

# THE LIMITS OF ENLARGEMENT-LITE: EUROPEAN AND RUSSIAN POWER IN THE TROUBLED NEIGHBOURHOOD

**Nicu Popescu & Andrew Wilson**  
**POLICY REPORT**



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© ECFR June 2009.

Published by the European Council on Foreign Relations (ECFR), 5th Floor Cambridge House, 100 Cambridge Grove, London W6 0LE

[london@ecfr.eu](mailto:london@ecfr.eu)

ISBN: 978-1-906538-13-2

# Acknowledgements

Special thanks are due to our research assistant Stanislav Secieru for all his hard work on the report. This report has benefited from data and analysis provided by experts from the six eastern neighbourhood states – Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. Each expert conducted a survey of his or her country’s economic and political relations with the EU. Our thanks go to Tevan Poghosyan, Tabib Huseynov, Vlad Lupan, Oleksandr Sushko, Vitali Silitski and Archil Gegeshidze. Although we have been informed by their research, responsibility for the arguments and analysis advanced in this paper lies with the authors alone.

At ECFR we are indebted to Tom Nuttall, Mark Leonard, Rob Blackhurst, Ulrike Guérot, Thomas Klau, Alba Lamberti, Katherine Parkes, Vanessa Stevens, Vessela Tcherneva, José Ignacio Torreblanca and Nick Witney.

We would also like to thank numerous colleagues who have shared their expertise, insights and time with us while we were working on this report: Lala Abasova, Arzu Abdulayeva, Leila Alieva, Farda Asadov, Anders Aslund, Ron Asmus, George Balan, Arcadie Barbarosie, Paulo Barroso-Simoes, Paolo Berizzi, Jean-Yves Berthault, John Beyer, Carolyn Brown, Zbigniew Brzezinski, Sean Carroll, Patrick Child, Victor Chirila, Dato Chochia, Viorel Cibotaru, Bruno Coppieters, David Darchiashvili, Remi Dufлот, Murat Dzhoev, Olof Ehrenkrona, Per Eklund, Michael Emerson, Steven Everts, Bjorn Fagerberg, Mark Fawcett, Vasyl Filipchuk, Patricia Flor, Giorgi Gogia, Elena Gnedina, Ryan Grist, Iulian Groza, Carl Hallergard, Hilde Hardeman, Carl Hartzell, Paruyr Hovhannissyan, Rashad Huseynli, Kestutis Jankauskas, Mindaugas Kacerauskis, Rolandas Kacinskas, Ivaylo Kalfin, Kaupo Kand, Denis Keefe, Allison Kerr, Ivlian Khaindrava, Elene Khoshtaria, John Kjaer, Gerald Knaus, Modest Kolerov, Simon Kordonsky, Daniel Kostoval, Daniel Kunin, Batu Kutelia, Angus Lapsley, Milos Lexa, Kadri Liik, Masha Lipman, Fyodor Lukianov, Vlad Lupan, Dov Lynch, Alistair MacDonald, Ilgar Mammadov, Sergey Markov, Constantin Matache, Raduta Matache, Marianne Mikko, Hugues Mingarelli, Misha

Mirzeishvili, Kalman Mizsei, Daniela Moraru, Igor Munteanu, Rasim Musabayev, Tofiq Musayev, Eldar Namazov, Oazu Nantoi, Veselin Nikolaev, Ghia Nodia, Alar Olljum, Elena Prokhorova, John O'Rourke, Valeriu Ostalep, Rasa Ostrauskaite, Simon Panek, Zygimantas Pavilionis, Gleb Pavlovsky, Olaf Poeschke, Tomas Pojar, Andrei Popov, Kristi Raik, Eugen Revenco, Alex Rondos, Mikheil Saakashvili, George Saghin, Dmitri Sanakoev, Stefan Schleuning, Jurgen Schmidt, Jiri Schneider, Peter Semneby, Keith Shannon, Jeremy Shapiro, Javier Solana, Vasili Sova, Ion Stavila, Lina Sucilaite, Pirkka Tapiola, Richrad Tibbels, Dmitri Trenin, Vadim Tsmybursky, Calin Ionut Ungur, Vygaudas Usackas, Tomas Valasek, Grigol Vashadze, Radu Vrabie, Alan Waddams, Michael Webb, Fredrik Wesslau, Gunnar Wiegand, Temuri Yakobashvili, Alexandros Yannis, and Paata Zakareishvili.

We would also like to thank members of the European Council on Foreign Relations who have commented on the report: Pavol Demes, Heather Grabbe, Pierre Hassner, Annette Heuser, Jaakko Itoniemi, Ivan Krastev, Kalypto Nicolaidis, Mabel van Oranje, Simon Panek, Albert Rohan, Aleksander Smolar, Michael Stürmer, and Andre Wilkens.

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# The eastern neighbourhood





# Executive summary

The six eastern neighbours of the European Union – Belarus, Ukraine, Moldova, Georgia, Armenia and Azerbaijan – are in the middle of the worst economic and political disarray they have faced since achieving independence in 1991. Over the past year, war in Georgia, the Ukrainian gas crisis and the burning of the Moldovan parliament have all dominated the front pages of European newspapers. But behind the headlines the story is just as bleak: politics in the “neighbourhood”<sup>1</sup> is a toxic mixture of authoritarianism and stalled democracy, ongoing secessionist tensions continue to stoke fears of violent conflict, and the economic crisis is wreaking havoc throughout the region.

The implications for the EU are profound. Renewed hostilities or economic collapse could see an influx of immigrants into eastern Member States. Several banks in western Member States are exposed to the imploding economies in the east. But beyond these immediate dangers, there is an emerging contest between the EU and Russia over the political rules that are to govern the neighbourhood. Since the 2004 Orange revolution in Ukraine, Russia has been working tirelessly to draw the countries of the region into its sphere of influence while the EU has continued to pursue a technocratic strategy best described as “enlargement-lite” – offering the neighbourhood states the prospect of eventual political and economic alignment with the EU while dampening down any hopes of actual accession.

The latest iteration of the EU’s strategy comes in the form of the “Eastern Partnership” (EaP), a development of the EU’s European Neighbourhood

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<sup>1</sup> Although the term “neighbourhood” is used by the European Commission to refer to the 16 countries covered by the European Neighbourhood Policy, in this paper we use it as shorthand for the six countries covered by the new Eastern Partnership: Belarus, Ukraine, Moldova, Georgia, Armenia and Azerbaijan.

Policy (ENP).<sup>2</sup> But the EaP's launch summit in Prague on 7 May 2009 served only to highlight the problems with the European approach. Angela Merkel was the only leader of a major Member State to bother to attend, exposing divisions within the EU over the importance of the region and confirming suspicions in the neighbourhood that the EU has other priorities. In the summit communiqué, the neighbourhood states were downgraded from "European countries" – a phrase which it was feared would encourage hopes of accession – to "partner countries". And Germany and France succeeded in watering down the language on visa liberalisation, a key issue for neighbourhood states.

## The crisis-prone neighbourhood

The eastern neighbourhood is blighted by three different types of crisis. The first is the **crisis of weak statehood**: corruption is endemic throughout the region and many governments in the neighbourhood have to contend with secessionist regions that do not accept their authority. The second is **Russia's attempt to rebuild its sphere of influence** and to undermine the sovereignty of the eastern neighbourhood states. Finally, the damage caused by **the global economic downturn** means there is a real risk of failed economies, if not yet of failed states, in the neighbourhood.

The EU's responses to crises in the neighbourhood have been largely sluggish and ineffectual. When war erupted in Georgia in August 2008, EU institutions were sidelined and the European Commission left flat-footed. During the gas crisis in January 2009, the EU initially did nothing on the grounds that the dispute between Ukraine and Russia was "commercial". Disagreements between Member States are a persistent problem: some, such as Italy, blamed Georgia's president Mikheil Saakashvili for provoking Russia to war last August while others, like Poland, pinned responsibility on the Kremlin. A further failing has been the EU's insular tendency to stick to one-size-fits-all policies cooked up in Brussels rather than to respond to the situation on the ground.

So it is little wonder that the neighbourhood states take an opportunistic, "à la carte" approach to EU engagement, treating their relationship with the EU not as a resource for reforming their states, but as an instrument to widen their

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<sup>2</sup> The ENP offers the EU's 16 immediate neighbours a degree of economic and political integration in exchange for democratic reforms. The EaP seeks to build on the ENP by deepening bilateral relations between the EU and the six eastern neighbours.

freedom of action. They are in no hurry to democratise, but will take every morsel of economic or political assistance that comes their way.

## The EU and Russia – competing soft powers

The EU cuts an alluring shape in the neighbourhood. Ordinary people and elites alike see it as a preferable destination to Russia for study, work or holiday. But while Europe has largely been content to sit back and rely on the “magnetism” of its model, Russia has been quietly working to boost its own attractiveness in the neighbourhood, and in particular has learned the power of incentives. While the EU frustrates neighbourhood governments with its bureaucracy, Russia offers straightforward benefits such as visa-free travel and cheap energy. And citizens in the neighbourhood are starting to notice – Moldova is now the only country in the region in which a clear majority of people are in favour of further integration with the EU.

- The dream of **EU accession** remains strong in many of the former Soviet countries, but the EU spends more time talking down the prospect than it does emphasising the European identity it shares with its neighbours. Russia, meanwhile, constantly employs the rhetoric of fraternity and throws its weight behind regional multilateral projects that deliver concrete benefits to neighbourhood states.
- The EU’s **economic policies** are having an effect: all the neighbourhood countries other than Belarus trade more with the EU than with Russia, and the EU enjoys a trade surplus with five of the six (the exception being energy-exporting Azerbaijan). Yet it is Russia that has managed to use its economic muscle to gain political influence in the neighbourhood. Russia focuses its investments in strategic areas like infrastructure and energy: countries can do without Ikea, but not without gas.
- Nothing undermines the EU’s soft power in the neighbourhood more than the restrictive nature of its **visa policies**. Conversely, Russia’s most important soft power appeal is the right it grants neighbourhood citizens to travel in Russia without visas and to work in what was until recently its fast-growing economy. The vast majority of economic migrants from the neighbourhood work in Russia, sending back billions in remittances every year.

- The EU is unsure how to apply its **political values** in the neighbourhood, wanting both to promote democracy and to maintain a relationship with all its neighbours, including authoritarian regimes. Russia, on the other hand, builds alliances with all neighbourhood states whenever it sees value in doing so while also, where necessary, deploying its black arts of political manipulation: interfering in regional politics in some cases and exporting its model to corrupt regimes in others.
- The EU is comprehensively outplayed by Russia in **the neighbourhood media**. Few people in the neighbourhood read or watch EU media, and other than Ukraine, none of the six states has a free media market. Russian media both take an active role in domestic politics in the neighbourhood and shape the way citizens see international events.

The EU remains the most powerful political model in the eastern neighbourhood, but Europeans have failed to cultivate their soft power while the Russians have worked effectively to consolidate theirs. The EU may have a more attractive governance model than Russia, but good models do not always win.

## Coercion in the neighbourhood – Russian and EU hard power

Russia today is not the USSR of the cold war. It has no explicit aggressive strategic doctrine. But it has maintained a military presence in every neighbourhood state since the break-up of the Soviet Union, denying central governments full sovereignty over their territories and limiting their foreign policy options. Belarus and Armenia, both allies of Moscow, welcome the presence of Russian troops on their soil. Azerbaijan and Moldova are more ambivalent. Georgia is, of course, unhappy about Russia's build-up of troops in South Ossetia and Abkhazia following the August 2008 war, but is not in a position to do anything about it. In Ukraine, tensions remain over Russia's Black Sea fleet, which is based in Crimea, the sole Russian-majority province in the country.

Russia has also developed a comprehensive policy of economic statecraft. Moscow links the commercial operations of its energy exports to its political aims, offering its neighbours sweeteners like cheap gas in exchange for control of its energy infrastructure or the satisfaction of non-economic Russian demands.

But it will also turn the screws when necessary. After Georgia arrested four Russian spies in September 2006, Moscow introduced a transport and postal blockade, expelled several hundred Georgians and closed the only land border crossing between the two countries.

The EU, by contrast, is reluctant to engage and slow to react in the neighbourhood. In Georgia, it refused for years to devote attention to local conflicts, and as a result has now ended up spending over €1 billion and sending close to 300 monitors just to try to “refreeze” the situation following the 2008 war. The EU has occasionally been willing to introduce coercive measures like travel bans and asset freezes. But its so-called “smart”, targeted sanctions have at best inconvenienced a few individuals; they have had little to no real impact on the ground.

## Policy recommendations

The EU should support co-operation with Russia in the neighbourhood where possible: it should, for example, publicly back President Medvedev’s proposals for discussions on a “new European security architecture”, first floated in June 2008. But Member States must also accept that a significant degree of competition will remain in the neighbourhood between an activist Russia that aims to bring countries into its sphere of influence, and an EU that wants to spread democracy, stability and the rule of law.

Rather than a one-size-fits-all policy of enlargement-lite, the EU needs to develop a two-pronged political strategy to complement the bureaucratic processes of the ENP and EaP. First, EU Member States and institutions need to boost their powers of attraction in the neighbourhood. Second, the EU needs to develop imaginative policies to help its neighbours prevent (where possible) and cope with (where necessary) political and economic crises.

### *Making the EU more attractive*

The most powerful way for the EU to boost its image in the neighbourhood would be to liberalise its visa policy. Ukraine and Moldova should be offered “road maps” for visa-free travel for all citizens, coupled with very tough demands for the reform of border management and law enforcement agencies. In the meantime, the Commission should ensure that all Member States fully implement the visa

facilitation agreements the EU signed with the two countries in January 2008. In the south Caucasus and Belarus, the EU should pursue visa facilitation for key categories of citizens, such as journalists, businesspeople and students. Visa fees should be waived during negotiations with all neighbourhood states. And immediate attention should be directed towards improving visa application conditions: existing facilities should be upgraded and the Common Visa Application Centre model introduced in Chişinău in 2007 – a single building where Moldovans can apply for visas to travel in a number of Member States – should be replicated throughout the neighbourhood. In order to allay the anxieties of Member States over visa liberalisation, the Swedish EU presidency should initiate annual EaP “27+6” meetings of ministers of internal affairs and regular working groups on immigration and organised crime.

*“The most powerful way for the EU to boost its image in the eastern neighbourhood would be to liberalise its visa policy”*

The EU also needs to show an appreciation for “political symbolism”. In small states on the fringes of Europe, attention alone can be very influential. The failure of the leaders of all the major EU Member States other than Angela Merkel to attend the EaP summit in Prague in May was a perfect example of how not to go about things. To help renew momentum, the Swedish presidency should lead a troika (EU presidency, the high representative for CFSP and Commission president) on a “listening tour” across all six neighbourhood states. The troika should aim to gain an understanding of the specific security concerns and economic vulnerabilities of each neighbourhood state, so that EU assistance can be tailored to their particular needs. The troika’s findings should also feed into the EU response to Medvedev’s security proposals. Member State presidents, prime ministers or foreign ministers should make more of an effort to visit the region, and must also stick to a common script: local embassies in neighbourhood countries should coordinate the messages sent by their political masters. And in order to step up its public diplomacy, the EU should increase the size of Commission delegations in neighbourhood states, through seconded national officials if necessary.

To strengthen media freedom in the neighbourhood, the EU, under the EaP’s civil society dimension, should help create a regional network of free media funds and a new media school to encourage bloggers and internet start-ups,

promote web fora that strengthen networks and exchange ideas, and support websites that translate western media. It should also consider offering financial assistance to cover Moldova and the non-mountainous parts of Georgia with wireless internet access, in much the same way the United States Agency for International Development did for Macedonia in 2004-05.

### *Preventing political and economic crises in the neighbourhood*

The ENP was not designed to cope with economic emergencies, but the EU is nevertheless expected to spearhead efforts to help the region through the current crisis. In order not to overextend itself, the EU should focus attention on those states where its policy will have most effect: Ukraine, Moldova and Georgia.

In each of these countries, the problems are as much political as they are economic. In several cases, financial assistance packages from the likes of the IMF are available, but political problems have paralysed their distribution. In Ukraine, the EU should attempt to break the deadlock by appointing a special envoy, ideally a former president or prime minister, with a mandate to broker an agreement between the country's warring factions, enabling the banking and pension reforms requested by the IMF to be made.

The gas crisis in January 2009 showed that Ukraine's energy transit pipelines, which the country regards as its key sovereignty asset, are also a major source of weakness, gumming up domestic politics and alienating Ukraine's neighbours. The EU should help establish a truly international system to govern the pipelines, with Ukraine – and Russia, should it desire, under transparent rules – sharing responsibility for upkeep or control. Ukraine would remain the leaseholder. The EU's recent commitment to finance the modernisation of Ukraine's pipeline system was a good start.<sup>3</sup> The EU should build on it by ensuring the appointment of an independent regulator, by helping to build electricity interconnectors, by assisting the European Bank for Reconstruction and Development with energy conservation projects and by helping to unlock domestic production potential.

In Moldova, as in Ukraine, the difficulties stem from the interplay of political and economic crises. The violent post-election protests in April 2009 paralysed the

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3 See [http://ec.europa.eu/external\\_relations/energy/eu\\_ukraine\\_en.htm](http://ec.europa.eu/external_relations/energy/eu_ukraine_en.htm)

political system at exactly the moment the country needed a forceful response to the deteriorating economy, and new elections are now likely to be held later in the year, potentially prolonging the inaction. Moscow is following up the “solidarity” it showed the Chişinău authorities during the crackdown with offers of economic support, and there is a danger that this could fuel Moldova’s slide towards authoritarianism. The EU must work to counter this. It should offer Moldova macroeconomic assistance to help with its ballooning budget deficit and a road map for visa-free travel, but couple this aid with much tougher conditionality, especially on media freedom and police reform. To ensure co-ordination of its political and economic levers, the EU should merge the post of special representative to Moldova with the head of the European Commission delegation, in what is known in EU-speak as “double-hatting”.

In Georgia, the EU should start to push for democratic reforms, agreed by government and opposition, with an emphasis on media freedom and the political neutrality of law enforcement agencies. The EU is already providing generous assistance through a post-conflict reconstruction fund, but the limited conditionality makes it difficult to use the money as leverage. It should now co-ordinate with other donors to push for political liberalisation, and to explore how aid could be used to provide incentives for it.

Finally, the EU could take steps throughout the neighbourhood to prevent disputes over election results. The EU should aim to ensure that election monitoring missions are focused on underlying problems rather than voting-day shenanigans. The missions should be led by professionals from the OSCE and elsewhere, rather than seconded politicians from Member States, and should work in partnership with local NGOs to avoid criticism from Russia and others that they are western stooges. (At the same time, the OSCE must be wary of Russian attempts to compromise its neutrality from the inside.)

### *Preventing security crises in the region*

As the EU and Russia begin to think about ways in which they could co-operate in the security sphere, the Swedish presidency should convene a 27+6 foreign ministers’ meeting to give the neighbourhood states a chance to have an input into the discussion ahead of the OSCE summit at the end of the year. This would have the added benefit of drawing the attention of EU Member States to those areas that are perceived to be most at risk of violent flare-ups: conflict prevention, not conflict management, should be the mantra.

The biggest risks remain in Georgia, and the EU's priority should be to make sure hostilities with Russia are not renewed. But the EU also needs to stay engaged in the long term: it must keep its monitoring mission in place and put diplomatic pressure on both sides to begin constructive discussions aimed at reducing tension. The EU should avoid following Georgia in isolating Abkhazia and South Ossetia, which would neither contribute to the resolution of the conflict nor stabilise the security situation.

In Crimea, the best way for the EU to help lower the temperature would be to establish a Commission representation in the region. In the first instance, the mission's focus should be on supporting the diversification of the local economy, particularly around Sevastopol, to ease local fears about the departure of the Black Sea fleet.

Moldova can become a testing ground for Medvedev's proposed new security architecture, as Nicolas Sarkozy and Angela Merkel suggested in March.<sup>4</sup> The Transnistrian issue is less intractable than the other "frozen conflicts" in the neighbourhood, and provides a useful opportunity for the EU to test Russia's willingness to co-operate. Ultimately, Russia's "peacekeeping" force in Transnistria could be replaced with a joint EU-Russia battalion, while more involvement from the high representative for CFSP would help speed a negotiated solution to the conflict.

As for Nagorno-Karabakh, although France is acting as a mediator through the OSCE, there is little the EU can do as long as neither Armenia nor Azerbaijan is asking it to step in. The EU should stand ready to send peacekeepers and offer economic assistance if requested, but until then it should support France's role and back the ongoing Turkish-Armenian dialogue over the opening of their mutual border.

The EU's security, prosperity and its relationship with Russia are bound up with the wellbeing of the states in the eastern neighbourhood. In times of economic uncertainty and enlargement fatigue, the EU may well feel that it has more pressing issues to deal with than its unruly neighbours. Yet a focused and engaged neighbourhood policy would not be high-minded EU altruism, but rather an expression of principled and far-sighted self-interest.

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<sup>4</sup> Their joint article, "La sécurité, notre mission commune", in *Le Monde*, 5 March 2009, claimed that "a rapid solution could... be found for the Transnistria issue".

# Introduction

The six eastern neighbours of the European Union – Belarus, Ukraine, Moldova, Georgia, Armenia and Azerbaijan – are in the middle of the worst economic and political disarray they have faced since independence in 1991. Ukraine and Moldova risk sovereign default and are gripped by political in-fighting. Georgia remains fragile after the 2008 war with Russia. Belarus’s tentative opening to the west is threatened. Armenia has not yet recovered from a burst of post-election violence in March 2008. Azerbaijan is tightening authoritarian rule.

The crises in these six “neighbourhood”<sup>5</sup> states have profound implications for the EU. If these countries plunge into war or their economies collapse, eastern Member States will face an influx of immigrants and the EU will be expected to step in and stabilise its neighbourhood. Ukraine’s gas dispute with Russia in January 2009 was a clear demonstration of how events in the eastern neighbourhood can damage EU Member States: Bulgaria’s gas reserves ran out, Slovakia was forced to declare a state of emergency, and countries as distant as Germany and the Czech Republic were affected.

But beyond the immediate dangers, a contest is emerging between the EU and Russia over the political rules that are to govern the neighbourhood. Since its humiliation in 2004, when the Orange revolution shattered its attempt to push Viktor Yanukovich into power in Ukraine, Russia has overhauled its foreign policy tools to help draw the countries of the neighbourhood into its sphere of influence. Today, Moscow combines soft power measures with its traditional hard power assets, providing moral and material benefits to friendly governments, targeting strategic resources like energy pipelines, and exploiting the continuing presence of its troops on the soil of all six neighbourhood countries.

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<sup>5</sup> Although the term “neighbourhood” is used by the European Commission to refer to the 16 countries covered by the European Neighbourhood Policy, in this paper we use it as shorthand for the six countries covered by the new Eastern Partnership: Belarus, Ukraine, Moldova, Georgia, Armenia and Azerbaijan.

The success of Russia's activism in the neighbourhood shows up the weakness of the EU's approach. Since the break-up of the Soviet Union, the EU's strategy for the neighbourhood has been what can be best described as "enlargement-lite" – offering the long-term prospect of integration into the European economic and political space while dampening any hopes of actual accession. While this approach may be starting to have an effect – all the neighbourhood states other than Belarus now trade more with the EU than with Russia, for example – long-term technocratic planning is no answer to short-term crises. The EU's policy for the neighbourhood is not designed to address secessionist tensions, post-electoral unrest, wars or energy cut-offs. Governments in the eastern neighbourhood are constantly fighting fires while the EU offers them a smart architectural solution for a fireproof house.

*“Governments in the eastern neighbourhood are constantly fighting fires while the EU offers them a smart architectural solution for a fireproof house.”*

The latest iteration of the EU's strategy comes in the form of the “Eastern Partnership” (EaP), launched at a summit in Prague on 7 May 2009 (see box, right). But rather than showcasing the EU's unified position on its strategy for the neighbourhood, the summit instead highlighted the problems of the European approach. The leaders of no fewer than ten Member States were absent – including big hitters like Gordon Brown, Nicolas Sarkozy, Silvio Berlusconi and José Luis Rodríguez Zapatero<sup>6</sup> – exposing divisions within the EU over the importance of the region and confirming suspicions in the neighbourhood states that the EU has other priorities. In the summit communiqué, the neighbourhood states were downgraded from “European countries” to “partner countries” for fear of encouraging unwarranted, and unwanted, hopes of accession. And Germany and France succeeded in watering down language on visa liberalisation, a key issue for neighbourhood states.

In these times of economic crisis and institutional paralysis, the EU may feel that there are more urgent demands on its attention than dealing with the

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<sup>6</sup> By comparison, only two Member States failed to send a president or prime minister to the Union of the Mediterranean summit in Paris in July 2008.

troublesome and unmanageable states on its eastern flank. But stability and prosperity in the neighbourhood are vital to the EU's interest if it wants to keep the gas flowing, its banks afloat, its borders secure – and its influence alive. If the EU continues to ignore the looming crisis on its doorstep, not only will it be expected to pick up the pieces later, and at much greater cost, it may find that its core values of democracy, stability and the rule of law are undermined as Russia steps in to fill the vacuum.

## Box 1: The European Neighbourhood Policy and the Eastern Partnership

### *The European Neighbourhood Policy*

The EU's 2003 security strategy<sup>7</sup> defines stability, prosperity and democracy in the immediate neighbourhood as a key European interest. The European Neighbourhood Policy (ENP), also launched in 2003, is designed to meet these objectives by offering the EU's 16 immediate geographical neighbours – from Morocco across to Syria in the Mediterranean to Georgia, Armenia and Azerbaijan in the east – a degree of economic integration, financial assistance and political dialogue in exchange for reforms and democratisation. ENP documents stress that “the ENP remains distinct from the process of enlargement although it does not prejudge, for European neighbours, how their relationship with the EU may develop”.<sup>8</sup> (The ENP does not cover Russia, with which the EU has a “strategic partnership”, or candidate and potential candidate states like Turkey and the western Balkan countries.)

The ENP relationships are fleshed out in bilateral action plans that provide a comprehensive list of actions for each neighbourhood state and the EU: regulatory alignment and gradual extension of the free movement of people, goods, services and capital (the “four freedoms”). Annual reviews keep the process moving.

<sup>7</sup> See <http://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf>

<sup>8</sup> See [http://ec.europa.eu/world/enp/policy\\_en.htm](http://ec.europa.eu/world/enp/policy_en.htm)

In theory, this could one day result in the neighbourhood states sharing “everything but institutions”, in Romano Prodi’s words, with the EU. In practice, the European Commission has had great difficulty in mobilising Member States to back concrete policy changes, such as visa facilitation or trade liberalisation.

### *The Eastern Partnership*

The Eastern Partnership (EaP) was launched in response to criticism that the ENP failed to distinguish between those countries that merely happened to be “neighbours of Europe”, like Tunisia or Jordan, and “European neighbours” like Ukraine that might one day seek to join the EU. It arose from a joint Swedish-Polish proposal, presented soon before the Mediterranean Union was launched by France in July 2008 to deal with the EU’s “southern flank”. The EaP seeks to complement the ENP by deepening bilateral relations between the EU and the six “eastern neighbourhood” states –Belarus, Ukraine, Moldova, Georgia, Armenia and Azerbaijan. A “jointly owned” action plan will be drawn up for each state, including provisions on cross-border personal mobility and an eventual free trade zone. The EaP has five so-called “flagship initiatives”, covering border management, small and medium businesses, promotion of regional electricity markets and energy efficiency, the southern energy corridor, and co-operation on natural and man-made disasters. The proposed budget is €600 million over four years. The participation of Belarus remains controversial, as the country is not part of the ENP.

Even before its launch, the EaP faced criticism and controversy. It is not enough for countries like Ukraine and Moldova, who covet EU membership. It lumps together six very different states. Russia has attacked it as an attempt to launch an EU “sphere of influence” in Russia’s backyard.<sup>9</sup> And it has been launched at a time when the EU is increasingly preoccupied with its own economic difficulties.

# Chapter 1:

## The crisis-prone neighbourhood

The countries of the eastern neighbourhood feature regularly on the front pages of European newspapers: war in Georgia in August 2008, the gas crisis in Ukraine in January 2009, and the burning of the Moldovan parliament after the April 2009 elections are only the most recent examples. Behind the headlines, politics in the neighbourhood is one chaotic story after another: Ukraine's myopic leaders talk of impeaching one another while the economy crumbles around them. In Georgia, President Saakashvili is regularly confronted with mass demonstrations demanding his resignation. In Azerbaijan, President Aliyev seeks to extend his dynastic rule indefinitely, while the country toys with selling its gas to Russia rather than the EU. Azerbaijan and Armenia square up over Armenia's occupation of the secessionist region of Nagorno-Karabakh in Azerbaijan. Meanwhile, the economic crisis is ripping through the region. A further run on the Ukrainian currency, the hryvnia, could bring down the national banking system, over 40% of whose assets are owned by EU parent banks. Moldova's recent political crackdown may precede a more decisive tilt towards Russia, as it comes at a time when Moldova needs external economic support: remittances have plummeted, leaving a \$1 billion financing gap in the budget.

These crises belie the EU's idea of a neighbourhood going through a mere process of transition. The European Neighbourhood Policy embodies the EU's hope that the neighbourhood countries will gradually gravitate towards the European way of doing things. This hope was inspired by the experience of enlargement in eastern and central Europe. In the 1990s, the EU believed that the long-term prospect of EU membership would keep the accession countries from sliding into crisis, meaning the EU could focus inwards on its own "absorption capacity" while the Commission made technical assessments of progress in the east. But this way of thinking is not working in the eastern neighbourhood: the crises that regularly grip these countries are deep enough to reverse the processes of long-term transformation in which the EU has placed its hopes.

## The neighbourhood's three crises

Like all new democracies, the countries of central and eastern Europe that joined the EU in the two recent waves of enlargement saw their fair share of chaos, uncertainty and political skulduggery in the 1990s. Yet apart from the western Balkans, they were a model of stability compared with the EU's current neighbours, which are blighted by the overlaying of three different types of crisis.

The first is *weak statehood*. When the Soviet Union broke up in 1991, many of the newly independent republics found themselves plunged into civil war with breakaway regions that refused to accept the authority of the new central state. Moldova, Georgia and Azerbaijan all fell into territorial conflicts that have yet to be resolved – today they are known as the “frozen conflicts” – while Ukraine continues to live in fear of a possible flare-up in Crimea, where the Russian majority (58% in 2001) is at best ambivalent about rule from Kiev and where Russia's Black Sea fleet is based. The existence of secessionist regions makes it difficult for states to establish their authority – a fifth of Azerbaijan's territory is under Armenian occupation, Moldova does not control the narrow region of Transnistria and hence most of its border with Ukraine, while in Georgia, Russian troops are stationed less than 100 kilometres from the capital Tbilisi. Many of the neighbouring states also suffer from endemic corruption, with ruling clans that discriminate against foreign investors and use state institutions to undermine alternative centres of power.

*“Leaders in the neighbourhood states may talk of a ‘return to Europe’, but in truth there is no myth of European destiny in these countries”*

Unlike the accession states of central and eastern Europe in the 1990s, politicians in the neighbourhood have not been able to rely on a pro-EU national consensus to drive through painful reforms. Leaders in the neighbourhood states may talk of a “return to Europe”, but in truth there is no myth of frustrated European destiny in these countries. In fact, all six have three rival, overlapping versions of national identity: one “national-European”, one nativist and potentially isolationist, and one based on myths of Slavophile, Orthodox or post-Soviet fraternity. In the absence of a prospect of accession they are reluctant to make too many sacrifices in Europe's name.

The weakness of the neighbouring states creates an opportunity for the second type of crisis, stemming from *Russia's attempts to rebuild its sphere of influence*. Moscow has deliberately sought to undermine the sovereignty of the eastern neighbourhood states by targeting the resources that could allow them to stand alone or to build relationships with other powers. For example, during the gas crisis of January 2009, when the gas flow to the west first slowed and then stopped in the middle of winter, leaving some European states to freeze, Russia sought, with some success, to ruin Ukraine's critical reputation as a transit state among EU Member States.

Russia will not hesitate to completely disregard the sovereignty of neighbourhood states when national interests require it. Russia used the Black Sea fleet throughout the campaign against Georgia in August 2008, in flagrant contempt for Ukraine's sovereign right to refuse the use of its territory as a launching pad for military action. In March 2008, the "political technologist" Gleb Pavlovsky's *Russkii zhurnal* ("Russian Journal") ran a special issue under the title "Is the de-sovereignisation of Ukraine manageable?"<sup>10</sup> For several authors the only open question was whether Russia should play an active role in weakening the Ukrainian state, or if it should simply sit back and allow feuding politicians to do the job themselves.

While their economies were growing, the states of the neighbourhood found it possible to muddle through. However, the *global financial downturn*, the third crisis affecting the neighbourhood, drastically changes the situation. There is a real risk of failed economies, if not yet of failed states, in the neighbourhood. In Ukraine, the collapse of steel exports and the highly exposed banking system could lead to a string of corporate bankruptcies and even state default. Moldova, Armenia and Azerbaijan are suffering from falling remittances; the former pair are considering Russian budgetary support, while Azerbaijan is seriously contemplating a Russian offer to buy up all of its gas output, at higher prices than Azerbaijan's European customers have offered. Belarus has been hit so severely by declining prices for its refining services that it is considering delaying a planned programme of privatisation. Georgia has seen foreign investment collapse since the 2008 war and now relies on an international post-conflict rehabilitation fund.

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10 "Opravlyaema li desuverenizatsiya Ukrainy?" in *Russkii zhurnal*, no 6, 16 March 2008.

According to IMF forecasts, in 2009 Azerbaijan's growth will collapse from the 2008 figure of 11.6% to 2.5%, and Georgia's will fall from 10% to 1.0%. The IMF expects all the remaining neighbourhood countries to experience significant economic contraction this year: Moldova will see GDP fall by 3.4%, Belarus by 4.3%, Armenia 5% and Ukraine 8% (which seems optimistic). Unlike EU Member States, these states do not have the resources to reinflate their economies: their currency reserves are limited, domestic bond markets are underdeveloped, and the EU has no plans to extend the balance of payments assistance it is providing to countries like Hungary and Latvia to non-Member States, at least for now.

*“For the EU the key state is Ukraine, where the biggest problems will accumulate, and from where the biggest shockwaves may emanate”*

All six neighbourhood states are affected by these three mutually reinforcing types of crisis. But from an EU perspective, the key state is Ukraine, where the biggest problems will accumulate, and from where the biggest shockwaves may emanate. Economic collapse in Ukraine could inflict major damage on the economies of new EU Member States and would threaten banks in countries as distant as Italy and Austria. Increased outward migration flows could be expected, with unpredictable consequences for neighbouring countries like Poland and Hungary. Within the neighbourhood, the final failure of the Orange revolution could fatally tarnish the image of the western model and provide further opportunities for Russia to extend its influence.

## The limits of “enlargement-lite”

Despite these high stakes, the EU has time and again failed to take the preventative measures that could head off crises in the neighbourhood. Many EU officials and national governments foresaw conflict between Georgia and Russia before August 2008, but Member States failed to agree on the details of missions that could have reduced the chance of violence. The EU has allowed January gas crises in Ukraine to become an annual event, while Member States have failed to plan for the predictable interruptions to gas supply.

And when crises do erupt, the EU's ponderous decision-making processes mean that it is often slow to react. When war erupted in Georgia, although the French

presidency took centre stage in trying to defuse the crisis, EU institutions were sidelined and the European Commission was left flat-footed. During the January 2009 Ukraine gas crisis the EU initially did nothing, on the grounds that the dispute between Ukraine and Russia was “commercial”. Once it realised the magnitude of the crisis, its limp response was to put together an ad hoc team of gas monitors – even though by then the gas had stopped flowing and there was nothing to monitor.

During Moldova’s post-election crisis in April 2009, the Russians – President Medvedev, the Duma and the foreign ministry – offered quick, public and unequivocal support for President Vladimir Voronin’s crackdown against the opposition protests. The EU response was very different. Although Kálmán Mizsei, the EU special representative on Moldova, travelled to the country as soon as the crisis broke, for the crucial first few days he lacked high-level support from EU institutions and Member States. It took two weeks for the then Czech prime minister Mirek Topolánek and Javier Solana, the EU’s CFSP high representative, to visit Chişinău, by which time the parliament and presidential palace had been looted, protesters violently dispersed, drastic restrictions on the media imposed, dozens tortured and a few people killed, probably in police detention. An earlier high-level EU intervention could have prevented at least some of these abuses.

One of the most persistent barriers to an effective EU policy response to crises in the neighbourhood is disagreement among Member States. Some, such as Italy, blamed Mikheil Saakashvili for provoking Russia into war in 2008; others, like Poland, pinned responsibility for the escalation on the Kremlin. Many blamed both. The January 2009 Russia-Ukraine gas crisis was perhaps even more divisive – but not necessarily along predictable lines. Slovakia turned on its old friend Ukraine when the gas stopped flowing, accusing it of not living up to its responsibilities as a transit country, while there were anti-Russian demonstrations in usually friendly Bulgaria, possibly the worst hit EU Member State.

But even when the EU agrees on interpretation, divisions remain over the tactics of engagement. During the post-electoral crisis in Moldova in April, some states, such as the Netherlands and Romania, wanted the EU to play tough and threaten Voronin with a freeze in relations. Others, like Germany and Poland, pushed for a less aggressive approach, promising Moldova economic aid and perhaps a new push on the Transnistrian problem in exchange for measures on media freedom and harassment of opposition groups.

Even when the EU is able to act in concert, it has a tendency to rely on one-size-fits-all policies cooked up in Brussels rather than to respond to situations in the neighbourhood countries themselves. For example, in February 2005, two months after the Orange revolution, Kiev was presented with an action plan that represented only a slight modification to the one negotiated under the outgoing Kuchma regime. In 2006, following a dispute with Azerbaijan, the Republic of Cyprus blocked EU negotiations with the country on its ENP action plan for six months – and the EU then chose to delay negotiations with all three Caucasus states, even though discussions with Georgia were proceeding well. In both cases, EU policy was defined by bureaucratic inertia rather than responses to events on the ground. By implying that it didn't care about the difference between Ukraine before and after the Orange revolution, or between would-be democratic Georgia and authoritarian Azerbaijan, the EU missed opportunities to apply what should be its transformative power in the neighbourhood.

Leaders of neighbourhood states are only too aware of the shortcomings of the EU's neighbourhood policy. Moldova's President Voronin has described the Eastern Partnership as a "CIS-2" – a disparaging reference to the fig-leaf Commonwealth of Independent States set up to replace the USSR in 1991 – and dismissed its initial offers to neighbourhood states as "candies".<sup>11</sup> The former Ukrainian foreign minister Borys Tarasyuk complains that the EU is "politically indecisive and contradictory".<sup>12</sup> A Ukrainian official in Brussels is even more dismissive: "What neighbourhood? What policy? The amount we receive in EU funding is the same as what we gave up by lifting visa fees for EU citizens in 2005".<sup>13</sup>

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<sup>11</sup> See <http://www.kommersant.ru/doc-rss.aspx?DocsID=1126593>.

<sup>12</sup> *Financial Times*, 10 October 2003.

<sup>13</sup> ECFR interview, 14 May 2008.

## Box 2: The six states of the eastern neighbourhood

**Belarus** has been called “Europe’s last dictatorship”. President Alyaksandr Lukashenka was first elected in 1994, but he disposed of all independent political institutions in 1996 and in 2006 used strong-arm tactics to ensure election victory, leading to the EU freezing relations and imposing economic sanctions. In 1999, Lukashenka negotiated the “Union State of Russia and Belarus” – which offers freedom of movement across borders, even if it has not yet created meaningful common institutions – and was rewarded with huge Russian subsidies. But today there are three new factors at play: Russia’s energy companies can no longer afford to subsidise Belarus; a new, pro-privatisation generation of Belarusian leaders is emerging; and the global economic crisis is devastating Belarus’s two key economic sectors: oil refining and machine building. In 2008 Belarus began tentative economic liberalisation and freed all its political prisoners, while simultaneously soliciting loans from Russia and the IMF. In October 2008, the EU suspended most sanctions for six months to allow breathing space for reform, and renewed the suspension for another six months the following May.

**Ukraine** is the linchpin state for the whole eastern neighbourhood, with 46 million of the region’s 76 million inhabitants and over half its GDP. But the country is sharply divided, with west Ukrainians seeing their future in Europe while the east looks to Russia. The hopes generated by the 2004 Orange revolution – when hundreds of thousands demonstrated in Kiev following the attempt to fix the presidential election in favour of Russia’s favoured candidate Viktor Yanukovich – have been put on ice as the country has lurched from crisis to crisis. This year the economy may contract by up to 12%, but despite this emergency the country’s leading politicians – former allies President Viktor Yushchenko and Prime Minister Yulia Tymoshenko – can barely stand to be in the same room as one another. Ukraine had to turn to the IMF for a \$16.4 billion bailout in October 2008, but the loan was temporarily frozen in early 2009 amid talk that Ukraine could actually default if there were a serious run on its banking system

and currency. The January 2009 gas crisis provided Europe with a further reminder, if it needed one, that 80% of Russian gas exports to the EU pass through Ukraine. As for Russia, it has learnt from the heavy-handed tactics that backfired during the 2004 election, and now spreads its influence across the political spectrum in advance of a crucial presidential election tentatively scheduled for January 2010.

In the 1990s, **Moldova** flirted with the idea of political union with Romania, with which it shares a border and to which it is culturally close. It eventually decided against the plan, but not before rebellion had been sparked in Transnistria, the Russian-speaking region of Moldova largely east of the river Nistru, drawing in Russian troops that had been stationed in the area since Soviet times. The conflict remains unresolved, and there are still 1,300 Russian troops on Moldovan soil. Moldova is the only post-Soviet state where a Communist party has been returned to power, in elections in 2001, 2005 and 2009. Following claims of malpractice in the April 2009 election, violence erupted in the capital Chişinău and the government came down hard on the protestors. Russia supported the regime's actions, raising the spectre of rapprochement between an increasingly authoritarian Moldova and a Russia looking to increase its influence in the neighbourhood. Moldova now faces a delayed economic reckoning: a 27% decline in remittances throughout 2008, plummeting exports and a fall in domestic consumption have left a \$1 billion hole in the budget.

Former Soviet foreign minister Eduard Shevardnadze took control of **Georgia** in 1992 following a coup, though he subsequently won elections in 1995 and 2000. However, his attempt to fix parliamentary elections in 2003 led to the "Rose revolution" and the election of the western-leaning Mikheil Saakashvili. The new president pushed through neoliberal economic reforms, leading to a short-term boom in foreign investment. But moves to restore control over the republics of South Ossetia and Abkhazia, both of which operated outside the writ of the Georgian state following secessionist conflicts in the early 1990s, led to growing tension with Russia. In August 2008, a Georgian attempt to retake South Ossetia with force following Russian military moves on the Georgian border led to war, the outcome of which was

the Russian recognition of Abkhazia and South Ossetia as independent states and an increased Russian military presence on what most of the rest of the world recognises as Georgian soil. The economy suffered after the war as foreign investors pulled out, but support from the EU's post-conflict stabilisation fund has meant that Georgia is weathering the global financial crisis relatively well. Georgia's political future is uncertain: the west's initial enthusiasm for Saakashvili has waned following crackdowns on opposition groups and what some saw as the president's reckless conduct during the conflict with Russia.

Soon after independence, **Azerbaijan** went to war against Armenia over Nagorno-Karabakh, a separatist region in Azerbaijan with a majority Armenian population. Defeat led to veteran Communist boss Heydar Aliyev's return to power in 1993. Cushioned by energy wealth – Azerbaijan is a major oil and gas exporter – the regime grew increasingly authoritarian. His health failing, Aliyev handed power to his son Ilham in October 2003, two months before his death. In 2005, an opposition attempt to mount a “coloured revolution” after elections was suppressed by police. In March 2009 President Aliyev won a referendum that changed the constitution and opened the way for a lifetime presidency. In recent years Azerbaijan has been among the fastest growing economies in the world thanks to global oil demand – in 2006, the country's GDP rose by 31%. A good chunk of this money has been used to rearm; Baku says a military attempt to recapture Nagorno-Karabakh cannot be ruled out.<sup>14</sup> Azerbaijan's energy reserves have softened the initial blow of the economic crisis, but its export revenues are suffering and Russia has now offered to buy all the country's gas output.

Politics in **Armenia** has been dominated by Nagorno-Karabakh. The victorious war against Azerbaijan in 1992-93 led to a long-term alliance with Russia, and to the Nagorno-Karabakh elite becoming the main force in domestic politics. But President Levon Ter-Petrosian was ousted in 1998 by former Nagorno-Karabakh “president” Robert

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<sup>14</sup> “Azerbaijan may use force in Karabakh after Kosovo”, Reuters, 4 May 2008.

Kocharian after his tentative endorsement of a peace plan with Azerbaijan. Many of Kocharian's rivals were murdered in a gun battle in parliament in 1999, and ten people were killed in March 2008 when Kocharian passed power on to Serzh Sargsyan, one of the central figures in the Nagorno-Karabakh war. Political trouble is brewing in 2009 as a delayed reaction to the killings in 2008, and Ter-Petrossian's failed attempt to win elections in Yerevan in May could galvanise the opposition. In early 2009, a dramatic drop in remittances and a slump in non-ferrous metals exports led to the collapse of the national currency, the dram, and emergency "delays" in government spending of \$355 million. Some western companies invest in Armenia, but, given its closeness to Russia and the EU's energy relationship with Azerbaijan, Armenia has the loosest relationship with the EU of all six states.

## The sovereign neighbourhood

In the 1990s, EU officials had a straightforward negotiating position with the accession countries of central and eastern Europe: they had to adopt the *acquis communautaire*. When problems arose, the EU provided generous aid to alleviate the costs of reforms. With the eastern neighbours, however, this approach does not appear to be working. Many are governed by corrupt and often authoritarian elites whose primary goal is to stay in power as long as possible at whatever cost. They see their relationship with the EU not as a resource for reforming their states, but as an instrument to strengthen their authority and to widen their own freedom of action. Their primary aim is to bolster their bargaining position, mainly against Russia, rather than to delegate sovereignty to Brussels.

The result is that the neighbourhood states want to engage Europe "à la carte": they are much more selective in what they take from the EU than the accession countries of the 1990s were. Even if it were on offer, most of them would not be interested in importing the whole *acquis*. Why should they impose huge costs on their economies if they are not going to join the EU? And so although Azerbaijan is interested in energy co-operation with the EU and Georgia wants

greater support for its disputes with Russia, neither is particularly interested in an agreement for “deep free trade” – the removal of informal barriers to trade, such as regulatory differences, as well as tariffs and quotas – which would require regulatory alignment with the EU.

The former Kremlin insider Modest Kolerov has argued that neighbourhood governments are behaving like a “collective Tito”<sup>15</sup> – playing the EU and Russia off against each other the way the former Yugoslav leader tried to balance the western and eastern blocs during the cold war. For example, in March 2009, when EU-leaning Ukraine had trouble meeting IMF conditionality, it turned to Russia for a \$5 billion loan. Belarus has managed to secure credit lines from both Russia and the IMF. Azerbaijan tilted its foreign policy back towards Russia after the Georgia war and signs of a rapprochement between Turkey and Armenia; Belarus moved in the opposite direction, wanting to avoid what it saw as the threat of an over-assertive Russia gaining control over its economy.

The weakness of the eastern neighbourhood states encourages local leaders to engage in geopolitical gambling – playing the EU and Russia off against each other, rather than trying to reform themselves.<sup>16</sup> But it is a self-defeating strategy: the very weakness of these states means they are unable to play the game with a firm hand. The results – embargoes, faked elections, war and gas cut-offs – have often lost the neighbourhood states friends rather than gaining them support within the EU. The EU is now clearly more critical of Moldova and more receptive to plans to internationalise Ukrainian gas transit, while Georgia has lost all practical control over Abkhazia and South Ossetia.

Used to being the only pole of attraction in Europe, EU Member States find this kind of jostling for influence confusing. But in the eastern neighbourhood, Russia’s activism and quick-footedness will mean the EU will have to get used to operating in a more competitive environment.

*“In the eastern neighbourhood, Russia’s activism and quick-footedness will mean the EU will have to get used to operating in a more competitive environment”*

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<sup>15</sup> ECFR interview, Moscow, October 2008.

<sup>16</sup> The authors thank Elena Gnedina for suggesting this idea. For more details see Gnedina, “Ukraine’s Pipeline Politics”, Europe-Asia Studies, forthcoming.

# Chapter 2: EU and Russia – competing soft powers

European officials are proud of the EU's soft power.<sup>17</sup> The EU certainly cuts an alluring shape in the neighbourhood countries. Ordinary people and elites alike see the EU as a preferable destination to Russia for study, work or holiday, while any oligarch worth his salt will buy houses in EU cities and try to protect his assets in EU rather than Russian courts. As a leading Azeri civil society activist puts it, “there are no committees in Baku for Azeri-Russian integration, but there is a committee for European integration”.<sup>18</sup>

But while Europe has largely been content to sit back and rely on what Carl Bildt calls the “magnetism”<sup>19</sup> of the European model, Russia – not usually considered particularly adept at the use of soft power – has learned the power of incentives as well as of coercion. Russia offers neighbourhood states straightforward, concrete benefits, such as open labour markets, cheap energy and easy membership of multilateral organisations. When negotiating with the EU on the other hand, governments in the neighbourhood find themselves lost in a maze of confusing bureaucratic terms – European Neighbourhood Policy, Eastern Partnership, European Neighbourhood and Partnership Instrument, governance facility, autonomous trade preferences, neighbourhood investment fund and so on. To paraphrase Dov Lynch, an expert on the region, Russia makes you an offer you can't refuse, while the EU makes you an offer you can't understand.<sup>20</sup>

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<sup>17</sup> We roughly follow Joseph Nye's definition of soft power: “the ability to get what you want through attraction rather than coercion or payments”. Joseph Nye, *Soft Power: The Means to Success in World Politics* (New York: Public Affairs, 2004).

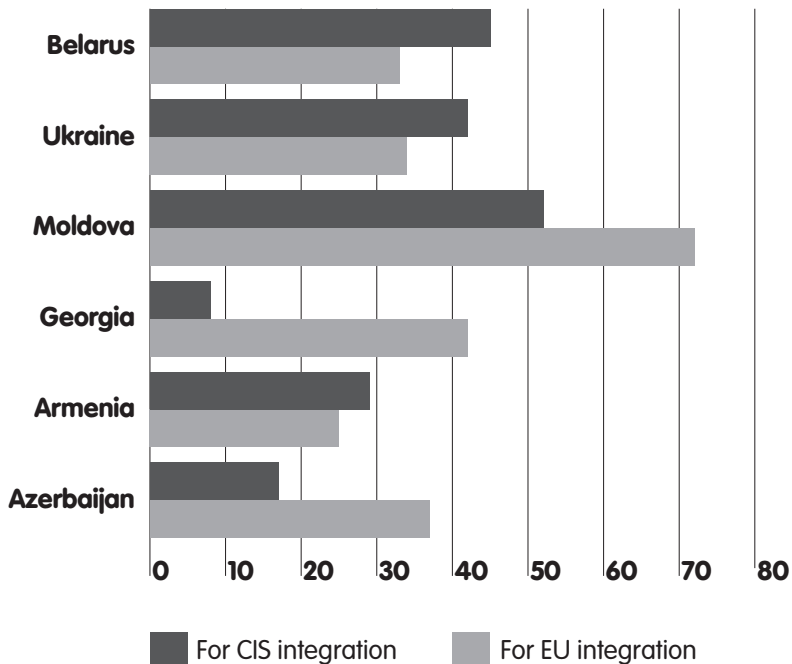
<sup>18</sup> ECFR interview, Baku, April 2009.

<sup>19</sup> “Lavrov talk on EU eastern influence ‘nonsense’: EU”, AFP, 27 April 2009.

<sup>20</sup> See Dov Lynch, *Communicating Europe to the World: What Public Diplomacy for the EU?*, EPC Working Paper no 21, November 2005; “EU Failing to Communicate with the World”, *New Europe*, 4 December 2005.

As one Russian expert says: “The EU is a dream, while Russia offers tangible benefits... You can’t compare the two”.<sup>21</sup> Politicians and citizens alike in the neighbourhood are starting to weigh the abstract attraction of the European model against the concrete benefits that Russia promises. The story the EU likes to tell itself about its soft power is not reflected by public opinion in the neighbourhood (see below) – Moldova is the only country in which there is a majority in favour of further integration with the EU.

### Support for Russia/CIS integration vs EU integration in the six neighbourhood states (2008)<sup>22</sup>



<sup>21</sup> ECFR interview, Vienna, February 2009.

<sup>22</sup> To collect data for this table, we consulted national opinion surveys conducted in 2008 (with the exception of Georgia, where the survey was carried out in 2007). The wording of the questions in each country varied, but was roughly comparable. The questions were: With which of the following does Armenia’s future most lie? Which direction of integration would you prefer for Azerbaijan? If you had to choose between Belarusian reunification with Russia and integration with the EU, which would you go for? Should Georgia in the future join...?; Which country should be the main strategic partner of the Republic of Moldova? If a referendum were held next Sunday on Moldovan integration with the EU, would you vote for or against? Which foreign policy direction should be a priority for Ukraine?

Moscow has been trying to establish a sphere of influence in its “near abroad” since the break-up of the Soviet Union. Its soft power is built on a bedrock of historical and cultural affinity — the presence of Russian minorities in neighbourhood countries, the Russian language, post-Soviet nostalgia and the strength of the Russian Orthodox Church.<sup>23</sup> But Russia has always been far poorer and less populous than the EU, and initially struggled to compete in the neighbourhood. Under Putin, Russia finally found itself with the resources to realise its ambitions. But the turning point came with the Orange revolution in 2004, when Russia’s clumsy tactics of interference in support for Viktor Yanukovich backfired, triggering a serious Russian tactical rethink. Drawing its lessons from the central role played by civil society groups and NGOs in the Orange revolution, Russia began developing a rival “counter-revolutionary” ideology, supporting “its” NGOs, using “its” web technologies, and exporting its own brands of political and economic influence. Gleb Pavlovsky describes the Orange revolution as “a very useful catastrophe for Russia. We learnt a lot”.<sup>24</sup>

Some have predicted that the global downturn will see Russia reduce its activism in the neighbourhood.<sup>25</sup> But while its dwindling resources may force Russia to scale back here and there, its interest in maintaining a sphere of interest in what it sees as its “backyard” was never an opportunistic endeavour fuelled by high oil prices; it stemmed from a deeply engrained Russian view of itself as a pole of influence in a multipolar world. The global economic crisis may actually see Russia work harder to consolidate this “pole”. With falling commodity prices putting the Putin-Medvedev political system under economic strain, the government may find it politically useful to be able to demonstrate some geopolitical victories. And the fact that the economic crisis has hit the neighbourhood harder than Russia opens up fresh avenues for building influence. As Valeri Fadeev, editor of political journal *Ekspert*, claims: “Ukraine is cheap, we can buy it”.<sup>26</sup>

Russia’s strategy is to counter EU soft power in the neighbourhood by presenting itself as an alternative model. Every European policy in the region has attracted a Russian response. We detail five of these spheres of competition below.

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<sup>23</sup> Ethnic Russians make up 17.2% of the population in Ukraine, 11.4% in Belarus and 9.4% in Moldova. In the three south Caucasus states the percentage is less than 2%. An estimated 80% of Belarusians belong to the Belarusian Orthodox Church, 37% of Ukrainians to the Ukrainian Orthodox Church (Moscow Patriarchate), and in Moldova 75% to the Moldovan Orthodox Church. All these are branches of the parent Russian Orthodox Church in Moscow.

<sup>24</sup> ECFR interview, Moscow, 21 October 2008.

<sup>25</sup> See, for example, “Russia and the Global Economic Crisis”, Stephen Sestanovich, Council on Foreign Relations, November 2008

<sup>26</sup> ECFR interview, Moscow, 21 October 2008.

## The fading accession perspective vs Russia's message of fraternity

For years, the EU and the neighbourhood states played Catch 22. Neighbourhood governments argued that a clearer accession perspective would help them break the domestic logjam of reform; Brussels insisted that any membership perspective had to be conditional on fulfilment of the Copenhagen criteria for EU enlargement. But the game changed radically after the twin “no” votes in France and the Netherlands in 2005. Although EU rhetoric may have carried on more or less as normal, neighbourhood states are sufficiently well attuned to internal EU politics to know that accession is clearly off the agenda, at least for now. Today, while the dream of joining the EU remains attractive in the neighbourhood, the EU spends more time talking down the prospect than it does emphasising the European identity it shares with its neighbours. As if to rub the message home, the eastern neighbours are almost entirely absent from the travel map of senior EU officials. For example, between 1999 and March 2009, Javier Solana, the high representative for CFSP, has made only two visits to Moldova and one to each of Azerbaijan and Armenia. In comparison, he made 136 visits to the middle east and north Africa.

While the EU does its best to keep a lid on accession hopes in the neighbourhood countries, Russia constantly turns to the rhetoric of fraternity. In his 2003 federal address to the Duma, President Putin described citizens of the Commonwealth of Independent States as: “people who are close to us and with whom we have a good understanding, and with whom we share the same language... people of our common Russian culture.”<sup>27</sup>

And Moscow puts its money where its mouth is. While its behaviour in the “post-Soviet space” is often described as that of a unilateral bully, Russia has actually supported a succession of multilateral projects in the region that deliver benefits in kind for neighbourhood states. Many of these seem to be virtual mirror images of western organisations. In the security sphere, for example, Russia's answer to NATO is the Collective Security Treaty Organisation, whose members, such as Belarus, Armenia, Kazakhstan, Kyrgyzstan and Tajikistan, benefit from cheap prices for Russian weaponry. Russia's response to the European Economic Area is the Eurasian Economic Community (Eurasec). At Eurasec's summit in March 2009, Moscow announced a \$7.5 billion

contribution to an anti-crisis fund to help stabilise the economies of its “allies” – Belarus, Armenia, Kyrgyzstan, Kazakhstan and Tajikistan. Russia has also offered bailouts and credits to Ukraine, Armenia and Moldova.

## Economic power: Ikea vs Gazprom

The EU’s trade policies have had a transformative impact on the economic structures of the eastern neighbourhood countries. All, other than Belarus, now trade more with the EU than with Russia – in most cases significantly more. And for all, again apart from Belarus, Russia is responsible for no more than 25% of overall trade (see box, below).

### Trade patterns of the Eastern Partnership states (2007)<sup>28</sup>



<sup>28</sup> Data on merchandise trade is available at <http://www.wto.org/> (country profiles 2007). The Georgia figures incorporate data from the 2008 Statistical Yearbook of Georgia.

The EU's economic power in the eastern neighbourhood has been growing: in the boom years, European companies – including the likes of Unicredit, BNP Paribas, BP, France Telecom, Mittal and Heineken – performed strongly in the region. The EU now enjoys a trade surplus with five of the six neighbourhood states, the exception being energy-exporting Azerbaijan (see below).

## Trade balance between the Eastern Partnership states and the EU (2007)<sup>29</sup>

EU's trade with...	EU's trade balance
Belarus	€0.5 billion
Ukraine	€10 billion
Moldova	€0.8 billion
Georgia	€0.6 billion
Armenia	€0.3 billion
Azerbaijan	- €5.8 billion

But while the EU may have the greater economic relationship with countries in the neighbourhood, it is Russia that has managed to use its economic muscle to gain political influence, focusing its investments in strategic areas like infrastructure and energy – after all, countries can do without Ikea, but not without gas. Until 2009, for example, Russia controlled the supply of gas in Ukraine through the shadowy joint venture Rosukrenergo. According to one Ukrainian, “Real politics in Ukraine is gas. If you control gas, you control the main political groups in Ukraine”.<sup>30</sup> In Moldova, the Cuciurgan power plant in Transnistria is owned by the Russian state-owned electricity company Inter RAO, which interrupted the power supply in 2004 and 2005 when Moldovan-Russian relations were at their lowest point in years.<sup>31</sup> In 2006, when Armenia, aiming to reduce its dependency on Russian gas, invested in the construction of a gas pipeline to Iran, Gazprom simply took control of the pipeline. Armenia may have become less dependent on Russian gas, but it did not become less dependent on Gazprom.

In recent months, the global economic crisis has allowed Russia to pick up strategic assets in the neighbourhood for a song. In January 2009, the Russian

<sup>29</sup> From <http://trade.ec.europa.eu>

<sup>30</sup> ECFR interview with Ukrainian official, 14 May 2008.

<sup>31</sup> Cuciurgan then supplied about 30% of Moldova's electricity. It has since switched supplies to Romania.

bank VEB (Vneshekonombank), where none other than Vladimir Putin is chair of the supervisory board, bought Ukraine's troubled Prominvestbank for a knockdown \$150 million. In early 2009, the Russian bank Incredbank bought 53% of Moldova's Universalbank for \$4.4 million.<sup>32</sup> (The crisis cuts both ways, however. Some Russian businesses have been forced to offload their foreign acquisitions, as the Russian owners of Moldovan mobile phone company Eventis did in April 2009.)

## The Schengen wall vs visa-free travel

For EU citizens, the free movement of people has become one of the most valued benefits of European integration. The experience of the EU's neighbours is entirely different. EU enlargement may have united most of Europe, but it also built a visa wall higher than at any time in European history. Citizens of Ukraine and Moldova used to be able to visit countries like Poland, Lithuania or Hungary without visas. But once these countries joined the EU's passport-free Schengen zone in 2007, they introduced visas for all of the EU's eastern neighbours.<sup>33</sup> Today, nothing undermines the EU's soft power in the neighbourhood more than the restrictive nature of its visa policies.

*“Nothing undermines the EU's soft power in the neighbourhood more than the restrictive nature of its visa policies”*

The damage has been compounded by the EU's handling of visa issues since enlargement. In late 2008, for example, the EU made a vague promise to Ukraine and Moldova of visa-free travel in the long term, but the pledge fell a long way short of the type of road map the EU had granted to countries in the west Balkans earlier in the year. The EU's attitude has not gone unnoticed in the neighbourhood. The Ukrainian parliament recently called on the government to reintroduce visas for EU citizens because some Member States were not respecting commitments they had made in January 2008 to simplify the issuing of visas for specific categories of citizens, such as journalists

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<sup>32</sup> “Rossiiskii biznesmen kupil 53% aktsii moldavskogo banka”, *RIA Novyi Rezhion*, 22 December 2008.

<sup>33</sup> In 2007, Poland issued 585,000 visas to Ukrainians; in 2008 only 350,000. In 2007 Lithuania issued 162,000 visas to Belarusians, but the following year issued only 79,000. In 2007 Hungary issued 173,000 visas to Ukrainians; the year after this fell to 90,000.

or businessmen.<sup>34</sup> And of course, such disputes cover only the right of citizens from neighbourhood countries to travel in EU countries; the right to work will not even be countenanced by many EU Member States.

Conversely, Russia's most important soft power appeal to countries in the eastern neighbourhood over the last ten years has been the relatively easy access it grants to what was until recently its fast-growing economy. The vast majority of economic migrants from the neighbourhood states work in Russia. (The exceptions are migrant workers from Moldova and west Ukraine, most of whom are working in the EU – but most of them illegally.)

### Migrant workers and remittances from the six Eastern Partnership states

	<b>Russia</b>	<b>EU</b>	<b>Estimated annual remittances (2008)</b>
<b>Belarus</b>	300,000–700,000	60,000–70,000	\$2-3 billion
<b>Ukraine</b>	2 million	3 million	\$8.4 billion
<b>Moldova</b>	344,000	350,000–500,000	\$1.6 billion
<b>Georgia</b>	1 million	50,000	\$1 billion
<b>Armenia</b>	2.5 million	150,000	\$1.5-2 billion
<b>Azerbaijan</b>	2 million	100,000	\$1-1.5 billion

<sup>34</sup> See [www.rosbalt.ru/2008/12/04/547572.html](http://www.rosbalt.ru/2008/12/04/547572.html); and Baloha's threat, "We Can Change the Visa-free Regime for the EU", 30 November 2008, at <http://korrespondent.net/ukraine/politics/663835>

## Democracy promotion vs “sovereign democracy”

The EU is unsure about how to exert itself politically in the neighbourhood. On the one hand, it is keen to promote democracy and the rule of law. Democracy promotion is built into the ENP individual state action plans the EU has drawn up with the neighbourhood countries, and in 2007 the EU added a “governance facility” to the ENP, with a six-year budget of €350 million to reward good performers. But at the same time, the EU wants to maintain a relationship with all of its neighbours, including authoritarian regimes like Azerbaijan and Belarus. This permanent equivocation is compounded by the contrary approaches taken by different Member States: the Dutch and Swedes, for example, opposed inviting the autocratic Belarusian leader Lukashenka to the Eastern Partnership summit in Prague, while others, such as the Germans, Italians and Poles, were pushing for greater engagement with the regime.

Russia’s political offer to its neighbours is not marked by such ambivalence: its strategy emphasises the building of alliances with all neighbourhood states irrespective of their political regimes. While it readily makes use of its black arts of political manipulation to serve its own foreign policy interests, it is also happy to make these techniques available for export to friendly regimes. Russia’s concept of “sovereign democracy” – a political model that emphasises the need for states to follow “national paths” to democracy, free from foreign intervention – has found echoes throughout the neighbourhood. In Belarus, Lukashenka claims to have invented the concept.<sup>35</sup> The head of Azerbaijan’s presidential administration, Ramiz Mekhtiev, has rebranded it as “responsible democracy”.<sup>36</sup> Armenia modelled its transition of presidential power on that of Russia, with the former president Robert Kocharian passing on the mantle to his chosen successor Serzh Sargsyan in February 2008 after elections marred by irregularities. In relatively pluralist Moldova, President Voronin exaggerates Romanian threats to Moldovan sovereignty in order to position himself as the only defender of independence, depicting virtually all the opposition as foreign lackeys.<sup>37</sup> Even Georgia and Ukraine, the region’s two democratic poster boys, have tarnished their image. Georgia’s respect for media freedom and human rights has deteriorated in recent years, particularly over the last 18 months. And in Ukraine, President Yushchenko allowed his chief of staff Viktor Baloha to make use of political machinations usually

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<sup>35</sup> See <http://www.charter97.org/en/news/2008/7/15/8161/>

<sup>36</sup> Ramiz Mekhtiev, *Na puti k demokratii: razmyshlyaya o nasledii* (Baku: Serq-Qerb, 2007), p 741.

<sup>37</sup> See <http://www.unimedia.md/index.php?mod=home&hmod=newsbyid&id=7933>

associated with Russia – abuse of administrative resources, closing of courts, artificial party projects – at least until he was removed in May 2009.

Equally important has been Russia's interference in regional politics. This has often come in the form of so-called "political technology": during the 2004 Ukrainian elections, for example, the Russians seconded to the Yanukovych campaign made use of a range of political shenanigans: invented parties, agents provocateurs, voter fraud and ultimately interference with the vote count. But Russia has also shown itself willing to intervene at the highest level to support favoured candidates. For example, in the run-up to the April 2009 elections in Moldova, President Medvedev held a summit with President Voronin, the Russian foreign and economic ministers visited Moldova and made pledges of political support, and the new Russian patriarch held two well-publicised meetings with Voronin. Russia also put pressure on far left parties it had previously supported to stand aside or lend their support to the ruling Communists.

Such support for friendly regimes in the neighbourhood is a traditional Russian tactic. But today it is complemented by a new-found appreciation for the importance of NGOs – a lesson the Kremlin learned after the Orange revolution. In the words of Sergey Markov, one of the ideologues of Vladimir Putin's United Russia party, "Russia should repeat what the United States is doing [in Georgia and Ukraine]. We should help [set up] think tanks, roundtables, conferences, supporting media, exchanges".<sup>38</sup> Since 2004, Russia has set up a series of umbrella organisations to project its soft power abroad.<sup>39</sup> Organisations like the Institute of CIS Countries and Russian World have channelled funding to Russia-friendly parties and NGOs in the region, often covertly. Russian World, for example, has been accused of supporting Rusyn separatists in the far west of Ukraine.<sup>40</sup> In September 2008, Putin even suggested Russia support civil society groups in Georgia, saying "it would be incorrect to leave Georgia to nationalists and irresponsible people, allowing them to tear it to pieces".<sup>41</sup>

Russia's new-found appreciation for civil society proves useful at election time in neighbourhood countries, when friendly civil society networks and tame local NGOs are used to give questionable votes a clean bill of health. At the

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<sup>38</sup> ECFR interview, 19 December 2007.

<sup>39</sup> See Andrew Wilson, *Virtual Politics: Faking Democracy in the Post-Soviet World*, (New Haven and London, Yale University Press, 2005); Nicu Popescu, *Russia's Soft Power Ambitions*, CEPS Policy Brief, No 115, October 2006.

<sup>40</sup> Oleksandr Havrosh, "Zakarpats'koho separatista finansuye Moskva". *Ukraina moloda*, 8 November 2008, [www.umoloda.kiev.ua/number/1285/180/45461/](http://www.umoloda.kiev.ua/number/1285/180/45461/).

<sup>41</sup> See "Moscow to Develop Ties with Georgian Civil Society", 25 September 2008, at <http://civil.ge/eng/print.php?id=19602>

same time, Russia attempts to neuter the election monitors of the OSCE from the inside – by, for instance, pushing for its ally Kazakhstan to chair the body – while dismissing the organisation as the “ministry for criticising elections in eastern Europe”.<sup>42</sup> The election whitewashes that can result from these manoeuvres lead to the worst of both worlds: semi-authoritarian regimes remain in office but opposition movements do not accept the result, leading to paralysis or confrontation.

## Media rivalry: freedom of information vs message control

In the eastern neighbourhood, the battle for hearts and minds is increasingly played out in the media – and here too, the EU is outplayed by Russia. Few people in the region read or watch EU media, and other than Ukraine, none of the EU’s eastern neighbours has a free media market. The pan-European TV channel Euronews is broadcast in Russian throughout the region, but some of its local reportage is provided by RTR – a Russian state-owned TV company that provides biased commentaries on the region. Azerbaijan denied all foreign broadcasters airspace in early 2009. While EU-sponsored TV broadcasts in Belarus exist, hardly anyone watches them. One exception in the region was Romanian-language Radio BBC, which was popular in Moldova until it was closed down after London-imposed budget cuts. And after the April 2009 election crisis in Moldova, Romanian TV, which had been adding an element of pluralism to the country’s media, was largely banned by the authorities.

*“In the eastern neighbourhood, the battle for hearts and minds is increasingly played out in the media – and here, the EU is outplayed by Russia”*

By contrast, Russia maintains media influence in the neighbourhood through a variety of means: local joint ventures, rebranding media of Russian origin as “local” (the Russian newspapers *Argumenty i fakty* and *Komsomolskaya pravda* have editions “in Belarus” and “in Ukraine”), and making use of cable and the internet. The Russian media perform a double function in the region. They are active players

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<sup>42</sup> ECFR interview with Russian official, Moscow, 21 October 2008.

in domestic politics, and more often than not support particular candidates during elections. But they also help shape the way citizens in neighbourhood countries see international events, from the EU's constitutional crisis and relations with the US to local affairs such as the Orange revolution or the August 2008 war in Georgia.<sup>43</sup>

Yet Russia's transparent attempts to politicise the coverage its media provides in the neighbourhood can backfire. Many states block Russian-origin media when it is too directly political: Azerbaijan stopped the rebroadcast of ORT in July 2007 and RTR-Planeta in January 2008. And while almost 90% of the media in Belarus is Russian-language, as is almost two thirds in Ukraine, most of it is locally owned and supports local regimes regardless of Moscow's wishes.

## Russian and EU soft power at a glance

Russia	European Union
<ul style="list-style-type: none"> <li>• Rhetoric of fraternity</li> <li>• Multilateral institutions with membership benefits</li> <li>• Strategic investments</li> <li>• Visa-free regime and open labour market</li> <li>• Protects authoritarian regimes</li> <li>• The "sovereign democracy" model</li> <li>• Sets the media narrative</li> </ul>	<ul style="list-style-type: none"> <li>• EU information centres</li> <li>• Lingering accession hopes</li> <li>• Biggest trading partner</li> <li>• Economic opportunities</li> <li>• Aid to governments and civil society</li> <li>• Supports democracy</li> </ul>

The EU remains the most powerful political model in the region, but Europeans have failed to cultivate their soft power. The widespread image in the neighbourhood of the EU as an entity in perpetual institutional crisis, mired in sluggish economic growth, and the halt in enlargement have all taken their toll: the European way is beginning to look like a dream that is impossible to realise and not necessarily that attractive anyway. And so rather than wasting time on what can seem like the futile endeavour of European integration, an increasing number of post-Soviet states are turning towards the outstretched hand of Russia. The EU has a more attractive governance model than Russia, but good governance models do not always win.

<sup>43</sup> For some polling evidence, see [www.kiis.com.ua](http://www.kiis.com.ua), [www.uceps.org/poll.php?poll\\_id=310](http://www.uceps.org/poll.php?poll_id=310) and [www.ipp.md/files/Barometru/R\\_bop\\_oct\\_2008\\_prezentare\\_ED.pdf](http://www.ipp.md/files/Barometru/R_bop_oct_2008_prezentare_ED.pdf)

# Chapter 3: Coercion in the neighbourhood — Russian and EU hard power

The contest between Russian and European hard power is not evenly balanced. While Russia still has a claim to superpower status through its military might and its strategic control of energy resources, the EU is famously queasy about using military means to exert its power. In fact, the EU's very creation was inspired by the idea that relations between states should be governed not by the use of force but by economic interdependence, the rule of law and supranational governance.

This plays to Russia's advantage. In recent years the EU has introduced visa bans, asset freezes and travel restrictions on various leaders and officials from the neighbourhood. Yet overall, the stick has played a much smaller role in the EU's policy towards its neighbours than the carrot – and the EU has shown a particular reluctance to get involved in the region's ongoing security crises.

This plays to Russia's advantage. Moscow has become adept at using hard power, in both the military and economic spheres, and responds quickly to crises in the neighbourhood when it sees an opening. In the words of an EU official: "Russia is stronger and faster... In every conflict situation, it comes out better".<sup>44</sup>

## EU conflict prevention vs Russian "peacekeepers"

Russia today is not the USSR of the cold war. It has no broad-based military posture and no explicit aggressive strategic doctrine. But it has nevertheless maintained a military presence in every neighbourhood state since the break-up of the Soviet Union in 1991 (see table overleaf). Russian troops are often placed in areas blighted by secessionist conflicts – allowing them to be branded

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<sup>44</sup> ECFR interview, Brussels, March 2009.

as “peacekeepers”. The presence of Russian troops limits the sovereignty of neighbourhood states, both directly – by denying states full control over their territory – and indirectly, by limiting their foreign policy options: states with Russian military bases can hardly envisage joining NATO, for example.

## Russian troops in the six Eastern Partnership states (2008)

Country	Number of troops	Deadline for departure
Belarus	850	2020
Ukraine	13,000–15,000	2017
Moldova	1,300	2003 (missed, no prospect for departure)
Georgia (Abkhazia and South Ossetia)	3,600–7,600 <sup>45</sup>	2001 (missed, no prospect for departure)
Armenia	5,000	2021
Azerbaijan	900–1,400	2012

The neighbourhood states vary in their attitudes towards the presence of Russian troops on their soil. Belarus and Armenia are close allies of Russia’s that rely on Russian military bases to ensure their security. The Belarusian government wants protection against the west and any domestic opposition, while Armenia is keen to maintain a close military alliance with Russia as a deterrent to Azerbaijan, with which it is still formally at war over Nagorno-Karabakh.

Azerbaijan is less happy about the presence of Russian troops within its borders, but as yet has shown little inclination to challenge them. Its radio location station in Gabala, which monitors the airspace across much of the Middle East, will be at Russia’s service until 2012 at least.<sup>46</sup> In Moldova, Russia has rebranded its military presence – the former Soviet 14th army that helped the Transnistrian separatists win their mini-war against the Moldovan government in 1992 – as a “peacekeeping” force, and broken the clear commitment it made at an OSCE

<sup>46</sup> See the Russian defence minister’s remarks at <http://echo.msk.ru/news/542405--echo.html>

<sup>45</sup> In March 2009, Sergei Bagapsh, Abkhazia’s leader, announced an agreement with Russia to base 3,800 troops in Abkhazia for 49 years. See [http://www.ng.ru/cis/2009-03-06/1\\_bagapsh.html](http://www.ng.ru/cis/2009-03-06/1_bagapsh.html)

summit in 1999 to a “complete, unconditional and ordered” withdrawal by 2003<sup>47</sup>; indeed, it has encouraged the province’s leaders to request an increase in the Russian military presence from 1,300 to 3,000.<sup>48</sup> Moreover, Moscow has marginalised the EU from the peace talks on Transnistria by pushing a “2+1” format for negotiations (Moldova and Transnistria + Russia as a mediator) over the internationally agreed “5+2”, set up in 2005 (Moldova and Transnistria, with Russia, Ukraine and the OSCE as mediators, plus the EU and the US as observers).

In Georgia, for years Russia blocked the EU’s attempt to step up its conflict settlement efforts in the separatist regions of Abkhazia and South Ossetia. Russia withdrew its Soviet-legacy troops from Georgia between 2005 and late 2007, but simply moved most of them to Armenia. Following the August 2008 war, Russia is now increasing its military presence in the two breakaway regions by developing new military bases and a port at Ochamchira on the Black Sea. The apocalyptic language the Kremlin reserves for Saakashvili – in September 2008 President Medvedev described him as a “political corpse”<sup>49</sup> – stokes fears that Russia may take advantage of some future crisis to push the Georgian president out of power completely.

In Ukraine, tensions remain high in the Crimean peninsula, particularly over the presence and operations of Russia’s Black Sea fleet. The lease agreement for the fleet is due to expire in 2017, but the Kremlin has expressed a clear desire to keep the base going after this date, even against Ukraine’s clearly expressed wishes to the contrary.<sup>50</sup> Andrey Kokoshin, a former secretary of the Kremlin’s State Security Council, has even suggested a permanent lease along the lines of Guantánamo Bay.<sup>51</sup> The local economy, particularly Sevastopol, is heavily dependent on the Russian military presence but Kiev is unhappy about the political activities of the fleet – Moscow sponsors pro-Russian NGOs and parties on the peninsula through the ancillary services of the fleet. Rising tensions could see violent clashes between Russian and Ukrainian activists, or attacks on or by Crimea’s usually pro-Ukrainian Tatar minority. Vladimir Putin raised the stakes at the Bucharest NATO summit in 2008, saying that the Crimea was “given away” by the Soviet politburo, and threatening that if Ukraine joined NATO, it would be brought “to the verge of its existence as a sovereign state”.<sup>52</sup>

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47 See [www.osce.org/documents/mcs/1999/11/4050\\_en.pdf](http://www.osce.org/documents/mcs/1999/11/4050_en.pdf)

48 ECFR interviews with Moldovan officials in Chişinău, October 2008

49 See <http://news.bbc.co.uk/1/hi/world/europe/7594860.stm>

50 See “Ukraine says Russian Navy must get ready to leave Crimea”, RIA Novosti, 24 October 2008.

51 See “Rosii udastsya naladiti otnosheniya s amerikoi k luchshemu!”, 19 February 2009, at <http://echo.msk.ru/programs/opponent/573070--echo/>

52 “What precisely Vladimir Putin said at Bucharest”, [www.mw.ua/1000/1600/62750/](http://www.mw.ua/1000/1600/62750/)

Russia claims that it has a responsibility to ensure the security of Russian citizens, ethnic Russians and even mere Russian-speakers in its “near abroad”. But the war in Georgia led to allegations that Russia deliberately handed out passports to foreign nationals in order to create or bolster minorities it could then claim the right to protect: there are estimated to be around 179,000 Russian passport holders in Georgia.<sup>53</sup> Other neighbourhood countries have also been on the receiving end of this tactic. There are estimated to be between 80,000 and 100,000 Russian passport holders in Transnistria. Estimates for Crimea range from 2,000 to 100,000, and one source counts 543,000 in Ukraine as a whole. There are almost 160,000 in Azerbaijan, and 114,500 in Armenia.<sup>54</sup> The existence of these “Russian minorities” in neighbourhood states gives Russia a potential excuse for involvement in conflict in any of these countries.<sup>55</sup>

*“Moscow has become adept at using hard power and responds quickly to crises in the neighbourhood when it sees an opening”*

In stark contrast to Russia’s military activism in the neighbourhood, the EU is reluctant to engage and internally divided. In Georgia the EU refused for years to devote political attention to the resolution of local conflicts, partly because some Member States were wary of antagonising Russia.<sup>56</sup> After Russia vetoed an extension of the OSCE operation monitoring the border between Georgia and Russia at the end of 2004, the EU’s only response was to send a team of three to advise Georgia on border management. But the EU has now ended up spending over €1 billion and sending close to 300 unarmed monitors just to try to “refreeze” the situation following the Russia-Georgia war. The EU’s obvious reluctance to play a bigger role before 2008 was at least partly responsible for the escalation of the conflict by both sides: Saakashvili decided he was on his own, and Russia was confident that military action would meet only ineffective protest from the EU.

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<sup>53</sup> See Carl Bildt’s comments at <http://euobserver.com/9/26596>

<sup>54</sup> “Grazhdanstva Rossii na vsekhn ne khvatit. Pasportov tozhe”, <http://www.ferghana.ru/article.php?id=727>

<sup>55</sup> EU Member States can also play this game. Romania gave out 95,000 passports in Moldova from 1991 to 2002 before procedures were tightened, and Bulgaria has granted passports to ethnic Bulgarians in Moldova as well as Macedonia.

<sup>56</sup> See “Can the EU Win the Peace in Georgia?” by Nicu Popescu, Mark Leonard and Andrew Wilson, ECFR Policy Brief no 7, August 2008; “Europe’s Unrecognised Neighbours: The EU in Abkhazia and South Ossetia” by Nicu Popescu, CEPS Working Document no 260, March 2007.

Until the Georgian war, the EU's main involvement in conflict settlement in the neighbourhood was in the breakaway Moldovan province of Transnistria, a conflict not far from the EU's borders. In 2005, the EU deployed a successful border assistance mission (EUBAM) to curb the smuggling networks that were propping up the province. As a result, Transnistria's foreign trade operations became more transparent, local businesses registered with the Moldovan government and exports to the EU rose quickly. Yet the EU shied away from complementing EUBAM with a political strategy to broker a deal between the parties to the conflict, and made only modest efforts to replace the dysfunctional Russian-dominated peacekeeping force or to push Russia to respect its commitments on troop withdrawal. Today, there are no signs of Russian troops leaving Transnistria – around 1,300 remain in the region – and a resolution to the conflict seems as distant as ever.

In Crimea, the EU's involvement has been negligible; to date there has been no official response to the threatening noises made by Putin at the Bucharest NATO summit.

## ”Smart” sanctions vs economic coercion

The rewards on offer to neighbourhood states from the European Neighbourhood Policy are much more modest than those that came with EU accession for the countries of central Europe, and as a result the EU has had much more difficulty using economic measures to effect change in the neighbourhood states. The EU has from time to time been willing to introduce coercive measures against the neighbourhood states. But its so-called “smart”, targeted sanctions have largely proved ineffectual. In 2007, the EU withdrew some trade preferences from Belarus, supposedly on the grounds that Belarus was falling short of international labour standards. But by failing to link the sanctions explicitly to the authoritarian practices of the regime, the EU lost any leverage it might have otherwise gained. Other coercive measures taken by the EU have included travel restrictions on obstructionist Transnistrian leaders, and visa bans and asset freezes for Lukashenka and 40 ministers and officials following the fraudulent 2006 elections in Belarus. Such actions may have inconvenienced the individuals in question, but they have had little substantial impact.<sup>57</sup>

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<sup>57</sup> The EU suspended most of its travel restrictions on the Belarusian leadership in 2008 after it concluded that engaging the Lukashenka regime was more effective than isolating it.

Russia, by contrast, has developed a comprehensive policy of economic statecraft, ranging from the interruption of energy supplies to trade blockades. Throughout the 1990s, Russia supplied gas at discount rates to its neighbours to try to keep the post-Soviet economy as a whole relatively integrated. When this failed, Russia started to push its neighbours to pay market prices for energy – but its goals were not purely commercial. Every time Russia has pushed a neighbourhood state for higher prices, it has also offered a political way out, either through ceding energy infrastructure or by satisfying non-economic Russian demands: witness the agreement between Russia and Belarus on joint control of local air space in February 2009. As a result of this strategy, Gazprom now controls majority stakes in the local monopolistic gas distribution companies in Moldova and Armenia and 50% of Beltransgaz in Belarus, while a succession of non-transparent intermediary companies have dominated gas supply to and across Ukraine.<sup>58</sup> Meanwhile, Russia's gas pricing policy shows the clear influence of politics: in 2009, friendly Armenia was charged \$154 per 1,000 m<sup>3</sup>, while the awkward Ukrainians were asked to pay \$360 and the average price Gazprom set for EU Member States was \$390.<sup>59</sup>

Russia has also been willing to use trade embargoes as political tools. It has banned wine from Georgia (since 2005) and Moldova (2005-07) when relations have soured, as well as Moldovan, Ukrainian and Georgian vegetables, meat and dairy products.<sup>60</sup> The most comprehensive economic pressures were applied to Georgia after Tbilisi arrested four Russian spies in September 2006. Russia introduced a transport and postal blockade, closed Verkhni Lars, the only land border crossing between the two countries, and expelled several hundred Georgian workers.

This last act raised concerns across the neighbourhood over Moscow's willingness to use the millions of migrant workers in Russia as leverage. Neighbourhood states fear that if they antagonise the Kremlin, Russia could introduce visa requirements, suspend money transfers or deport large numbers of workers, placing already fragile economic and political systems under huge

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<sup>58</sup> The most important of these was Rosukrenergo, set up in 2004. The company's name implied it was a joint Russian-Ukrainian operation, but it was not until 2006 that its owners were revealed to be Ukrainian oligarchs (45% was owned by Dmytro Firtash) and Russians linked to Gazprom. In an agreement signed in 2004, and strengthened during the January 2006 gas crisis, Rosukrenergo was given a quasi-monopoly on the transit of gas worth an estimated \$4.35 billion a year from Central Asia to Ukraine, in return for ill-defined "management services". See "Where East Meets West: European Gas and Ukrainian Reality" by Edward Chow and Jonathan Elkind, *The Washington Quarterly*, vol 32, no 1 (January 2009), pp 77-92.

<sup>59</sup> Harsh economic realities are, however, having an effect on Moscow's ability to use its gas for political ends: Gazprom's need for funds has forced it to raise prices across the board, limiting the Kremlin's leverage.

<sup>60</sup> "Russian Leverage on the CIS and the Baltic States", by Jakob Hedenskog and Robert L Larsson, at <http://www2.foi.se/rapp/foir2280.pdf>.

strain. All the neighbourhood states are exposed to this risk. For example, in Azerbaijan no less than 70% of the income of the country's rural population comes from remittances.<sup>61</sup> There are nearly 2 million Azeri migrants in Russia, compared to a total Azeri population of 8.4 million; if Russia forced even a small proportion of these migrants to return home, the social and political consequences for Azerbaijan could be devastating.

## Russian and EU hard power at a glance

Russia	European Union
<ul style="list-style-type: none"> <li>• Non-withdrawal of troops</li> <li>• "Passportisation"</li> <li>• Infrastructure takeovers</li> <li>• Differential energy prices</li> <li>• Oil and gas embargoes</li> <li>• Trade blockades (wine, vegetables, meat)</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring and border missions</li> <li>• "Smart sanctions", travel bans, asset freezes</li> <li>• Financial assistance</li> <li>• Critical assessment of ENP action plans</li> </ul>

The wide array of hard power tools used by Russia shows its determination to achieve its foreign policy goals — but it also exposes the country's weaknesses. One thing the war in Georgia demonstrated was that other forms of Russian pressure — economic, political and ideological — had failed. What is more, while Russian embargoes, blockades and energy cuts may advance Russian interests in the short run, in the long term they actually diminish Russia's leverage by driving target states to diversify their economies or export markets.

Yet even if Russian hard power has its limits, the fact that Moscow has proven that it is willing to act on its threats gives the Kremlin real credibility in the neighbourhood — an asset the EU is sorely lacking. Officials in neighbourhood countries know that the EU's reluctance to use hard power means that ignoring EU injunctions is often cost-free. The EU has a major hard power credibility problem to overcome.

<sup>61</sup> "Russian Soft-Power Increasing in Azerbaijan" by Fariz Ismailzade, *Eurasia Daily Monitor*, vol 5 no 39, 29 February 2008.

# Chapter 4:

## Policy recommendations – state-building and crisis management

The tinderbox of the eastern neighbourhood is in constant danger of being set alight by a spark from ethnic conflict, political skulduggery, economic strains or Russian subversion. There is much at stake here for the EU. If local economies collapse, the EU might have to bail them out; the threat of ethnic wars poses a direct challenge to the EU's peace project; and no Member State wants to return to an era where the security of Europe is defended through the balance of power and spheres of influence. Yet the EU's main policies for the region – the European Neighbourhood Policy (ENP) and the Eastern Partnership (EaP) – are recipes for long-term change based on regulatory convergence and the adoption of European norms. They have little to say about how to respond to crises.

This approach is losing the EU ground in the battle for hearts and minds in the eastern neighbourhood, where governments are becoming less democratic with each passing year. The EU takes a more bureaucratic, less political approach than Russia, and is less willing to offer benefits or make use of conditionality or coercion – and is being outgunned in the neighbourhood as a result.

From their perspective, EU governments are not trying to build a sphere of influence in the neighbourhood; they are allowing neighbouring countries to fulfil their right to embrace universal values such as democracy and the rule of law. But that is not how things are perceived in Moscow, which sees its influence receding as the EU and NATO gradually encroach on the countries of the former Soviet Union; even the relatively innocuous provisions of the EaP have drawn allegations from the Russian foreign minister that the EU is seeking an eastern “sphere of influence”.<sup>62</sup> As a result the EU often finds its activities in the neighbourhood frustrated by Russia's attempts to shut it out of its “near abroad”.

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62 “EU expanding its ‘sphere of influence,’ Russia says”, *EU Observer*, 21st March 2009.

## Competition with Russia, not conflict

The EU should not ignore opportunities to co-operate with Russia in the neighbourhood. It should, for example, express its support for President Medvedev's proposals for discussions on a "new European security architecture", first floated, if not substantiated, in June 2008. But EU Member States must also recognise that there will remain a competition in the neighbourhood between an activist Russia aiming to bring countries into its sphere of influence and an EU keen to spread democracy, stability and the rule of law. The more high-profile aspect of this competition focuses on membership of organisations, particularly the question of NATO membership for Ukraine and Georgia. This prospect seems to have receded for now, which is not necessarily a disaster: so long as the argument over NATO expansion raged, politics in the neighbourhood was dominated by a caricature of a "bipolar Europe" in which there was a zero-sum competition for influence between the EU and Russia. But this makes it even more vital for the EU to take an active stance in the broader contest over the rules that are to govern the neighbourhood. This struggle pits liberal democracy (rights and representation) against "sovereign" democracy (stability and elite prosperity); the European business model against Moscow's kickback economy; and Europe's "postmodern" security system against Russia's preference for power politics. This "norm competition" is unlikely to see a decisive winner, and the states in the neighbourhood will respond in different ways to the offers that are made to them. But in formulating policy towards the region, the EU must be aware of the alternative model on offer – while at the same time appreciating that what the neighbourhood states crave more than anything is respect for, and strengthening of, their sovereignty.

In revising its policy for the neighbourhood, the EU needs to take a leaf out of Russia's book. As described in chapter 2, the concrete benefits Russia offers neighbourhood states have made it a more effective power in the region than the EU. EU policy is too often predicated on the assumption that neighbourhood states want to become like the EU and will over time gravitate towards its model. A new EU strategy for the region should therefore be based on a review of the effectiveness of its various policy "levers" and an assessment of those "pressure points" that leave neighbourhood states open to Russian influence (see table, right).

## Russia and the EU's most effective "levers" in the eastern neighbourhood

	<b>Russia's most effective levers</b>	<b>The EU's most effective levers</b>
<b>Belarus</b>	<ul style="list-style-type: none"> <li>• Support for Lukashenka</li> <li>• Generous, though declining, subsidy regime</li> <li>• Stabilisation loans</li> <li>• Belarus's need to maintain status as energy-transit country</li> </ul>	<ul style="list-style-type: none"> <li>• Visa liberalisation</li> <li>• Energy dialogue</li> <li>• Seen as counterbalance to Russia</li> <li>• EU vote in the IMF</li> <li>• Trade preferences</li> </ul>
<b>Ukraine</b>	<ul style="list-style-type: none"> <li>• Exploitation of regional divisions</li> <li>• Black Sea fleet in Crimea</li> <li>• Gas supplies and transit</li> <li>• Sanctions (chemical and food products)</li> <li>• Influence of Russian media</li> <li>• Pro-Russian political forces</li> </ul>	<ul style="list-style-type: none"> <li>• New Association Agreement</li> <li>• Visa liberalisation</li> <li>• Long-run prospect of deep free trade</li> <li>• Lingering EU accession aspirations</li> <li>• Support for European Energy Community accession</li> <li>• Pipeline upgrade</li> <li>• IMF and European stabilisation loans</li> </ul>
<b>Moldova</b>	<ul style="list-style-type: none"> <li>• Economic sanctions</li> <li>• Gas supplies</li> <li>• Pro-Russian political forces</li> <li>• Transnistrian gas debt</li> <li>• Military presence in Transnistria</li> <li>• Russian mass media</li> </ul>	<ul style="list-style-type: none"> <li>• New Association Agreement</li> <li>• Visa liberalisation</li> <li>• Deep free trade prospect</li> <li>• Conflict resolution in Transnistria</li> <li>• EU Border Assistance mission</li> <li>• Inclusion in southeast European regional initiatives</li> <li>• Promise of macro-economic assistance</li> </ul>

<b>Georgia</b>	<ul style="list-style-type: none"> <li>• Use of force</li> <li>• Recognition of Abkhazia and South Ossetia</li> <li>• Sanctions and blockades</li> <li>• Migrants and visas</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring mission</li> <li>• Sponsorship of Geneva mediation talks with Russia</li> <li>• Post-conflict rehabilitation funds</li> <li>• Visa liberalisation</li> </ul>
<b>Armenia</b>	<ul style="list-style-type: none"> <li>• Support for authoritarianism</li> <li>• Control of strategic economic assets</li> <li>• Military presence</li> <li>• Support on Nagorno-Karabakh</li> <li>• Migrants</li> </ul>	<ul style="list-style-type: none"> <li>• Visa liberalisation</li> <li>• Deep free trade prospect</li> <li>• Advisers in the presidency and government</li> </ul>
<b>Azerbaijan</b>	<ul style="list-style-type: none"> <li>• Migrants and visas</li> <li>• Nagorno-Karabakh</li> <li>• Offer to buy all Azeri gas</li> <li>• Support for authoritarianism</li> </ul>	<ul style="list-style-type: none"> <li>• Energy partnership</li> <li>• Support for WTO accession</li> <li>• Support for Azerbaijan's aspirations to be a hub for Central Asian energy exports</li> </ul>

In recent years, the endemic crises of the region have both stymied the attempts of neighbourhood states to pursue long-term development and presented opportunities for Russia to extend its influence. The EU should now complement the bureaucratic processes of the ENP and Eastern Partnership with a two-pronged political approach. First, Member States and institutions need to boost their power of attraction in the neighbourhood. This should not mean forcing countries to choose between Europe and Russia, but rather demonstrating a commitment to norms and rules, and support for state sovereignty. Second, the EU needs to go out of its way to prevent crises from erupting in the neighbourhood where possible, and to help local states cope with the fallout when they do.

## Making the EU more attractive

Over the last few years, the EU's policies — talking down accession prospects while building a Schengen wall — have helped push the neighbourhood states into Russia's arms. The best way for the EU to improve its popularity would be to help neighbouring countries build up their independence and to resist Russian attempts to encroach on their sovereignty. This will be a big conceptual shift for an EU that has traditionally seen these countries as empty vessels for the export of the *acquis communautaire*, but it should bring great rewards.

The most powerful way for the EU to boost its image in the eastern neighbourhood would be to liberalise its visa policy. Aside from the soft power benefits, a more welcoming visa regime would help neighbourhood states by helping to “Europeanise” future elites and, paradoxically, easing problems of brain drain by making possible a return of the most ambitious and hard-working emigrants — many of whom are now “stranded” as illegal workers inside Member States. Opening up visa policy would also provide economic benefits to the EU by encouraging seasonal workers and, when economic growth resumes, filling short-term labour demands.

Visa reform for the neighbourhood states remains extremely controversial for many Member States, who fear their borders will be flooded by poor migrant workers. But the restrictive measures in place today create their own problems: they encourage criminal activities, from human trafficking and corruption to discrimination, and create perverse incentives for illegal migrants to remain indefinitely inside the EU. In order to allay the anxieties of Member States, the Swedish EU presidency should initiate annual Eastern Partnership “27+6” meetings of ministers of internal affairs and regular working groups on immigration and organised crime.

Rather than seek to build an illusory “fortress Europe”, the EU should move towards a policy of managed migration, tailored to each of the neighbourhood countries. Ukraine and Moldova should be offered road maps for visa-free travel for all citizens, coupled with very tough demands for reforms of their border management and law enforcement agencies. In the meantime, the Commission should ensure that all Member States fully implement the visa facilitation agreements the EU signed with the two countries in January 2008. In the south Caucasus and Belarus, the EU should pursue visa facilitation for key categories of citizens, such as journalists, businesspeople and students.

As a sign of goodwill the EU should waive visa fees during negotiations with all neighbourhood states. And immediate attention should be directed towards improving visa application conditions: existing facilities should be upgraded and the Common Visa Application Centre model introduced in Chişinău in 2007 – a single building where Moldovans can apply for visas to travel in a number of Member States – should be replicated in other capital cities and regional centres throughout the neighbourhood.

*“The EU needs to show an appreciation for the importance of ‘political theatre’ – in small states that feel isolated on the fringes of Europe, attention on its own can be very influential”*

The EU also needs to show an appreciation for the importance of “political theatre”. In small states that feel isolated on the fringes of Europe, attention on its own can be very influential. The failure of all the leaders of major EU Member States other than Angela Merkel to attend the Eastern Partnership summit in Prague in May was an inauspicious start. The Swedish presidency should consider ways it could give the process renewed momentum, such as a foreign ministers’ summit or a “listening tour” across all six neighbourhood states by a Swedish-led troika (EU presidency, high representative for CFSP and Commission president). The troika should aim to gain an understanding of the specific security concerns and economic vulnerabilities of each neighbourhood state so that EU assistance can be tailored to their particular needs, and the findings should feed into the EU response to Medvedev’s security proposals.

In general, the EU foreign policy team and presidents and prime ministers should make efforts to visit the region more often, particularly those countries affected by secessionist conflicts. In order to step up its public diplomacy, the EU should increase the size of Commission delegations in neighbourhood states, through seconded national officials if necessary. And Member States must make more effort to co-ordinate the bilateral messages they send the neighbourhood states, avoiding embarrassments like the experience of April 2009, when Silvio Berlusconi hosted a dinner in Rome for President Lukashenko just as other EU leaders were doing their best to “uninvite” the Belarusian leader from the EaP summit in Prague.

The EU also needs to think imaginatively about new ways of supporting media freedom in the neighbourhood. Again, the purpose should be not to force neighbourhood countries to choose between the European and the Russian models, but to increase the sovereign capacity of states – in this case, through helping to build a lively and diverse media. Under the EaP’s civil society dimension, the EU should help create a regional network of free media funds and a “new media school” to encourage bloggers and internet start-ups, promote web fora that strengthen networks and exchange ideas, and support websites that translate western media. It should also consider offering financial assistance to cover Moldova and parts of Georgia with wireless internet access, in much the same way the United States Agency for International Development did for Macedonia a few years ago.

## Preventing political and economic crises

The ENP was not designed to cope with economic emergencies, but the EU is nevertheless expected to spearhead efforts to help the region through the crisis. Countries facing problems can draw upon financial assistance from the IMF, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank and from EU Member States. EU institutions and Member States need to ensure that these funds are used to improve the governance and stability of the eastern neighbourhood. In order not to over-extend itself, the EU should focus attention on those states where its policy will have most effect. Azerbaijan accumulated its own reserves when oil prices were high, Armenia relies on Russian assistance, and Belarus is less susceptible to political influence than its neighbours. So the EU should concentrate on the three most western-leaning states: Ukraine, Moldova and Georgia.

Each of these countries is reeling from the financial crisis, particularly the former pair, but their problems are as much political as they are economic. In some cases, financial assistance packages from the likes of the IMF have been made available but political problems have paralysed their distribution. To deal with political deadlock in neighbourhood states, the EU must grant its representatives the flexibility to deploy the EU’s tools in a more dynamic, “political” way.

In Ukraine, there is a danger of local politicians fighting for the steering wheel as they drive over the cliff. The EU’s priority here should be the appointment of a special envoy, ideally a former president or prime minister. He or she should

have sufficient clout to broker a political agreement between the country's warring factions and to enable the key reforms requested by the IMF (banking reform, dealing with the deficit-ridden pensions fund) to be made, using the promise of economic aid as leverage.

Apart from the risk of default, the biggest "pressure point" for Ukrainian sovereignty is gas. The crisis in January 2009 showed that Ukraine's energy transit pipelines, which the leadership sees as the country's key sovereignty asset, are also one of its biggest sources of weakness, gumming up domestic politics through corruption and alienating Ukraine's neighbours, who are reliant on the gas traversing Ukraine without hindrance. The problem is that Ukraine's

*"Ukraine's energy transit pipelines, which the leadership sees as the country's key sovereignty asset, are also one of its biggest sources of weakness"*

gas pipeline system has never really been under true national control, but has instead been exploited by shadowy intermediary companies like Rosukrenergo. So a good way of enhancing Ukraine's practical sovereignty would be to establish a truly international system to upgrade or even run the pipelines. To circumvent the long-term threat of Gazprom control or the illusion of a "joint venture" between Gazprom and a friendly west European partner, a genuinely tripartite system should be set up between the EU, Ukraine and Russia – should Moscow so desire, under transparent, internationalised rules – sharing responsibility for upkeep or control. Ukraine would remain the leaseholder. The EU's recent commitment to finance the modernisation of Ukraine's pipeline system was a good start.<sup>63</sup> The EU should build on it by ensuring the appointment of a proper independent regulator, by helping build electricity interconnectors, by assisting the EBRD with energy conservation projects and with unlocking domestic production potential (Ukraine has good reserves, but only produces around a quarter of its own gas needs).

In Moldova, as in Ukraine, the difficulties stem from the interplay of political and economic crises. The violent post-election protests in April 2009 paralysed the

political system at exactly the moment the country needed a forceful response to the deteriorating economy, and new elections are now likely to be held later in the year, potentially prolonging the inaction. Moscow is already following up the “solidarity” it showed the government during the recent post-election crackdown with offers of economic support, and there is a danger that this could fuel Moldova’s slide towards authoritarianism. The EU must work to counter this. As a start, it should offer Moldova macroeconomic assistance and a road map for visa-free travel, on condition that the Chişinău authorities de-politicise the operations of the police and cease harassment of the media. In order to operate more effectively, the EU should merge the post of special representative to Moldova with the head of the European Commission delegation in what is known in EU-speak as “double-hatting”. At the moment, the Commission wields the economic incentives but is not empowered to use them for political purposes, while the special representative, who has a political role, cannot provide economic incentives since they are a Commission prerogative.

The EU has struggled to influence the Saakashvili government in Georgia, both before and after the war in 2008, and the country’s politics are becoming increasingly unstable as the government appropriates more and more power and the opposition grows ever more intransigent. The EU is providing generous assistance to Georgia through a post-conflict reconstruction fund, but the limited conditionality makes it difficult to use the fund as leverage. The EU should now start to push for clear road maps for democratisation, agreed by government and opposition, with an emphasis on media freedom and the political neutrality of law enforcement agencies. The original donors’ conference in October 2008 promised €3.44 billion from multiple sources – including the European Commission and Member States<sup>64</sup> – which will make crude conditionality impossible, but the EU could organise a roundtable of donors to push together for more political liberalisation, and to explore how aid could be used as incentives.

Finally, the EU should take steps throughout the neighbourhood to prevent disputes over election results — one of the most frequent triggers for political crises. The EU should aim to ensure that election monitoring missions are led by professionals from the OSCE and elsewhere rather than seconded politicians from Member States, and that monitoring missions work in partnership with local NGOs to avoid criticism from Russia and others that they are western

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64 See [http://ec.europa.eu/external\\_relations/georgia/conference/index\\_en.htm](http://ec.europa.eu/external_relations/georgia/conference/index_en.htm)

stooges. (At the same time, the OSCE must be wary of Russian attempts to compromise its neutrality from the inside.) Preliminary, first-day assessments of elections should steer clear of arcane and relativistic language (elections may be “broadly free” or “an improvement” but at the same time still unfair). And more emphasis should be placed on OSCE’s long-term electoral missions, which examine structural conditions – media freedom, the use of “political technologies”. In corrupt elections, by voting day it is too late to fix much of the damage.

## Preventing security crises

As the EU and Russia begin to think about ways in which they could co-operate in the security sphere, the Swedish presidency should convene a “27+6” foreign ministers’ meeting to give the neighbourhood states a chance to have an input into the discussion ahead of the OSCE summit at the end of the year. This would have the added benefit of drawing the attention of EU Member States to those areas that are perceived to be most at risk of violent flare-ups: conflict prevention, not conflict management, should be the mantra.

*“At the extreme, Russia has sought to accelerate the ‘de-sovereignisation’ of the eastern neighbourhood, by seeking to take over strategic assets like energy pipelines”*

In Georgia, the fighting may have stopped for now, but there is a real danger of miscalculations, provocations and future instability. The EU’s priority has been to “refreeze” the situation and make sure hostilities are not renewed. But the EU needs to stay engaged in the region over the long term: it must keep its monitoring mission in place to reduce the chance of a return to violence, and in the meantime put pressure on both the Russians and the Georgians to begin constructive discussions aimed at reducing tension and building confidence. The model should be the peacekeeping effort in Cyprus, where an international presence over three decades has helped avert tensions and keep the conflict settlement process on track. Above all, the EU must avoid the temptation to follow Georgia in isolating Abkhazia and South Ossetia, which would neither contribute to the resolution of the conflict nor stabilise the security situation.

After Georgia, the second biggest potential trouble spot is Crimea. Russia has been using its Black Sea fleet to undermine Ukraine's sovereignty – sponsoring pro-Russian groups on the peninsula and hinting darkly that it will keep the fleet in place even after its lease expires in 2017. The EU should push for a discussion with Russia on basing rights as part of the broader dialogue on security co-operation. The starting point should be the 1997 Russia-Ukraine agreement governing the operations of the fleet, which did not envisage political activity. In the meantime, the EU should attempt to lower the temperature on the peninsula by establishing a Commission presence on the ground. In the first instance, the focus should be on supporting the diversification of the local economy, particularly around Sevastopol, to ease fears about the fleet's potential departure in a region which is overly dependent on the Russian military and poorly connected to the rest of the Ukrainian economy.

In Moldova, the danger is not war, but creeping authoritarianism: Voronin's desire to remain in power beyond his statutory two terms has led him, with Russian encouragement, to use the police, the judicial system and control of the media to undermine the opposition. Europe should consider Moldova a testing ground for Medvedev's proposed new security architecture, as Nicolas Sarkozy and Angela Merkel proposed in March.<sup>65</sup> The Transnistrian issue is less intractable than the other "frozen conflicts", and provides a useful opportunity for the EU to test Russia's willingness to co-operate. Ultimately, Russia's "peacekeeping" force could be replaced with a joint EU-Russia battalion, while more involvement from the high representative for CFSP would help speed a negotiated solution to the conflict.

On Nagorno-Karabakh, although France is acting as a mediator through the OSCE, the EU has failed to play any meaningful role in recent years, mainly because neither Armenia nor Azerbaijan has called for EU action. The EU is unlikely to find any windows of opportunity to act on its own, and so it should stand ready to send peacekeepers and offer economic assistance if requested, but until then it should support France's OSCE role and back the ongoing Turkish-Armenian dialogue over the opening of their mutual border.

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<sup>65</sup> Their joint article, "La sécurité, notre mission commune", in *Le Monde*, 5 March 2009, claimed that "a rapid solution could... be found for the Transnistria issue".

## Conclusion

Over the last year, events in eastern Europe have disrupted each major holiday season in the EU. August 2008 saw the war between Russia and Georgia. In January 2009, a particularly cold winter was made colder for many following the gas crisis between Russia and Ukraine. Then often-forgotten Moldova provided an Easter surprise, with violent demonstrations and a harsh crackdown against the opposition, media, NGOs, and some of the demonstrators.

These crises are not isolated incidents, and nor are they accidents. The states of the eastern neighbourhood are weak, and some may get weaker. The revolutions that took place in these states in 1991 were national, not social. The old elite survived, as did corruption and a cynical, manipulative political culture that exacerbates and even exploits state weakness. Russia sees the neighbourhood as its backyard, and in the short term has responded to the economic crisis by stepping up its operations in the region. At the extreme, Russia has sought to accelerate the “de-sovereignisation” of the eastern neighbourhood, by seeking to take over strategic assets like energy pipelines. Eastern European elites, on the other hand, have responded to the economic crisis by upping the ante in their “Titoist” balancing games – though less because they are strong enough to play both sides, and more because they need the support of both Russia and the EU.

The EU’s security, prosperity and its relationship with Russia are bound up with the wellbeing of the states in the eastern neighbourhood. A neighbourhood policy that is engaged, consistent and focused would not be high-minded EU altruism, but an expression of principled and far-sighted self-interest. If the EU continues to downplay the importance of the region, it can expect to suffer the consequences in the years to come.

## ABOUT THE AUTHORS

*Nicu Popescu* is a Policy Fellow at the European Council on Foreign Relations. Specialising in the EU's eastern neighbourhood and Russia, he holds a doctorate in international relations from the Central European University in Budapest. From 2005–07 he was research fellow at the Centre for European Policy Studies in Brussels, and he was previously a visiting fellow at the EU Institute for Security Studies in Paris.

[nicu.popescu@ecfr.eu](mailto:nicu.popescu@ecfr.eu)

*Andrew Wilson* is a Senior Policy Fellow at the European Council on Foreign Relations. Previously he was a Reader in Ukrainian studies at the School of Slavonic and East European Studies (SSEES), University College London. He has published widely on the politics of the European neighbourhood, particularly on Russia, Ukraine and Belarus, and on the comparative politics of democratisation in the post-Soviet states, especially its corruption by so-called “political technology”.

[andrew.wilson@ecfr.eu](mailto:andrew.wilson@ecfr.eu)

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Minister for International Development Cooperation

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Member of European Parliament; former Prime Minister

**Gianfranco Dell'Alba (Italy)**

Director, Confederation of Italian Industry (Confindustria) – Brussels office; former Member of European Parliament

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Member of European Parliament

**Sarmite Elerte (Latvia)**

Chairperson, Baltic to Black Sea Alliance (BBSA); former Editor-in-chief of daily newspaper Diena

**Uffe Ellemann-Jensen (Denmark)**

Chairman, Bankinvest; former Foreign Minister

**Brian Eno (United Kingdom)**

Musician and Producer

**Gianfranco Fini (Italy)**

President, Chamber of Deputies; former Foreign Minister

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former Foreign Minister and vice-Chancellor

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Professor of European Studies, Oxford University

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Emeritus Professor, London School of Economics

**Teresa Patricia Gouveia (Portugal)**

Trustee to the Board of the Calouste Gulbenkian Foundation; former Foreign Minister

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Executive Director, Open Society Institute – Brussels

**Jean-Marie Guéhenno (France)**

Senior Fellow, Brookings Institution and Center on International Cooperation (New York University); former Under-Secretary-General for Peacekeeping Operations at the UN

**Fernando Andresen  
Guimaraes (Portugal)**  
Adviser to European Commission  
President José Manuel Barroso

**Karl-Theodor zu Guttenberg  
(Germany)**  
Minister of Economics and  
Technology

**István Gyarmati (Hungary)**  
President and CEO, International  
Centre for Democratic Transition

**Hans Hækkerup (Denmark)**  
Chairman, Defence Commission;  
former Defence Minister

**Pierre Hassner (France)**  
Research Director emeritus,  
CERI (Sciences-PO)

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Executive Director, Bertelsmann  
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Co-founder of Spanish newspaper  
El País; President, FRIDE

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Managing Director, Burson-  
Masteller Brussels office; former  
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Member of European Parliament

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CEO, UNIFIN; former Executive  
Director, Crisis Management  
Initiative

**Wolfgang Ischinger  
(Germany)**  
Chairman, Munich Security  
Conference; Global Head of  
Government Affairs Allianz SE

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Professor, London School of  
Economics

**Glenys Kinnock (United  
Kingdom)**  
Minister for Europe, former  
Member of European Parliament

**Olli Kivinen (Finland)**  
Writer and columnist

**Gerald Knaus (Austria)**  
Chairman, European Stability  
Initiative and Open Society Fellow

**Caio Koch-Weser (Germany)**  
Vice Chairman, Deutsche Bank  
Group; former State Secretary

**Rem Koolhaas  
(The Netherlands)**  
Architect and urbanist; Professor  
at the Graduate School of Design,  
Harvard University

**Ivan Krastev (Bulgaria)**  
Chair of Board, Centre for  
Liberal Strategies

**Mart Laar (Estonia)**  
MP; former Prime Minister

**Miroslav Lajčák (Slovakia)**  
Foreign Minister; former High  
Representative and EU Special  
Representative in Bosnia  
Herzegovina

**Pascal Lamy (France)**  
Honorary President, Notre Europe  
and Director-General of WTO;  
former EU Commissioner

**Mark Leonard (United  
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Head of the Spanish delegation to  
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Deputy Editor-in-chief, Gazeta  
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Director, Menemsha Ltd; former  
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former Member of European  
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Senior Adviser, IFRI

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MP; former Minister for  
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Professor of International Relations  
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CEO, Audiovisuel Extérieur de  
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Construcciones y Contratas; former  
EU Commissioner

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MP and President, Sicilian  
Renaissance Institute

**Cem Özdemir (Germany)**  
Leader, Bündnis90/Die Grünen  
(Green Party)

**Tommaso Padoa-Schioppa  
(Italy)**  
President, Notre Europe; former  
chairman of IMF and former  
Minister of Economy and Finance

**Ana Palacio (Spain)**  
Senior Vice President for  
International Affairs and Marketing,  
AREVA; former Foreign Minister

**Simon Panek (Czech  
Republic)**  
Chairman, People in Need  
Foundation

**Chris Patten (United  
Kingdom)**  
Chancellor of Oxford University and  
co-chair of the International Crisis  
Group; former EU Commissioner

**Diana Pinto (France)**

Historian and author

**Jean Pisani-Ferry (France)**

Director, Bruegel and Professor at Université Paris-Dauphine

**Ruprecht Polenz (Germany)**

MP and Chairman of the Bundestag Foreign Affairs Committee

**Lydie Polfer (Luxembourg)**

Member of European Parliament; former Foreign Minister

**Andrew Puddephatt (United Kingdom)**

Director, Global Partners & Associated Ltd.

**Vesna Pusić (Croatia)**

MP and Deputy Speaker of Parliament and Professor of Sociology, University of Zagreb

**Sigrid Rausing****(United Kingdom)**

Founder, Sigrid Rausing Trust

**George Robertson (United Kingdom)**

former Secretary General of NATO

**Albert Rohan (Austria)**

former Secretary General for Foreign Affairs

**Dariusz Rosati (Poland)**

Member of European Parliament; former Foreign Minister

**Adam D. Rotfeld (Poland)**

Chairman of the UN Secretary General's Advisory Board on Disarmament Matters; former Foreign Minister

**Daniel Sachs (Sweden)**

CEO, Proventus

**Pierre Schori (Sweden)**

Director General, FRIDE; former SRSG to Cote d'Ivoire

**Giuseppe Scognamiglio (Italy)**

Head of Institutional and International Relations, UniCredit

**Narcís Serra (Spain)**

Chair of CIDOB Foundation; former Vice President

**Elif Shafak (Turkey)**

Writer

**Wolfgang Schüssel (Austria)**

Chairman, Parliamentary Group of the Austrian People's Party; former Chancellor

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former Minister of Foreign Affairs

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MP; former Foreign Minister

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Chairman, Hill and Knowlton (Public Affairs EMEA); former advisor to Tony Blair

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Head of Strategic Communications, UNHCR

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