

CHALLENGE EUROPE

Yes, we should!

EU priorities for 2019-2024



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EU and Eastern Europe: The case for continued engagement

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MAIN RECOMMENDATION ▶ The EU should adopt a more muscular approach towards Russia and scale-up its engagement in the Eastern neighbourhood.

WHAT TO DO:

- ▶ Advance the pro-western states' integration into a Single Market and strengthen cooperation in key policy areas.
 - ▶ Maintain unity vis-à-vis Russia and limit its room for maneuver in the shared neighbourhood.
 - ▶ Build pro-EU constituencies in both the Eastern neighbours and in Russia.
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A decade ago, the European Union (EU) went on a mission to change Eastern Europe in its own image. Now it is on the defensive. The Russian challenge and the ongoing war in Ukraine shifted the EU's focus from economic integration to crisis management. Dealing with an assertive Russia overshadows all other objectives. While the Union has not given up on its role as a champion of reforms in the eastern neighbourhood, its overriding concern is the mounting instability at its doorstep. The widespread backlash against open borders by populist forces across Europe has now killed off any remaining appetite for enlargement. The Eastern Partnership (EaP), its headline initiative, increasingly looks like an alternative rather than a step to EU membership. All things being equal, it is likely to remain so in the coming five years.

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The Eastern neighbourhood: The good news and the bad news

The EU may not be capable of absorbing its Eastern neighbours but it cannot simply ignore them either.

For all the doom and gloom, European integration works. The Deep and Comprehensive Free Trade Area agreements (DCFTAs) signed by Georgia, Moldova and Ukraine have deepened their economic ties with the EU. The EU28 account for 55% of trade flows in Moldova, over 40% in Ukraine and about 27% in Georgia. By comparison, Russia's share of the three countries' combined turnover is 11-12%.¹ Georgian, Moldovan and Ukrainian citizens can now travel visa-free to the Schengen area, a matter of huge symbolic and practical significance. Europe animates politics, too. Flawed though it may be, the EU remains an alternative to the hardship, institutional dysfunction, and the rule of predatory elites across the post-Soviet space. That ordinary Ukrainians were willing to sacrifice their lives at Kyiv's Maidan in February 2014 testifies to that fact.

But the EU's economic traction does not translate seamlessly into geopolitical clout. Challenges to their sovereignty and territorial integrity constrain the European aspirations of countries in the region. The Minsk II accords signed in February 2015 by Ukraine, Russia, France, and Germany (the so-called Normandy Four) have led to a scaling down of violence, but not much more than that. Russia will not withdraw from the Donbas and abandon its proxies there, let alone pull out of Crimea, which it has now digested into its state structure. An all-out military showdown between Russia and Ukraine, which many fear, is still possible but not likely. Yet, Moscow has pressed sovereignty claims over the Azov Sea and the Kerch Strait, opening an additional frontline – and bargaining chip vis-à-vis Kyiv. And that is even without taking into account all other flare points across this volatile region: Nagorno-Karabakh, which in April 2016 saw the worst bloodshed since the early 1990s, Abkhazia and South Ossetia, and Transnistria. On all those fronts, it is Russia holding most of the cards, not the EU or the US.

Domestic politics also blunt the EU's influence. EaP's record when it comes to strengthening the rule of law and expanding governance accountability is chequered at best.

As elsewhere, political elites in post-Soviet Eastern Europe pay lip service to Brussels' conditionality and happily consume the benefits of integration. But they are loathe to lose power and resources to

comply with demands for cleaner politics coming from European institutions. Oligarchs pull the strings from behind the scenes. Institutions are weak and societies emasculated.

Why should the EU care?

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The first reason is that indigenous pro-democracy changes empower the EU. Armenia, which made remarkable strides forward in 2018, is a case in point. Unlike Ukraine's Revolution of Dignity in 2013-2014, the mass protests that swept former journalist Nikol Pashinyan to power were not about the choice between Europe and Russia. But the revolt against decades-long state capture adds to the EU's influence as well as to its claim to be a force for positive change beyond its borders.

Secondly, the EU's traction makes it a stakeholder in the region by default. True, it lacks the instruments and resources, the requisite unity of purpose on the part of member states, the freedom of action to play power politics. But it would be a mistake to sell Europe short. The Euromaidan put on display, even to sceptics, the fact that its policies and decisions have enormous impact on the ground.

Thirdly, like it or not, the EU is locked in a contest with Russia. Moscow considers the territories of the former Soviet Union – with the possible exception of the Baltics – its own turf. That does not necessarily mean that the Kremlin is hell-bent on bringing the Soviet Union back to life. Such an endeavour would be difficult, expensive, risky, and ridden with unforeseen consequences. But it is prepared to fight its corner. The annexation

of Crimea showed that Vladimir Putin is strongly committed to maintaining Russia's primacy in post-Soviet Eurasia. To this end, the Russian leadership will use all economic, political and even military tools at its disposal, short of a large-scale war. Indeed, Russia is taking the fight to the EU itself, wielding disruptive influence over the domestic affairs of a number of member states. For the Russian leadership, this meddling in other countries' politics is fair game. After all, the argument in Moscow goes, the West has been doing precisely that in both the Russian Federation and its post-Soviet backyard since the 1990s.

Last but not least, the EU and Russia still have interests that overlap. Examples include the Iranian nuclear deal and the shared concern about radicalisation and foreign fighters in the Middle East. Russian policymakers and think tankers talk up their country's pivot to Asia. In reality, the EU remains the leading trade partner as well as the largest market for Russian oil and gas exports. Turnover shrank by 44%, or from €330 billion to €191 billion between 2012 and 2016.² Yet Russia ranks as the Union's fourth most important economic partner. Around two million Russian Federation citizens and ethnic Russians reside in the EU, with Germany taking the lion's share. As attested by surveys by the independent Levada Center in the summer of 2018, Russians' views of Europe have improved considerably of late. Call that the effect of the World Cup 2018 or the regime's falling popularity, the trend suggests that the 'fortress Russia' mentality inculcated by the Kremlin is far from rock solid.

The way forward: A more muscular approach

The challenge the EU faces vis-à-vis both Russia and the Eastern neighbours is striking the right balance between engagement, the assertion of European interests and values and, in the case of Russia, containment. In March 2016, foreign ministers promulgated five principles to guide policy: full implementation of the Minsk agreements; closer ties with Russia's former Soviet neighbours; strengthening EU resilience to Russian threats; selective engagement with Russia on certain issues such as counter-terrorism; and support for people-to-people contacts.

In the upcoming politico-institutional cycle, Europe should focus on three key priorities which derive from the above principles:

1. Advance the pro-Western states' integration into the Single Market and strengthen cooperation in key policy areas.
2. Maintain unity vis-à-vis Russia and limit its room for manoeuvre in the shared neighbourhood.
3. Build pro-EU constituencies in both Eastern neighbours and Russia.

THE EASTERN PARTNERSHIP: MIXING CARROTS AND STICKS

In dealing with the EaP countries, the EU should craft a more effective combination of carrots and sticks. Reforms should be rewarded with greater amounts of financial assistance and integration into EU frameworks and programmes, but funding should also be denied or withdrawn as punishment. The external action instruments under the EU's next Multiannual Financial Framework (MFF) need to establish a

stronger connection between advancing the rule of law and EU assistance. Brussels should practise tough love. That way, it could signal to pro-European constituencies in the countries in question that the EU promotes cleaner government and puts a check on predatory elites. This message should be put across clearly by EU officials as well as by public diplomacy.

Differentiation has no alternative. Meeting EU standards should translate into closer ties with the Union. Over time, Armenia should be able to narrow the gap with Georgia, Ukraine and Moldova. That would involve the full implementation of the Comprehensive and Enhanced Partnership Agreement signed in November 2017 as well as progress on visa facilitation. Belarus, fearful of Russia's intentions of ending its independence, might turn to the EU as well. However, concessions should come in response to concrete steps by the Lukashenka regime allowing the opposition, civil society, and critical media to operate freely. Autocratic Azerbaijan lags far behind the rest of the pack. Baku opts for a purely transactional relationship with the Europeans largely focused on oil and gas. President Ilham Aliyev is unlikely to release imprisoned activists and journalists in order to accommodate the EU's democratic requirements. Nor will the Union's member states push hard on that front.

The final destination should no longer be a taboo. The institutional relationship that the Union might negotiate with post-Brexit Britain could result in opportunities for flexible integration for East Europeans as well. To be sure, the closest possible form of association short of full membership is the best option for the frontrunners in the region in the short-to-medium term. Neither

the EaP countries in the region nor the Union will be ready to embark on accession talks in the 2020s. Much depends on how the ongoing enlargement to the Western Balkans plays out. Should the progress to accession deliver clear gains in terms of the rule of law and good governance, Ukraine, Georgia and Moldova will have a much stronger case for membership, too.

Migration ought to be part of the EU offer. The building blocks are already there. In 2017 alone, Poland issued 235,000 work permits. Of those, more than 80% went to citizens of Ukraine. Governments in Central Europe undercutting burden sharing when it comes to asylum seekers from the southern neighbourhood, should welcome migrants from the EaP countries.

DEALING WITH RUSSIA FROM A POSITION OF STRENGTH

The EU's rate of success depends, in no small part, on its relations with Russia and its ability to address the security concerns of its eastern neighbours. Only if the Union demonstrates internal cohesion and offers a robust response to disruptive actions it would be able to restrain Moscow. Europe should bargain from a position of strength.

That is why maintaining a common front on the sanctions is a must. But sticking to the lowest common denominator is a dead-end street. To be credible, the EU has to be able to show teeth too. That means escalating punishments to dissuade Russia from engaging in aggressive behaviour, such as the blockade of the Kerch Strait aimed at stifling Ukrainian ports on the Azov Sea. Only if the EU is able to drive up the costs of aggression can it play a substantive role in crisis prevention rather than crisis management. The EU does not have the means to deter the Russian military. However, it can do much more to keep the Kremlin elites at bay.

A more robust posture does not preclude engagement. Those doing business with Russia know best that bargaining with Moscow, e.g. on natural gas contracts, works when it is done from a position of strength.

The EU should collectively set red lines, such as the interference with its internal affairs. And it should not shrink from enforcing them if need be. Member states must build and strengthen existing institutions and agencies charged with the exchange of information and know-how on countering hostile influence campaigns, with cyber defence, and with the combat of disinformation. Currently, the European External Action

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Service (EEAS) focuses on strengthening media freedom and independent media and responding to disinformation activities in the EaP countries. Eastern neighbours could contribute to intra-EU resilience as well. Georgian, Ukrainian and Moldovan officials, experts, civil society have a considerable amount of expertise when it comes to disinformation, fake news, the foreign infiltration of party politics, cyber warfare and the like. They could be of direct use to the Union's member states and institutions.

BUILDING PRO-EU CONSTITUENCIES

It is imperative that the EU reaches out to societies in both Russia and Eastern Europe. One of the lessons from enlargement is that sustainable progress towards democracy and the rule of law can only come from within. Armenia is a reminder that anti-corruption sentiments and public discontent with incumbent elites is on the rise across the post-Soviet space. Russia is no exception. The rule of law remains the EU's competitive advantage. It is not for nothing that middle class Russians have been leaving for the EU, much like Ukrainians and Moldovan workers. Some are in pursuit of employment. Others emigrate because property rights are better protected in the EU and the courts are truly independent. However, Europe is nowadays struggling to retain the moral higher ground, serve as a benchmark and inspire change beyond its borders. The EU has to practise what it preaches when it comes to the rule of law and democracy. Backsliding in Hungary, Poland and other parts of Central and Southeast Europe make its job difficult since the rule of law and democratic institutions are under strain in the Union too. The outreach to neighbours starts at home.

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¹ The percentages are as follows: Georgia, 9% of exports and 9.3% of imports; Moldova, 11% of exports, 8.6% imports; Ukraine, 11% of exports, 17% of imports. Source: European Commission, Directorate-General on Trade, Factsheets on Trade with Ukraine, Moldova and Georgia. Available at ec.europa.eu

² According to data from the European Commission.