

EASTERN EUROPE AND RUSSIA

EUROPEAN UNION AND EAP COUNTRIES: A SUCCESSFUL CASE OF ASSOCIATION

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Abstract

Participation in the regional economic integration process is one of the key aspects of the socio-economic reality in a given country. Due to favourable geographical position, six Post-Soviet countries (*Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine*) have been at the junction of conflicting geopolitical directions. Unlike early years of independence when these countries stood out through their balanced cooperation, later the course of foreign policy was shaped by the shift in geopolitical affiliations. Definitely, the *European Union* has always held significant focus on developing the foreign policy of the region. However, the level of EU bilateral and multilateral relations reached new qualitative milestone in 2009 when the *Eastern Partnership* (“EaP”) initiative was adopted as a unique modification of the *European Neighborhood Policy* (“ENP”). At the present stage, three of these countries (Georgia, Ukraine and Moldova) concluded Association Agreements with the EU and others reached relatively different levels of cooperation. However, the Europeanization is kept up to date and has special geopolitical and economic importance. Aiming to introduce a comprehensive analysis of cooperation between EU and EaP countries, the article reflects on the comparative advantages and limitations of the above-mentioned policies and examines instruments and tools, through which the EU provides financial and technical assistance to this group of countries. Meanwhile, the *European Investment Bank* and the *European Bank for Reconstruction and Development* are presented as the main financial institutions which carry out that assistance. The article also highlights the crucial role of the EU in the development of sound socio-economic environment for their partner countries. Besides, the article focuses, in particular upon relations between EU and Armenia as an unprecedented case in the history of economic integration studies, in which members of a regional integration union have managed to establish successful cooperation with other unions. In this regard, Armenia is a unique “integration bridge” between EU and Eurasian Economic Union.



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Background

Although the EU partnership with Mediterranean and Eastern European countries has a long history, 2004 marked the beginning of the *European Neighbourhood Policy*. The policy was the incentive of large-scale EU 2004's enlargement and offered an institutionalized alternative to membership. According to the Treaty of Amsterdam, "[a]ny European State which respects the principles set out in Article F(1) may apply to become a member of the Union." [Treaty of Amsterdam, 1997]. As such, "[t]he Union is founded on the principles of liberty, democracy, respect for human rights, fundamental freedoms, and the rule of law, principles which are common to the Member States." [Treaty of Amsterdam, 1997]. Thus, the idea of launching the ENP itself contradicted both the Maastricht and Amsterdam treaties, according to which, EU membership is open to all European countries.

However, "[t]he policy found it difficult to reconcile its 'idealist' rhetoric of creating 'a ring of friends' around Europe with its 'realist' security-predicated need to protect its borders and encircle itself with 'well-governed countries'" [Korosteleva, 2011]. If the Treaty of Amsterdam excluded the membership for the Mediterranean countries, Eastern European countries, and especially Ukraine, were not inspired by the limited opportunities of the ENP. The hesitation and sometimes negative reaction of the beneficiaries forced the EU to reconsider its policy towards its eastern neighbours, and as a result, the *Eastern Partnership* initiative was launched on May 7, 2009.

The EaP should be starting point for bilateral and regional cooperation and "...serve[s] the shared commitment to stability, security and prosperity of the European Union, the partner countries and indeed the entire European continent." (Joint Declaration of the Prague EaP Summit, 2009). The EaP, which is either a modified version of the ENP or sometimes a private case, would differ from the latter because of its certain realistic programs, tools and resources offered. It provides a regional and bilateral approach seeking to deepen both the EU bilateral relations with stakeholders and through multilateralism, develop new relations with countries that did not have sufficiently developed relations with the EU. In principle, the two-pronged approach intended to offer greater differentiation for leaders, as well as vast opportunities for less experienced partners to further build a common economic community.

The Future of the Eastern Partnership

More than ten years have passed since the launch of the EaP, which is enough to make a brief assessment of the initiative's activities and determine its future. The "20 deliverables for 2020" framework is the main guideline for the EaP activities until the end of 2020. The deliverables are summarized in four main pillars intending to achieve "stronger economy, governance, connectivity and, society". To assess the process of the framework, the European Commission has carried out extensive and comprehensive consultation to outline future policy objectives. "Overall, there is a consensus that the Eastern Partnership is robust and delivers tangible benefits to the daily lives of people across the region." [European Commission, 2020]. The new framework, which is based on the consultation results, separates five policy objectives, which should be the core drivers of the EaP initiative. To achieve these policy objectives, the EU, its Member States and, the partner countries will act together for a partnership that "creates, protects, greens, connects and empowers".

Despite these ambitious goals, the future of the EaP is largely conditioned by several challenges for the EU, institutional and migration crises, demographic changes, various economic issues and, even novel COVID-19 outbreak. Moreover, the lag between levels of European integration among the EaP states and the preferences of EU political institutions to strengthen relations with Western Balkan countries are deepening and therefore creating an obstacle for the further development of the initiative.

The first years of ENP's implementation showed that the adopted mechanism was not able to provide sufficient flexibility for neighbor countries and the idea of considering all countries in the same dimension and developing general cooperation with all partners greatly hindered the effective implementation of the ENP. Hence, the EU had to constantly review the principles underlying the policy and significant policy changes were introduced in 2011 and 2015. As a result, "[t]he review¹⁸ refocused the ENP to ensure a differentiated approach to partners, recognising the different aspirations of each country, joint ownership, based on both partners' needs and EU interests, and more flexibility in the use of EU instruments [European Commission, 2015]. However, providing the financial contribution on the basis of the "more for more" principle based on mutual accountability was not able to ensure sufficient differentiation for neighbors, and various issues specific to each country proved the ineffectiveness of cooperating with all countries on the same scale both under the ENP and EaP.

In this conditions, one of the possible options for the future development of the EaP initiative is the prospect of deepening cooperation among the three countries. The so-called the "*Trio*", have concluded Association Agreements with EU - Georgia, Moldova and Ukraine. In 2019, Andris Kubilius, a Lithuanian politician and a Member of the European Parliament, presented the "The Trio Strategy 2030 - A New Flagship Initiative for EU Associated/DCFTA countries" based on the Berlin Process formerly applied for European integration of the Western Balkan countries. The authors expect that "[t]he success of implementing EU integration reforms by the EU Associated Trio will create new incentives in the EU East Neighbourhood for Armenia, Azerbaijan and Belarus to choose an ambitious path of European integration" [Georgian Public Broadcasting, 2019].

However, separating the Trio from the EaP countries and considering the other three countries (Armenia, Azerbaijan and Belarus) on the same dimension is not a fair solution and contradicts the EU's approaches of "more for more" and "less for less". This is because Armenia is a step ahead of the others in terms of European integration. As a result, the Resolution "On the future of the Trio Plus Strategy 2030: building a future of Eastern Partnership" was adopted in December 2019 in the frames of the 8th Euronest Parliamentary Assembly, held in Tbilisi, defining a differentiated approach for Armenia as well in line with CEPA.

The EU Financial Assistance to the Neighbours

The EU is the largest donor of international aid in the world, which spends more than 50 billion euros per year on poverty reduction and global economic development [European Commission, 2020]. It participates both in the projects implemented by partner organizations and countries and acts as the main contributor to individual investment projects. The EU has developed a wide range of tools to provide financial and technical assistance to beneficiary countries. One of the most important aspects of those tools are budget support programs which are intended to finance a country's ambitious reforms in different spheres. The budget support is provided in line with concrete priorities enshrined in, the so-called, *Single Support Frameworks*. They reflect three-year funding program provided by the European Neighborhood Instrument. The scope of financing is dependent on a country's effort towards European integration and the capacity for financial absorption. The priorities are indicative of how financial allocations for assistance will be included in the Single Support Frameworks and therefore directly linked to the policy objectives outlined in the Partnership Priorities. These decisions are determined by EU, neighbour countries, "20 Deliverables for 2020", and individual state priorities. Meanwhile, the qualitative side of EU financing is characterized by the *Annual Action Programs* which are subject to receiving annual financing from the EU.

¹⁸ Refers to the ENP Review 2015.

The EU contributes significantly to the achievement of the Sustainable Development Goals both in Europe and outside the EU. The European Investment Bank and the European Bank for Reconstruction and Development are key players in providing such financial support to their neighbours. They operate in both the private and public sectors of partner countries by financing the investment projects. Those projects have contributed to the development of private sector and infrastructure to ensure the harmonization of environmental and social standards. Together with the EU, these banks act to help countries in the region address the challenges of climate change adaptation, cope with the effects of migration, and build long-term economic resilience through guaranteed financial ability to afford SMEs.

The Bilateral Relations between the EU and EaP Countries

Undoubtedly, Ukraine is a leader in European integration among the EaP countries and strives to deepen the relations with the EU and even “fights” for membership. The military conflict with Russia and the wave of Euromaidan forced Ukraine to reconsider its foreign diplomatic course without compromising their relationship with the EU. The situation is almost the same in Georgia, where geopolitical and territorial conflicts with Russian-backed self-proclaimed republics of South Ossetia and Abkhazia have been contentious. Although in recent years they have been trying to restore economic cooperation with Russia. However, if Georgia is geographically “cut off” from the EU and is connected only by sea, Ukraine’s wide borders with four EU member-countries put it in a far more favourable position than even the Baltic states. It is no coincidence that Donald Tusk, former President of the European Council, considered that “there can be no Europe without Ukraine!” [Kyiv Post, 2019].

Azerbaijan, refraining from participating in regional integration processes, is presented in the EaP framework formally presenting itself as a European country and using this initiative as a platform for political statements and speculations. Judging by the statements of the official Baku, Azerbaijan is not going to leave the EaP countries in the coming years and it will not take an active part in the process either. Meanwhile, the EU-Azerbaijan cooperation has significant potential for energy and infrastructure. It is one of the main EU partners in the oil supply and a participant in the Southern Gas Corridor project.

The EU-Moldova cooperation is based on prospects of membership. This is largely due to Moldova’s geographical, cultural and linguistic closeness with Romania. However, several economic and political issues are currently posing serious obstacles to the dynamic development of bilateral relations. Moldova is faced with territorial disputes over self-proclaimed and unrecognized Transnistria. Moreover, Moldova has one of the poorest economies in the EaP, with several gaps in democracy, and the rule of law. On the other hand, Moldova is trying to build effective relations with the EAEU based on acquired observer status. The same issues of democracy and the rule of law are at the heart of EU-Belarus limited relations. Since the presidency of Alexander Lukashenko, the EU has repeatedly condemned the actions of the Belarusian authorities calling them anti-democratic and authoritarian. Although Belarus is formally involved in the ENP and EaP initiatives, the EU has suspended (2005) the PCA ratification indefinitely and repeatedly impose sanctions on Belarusian officials and businessmen.

In general, it is worth noting that Armenia is considered a successful example as it builds a balanced relationship with the EU and Russia. The EU-Armenia relations entered a new stage of development in 2010 with the initial meeting of the negotiations on the AA took place in Yerevan. The AA, which would include the DCFTA component would be a breakthrough in EU-Armenia bilateral relations. However, due to geopolitical

preferences, the signing of the AA was unsuccessful and in the days before the Vilnius Summit (in the frames of which the signing should have taken place), the Armenian side announced its initiative to join the Eurasian Customs Union. This would allow the establishment of a deep and free trade area to become incompatible with Armenia's commitments to join another customs union. However, a month later, Armenia expressed its readiness to sign the AA without a DCFTA component, but the proposal was unequivocally rejected by the EU (with another prospect of further cooperation with Armenia). The Vilnius summit was another “political divorce” with the Armenia’s participation and the impact of that divorce on the socio-economic development of Armenia is impossible and too abstract to assess. Meanwhile, it is undeniable that the signing of the AA would affect both the course of Armenian foreign policy and the geopolitical balance in the region.

Despite the failed attempt to sign the AA, Johannes Hahn, the former European Commissioner for Neighbourhood and Enlargement, expressed EU’s readiness to sign the revised version of the AA without a DCFTA component. As a result, *the Comprehensive and Enhanced Partnership Agreement* between the EU and Armenia was concluded on November 24, 2017, with knowledge of the 5th EaP Summit held in Brussels. Though the CEPA has not yet been ratified by all EU member states, it has received a temporary and partial (80%) implementation since June 2018. The signing of the CEPA was key to EU-Armenia relations, covering all spheres of bilateral cooperation except for free trade and defence issues. It is a comprehensive and ambitious bilateral agreement involving political, economic, and, sectoral cooperation aimed to strengthen the framework of dialogue in all areas of mutual interest. Additionally, it hopes to promote the development of close relations between the parties and support the strengthening of democratic, economic and, institutional stability, and therefore improve cooperation.

Conclusion

In summary, the EU improving the relations with neighboring countries can be seen through financial and technical assistance for the implementation of ambitious reforms in several areas, such as infrastructure development, democracy, human rights protection and ensuring the rule of law. These relations are regulated through bilateral and regional negotiations based on the ENP and EAP programs. In the meantime, ensuring flexible and differentiated approach for each country will be a priority. EU cooperation with those countries is limited by the features and capabilities of each country.

However, in the context of effective EU relations with neighbouring countries, there are many areas of sectoral cooperation who have the potential for EU support. This will enable partner countries to act not only on national or regional levels but, overcome global challenges as well. Further cooperation should include, inter alia, environmental protection, infrastructure, cross border cooperation, education and human capital, ensuring democracy, human rights, the rule of law and sustainable civil society.

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