

The future of the EU's Eastern Partnership – challenges and opportunities for Lithuania's foreign policy

Dr Laurynas Kasčiūnas, Dovilė Šukytė

It is now five years (26 May 2008) since Poland and Sweden proposed the Eastern Partnership initiative to the then EU General Affairs and External Relations Council. In 2009, the Eastern Partnership initiative was recognised as an official EU cooperation policy comprising of six Eastern European neighbours – Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.

As the third Eastern Partnership Summit on 28–29 November in Vilnius approaches, the EU must decide whether to continue to strictly adhere to the principles of democratic values and to postpone signing the Association Agreement with Ukraine or, for the sake of the success of the Eastern Partnership initiative, to sign the Association Agreement and to take Ukraine into the European Free Trade Area on the condition that the country will continue its implementation of democratic reforms.

Dilemmas of the EU Eastern Partnership

The emergence of the EU Eastern Partnership initiative was primarily determined by the fundamental changes in EU external relations, specifically, the “fatigue” in the EU development policy, which made the EU look for alternatives to the Community development policy. Slogans such as “everything but institutions”, “integration without membership”, “less than integration, but more than cooperation”, etc. appeared. In other words, in the “frozen” context of its development policy, the EU started looking for ways to expand its regulatory limits without extending the Community's institutional boundaries.

As other analysts maintain, the Eastern Partnership initiative emerged as compensation to Eastern European countries for the unsuccessful 2008 NATO Summit in Bucharest, where neither Ukraine nor Georgia were admitted to the NATO Membership Action Plan process. The Eastern Partnership was to reduce the wave of “frustration with the West” and to prevent Russia from treating the results of the NATO Bucharest Summit as its informal “veto” right over the expansion of Western security structures in the East.

However, despite the novelty of the form, the EU Eastern Partnership initiative has come across the same dilemmas as the European Neighbourhood Policy initiated in 2003. Both the Eastern Partnership and its former version, the European Neighbourhood

Policy, cannot offer a plan of escape from this vicious circle where there is no membership perspective and therefore the EU cannot offer partner countries any incentives to promote reform. Consequently, cooperation between the partners and the EU cannot be upgraded to a higher political and institutional level. This vicious circle is the most serious challenge that has to be overcome in developing the EU Eastern Partnership policy.

Another extremely important geopolitical aspect is the fact that chronologically the EU Eastern Partnership initiative, which aims to bring partner countries closer to European regulations (by expanding EU regulatory boundaries without expanding its institutional boundaries), coincided with the policy of “resetting” in the US–Russia relations initiated by Barack Obama’s administration. The geopolitical logic of these two initiatives clashed somewhat, resulting in the situation of “strategic uncertainty” in the region. Russia started treating the US policy of “resetting” as a sort of withdrawal of the US from Eastern Europe; therefore this initiative was accompanied by regular proposals from Moscow to build a two-pillar European security system. Russia would be one of the support points responsible for the security of a certain geopolitical area. Russia’s intentions are best reflected in its proposals to develop a missile defence system divided into two sectors whereby Russia would take responsibility for one of the sectors.

Meanwhile, the EU Eastern Partnership has focused on strengthening the motivation of partner countries. Such EU incentives as the Association Agreement and the free trade agreement or the granting of a visa free regime, seek to incorporate the Eastern partners in the EU economic and political orbit and thus indirectly reduce their dependence on the Russian rules of the game. Consequently, even though the US policy of “resetting” and the EU Eastern Partnership differ both in their nature and leverage impact, the lack of coordination between these policies led to the overall weakness of the transatlantic East policy.

EU external relations: lack of consistency

The EU Eastern Partnership, which provides for the involvement of partners in the EU internal market without formal membership, is based on two pillars: a) an opportunity of integration into the EU internal market and b) freer movement of people with the prospect of a visa-free regime. The first pillar is based on the advantage of the EU internal market as an economic “magnet”. However, EU negotiations with partner countries have revealed that lagging development levels of partner countries and costly adaptation to extremely high EU standards and regulatory norms create a barrier to integration without membership. Furthermore, the EU’s tendency to exert protection in respect to some of its economy sectors, creates a protectionist barrier for economic entities of partner countries to get involved in the EU internal market, and therefore reduces their motivation to become engines of Europeanization. The result is that the EU is losing the opportunity to “empower” economic entities of partner countries to act as advocates of European integration.

Meanwhile, the second pillar of the EU Eastern Partnership – the movement towards a visa-free regime – faces a different challenge. Comparing the EU policy towards Russia with that of its policy towards Ukraine and other Eastern Partnership countries, analysts note that the EU often tends to offer the same incentives to Russia but without any special commitments that it presents to Ukraine as the motivation to reform. This pattern in the relations of the EU with Russia and the EU with other EU Eastern neighbours can be described as the principle “Russia first”.

It is very often the case that in EU external relations, any initiatives proposed by the Community are first implemented with Russia, and only then with other eastern neighbours. Application of this unwritten rule allows Russia to maintain control over the EU’s relations, which fall within the agenda and subject of Russian interests with other Eastern European countries. The principle – “Russia first” is therefore the challenge for the EU Eastern Partnership initiative. The EU would find it difficult to prove the advantages of Eastern Partnership to partner countries, if Russia, which does not participate in the Eastern Partnership, were to be given access to the EU internal market – in this case if a visa-free regime with the EU were to be introduced for Russia ahead of the countries participating in the programme. This would undermine the role of the EU as a normative power¹ and the centre of gravity as well as the EU’s capacity to transform the neighbouring countries according to the European model.

This unwritten principle often manifests in double standards in EU external relations. For example, manifestation of selective justice in Ukraine is a reason for the EU to link these issues with signing the Association and Free Trade Agreement; meanwhile the strengthening of the political vertical structure and the obvious problem of political prisoners, such as for example, the case of Mikhail Khodorkovsky in Russia are not reasons to stop the EU’s energy dialogue or the partnership for modernisation.

The role of Ukraine in the EU Eastern Partnership is central, yet it also poses the biggest dilemma. Ukrainian President Viktor Yanukovich seeks to implement a controversial formula in domestic and foreign policy – to centralise his power (through strengthening the economic and political positions of the “family”, reducing dependence on oligarchs, exerting pressure on political opponents) and to combine this with European integration. The EU, because of its regulatory attitudes and values however, objects to this formula and tends to link the signing of the Association and Free Trade Agreement with Ukraine, with the requirements to terminate the application of the principle of selectivity in justice and the implementation of necessary reforms in Ukraine’s legal and electoral frameworks. Such a link is logical, because each EU free trade agreement contains a so-called human rights clause, but given the fact that the EU Eastern Partnership does not operate on a “blank sheet of paper”, but has a competitor – the Eurasian Economic Union, it must also consider geopolitical factors. The link between requirements and the Association Agreement may push Ukraine towards the other integration space dominated by Russia.

¹ Normative power is considered the EU’s ability to spread its values to other non-EU countries.

Eurasian Economic Union – an alternative to the EU Association Policy

There is unanimous agreement that the creation of the Eurasian Economic Union (EEU) in the EU neighbourhood affects the results of the Eastern Partnership. On the other hand, the success of the Union will largely depend on the ability to offer a more favourable cost-benefit balance to partner countries than the incentives offered by the EU for adopting the European rules of the game. The Eurasian Economic Union, which was launched on 1 January 2010, is a qualitatively different initiative than those that have appeared previously in the CIS space. The EEU offers a deeper integration level, because it not only has a free-trade area, but also a common import tax structure and a common external tariff; product quality and other standards have also been harmonised. So what is the significance of this new geopolitical project?

First, it should be noted that thus far, the dissemination of Russian influence in the post-Soviet space was based on effective “soft” (preferential gas prices, strengthening the position of the Russian language, etc.) and “hard” (deployment of military bases in areas of separatist conflicts, the function of a geopolitical arbiter, etc.) power instruments and at the same time on very weak binding international agreements which did not provide Russia with the leverage to control the relationship of post-Soviet countries with an alternative to integration spaces. Therefore, the key EEU geopolitical goal is to create an alternative integration centre to the EU’s normative power offering post-Soviet states more favourable accession and participation conditions. The emergence of the EEU provided countries located between the EU and Russia with a space where different institutional structures “overlap” and also offered them an alternative to the stimuli source proposed by the EU.

It is important to emphasise that states which become members of the EEU, will lose independence in their external trade policy. Member states of the EEU will not only agree on a common customs tariff, but will also develop a common trade regime with third countries. Consequently, membership in the EEU of countries participating in the EU Eastern Partnership would therefore mean that Russia would gain leverage to control their external trade policy and relations with the EU, for example, it may block negotiations with the EU on the enhanced free trade agreement. It should be noted that the cooperation formula “3 +1” offered to Ukraine by Russia – which provides for a standard free trade regime without a common external tariff, which would suit both Ukraine’s liabilities to the World Trade Organisation (WTO) and the enhanced free-trade agreement with the EU – was rejected. It is clear that Russia leaves no alternative models of cooperation for neighbouring countries. At the same time, this represents an end to the balancing of Eastern Europe between East and West. For example, the EU-Ukraine Free Trade Agreement and Ukraine’s membership in the Eurasian Economic Union would be incompatible. In other words, if Ukraine and other Eastern European countries became members of the EEU, Russia would gain leverage to control their relationship with the EU.

Ukraine – the key to the success of the EU Eastern Partnership

After evaluation of the effect of the EEU on partner countries it can be said that the forthcoming Vilnius Summit will make a “break” point. The EU’s decision to postpone signing of the Association Agreement and consequently, Ukraine’s accession to the European free trade area may mean Kiev turning towards the Eurasian Economic Union. This is a dilemma, but also an opportunity for Lithuanian foreign policy. The Vilnius Summit could lead to further development of the EU Eastern Partnership model.

Economic factors influence the decisions of Eastern European countries regarding closer relations with the EU or their membership of the EEU. For example, Russia is ready to reduce the price of natural gas sold to Ukraine, if Ukraine becomes a member of the EEU. It is estimated that if Ukraine accepts Russia’s proposal, its annual savings would range from 6 to 9 billion USD. On the other hand, the lower price of gas is not directly related to membership in the EEU. It is just an additional incentive from Russia that may be changed at any time. Another obstacle preventing Eastern European countries from becoming members of the EEU is the fact that not all member states of the Eurasian Economic Union are members of the WTO. This situation may mean higher costs for those Eastern European countries which are already members of the WTO. For example, if Ukraine joined the EEU, it would have to review its tariff commitments agreed during its negotiations with the WTO and align them with the tariffs that will be set for other EEU states (Belarus, Kazakhstan) when they negotiate their accession to the WTO. As a result of adjustment of Ukraine’s commitments to the WTO, Ukraine will have to compensate the loss to other WTO members.

Although Ukraine may have to incur costs in adjusting to European standards, there is no doubt in Kiev about the long-term benefits of access to the European market. Notably, the regulatory norms and standards of the Eurasian Economic Union could pave the way for only a very limited market with not particularly high purchasing power. Meanwhile, participation in the EU market with 500 million users also gives access to markets that have adopted EU regulations. Ukraine’s participation in the EU market will increase competition in the country’s domestic market and will have a positive impact on the purchasing power of consumers. Compliance with the EU standards will help to attract foreign investment while competition with foreign companies will promote modernisation of local businesses. According to economic estimates, because of Ukraine’s participation in the free trade area, the country’s social welfare in the long-term period will increase 4–11 per cent.²

After Ukraine fulfils the EU’s technical requirements and gets ready for integration into the European free market, it will become the key EU Eastern Partnership country. However, the lack of political reforms in Ukraine means that there is almost no doubt that Ukraine will not be able to implement the requirements relating to the consolidation

² Rafal Sadowski, “The prospects for the EU-Ukraine free trade agreement”, OSW Commentary, No 94, October 15, 2012. Internet access <<http://www.osw.waw.pl/en/publikacje/osw-commentary/2012-10-18/prospects-euukraine-free-trade-agreement>>

of democracy,³ making the EU consider whether to sign or, relying on EU values, to postpone the Association Agreement with Ukraine.

It is planned to sign the Association Agreement with Ukraine at the Vilnius Summit. As this date approaches, the question arises as to whether by signing the Association Agreement with Ukraine, the EU will not challenge its values and send the wrong signal to other Eastern Partnership countries. On the other hand, if the Association Agreement with Ukraine is not signed, would the EU run the risk of losing what has been achieved in Ukraine's European integration and even essentially undermine the EU's Eastern Partnership initiative? Finally, does the EU have an alternative plan to offer Ukraine if signing of the Association Agreement remains open?

Are there any alternatives to the Association Agreement?

With slackened Ukrainian political reforms and the EU normative requirements still in place, analysts and political reporters wonder about possible alternatives. Since EU requirements for Ukraine are more of a political rather than economic or technical nature, and since Ukraine has had, in the negotiations concerning the enhanced free trade agreement, almost the same load of adjustment to European regulations as the candidate countries for EU accession, there are suggestions to separate the political Association Agreement from the free trade part and sign the free trade agreement with Ukraine. Such separation would allow the EU to save its core values and also solve Ukraine's dilemma of balancing between the two integration spaces. After signing the enhanced free trade agreement with the EU, Ukraine would not be able to become a member of the Russian-controlled Eurasian Economic Union. Ukraine would therefore become "tied" to European norms and its dependence on the Russian rules of the game would be diminished.

Western Balkan countries such as Serbia and Macedonia could serve as an example of the separation of the Association and free trade agreements. First, the EU Stabilisation and Association Agreements were signed and then later the free trade agreements were signed with these countries. Although in its final version the Free Trade Agreement was integrated into the Stabilisation and Association Agreement, delayed ratification of the latter agreement was beneficial to the Balkan countries as they could join the EU market earlier. For example, the EU-Macedonia Free Trade Agreement came into force in 2001, whereas the Stabilisation and Association Agreement signed in the same year was ratified by EU Member States and came into force only in 2004.

According to analysts, EU external relations often fall into the trap of the policy based on core values, therefore it is worth considering the opportunity to review the principle entrenched in the Eastern Partnership initiative providing for development of

³ Further close cooperation conditions set to Ukraine by the EU in December 2012 included elimination of violations of Ukrainian parliamentary elections of 28 October 2012 according to the OSCE report and preparation of the electoral code in compliance with the European standards; Ukraine's progress in addressing the problems of selective justice with respect to the opposition, reforms in the country's legal system and other reforms stipulated in the mutually agreed Association Agenda.

democratic and constitutional reforms in partner countries as a prerequisite for cooperation with the EU. Perhaps the EU should limit its extremely high democratisation expectations and focus on pragmatic economic interests? It is after all the free trade space that incorporates a much larger internal transformation of power in partner countries than political Association agreements.

However, the inclusive Association Agreement, which would not only provide for a free trade regime, but also for a political partnership consolidating Ukraine's commitment to human rights and the rule of law shall remain the aim of Lithuanian foreign policy. Any other scenario would in the best case leave Ukraine in the "grey" security zone.

It is important to highlight further association prospects with respect to the remaining Eastern Partnership countries – Moldova and Georgia, which are candidates for initialling similar agreements in Vilnius, and Belarus, Armenia and Azerbaijan. The introduction of as many intermediate stops as possible would make it possible, while avoiding accusations of double and individual standards for each country, to make a clear decision regarding a partner country's readiness to sign the EU Association Agreement. This solution would not only save EU core values, but would also signal forward progress and would not allow Russia to treat the Eastern Partnership as an initiative which ended in *de facto* failure. It is also necessary to continue targeted and organised work involving the civil society of Eastern Partnership countries. Such initiatives for strengthening civil society as, for example, the Eastern Partnership Civil Society Forum, which bring together national platforms of partner countries, significantly contribute to democratisation, consolidation of the rule of law, respect for human rights, freedom of press and speech in partner countries, and also promote economic and social reforms.

There is no doubt that the Vilnius Summit will define further development of the EU Eastern Partnership initiative. Signing of the Association Agreement with Ukraine or at least the initialling of an agreement with Moldova or perhaps Georgia would make the Vilnius Summit stand out by its success and be compared with summits such as the 2002 NATO Prague Summit or the 1993 EU Summit in Copenhagen which signalled a significant new stage in EU relations with Eastern European countries. A lack of political will and refusal to compromise could result in the Vilnius Summit disappearing from the map as the summit without any considerable results or it could even be compared to the 2008 NATO Bucharest Summit during which "a window of opportunity" for turning the process of geopolitical events in Eastern Europe was lost.