

Since I expect the panel to be dominated by the latest developments in Ukraine on one hand and one the case of Moldova on the other hand, I decided to contribute to the panel with the EU perspective on the EaP. But instead of discussing how the EU should politically react to the current happenings, I would rather take a mid-term view on how the EU should reform its policy towards the Eastern neighbourhood.

Even before the U-turns of Armenia in September and Ukraine just ahead of Vilnius, it has already become clear, that time is ripe for rethinking the Eastern strategy of Brussels. And indeed, Vilnius marked the beginning of a new phase of the EaP. No matter what the future holds for EU-Ukraine relations, mindful of the remaining partner states, the Union should waste no time and start a comprehensive up-grading of the EaP.

Please note, that the ideas I am about to present are largely based on the conclusions of 2 projects currently being run by PISM on the EaP. They are actually close to being finalized and they included not only desk research, but also field research in the various EaP countries. Both projects were carried out engaging local partners from these states.

There are three ideas the EU should take into account while rethinking the EaP:

### **1. Devising a Differentiated Two-Speed Approach**

Since its inception the EaP has de facto become a policy of concentric circles and must now be pursued as such. The first circle would see a tailored approach to countries that chose to deepen economic integration with the EU (Moldova and Georgia). With the second circle of countries uninterested to deepen integration with the EU (Belarus and Azerbaijan) the aim should be to maintain engagement at its current level. Armenia seemingly joined this second club with its September. Ukraine, remains for the time being between the two circles.

First circle:

For the first circle, the first priority should become signing and implementation of the AAs and this should be secured by increased financial allocations, even at the expense of other neighbouring countries in line with the “more for more” rule. This would help implementing the AAs as quickly as possible what is urgent, as there is no guarantee how long the domestic political stability and pro-EU stance of the elites would last in Moldova and Georgia. The EU could create an additional financial and technical instrument supporting the implementation of DCFTAs on a project-by-project basis and directed both at national administrations

and other stakeholders such as civil society organizations (CSOs), small and medium enterprises and the media. “Strategic patience” is needed however, given the low efficiency of administrations and high levels of corruption.

The EU must also make the most of its limited scope to promote democracy-related reforms. Whilst cooperation usually goes smoothly in non-political sectors (i.e. transport, border management, water sector) the EU’s attempts to push for more institutional reforms tend to fail. Ukraine, for instance, rejected EU financial support on public administration reform. The EU’s democracy-related conditions should be included in the agreements on financial assistance supporting the implementation of DCFTAs thus providing targeted incentives – as it already is the case of the visa liberalization roadmaps.

Finally, the EU needs to set precise conditions related to reforms that can be fulfilled in an extremely limited time frame (maximum 3 years). Setting indicators should involve more EaP officials and be supported by advisory services prior to the negotiations. CSOs also have to be engaged by the EU delegations in evaluating the conditions (good practice: Georgia).

#### Second circle:

Regarding the second circle, the EU needs to push for reforms, yet avoid isolating these countries if reforms do not materialise.

1. Azerbaijan, while technical cooperation can be deepened, the human rights agenda should become more visible.
2. Belarus, with whom relations since the 2010 presidential election have been minimal, the EU should propose some conditional carrots: additional financial resources for the projects targeting SME (loans), funding for non-political reforms (i.e. energy security, border protection, transport). The conditions should be implementing the small border-traffic agreements signed with Poland and Lithuania in 2010, concluding a visa-facilitation agreement with the EU and releasing political prisoners.
3. Armenia, the DCFTA offer should be strengthened and public pressure against joining the Customs Union supported.
4. Ukraine, the EU should decide to sign legally-binding deals as soon as possible drawing the country in the first circle.

## **2. Learning to Handle Russian Pressure in the Region**

The turns in Armenia’s and Ukraine’s positions in the run-up to the summit clearly exposed the high competition Russia presents to the EU in its Eastern neighbourhood. Due to language, cultural and religious ties, but also thanks to the existing regime for the free movement of people, Moscow is better positioned

than the EU to attract the majority of EaP societies. Economically, too, both Russia has a big leverage having intense trade exchange with the EaP countries: Russia is amongst the top three trade partners in all EaP countries except for Georgia.

So the EU must develop ideas on how to counterbalance such high Russian pressure on the EaP. Of course, the EU can keep going on with its rethoric that the EaP is not counter to Russian policy in the region, this will remain little convincing for Russia itself, who will most likely continue with its aggressive measures like misuse of energy pricing, artificial trade obstacles, threats to withdraw security guarantees and military cooperation, and “the instrumentalisation” of protracted conflicts. As such, the EU has to be ready for quick and effective responses:

1. Ready to give a financial helping hand in the case of further trade restrictions (e.g. Moldovan wine)
2. The EU should increase the visibility of its policy in the EaP countries. For this, it should increase its public diplomacy emphasizing the tangible positive impact its support has on the well-being of people.
  - a. This can be done for instance by increasing the number of diplomats.
  - b. Working out a comprehensive, long-term communication strategy in order to reach ordinary people. Right now no such strategy, rather just sporadic actions (internet activities, ad-hoc meetings with CSOs at EU delegations, press releases, etc). Large media campaign should be funded and it should be targeted appropriately with the help of professional locally-commissioned market research.
  - c. Finally, such public information efforts can be more effective if the EU will connect directly with EaP societies – even bypassing governments. For this CSOs of any size and from all the country should be more involved. Right now EU support for them is little known and accessible and most projects are led by EU-based beneficiaries. The reason is the complexity of EU procedures and high thresholds of grants.

### **3. Improving the Multilateral Dimension of EaP**

If the EU wants to increase its leverage on the region, it should improve relations among the Eastern partners. Regional projects would not only enhance bonds with the EU (i.e. through transport infrastructure), but would complement the two-circle policy providing a further link between the two circles of countries. This strategy could involve all states in some chosen themes.

The experience of the 4 four years of EaP shows that this cooperation format delivered positive results. Currently it functions on 4 platforms, out of which it is most vivid in economic integration and convergence with EU policies. The EaP countries are exchanging best tips on getting DCFTAs. The easiest for

cooperation are technical topics, such as environment and transport. Therefore *funding* for this multilateral dimension should be increased (€350 million in 2010–2013).

- by mobilizing the information and coordination group of 3<sup>rd</sup> countries supportive of the EaP under the leadership of the European External Action Service.
- multilateral projects should be also financed from the Neighbourhood Investment Facility covering the investment needs for infrastructure.
- the SME flagship initiative should be extended, provide more capital for earlystage entrepreneurs, and enhance collaboration with other lenders in the private banking sector. The East-Invest project (a component of the SME flagship initiative), focusing on enhancing business networking, could be opened up to third-party countries such as Turkey.

## **Conclusions**

No doubt, that Ukraine's retreat to suspend the association process seriously harmed the credibility of the EaP. It did so not only externally, but also internally, in the eyes of EU politicians who were anyway little faithful of the EaP.

This is why the EU should be now more realistic about the EaP than ever, do some soul-searching and put down something new and convincing on the table. For this it will be indispensable to:

1. Devise a tailor-made approach, probably by differentiating between two categories of countries,
2. Counter Russian pressure by financial means and public diplomacy,
3. Improve the multilateral dimension of the EaP: more funding for region-wide projects in sectors where cooperation is more easy.

By developing and implementing this strategy the EU will be able to start dealing with its Eastern partners as real partners and thus make the fundament of the Eastern Partnership real partnership.