Narrow Focus, Broad Vision: A Strategic View of the Eastern Partnership

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Summary

In 2009, the EU’s Eastern Partnership (EP) initiative was launched with high hopes of spreading some of the fruits of the 2004 and 2007 enlargements to the countries on Europe’s eastern periphery. The main objectives of the program—targeted at six states, three in Eastern Europe (Belarus, Moldova, Ukraine) and three in the South Caucasus (Armenia, Azerbaijan, Georgia)—have been to support these countries in terms of economic and political reform, socio-economic development, and other fields, with the long-term objective of promoting deeper cooperation with the EU.

Unfortunately, in the last four years these high expectations have simply not been met. While there have been elements of success, the record of the EP has also demonstrated the limits of the EU’s foreign policy influence. If it cannot react effectively to the “erosion of democracy” in its own backyard, how can it hope to tackle the truly global challenges it faces in coming decades? Accordingly, the upcoming Vilnius summit—marking the fourth anniversary of the establishment of the EP—will be an opportunity for the EU to take stock and reevaluate not only its perception of the partnership states, but also its broader foreign policy objectives and the instruments through which it seeks to accomplish them.

It has been argued that the key reason for supporting the Eastern Partnership is because it enables the EU to spread its values. Yet, this is precisely the thing that the European Union cannot (and should not) be doing at this point in time. While countries such as Estonia, Poland, and Sweden have consistently and actively supported both the Eastern Partnership and the eventual accession of candidates such as Turkey and states of the former Yugoslavia, for the core EU countries in Western Europe, the “high” of enthusiasm for enlargement that accompanied the 2004 accession has long since passed. The failure of Giscard d'Estaing's constitution project has made far too many question its political direction, and the fiscal crisis has made people question its economic direction.
Yet, even while the EU may not have the capacity to create a wide space for the European values of consensus and liberal democracy stretching across the Eurasian landmass from Portugal to the Pacific, it can and does have the ability to deepen cooperation with its Eastern partners on areas that support its interest. In this paper, we concentrate on the most important such dimension: energy security.

As we explain below, energy security cooperation is a win-win proposition for both the EU and the EP countries. By working together to reduce the impact of a security threat they face in common—Russia’s ability to use its energy exports as leverage—they can immediately begin to demonstrate the value of closer cooperation to often skeptical populations on both sides. Without lengthy negotiations, both sides can immediately begin drawing real benefit from working together within the legal and economic framework of the Energy Community, an international organization that aims to create a market-driven energy sector while increasing security of supply. As we can see from the map below, the Energy Community presents a wider view of an integrated Europe—including the Balkans, Norway, Turkey, and five of the six EP countries—that is not just aspirational, but practical. Such cooperation has already borne fruit in the case of Moldova, by facilitating the construction of a new pipeline linking the country with Romania and ending its total dependence on Russian gas. While such measures may seem relatively narrow in scope, over the long term they can have spillover effects, triggering deeper and broader cooperation as well.
Recent Developments in the Eastern Partnership

Proposed by Poland and Sweden in 2008 as an enhanced dimension of the existing Eastern Neighborhood Policy, the Eastern Partnership initiative was designed to foster greater political, economic and social reforms in the countries of Eastern Europe and the South Caucasus. From its official launch at the Prague Summit in 2009, the EU and partners had set forth a fairly ambitious agenda consisting of measures designed to enhance trade in goods and services, improve investment flows, and pave the way for future integration with the EU’s economic market. Acknowledging the “European aspirations and European choice of some partners,” the 2011 Warsaw Summit declaration added the liberalization and possible eventual lifting of visa requirements to the Partnership’s already ambitious list of goals.¹ However, slow progress on implementing reforms in the partner countries, combined with decreasing attention from an EU increasingly concerned with its own internal difficulties, had raised questions about the likelihood of significant progress at the Vilnius summit.

Nevertheless, as the year began five of the six EP countries (excluding Belarus) were negotiating Association Agreements (AAs), which in the cases of Georgia, Moldova, and Ukraine were combined with Deep and Comprehensive Free Trade Agreements (AA-DCFTA). Of the three, Ukraine is the furthest ahead in the process: it had in fact initialed the agreement 2012, but the EU later suspended the ratification process amidst ongoing concerns about political reform and human rights, especially over the continued imprisonment of Yulia Tymoshenko. Georgia and Moldova are not much further behind, even though—as explained in detail below—their internal political difficulties have clouded both countries’ prospects. Under intense Russian pressure, Armenia chose not to continue with the AA on which it had concluded negotiations. Meanwhile, Azerbaijan has pursued an AA, but is unlikely to initial it at Vilnius due to its having addressed only a few of the EU’s recommendations on improving its democratic performance.

Stumbling Blocks on the Road to Vilnius: Domestic and Foreign Policy Challenges

The year 2013 has witnessed several trends obstructing the EP region along its path towards European integration. Internal developments have posed stumbling blocks for the leading EP countries as they have prepared to sign or initial AA(-DCFTA)s at Vilnius. These challenges can be found in two main categories: domestic policy, with political volatility and repression of political opponents being common themes, and foreign policy, where the primary factors have been the existential choice faced by EP countries between Europe and Russia—and the military efforts of the latter to shape and influence that choice.

Electoral and political volatility

The re-election of Armenian President Serzh Sargsyan in February 2013 triggered protests at home and abroad. International monitors condemned the lack of

meaningful competition during the electoral campaign, as several major candidates withdrew, with another forced to withdraw after being shot while campaigning. While the president’s vote total was fairly low—only 58%, according to the official totals—given the widespread protests and allegations of fraud, the election nevertheless marked the third consecutive victory for Sargsyan’s Republican Party of Armenia within a one-year period; the other two were the parliamentary election in May 2012 and the Yerevan mayoral election in May 2013.³

The upcoming presidential election in Azerbaijan may well follow the Armenian example, with an incumbent candidate winning despite protests from the opposition. Restrictions on media freedom have limited the exposure of potential opposition candidates, as have the arrests (during the country’s large-scale protests in February) of opposition politicians such as Ilgar Mammadov, leader of the opposition movement REAL, and Tofiq Yaqublu, the deputy chairman of the opposition Musavat Party. The Azeri government has also received additional international criticism over the criminalization of “slander and insult” on the Internet. This legislation, which will further inhibit open debate in the run-up to the election, was passed by Parliament in May of this year.⁴

Despite this lack of progress towards more free and fair elections in Armenia and Azerbaijan, Georgia for now still stands out as a relative success story within the South Caucasus. Although the defeat of President Mikheil Saakashvili’s United National Movement (UNM) party in the parliamentary elections of October 2012 was seen by some observers as a defeat for pro-European forces in the country, the victorious Georgian Dream-Democratic Georgia (GD) coalition under Bidzina Ivanishvili was quick to reaffirm Georgia’s European aspirations. Moreover, the fact of the election itself was symbolic: for the first time in the history of independent Georgia, an incumbent party peacefully turned over power to another. Certainly, there has been some criticism about a “backsliding of democracy” in Georgia, notably over the prosecution of former prime minister (and head of the UNM) Vano

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Merabishvili on charges of misusing government funds - a case that uncomfortably reminds many in Brussels of the example of former Ukrainian prime minister Yulia Tymoshenko. Ultimately, the presidential election scheduled for the end of this month is likely to clear up much uncertainty about the future direction of the country.

In order to sustain some momentum on the Eastern Partnership, the EU arguably needs a less ambiguous “success story” to encourage supporters and win over skeptics. Beginning in the days of the old Eastern Neighborhood Policy, Moldova has served as a role model for other partner countries, especially as political reforms have slowed in Ukraine and Georgia. It has pursued a stable course towards European integration, regularly leading the “class” in completing the EU’s “homework” assignments.

Yet, even Moldova has suffered from political instability in recent years. Most notoriously, it went without a president for over 900 days until parliament finally managed to end the gridlock by electing Nicolae Timofti in March 2012. Just a year later, its political scene was thrown back into chaos when the constitutional court blocked the creation of a new cabinet by Prime Minister Vlad Filat, who had lost a vote of confidence after accusing his coalition allies of corruption. The resulting crisis immediately cast a shadow over EU-Moldova relations, bringing into question the probability of initializing an AA-DCFTA at Vilnius.

Yet, given the high priority that President Timofti and his allies have placed on European integration, Moldova was able to install a new government fairly quickly under Prime Minister Iurie Leancă. While they have clearly faced a tough challenge in preparing for Vilnius, Leancă and his team—especially Natalia Gherman, the deputy prime minister and minister of foreign affairs charged with implementing the roadmap for Moldova developed at the Warsaw Summit in 2011—have pushed forward with reforms and made a strong case for Moldova’s initialing of the AA-DCFTA in November.

Crackdowns on domestic political opposition continued to be common in Eastern Europe and South Caucasus over the past year. In previous years, Georgia and Ukraine had distinguished themselves positively among other EP countries in their pursuit of liberal democratic reforms. Unfortunately, in the latter case, the country’s political climate under President Yanukovych has changed for the worse, as evidenced most clearly by the continued imprisonment of leading opposition figure (and defeated presidential candidate) Yulia Tymoshenko.

Nevertheless, in recent months, positive signs have emerged from the country: in April 2013, two high-profile opponents, former Interior Minister Yuri Lutsenko and former Environmental Minister Heorhiy Filipchuk, were released from prison. It seems clear that this decision does not herald any particular progress towards real judicial-sector reform; instead, it is indicative of the strong desire on the part of the Yanukovych government to keep its options open with regards to its dimensional choice between deeper cooperation with the EU or with Russia. Initial signs were that this decision was a successful one: Ukraine’s “progress” was rewarded with a positive acknowledgement at the EU ministerial meeting in Brussels in July 2013.6

Existential Choices

Unlike the Baltic region—which has, broadly speaking, made its Euro-Atlantic aspirations clear from the moment it regained independence—the Eastern European and South Caucasus countries spent the last twenty years grappling with the existential choice of whether to align themselves with Europe or with Russia. At times, some (like Belarus and, quite recently, Armenia) have chosen the latter option, while Moldova and Georgia have in recent years opted more decisively for the former.

Even assuming that the EP countries wanted to make a real choice to become integral members of the European community, however, the choice may not entirely be theirs to make. Russia has considerable military and energy leverage over the region—

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leverage that it is clearly not afraid to deploy in order to influence this existential decision.

Before addressing the extent of Russian military influence, let us turn briefly to review some states’ policy responses to this existential question.

Armenia’s bombshell announcement that it would abandon its negotiated Association Agreement and instead join the Russian-led Customs Union—made during President Sargsyan’s visit to Moscow in September 2013—shocked European observers, and discomfited advocates of a European future in Yerevan. While Armenian authorities claim that they will still be able to continue cooperating with the EU within existing frameworks, the reaction both inside and outside the country has been far less optimistic. Indeed, the decision underlines the argument in this section: that it is indeed an existential question that must be answered; unfortunately, so-called “multi-vector” foreign policies cannot persist indefinitely.

Another “big question” about the EP, according to Edward Lucas is Ukraine, which is “larger than all the other countries combined, and less amenable to pressure from either Brussels or Moscow. If its association agreement is not signed, a serious rethink of the whole approach is inescapable.”7 In the past, Ukraine has essentially been playing “hard to get”—encouraging interest from its European and Russian suitors without making any binding commitment to either side. Nevertheless, as the Vilnius summit has drawn closer, Ukraine has more actively begun to implement European requirements. In a sense, Russia’s own inelegant approach—in which threats have replaced persuasion as the principal means of influencing Kyiv’s decision—have pushed Ukraine in this direction. Not only has Moscow continued its efforts to take over Ukraine’s strategically important energy transit assets, but it has clumsily implemented a series of harsh crackdowns on Ukrainian imports, introducing new, stringent customs controls that triggered delays costing Ukrainian business over $2.5 billion in lost revenue8, and culminating infamously with the “chocolate war” this

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August of restrictions on the Roshen chocolate on which current Trade Minister Petro Poroshenko built his personal fortune.  

While continuing to prepare the technical steps for signing the AA-DCFTA in November, the EU has for its part declined officially to lower its requirements that Ukraine engage in deeper political and economic reform. At the same time, given the increased urgency of the geopolitical situation as well as the increasingly apparent benefits of greater trade and energy security for which we have argued in this paper, there is a growing expectation among observers and officials that the agreement will indeed be signed at Vilnius.

**Shaping Existential Choices: Russia’s military presence in the EP region**

One cannot speak about the EP countries’ essential choice between East and West without discussing one key factor: the Russian armed forces. Over the last several months, Moscow has been actively flexing its muscles across the Eastern Partnership region, an area in which it maintains an active military presence in five of six countries.

First, we have seen more intensive cooperation between Russia and Armenia (and not coincidentally, cooling relations between Russia and Azerbaijan.) The pivotal concerns for Armenia in this regard are security guarantees and improvement of stability, especially regarding its long-standing conflict with Azerbaijan. Armenia is also actively reinforcing its bilateral military relationship with Russia within the framework of the

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9 "Шоколадна війна" і пожмурні прогнози: як Росія відмовляє Україну від укладення угод з ЄС" ["The ‘Chocolate War’ and Gloomy Forecasts: How Russia Is Preventing Ukraine from Signing Agreements with the EU"], Finance.ua, 24 September 2013, available at http://news.finance.ua/ua/~/2/2013/09/24/309621


12 Excluding Azerbaijan.
Russian-led Collective Security Treaty Organization (CSTO), ostensibly in order to help deter any move by Turkey and its ally Azerbaijan to alter the balance of power in the region. To advance those aims, Moscow is expanding the size and modernizing the equipment of the Russian Army’s 102nd Regiment stationed in Gyumri, located about 120 km from Yerevan.\textsuperscript{13}

Meanwhile, in Ukraine, a considerable portion of the Russian Black Sea Fleet continues to be based in the port of Sevastopol, thanks to the extended lease offered by Kyiv in exchange for discounted natural gas prices—a discount which never ultimately materialized. Moreover, not only has the fleet’s presence been extended, but it has been expanded as well—it recently hosted exercises involving more than 30 ships, 7000 personnel, 250 armored vehicles, 50 artillery pieces and up to 20 fighter jets and helicopters, alarming other Black Sea littoral states.\textsuperscript{14} Given these and other indications, it is likely that the Russian military will make the Black Sea a target area of its operations for the foreseeable future.

Of course, the Eastern Partnership country with the most problematic security relationship with Russia is Georgia, ever since the outbreak of armed hostilities between the two countries in 2008. Despite some occasional attempts to reduce tensions (such as Georgia’s relaxing of visa requirements for Russian citizens in 2012), the conflict over the unresolved status of the breakaway Georgian territories of Abkhazia and South Ossetia, recognized as independent states by the Russian Federation, shows no signs of dissipating anytime soon. Russia’s unilateral installation in June of 27 km of barbed-wire fencing along the administrative boundary of South Ossetia is only the latest demonstration of Moscow’s military interest in the region.\textsuperscript{15} Meanwhile, its investments in military infrastructure in Abkhazia have already reached $465 million, including the renovation of the Bombora air force base (the largest military airfield in the South Caucasus) and the naval port of Ochamchire, located only a few dozen kilometers from Georgian-controlled territory. When these...


investments are combined with the considerable troop presence in the two republics—Abkhazia, for example, hosts 5,000 Russian soldiers and 1,500 FSB personnel—one can safely conclude that Russia has no intention of scaling back its role in the near future.
Energy security

It is not just countries in the EP region that have been the target of Russian pressure. As they have sought to pursue diversification projects and implement the EU’s Third Energy Package, even EU member states such as Estonia, Latvia, and especially Lithuania have been on the receiving end of Russia’s retaliatory tactics. While the EP countries have a long way to go fulfilling the EU criteria on economic development or institutional & political reform, in their degree of energy dependency and location in Russia’s self-declared “near abroad” sphere of influence, they have much in common with EU members such as the Baltic republics.

Among those three states, Lithuania—which pays 30 percent more than Gazprom’s average price for gas exports to Europe (and 15 percent more than Germany)—is unique for having chosen to implement the most ambitious (full ownership unbundling) of the three options presented by the EU’s Third Energy Package. Explaining his country’s choice, Gediminas Kirkilas, Deputy Speaker of the Seimas (Lithuania’s parliament) and chairman of its Committee on European Affairs, cited “the consolidation of energy infrastructure, integration of energy systems, formation of the common external energy policy, energy diversification, elimination of energy islands and achieving better energy prices that meet consumer needs” as principal benefits to be brought about by full unbundling.

Yet no matter how effectively ownership unbundling is implemented, however, it will not in and of itself be sufficient to guarantee greater energy security. First, new infrastructure is desperately needed, whether modernized interconnections or new LNG terminals. And while the Baltics and fellow EU members such as Poland and Finland can and are working together in this respect, the EU cannot make full use of such improvements if they stand empty, or, worse, are used simply to facilitate further imports from the current monopolist supplier. In this respect, the EU cannot

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16 For more on this issue, see Matthew J. Bryza and Emmet C. Tuohy, Connecting the Baltic States to Europe’s Gas Market (Tallinn: International Centre for Defence Studies, 2013), pp. 1-2

attain its energy security objectives by acting only on its own. The active cooperation of the Eastern Partners—both as transit states and as sources of supply—will be needed in the future.

As argued above, the EU’s efforts to work more closely with the EP partners have been hampered by the domestic and foreign-policy challenges faced by many of the latter countries. Yet, as a brief review of the situation in the region will reveal, such obstacles are less salient in the energy sector, where the dividing line is often a rather simple one: between Russia and everyone else.

For some time, Russia has sought to acquire controlling stakes in the gas transmission system (GTS) and underground gas storage facilities of countries in its “near abroad,” thus far failing in Ukraine but succeeding in Belarus, Moldova, and even the Baltic states. Similar steps are now planned for Armenia, which is now bracing for a rise of almost 20% in the price of gas charged by Russia. Due to the country’s need for Russian security guarantees regarding Nagorno-Karabakh, Armenia has no bargaining power with Gazprom, and is unlikely to be able to avoid paying Western gas prices in the future. In a country where one-third of the population lives below the poverty line, the impact of this price increase—Armenia will now pay $374 per tcm, in contrast to the $431 paid by Germany—cannot be overstated. This summer, there were widespread public protests against Gazprom’s tactics, accompanied by demands that the government in Yerevan develop diversification plans. Unfortunately, as noted above, due to intense and direct Russian pressure, the country has now abandoned the DCFTA-AA—and now finds itself vulnerable to additional price increases in the future.

Azerbaijan, with its potential to export considerable volumes of Caspian & Central Asian oil and natural gas to Europe, will likely play a positive role in Europe’s energy diversification, so long as market-based, commercially-viable export solutions are found. While it is true that the EU’s preferred Nabucco West project for bringing gas to Europe was recently declared dead, but this was due to problems with the project itself: there was simply not enough gas available in its early years to justify its cost. It has been replaced by a combination of the Trans-Anatolian Pipeline (TANAP) to

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Turkey and the onward Trans Adriatic Pipeline (TAP), backed by the German utility giant E.ON Ruhrgas,\textsuperscript{19} which together will reduce Europe’s dependency on Russian gas by delivering some 10 bcm per year.

For its part, Azerbaijan fully supports the implementation of the EU’s Southern Gas Corridor strategy, which promotes such diversification with the cooperation of Georgia, a key transit country for both sides. According to Matthew Bryza of ICDS and David Koranyi of the Atlantic Council,

The Southern Corridor will be essential to stabilizing the volatile region South Caucasus by anchoring Azerbaijan to the Euro-Atlantic community. Just as the Baku-Tbilisi-Ceyhan pipeline solidified Azerbaijan’s and Georgia’s Western links, the Southern Gas Corridor will expectantly contribute to cementing their Euro-Atlantic orientation\textsuperscript{20}.

The process of Europe becoming a source of gas deliveries has already started. EU member states such as Germany, Hungary, and Poland are already playing a significant role in the energy sector of Ukraine, supplying it with natural gas by reverse flows. In the first half of 2013, flows from the three countries brought the equivalent of 12 bcm per year gas to Ukraine, increasing the chance that the country will reach the ambitious target of reducing total Russian imports this year to 18 bcm.\textsuperscript{21}

The reverse-flow model has potential to bring benefits to other European countries as well. For example, Romania and Moldova recently broke ground on the Iaşi-Ungheni interconnector pipeline, which will enable Moldova to obtain 1.5 bcm/year in gas from its western neighbor, much of it—at least initially—will be Russian gas.\textsuperscript{22}


Conclusion

What are the expectations from the upcoming Vilnius Summit? Within the EU, there is little agreement even on identifying the criteria that would constitute success for the EP at the summit. Does it mean initialed AA/DCFTAs with Moldova and Georgia and a signed agreement with Ukraine? Or is the summit a success simply for having been held in the first place—thereby perpetuating the negotiation process and ostensibly thus fostering better good neighborhood relations?

While negotiations cannot and ought not be an end in themselves, nor should it be judged based on how many boxes are checked at each summit; true partnership is a long-term process. In our view, it is pragmatism that should guide the EU as it assesses its progress (or lack thereof) on the EP. Clearly, the results of four years of considerable investment into the EP process have been mixed at best; but the successes are tangible, as are the benefits to pursuing them further. To more forward effectively, the EU has to embrace a new and pragmatic approach towards integration, focusing on the strategic areas in which it has already had an impact. The primary such issue, as we have stressed in this paper, is energy, but there are others such as trade and visa liberalization that can also deliver rapid results.

Of course, we hope for successful conclusion of AA-DCFTA agreements at Vilnius by all concerned. Indisputably, both agreements would bring all six post-Soviet countries into a tied system of the EU market and would accelerate further internal reforms.23 Even if the relevant countries do not finalize their AA and/or AA-DCFTA agreements at Vilnius, however, the EU can still take steps of significant benefit to both sides on its own initiative, for example on visa liberalization or on trade, like the unilateral decision this month to lift quotas on Moldovan wine. In this way, EU policymakers can obtain tangible results from their long investments in the region, demonstrating the value—and continued viability—of such programs in the future.
