



FUNDACJA
IM. STEFANA
BATOREGO

FRIEDRICH
EBERT
STIFTUNG
PRZEDSTAWICIELSTWO W POLSCE

Eastern Partnership Revisited

The views expressed in this publication are not necessarily those of the Friedrich-Ebert-Stiftung.



Eastern Partnership Revisited

Associated Countries in Focus



The Stefan Batory Foundation

Sapieżyńska 10a
00-215 Warsaw
Poland
tel.: |+48| 22 536 02 00
fax: |+48| 22 536 02 20
batory@batory.org.pl
www.batory.org.pl

Friedrich-Ebert-Stiftung Representation in Poland

Podwale 11
00-252 Warsaw
Poland
tel.: |+48| 22 831 78 61
biuro@feswar.org.pl
www.feswar.org.pl

Editors: Grzegorz Gromadzki (Stefan Batory Foundation), Bastian Sendhardt (Friedrich-Ebert-Stiftung – Representation in Poland)

Proofreading: Alan Parsons

Design: Witold Gottesman

Publication is licensed under the Creative Commons Attribution-ShareAlike 3.0 Unported Licence (CC BY-SA 3.0)



Typesetting: Tyrsa Sp. z o.o.

ISBN 978-83-62338-64-1

This publication is distributed free of charge

Warsaw 2015

Contents

Grzegorz Gromadzki, Bastian Sendhardt
Introduction 7

Grzegorz Gromadzki
Six Considerations about the EaP 11

Vano Chkhikvadze
A Focus on Georgia 23

Victor Chirila
A Focus on Moldova 47

Hennadiy Maksak
A Focus on Ukraine 71

About the Authors 101

Introduction

The Ukrainian Revolution of Dignity in February 2014 led to fundamental and still ongoing changes both inside the country and in the region as a whole. 2014 saw Russia's annexation of the Crimean peninsula and the outbreak of war in the Donbas region in eastern Ukraine. These changes also affected the Eastern Partnership (EaP), an EU policy launched in 2009 and directed at six states in the EU's eastern neighbourhood, namely Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.¹ The European Union reacted with a two-fold strategy. On the one hand, the EU condemned the aggression of the Russian Federation in Ukraine and consequently imposed sanctions on Russia. On the other hand, the EU sought to support Ukraine in its reform efforts towards European integration. A milestone in this regard was the signing of the Association Agreement (AA) in 2014 including the Deep and Comprehensive Free Trade Area (DCFTA).² Alongside Ukraine, the EU also signed Association Agreements with Georgia and Moldova, both of which expressed interest in deeper integration with the European Union. However, the remaining partner countries of the EaP – Armenia, Azerbaijan and Belarus – decided against further integration with the EU for the time being and are unlikely to sign AAs in the foreseeable future.

Later the same year, Jean-Claude Juncker, the President of the European Commission, announced a review of the European Neighbourhood Policy (ENP), the eastern dimension of which is the EaP, for autumn 2015. In March

1 The European Union launched the Eastern Partnership (EaP) at the Prague summit on 7 May 2009. This new "Eastern dimension" of the European Neighbourhood Policy (ENP) dates back to the Polish-Swedish initiative which aims at the political association and the economic integration of the six addressees of the Eastern Partnership.

2 While the political part of the AA was signed in March, the economic part followed in late June 2014.

2015, the Commission and the High Representative of the European Union for Foreign Affairs and Security Policy, Federica Mogherini, issued a Joint Consultation Paper entitled *Towards A New European Neighbourhood Policy*.³ The paper explicitly asked for consultation with civil society within the EU and the ENP countries, stating that this “phase of public consultation will be crucial in helping to build greater ownership and to pave the way for more effective communication in the future of the ENP”.⁴ Consequently, the Stefan Batory Foundation and the Warsaw office of the Friedrich-Ebert-Stiftung launched the project *The Eastern Partnership Revisited*, focussing on the EaP countries that have signed AAs with the European Union. One outcome of this joint endeavour was a paper with recommendations on *The Future of the ENP*, presented and discussed with members of several diplomatic corps in Warsaw in June, 2015.⁵

Besides contributing to the afore-mentioned consultation process, the joint project *The Eastern Partnership Revisited* aims at being a voice in the discussion about the future relations between the EU and the countries in its eastern neighbourhood. Today, six years after the introduction of the EaP, a re-evaluation of this EU policy is required. As a result, the Stefan Batory Foundation and the Warsaw office of the Friedrich-Ebert-Stiftung have initiated a debate with leading experts from the associated countries of the Eastern Partnership and the EU, to try to find answers to the principle question of whether the coming years will decide the future of the EaP countries seeking closer relations, and eventually integration, with the European Union, namely Georgia, Moldova and Ukraine. During an expert workshop on the future of the EaP, the terms of reference for the studies in this volume were presented and discussed with participants from the EU and the associated EaP countries. Based on this, experts from Georgia, Moldova and Ukraine wrote country reports focussing on the efforts, problems and challenges connected with the respective countries being associated with the European Union following the signing of Association Agreements. Special attention has been devoted to the role of (civil) society in the reform process, but also to the attitudes of political elites, business groups and state institutions. Moreover, the reports analyse

3 European Commission and High Representative of the European Union for Foreign Affairs (2015): *Towards A New European Neighbourhood Policy. Joint Consultation Paper*. Brussels, 4.3.2015, JOIN(2015) 6 final. Online: <http://ec.europa.eu/enlargement/neighbourhood/consultation/consultation.pdf>.

4 Ibidem, p. 9.

5 See Grzegorz Gromadzki and Bastian Sendhardt: *The Future of the ENP – Some remarks and recommendations*. Open Europe Programme. Warsaw: Batory Foundation, Friedrich-Ebert-Stiftung, June 2015. Online: <http://www.batory.org.pl/upload/files/Programy%20operacyjne/Otwarta%20Europa/FES%20recommendations.pdf>.

the economic links of the respective countries with the EU and with other countries in the context of the implementation of the DCFTAs. Of course, the reports also consider the influence of the Russian Federation with regards to the reform processes in the associated EaP countries. Finally, the authors put forward recommendations regarding the association of their countries with the European Union, taking into account the opportunities and possible obstacles faced by both the EU and the associated EaP countries.

The results of this process are the four articles in this volume. The *Six considerations about the EaP* provide a general overview of the current state of affairs in the EU's eastern neighbourhood. By focusing on the associated countries, the article puts forward proposals for changes and adjustments regarding the EaP policy. This first article is followed by three country studies, written by Vano Chkhikvadze (Georgia), Victor Chirila (Moldova) and Hennadiy Maksak (Ukraine), each with a profound analysis of the current state of reforms, country-specific actor constellations and their impact on the association process, as well as specific policy recommendations for the ongoing association processes in Georgia, Moldova and Ukraine.

The preparation of this publication and the realisation of this project would not have been possible without the support of the staff of the Friedrich-Ebert-Stiftung's offices in Tbilisi, Chisinau and Kyiv. We would therefore like to express our sincere gratitude to Julia Bläsius, Ia Tikanadze, Matthias Jobelius, Ana Mihailov, Stephan Meuser and Margarita Litvin for supporting this project.

Six Considerations about the EaP

Eastern Europe has changed significantly in recent years. Important events have occurred – *Maidan* in Ukraine at the end of 2013 and start of 2014, the peaceful change of power in Georgia in 2012 as a result of parliamentary elections (for the first time in Georgia’s recent history) and the massive protests in Moldova against corrupt authorities in 2015. The new tendencies which have emerged in at least some of the Eastern Partnership (EaP) countries, do not seem to have been sufficiently recognised not only in the EU but even in Eastern Europe itself. The transformation of the region has also accelerated due to Russian aggression in Ukraine with the annexation of Crimea in spring 2014 and military intervention in Donbas since the first half of the same year. The countries in Eastern Europe are trying to find their place in this more unstable international environment. Three EaP countries – Georgia, Moldova and Ukraine – signed the Association Agreement (AA) and Deep and Comprehensive Free Trade Area (DCFTA) with the EU in 2014. However, political and business groups of the “old order” still remain powerful and influential. There seems to still be a lack of critical mass for genuine reforms.

The other three countries covered by the EaP – Azerbaijan, Armenia and Belarus – chose a different path and are not interested in step-by-step integration with the EU. Belarus and later Armenia decided to join the Eurasian Economic Union led by Russia. Therefore, the six EaP countries have been clearly divided into two groups. All of these circumstances must be taken into account by the EU in its policy towards Eastern Europe.

The situation is even more complicated because of the violent changes in the EU’s southern neighbourhood. The EU therefore has to adjust its strategy not only towards Eastern Europe but also towards the Southern Mediterranean region. Furthermore, the challenges faced by the EU are more demanding when taking into account the EU’s internal problems and tensions between member states provoked by issues such as the Eurozone crisis, the spectre of

a *Grexit* or the refugees crisis which has been dominating public debate and political action within the EU in the second half of 2015. Nevertheless, the EU has to be active in all of these fields, including Eastern Europe. Certainly, the EaP launched in 2009 has to be reconsidered so that it can better fit current and future realities.

1. Achievements and failures

The EaP has come under frequent strong criticism. It is true that the situation in 2015 in Eastern Europe is less stable and less favourable for the EU than it was in 2009 when the EaP was launched. Based on that one could say that the EaP has been unsuccessful. But it all depends on how the EaP concept is understood. Obviously it cannot be perceived as a miraculous remedy for all the problems in the countries of Eastern Europe, but as an official package of EU proposals for partner countries, which in fact, were already on the table separately before the EaP was launched. This package included at least three elements which, if well implemented together, would have substantially changed relations between the EU and the partner countries: firstly the AA and DCFTA with the EU, secondly full visa liberalisation meaning visa-free travel with the EU, and last but not least, membership of the Energy Community created in 2006 for the Western Balkan countries, to incorporate them into the EU gas and electricity markets. Apart from the bilateral track of relations between the EU and a given partner country, the EaP also envisaged a multilateral dimension, i.e. cooperation between the six countries covered by the EaP as well as between them as a group and the EU.

Looking at the EaP from this perspective, it can be said that substantial achievements have been made. The signing of the AAs along with the DCFTAs by three partner countries (Georgia, Moldova and Ukraine) must be perceived as a big success. If implemented, the DCFTA will lead to an enormous approximation to the EU *acquis communautaire* by partner countries. The visa free regime with Moldova, introduced in April 2014, is the next example of an EaP success story. It was an extremely important achievement not only for Moldovan citizens, who can now travel much easier to the EU, but also for Eastern Europe as a whole because this decision of the EU has broken the taboo about visa free travel with Eastern European countries in general. Ten years ago, few people in the EU thought that it would be possible. The visa free arrangement allows a new, much higher level of people-to-people contacts between the EU and partner country. It also is of enormous psychological importance for the citizens of a partner country because they can say “we are welcome in Europe” or at least “we are not rejected by Europe”. The two

other countries which signed an AA, Georgia and Ukraine, are on the final straight and will be able to achieve a visa free regime in 2016 if they fulfil the second phase of the Visa Liberalization Action Plan (VLAP) in 2015. Moldova and Ukraine have also joined the Energy Community. The former became a member in 2010 and the latter in 2011. Georgia is still a candidate for the membership of the Energy Community.

It could be said that these three countries, Georgia, Moldova and Ukraine, have effectively used the chance given to them by the EaP. Sometimes it has been extremely difficult, especially in the case of Ukraine. The rejection of the AA by President Viktor Yanukovich during the EaP Summit in Vilnius in November 2013 provoked *Maidan*. The afore-mentioned success has been achieved through negotiations within the framework of bilateral relations between the EU and the given partner country. The legal structure of relations between the EU and these three partner countries individually has been established, but this is just the first step and an even more difficult challenge has to be overcome, namely the implementation of the signed agreements.

However, these success stories could be perceived as a failure of the EaP. The three other EaP countries – Azerbaijan, Belarus and Armenia – have remained outside of the process. It is almost impossible that they will sign AAs and DCFTAs with the EU in the foreseeable future.

2. A crucial choice

From 2014 a clear split emerged within the EaP, on the one side there was the group of countries which had signed the AA and the DCFTA, namely Georgia, Moldova and Ukraine, and on the other there were the remaining three countries of Armenia, Azerbaijan and Belarus. It should be noted that this difference was visible, to some extent at least, right from the launch of the EaP. Azerbaijan and Belarus have been autocratic regimes since the 1990s and were not interested in closer relations with the EU, while Georgia, Moldova and Ukraine were more democratic countries with electoral democracy. They were interested in integration with the EU. However, between 2010 and 2014 Ukraine, under the leadership of Viktor Yanukovich, drifted towards an authoritarian regime. Armenia should be positioned somewhere between these two groups, albeit closer to Azerbaijan and Belarus than to Georgia, Moldova and Ukraine. This clear split means the end of an illusion that the EU can pursue the same policy for all six countries covered by the EaP and build a ring of friends in Eastern Europe which would have the same, positive attitude to the EU. As a result, the EaP multilateral framework mentioned above could be assessed as more of a failure.

This has led to a fundamental dilemma for the EU about whether the Union should engage more deeply with the three countries which have signed AAs and DCFTAs as a clear consequence of the “more for more” principle, or search for the lowest common denominator for all six partners covered by the EaP. In other words: how much of the EU policy towards the six EaP countries should be common and how much should be diverse.

EU politicians, diplomats and experts have presented different opinions, but more and more frequently they have agreed that the EaP countries should be divided into two groups and the EU should propose a different approach towards the three countries which have signed AAs and DCFTAs, and a different approach to those which have not. This is because the EU should respond to the European choice of the partner countries and the success stories of the three associated countries in their efforts to build a mature democracy and a well-functioning economy which could change the situation in the entire region. Democracy could become a solution for the other three EaP countries and even for Russia in the long-term.

However, many diplomats and experts in the EU underline that a specific policy towards the three association countries wouldn't mean that the three other EaP countries – Azerbaijan, Armenia and Belarus – will be neglected by the EU. On the contrary, the EU could pay more attention to relations with those countries, although it should use other tools than it does with the associated partners.

3. Important circumstances

EU relations with EaP countries do not exist in a vacuum. There are at least three crucial factors which shape these relations:

Firstly – Russia. Moscow has strongly opposed closer cooperation and the beginning of the integration of the three EaP countries with the EU. Russian leaders have been not able to accept the “Western” choice of the three EaP countries and have proved that they are prepared to act. This was already the case in 2008 when Russia intervened in Georgia, but above all since 2014 when Moscow annexed Crimea and started military intervention in Donbas. It has sometimes been noted that although Russian authorities opposed the integration of Eastern European countries with NATO, they were not against those countries having closer ties with the EU. In actual fact, Russia has always opposed the integration of EaP countries with the EU but treated the EaP as an empty project for a long time. Russia started to act when the signing of the AAs became a realistic scenario. The Russian authorities perceive

Ukraine, Georgia and Moldova as well as other EaP countries as part of their zone of influence and believe they should therefore be dependent on Russia and cannot become part of the West. Moscow launched its own integration project in 2015, the Eurasian Economic Union (EEU), which includes two EaP countries, Armenia and Belarus. The former was blackmailed by Russia and made a u-turn in 2013, rejecting the already negotiated AA with the EU and deciding to join the EEU. The authorities of Georgia, Moldova and Ukraine have repeatedly stated that they are not interested in joining the EEU and have treated the integration with the EU as only feasible option for them. It is worth noting that Russian authorities, despite enormous efforts, have not been able to change the strategic choice of Ukraine, Moldova and Georgia in recent years. This shows that Russia is not omnipotent, although it can significantly destabilize the situation in those countries. Ukraine is the best example.

The second factor concerns the internal situation in the partner countries which have declared a readiness to follow a pro-European path. The picture here is very ambiguous. The awakening of society in Ukraine, Moldova and Georgia seems to be the most important phenomenon and should not be underestimated. A new form of relations between authorities and society, similar to Western standards, have emerged in recent years, overcoming the Soviet or even longer-term legacy. Various activists, NGOs and civil society groups have become real players at different levels of authority, including the highest. The civic platform “Justice & Truth” founded in Moldova in 2015 is a good example, as it is able to mobilize tens of thousands of protesters. The ruling elites in these countries know that they cannot ignore the active part of society because it could lead to immense protests like those seen in Chisinau this year. The majority of the active part of society in those countries is firmly pro-European. The EU is perceived as a positive symbol and the protests (e.g. *Maidan* and those in Chisinau) were held not only under national symbols but also under the EU flag.

However, groups which support the old style of politics and are in favour of corrupt relations between politics and business still remain very strong in all three countries, although the situation is particularly worrying in Moldova and Ukraine. Unfortunately, the progress of reforms in these countries was much too slow in 2014 and at the beginning of 2015, and it seems that the situation has become even worse in recent months.

It can be said that a rivalry between the side which wishes for a fully democratic and transparent state (first and foremost including civil society groups), and

the side which wants to maintain the old system of relations between politics and society as well as politics and business, is becoming more and more visible and important in the political life of these countries.

The third factor concerns the internal problems of the EU which represent an additional obstacle to the EU's commitment to the associated countries. This is both a new and old phenomenon. The EU has been focusing on domestic challenges like the Eurozone crisis and the possibility of a *Grexit*. In recent months the enormous crisis concerning refugees from Asiatic and African countries coming to the EU has become the most important issue in the EU. Therefore, despite Russian aggression in Ukraine, Eastern Europe has become more of a secondary issue. Due to the so-called enlargement fatigue which has been felt for several years, many member states are reluctant not only to enlarge the EU but also to strengthen relations with Eastern European countries. The EU as a whole is not able and ready to perceive the new associated countries from Eastern Europe in the same way the Union treated its Eastern neighbours from Central Europe, including the Czech Republic, Hungary, Poland, Slovakia and the three Baltic states, in the 1990s.

4. The new reality

The new generation of AAs, along with the DCFTA signed by Eastern partners, has created a new type of relationship between the EU and the Eastern Partnership countries which should not be underestimated. Therefore the AAs and the DCFTA are not merely technical issues but represent a profound political choice for the partner countries which could determine their future. The decision to go towards the EU was an extremely difficult and painful one, especially in the case of Ukraine which has paid a high price.

One can say that signing the AAs and the DCFTA was possible because a new Eastern Europe now exists which is quite different from the 1990s. The changes in Ukraine, Moldova and Georgia are profound, even if we take in account that the pro-reformist critical mass still does not exist in the political elites there. It would be an unforgivable mistake to stop at the halfway point between a post-Soviet corrupt state and a mature democracy with the rule of law. It seems that it is the last call for the political elites in those countries, as well as for the EU, to take the new reality of relations between the associated countries and the Union seriously. It is certainly the key challenge, first and foremost, for the three associated countries, but also for the EU in its policy towards the Eastern neighbourhood. However, this is not the only challenge to be overcome in the future.

5. Nine challenges and risks

- As a consequence, the implementation of the AA and the DCFTA will be crucial for the future of relations between the EU and Georgia, Moldova and Ukraine. This question concerns not only the fate of these countries but also the democratic changes in the region as a whole and the also the security of the EU. Successful implementation would also mean de facto candidate status for the associated countries in their efforts to join the EU. Therefore, the implementation of the AA along with the DCFTA should be top of the list of challenges.
- Overcoming the supporters of the status quo, who are still very influential and powerful within the political forces declaring to be pro-European, is the second challenge. This is a very painful question in Moldova and Ukraine as well as Georgia. This question has become a bigger and bigger problem in recent months, and will remain extremely important in the near future. Unfortunately, it seems that there is not a critical mass in these three countries, especially in Ukraine and Moldova, amongst the political elite to undertake genuine reforms. In the case of Ukraine, even though the current authorities are the most pro-reformist in Ukrainian history, the old-style of politics is still present and impedes the transformation or creation of institutions which are indispensable for a mature democracy to function.
- The fight against corruption, a genuine anti-corruption policy, the reform of the judiciary, issues which are frequently mentioned as crucial challenges for these three countries, should be next on the list. It looks like the reform of the judicial system will be an extremely painful and complicated process, because the highly-corrupt judiciary should, frankly speaking, be rebuilt from scratch. This solution is, however, unrealistic.
- The risk of the radicalization of society, due to a lack of sufficient reforms implemented by authorities who have declared their pro-European stance, will increase. Moldova and Ukraine (with the so-called *Maidan 3.0*, the next protest) are especially at risk. Society in Moldova and Ukraine in particular cannot be ignored and they will be a stable force calling for pro-democratic and pro-European reforms. It is worth noting that society is playing a more and more important role in the political life of these countries, thereby becoming the decisive factor in the political process.

- It cannot be ruled out that the authorities of the three associated countries will try to control the media more rigorously and influence different civil society groups, including watchdog-type organisations. However, a revival of openly autocratic tendencies in these countries seems to be simply impossible in the foreseeable future.
- On the other hand, a rise in anti-liberal, anti-European sentiments and views in some parts of society, especially in Georgia and Moldova, is likely. These people may support so-called traditional values, frequently mentioned by the orthodox church in Georgia especially, but also in Moldova, which is firmly against liberal values. These anti-liberal, anti-European sentiments are supported and sometimes even provoked by Russia, using its soft power. Russia is trying to present itself as a defender of traditional values in the orthodox community. Russia's authorities and organisations, as well as pro-Russian NGOs in Georgia and Moldova, are advocating integration into the Eurasian union instead of European integration. Ukraine is a special case due to its war with Russia and therefore seems to be less prone to the influence of Russian soft power.
- It should be underlined that the internal challenges of the association countries, identified above, will be decisive for their future. However, two external factors will also play a very important role. Russia's aggression in Ukraine and the various actions taken against Georgia and Moldova is the first. This interference has to be perceived as a permanent factor, which will last for the foreseeable future. Russian authorities are ready to undertake all possible efforts to prevent even the partial integration of the EaP countries with the EU, and the West as a whole. Russian military intervention in Ukraine will probably be long-term and the conflict in Donbas will be not completely frozen. A compromise between Moscow and Kyiv is impossible in the foreseeable future because of the conflicting visions of Ukraine's future. Ukrainian authorities chose integration with the West while, according to the Russian ruling elite, Ukraine cannot integrate with the West and should remain in the Russian zone of influence.
- The EU engagement in Eastern Europe in general and in Ukraine, Moldova and Georgia in particular, is the second key external factor. How prepared the EU is to assist in the implementation process of the AAs still remains an open question. Will it be restricted to the more typical "technical assistance" or will profound, politically-driven support be offered? This is

an extremely important issue in the case of Ukraine, due to its economic situation with the country on the verge of collapse.

- And last but not least, if the positive scenario is achieved in the case of these three associated countries, this will mean that the gap between the two EaP groups will grow. This will be a challenge.

6. Looking ahead – what should be done

- Special attention should be paid to the countries which have signed the AA and the DCFTA, to help them implement those agreements.¹ Focus should be placed on bilateral relations between the EU and the given partner countries. A well-tailored policy towards each of these countries is badly needed. In the case of Ukraine, the EU has to help Kyiv survive its profound economic crisis. Therefore, financial assistance at a much higher level than prescribed in the EaP instruments is indispensable. The success of Georgia, Moldova and Ukraine in reforming the state and economy through the implementation of the AAs would be the best example for the three other EaP countries and even Russia in the long-term. The multilateral track within the EaP should be treated as an additional tool. The EU cannot look for the lowest common denominator for all six partner countries. Consequently, the EU could work according to the format of the EU plus the three associated partners, and strongly support cooperation between the three partners which are implementing the AA and DCFTA. They could share their experiences and best practices concerning the implementation of the AA and DCFTA. Nevertheless, the door should still remain open to the other EaP countries (Armenia, Azerbaijan and Belarus) to take part in the multilateral meetings and other activities of this group comprising Georgia, Moldova and Ukraine. In general, the framework of the EaP should be maintained and the proposals included in the EaP – AAs with DCFTAs, full visa liberalisation and membership of the Energy Community – should remain available to all six Eastern partners. However, in the case of Armenia, Azerbaijan and Belarus, the concept of the EaP should be used to send a strong political signal to the societies of those countries rather than to make unrealistic proposals of cooperation with the current authorities in Yerevan, Baku and Minsk.

1 See also Grzegorz Gromadzki and Bastian Sendhardt: *The Future of the ENP – Some remarks and recommendations*. Open Europe Programme. Warsaw: Batory Foundation, Friedrich-Ebert-Stiftung, June 2015. Online: <http://www.batory.org.pl/upload/files/Programy%20operacyjne/Otwarta%20Europa/FES%20recommendations.pdf>.

- The introduction of a visa-free regime with Georgia and Ukraine should be treated by the EU as a short-term goal. A positive decision based on the fulfilment of the second phase of the VLAP by these countries cannot be stopped by political objections and the negative mood due to the current refugee crisis. The ball is currently in the court of Georgia and Ukraine. They have to prove that they have fulfilled the VLAP.
- An outspoken assessment of the authorities in the associated countries is badly needed. The EU has to apply not only the principle of “more for more” but also the principle of “less for less” where necessary. Pro-European rhetoric by the authorities is not enough for EU support. This is already the case in Moldova, but could also become a reality in the case of Ukraine and Georgia. A critical mass should emerge which will be ready for a complete change of rules in politics and business. Obviously, this is easier said than done. Nevertheless, constant pressure from society on the authorities and political elite in general is indispensable. The EU should therefore support civil society, NGOs and watchdog institutions more than it has before, to help them to control the authorities and state institutions. For the EU, relations with civil society, NGOs and other organisations should be at least equally as important as relations with authorities. This would be a new approach that could be difficult for traditional diplomacy, which first and foremost deals with contacts and relations with official authorities. The EU cannot worry about accusations of “interference in the internal affairs of independent states” which could be regularly stated by the political elites of the partner countries, because the EU will be supported by the society of these countries.
- The EU should support all forces in the associated countries which are trying to establish new standards in political life, including the next generation of politicians. In Ukraine this would be activists from *Maidan* who have entered into politics from civil society groups, the media and SMEs and formed the inter-factional group “EuroOptimists” in the Ukrainian parliament. Although young politicians shouldn’t be idealised, they do represent a chance for the implementation of high standards in politics.
- Sectoral reforms which would help fight the endemic corruption are badly needed. First of all, the reform of the judiciary (Ukraine and Moldova especially, but also Georgia), the energy sector, including the gas sector in particular (Ukraine and Moldova), the creation of a real civil service

(Ukraine and Moldova) should be done, because the unclear relations in these spheres are a source of large-scale corruption.

- An EU policy of smart deterrence for Russia is essential to ensure Moscow pays a price for trying to destabilise Ukraine (and also Moldova and Georgia). Sanctions have to remain the main tool of the EU in its policy towards Russia. Hard security issues connected with the associated countries, especially Ukraine, should be discussed within the EU and the Union should answer the question of how deep it could be engaged and whether these issues should be a part of the EaP or part of other EU activities towards the partner countries.

A Focus on Georgia

Within the framework of the Eastern Partnership (EaP), the European Union and Georgia launched negotiations on a legally-binding Association Agreement (AA) in 2010, which included the establishment of a Deep and Comprehensive Free Trade Area (DCFTA). From the Georgian side, negotiations began under the previous government led by President Saakashvili and were successfully continued by Prime Minister Bidzina Ivanishvili and his ‘Georgian Dream’ coalition, which came to power peacefully in October 2012. It took three years to finalize the agreement. On 27 June 2014, together with heads of states of Moldova and Ukraine, the Prime Minister of Georgia signed the EU/Georgia Association Agreement, including the section on Deep and Comprehensive Free Trade. The signing of this agreement was followed by its ratification by the parliament of Georgia. The AA/DCFTA is a legally-binding treaty and requires Georgian authorities to adopt and implement around 320 EU regulations and directives. The agreement provisionally entered into force from 1 September 2014. In order for the AA to be fully operational, it needs to be ratified by the parliaments of all the EU member states. As of July 2015, the document has been ratified by the legislative bodies of 23 EU member states. The ratification process is still pending in the legislative bodies of 5 EU countries, namely: Belgium, France, Greece, Italy and Spain.

The Association Agreement lays the foundation for establishing an EU – Georgia Deep and Comprehensive Free Trade Area. According to a feasibility study, the DCFTA should confer genuine economic benefits.¹ It is expected to increase Georgia’s GDP (in the short-term by 1.7 percent; and in the long-term by 4.3 percent); promote export growth (short-term 9 percent; long-term 12 percent); enhance imports (short-term 4.4 percent; long-term 7.5 percent)

1 “Trade Sustainability Impact Assessment in support of negotiations of a DCFTA between the EU and Georgia and the Republic of Moldova”, http://trade.ec.europa.eu/doclib/docs/2012/november/tradoc_150105.pdf.

and contribute to a rise in salaries (short-term 1.5 percent; long-term 3.6 percent); but also cause a slight increase in consumer prices (short-term 1 percent; long-term 0.6 percent). However, it needs to be highlighted that having an Association Agreement and DCFTA with the European Union does not just have economic benefits, but there is also a political dimension.

The Eastern Partnership provides a strong opportunity for the government of Georgia to also engage in cooperation and sign agreements in selected policy fields. In particular, the government of Georgia has, within the scope of the Common Foreign and Security Policy, negotiated a framework agreement to participate in crisis management operations. On the other hand, Georgia’s application for membership of the European Energy Community is still being processed by the European Union. The EU and Georgia are also engaged in a process of visa dialogue that in the near future might lead to the demolition of the so-called “Schengen wall” and permit citizens of Georgia to enjoy visa-free travel to the European Union. Visa free-travel would bring tangible benefits for each and every citizen of Georgia and transform the promise of European integration from words into deeds.

1. The state of play

1.1. Civil society

Leading civil society organisations like the Georgian Young Lawyers Association, Transparency International Georgia, Green Alternative, International Society for Fair Elections and Democracy and others strongly support Georgia’s European and Euro-Atlantic integration. They are making a large contribution to this process both individually and as members of the EaP Civil Society Forum’s Georgian National Platform.

In the European Commission’s joint staff working document on the “implementation of the European Neighbourhood Policy in Georgia: progress in 2014 and recommendation for actions” the European Union praised Georgia for improved dialogue between civil society and the Georgian authorities following the parliamentary elections of October 2012 and the change of power. However, the same document also stated that – “while civil society dialogue with parliament continued, the room for dialogue of civil society organizations with the government narrowed”.²

2 “Implementation of the European Neighbourhood Policy in Georgia Progress in 2014 and recommendation for actions”, Brussels, 25.03.2015.

Nevertheless, the relationship between government and civil society, particularly at national level, has been greatly enhanced since the 2012 parliamentary elections. Consultative councils exist under the auspices of various ministries and function to a greater or a lesser degree depending on the specific sector. Civil society maintains a high profile in justice sector reforms, with the involvement of its representatives in the Public Defender's National Prevention mechanism and the establishment of relevant coalitions, such as the Coalition for an Independent and Transparent Judiciary comprising 32 members from civil society, media and business. A number of issue-related coalitions have been established, dealing with a variety of matters ranging from food safety to child welfare and from social enterprise to gender. Apart from these coalitions, there are also other networks, such as the Regional Civil Society Network, which unite organizations based in the different regions of Georgian. The Georgian National Platform of the Eastern Partnership Civil Society Forum (GNP) now comprises over 140 members, the majority of which are based in Tbilisi. The Platform is comprised of five working groups and its members have also taken the initiative of forming a number of sub-groups on issues of particular interest to them, such as development effectiveness, agriculture and electoral reform. The Platform has actively collaborated with both the government of Georgia and the parliament on the development and adoption of the European Integration Information and Communication Strategy 2013-2016. It has also organised three high-level trilateral conferences (GoG/civil society/EU) and held over 80 meetings with government officials as part of the structured dialogue process between the Georgian National Platform and the ministries. The Georgian National Platform also regularly issues statements on current affairs such as the crisis in Ukraine, the borderisation events along the Administrative Border Line (ABL) in Georgia, as well as other events which impact Georgia's EU integration. The role of the Georgian National Platform is expected to take on even greater significance when the Association Agreement comes into effect, which explicitly mentions the establishment of a Civil Society Platform under article 412.

A significant opportunity for meaningful policy dialogue has arisen as a result of the Georgian parliament's new found appetite for shaping and enacting state policy. Parliamentary structures are in great need of professional input from NGOs and research and academic institutions both on the policy formulation side as well as monitoring the government's execution of budgeted programmes. In December 2013, over 160 CSOs came together to sign a Memorandum of Understanding with the Georgian parliament, which intended the greater involvement of civil society in policy processes through collaboration with the

parliament. The parliament has agreed to elaborate, together with civil society representatives, a concept for the development of civil society, while a number of joint working groups looking at different issues such as a space for dialogue and funding mechanisms have also been set up. This process is also mirrored at regional level, where a group of 18 NGOs based in Adjara have instituted a similar process with the Supreme Council of Adjara.³

The latest opinion poll of May 2015, commissioned by National Democratic Institute (NDI) and conducted by Caucasus Research and Resource Center (CRRC), revealed that support for Georgia's European Integration is 68%, whereas support for Georgia joining Eurasian Economic Union increased from 20% in 2014 to 31% in 2015.

1.2. The political elite

The European Union is a key player in Georgia. The country proclaimed its European path in 2003 and is committed to the reforms under the European Neighbourhood Policy and its Eastern Partnership. The EU's interest in having a success story for this policy increases Georgia's importance for the EU. Georgian Dream has sought to dispel allegations by the United National Movement that it is pro-Russian, and to reassure Georgia's European partners that European integration remains the cornerstone of Georgia's foreign policy. Commentators have made much of Russia's overtures to Georgia to return to the Russian orbit, yet this offer does not represent serious competition to the EU's incentives in trade and the movement of goods and people, and because of the domestic political consensus for close integration with Europe. The Russian-led Eurasian Economic Union is also firmly off the table for Georgia, not least because of the unresolved conflict between the two countries over the disputed territories of South Ossetia and Abkhazia following the 2008 war.

The leading Georgian political parties are unanimous in the opinion that (1) there is no other alternative to Georgia's European choice and (2) the European Union is a natural partner for Georgia. The Georgian Dream coalition, which came into power as a result of a peaceful change of power following the 2012 parliamentary elections, stated in its pre-election programme that one of its foreign policy priorities was the completion of negotiations and signing of the Association Agreement with the European Union. According to the same document, four main fields of cooperation with the European Union were identified: Democracy and Human Rights; Economic integration and the

3 EU Country Roadmap for Engagement with Civil Society of Georgia 2014–2017; http://eeas.europa.eu/delegations/georgia/documents/civil_society_library/eu_roadmap_georgia.pdf.

approximation of Georgian legislation to that of the European Union; the protection of the environment and energy security, and people-to-people contacts.⁴

Negotiations on the Association Agreement were launched in July 2010 under the previous administration of Georgia led by former President Mikheil Saakashvili, and they were finalised in 2013 by the new government of Georgia. This demonstrated the continuity of Georgia's European choice. Further clear evidence of this continuity was the bipartisan resolution reiterating the commitment to Georgia's pro-Western foreign policy, approved by the members of the parliament of Georgia from the ruling coalition Georgian Dream and the United National Movement. According to the resolution, "integration into the European and Euro-Atlantic structures represents the main priority of the country's foreign policy. For the purpose of achieving the strategic priority of membership of the European Union and the North Atlantic Treaty Organization, Georgia will take further steps in building and strengthening democratic institutions; establishing a governance system based on the principle of the rule of law and the supremacy of human rights; ensuring the irreversibility of sustainable economic development. Georgia will not join international organizations whose policies contradict these priorities."⁵

There are currently three main political actors represented in the parliament of Georgia: the Georgian Dream coalition, United National Movement and Free Democrats. All three of them support Georgia's European and Euro-Atlantic Integration.

The Georgian Dream coalition brings together four political parties: the Democratic Georgia Party, Republican Party, National Forum and the Industrial Party. However, the leaders of the Industrial Party are openly against Georgia's accession to NATO and the European Union, and support joining the Russian-led Eurasian Economic Union. The party is led by businessmen Gogi Topadze and Zurab Tkemaladze who are both involved in the production of alcoholic beverages and their enthusiasm for Georgia's EU integrations stops at the point when the DCFTA and its requirements clashes with their business interests. Gogi Topadze was the only legislator to vote against Georgia's contribution to NATO's Resolute Support mission in Afghanistan and the EU mission in

4 Election Programme of "Bidzina Ivanishvili – Georgian Dream"; available in Georgian at <http://www.ivote.ge/images/doc/pdfs/ocnebis%20saarchevno%20programa.pdf>.

5 "Parliament adopts bipartisan resolution of foreign policy"; 07.03.2013 <http://www.civil.ge/eng/article.php?id=25828>.

the Central African Republic in 2014. Later, in a TV interview, MP Topadze made the following statement “I never hide what I don’t like. I don’t like that NATO is our course. Our predecessors [referring to the previous government] also wanted to join NATO, but NATO did not accept us and they will not let us in NATO... NATO is not accepting us... I don’t know any country which has benefited from NATO.”⁶

A pro-western political party, the Free Democrats led by former Minister of Defence Irakli Alasania, used to be a member of Georgian Dream coalition until November 2014 but left the coalition and moved into opposition after Minister Alasania was dismissed by the Prime Minister.

The party of the former president of Georgia, the United National Movement which is currently in opposition, is affiliated with the European People’s Party and promotes Georgia’s European and Euro-Atlantic ties. The UNM deserves credit for bring Georgia closer to the European Union and modernising the state while in power in 2004–2012.

To sum up, there is a broad consensus among the people, civil society organizations and political actors in Georgia about the country’s European and Euro-Atlantic integration. All the political groups represented at the highest legislative bodies are believed to be pro-western, although there are cases when certain members (political parties) of the Georgian Dream coalition periodically use anti-western rhetoric. The parties believed to be against Georgia’s EU and NATO integration have a marginal level of support (around 5–7%) according to the latest opinion polls and are not represented in parliament, although it is quite possible that they will overcome the threshold and enter parliament after the upcoming parliamentary elections which will be held in autumn 2016.

1.3. Business groups

It can be assumed that business groups have a generally positive approach to the EU-Georgia Association Agreement and the establishment of a Deep and Comprehensive Free Trade Area. However, big companies see risks in introducing costly and tough regulations as a prerequisite of the DCFTA; they believe that this might become an additional burden for them to do business in Georgia and might increase the price of their products. Representatives of small and medium-sized enterprises do not have much interest in the EU market because they produce too little to be exported, have little knowledge

6 <http://www.civil.ge/eng/article.php?id=28152>.

about the requirements of EU standards and find it hard to do marketing on the European market.

In July 2015 the international development company PMCG brought together representatives of Georgian business to share the experience of some EU member states and discuss the possible impact of and obstacles to EU-Georgia trade relations within the DCFTA. Representatives of the EU-Georgia Business Council and American Chamber of Commerce in Georgia identified that the EU Association Agreement provides the opportunity to have a transformative impact on the Georgian economy. It is essential that the implementation of this agreement does not have the unintended effect of making it harder to do business in Georgia. The approach promoted by Georgian business groups in the process of EU integration and the implementation of the Association Agreement could be set out in three points: 1. Delays in the implementation process have to be prevented. Experience shows that some pieces of legislation (for example concerning an increase in duties on alcoholic beverages; regulating the time of commercials on TV etc.) are adopted in a hurried manner without proper consultation and engagement with the private sector, which could later lead to undesired results and negative effects on businesses. Therefore, the public and private sector have to constantly coordinate to adopt legislation that is suitable and relevant to the current business climate. 2. Strengthening knowledge and awareness of the process of approximation with EU law. It is often considered that Georgia has to copy the legislation of the EU member states and completely re-write their respective national laws. This is an incorrect understanding, as in reality, the EU member states have different national legislation in each sector but this legislation is compliant with the EU's general principles and directives. Therefore, there is a need to empower the capacities of the public and private sectors in the EU approximation processes in order to ensure legal harmonization and preventing any misinterpretation and negatives impacts. 3. Preventing overregulation. During the harmonization of regulations it is essential to consider local trends and the business climate. The overregulation of any sector, without a proper analysis of the needs, might harm the development of business in the country and moreover bankrupt SMEs that play a crucial role in the country's economic and sustainable development.⁷

7 "Supporting Georgia and Moldova Effectively Manage EU Integration Process"; <http://www.pmcg-i.com/all-news/item/898-supporting-georgia-and-moldova-effectively-manage-eu-integration-process>.

1.4. State institutions and bureaucracy

The signing of the Association Agreement between the European Union and Georgia is at once both the finalisation and the beginning of Georgia's EU integration process. It is the finalisation of an intense and constructive process of consultation and negotiations between the government of Georgia and the European Commission, and at the same time it is the beginning of structured and planned actions to strengthen the judiciary, reinforce the protection of human rights and implement public administration reform in accordance with the blueprint.

The successful implementation of the Association Agreement and, respectively, the Association Agenda would change Georgia's relationship with the European Union. The Association Agreement, including the Deep and Comprehensive Free Trade Area, should be considered not only as a technical document but first and the foremost as a political anchor. The implementation of the Association Agreement means that Georgia would import 80% of EU legislation into its own legislative framework and become a "shadow member state"⁸ of the European Union.

The process of implementing the Association Agreement is managed by the Office of the State Minister for the European and Euro-Atlantic Integration of Georgia. According to government decree, this body is responsible for the overall coordination and supervision of activities related to Georgia's EU integration process. This decree also defines the Office of the State Minister for the European and Euro-Atlantic Integration of Georgia as the responsible body for coordinating EU assistance including the elaboration, preparation, implementation and monitoring of EU assistance programs and projects under the European Neighbourhood Partnership Instrument (ENPI) programme and the Annual Action Plan.

The government of Georgia has prepared the Association Agreement and Association Agenda National Implementation Action Plan for 2015 and started the implementation. Key reforms are intended in various areas, particularly concerning energy, transport, environmental protection, industrial cooperation, social development and protection, equal rights, consumer protection as well as youth and cultural cooperation. The implementation of the Association Agreement means that the government of Georgia has to reform the public sector and strengthen state institutions

8 Kataryna Wolczuk, "Ukraine and the EU: turning the Association Agreement into a success story", http://aei.pitt.edu/58230/1/pub_4351_epc_special_collection_ukraine.pdf.

The implementation of the Deep and Comprehensive section of the Association Agreement is coordinated by the Ministry of Economic Development. A detailed implementation plan covering the period 2014–2017 has been developed by the Ministry in consultation with civil society organisations.

The parliament of Georgia ratified the EU/Georgia Association Agreement in July 2014. 123 out of 150 members voted in favour of it. Nobody voted against it. Regretfully, after ratification, the parliament lost some interest in the AA and the monitoring of the EU integration process became extremely weak. As of June 2015 no plenary or committee hearings have been held to assess the implementation of the Association Agreement. Moreover, due to the political power struggle, the EU integration committee which manages the process of parliamentary supervision of the AA implementation had no chairman for over two months. This had a negative impact on the establishment of a joint EU-Georgia institution called the Parliamentary Association Committee, envisaged under article 410 of the Association Agreement. The treaty states that the Parliamentary Association Committee should serve as forum for Members of the European Parliament and the parliament of Georgia to meet and exchange views. It also requests relevant information regarding the implementation of the agreement from the Association Council.

In addition to the Parliamentary Association Committee, the AA/DCFTA also envisages the establishment of joint EU and Georgian institutions: According to article 404 of the agreement, the EU-Georgia Association Council should be established to supervise and monitor the application and implementation of this agreement, and shall periodically review its functioning with regards to its objectives. The Association Council meets at ministerial level and on a regular basis, at least once a year, as well as when circumstances require. The first EU-Georgia Association Council meeting was held in November 2014 in Brussels.

Article 407 of the Association Agreement establishes an Association Committee which shall assist the Association Council with the execution of its duties and functions. It comprises representatives of the EU and Georgia at senior civil servant level. The first EU-Georgia Association Committee meeting was held in June 2015 in Tbilisi. The agreement also envisages the establishment of special committees and sub-committees to assist the Association Committee.

In summary, the state institutions to deal with the implementation of the Association Agreement are in place, but there is a clear lack of human resources and a long-term vision. The parliament of Georgia is the weakest part in the chain, since it lacks members with in-depth knowledge of EU integration and has no proper overview of the implementation of the Association Agreement.

There is a risk that in the remaining time before the next parliamentary elections, which are scheduled to take place in autumn 2016, the parliament will be less and less involved in monitoring the implementation of the AA and that members of parliament will spend more time on electioneering rather than the proper planning and implementation of the EU-Georgia Association Agreement.

1.5. Economic relations with the EU

The European Union is one of the largest trade partners of Georgia, constituting 28% of total imports and 20.3% of total exports.⁹ On the other hand, the share of Georgia in total EU trade is just 0.08%. However, trade in agro-food is particularly hampered by a combination of high tariffs and non-tariff barriers. The establishment of Deep and Comprehensive Free Trade Area between Georgia and the European Union has the potential to significantly decrease trade barriers for Georgian products and open up new opportunities for trade and diversification between the parties. According to the feasibility study,¹⁰ the possible economic gains from the DCFTA would reach 6.5%, whereby textile production would gain the most with an increase of up to 55%, while fruit, vegetables, food products and beverages are predicted to rise by around 4%. The implementation of the DCFTA will be beneficial for Georgia in terms of the increased welfare of the citizens who will have access to better quality products on the domestic market and, in the long run, the possibility of higher incomes due to new business opportunities and increased economic growth brought by European integration. A crucial challenge of the implementation of the DCFTA regulatory framework is the issue of the regulatory costs to comply with EU requirements and standards.

The Deep and Comprehensive Free Trade Agreement, which is an integral part of the Association Agreement, provides Georgian exporters with access to the biggest (with regards to purchasing power parity) market on the globe, with 500 million people. According to the feasibility study prepared by the Polish Center for Social and Economic Research and ECORYS, the benefits of the DCFTA would lead to tangible results in the short and medium-term. According to the findings:

9 European Commission Services (DG TRADE).

10 "Trade Sustainability Impact Assessment in support of negotiations of a DCFTA between the EU and Georgia and the Republic of Moldova", http://trade.ec.europa.eu/doclib/docs/2012/november/tradoc_150105.pdf.

- It is possible that the economic benefits from the EU-Georgia DCFTA could reach 6.5% of GDP;
- Over next 5 years, Georgian exports will increase by 12%;
- Imports from the EU will rise by 7.5%;
- Textile production + 55%;
- Metallurgy + 30%;
- Wood production + 21%;
- Chemical, rubber, plastic goods + 19%;
- Fruit, vegetables, food products and beverages + 4%.

The EU-Georgia trade relationship has been very dynamic. According to preliminary data from January-June 2015 collected by the National Statistics Office of Georgia, the recently signed AA and its integral part the DCFTA, have not yet become a game changer (although there has not been enough time to see clear changes). 27% of Georgian exports are made to the European Union. As an export destination for Georgian goods, the EU lies behind CIS countries (39% of Georgian exports go to the CIS) while 34% of exports go to other countries around the world. Only 31% of imported products to Georgia come from the European Union. Only two EU Member states are represented in the top nine exporting destination countries for Georgian products: 1. Azerbaijan (12.1% of Georgian exports); 2. Turkey (10.1%); 3. Bulgaria (9.4%); 4. Armenia (9.1%); 6. Russia (6.5%); 6. USA (5.3%); 7. China (5.1%); 8. Germany (2.6%) and 9. Ukraine (2.5%).¹¹

There are several reasons for the limited interest in the EU market to date. Firstly, the quantity of Georgian exports is small and is not diversified. It is limited to car re-exports, ferroalloys, copper ore, gold, hazelnuts and wine; secondly, Georgian producers find it extremely hard to meet the import requirements of the EU, and they continue to rely on traditional export markets like Turkey, Azerbaijan, Russia and Ukraine; and thirdly, small and medium-sized enterprises have neither the capacity nor interest to export to the EU.

One of Georgia's main exports is wine. In January to April 2015, 7,978,749 bottles (0.75 litres) of Georgian wine were exported to 26 states around the world. Almost half of the total wine exports, 3,229,338, went to Russia, followed by Kazakhstan with 1,529,688 bottles, Ukraine with 873,516 bottles, Poland with 519,576 bottles and China with 494,478 bottles. Total wine exports to other countries amounted to 1,332,153 bottles.

11 External Trade of Georgia in January-June 2015; http://geostat.ge/cms/site_images/_files/english/bop/FTTrade_06_2015_ENG.pdf.

Another important export from Georgia to the European Union is hazelnuts. The level of exports significantly increased in the first quarter of 2015. The total amount of exported hazelnuts in this period was USD 45 million, which was more than in January–March, 2014 (USD 35 million).

The export of mineral water, wine and hazelnuts is not a new phenomenon when it comes to EU/Georgia trade relations and these items used to be exported to the EU market even before the EU/Georgia Association Agreement entered into force. Since the EU standards are not very tough in these areas, the exported products are able to meet them relatively easily.

Georgian producers face a real challenge when it comes to exporting meat, fish, dairy products and honey to the EU market, since they have to meet the strict sanitary and phytosanitary requirements of the EU single market. The main challenge is that Georgian legislation concerning veterinary certification is not fully approximated to that of the European Union and there are very few laboratories that can issue certificates which are accepted by EU customs.

Textile production is another potential source of Georgian exports to the European Union, although textile companies also face challenges to exports to the EU. They mainly import fabric for producing textiles from China and their products therefore face challenges to be qualified as locally produced and to obtain a certificate of origin. According to the preliminary data of the National Statistics Office of Georgia, textiles (the biggest share) worth up to 21 million USD were exported to Turkey (top destination of Georgian export items) in January-June, 2015.

Although Georgia has deregulated its economy, managed to effectively fight corruption and has been performing very well in various international indexes (22nd position in the Heritage Foundations Economic Freedom Index; Georgia is 15th in the World Bank's Ease of Doing Business ranking), it has still been unable to attract enough Foreign Direct Investment (FDI) to promote economic growth, decrease unemployment and eradicate poverty. Despite the economy growing in 2005–2014 and the FDI it has attracted, the official unemployment level remained relatively high: 2009 – 16.9%; 2010 – 16.3%; 2011 – 15.1%; 2012 – 15%; 2013 – 14.6%; 2014 – 14.1%.¹² At the same time, the number of people living below the poverty line increased from 280,000 in 2007 to 437,000 in 2013.

According to preliminary data, in 2014 Georgia attracted USD 1,272 billion in Foreign Direct Investment (FDI). Slightly more than half (USD 640 million)

12 Eurostat data.

came from EU member states. The Netherlands was the top investor in Georgia in 2014 with a total of USD 331 million. Three EU member states come in the top 10 states investing in Georgia in 2014. In the first quarter of 2015, according to preliminary calculations, total FDI was USD 175.3, of which almost half (USD 67 million) came from the Netherlands, Denmark, UK and Luxembourg.

The European Union also contributes to Georgian economy through remittances sent back by Georgian labour migrants residing in the European Union. The main destination countries in the EU for labour migrants, who are mostly there illegally, are Greece, Italy and Spain. In 2014, Georgian migrants sent back USD 1.44 billion. Almost half of this, 49.1% (USD 709 million), came from Russia. Money transfers from EU member states by Georgian migrants were also significant, in particular from the following states:

- Greece – USD 204 million
- Italy – USD 121 million
- Spain – USD 28 million
- Germany – USD 24 million

In summary, the Deep and Comprehensive Free Trade Area, which is an integral part of the Association Agreement, has clear potential to help increase Georgian exports to the European Union, attract Foreign Direct Investment and grow the country's economy in the medium and long-term. However, in the short-term it is more about the regulatory costs which are mainly incurred by the business community. Big businesses are mainly interested in the EU as potential export market, whereas small and medium-sized enterprises are less enthusiastic. The provisional agreement came into effect several months ago and it is too early to judge the economic benefits it has brought to the country, although in this period it has not yet been possible to change much on the ground.

1.6. Possible obstacles

There are several factors that might become obstacles to Georgia on its path towards the EU. Firstly, the upcoming parliamentary elections, scheduled for autumn 2016, could prevent the government pursuing the painful but necessary reforms envisaged under the Association Agreement. Most probably, the 'Georgian Dream' coalition and its leaders will pay much more attention to the election campaign than pushing for reforms.

The parliamentary overview of the implementation of the Association Agreement is becoming weaker. The members of the parliament have neither the capacity nor sufficient knowledge of the requirements of the Association

Agreement. In 2015, the members of parliament could be much more interested in meeting their constituencies to secure seats in the parliament than attending the parliamentary sessions and discussing the new draft laws and reforms.

Despite the internal challenges that Georgia faces on its path towards the European Union, the former has also to deal with the external threats, mainly coming from its northern neighbour Russia.

Russia's hard power, translated as military bases with offensive military capabilities in the occupied regions of South Ossetia and Abkhazia, represents a serious threat to Georgia. Additionally, there is another Russian military base close to the Armenian-Georgia border in the Armenian town of Gyumri. Russia is also actively pursuing a policy of creeping occupation and borderisation along the administrative border line of South Ossetia and Georgia proper. The Russo-Georgian war in 2008, as well as the ongoing military conflict between Russia and Ukraine have shown that Russia has a lower threshold than the international community believed for using force to achieve its objectives in its immediate neighbourhood. Secondly, Russia has materialised its doctrine of taking military intervention on the pretext of protecting Russian nationals and thirdly, Russia has clearly demonstrated that it totally disrespects international law by recognising the independence of South Ossetia and Abkhazia. However, observing the current developments in Ukraine clearly demonstrates that the international community did not properly learn the lessons of the 2008 Russo-Georgian war. Russia, which had been previously labelled by the EU as a "strategic partner", has steadily become a strategic headache.

The Georgian Orthodox Church, which has an important position in Georgian society, can be considered as more of a potentially negative force, because influential groups within the Church support so-called traditional values compared to the liberalism promoted by Europe. The Church's role might grow in coming years and become a serious obstacle to pro-democratic reforms. The Georgian Orthodox Church, which is the most trusted institution in Georgia (75%) generally supports Georgia's EU integration. At the meeting in March, 2014 with the former EU Commissioner for Enlargement and European Neighbourhood Policy Stefan Füle, the head of the Georgian Orthodox Church, Patriarch Ilia II stated that: "We are very pleased that Georgia, which has gone through a hard period of Communist regime, is today heading towards European structures ... We will do everything to make Georgia a full-fledged member of this large organization."¹³ However, the statements by

13 Patriarch: "Church will do everything to make Georgia EU member", 04.03.2014, <http://www.civil.ge/eng/article.php?id=27008>.

the church are sometime contradictory to the obligations that Georgia has taken regarding the European Union. For example, as required by the Visa Liberalisation Action Plan (VLAP), the parliament of Georgia adopted an anti-discrimination law in May, 2014. The Patriarch of Georgia, referring to this law, stated that “Not a single believer will accept such law. I want to say that after some time we will be surprised at the adoption of this law; I have asked for God’s forgiveness of our sins.”¹⁴ In his Christmas epistle in 2014, which drew controversy mainly because of its wording on the issue of surrogacy and artificial insemination, the Patriarch said that Georgia is part of “Christian Europe”, but the EU should take into consideration Georgia’s “traditions and mindset.”¹⁵ There are some high-ranking clerics, including several within the Church’s main governing body, the Holy Synod, who have used anti-western rhetoric in their sermons.

At the same time, pro-Russia civil society organizations are mushrooming in Georgia. The two biggest CSOs which are promoting a pro-Russia agenda are the “Eurasian Institute”¹⁶ and “Eurasian Choice”. There are more than 20 NGOs which are affiliated with these two organizations. “Eurasian Institute” mainly carries out analytical activities, holds conferences and seminars, whereas “Eurasian Choice” conducts demonstrations. These organizations are closely linked with Russian organizations – the Gorchakov Foundation for Public Diplomacy and the Lev Gumilyov Centre. Pro-Russia views are also largely promoted by an internet radio called “Sputnik Georgia”. So far a comprehensive study has not been carried out to measure the influence they have made in Georgia, although it is assumed that they will become more and more active in the run up to the parliamentary elections in autumn 2016 and try to promote pro-Russian political parties and their candidates.

There are at least four reasons for the increase in support for joining the Eurasian Economic Union: 1. The media environment in Georgia is much freer than it was back in Saakashvili’s time and this allows a wider variety of opinions, including pro-Russian ones; 2. The government of Georgia, with the significant involvement of and contribution from the EaP Civil Society Georgian National Platform, adopted the EU Integration Information and Communication Strategy covering the period 2014–2017; however the government of Georgia has been

14 Georgian Church Leader: “Believers will not accept anti-discrimination law”; 06.05.2014, <http://www.civil.ge/eng/article.php?id=27201>.

15 Patriarch: “Church will do everything to make Georgia EU member”, 04.03.2014, <http://www.civil.ge/eng/article.php?id=27008>.

16 The website of the pro-Russian NGO Eurasian Institute is available in Georgian and Russian at www.geurasia.org.

relatively weak in dealing with its proper implementation. 3. The government also made grave mistakes trying to wrongly blame EU requirements for the implementation of unpopular and sometimes painful reforms (e.g. in September 2014 the government of Georgia introduced visa requirements for some states from which Georgia attracted tourists and students. This decision negatively affected the country's economy. The amendment was explained as a requirement of the Visa Liberalisation Action Plan which simply was not true.) 4. Since both Georgian Dream and United National Movement are pro-European parties, their failure (like the abuse of prisoners while the United National Movement was in power) and adoption of unpopular laws like the anti-discrimination legislation by Georgian Dream have been immediately translated into negative attitudes towards the European Union and the EU integration process.

2. What should be done?

2.1. From the perspective of civil society

The European Commission gave the Visa Liberalisation Action Plan to Georgia in February, 2013. The first (legislative) phase of the VLAP was successfully accomplished in December, 2014. Significant progress has been made in accomplishing the second (implementation) phase of the VLAP – seven out of fifteen required benchmarks were fully achieved when Georgia signed and ratified the AA/DCFTA with the European Union and started its implementation. The mobility and ease of travel would be clear benefits for Georgia that would directly affect people's lives. Expectations in civil society groups and the general public are very high that the government of Georgia will manage to finalise the implementation of the VLAP requirements by the end of 2015 and that the European Union would scrap visa requirements by early 2016. Georgian civil society welcomes visa liberalisation as one of the most effective tools to give citizens a tangible benefit of EU integration in the short-term. In the long-term, there is an expectation that the Deep and Comprehensive Free Trade Agreement will help Georgia to transform its regulatory framework to meet EU requirements and standards. Consequently, Georgia will have European standards in the fields of competition policy, public procurement, food safety, road safety, consumer protection and the protection of intellectual property rights.

The regulation of the economy is a new phenomenon in the Georgian economy because since the Rose Revolution the previous administration of Georgia pursued a policy of deregulation. As a consequence of this policy, the number

of inspection agencies decreased from 40 in 2005 to 20 in 2011. The number of permits and licenses significantly decreased from 909 to 137. A “one stop shop” policy and the notion that “silence is consent” were introduced. This was accompanied by regulatory outsourcing. After signing the Association Agreement, Georgia took responsibility to either introduce or strengthen the capacity of state bodies to inspect labour rights and food safety, amongst other things.

In addition, by signing the Association Agreement, Georgia committed to tackle justice sector reform and concerns over politically-motivated prosecutions; reform the civil service on non-partisan grounds, protect personal data and prevent surveillance by law enforcement agencies.

At this stage when Georgia is still at the very beginning of the implementation the Association Agreement, it might sound unrealistic to give it the prospect of joining the European Union, but the EU should encourage Georgia to pursue it. Article 49 of the Lisbon Treaty guarantees that “any European state which respects the values referred to in Article 2 and is committed to promoting them may apply to become a member of the Union”. Therefore, once Georgia has implemented the Association Agreement and aligned most of its national legislation to that of the European Union, it would be in a better and stronger position to get prospective membership and prepare its membership application.

2.2. From the perspective of political elites

The government of Georgia has high hopes that in the near future the European Union will decide to abolish visa requirements for the citizens of Georgia. The government of Georgia is dedicated to implementing the reforms required by the Visa Liberalisation Action Plan (VLAP). In a very short period of time it has already managed to implement reforms concerning the fight against human trafficking, integrated border management, document security, judiciary, personal data protection etc. The government hopes that a decision to scrap visa requirements for the citizens of Georgia will be adopted before the parliamentary election to be held in autumn 2016. This would boost public support for the pro-western political forces.

In the long-term there are several areas where the Georgian authorities have to deliver. The Association Agreement identifies certain deadlines for each and every EU regulation and directive to be adopted by the government of Georgia. The biggest chunk of legislation that Georgia has to adopt is envisaged in the second, third and fourth year of the AA coming in force. For example,

within four years Georgia has to adopt Directive 2009/40/EC of the European Parliament and the Council of 6 May 2009 on roadworthiness tests for motor vehicles and their trailers. Since 2004 the roadworthiness test had been abolished by the former government of Georgia citing it as a potential source of corruption, while car owners and particularly those who drive their own cars as taxis and are self-employed (this business is not regulated whatsoever and does not require any licenses and permits) would not be happy to see this regulation being introduced since they would have to invest in upgrading their old vehicles. It would therefore take strong dedication and courage for the government of Georgia to take such bold steps. The government of Georgia would also have to reintroduce food safety regulations (such as Council Directive 87/357/EEC of 25 June 1987 on the approximation of the laws of the Member States concerning products which, appearing to be other than they are, endanger the health or safety of consumers) which were deemed to be pointless and a source of corruption (due to the bribing of food safety inspectors) in 2004 and were therefore abolished. Back then the fellow minister who scrapped the system told Georgians that “if they get food poisoning, they should boycott the restaurant.”¹⁷

As the general elections in Georgia are scheduled for autumn 2016 and the Georgian Dream coalition is losing popularity (according to the NDI opinion poll presented in May 2015, if parliamentary elections were held tomorrow only 24% would vote for Georgian Dream, 16% would vote for UNM and 45% are undecided) it would not try to push the painful and unpopular reforms envisaged under the AA, which might cause them to lose votes.

The Georgian authorities also have to deliver in three important fields: reforming the prosecutor’s office, fighting against discrimination and improving labour standards. Reforming the prosecutor’s office is considered one of the crucial and most important milestones in implementing the EU-Georgia Association Agreement and the respective Association Agenda. There are four main challenges that Georgian authorities have to address in the reform process: 1. Enhancing legislative guarantees for institutional independence; 2. Ineffective investigations and the culture of impunity; 3. Enhancing low public trust due to the negative record of direct involvement in human rights abuse from 2004–2012 and 4. The lack of an internal mechanism and organisational culture of transparency and accountability.

17 “Preaching creative destruction”, Financial Times, 31.10.2007, <http://www.ft.com/cms/s/0/ad3c90ee-8754-11dc-a3ff-0000779fd2ac.html#axzz3cCM8UI9W>.

Another sector where the government needs to deliver is the fight against discrimination. On 2 May 2014 the parliament of Georgia adopted a law “On the Elimination of All Forms of Discrimination”. This was a benchmark of the Visa Liberalisation Action Plan. The draft law was prepared by the Ministry of Justice of Georgia and subsequently initiated in parliament by the government of Georgia. The government of Georgia presented the amended draft law to the parliament of Georgia, which was less progressive in terms of the substantive protection against discrimination afforded by law. In addition, the amended draft law significantly weakened the mechanisms for protection against discrimination. Non-governmental organizations working on human rights issues participated in public hearings of the respective committees in parliament.

During the elaboration and adoption of the law, there was strong disagreement from the general public, namely the conservative wing led by the Georgian Orthodox Church. They openly opposed the adoption of the law that would expressly indicate the prohibition of discrimination based on sexual orientation and gender identity.

The adoption of the law by the Parliament of Georgia was in itself a very important and positive step. However, major challenges remain and there are still shortcomings, which the anti-discrimination law and policy does not adequately deal with. In particular, the anti-discrimination mechanism envisaged by the law is not effective. The law does not ensure access for the victims of discrimination to all necessary remedies. The existing anti-discrimination mechanism does not ensure compliance with the recommendations of the Equality Department by private persons/entities. Private persons/entities do not have a duty to present information concerning alleged discrimination at their disposal to the Equality Department. The law also sets excessively short time limitations for submitting an application to the court in cases of discrimination.

In summary, the political elite has to take the lead on the EU integration process. Much more will be required in the coming years since the transitional periods for most of the EU regulations and directives expires in the second and third year since the Association Agreement came into force. The government of Georgia will have to make some unpopular and painful reforms for the sake of EU integration and the Association Agreement, which will not bear fruit immediately, but sometimes only several years later.

2.3. From the perspective of business groups

Business groups in Georgia support Georgia’s European and Euro-Atlantic integration. The business community welcomed the signing of the Association

Agreement. The establishment of a Deep and Comprehensive Free Trade Area between the EU and Georgia is viewed as an opportunity to access one of the biggest markets on the globe. The business community is interested in engaging closely with the government of Georgia in the implementation process of the Association Agreement. Establishing a platform for dialogue and assisting Georgian businesses and the government to discuss the potential costs and benefits of the EU integration process is something which the business community is interested in. Dialogue between the public and private sectors is of crucial importance to ensure the efficient and on-time implementation of the agreement. Small and medium-sized enterprises (SMEs) are considered to be one of the vulnerable groups in the process of European Integration and the adoption of the regulatory framework of the DCFTA. SMEs have to adapt to a new environment and have to adopt standards in accordance with those of the EU. This will be beneficial in the long-term but can be costly if not carefully analysed and considered. The government of Georgia has to avoid frequent law changes and excessive regulations since this might become a key obstacle for the development of SMEs.

The Association Agreement and the respective Association Agenda, as well as the Visa Liberalisation Action Plan, requires the government of Georgia to implement the new Labour Code, as adopted by parliament in June 2013, in line with ILO standards. Other requirements include: underpinning the new Labour Code with new institutions and procedures to resolve disputes and develop a culture of negotiation (a mediation centre), focusing on improving safety at work and creating a mechanism and institution with adequate capacities for inspecting working conditions in the spirit of the new law and the International Labour Organization (ILO) standards, establishing effective social dialogue, including through the systematic convening of the Tripartite Commission; continuing and intensifying dialogue and partnership with the ILO.

The improvement of labour standards and safety is an area where the views of the business community and the government differ. In 2004–2012 Georgia was condemned several times by the International Trade Union Confederation for being a country with one of the worst records in Europe when it comes to workers' rights. Georgia's achievement of becoming one of the "easiest places in the world to do business" had a negative impact on the protection of labour rights. The situation was drastic since according to the data of the Georgian Trade Unions Confederation and the Ministry of Internal Affairs of Georgia, in the last five years 213 people died and 711 were injured as a result of work related incidents.

The introduction of labour inspections and making them fully operational is one of the requirements of the European Union. However, the business community fears that it might become a source of corruption, an extra burden on businesses and would have negative effect on doing business in Georgia.

3. Recommendations

- The parliament of Georgia has to play an important role in the process of increasing the government's accountability on implementing the Association Agreement. The committee for European Integration in the parliament of Georgia has to mobilise the respective committees of the parliament to contribute to the process of elaborating the annual implementation plans of the EU-Georgia Association Agreement. The parliamentary committees and their staffers should analyse, well in advance, the EU directives and regulations that Georgia has to adopt according to the Association Agreement. The parliament of Georgia has to allocate financial resources to strengthen its research unit. The research unit should be responsible for carrying out impact assessment analyses of the EU directives and regulations. The parliament of Georgia should organise quarterly committee hearings and require that the government members present the results of implementing the Association Agreement. The European Union should provide adequate support through its programs to increase the capacity of the staffers of the parliament of Georgia. The organisation of short-term internships at the European Parliament and the highest legislative bodies of the EU member states would be beneficial for the committee staffers.
- The Office of the State Minister for European and Euro-Atlantic Integration, in close cooperation with representatives from civil society and the civil society association platform, should start working on reviewing the EU Information and Communication Strategy. The document was adopted in 2013 and does not fully reflect the new reality, including the anti-western propaganda which has gained fresh momentum in Georgia.
- The Association Platform should start monitoring the implementation of Association Agreement and producing monitoring reports. These reports should be presented to the parliament of Georgia during the quarterly parliamentary hearings and at EURONEST meetings. Association platform members should organise regular advocacy trips to Brussels and the capitals of the EU member states to present the main findings of the

implementation of EU-Georgia Association Agreement. Civil society has an important role here in promoting European values and the benefits of Georgia's European integration among the general public and particularly in those regions which are populated by ethnic minorities.

- Civil society representatives, with close cooperation from the Office of the State Minister of European and Euro-Atlantic Integration and the Committee of European Integration of the parliament of Georgia should, with the support of donors, set up an association web-portal to desegregate the timeframe of the adoption of the EU regulations and directives and monitor its implementation on a regular basis. This would help authorities carry out proper planning of the implementation of the Association Agreement.
- The visa liberalisation process is close to reaching its conclusion. Visits by the EU assessment missions are planned in early autumn 2015 and the fourth progress report will be unveiled in December 2015. Visa free travel will be a clear and tangible benefit of Georgia's European integration. Consequently it would also strengthen the pro-European mood and forces in Georgia. The European Union should apply a merit-based principle when voting on lifting visa requirements for the citizens of Georgia and not take into consideration the current migration crisis. EU member states should give a green light to scrapping visa requirements for the citizens of Georgia if the country fulfils all the remaining benchmarks envisaged under the visa liberalisation action plan.
- The government of Georgia, together with Moldova and Ukraine, should set up joint committee to act with one voice to the European Union and promote for European prospects for all three countries. Opinion poll surveys should be carried out in several EU member states to identify the public mood on granting Moldova, Georgia and Ukraine European membership prospects. This would be helpful to see whether people are against granting European membership prospects (which would be realised as EU membership several years later) to the leading EaP countries or whether their authorities are misusing this argument as an excuse.
- Belgium, Greece, France and Italy should accelerate the procedures of ratifying the EU-Georgia Association Agreement, including the Deep

and Comprehensive Free Trade Area, to ensure that the agreement fully enters into force.

- The European Union should establish closer cooperation with Georgian civil society. Organising debriefing meetings with civil society representatives after the Euronest, EU-Georgia dialogue about human rights, Association Council and Association Committee meetings would be beneficial for CSOs to ensure that their concerns are raised at the meetings. Taking official minutes of these meetings and ensuring the documents are accessible to stakeholders by putting them on the websites of the respective Ministries and the EU Delegation to Georgia would make the process more transparent and increase accountability.
- The Office of the State Minister on European and Euro-Atlantic integration should secure the involvement of civil society and the Committee on European Integration of the parliament of Georgia in adopting and improving the existing structure of the annual Association Agreement implementation plans.
- The Ministry of Economy and Sustainable Development should establish official channels with the civil society of Georgia and, in close cooperation with CSOs, elaborate annual action plans to implement the Deep and Comprehensive Free Trade Agreement.
- The Government Commission of Georgia on EU integration, chaired by the Prime Minister of Georgia, should establish a schedule of regular meetings to evaluate the progress and identify shortcomings of Georgia's EU integration process.
- The government of Georgia should improve communication with the Georgian Orthodox Church on EU integration in order to avoid the dissemination of incorrect information about the Association Agreement and its requirements. It should also reach out to ethnic minorities and representatives of other religious groups.
- The government of Georgia should not lose its appetite to implement the crucial but painful reforms envisaged by the AA against the backdrop of the election campaign in 2016.

4. Conclusion

This paper highlights the expectations and concerns about Georgia's further integration into the European Union. By promoting reforms through the Association Agreement, the EU is encouraging Georgia to become more stable and prosperous. Signing the Association Agreement with the European Union made Georgia bound to a detailed reform blueprint with clear timelines of implementation. Now Georgia has to demonstrate a strong will for implementation and accountability. The reforms envisaged by the Association Agreement will have financial and political costs before they can bring benefits, and their successful implementation would require relevant capacity and skills. Georgia society would need to see the clear and tangible results delivered by Association Agreement in next few years so that it can mobilise in support of European Integration and not lean towards the Russian-led Eurasian Economic Union. Georgia has made an enormous sacrifice to achieve its European and Euro-Atlantic ambitions, including its security and territorial integrity. The European Union and its member states must ensure that Georgia has a sovereign right to pursue European integration and that Russia is not in a position and has no leverage to block the process. The EU should seriously consider the ways of evaluating the Eastern Partnership policy and awarding the best performing countries with clear prospects of eventual membership of the European Union as soon as they meet the criteria. The European Union should continue to invest in Georgian civil society, which is the promoter of domestic reforms. The government of Georgia should build a partnership with civil society and guarantee its ownership of the process of implementing the Association Agreement.

A Focus on Moldova

On 1 September 2014, Moldova started the implementation of the Association Agreement (AA), including the Deep and Comprehensive Free Trade Area (DCFTA), with the EU. For that purpose, Moldova and the EU have agreed an Association Agenda that will guide the process in the coming years. It was assumed that the implementation of the AA would give impetus to the reform process in Moldova. Unfortunately, instead of this we are witnessing a sizeable slowdown of key reforms, particularly in the areas of the judiciary, prosecution and anti-corruption.

Moldova is again at a critical crossroads that will be decisive for its future as an independent, prosperous and democratic European state. The Moldovan pro-European political elite must show solidarity and amass vital political will to implement the much needed reforms that would strengthen the stability, independence and effectiveness of institutions guaranteeing democracy and the rule of law. This would then free the judiciary, prosecution and the law enforcement agencies from any political or other undue interference, and would also intensify the fight against corruption at all levels of public administration.

The results of the local elections that took place in Moldova on 14 and 28 June 2015 show that the pro-European parties have the endorsement of the majority of Moldovan citizens to continue the European integration policy. They also have the support of civil society and the most influential business groups of Moldova. However, their support is dependent on a clear reform mandate granted to the government of Moldova by a stable pro-European and pro-reform parliamentary alliance.

The failure of the pro-European parties to take this last opportunity to accelerate the implementation of the AA would greatly increase social discontent, and would also alienate the indispensable political, economic and financial support

of the EU partners. On their part, the pro-Russian populist political forces that promise to denounce the AA and DCFTA are seriously challenging Moldova's European integration policy and would not miss this potential chance to derail it forever.

1. The state of play

1.1. Civil society

Civil society organizations that promote human rights, freedom of media, justice reform, transparency, anti-corruption and market economy reforms are the most active and dedicated supporters of Moldova's European integration policy. These non-governmental organizations are pushing for full and speedy implementation of the Association Agreement, including the Deep and Comprehensive Free Trade Area, with the EU.

Pro-democracy and pro-European integration NGOs dominate the discourse and agenda of civil society in Moldova. In the past six years, they have enhanced their institutional capabilities in dealing with central and local authorities by putting in place a range of joint institutional mechanisms and platforms meant to foster policy consultation, coordination, monitoring and joint implementation, such as the National Participation Council, the Pro-Europe Platform and the National Platform of the EaP Civil Society Forum, which has been set-up in accordance with the Association Agreement.

The implementation of the AA with the EU has become the key priority of pro-European integration NGOs. The most active of them, such as IDIS Viitorul, the Foreign Policy Association, the Institute of Public Policies (IPP), Contact Center, the Association of Independent Press (API), Youth of Moldova, Promo-Lex, East European Foundation Moldova, etc., have launched projects or have been involved as partners in assistance programs designed to help Moldova to implement the AA and DCFTA with the EU.¹ Special attention has been placed on informing public opinion about the benefits, opportunities and challenges of the AA and DCFTA. Other NGOs have initiated special training courses/

¹ IDIS Viitorul implemented the project "Civil Society. Dialogue for Progress"; the Institute for Public Policies (IPP) launched the project "Transparency – New EU Member States' Best Practices for Moldova and Ukraine"; the Foreign Policy Association (APE) implemented the project "Europe for everyone"; Contact Center is implementing the project "Public Debates on the impact and benefits of the European Integration of the Republic of Moldova"; the Association of Independent Press (API) implemented the project "Building Capacities of independent media and promoting European values and norms"; the Youth of Moldova implemented the project "European Caravan".

seminars for business communities and local authorities about the DCFTA. Policy consultation and monitoring continue to remain a priority.

Furthermore, the Moldovan National Platform of the Eastern Partnership Civil Society Forum has initiated both collective and individual actions geared towards promoting the advantages of a European path for Moldova, following the government's signing of an Association Agreement with the EU, as well as monitoring the implementation of reform commitments and consolidating the national platform. In terms of promoting 'European values', the platform set-up a public awareness campaign providing information about the advantages of the Association Agreement and the DCFTA with the European Union. The campaign included over 32 public debates, the large-scale distribution of promotional material and activities ranging from a TV marathon and a door-to-door campaign to an auto-tour.²

Since Moldova has started the provisional implementation of the AA, NGOs have contributed their expertise to help draft laws concerning the freedom of media, justice reform, anti-corruption and human rights. At the same time, NGOs have established a range of institutional partnerships with Moldovan central and local authorities aimed at implementing specific policies and laws regarding anti-discrimination, anti-corruption, justice reform, vocational reform, reform of local public finances, social inclusiveness, competitiveness, the environment, renewable energy, rural & agricultural development, etc.³

Despite the afore-mentioned positive developments, after the last parliamentary elections that were held on 30 November 2014, the relationship between pro-democracy civil society organizations and the pro-European governmental alliance has got colder. The latter has ignored proposals/appeals from civil society to form a majority pro-European government with a strong reform mandate. Moreover, in their desire to control the negative impact of the

2 Eastern Partnership Civil Society Forum, Republic of Moldova, <http://eap-csf.eu/en/national-platforms/republic-of-moldova/>.

3 The Foreign Policy Association (APE) in partnership with the Council on preventing and eliminating discrimination, and ensuring equality, is implementing the project "Enhancing the anti-discrimination capacities of the local authorities", and is working with the Ministry of Interior on implementing the project "Strengthening the anti-discrimination capacities of the Moldovan Police; the European Business Association Moldova (EBA) is cooperating with the Ministry of Environment on promoting solid waste management in Moldova; the Institute for Public Policies (IPP) in partnership with the Ministry of Education has implemented the project "Modernisation of education in Moldova - preparation of pedagogues and students for e-learning methodology enhances the access to flexible education".

banking system crisis⁴ and the increased social discontent, the pro-European alliance has tried to limit the access of media and citizens to information about the businesses, possessions and interests of Moldovan officials.

Under the pretext of defending media space from foreign political, mainly Russian, propaganda, a group of parliamentarians representing the pro-European Democratic and Liberal-Democratic parties drafted a series of amendments to the National Audiovisual Code⁵ without any consultation with civil society. If approved, some of the amendments could have a negative impact on the freedom of speech. The Centre for Judicial System Reform, supported by the Supreme Court of Justice and the Superior Council of Magistracy, has put forward a series of amendments to the judicial legislation without discussing them with the specialist civil society organizations. Last but not least, the pro-European alliance failed to support the proposal of ex-Prime Minister Chiril Gaburici to set up a permanent anti-corruption monitoring committee that would have involved all governmental institutions and civil society representatives, including the media.

The banking crisis and high-level corruption have increased social discontent and risk triggering a radicalisation in society. According to the Barometer of Public Opinion, April 2015, more than 80% of Moldovans are discontent with the current economic situation in their country. On 3 May 2015, over 40,000 Moldovans rallied in Chisinau, outside the government headquarters, to protest against the oligarchic regime that has been entrenched in Moldova in the past six years of pro-European governments, as well as to demand a full investigation into the mega-theft of one billion US Dollars and the prosecution of all officials that perpetrated this banking fraud.⁶ The rally was initiated by a civic platform called “Justice & Truth” (Dreptate și Adevăr) that aims to bring the state back to its citizens; to stop demagoguery about fighting corruption and

4 The banking crisis that was triggered by a mega-theft of one billion USD from three key banks, Banca de Economii, Unibank and Banca Sociala. It has gravely affected Moldova's macroeconomic and budgetary framework, and has seriously depreciated Moldovan national currency MDL, reducing significantly the value of people savings, wages and pensions. It is expected that in 2015 the Gross Domestic Product would decline by about 0.2% according to the baseline scenario and by 1.8% according to the pessimistic scenario. Expert Group, “MEGA XII: The year of a looming crisis, Q1-2015”, <http://www.expert-grup.org/en/biblioteca/item/1109-megaxii-2015&category=7>.

5 The Audiovisual Code ensures the rights of Moldovan citizens to receive fair and objective information broadcasted by audiovisual institutions; guarantees broadcasters' rights to editorial freedom and freedom of expression; and establishes the democratic working principles of the audiovisual in the Republic of Moldova.

6 Jurnal TV, Platforma Civică pentru Dreptate și Adevăr: Vrem să fim un nucleu al societății pe care-i va uni singur scop, <http://jurnal.md/ro/social/2015/2/24/platforma-civica-pentru-dreptate-si-adevar-vrem-sa-fim-un-nucleu-al-societatii-pe-care-i-va-uni-singur-scop/>.

mimicking reforms; to remove the law institutions and financial institutions from the captivity of oligarchic interests. Two weeks later, on 16 May 2015, 25,000 Moldovans rallied in Chisinau at a pro-union with Romania march organised by unionist civic organizations to commemorate the annexation of Bessarabia by the Russian Empire in May 1812.⁷ The organizers at the rally decided to form a “Bloc of National Unity” to promote European integration through unification with Romania as a solution to all the problems that Moldovans are now facing.

Also, on 6 September 2015, more than 40,000 Moldovans rallied at the call of the Civic Platform “Justice & Truth” in the main square of the capital Chisinau, demanding the resignation of the President and early elections due to a USD 1 billion bank fraud that severely hit living standards. The protesters decided to stage a non-stop demonstration in central Chisinau until their demands were met.

The European integration policy is mainly opposed by pro-Russian non-governmental organizations that have not been very influential within civil society. However, they have increased their visibility during the last six years and are relatively appealing to the Russian-speaking minorities that represent around 22% of Moldova’s population (Ukrainian 8.4%, Russian 5.9%, Gagauz 4.4%, Bulgarian 1.9% and other 1.4%). The most active of them are the Recognition Fund (*Фонд Признание*) and Russian World (*Русский мир*) that were set up in Moldova in 2009 by the Rossotrudnichestvo (Russian Federal Agency for the Commonwealth of Independent States, Compatriots Living Abroad and International Humanitarian Cooperation) with the aim to promote not only Russian language and culture, but also to monitor Moldova’s status as a neutral country, the settlement process of Transnistria and Russian economic interests in Moldova. Also, the Russian Youth League of the Republic of Moldova (*Лига русской молодежи Республики Молдова*) and the Youth movement “Voievod” of Moldova are famous for organising public rallies against Romania and NATO and promoting the idea of Moldova joining the Eurasian Economic Union.⁸

7 Radio Europa Libera, Marș unionist în centrul Chișinăului, <http://www.europalibera.org/content/article/27020166.html>.

8 “The different faces of “soft power”: the Baltic States and Eastern Neighborhood between Russia and the EU”, Riga, 2015, p. 141–161, http://liia.lv/site/docs/LIIA_soft_power_book_web_layout.pdf.

1.2. The political elite

The Liberal Democratic Party, Democratic Party and Liberal Party are the main political forces that support and promote the European integration policy of Moldova. The governmental alliances formed by these parties since 2009 were crucial in achieving Schengen visa liberalisation for Moldovan citizens, as well as in negotiating and signing the AA and DCFTA with the EU. Also, all three of them have pledged to implement the AA and DCFTA in full and without delay.

The parliamentary elections which took place on 30 November 2014 were expected to provide Moldova with a solid pro-European parliamentary majority and a stable government with a convincing reform mandate essential for implementing the Association Agenda with the EU. Unfortunately, contrary to all expectations, Moldova has entered into a period of political uncertainty that could jeopardise its European integration prospects.

Despite the mediation provided by the European Parliament and the Office of the German Chancellor, the Liberal Democratic, Democratic and Liberal Parties that won the elections failed to form a majority coalition in the newly-elected parliament. They fell short of establishing a new governmental alliance not because of policy differences, but above all because of the disagreements over who should control the most profitable economic sectors and the financial assistance provided to Moldova by the EU and the international finance institutions.

Faced with the Liberal Party's intransigency, the Liberal Democratic and Democratic Parties formed a weak minority alliance that controls 40 parliamentary seats out of 101. The coalition has been supported unofficially by the opposition Party of Communists (21 seats), which considers that the AA was negotiated too hastily and pleads for a renegotiation of the DCFTA. Challenged by the Party of Socialists, which is supported openly by the Kremlin, the Party of Communists has decided to play the role of "constructive opposition" for the time being, although not unconditionally. At its request, the Liberal Democratic Party was forced to give up its nomination of Iurie Leanca, former Prime Minister and Moldova's most successful ex-Foreign Minister who negotiated and signed the AA with the EU, for the position of Prime Minister. The Communists have also demanded the approval of a special law to strengthen Moldova's permanent status of neutrality, the removal of four undesirable ministers as well as control over a range of key institutions such as the Court of Audits, Audiovisual Coordination Council, Observers Council of the National Public TV Company "Teleradio-Moldova",

National Integrity Commission and Public Prosecution Office. So far, none of these demands have been fulfilled.

The minority pro-European Government, which was supported unofficially by the Party of Communists, failed to implement a range of key reforms Moldova had committed to in its Association Agenda agreed with the EU. On the contrary, lacking a strong reform mandate, the government reform proposals/initiatives were obstructed by the leaders of the minority pro-European alliances who are increasingly concerned that the reforms could jeopardise their political power base and economic interests. Consequently, the justice reform has been slowed down, the reform of the prosecutor's office has been delayed, the reform of the national integrity commission has been rejected and the fight against high-level corruption continues to be mimicked by law enforcing institutions. Eventually, the minority pro-European government was dismissed after Prime Minister Chiril Gaburici, who was questioned by the prosecutors on the authenticity of his high-school certificate, resigned on 12 July 2015.

On 23 July 2015, the three pro-European parties, the Democratic Party, the Liberal Democratic Party, and the Liberal Party managed to sign the agreement on the formation of another pro-European ruling alliance and a new Government was voted in on 30 July with 52 votes out of 101 by the parliament of the Republic of Moldova. The new government, led by the Liberal Democrat Valeriu Strelet, has pledged to speed-up the implementation of the Association Agreement between the Republic of Moldova and the European Union, to step-up the fight against corruption, to fully investigate the mega-baking theft, to ensure the supremacy of law and to normalise tense relations with Russia. Nevertheless, despite the afore-mentioned assurances the reform process is still stagnating, the investigation of the banking theft is constantly being delayed and the fight against corruption continues to be mainly a PR exercise. Obviously, in the current circumstances, social discontent remains high.

The anti-European integration opposition is led by the Party of Socialists that openly call for the rejection of the Association Agreement and DCFTA with the EU and favors Moldova joining the Customs Union with Russia, Belarus and Kazakhstan and eventually the Eurasian Union. It is openly supported by the Kremlin political establishment, and at the last parliamentary elections the Party of Socialists was able to win 25 out of 101 seats. Moreover, in March 2015 the Party of Socialists, assisted by Russian propaganda, managed to reinforce its influence in the Gagauz Autonomy by electing its candidate, Irina Vlah, as Governor of the Gagauz-Yeri.

Moldova's European integration policy is also challenged by Our Party (Partidul Nostru), a rising populist political force led by Renato Usatai, a controversial "nouveau riche" who made his fortune in Russia in very obscure conditions and is allegedly linked to the Russian mafia. Like the Party of Socialists, Our Party is successfully exploiting the current social discontent of Moldovan citizens and is trying to portray itself as a pragmatic, anti-systemic, anti-corruption and anti-oligarchic political force. It considers that the AA was negotiated too hastily and is calling for a referendum about the direction of development Moldova is taking. At the recent local elections, the leader of Our Party was elected the mayor of Balti, the second biggest city of Moldova, which is mainly populated by Russian-speaking minorities. Both the Party of Socialists and Our Party have strong links with the Russian political and security establishments.

1.3. Business groups

To date local businesses have played an insufficient role in the European integration of Moldova. They have been intimidated by oligarchic interests, are poorly organised, do not have a distinct voice and are almost entirely dependent on the political establishment.

Moldova's main oligarchs, Vlad Plahotniuc, the First Deputy Chairman of the Democratic Party and Vlad Filat, the Chairman of the Liberal Democrat Party, are portraying themselves as the staunchest supporters of European integration and are calling for the full implementation of the Association Agreement and DCFTA. However, the facts demonstrate that they are increasingly reluctant to undertake critical reforms that challenge their control over the justice sector, law enforcement institutions, banking system, trade monopolies and international development assistance. Even worse, they are trying to circumvent or at least mimic the implementation of the reforms agreed with the EU.

In general, the attitudes of domestic business groups towards the opportunities presented by the DCFTA are mixed. The majority of them are unaware and apprehensive of the DCFTA requirements. The most supportive are businesses with European capital and those that are oriented predominantly to the EU market. The pro-DCFTA businesses are represented in particular by the

European Business Association (EBA)⁹ and the Chamber of Industry and Trade of the Republic of Moldova.¹⁰

Both afore-mentioned organizations are engaged in helping domestic business groups prepare themselves for compliance with DCFTA conditions. With EU assistance, they have launched information and capacity-raising seminars for textile and food-processing enterprises in all the main cities of Moldova.

On the other hand, small and medium-sized enterprises (SMEs)¹¹ are insufficiently organized at national level and their views and positions on DCFTA are inadequately expressed and frequently even disregarded. The growth of SMEs is actively supported in Moldova by the Organization For Small And Medium Enterprises Sector Development (ODIMM), a public institution set up by the government of the Republic of Moldova in 2007.¹² The ODIMM is assisting the development of Moldovan SMEs through various programmes such as PHARE 1+1,¹³ Efficient Business Management (GEA), National Programme of Youth Entrepreneurial Development, Business Advisory Service, Strengthening Enterprises and Raising Competitiveness (CEED).

The wine industry is the most successful sector when it comes to the exploitation of the benefits of the DCFTA in expanding its market in the European Economic Area. Since September 2014, Purcari wines have been accepted by the rigid Norwegian monopoly of alcoholic beverages. As a consequence, they became the only Moldovan wine on the Norwegian market. With estimated sales potential of up to USD 2 million per annum, Norway could become one of the most important markets for Purcari. In April 2015, Wineries Cimislia became

9 The European Business Association is an independent, non-government organization and one of the biggest EU investors in the Republic of Moldova. It has been established under the auspicious of the EU Delegation with the aim of aligning the national economy and business legislation to the EU standards and promoting European values and best business management practices in the Moldovan entrepreneurial community.

10 The Chamber of Commerce of the Republic of Moldova is also a non-governmental and a self-governing and independent organization. The Chamber is a legal entity of public law and as such enjoys the support of the state. The main objectives of the Chamber of Commerce are the creation of the business environment in the community and to represent the interests of its members in relations with public authorities, foreign chambers of commerce and other international organizations.

11 According to the National Bureau of Statistics, small and medium-sized enterprises (SMEs) represent 97.4% of the total number of commercial enterprises. They are also the biggest job providers, hiring 56.9% of the total number of employees at local companies. In 2013, SME revenues amounted to 33.4% of the total revenues from sales.

12 ODIMM, <http://odimm.md/>.

13 The programme is intended for migrant workers and/or their immediate relatives willing to invest in launching and/or developing their own businesses.

the first company in Moldova whose wines have been accepted by the Swedish state monopoly for alcoholic beverages.

The most discontented group with the AA and DCFTA are the farmers that grow fruits and vegetables for export primarily to the Russian Federation. In their view, the DCFTA with the EU is to be blamed for Russian embargos on Moldovan exports of fruits and vegetables.

1.4. State institutions and bureaucracy

The state institutions, at central or local level, are under the strict political control of the parties governing the country. Also crippled by pervasive corruption and oligarchic interests, Moldovan bureaucracy has failed to initiate the institutional and policy changes demanded by the European integration policy. It also fell short of becoming an autonomous institutional actor that shapes the decision-making process and/or prevents the political class backsliding on committed reforms.

As a result of the negative political, economic and social trends, the confidence of Moldovan citizens in the key state institutions and the pro-European parties has tumbled to its lowest level in the last 6 years. According to the Barometer of Public Opinion, April 2015, only 11.4% of Moldovans have trust in their President, only 11.3% trust the parliament, just 12.8% trust the government and only 14.6% trust the judiciary.¹⁴

The experience of the last two pro-European governments, led by former Prime Ministers Iurie Leanca and Chiril Gaburici, shows that the government's decision-making power is constrained/controlled by the Alliance Council that meets each week at the level of the heads of the political parties forming the governmental majority. The recent failure to pass comprehensive legal amendments intended to increase the controlling powers of the National Integrity Commission on the conflict of interests and the illegal enrichment of public officials, has underlined the lack of unity within the governing alliance about crucial reforms.

14 IPP, Barometer of Public Opinion, April 2015, http://www.ipp.md/public/files/Barometru/BOP_04.2015_prima_parte_finale.pdf.

1.5. Economic relations with the EU

Trade relations between the EU and the Republic of Moldova are a key engine of Moldova's economic growth.¹⁵ Over the last eight years, the EU has progressively become Moldova's main trade partner for imports and exports, with the share currently approaching half of Moldova's total annual foreign trade (46.4%). The EU is then followed by Russia (21.9%) and Ukraine (11.8%) as Moldova's major trade partners.

It is expected that this development will continue with the implementation of the Association Agreement (AA), which includes the Deep and Comprehensive Free Trade Area (DCFTA), between the EU and Republic of Moldova. The AA has engaged Moldova in a political association and economic integration relationship with the EU and has started to be applied since 1 September 2014.

In 2014, covering the start of DCFTA application, bilateral EU-Moldova trade grew by 8%, largely due to the strong growth of exports from Moldova. Total trade amounted to EUR 3.5 billion, which was EUR 272 million more than in 2013. The EU imported goods to the value of EUR 1.16 billion from Moldova, up by an impressive 20% or EUR 197 million since 2013. The value of agricultural imports from Moldova grew even more strongly, by 31% in 2014. EU exports to Moldova remained stable, growing by a mere 3% or EUR 75 million, reaching EUR 2.35 billion in 2014.

EU exports to Moldova mainly consist of machinery and equipment, mineral fuels, as well as transport equipment and chemical products. Those products also constitute the main EU imports from the Republic of Moldova, together with textile and clothing products, animal and vegetable products, including fats and oils, as well as beverages.

The EU is also the main investor in Moldova's economy, controlling 60% of the total Foreign Direct Investment (FDI).¹⁶ The European Investment Bank (EIB) has become one of the main lenders to the Moldovan government and private companies. So far, the EIB has supported 14 development projects in Moldova with a total financial envelope of EUR 557,550 million.¹⁷

15 EU Delegation in Moldova, EU – Moldova Trade, http://eeas.europa.eu/delegations/moldova/eu_moldova/trade_relation/index_en.htm.

16 Ricardo Giucci & Jörg Radeke, FDI Attraction to Moldova: Facts, Potential and Recommendations", Policy Paper, Berlin/Chisinau, April 2012, http://www.berlin-economics.com/download/policypapers/GET_Moldova_PP_02_2012_en.pdf.

17 European Investment Bank, Finance contracts signed – Republic of Moldova, <http://www.eib.org/projects/loans/regions/cei/md.htm>.

Moreover, the EU is committed to assisting Moldovan small and medium-sized enterprises (SMEs) in realising the benefits of the DCFTA and reaching new markets. On 21 May 2015, at the Eastern Partnership Business Forum in Riga, the European Commission launched a DCFTA Facility for SMEs.¹⁸ The Facility will provide around EUR 200 million worth of grants from the EU budget over the next 10 years. This contribution is expected to unlock new investments worth at least EUR 2 billion for SMEs in the three DCFTA countries of Georgia, the Republic of Moldova and Ukraine. The financial capital for the investments will largely come from the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB).

1.6. Possible obstacles

Many Moldovans hoped that the Association Agreement (AA) with the EU would make Moldova's European integration policy irreversible. Unfortunately, this is not yet the case as a series of domestic trends and regional evolutions risk derailing the AA implementation for years to come.

Moldova has entered into a period of political uncertainty. The pro-European parties failed to form a majority coalition in the newly elected Parliament. Even worse, on the second day after the elections, the country was plunged into a severe banking crisis triggered by a mega-theft of one billion US Dollars from three key banks, Banca de Economii, Unibank and Banca Sociala. The banking crisis has gravely affected Moldova's macro-economic and budgetary framework¹⁹ and wreaked havoc on the pro-European minority government that resigned on 12 June 2015. Inevitably, society has become increasingly frustrated with the governance record of the pro-European authorities and political parties.

Increasingly disappointed with the direction and quality of the reforms implemented by the pro-European parties, society also is less optimistic about Moldova's European integration prospects. During the 6 years of rule by pro-European governments, Moldovans' support for European integration decreased from 63% in 2009 to 32% in April 2015. The public support for the pro-European parties, the Democratic Party and Liberal Democratic

18 European Commission, "EU to unlock EUR 2 billion worth of investment for small businesses in Georgia, Moldova and Ukraine", Press release, Brussels, 21 May 2015, http://europa.eu/rapid/press-release_IP-15-5012_en.htm.

19 Expert Grup, "MEGA XII: The year of a looming crisis, Q1-2015", <http://www.expert-grup.org/en/biblioteca/item/1109-megaxii-2015&category=7>.

Party which form the minority government, has fallen from 18% and 21% in November 2014 to 5.7% and 7.1% respectively in April 2015.²⁰

Public support for Moldova joining the customs union with Russia, Belarus and Kazakhstan reached 50% in April 2015. The staunchest opponents of Moldova's European integration policy are the Russian-speaking minorities. Consequently, according to the IPP's Barometer of Public Opinion, April 2015, 81.5% of Ukrainians, 74.9% of Russians and 79.8% of Gagauz & Bulgarians that live in Moldova are opposed to its European integration development path.²¹ This represents a clear failure of Moldovan pro-European authorities and political parties to win the hearts and minds of the Russian-speaking minorities that represent a quarter of country's population in support of their European integration reform agenda.

Since the second half of 2014, the implementation of the Justice Sector Reform Strategy has noticeably slowed. Despite that, some important parts of the benchmarks for the 2011–2016 Justice Sector Reform Strategy have been implemented, although the qualitative results of the reforms undertaken are not yet visible.²² The reform of the Public Prosecutor's office has been unjustifiably delayed.

Corruption has become endemic and systemic in Moldova and is “entrenched in the full range of government institutions and at every level and includes state capture of key institutions to benefit private interests.”²³ According to the Barometer of Public Opinion, April 2015, 40.7% of Moldovans believe that corruption has increased since the minority pro-European government has been in power, another 40.7% consider that the level of corruption has remained the same and only 6.6% think that corruption has decreased.²⁴ In 2014, Transparency International ranked Moldova 103th out of 175 countries

20 IPP, Barometer of Public Opinion, November 2014 & April 2015, http://www.ipp.md/public/files/Barometru/Brosura_BOP_11.2014_prima_parte-r.pdf & http://www.ipp.md/public/files/Barometru/BOP_04.2015_prima_parte_finale.pdf.

21 IPP, Barometer of Public Opinion, April 2015, http://www.ipp.md/public/files/Barometru/BOP_04.2015_prima_parte_finale.pdf.

22 Joint Communication to the European Parliament, the Council, the European Economic And Social Committee and the Committee of the Regions, Implementation of the European Neighbourhood Policy in 2014, Brussels, 25.3.2015, page 6, http://eeas.europa.eu/enp/pdf/2015/republic-of-moldova-enp-report-2015_en.pdf.

23 BRIEFING BOOK from Development Partners of Moldova, January 2015, http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/03/25/000333037_20150326093947/Rendered/PDF/952500WP00PUBLOBriefingBook0english.pdf.

24 IPP, Barometer of Public Opinion, April 2015, http://www.ipp.md/public/files/Barometru/BOP_04.2015_prima_parte_finale.pdf.

on its Corruption Perception Index (in 2013 Moldova ranked 102nd out of 177 countries).²⁵ The Cost of Doing Business Survey, 2014 shows that despite a series of improvements for Moldova, the management of Moldovan companies is spending even more time dealing with public agencies than in previous years – 11.3% of their time in 2014 compared to 10% from 2010 through 2012 and 10.7% in 2013.²⁶

Moldova has failed to become a pole of attraction for its separatist Transnistrian region. The uneven and superficial reform process has hindered Moldova's efforts to become a credible development alternative to its separatist Transnistrian region.²⁷ The scope for a potential negotiated compromise between Moldova and the Transnistrian region has dangerously narrowed, with both parties calling for diametrically opposed political solutions. The situation is further complicated by the gaping geopolitical gap between them. While Moldova is building a political association and economic integration partnership with the EU, the Transnistrian region refuses the implementation of the DCFTA and has declared integration with the Eurasian Union to be its key strategic objective.

Russian influence on Moldova's domestic policies is steadily increasing. The Russian Federation has succeeded in increasing its soft power and political clout in Moldova. The Russian media continues to dominate Moldovan informational space. It interferes in Moldova's political processes and bluntly challenges its information security. The idea of Moldova joining the customs union with Russia, Belarus and Kazakhstan has become more popular than the option of joining the EU. At the last parliamentary elections, Russia managed, using propaganda, to propel the Party of Socialists into the Moldovan parliament. The socialists control a quarter of the parliamentary seats and are calling for the immediate denunciation of the Association Agreement with the EU.

After the recent local elections, the most radical pro-Russian parties, the Party of Socialists and Our Party (Partidul Nostru), have significantly strengthened their political representation at regional and local levels. Together they have won the mayoral elections in twelve of Moldova's cities, including Batli, the

25 Transparency International, Corruption Perceptions Index 2014: Results, <https://www.transparency.org/cpi2014/results>.

26 World Bank Country Office Moldova, "Investment Climate in Moldova: Uneven Achievements Hinder Development", 9 April 2015, <http://www.worldbank.org/en/news/press-release/2015/04/09/investment-climate-in-moldova-uneven-achievements-hinder-development>.

27 Ecorys UK, „Quality Sociological Survey on the Dialogue Between Two Banks of Dniester River”, Tiraspol, 31.07.2014 , <http://www.ape.md/lib.php?l=ro&idc=173&year=2014>.

second biggest city after the capital Chisinau, as well as Comrat, the capital of the Gagauz autonomous region. In March 2015, the Party of Socialists, with the assistance of Russian propaganda, managed to reinforce its influence in the Gagauz autonomous region by electing its candidate, Irina Vlah, as Governor of the Gagauz-Yeri.

2. What should be done?

2.1. From the perspective of civil society

Pro-European civil society organizations see European integration as a policy vehicle that will eventually lead towards Moldova becoming a full member of the EU. Therefore, it is requesting the EU to grant to Moldova the clear cut prospect of European integration as has been done before in the case of the Central European, Baltic and Western Balkan countries.

On 6 April 2015, 43 NGO members of the National Platform for the Eastern Partnership Civil Society Forum signed a statement about the recognition of the prospect of European membership for the Eastern Partnership States, which was addressed to the Eastern Partnership Summit that took place in Riga on 21–22 May 2015. The signatories of the statement invited the European Union and its member states to explicitly recognise the European membership prospects of Georgia, Moldova and Ukraine at the Riga Summit.²⁸ Therefore, on 21 May 2015, within the framework of the 2nd Civil Society Conference of the Eastern Partnership in Riga, the Moldovan representatives of the National Platform for the Eastern Partnership Civil Society Forum forwarded Moldova's symbolic application/request for EU membership to Johannes Hahn, Commissioner for European Neighbourhood Policy and Enlargement Negotiations.²⁹

In the meantime, pro-European civil society is pleading for the European integration reform process to speed up.³⁰ However, during the first 11 months of the implementation process for the AA and DCFTA, it has become obvious that it is not going to be an easy process for Moldova. The political

28 EaP Civil Society Forum Moldovan National Platform, Statement on Recognizing the European Prospects for the Eastern Partnership States, <http://infoeuropa.md/files/platforma-nationala-din-moldova-un-mesaj-clar-privind-perspectiva-europeana-pentru-statele-parteneriatului-estic-ar-trebuisa-fie-transmis-la-summit-ul-de-la-riga.pdf>.

29 Infoeuropa, <http://infoeuropa.md/moldova-in-vizorul-europei/societatea-civila-a-depus-la-riga-o-cerere-simbolica-de-aderare-a-republicii-moldova-la-ue/>.

30 Statement of the Civil Society Platform "Pro-Europe", 23.06.2015, <http://www.infoeuropa.md/platforma-societatii-civile/declaratia-platfomei-societatii-civile-quot-pentru-europa-quot-din-23-iunie-2015/>.

elite, together with oligarchic interests, are more concerned with political survival than implementing the far-reaching structural reforms included in the association agenda. Consequently, there is a mounting need to boost society reform pressure on the increasingly conservative political class. In the view of pro-European Moldovan civil society, this could be achieved either by offering Moldova the prospect of clear cut EU membership, or, if that is not possible, by strengthening positive and negative conditionality, meaning that the “more for more” principle has to be strengthened and used hand-in-hand with the “less for less” principle. Moreover, in order to avoid situations where the new laws and institutions do not function as expected, the quantitative reform targets have to be matched by qualitative reform benchmarks, and direct budget assistance must be made conditional to convincing qualitative reform deliverables.

On the other hand, Russian military aggression in Ukraine has weakened the security of entire region. With an unresolved “frozen conflict” in its backyard and an increasingly divided society, Moldova feels more vulnerable than ever and insufficiently prepared to deal with the current external challenges. Security uncertainty is endangering Moldova’s domestic stability and as well as its ability to implement the AA and DCFTA with the EU. In this context, civil society organizations are calling to make security reforms a permanent issue on the EU’s cooperation agenda with Moldova. The EU has to assist Moldova with a comprehensive reshuffling of its security sector in accordance with EU standards. These efforts will help Moldovan authorities to streamline their security policy, strategic planning, decision-making, coordination as well as inter-agency communication.

2.2. From the perspective of the political elite

The political elite is almost equally divided about Moldova’s European integration future. The pro-European parties, the Liberal Democratic Party, Democratic Party and Liberal Party, see the AA and DCFTA as an intermediary/preparatory stage on Moldova’s path towards achieving the prospect of full EU membership. However, they have different interpretations of how to achieve this objective. In the midst of last year’s parliamentary election campaign, the Liberal Democratic Party stated that a government led by them would request EU candidate status at the Eastern Partnership Summit in Riga that took place in May 2015, therefore enabling Moldova to become full member of the EU by 2020. This position was not supported by the Democratic Party, the key governmental ally of the Liberal Democrats. In the view of the Democratic Party, Moldova first of all has to implement the Association Agreement and only

after that can it request EU candidate status. At the same time, the position of the Liberal Party is somewhat inconclusive on this subject. It would, however, prefer a swift EU membership process for Moldova.

The failure to form a strong and stable pro-reformist government, the mega-banking theft, slowdown of judicial reform, lack of convincing measures to fight high level corruption, poor transparency of the decision-making process and other unfortunate trends have tarnished the image of the pro-European minority alliance formed by the Liberal Democratic and Democratic Party in the key EU capitals. Consequently, the Moldovan government failed to gather the necessary political support of the main EU partners, including the European Commission, to apply for official EU membership request during the Eastern Partnership Summit in Riga.

Nevertheless, all three pro-European parliamentary parties (Liberal Democratic, Democratic and Liberal) agree that the implementation of the AA must take paramount priority for Moldova. In June 2014, Moldova and the EU approved the Association Agenda that establishes a set of jointly-agreed priorities for the period 2014–2016, with a view to preparing Moldovan institutions for the implementation of the AA, including the DCFTA. The Association Agenda has replaced the EU – Moldova European Neighbourhood Policy Action Plan of 22 February 2005, and thereby created an up-to-date practical framework for achieving political association and economic integration between the EU and the Republic of Moldova.³¹ On the basis of the Association Agenda, on 7 October 2014, the Moldovan Government approved the National Action Plan for implementing the AA.³²

Above all, in accordance the Association Agenda, Moldovan authorities would have to strengthen the stability, independence and effectiveness of institutions guaranteeing democracy and the rule of law; reform the justice sector; ensuring the independence, impartiality, professionalism and efficiency of the judiciary, the prosecution and law enforcement agencies, which should also be free from political or any other undue interference; intensify the prevention of and fight against corruption in all its forms and at all levels; and ensure respect for human rights and fundamental freedoms through comprehensive cooperation regarding the protection of human rights and fundamental freedoms.

31 Association Agenda between the European Union and the Republic of Moldova, Brussels, 26.06.2014, http://eeas.europa.eu/moldova/pdf/eu-moldova-association-agenda-26_06_en.pdf.

32 Government of Moldova, Decision on approving the National Action Plan for implementing the Association Agreement between the Republic of Moldova and the European Union 2014 -2016, <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=354939>.

Despite having well-defined guiding documents on the implementation of the AA, Moldovan authorities lack the political will and a strong mandate for reforms. The resignation of the pro-European minority government led by Prime Minister Chiril Gaburici gave the pro-European political parties another opportunity to set up a pro-European parliamentary majority and to form a functioning pro-reform government. Moreover, by winning the local elections that took place on 14 and 28 June 2015, pro-European political parties got a surprisingly popular endorsement for their European integration reform agenda.³³

On 23 July 2015, after several weeks of tedious and non-transparent negotiations, the Liberal-Democratic, Democratic and Liberal parties succeeded in setting up a new governmental alliance for European Integration that pledges to accelerate the implementation of the Association Agreement. However, from the beginning there were big doubts about the readiness and willingness of the afore-mentioned political parties to undertake much needed reforms in banking, justice and the economy. For instance, the Liberal Democrat Party at first proposed Maya Sandu, acting Minister of Education, for the Office of Prime Minister. She is considered one of the most reform-minded ministers and is viewed by civil society as a symbol of combating corruption in the education system. However, Maya Sandu conditioned her appointment as Prime Minister of Moldova on the sacking the current Governor of the National Bank and the General Prosecutor, both considered responsible for failing to prevent the mega-banking theft of one billion USD. Those conditions were considered unacceptable by the Democratic and Liberal Parties and they refused to support Maya Sandu for the Office of Prime Minister. Consequently, the Liberal Democrat Party had to propose a compromise candidate in the person of Valeriu Strelet.

2.3. From the perspective of business groups

Business groups in Moldova are concerned first and foremost with the implementation of the DCFTA. Following the ratification of the AA, including the DCFTA, the business community expects a number of improvements in trade facilitation between the EU and Republic of Moldova, both due to the process of eliminating tariff barriers and reducing non-tariff barriers. Estimates suggest that the agreement will have a positive impact on the Moldovan economy by

33 At the general local elections that took place in Moldova on 14 and 28.06.2015, pro-European political parties won 58% of all votes cast, <http://www.alegeri.md/en/>.

increasing the capacity of Moldovan products to enter the EU market and by increasing Moldovan exports to the EU, up to 16% in the long-term.³⁴

Nevertheless, local businesses are apprehensive that the DCFTA requirements would be very costly and, consequently, that this could affect their production, competitive and export capacities in the short and medium-term. Their concerns are not unjustified. According to national authorities, the highest business costs are linked with the preparation of conditions and resources required for the implementation of the DCFTA. For the food safety infrastructure alone the estimated costs exceed USD 40–45 million. Furthermore, EUR 200 million is required to modernise agricultural services, and over EUR 200 million to diversify and integrate Moldova's energy infrastructure into that of the EU.

In the view of the European Business Association of Moldova (EBA), the Foreign Investor Association and the American Trade Chamber in Moldova, ensuring the rule of law, strengthening judicial independence, supporting the fight against corruption and shadow economy should all be the top priorities for the next period.³⁵ Furthermore, in order to benefit from the trade liberalisation with the EU, business groups expect that Moldovan authorities will undertake all necessary measures to ensure the implementation of the best international practices in the key areas of the trade policy, including customs procedures.

3. Recommendations

- Boosting the reform process has become a matter of urgency in Moldova, otherwise Moldovan pro-European parties and authorities risk losing domestic legitimacy and external credibility, particularly within the EU. In order to avoid this unfortunate scenario, the pro-European parties that support the AA and DCFTA have to show unity and a strong political will to implementing the reforms they have agreed upon. The new government led by Prime Minister Valeriu Strelet has to give impetus to a series of pressing reforms in the banking sector, justice, anti-corruption, decentralisation, DCFTA implementation and national security.
- Also, Moldovan authorities need to fully investigate the mega-banking theft of one billion US Dollars and develop a comprehensive financial crisis resolution contingency plan, and also identify necessary amendments

34 European Business Association (EBA), Recommendations of the Business Community on the Elimination of Constraints, Chisinau, 2015, http://eba.md/app/webroot/uploaded/Recomandarile_En_print.pdf.

35 Ibidem.

to the legislation that would allow the National Bank of Moldova (NBM) and the National Commission on Financial Stability (NCFM) to enforce supervisory and regulatory actions in a timely manner. The NCFM must be granted the necessary regulatory and supervisory powers to ensure the integrity and transparency of securities registrations and transfers, while the Ministry of Justice has to be stripped of the power to amend the content of NBM and NCFM regulations.

- In order expedite judiciary reform, as well as to increase its transparency, a high-level working group on justice sector reform has to be set up, which should meet on a bimonthly basis with the participation of all key stakeholders (the Minister of Justice, Minister of Interior, President of the Constitutional Court, President of the National Council of Magistrates, Prosecutor General, National Anti-Corruption Center, National Integrity Commission, EU Delegation representative, USG representative, Prime Minister's representative, representatives of civil society organizations etc.). The minutes of the meetings should be made publicly available.
- The reform of the prosecution service must be completed without any delay, which means that the parliament has to adopt the Law on the Prosecution Service as soon as possible, according to the recommendations of the Venice Commission. Moreover, the package of laws for the prevention of corruption (Law no. 325 of December 23, 2014, Law no. 326 of December 23, 2014, Law no. 328 of December 23, 2014, Law no. 178 of July 25, 2014) have to be fully implemented and brief quarterly reports should be published on the website of the Ministry of Justice.
- A zero tolerance approach to corruption has to be stated by all senior government officials (the President, Prime Minister, Speaker of Parliament, Chief of Justice and the Chairman of the Superior Council of Magistrates) as well as pro-European party leaders. All of them should speak publicly and often on the necessity to stop corrupt practices now. Setting up an anti-corruption committee that would monitor the implementation of anti-corruption policies by state institutions has to be a priority. The Committee would comprise representatives of government, parliament, the President's Office and civil society, including mass media, and should have public monitoring and advisory responsibilities.
- The Committee would have to organise monthly public hearings of anti-corruption reports presented by public institutions, especially

the National Integrity Commission, National Anti-corruption Center, Customs Department and the Ministry of Interior. The government and parliament have to approve the package of laws on the reformation of the National Integrity Commission and the system of declaring incomes and interests by people holding public offices, which was failed to be endorsed by the previous government. Furthermore, the parliament has to exclude administrative immunity for members of parliament, ministers and judges.

- The decentralisation process has to gain momentum. The government needs to set up a joint coordination body that also includes civil society to supervise, coordinate and streamline the pace of the decentralisation and regional development reforms. Local authorities must be offered the necessary technical assistance in applying the new decentralised fiscal system, with a particular focus on planning and performance-based budgeting. Further legal adjustments have to be made in fiscal decentralisation areas, such as personal income tax, capital investment financing, sub-national borrowing, internal and external audits. Moreover, the government has to clarify the roles and responsibilities of various tiers of the public administration by eliminating contradictory legislative provisions on central and local competencies, and approving the Registry of Competences.
- The implementation of the DCFTA has to be accelerated. Moldovan authorities and specialist civil society organizations have to increase their communication activities related to the technical aspects of the DCFTA. The institutional and technical capacities of the National Food Safety Agency must be strengthened. The implementation of measures to support the competitiveness of companies has to gain pace, with special emphasis on developing agribusiness supply chains. The product conformity procedures and regulations must be streamlined, made predictable and less expensive. Furthermore, by 31 December 2015, Moldovan authorities have to put in place a mechanism regarding the implementation of the DCFTA in Transnistria.
- In addition, in light of the Russian aggression in Ukraine, the Moldovan government has to undertake, without delay, a revision of Moldova's national security strategy and launch a comprehensive reform of its security sector. The EU is already assisting Moldova in reforming its Ministry of Interior, including the border police, mainly in the

framework of visa liberalisation dialogue. However, the EU shall broaden its assistance in this area by helping Moldovan authorities to streamline their security strategy planning and decision-making/taking processes, enhance the operational capacities of key security sector institutions and strengthen the coordination and decision-taking role/status of the National Security Council.

- And last but not least, Moldovan authorities have to develop a policy of national reintegration, which would prepare the state institutions, the state economy and the society on both sides of the Nistru River for the future reintegration of the Transnistrian separatist region. This would without doubt require a systematic national information campaign addressed to the societies living on both side of the Nistru River about the Republic of Moldova's vision concerning the resolution of the conflict and its reintegration policy.

4. Conclusion

The implementation of the AA, including the DCFTA, with the EU is major priority for the majority of civil society and the political elite. In their view, the AA is a transitory reform phase that will prepare Moldova in fulfilling the democratic, economic and institutional criteria that would enable it to request and obtain the EU membership candidate status in the foreseeable future.

The parliamentary elections which took place on 30 November 2014, were largely expected to provide Moldova with a solid pro-European parliamentarian majority and a stable government with a convincing reform mandate essential for implementing the Association Agenda with the EU. Unfortunately, contrary to all expectations, Moldova has entered into a period of political uncertainty that could jeopardise its prospects of European integration.

The failure to form a strong and stable pro-reformist government, the mega-banking theft, slowdown of justice reform, lack of convincing measures to fight high-level corruption, poor transparency of the decision-making process and other unfortunate trends have tarnished the image of the pro-European minority alliance formed by the Liberal Democratic Party and the Democratic Party in the key EU capitals. Furthermore, the relations between pro-democracy civil society organizations and the pro-European governmental alliance have become colder. Consequently, in the current context, the pro-European political parties are primarily preoccupied with their own survival and interests, and less with the implementation of the Association Agenda,

which demands a crackdown on high-level corruption and ensuring an unbiased judiciary and independent prosecutor's office.

At the same time, Moldova's European integration policy is seriously challenged by the rising populist pro-Russian parties, the Party of Socialists and Our Party (Partidul Nostru), which call for the AA and DCFTA to be denounced. Both these parties are successfully exploiting the current social discontent of Moldovan citizens and are trying to portray themselves as a pragmatic, anti-systemic, anti-corruption and anti-oligarchic political force. After this year's local elections, the Party of Socialists and Our Party (Partidul Nostru) have significantly strengthened their political representation at regional and local levels.

The good news is that the pro-European political parties managed to win recent local elections, thus obtaining a surprising popular endorsement for their European integration policy. Moldovans have given them a new opportunity to relaunch the reform process by implementing, without delay, the Association Agenda agreed with the EU. Pro-European parties also have the support of pro-democracy civil society on the condition that they will form a stable pro-European majority alliance in parliament and a strong and efficient government with a clear reform mandate.

A Focus on Ukraine

In early 2012, the EU and Ukraine initialled the text of the Association Agreement (AA), but due to problems on Kyiv's side in demonstrating tangible deliverables concerning structural reforms and the implementation of the Association Agenda's priorities, the EU delayed its signing. It was made directly dependent on progress in addressing selective justice and the implementation of the Association Agenda in Ukraine. Although some steps had been taken to amend the situation by the authorities in Ukraine, the overall attitude in the EU capitals concerning the signing of the AA was not favourable during the Eastern Partnership (EaP) summit in Vilnius. To make the situation worse, on the eve of the summit in November 2013, President Yanukovich declared the suspension of the AA signing process in Vilnius. This was done under huge pressure from Russia. This move was met with protests by Ukrainian citizens who went onto the streets of Kyiv in their millions to show their discontent. The bloody crackdown on protesters triggered a prolonged confrontation, which in the end led to a change of political elite in Ukraine in February, 2014.

To shore up the new authorities in Kyiv, the EU signed the political provisions of the Association Agreement with Ukraine on March 2014 and the remaining parts on June 2014. On 16 September 2014, the Ukrainian Parliament ratified the Association Agreement and the European Parliament gave its consent to the agreement, enabling the provisional application of the relevant provisions of the agreement on 1 November 2014 and the Deep and Comprehensive Free Trade Agreement (DCFTA) section of the agreement on 1 January 2016. The second phase of the Action Plan on Visa Liberalisation commenced in June 2014. In September 2014 the Action Plan for the implementation of the Association Agreement for period 2014–2017 was approved by the government.

In March 2015 the EU-Ukraine Association Council approved the renewed Association Agenda which envisaged ten top priority reforms to be

implemented in Ukraine. The first EU-Ukraine summit within the framework of the Association Agreement took place in Kyiv on 27 April, 2015. In a joint statement at the summit, the parties welcomed the first reform steps taken by Ukraine in key areas, notably “constitutional reform, decentralisation, the fight against corruption, the reform of the justice sector, the restructuring of the energy sector and the improvement of the business climate.”¹

Several observations can be made based on the history of bilateral relations between Ukraine and the EU, particularly within the framework of the Eastern Partnership. The first is that the pace and real substance of relations has always depended on the political groups in power in Ukraine. With the change of political leadership, the course the relationship has sometimes experienced extreme fluctuations. The second observation indicates that regardless of which political group was in charge, they all demonstrated a selective approach in fulfilling their obligations from bilateral agreements. Since 2014 many things have changed in the approach to Ukraine-EU relations and in attitudes towards each other. Transformations in Ukraine and in the EaP region did not go unnoticed in the European Union, which decided to adjust its ENP toolkit to the new realities on the ground.

To understand the prospects of change in Ukraine it is worth taking a deeper look at the main political and social actors involved in the integration process, their actions and expectations towards the EU and in the end to project the outlines of future relations from the perspective of Ukraine.

1. The state of play

1.1. Civil society

Civil society has always been a driver for the European future of Ukraine. It is no surprise that it was the position of civil society, and not politics, that was behind the change of power in Ukraine in February 2014. One should keep in mind that the postponement of a possible signature of the Association Agreement by Yanukovich’s team pushed millions of Ukrainian citizens onto the streets in a wave of resentment in November 2013. In Vilnius, against the backdrop of the Eastern Partnership summit, Ukrainian civil society activists also held a demonstration and called on President Yanukovich to sign the Association Agreement.

1 17th EU-Ukraine Summit: Joint Statement, 27.04.2015, <http://www.consilium.europa.eu/en/meetings/international-summit/2015/04/27/>.

Before the Revolution of Dignity in February 2014, the leading role in pushing Ukraine's European agenda was played by the Ukrainian national platform of the Eastern Partnership Civil Society Forum (UNP). This initiative, part of the EU-funded EaP Civil Society Forum, has united more than 180 NGOs from all over Ukraine with the aim of ensuring the country takes the European path. Since its official creation in 2011, the UNP has created numerous statements and advocacy campaigns related to the European integration of Ukraine, calling on the authorities in Ukraine and the EU to respect and fulfil their commitments as per the Association Agreement and the visa liberalisation negotiations. The Ukrainian National platform remains very active now.

Since the beginning of 2014, new civic initiatives have appeared as a reaction to strong public demand to increase participation in the decision-making process and secure the reforms path under the AA, the renewed Association Agenda and related implementation plans.

Here we can also mention the Reanimation Package of Reforms (RPR), a joint initiative of civic activists and experts who have united their resources to bring in more active civic expertise about the implementation of reforms. Particularly symbolic of this initiative is the fact that it emerged during the events of *Maidan* in 2014. When the window of opportunity arose with the change of power, enthusiasts from different Ukrainian NGOs, think tanks and volunteer projects decided to take part in setting the reform agenda and its implementation. To date there are about 300 members of the RPR initiative involved in drafting laws on reforms, lobbying their adoption as well as monitoring the implementation of the related legislation. It should be acknowledged that the vast share of the reforms the RPR works on is envisaged in the implementation plan of the Association Agreement and Association Agenda. 25 working groups are in place under the RPR umbrella, dealing with the specific topical directions of the required reforms. These groups as include a working group on European integration.²

In this vein, the necessity to establish contacts with government to make civic ideas heard and taken into account has prompted some donor structures to launch facilitation platforms. In April 2014 the International Renaissance Foundation supported the idea of civic experts to create a Centre for Reforms Support. This project was endorsed by the Secretariat of the Cabinet of Ministers of Ukraine. It is now the key communication and coordination hub between experts and government in terms of preparing urgent anti-crisis

2 Website of the Reanimation Package of Reforms, http://platforma-reform.org/?page_id=351.

reforms with the participation of civil society. The Centre actively cooperates with the RPR and other initiatives.

The “Stronger Together” awareness campaign should also be mentioned. It is a project of the NGO “Center.UA” aimed at informing Ukrainians about the benefits of cooperating more closely with the European Union and taking advantages of the opportunities connected with the Association Agreement between Ukraine and the EU. “This campaign brings together experts from the Ukrainian government, the EU Delegation in Ukraine, EU member country diplomatic missions in Ukraine, Ukrainian and European business communities and civil society partners who want to join forces and work towards strengthening democracy, supporting reform and increasing the level of awareness in Ukrainian society of the opportunities linked with the Association Agreement between Ukraine and the EU, and the Comprehensive Deep Free Trade Area”.³ The activists have elaborated the road map for European integration reforms “which contains the draft laws which have to be adopted, relating to obligations as per the AA, particularly concerning the reform of food safety standards, in the energy sector, customs services and competition procedures”. They hold regular public events with the participation of high-ranking Ukrainian officials and politicians, reporting on the success of the implementation of reforms related to the AA implementation.⁴

After almost a year of preparations, the EU-Ukraine Civil Society Platform was formed in Kyiv on 16 April 2015. It is joint civil society institution established under Articles 469–470 of the EU-Ukraine Association Agreement. The platform, together with the Association Council, the Association Committee and the Parliamentary Association Committee, is one of the official institutions established within the framework of the Association Agreement. It is planned that this committee will meet for the second time at the end of 2015, presenting its review of the implementation of the Association Agreement as well as two thematic reports: the first on the energy sector, and the second on the rule of law and anti-corruption policy, which are the chosen priority topics of interest both for Ukraine and the EU.⁵

3 Website of the project “Stronger Together”, <http://www.strongertogether.org.ua/en/>.

4 Любовь Акуленко, „Полгода работы Рады: что сделано и можно ли оставаться еврооптимистом?“, «Украинская правда», 23.07.2015, <http://www.eurointegration.com.ua/rus/experts/2015/07/23/7036212/>.

5 Statement on the EU-Ukraine Civil Society Platform – Official launch, 24.04.2015, <http://www.eesc.europa.eu/?i=portal.en.news.35487>.

It is important to mention that the majority of civil society organizations are united in their vision of the need for the comprehensive and timely implementation of reforms. Many active NGOs are part of the different pro-European platforms mentioned above.

1.2. The political elite

Under civil pressure during the Revolution of Dignity, President Yanukovych and the opposition reached an agreement on the way out of the political crisis on 21 February 2014. Although this agreement had been actively facilitated by foreign players, namely by the Ministers of Foreign Affairs of France, Germany and Poland, it was met with hostility by ordinary protesters on *Maidan*. It was seen as a sort of betrayal or political weakness on the part of Ukrainian opposition leaders who participated in talks representing protesters. It led to the continuation of a standoff and posed a real threat to the authorities which already had the blood of dozens of civil protesters, killed during this uprising, on their hands.

Following the sudden departure of President Viktor Yanukovych from Kyiv, the parliament, with the necessary constitutional majority, dismissed President Yanukovych for failing to perform his duties and appointed a new government headed by Prime Minister Arseniy Yatsenyuk.

Petro Poroshenko was elected President of Ukraine on 25 May 2014. During his election campaign he clearly stated his European orientation and readiness to undertake all the necessary steps to sign the full scope of the Association Agreement, so that the visa liberalization process could proceed.

Once the legitimised President took office the only obstacle to unleashing reforms remained the old convocation of the Verkhovna Rada of Ukraine. The parliamentary elections of 26 October 2014 drastically changed the political landscape. The five political parties that passed the 5 percent threshold formed a coalition. The coalition included the Petro Poroshenko Bloc, the Popular Front, *Samopomich* (Self-Reliance), the Radical Party, and *Batkivshchyna* (Fatherland).⁶ It can be said that this coalition is the most pro-European in its intentions to date.

The preamble of the Coalition agreement states that the majority in the parliament will strive for the implementation of reforms aimed at achieving a European quality of life for Ukrainian citizens, reducing poverty, developing

⁶ The Radical party left the Coalition on September 1, while the majority was still preserved with 281 MPs out of legally requested minimum of 226.

a competitive economy, sustainable development, the establishment of favourable conditions for doing business, reducing unemployment and creating new jobs, gaining energy independence and developing civil society. The basis for the implementation of the reforms would be the Association Agreement between Ukraine and the European Union.⁷

Following the parliamentary elections, a new government led by Prime Minister Yatsenyuk was formed on 3 December, on a reform platform. Based on the Coalition agreement, the new governmental programme also shows a commitment to the implementation of the Association Agreement.

When it comes to the parliamentary groups within the parliament of the 8th convocation, all representatives of the coalition retained their pro-European position and have managed to find a consensus in pushing major issues related to the implementation of the AA. But sometimes they possess different views regarding specific reforms which can be explained not only by the factions' positions but also by some individual approaches. That, in turn, influences the pace of transformation. The most telling and dramatic example here could be the voting on decentralisation amendments to the Constitution of Ukraine as part of the regulation of local self-governance in some areas of Donbass which took place in July (first reading) and August (second reading) 2015. The political faction *Samopomich* and the Radical party expressed a dissenting opinion and did not support the bill. Although the draft was approved in the in both cases, including backing from opposition factions, this jeopardises the final voting on amendments to the Constitution, where it is necessary to get more than 300 votes in a constitutional majority. Needless to say, both constitutional reform and decentralisation reform are indispensable parts of the Association Agenda.

Against the backdrop of European integration and the implementation of the AA, the inter-factional union “EuroOptimists” was launched in February 2015. It is an association of MPs whose aim is to promote ties between Ukraine and the European Union by reaffirming Ukraine’s European integration course, and by ensuring the effective implementation of the Ukraine–EU Association Agreement and the DCFTA. This union comprises 30 young MPs who belong to coalition factions with a strong background in civil society, journalism and the private sector. Most of them achieved prominence during the events of *Maidan* in 2013–2014. The “EuroOptimists” are very active in public life, promoting European values and principles and setting the European agenda of the parliament. Their activities have not gone unnoticed and they were invited

7 Website of the political party *Samopomich*, http://samopomich.ua/wp-content/uploads/2014/11/Koalicyjna_uhoda_parafovana_20.11.pdf.

by President Poroshenko to join the National Council of Reforms in May 2015. MPs from this union cooperate actively with the RPR initiative in preparing the draft laws from the reform agenda. The “EuroOptimists” try to contribute to the implementation of the AA by introducing related draft laws in the Ukrainian parliament, trying to persuade their colleagues from the factions to vote for these bills and, not least of all, to meet the members of parliament of the EU states to brief them on the real progress on the ground.

Although there is a general understanding between the President, the Prime Minister and Speaker of the parliament on the issues of implementing the Association Agenda and Association Agreement, the lack of joint efforts and weak coordination of activities stand in the way of implementing reforms. As the survey of the NGO “Committee of voters of Ukraine” indicated in the first quarter of 2015, only 14% of the Coalition agreement has been executed. This low figure can be explained by a different understanding of the substance of the agreement by the different factions, hysteria in producing draft laws which overlap and duplicate one another. Sometimes the norms of the agreement are not included in the working plans of related ministries and government offices.⁸ The situation changed slightly to a positive degree in the second quarter of 2015, but there were still some delays which have become a main feature of the legislative process. “Out of the 31 provisions executed in the second quarter, 7 were provisions planned for the first quarter but fulfilled late. Overall, in the first half of 2015 the state of implementation of the Coalition agreement was as follows: out of 118 planned provisions, 39 have been implemented, 13 partially implemented and 54 are in the phase of execution.”⁹

1.3. Business groups

As well as the political environment, the business landscape in Ukraine is very diverse and multi-faceted in terms of interests and business activity. It is very difficult to find a universal approach for this interest group.

To show the influence of business it is necessary to deal with two separate groups: Ukrainian oligarchs on the one hand and representatives of small and medium-sized businesses on the other. The first group, unfortunately, is the most powerful undercover lobbyist.

8 КВУ: Коаліція виконала лише 14% положень Коаліційної угоди від запланованого, web page of the “Committee of voters of Ukraine”, <http://www.cvu.org.ua>.

9 Реформи в Україні: попереду децентралізація і армія, website of the “Committee of voters of Ukraine”, http://www.cvu.org.ua/nodes/view/type:news/slug:reformy_v_Ukraini_poperedu_sud_i_armia.

Nowadays the oligarchs, who made their fortunes in the 1990s mainly by virtue of dodgy privatisation schemes in Ukraine, are considered to be the second largest evil on the pathway to European integration (after corruption). As public opinion surveys show, this view is shared by 72.5% of Ukrainians.¹⁰

Indeed the role of big financial and industrial groups in exerting influence on the Ukrainian political elite has been perversely large. Business and political power have been deeply inter-connected since the early years of independence. This still represent a significant problem now.

During the AA negotiation process (2007–2014) the following oligarchs were said to have links with the state administration, albeit to varying degrees: Rinat Akhmetov (System Capital Management), Dmytro Firtash (the Group DF), Konstantyn Zhevago (Finances and Credit), Victor Pinchuk (EastOne), Igor Kolomoyskiy (the Private Group), Sergiy Taruta (the Industrial Union of Donbass), Klyuev brothers (Urkpodshipnik), Petro Poroshenko (Ukrprominvest), Vadym Novinskiy (Smart-Holding) and Volodymyr Boyko (“Ilyich Iron and Steel Works” Group).

From the beginning of the Yanukovich presidency in 2010 until his political end in 2014, the number of oligarchs connected with politics and their influence shrank in favour of the so-called “Family Group” led by Oleksandr Yanukovich, the eldest son of the President, and some proxies like Sergey Kurchenko. Along with Dmytro Firtash (Group DF) and Rinat Akhmetov (System Capital Management), the “Family” was engaged in controlling the work of the energy sector, procurement schemes and almost all budget flows. Others tried to demonstrate neutrality in order to stay afloat, while moderate supporters or the opposition sometimes invested in various political parties.

At the same time, some Ukrainian tycoons have initiated projects which served as global or regional discussion platforms between EU politicians and officials on one side and Ukrainian authorities on the other. The role of this communication channel grew when official dialogue was suspended due to rise of the authoritarian tendencies in Ukraine in 2011–2013. The “Yalta European Strategy” summit, initiated by Victor Pinchuk (East One Group) is one of the best-known forums where prominent thinkers from the EU member states and Ukraine met. Support for Ukrainian events in Brussels was also encouraged by Rinat Akhmetov, Petro Poroshenko and other businessmen.

10 У Європі сказали, що заважає інтеграції України, 25.06.2015, <http://vysnovky.com/news/1930-u-yevropi-skazali-chogo-hochut-vid-ukrajini-na-shlyahu-integraciji>.

Some Ukrainian researchers state that almost all Ukrainian oligarchs reached an unofficial consensus in 2011 that the EU-Ukraine DCFTA was a positive step for Ukraine and its interests. The Exporters Council, under the MFA of Ukraine, which united thirteen powerful financial and industrial groups, also declared the will of big business to strengthen economic ties with the European Union. At the same time, however, the oligarchs tried to avoid putting the political issues of the AA on the agenda.¹¹

This happened due to some very important preconditions. Firstly, by acting in that manner, the majority of oligarchs sought clear European regulations to secure their assets from aggressive Russian capital or the internal “redistribution” process in favour of “the Family.”¹² Secondly, after Ukraine joined the WTO, all the main tariff procedures and quotas were determined to be clear and presented no threat to the main interests of big business. Thirdly, as dominant exporters not only to the east, but also to the EU member states as well, core financial and industrial groups prepared in advance to meet European standards and norms as a part of the DCFTA.

After the Revolution of Dignity, the influence of oligarchs weakened and changed profile. Those who openly backed and financed President Yanukovich during his term of office, had to leave the country or allow their assets to be “redistributed”. Some of them, who were previously fairly neutral, took the side of the new political elite, e.g. Igor Kolomoyskiy, Igor Palytsa (the Private Group) and Sergey Taruta (the Industrial Union of Donbass) and went on to head the regions of Ukraine (the Dnipropetrovsk, Odessa and Donetsk regions respectively) in face of the instability process instigated by Russia.¹³ This was a positive sign at crucial moment, which saved the country from the hybrid war waged by the Kremlin extending to other parts of Ukraine. Assets illegally obtained in Ukraine by the Yanukovich family, Klyuev brothers, Dmytro Firtash, Sergey Kurchenko and many others, have been seized.

In May 2014, Petro Poroshenko, leader of the Ukrprominvest Group and a staunch supporter of the protest movement, was elected to the post of President of Ukraine. This also contributed to a change in the oligarchs’ presence in politics and made the connections less publicly evident. Firstly, it

11 Зарембо К. Зона вільної торгівлі між Україною та ЄС: що думають олігархи?, 26.04.2012, <http://glavcom.ua/articles/6912.html>.

12 Світ про Україну: євроінтеграція України порятує олігархів і поховає путінську ідеологію, 07.10.2013, <http://tyzhden.ua/Politics/91019>.

13 All these businessmen left the posts of governors for different reasons, mostly when it became evident that business and corporate interests had dominated regional governance (with reference to the Private group representatives).

could be explained by the fact that he is part of the business group which was not very close to Yanukovich's team. Secondly, an anti-oligarch policy was part of his approach to public administration.

Now, some of the oligarchs who fled the country are trying to re-establish their grip on Ukrainian power as a part of a Russian scenario to simmer instability in Ukraine or as their own strategy to come back to "business as usual". The best case to mention in this respect is the activity of the Agency for Modernization of Ukraine controlled by Dmytro Firtash, who is currently residing in Austria to avoid criminal charges against him in Ukraine. In June 2015 the Agency presented its plan to elaborate a programme for the development of Ukraine, as an alternative to the EU-Ukraine Association Agreement. Reportedly, this is to be completed in September 2015. There is a strong likelihood this programme will be used by the "Opposition block" to run future election campaigns for regional and local councils in autumn this year.¹⁴

In comparison with big business, the representatives of the SME sector have not been as powerful in making their voice more distinctive and louder. This is partly because of the lack of information about the DCFTA and their experience in operating on the European markets. An example of this is a common international initiative like the European Business Association which was directly engaged in promoting European standards and the creation of business communities in Ukraine.¹⁵

1.4. State institutions and bureaucracy

It is a Ukrainian tradition and precondition of political survival to change all levels of public administration the next day after a new person takes on a high-ranking office. This has been proved to be true by the political-administrative environment created by Yanukovich's regime. Since 2010 his team has controlled all the government positions, all regional and the vast majority of district administrations. At regional level they also held the majority of votes on local councils.

As such, after the change of power in Ukraine in February 2014, the first challenge was to clean the public administration from the remnants of fallen regime. This mission could not be accomplished overnight, however, given the fact that corruption and nepotism were widespread and the legitimacy of the

14 Конфлікт Яценюка з Фірташем: олігарх презентував альтернативну програму, 10.06.2015, <http://www.radiosvoboda.org/content/article/27065333.html>.

15 Official website of the European Business Association, <http://www.eba.com.ua/uk/about-eba>.

interim government was not that strong at first. A lot of mistakes were made during nominations and political placements to crucial administration offices. The principle of political expediency and revolutionary merits sometimes prevailed over the personal qualities of new heads of ministries and regional administrations. One example of this is Dmytro Bulatov, a prominent activist of the *Avtomaidan* initiative, who claimed to be kidnapped by law enforcement agencies and tortured during the protests in January 2014. In February he took the office of Minister for Youth and Sports without any experience in this field.¹⁶ The same can be attributed to the political quota appointment of Igor Shvaika from the *Svoboda* (Freedom) party to the post of Minister of Agrarian Policy and Food of Ukraine.¹⁷ The list is extensive.

The first real improvements in this area were put into place after the presidential elections in May 2014 and continued after the parliamentary elections in October 2014.

Another problem that came to the surface during the forming of the government was the lack of skilled top managers for ministries with experience of implementing reforms. That problem was addressed in an unusual manner for the Ukrainian political reality. Some foreign experts from business and the public administration sector were invited to take on the position of ministers and senior staff of governmental institutions. At ministerial level alone there are 3: Aivaras Abromavicius (Lithuania), Minister of Economic Development and Trade of Ukraine, Alexander Kvitashvili (Georgia), Minister of Health of Ukraine and Natalia Jaresko (USA), Minister of Finance of Ukraine. There are at least three reasons for these new figures to appear in the government and other state authorities. Firstly, to manage the reforms based on their own positive experience which their Ukrainian counterparts lack. Secondly, to break corrupt ties with local oligarchs and politicians. Thirdly, to secure support for governmental endeavours from European and American officials who did not trust the reform skills of the local Ukrainian personal.

Special institutions to deal with the commitments of Ukraine made in the Association Agreement and Association Agenda have been created at presidential and governmental level. President Poroshenko established the National Council of Reforms in July 2014. The Council was formed as a special advisory body to the President of Ukraine to deal with the issues of the strategic planning, coordination and implementation of Ukraine's reform agenda. The

16 Website of Dmytro Bulatov on Wikipedia, https://en.wikipedia.org/wiki/Dmytro_Bulatov.

17 Website of Igor Shvaika on Wikipedia, https://en.wikipedia.org/wiki/Ihor_Shvaika.

body includes the Executive Committee of Reforms (ECR) and the Advisory Council of Reforms (ACR) where the executive committee is in charge of proposals for the strategic planning of reforms, their balanced implementation and monitoring. “The NRC is chaired by the President of Ukraine and includes the Prime Minister, the Chairman of the Parliament of Ukraine, the Cabinet of Ministers, the Heads of Committees of the Parliament, the Head and Deputy Heads of Presidential Administration, the leaders of parliamentary factions of the ruling coalition and representatives of civil society.”¹⁸ Dmytro Shymkiv, the Deputy Head of the Presidential Administration of Ukraine performs the function of the Director of the ECR.¹⁹

In February 2015, Petro Poroshenko established an Advisory International Council of Reforms and appointed Mikheil Saakashvili to the head the council.²⁰ It is a consultative body with the aim of finding the best foreign practices for the implementation of reforms.²¹

Between its creation and July 2015, the National Council of Reforms has had 9 meetings. It should also be acknowledged that there are 5 basic documents outlining the reform agenda for the council: the Association Agreement between the EU and Ukraine, the Strategy for Sustainable Development “Ukraine – 2020”, the Coalition Agreement, the IMF Memorandum with Ukraine and the Governmental programme for the implementation of Strategy 2020 in 2015. There are 18 reforms now in the focus of the NRC, some of which are an integral part of the Association Agreement and Association Agenda (anti-corruption, reform of the judicial system, decentralization, tax and financial sector reform, public property administration, deregulation, energy sector reform and so on).²² Although the council has some political tasks in order to link the formal leadership of reforms to the person of President Poroshenko, it proved effective in facilitating the reform process in Ukraine. For instance, from an inter-sectoral point of view, the Secretariat of the NRC coordinated

18 Official website of the National reforms Council, <http://reforms.in.ua/news/ninth-meeting-national-reform-council-ukraine>.

19 President of Ukraine Petro Poroshenko Establishes the National Council of Reforms, 23.07.2014, <http://wnu-ukraine.com/news/politics/?id=4331>.

20 Later M. Saakashvili was appointed by President Poroshenko to the post of the head of the Odessa oblast state administration.

21 Mikheil Saakashvili was appointed Head of Advisory International Council of Reforms/ Official website of the President of Ukraine, 13.02.2015, <http://www.president.gov.ua/en/news/miheyil-saakashvili-priznachenij-golovoyu-doradchoyi-mizhnar-34710>.

22 Monitoring of reforms progress in 2 quarter 2015, official web-portal of National Reforms Council, http://reforms.in.ua/sites/default/files/imce/4.1status_vykonannya_rishen_nrr_ta_monitoryng_progresu_reform_for_print_final.pdf.

the activity of the coalition governmental, as well as civic and international partners, which has resulted in the creation of a reform progress monitoring system, a crucial element of the implementation of comprehensive reforms.

At governmental level several steps have been taken to coordinate activity regarding European integration and the implementation of the agreement. First of all, a special body called the Government Office for European Integration was established in the Secretariat of the Cabinet of Ministers of Ukraine in May 2014. Furthermore, the positions of Deputy Ministers on European integration were introduced, and their appointments were approved according to the results of an open selection procedure. The scheme of interaction between central government executive authorities in the sphere of European integration was also approved.”²³

At the same time, the public appeal to establish a post of Deputy Prime Minister for European Integration remains unanswered. Some experts tend to connect this delay with the reluctance of Prime Minister Yatsenyuk to share the role of leader in the European integration processes.

Despite a sufficient institutional basis for fostering the reform process in Ukraine, some reforms still need more attention both at legislative and executive level. Anti-corruption and constitutional reforms in particular.

1.5. Economic relations with the EU

The Ukrainian economy is a deep crisis due to external and internal factors. Although there were some inherited macro-economic and structural economic weakness, the real crisis was initiated by Russian aggression toward some parts of Ukraine which negatively affected the country's capacity for production and worsened the business climate. It ended in a sharp currency depreciation, almost by half, lower investment and a drop in consumption. The fall in gross domestic product (GDP) of Ukraine as a whole for 2014 compared with the previous year was 6.8%, as the State Statistics Service of Ukraine reported.²⁴ The inflation rate was about 25% year-on-year in December 2014.²⁵ National debt almost doubled in 2014, thereby reaching the level of about 73% of GDP.

23 Report on Implementation of the Association Agreement between the European Union and Ukraine/ Government Office for the European Integration, http://www.kmu.gov.ua/control/publish/article?art_id=247976474.

24 Excluding the temporarily-occupied territories of the Autonomous Republic of Crimea, the city of Sevastopol and part of the anti-terrorist operation zone.

25 Падіння ВВП України в 2014 році склало 6,8% – Держстат, <http://www.radiosvoboda.org/content/article/26911744.html>.

To keep the Ukrainian economy afloat, official international support to Ukraine in 2014 amounted to EUR 7 billion as part of the IMF led international support programme for the country. In this context, the EU gave EUR 1.36 billion in the form of macro-financial assistance programmes and provided an additional EUR 250 million within the scope of an institution-building programme.

Since April 2014 the EU has unilaterally introduced a regime of autonomous trade preferences (ATP) for products originating in Ukraine. This preferential trade policy was a part of the afore-mentioned package of economic and financial EU assistance to Ukraine.²⁶

In 2014 the EU was the only trade partner of Ukraine which witnessed positive trends in export growth. All other trade partners demonstrated a negative trend. The volume of trade in goods and services between Ukraine and the EU amounted to USD 44 billion or 35.8% of Ukraine's total trade. Exports of goods and services to the EU for the same period amounted to 20 billion, or 31.8% of total exports. In turn, the volume of imports from the EU equalled USD 24 billion or 40.0% of total imports to Ukraine. In bilateral trade between Ukraine and the EU there was a negative balance, which decreased by USD 7 billion compared to 2013 and scaled down to USD 3.7 billion.²⁷ "Against the backdrop of 2013 when the EU and the Russian Federation represented 27% and 24% of Ukraine's export share respectively, the situation changed considerably in 2014, with the EU receiving one third of Ukrainian exports and Russia only accounting for 18%".²⁸ This change in trade can be explained both by the opportunities created by the ATP regime on the EU side and by the opposite restrictive trade policy towards Ukraine pursued by the Russian Federation.

In 2014, the exports of goods to EU countries amounted to USD 17 billion and increased by just 2.6% compared to 2013; European imports totalled USD 21 billion and decreased by 21.3%. The largest volume of exports to the EU was accounted for by the production of agriculture and the food industry with 28.0% of total exports, ferrous metals with 22.9%, mineral products with 16.2% and electrical and mechanical machinery with 12.2%. The largest share

26 The ATP regime eliminates EU import duties on 94.7% of industrial goods and 83.4% of agricultural goods and foods originating in Ukraine as well as the application of the duty-free tariff quotas towards a number of agricultural products.

27 Ukraine-EU trade in 2014, official website of the Ministry of Foreign Affairs of Ukraine, <http://ukraine-eu.mfa.gov.ua/en/ukraine-eu/trade-and-economic/ukraine-eu-trade>.

28 Implementation of the European Neighbourhood Policy in Ukraine. Progress in 2014 and recommendations for actions /Joint Staff Working Document, 25.03.2015, http://eeas.europa.eu/enp/pdf/2015/ukraine-enp-report-2015_en.pdf.

of exports were made to Poland with 15.6% of total exports to the EU, followed by Italy with 14.5%, Germany with 9.4%, Hungary with 8.9%, Spain with 6.9% and the Netherlands with 6.5% respectively. Traditionally, the Western regions of Ukraine were more active in trade with the EU. Concerning imports from the EU, the main goods were mineral products with 18.3% of total imports, chemical products with 18.2%, mechanical and electrical machinery with 17.5% and agricultural products and the food industry with 11.8%.²⁹

Consequently, the new EU ATP policy towards Ukraine does not appear to have been very effective and hardly helped cover trade losses for Ukraine due to a decrease in economic relations with Russia and the deep economic crisis as a whole.

As a result of tri-lateral consultations between the EU, Ukraine and Russia in Brussels in September 2014, the provisional application of the Association Agreement in part of the DCFTA between the EU and Ukraine was formally delayed until 31 December 2015. A joint statement stated that this flexibility from the EU's side was only "to ensure that the EU-Ukraine AA/DCFTA and the CIS FTA both contribute to a more integrated economic space in the region."³⁰ It was obvious, however, to anybody paying attention that the reason behind this was Russian pressure exerted over the authorities in Kyiv. It was even confirmed by the EU Trade Commissioner De Gucht that Russia, not Ukraine, had shaped the decision to delay the DCFTA.³¹

In 2015 the next round of three-party talks took place with Russian attempts to further extend the "sleep mode" for DCFTA. Final clarity on this issue was achieved by the EU's top officials during the Riga Eastern Partnership Summit, when it was stated that there would no more delays and the DCFTA regime would be fully operational from 1 January.³²

The current government initially adopted a number of measures aimed at improving EU-Ukraine trade. But at the same time, some new trade restrictive measures that were introduced as response to the critical macro-economic

29 Стан зовнішньоекономічних відносин із країнами Європейського Союзу за 2014 рік, експрес-випуск, Державна служба статистики України, <http://www.ukrstat.gov.ua/>.

30 Joint Ministerial Statement on the Implementation of the EU-Ukraine AA/DCFTA, European Commission, Brussels, 12.09.2014, http://europa.eu/rapid/press-release_STATEMENT-14-276_en.htm.

31 "Асоціацію ратифікували. ЗВТ відклали. Що далі?", BBC Україна, 16.09.2014, http://www.bbc.com/ukrainian/business/2014/09/140916_asosiation_eu_ukraine_ratification_az.

32 Туск розповів, коли запрацює зона вільної торгівлі між Україною та ЄС, 22.05.2015, <http://tsn.ua/politika/tusk-rozpoviv-koli-zapracyuye-zona-vilnoyi-torgivlni-mizh-ukrayinoyu-ta-yes-428833.html>.

conditions risk reversing the improvements in trade relations and worsening the business climate.

In first part of 2015 the general condition of the Ukrainian economy decreased due to the afore-mentioned negative factors still remaining in place. Correspondently, as of May 2015 Ukrainian exports of goods to EU countries amounted to USD 5 billion, or 33.5% of total exports, and decreased by 36% compared to January–May 2014. Imports of goods from EU countries reached around USD 6 billion (42.4% of the total volume) and decreased by 25.6% compared to January–May 2014.³³

1.6. Possible obstacles

The Eastern Partnership policy proposed an innovative legal framework for relations with the six partner countries. Back then, six years ago, it was seen as a progressive step to align the neighbours with European standards. Now, however, the EaP approach has reached its potential and needs new innovative and inclusive ideas.

Among the factors that slow down the process of European integration is the vague position of the EU towards the ultimate aim of the European Neighbourhood Policy, and the Eastern Partnership, in particular. The political rationale in the EU of having an open door but not giving clear membership prospects to leaders in the implementation of the EaP agenda is a big demotivating factor.

The next obstacle is Russia aggression towards Ukraine and its devastating consequences. The necessity of having to fight an undeclared hybrid war against a stronger adversary and at the same time to implement the Association Agreement or, in other words, to reform every single sector in the country, put a great burden on the Ukrainian leadership. It must be clearly stated here that restrictive measures already undertaken by European Union towards Russian leadership and its economic environment are not enough to prevent Vladimir Putin from continuing to bully Ukraine. The failure of the Minsk II agreement as a result of Russia's defiant conduct has to be levelled with more serious reaction from the European Union. It goes without saying that these efforts should be well aligned with the transatlantic partnership.

The previous point leads into the next one, associated with the necessity to precisely assess the needs and threats on the ground. The Eastern Partnership

33 Зовнішня торгівля України товарами за січень–травень 2015 року, експрес-випуск, Державна служба статистики України, <http://www.ukrstat.gov.ua/>.

policy was based on incorrect assumptions towards Russia and, consequently, towards the real challenges faced by the Eastern Partnership partner countries. Putting the security dimension aside so as not to irritate Russia and to operate with financial tool and other tools of democratic transformation proved inefficient. Ukraine is living evidence of this flawed toolkit.

It has already been said that Ukraine is now in a very deep economic downfall with serious macro-economic misbalances. In this respect, in March 2014, EUR 11 billion of financial support was pledged by the European Union and European Financial Institutions in support of Ukraine's political, economic and financial stabilization. Since then, around EUR 6 billion has been mobilised in the form of loans and grants, including an additional third macro-financial assistance programme of EUR 1.8 billion approved in April 2015. A major part of this financial aid goes to address the immediate needs of the budget deficit and problems in the social sphere.

The real issue, however, is that there are not even rough figures about the real cost of the reforms Ukraine has committed to implement. It might appear that the reform momentum in Ukraine will slow without financial fuel from external sources. Of course, it does not apply to all reforms on the check-list, but some of them need to be propped up with additional financial aid, possibly, from European resources.

2. What should be done?

2.1. From the perspective of civil society

European integration is vital for the survival of Ukraine. The progress already achieved and obstacles on the way have been briefly mentioned above. To understand the real pace and direction of reform pace, however, it is necessary to tally them with the expectations of different political and social tiers in Ukraine.

If we look at the EU-Ukraine relations through the lens of civil society in Ukraine some expectations oriented towards the EU and Ukraine itself can be outlined.

From the very beginning it worth mentioning that the vast majority of Ukrainian citizens have become more inclined to associate their future with the European path since the Revolution of Dignity. As results of the public opinion survey, held in Ukraine by the Kyiv International Institute of Sociology in February 2015, show, 47.2% of respondents are for Ukraine to become part

of the EU, while on the other hand 12.3% prefer Ukraine's membership of the Customs Union. In addition, roughly one third of respondents (27.3%) are against both integration initiatives but are in favour of a separate Ukrainian way.

Another observation that comes quite logically against the backdrop of the Revolution of Dignity and the Russian assault on Ukraine is that Ukrainian citizens have changed their attitudes towards the geopolitical orientations of development of Ukraine. Since September 2013 the camp supporting the EU integration course has increased slightly (from 41% to 47%), while the percentage of backers of the Russian-led customs union fell almost three fold (from 35% to 12%), while the percentage of people wanting independent development also increased three fold (from 9% to 27%).

The same survey indicates that "if a referendum on Ukraine's accession to the EU were held in February 2015, about 50.7% of Ukraine's residents would vote "for" EU membership – which is nearly 4 percentage points more than the percentage of people who consider EU integration course as desirable for Ukraine, meaning that a part of the population are ready to vote for Ukraine's membership of the EU as acceptable, albeit not the best option.³⁴

When it comes to the specific expectations, Ukrainian civil society is among the first demanding the equal treatment and membership prospects for Ukraine. If we look through the statements released by the Ukrainian national platform of EaP Civil Society Forum during 2011–2015, this demand becomes obvious. The same is true for visa free regime as precondition for free movement to be perceived on a personal level.

It is also interesting to take a closer look at the expert survey "Trends of Eastern Partnership" done by the Czech think-tank AMO where more than 650 were questioned in the EU and partner countries. It is therefore no surprise at all that Ukrainian stakeholders place more emphasis on the need to boost security (47.7% compared to the EaP average of 25.4%).³⁵ The need to strengthen the security domain within existing or future EU policies is articulated not just at expert level in Ukraine.

34 Julia Sakhno, "Geopolitical orientations of Ukrainian citizens: constants and changes of the last years (February 2012–February 2015), February 2015, <http://kiis.com.ua/?lang=eng&cat=reports&id=507&page=1>.

35 Vít Dostál, Nikola Karasová, Václav Lídl, "Trends of Eastern Partnership", Association for International Affairs, April 2015, http://www.amo.cz/editor/image/produkty1_soubory/trends-of-eastern-partnership.pdf.

When referring to the profound expectations of the non-governmental sector, which imply the availability of special knowledge and expertise, it has to be admitted that Ukrainian civil society is more diverse and focused on many specific areas related to the reforms under the Association Agreement, Association Agenda, Visa Liberalisation Action Plan and so on. The fact of the existence of initiatives like the Reanimation Package of Reforms, the “New Country” initiative and the Centre for Reform Support is indicative of the real interest of the civil sector to become a fully-fledged participant of the decision-making process and to be part of comprehensive transformation mechanism. Whether that should concern anti-corruption reform or decentralisation, or any other issue.

2.2. From the perspective of political elite

The unique feature of today’s political elite in Ukraine is that it originates from the protest wave which smashed away the regime of Yanukovych. On one hand, it is a very strong reminder of what might happen if the leaders do not deliver on their promises. On the other hand, in general terms, all the main political actors are on the same page when it comes to the implementation of the Association Agreement.

This is due, not least of all, to the European rhetoric they used to enter high offices from the barricades. In this vein, it is quite symbolic that Poroshenko, Yatseniuk and Klitschko were in Vilnius during the EaP Summit, and actively participated there in side events concerning civil society on the eve of tragic crack down on students in Kyiv.

Later, while running the presidential campaign, Poroshenko stated in his political programme three main dimensions for Ukraine-EU relations: visa-free regime, opening of the markets for Ukrainian business and future membership in the EU as security assurance.³⁶ Once he was elected he put the Association Agreement into the grounds of the Strategy Ukraine 2020.

During the parliamentary election campaign, almost all the political parties, which later went on to form a coalition, made references to the Association Agreement, EU or European values, reforms and experience in their political programs.³⁷ The political party “Opposition block”, a restyled the Party of Regions, also placed some points concerning the EU and Association Agreement

36 Website of the Central Election Commission, <http://www.cvk.gov.ua/pls/vp2014/wp001>.

37 Only the *Samopomich* (Self-Reliance) party did not directly mentioning the provisions of the Association Agreement or the EU but rather listed an array of reforms to be implemented in Ukraine which are also envisaged in the AA with EU and the renewed Association Agenda.

in its political programme. This representative of the future opposition camp put the issue of stepping up the peace talks with the EU's participation, and reducing the negative effects from the AA implementation for national business on its agenda.³⁸

As already mentioned above, the Association Agreement and Association Agenda have been included in the Coalition Agreement of the new parliamentary majority in the Verkhovna Rada of 8th convocation and, consequently, in the governmental plan of the new Cabinet of Ministers of Ukraine.

Therefore, on the surface, at the level of political declarations and the elaboration of plans, everything seems positive. The primary point of concern here is the political will to continue on this trajectory of implementation, and not lose pace and direction.

It is worth mentioning that, from the outset of the new political landscape, the civil society factor has been strong. The Coalition Agreement was drafted with the direct involvement of civil activists and think-tankers responsible for the direction of specific reforms. Independent experts are involved in the process of drafting the reform implementation plans.

The recent public events related to anti-corruption institutions in Ukraine, which were initiated by civil activists in response to some abuse and manipulation, clearly show that civil society is no longer like a person sat in the passenger's seat without a own say about the direction of the journey.

Not all the expectations of the political elite can be found in the joint statements and declarations of EU-Ukraine and EaP summits, some of the more ambitious ones to be shared by the European side. Here are just a few, some indicated in official documents, some mentioned at diplomatic and expert level:

- Implementation of the DCFTA provisions from 1 January 2016;
- Visa free regime between EU and Ukraine from 2016;
- Further expert and financial support of the reform process in Ukraine both at the level of EU-Ukraine relations and bilateral level with EU members;
- Enhancement of the energy security of Ukraine with the assistance of the EU and the Member States;
- Access to the internal financial EU programs;

38 Website of the Central Election Commission, <http://www.cvk.gov.ua/pls/vnd2014/wp400?PT001F01=910>.

- Applying more severe EU sanctions on Russia and preserving EU unity concerning the case of Ukraine.
- More military and defence cooperation taking into consideration the real needs of Ukraine in developing its military capabilities;
- Assistance in taking control of the Ukraine-Russian border in the Donetsk and Luhansk regions:
- Deploying EU peacekeeping or police missions in Ukraine or EU help in obtaining a UN mandate for other kinds of peacekeeping operations, if possible;
- Clear membership prospects for Ukraine of the European Union;
- Special treatment for Ukraine within the Eastern Partnership as more advanced partner.³⁹

At a basic level these interests are supported by all the major political stakeholders in the parliamentary majority and are therefore represented in the government. As far as foreign policy is concerned, this is headed by the President of Ukraine, and there may be some unity between the different branches when it comes to the core, principal issues. At operational level, however, some evidence of political competition can be traced at the level of the President and the Prime Minister regarding the lead in the implementation of reforms and controlling the European agenda in Ukraine.

2.3. From the perspective of business groups

It is interesting to note that from the initiation of the ATP regime in April 2014 until the end of last year, 5302 new Ukrainian exporters entered the EU market, while 2299 companies, previously active in this region, stopped exporting.

From the perspective of business circles it is very difficult to say anything definitive about the expectations, taking the diversity of businesses in Ukraine into account and the private interests of the oligarchs still active in Ukraine.

To explore this field we can turn to the report published by the Institute for Economic Research and Policy Consulting in February 2015. The report is based on the Institute's 2014 polls of Ukrainian industrial enterprises. The results of examining 314 industrial firms show that while 30% of large manufacturers

39 This specific expectation has been always the issue for Ukraine since the launch of the Eastern Partnership initiative. Ukraine started negotiations about AA with the EU in 2007 and that allowed the Association Agenda to be involved in relations with the EU back in 2009. Official authorities have therefore clearly demonstrated their low interest in coming to the same level as other EaP countries. Now the background has changed but the desire to have privileged relations lasts.

are active on European markets, the corresponding share of medium-sized enterprises is 17.1%, while the share of small ones is only 3%.

Ukrainian SMEs are underrepresented on the European market. The report shows that, compared to large companies, SMEs expect fewer gains from the Association Agreement between the EU and Ukraine and from the enactment of the Free Trade Area (FTA). In particular, 68.2% of Ukrainian large industrial enterprises believe that they will benefit from the introduction of the FTA with the EU. However, only 39.3% of medium-sized firms and 35.9% of small ones share these positive expectations.

Predominantly, small and medium-sized businesses do not expect any changes from Ukraine's broader access to the European market. In fact, a considerable number of them fear losses due to the envisioned FTA. Specifically, 23.8% of medium-sized enterprises and 16.7% of small enterprises think they will lose out from the introduction of free trade between the EU and Ukraine. There are fewer negative expectations among large enterprises: the related share is 10.6% of respondents.

Almost half (48.1%) of large industrial enterprises fear sanctions from Russia following the implementation of the DCFTA with the EU, whereas fewer small and medium-sized producers are concerned with this risk: 20.6% and 10.9% respectively. The report also indicates that smaller companies do not consider a possible cancellation of the free trade regime between the Russian Federation and Ukraine to be a threat to their activities. This is associated with a certain amount of risk for 16% of medium-sized industrial enterprises and 8.5% of small ones compared to 44.7% of large companies.⁴⁰

On top of this report about the expectations of SMEs, we can add the more open access to the financial and credit resources of the European Union. In this respect, the common problem of Ukrainian businesses now is the low level of awareness about the changes incurred due to the initiation of the Association Agreement, of which the DCFTA is an integral part.

3. Recommendations

- From the outset it should be clearly stated that the Eastern Partnership is the policy of the European Union towards the region of Eastern Europe and the South Caucasus. It is more about the EU being a game-changer in

40 A third of Ukraine's small and medium-sized business hope to benefit from the Free Trade Area with the European Union, website of the Institute for Economic Research and Policy Consulting, 23.02.2015, <http://www.ier.com.ua/en/publications/comments/?pid=4800>.

this region where, at the moment, the results of positive transformation are tenuous. Although it does not absolve the partner countries of responsibility to abide by their commitments, the shortcomings of the policy have to be addressed in Brussels.

- We should start here with mentioning multilateral cooperation as an added value of the EaP. The core principles of the renewed ENP should be differentiation, conditionality, the “more for more” principle, co-ownership and solidarity. But greater stress has to be placed on a more ambitious meeting of these principles. As part and parcel of the European Neighbourhood Policy, the differentiation has to tally with the real aspirations of the partner countries and their expectations towards the level of partnership with the European Union. The new phase of the EaP policy should take into consideration the real progress made by the partner countries in rapprochement with the EU. It seems very difficult to compare the progress of the Association Agreement “club” (Georgia, Moldova and Ukraine) and “sector partners” (Armenia, Azerbaijan and Belarus).⁴¹
- To continue further down this path, the “more for more” principle should deliver clear benchmarks and indicators for countries with a more progressive agenda and a successful past record. As an indication of goodwill from the EU, the transfer from neighbourhood to enlargement policy could be one motivating factor in this regard. In line with this logic, the EU might propose to the AA signatories, namely, Ukraine, Georgia, and Moldova, the possibility of further practical integration in the spirit of “everything except institutions”.
- Beyond rooting the renewed ENP policy in differentiation, some preconditions at political level have to be met to deliver positively on prosperity and stability in the region. The first and the most important precondition is the need for the European heavy political hitters to come into play. This refers mostly to the EU states which are active in foreign policy and, more importantly, are interested in the development of the Eastern Partnership region. At the moment one can admit that great work has been accomplished by the European Commission and

41 Hennadiy Maksak, “Position Paper on Ukraine”, F. Hett, S. Kikic, S. Meuser (Eds.), *Reassessing the European Neighbourhood Policy. The Eastern Dimension*, Friedrich-Ebert-Stiftung, June 2015, source: <http://library.fes.de/pdf-files/id-moe/11483.pdf>.

the European External Action Service to take stock of all consultations with stakeholders and target groups. In the months to come all the ideas and recommendations will be assessed and put into one concept for EU states to decide on the future outline of the ENP. Without political underpinning from EU leaders there is risk of the policy being the same, experiencing a slight face-lift but not being upgraded due to inherited resilience from the European bureaucracy. In a very similar way as at the start of the Eastern Partnership, with the Polish-Swedish initiative, the more externally-active EU states now have to take part in the shaping process, lobbying and persuading campaign. It is no secret that finding a consensus amongst Member States about Ukraine and Russia is a real problem. This time, however, Germany and Poland are in a good position to take the lead on the Eastern Partnership.

- In this vein, it would be very important for the future of the EaP to be an integral part of the new unionisation process in the EU. This primarily concerns the Energy Union concept and possible European Defence Union as a long-term perspective. The inclusive character of these EU integration projects in order to incorporate partner countries in the pooling and sharing of energy resources and military capacities might be mutually beneficial for creating new sub-regional energy and security space.
- Additionally, there is a process of European Security Strategy revision undergoing in parallel with the ENP assessment in the European Union. The security factor is gaining weight in EU's external activity with the need to extend the role of the EU as a security provider in the world. It means the old notion of the EU as an economic and social partner, but not a security partner, in the EaP is no longer sufficient. The Eastern Partnership should be an integral element of a future comprehensive Foreign Policy and Security Strategy (or Global EU Strategy) where all security risks of partner countries are duly addressed. It should refer both to cooperation through CFSP or CSDP initiatives, and to peacekeeping activities in partner-countries.⁴² It would also be beneficial to have a common strategy for both the EU and the EaP countries to stand up to Russian informational warfare.

42 H. Maksak, "Reference Points for the Eastern Partnership Security Agenda", position paper, June 2015, website of the EaP Civil Society Forum, http://eap-csf.eu/assets/files/EaP%20Security%20Dimension_HMaksak_June2015.pdf.

- Russia is of crucial importance as a shaper of EaP policy. The history of the Eastern Partnership is full of cases where Russia acted more as a spoiler in the region, and not a partner or at least not as a neighbour. It is quite obvious that the attitude of Brussels towards the Russian authorities will influence the survival of the partner states and the destiny of the EaP as a whole. It should be crystal clear in the Kremlin that until it returns annexed Crimea and withdraws its regular troops and weaponry from Ukraine and stops intimidating other partner countries, there will be no business as usual between the EU and Russia. The policy of sanctions has proved efficient but should be stepped up and remain active until Russian violence in the region has stopped.
- Furthermore, it goes without saying that at operational level the multilateral track of the EaP should be preserved and modernised quite extensively. It has already been stated that all the countries have very different ambitions, but some are closer in their interests than others. The separation of the “AA club” (Georgia, Moldova and Ukraine) is to be expected in this respect. This multilateral sub-path for three countries has to be provided with the relevant institutional base to deal with the EU and the more comprehensive agenda to follow. In practice, this might imply the expediency to launch additional channels of communication between the EU and these three countries at governmental, parliamentary, business and civil society level. The multilateral path for six countries needs to be enriched with some additional instruments to underpin projects of common interest. Additional resources should be allocated to a special fund to support cooperation projects with the participation of 3 or more partner countries. And last but not the least, an assessment of the multilateral path concerns the EU’s visibility in EaP countries. Definitely, this is something to work on in the years ahead partly through the Visibility Strategy for the Eastern Partnership, partly by additional means to extend European presence in the information space of partner countries. And in turn, the EU may consider how to deliver more information about EaP among member states.
- Coming back to the bilateral path it is important to state that the EaP policy should be based on the provision that each partner country has the sovereign right to choose the depth and the ultimate aim of its relations with the EU, following the aspirations in line with article 49 of the EU Treaty.

- Looking at Ukraine, the level of political association and economic integration embodied in the Association Agreement can be considered to be a sufficient framework for Ukraine to foster reforms, provided that all the parts of the document have been fully implemented, including the DCFTA provisions. The main stress should be placed on the implementation process where EU support is urgently needed. That means that the EU, through its Eastern Partnership, should become the real driving force for Ukraine to continue on the trajectory of reform.
- The first and perhaps most important expectation is strengthening the institutional capacity of Ukraine to implement the Association Agreement. The range of needs is quite diverse. To name a few they comprise an effective system of policy-making on all levels of the executive branch, a politically-neutral civil service, decentralisation and building the self-governing capacity and the administration of international technical assistance resources.
- In turn, the Ukrainian political elite should be more single-minded in pushing reforms in this field. To continue the implementation of the different actions plans on decentralisation, anti-corruption and the reform of public services this needs to fit some legal procedures (the conclusions of the Constitutional Court or time between readings in the Verkhovna Rada) but there are cases when some decisions are delayed on political grounds. That is why it is high time for a system of monitoring reforms to start.
- To create a favourable environment for the effective implementation of reforms, Ukraine needs to unleash sustainable economic growth. The EU does a lot in this realm assisting Ukraine, but some new ideas can be considered. For instance, the EU is in position to develop emergency mechanisms for preserving economic stability with the possible temporary resource support of Ukraine or temporary concessionary terms of access of critical goods to the EU market (beyond the ATP regime) in the case of a further trade blockade from the Russian side. The EU-Ukraine DCFTA should no longer be a negotiation issue with Russia. The free trade area has to be fully operational from the very beginning of 2016.
- Another possible important step is to grant Ukraine more access to the internal structural funds of the EU, e.g. to participate in the Connecting Europe Facility programme. In a joint effort with the EU, the authorities

in Kyiv have to start awareness campaigns for the Ukrainian business community to explain the conditions of working in the new economic realities under the ATP regime or DCFTA.

- For the Ukrainian authorities, it is very important to follow the reforms plan in the economic sphere concerning deregulation, public finances, the public procurement system and so on. In line with that the preparations for the DCFTA should also continue as planned.
- Against the backdrop of Russian aggression in Ukraine, developing effective military-technical cooperation between the EU states and Ukraine is of utmost importance. In this respect it is worth mentioning the possibility of initiating industrial clusters in order to include Ukrainian military potential into European joint military production cycles.
- In the sphere of energy some of the possible EU endeavours have already been briefly outlined above. On a basic level, the EU can recognise Ukraine to be a part of the common energy market by applying the corresponding European energy legislation. This outcome will considerably reduce the possibility of Russia using energy resources as political leverage. At EU-Ukraine level, in order to prevent future crises, a multilateral early warning mechanism can be created with telemetric control of the basic flows of energy resources (firstly oil and gas). It is also up to EU to shift the gas purchase point for European and Ukrainian energy companies on the Eastern border of Ukraine with Russian Federation as a common border of the Energy Community Treaty. Beyond that, trilateral EU-Ukraine-Russia negotiations on Russian gas supplies to Ukraine proved efficient to scale down the possibility of the Kremlin to use energy as instrument to exert pressure on Kyiv. And it would be beneficial to continue this practice of multilateral talks.
- Ukraine has a lot of homework to do regarding energy reform, which is especially crucial when it comes to energy saving and energy efficiency, market regulation in the energy sphere, the transparency of energy sector and access to statistical data in the energy sector. To make itself more interesting for European investors, Ukraine has to proceed with accession to the Extractive Industries Transparency Initiative (EITI) and further align its energy legislation and practice with the EU “Third Energy Package”.

- The issue of civil society development in Ukraine has been always of great importance for the European Union. The Civil Society Forum and other multilateral and bilateral platforms have proved efficient with EU support. The Neighbourhood Civil Society Facility and other EU programs have contributed significantly in building institutions and capacities in the Ukrainian NGO sector. Now the EU is initiating and fostering civil initiatives related to the transparency and inclusiveness of the decision-making process in Ukraine, especially in fields directly referring to the AA implementation.⁴³ There should be no doubt that the EU will continue on this track of empowering civil activism in Ukraine and securing public accountability. More attention should be paid to the support of the EU-Ukraine Civil Society Platform created under the AA and Ukrainian National Platform of EaP Civil Society Forum.
- Of course, introducing a visa-free regime for short-term visits of Ukrainian citizens to the EU will positively shift the attitudes of Ukrainians towards European values, culture and rules. To boost cooperation in the research and educational realm, Ukraine needs to be fully integrated to EU programs such as ERASMUS+, “Creative Europe” and “Horizon 2020”. A lot depends on Ukraine’s compliance with the rules and obligations, but political will should be evident from the EU here. Some progress has already been made. In July 2015 the parliament ratified the Agreement for the Association of Ukraine to Horizon 2020.
- There is still a great deal of work to be done exclusively by Ukrainian authorities so that partners in civil society are not viewed as foes. Some of the forms of cooperation which began in 2014–2015 give grounds for moderate optimism. If the Ukrainian authorities do not thoroughly address the shortcomings already brought to the surface by the media and civil activists, the situation will however destroy trust and legitimacy. This means that the fight against corruption, the concerted efforts of the President, Cabinet of Ministers and Verkhovna Rada to implement the reform agenda without delay and excuses, and consultation with business and civil society have to become the foundation in building a new European Ukraine.

43 It was already mentioned that with EU assistance the reform monitoring system had been elaborated recently by government representatives, civil experts and international partners under the National Reform Council.

4. Conclusion

Since the launch of the Eastern Partnership policy in 2009 Ukraine has achieved some very tangible results in its European integration. However, it is also true that the Ukrainian path to the EU has always been a hostage to political circumstances, provoked by conflicts of political and economic clans, rather than ideologies.

The Revolution of Dignity, a glorious and tragic page in the history of Ukraine, provided a new window of opportunity between the EU and Ukraine, widely believed to be based on the will of the Ukrainian people and political consensus. Unfortunately, this opportunity could be a non-starter as many more serious challenges appeared on the way. Russian intervention from outside and the weak state administration system coupled with corruption from inside are the main adversaries on this front. They are very insidious and dangerous. Ukraine is incapable of tackling these problems on its own, let alone surviving as sovereign independent state. So it is the right time and the right place for Brussels and the national capitals in the EU to be more serious about its neighbourhood and to become more strategic and ambitious. It is about the real political will to act, the principles and understanding the needs of partners.

The processes of European integration in Ukraine and the transformation of the country go not only hand in hand but rather constitute the unified activity which is fully in line with the commitments taken by Ukrainian authorities under the Association Agreement and Association Agenda. These two documents represent the road map for reforms in Ukraine. Their implementation against the backdrop of Russian aggression and deep economic crisis in the country becomes the only possible solution to preserve its existence.

The steps Ukraine has already taken in this regard have been positively assessed in Brussels, but there are more steps ahead in order for the reforms to succeed. This is about the real political will to reform, consistency and an inclusive decision-making process.

The quality of new civil society instils confidence that almost all the expectations can be met in boosting the cooperation between EU and Ukraine. But it remains to be seen how much will depend on the political will in relations from both sides, the EU and Ukraine.

About the Authors

Victor Chirila is the Executive Director of the Foreign Policy Association (Asociatia pentru Politica Externa, APE) in Moldova. He holds a Master of Science in European Public Policy from the University of Edinburgh, United Kingdom. Between 1996 and 2006, Mr Chirila worked with the Ministry of Foreign Affairs of the Republic of Moldova. During this period, he held different positions including Deputy Director of the European Integration Department, Chief of Staff of the Foreign Minister, Political Counsellor at the Moldovan Embassy in the United State of America as well as Deputy Director of the Europe and North America Department and the International Economic Relations Department. He has written a lot of analyses, commentaries and studies on European integration, Moldovan foreign policy and Transnistrian settlement, which can be found on the Foreign Policy Association website – www.ape.md.

Vano Chkhikvadze works with the Open Society Georgia Foundation. In his capacity as Civil Society Programme Coordinator, he deals with issues related to Georgia's European integration; peace initiatives, regional (Black Sea and South Caucasus) integration and ethnical minorities and marginalised groups. In 2005/06 he studied at the College of Europe in Warsaw and obtained an M.A. in European Advanced Interdisciplinary Studies. Before joining the Foundation he worked for the International Organization for Migration Mission to Georgia in 2010–2012; the European Stability Initiative in 2009–2010; the Eurasia Partnership Foundation in 2007–2009 and at the Office of the State Minister for European and Euro-Atlantic Integration in 2006–2007. Vano Chkhikvadze is a visiting lecturer of the EU Foreign Policy at the Caucasus University.

Grzegorz Gromadzki is an expert at the Stefan Batory Foundation. He worked for the foreign desk of the Polish newspaper “Gazeta Wyborcza” and the Centre for Eastern Studies (OSW) in Warsaw. His field of interest and research covers Eastern Europe and the European Union. He is the author of numerous

publications including *The Eastern Partnership after five years: Time for deep rethinking*, written for the European Parliament.

Hennadiy Maksak is a Director of the Ukrainian think-tank Polissya Foundation for International and Regional Studies and a coordinator of the foreign policy expert network Ukrainian Prism. He studied economics at the Chernihiv State Institute of Economics and Management as well as Political Sciences at the University of Warsaw. Between 2012 and 2014 he was a member of the Steering Committee of the Eastern Partnership Civil Society Forum. Mr Maksak is a member of the Civic Council under the Parliamentary Committee on Foreign Affairs. He has published numerous articles on Ukrainian foreign policy, security in Eastern Europe, the Eastern Partnership and the Euro-Atlantic integration of Ukraine.

Bastian Sendhardt is a research assistant at the Warsaw office of the Friedrich-Ebert-Stiftung. His fields of expertise include the Eastern Partnership, European integration and the European Neighbourhood Policy. He studied Political Science and Philosophy in Erlangen, Bielefeld and Krakow, and is currently a PhD candidate at the Bundeswehr University Munich.

The Stefan Batory Foundation is an independent, private Polish foundation, established in 1988. The Foundation's mission is to support the development of an open, democratic society in Poland and other Central and East European countries. In its activities the Foundation focuses on improving the quality of Polish democracy, enhancing the role of civic institutions in public life as well as developing international cooperation and solidarity. The main form of Foundation's operation is to make grants to non-governmental organizations. The Foundation runs also several in-house programmes.

The Foundation's activities are funded from grants, gifts and donations from various institutional and individual donors in Poland and abroad as well as from income from endowment.

The Friedrich-Ebert-Stiftung (FES) was founded in 1925 as a political legacy of Germany's first democratically-elected president, Friedrich Ebert. The FES, banned by the National Socialists in 1933 and re-established in 1947, is the oldest political foundation in Germany. As a private, cultural non-profit institution, the FES is committed to the ideas and basic values of social democracy. It supports and carries out political and social education, promotes research and contributes to international understanding and cooperation.

In addition, the foundation provides scholarships and supports around 2,700 students and doctoral candidates from Germany and other countries every year. The programmes are target at talented young people who are active in line with the spirit of social democracy. Particular consideration is given to talented young people from less academic and less well-off households and to young people with a background of migration.

In addition to its headquarters in Bonn and Berlin, the FES has branches in more than 100 countries. The office in Warsaw, which was established in 1990, is one of the largest outside of Germany.

The Stefan Batory Foundation

Sapieżyńska 10a
00-215 Warsaw
Poland
tel.: |+48| 22 536 02 00
fax: |+48| 22 536 02 20
batory@batory.org.pl
www.batory.org.pl

Friedrich-Ebert-Stiftung Representation in Poland

Podwale 11
00-252 Warsaw
Poland
tel.: |+48| 22 831 78 61
biuro@feswar.org.pl
www.feswar.org.pl

Three Eastern Partnership (EaP) countries – Georgia, Moldova and Ukraine – signed Association Agreements with the EU in 2014. The Stefan Batory Foundation and the Warsaw office of the Friedrich-Ebert-Stiftung launched a project entitled *The Eastern Partnership Revisited*, focussing on these countries. The result of this project is a report comprising four articles: the *Six considerations about the EaP*, a general overview and three country studies. The country studies are written by Vano Chkhikvadze (Georgia), Victor Chirila (Moldova) and Hennadiy Maksak (Ukraine), each includes a profound analysis of the current state of reforms, the country-specific actor constellations and their impact on the association process, as well as specific policy recommendations for the ongoing association processes.