states and formally deserve being respected. The problem with these decisions is however the lack of appropriate justification or serious impact assessments that would have underpinned turning away from closer economic and political ties with the EU.⁵⁶ In contrast, feasibility studies – initiated both by the EU and governments – preceded the decisions to embark on negotiations.

Agreements-driven reforms do not stop with the inauguration of the agreements – be it in Vilnius at 2013 EaP summit or elsewhere at a different point of time. The continuity of reforms, as shown, corresponds to the nature of the technical results of negotiations. The Eastern partner countries should see themselves in this regard as no exception to the EU mode of operation with international partners worldwide: ranging from successful new EU members like Croatia to countries on other continents negotiating free trade with the EU (among many others, currently Canada, USA and Japan),⁵⁷ the agreed provisions of free trade demand more institution building and adjustments to the national

55 Cf. Michael Emerson, *Synergies vs. Spheres of Influence in the Pan-European Space*: CEPS, 2009.

56 See Volodymyr Dubrovsky. *Politekonomiya patriotyzmu*. *Ukrains'ka Pravda*, 27.11.2013.

57 See for more detail: EU's bilateral trade and investment agreements – where are we? Memo by the European Commission, 18.10.2013.

regulatory frameworks. But, like any complex and lengthy process, such reforms only profit from milestones in the process. The Summit of Vilnius delivered such milestone for Georgia and Moldova.

The slip-back of the AA/DCFTA process in case of Armenia and Ukraine manifests once again that weak national institutions condition weak policies. Personal influence of politicians can appear decisive at a critical moment, compromising long-standing negotiation efforts, the accompanying domestic restructuring and the related technical expertise. Revolutionary protests amid the political crisis in Ukraine highlight also that democratically elected policy structures must be accountable before the voters. In this sense the Vilnius Summit has been the moment of truth for all participants.



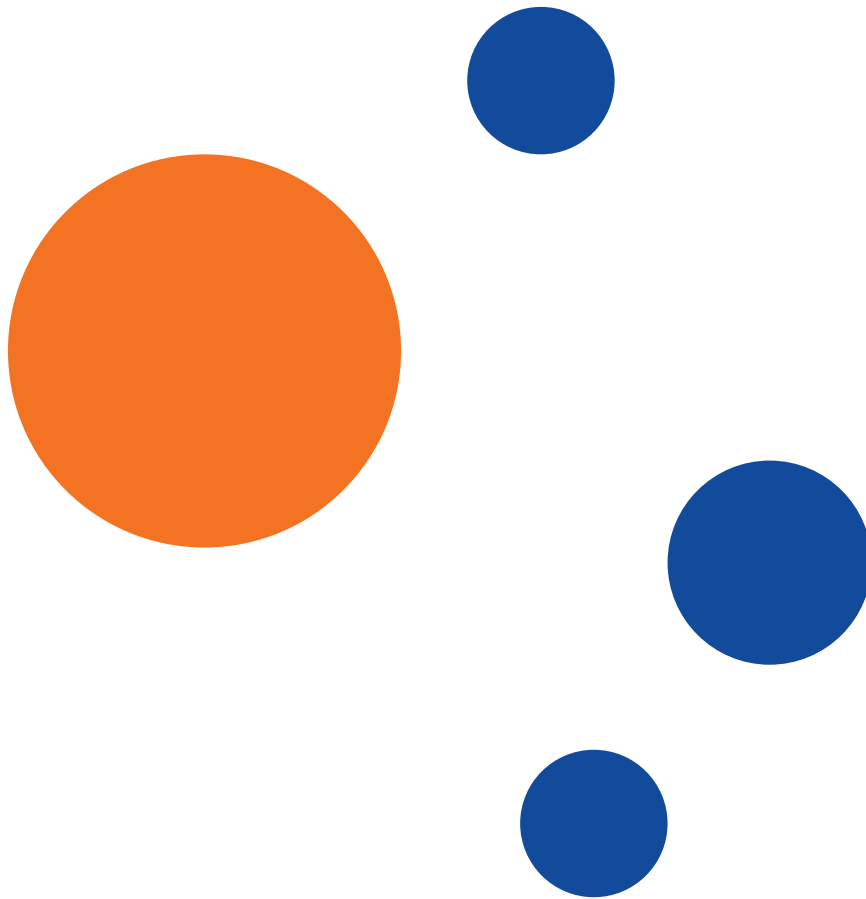
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