



EUROPE POLICY PAPER 3/2014

## REGIONAL REPERCUSSIONS OF THE UKRAINE CRISIS

Challenges for the Six Eastern Partnership Countries

EDITED BY ALINA INAYEH, DANIELA SCHWARZER, AND JOERG FORBRIG

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# REGIONAL REPERCUSSIONS OF THE UKRAINE CRISIS

CHALLENGES FOR THE SIX EASTERN PARTNERSHIP COUNTRIES

EUROPE POLICY PAPER

JULY 2014

Edited by Alina Inayeh,<sup>1</sup> Daniela Schwarzer,<sup>2</sup> and Joerg Forbrig<sup>3</sup>

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# 1 THE ISSUE AND POLICY PRIORITIES

## The Issue

The stand-off between Russia and the West over Ukraine has important repercussions in the entire Eastern Neighborhood of the European Union (EU), affecting its security, blurring the prospect of democracy, and alienating societies. While the political attention has been concentrated mostly on Ukraine, the EU and the United States need to focus their attention on all six Eastern Partnership (EaP) countries in the region in order to dampen the implications of the current crisis and to develop a long-term regional perspective that fosters security, stability, and democracy. As the events in Ukraine have shot the issue of national security to the top of the six governments' priority lists, democracy and democratization have been pushed further down the rank of importance. The West and the region are in danger of falling into the false dilemma of prioritizing stability over democracy. The challenge is to calibrate their approaches to maintain democracy at the core of the region's development.

## Policy Priorities

The Ukraine crisis has deep implications for each of the six countries in the region, as they remain vulnerable, albeit to varying degrees, to Russia's attitude towards, and actions in, its near abroad. As the level of insecurity remains high in each of the six countries and throughout the region, the EU and United States should work to mitigate security risks posed by protracted conflicts and by Russia's renewed assertiveness. The region requires a security architecture that takes the current challenges into consideration, and demands determined action by the West towards solutions to the frozen conflicts. The EU should develop a new policy for the region that will help to unlock its economic and social potential, while addressing the obstacles that the Ukraine crisis has exposed. This new policy should prioritize democratic values, foster regional economic development, and engage societies while differentiating between countries.

# 2

## THE REGIONAL IMPACT OF THE UKRAINE CRISIS: OVERVIEW AND CONCLUSIONS

ALINA INAYEH

*As a consequence of the turmoil in Ukraine, the other countries in the EU's Eastern Neighborhood have slipped out of focus, and the implications of Russia's behavior towards this region beyond Ukraine have been largely overlooked.*

Russia's renewed assertiveness in its neighborhood and developments in Ukraine have drawn the concern of policymakers, publics, and businesses on both sides of the Atlantic. The consequences of these incidents, economically and otherwise, have been widely debated, as potential solutions have been outlined and executed by Western leaders. The European Union and United States have become directly involved in the crisis, both seeking to prevent further deterioration of the situation, while also insulating themselves from its effects. However, as a consequence of the turmoil in Ukraine, the other countries in the EU's Eastern Neighborhood have slipped out of focus, and the implications of Russia's behavior towards this region beyond Ukraine have been largely overlooked. It is important to note that Armenia, Azerbaijan, Belarus, Georgia, and Moldova are also directly affected by the crisis and share wariness of Russia's plans and actions.

### Regional Reactions to Recent Developments

Events in Ukraine took none of these countries and governments by surprise. After the developments of 2008 and the return of Vladimir Putin to the Russian presidency in 2012, there has been a growing sense of the inevitability of Moscow's aggressive behavior toward the region. Each of the countries in Russia's neighborhood has felt targeted through various means, including Russian military invasion, trade wars, and political pressure, the latter exercised mainly through the region's protracted conflicts. Each of the countries has distinct relations with Moscow, and is vulnerable to its influence or direct intervention in different ways and to varying degrees. In the 22 years since the dissolution of the Soviet Union, some countries have been more successful than others in loosening Moscow's grip, either through confrontation or compliance. While the latter may seem counter-intuitive, it has been customary since the time of great empires to create space for maneuverability

by allying with the conqueror. Today, the six countries continue to analyze and interpret current events differently, and are preparing to withstand Moscow's pressure accordingly. Despite these national differences, Moscow's renewed aggressiveness has had an overarching regional impact in three major regards: the European course of the countries, overall security, and prospects for democracy.

At a first glance, Moscow's aggressiveness has had the inadvertent result of bringing the Eastern Partnership (EaP) countries closer to Europe at an accelerated pace. Despite its refusal to do so in November 2013, Ukraine signed part of the Association Agreement (AA) with the EU in April of this year, and signed the complete accord on June 27, 2014,<sup>1</sup> the same day that Moldova and Georgia signed their own respective agreements with the EU.<sup>2</sup> While this process is under way in an official capacity, in reality Moscow's actions have made, and will continue to make, these processes even more vulnerable and reversible than before, weakening them at both the political and societal levels. The signing of the Association Agreements is not the end, but rather the beginning, of a course that requires political will, unity, and determination on the part of both the EU and the Eastern Partnership countries.

For the foreseeable future, and despite the successful conclusion of the Ukrainian presidential elections on May 25, 2014, Ukraine will be plagued with internal instability. Any government in Ukraine would find it difficult to overcome this turmoil while simultaneously undertaking the steps necessary for the implementation of the AA. Russia

<sup>1</sup> Andrew Higgins and David Herszenhorn. "Ukraine Signs Trade Agreement with European Union." *The New York Times*, June 27, 2014. <http://www.nytimes.com/2014/06/28/world/europe/ukraine-signs-trade-agreement-with-european-union.html>

<sup>2</sup> "EU Signs Pacts with Ukraine, Georgia, and Moldova." *BBC News*, June 27, 2014. <http://www.bbc.com/news/world-europe-28052645>

still has a great deal of leverage over the country, and it may use this power to impede or thwart Ukraine's European course.

Moldova faces a possible return to power of its Communist Party in this November's Parliamentary elections. The party, which is currently favored by 47.2 percent of the electorate,<sup>3</sup> opposes the Association Agreement with the EU and instead favors the Customs Union with Russia. The Communists have already stated that their first measure once in office will be the annulment of the Association Agreement (provided that the Moldovan Parliament will actually be able to ratify it before elections, in the face of pressure to prevent it). Russia supports the Communists, and is also suspected to be behind attempts to buy votes in the Moldovan Parliament against ratification of the AA.

Georgia enjoys comparatively more political stability, although political polarization between parties in government and the opposition has always been problematic and has previously led to spectacular clashes and political procrastination. Russia has close connections to certain political parties and politicians, and can complicate political processes and decisions. Policymaking in all three countries is still turbulent and vulnerable to Russian influence — a risky feature for any country constructing its European path, as the process remains reversible and its outcome are still unpredictable.

The other three Eastern Partnership countries have no immediate plans for official relations with the EU. Surprisingly, Armenia turned away from signing an Association Agreement with the EU just before the EaP summit in Vilnius in November of last year, while Azerbaijan had already declined to sign such an agreement a year before. Belarus is

<sup>3</sup> Magenta Consulting, Opinion Poll, March 2014, [http://media.realitatea.ro/multimedia/other/201403/sondaj-moldova\\_37339200.pdf](http://media.realitatea.ro/multimedia/other/201403/sondaj-moldova_37339200.pdf)

trying to rekindle its frozen diplomatic relations with the EU.

The most important weakness of the three countries that have embarked on an Association process with the EU (Moldova, Georgia, and Ukraine) is the diminished support of their populations for the process. Only one-third of Moldovans favor an Association Agreement with the EU,<sup>4</sup> while only half of Ukrainians do.<sup>5</sup> In Georgia, support for European integration has grown tremendously after 2008, and for the past 6 years it stayed at around 65 percent.<sup>6</sup> However, since the events in Ukraine erupted, this support has decreased 8 percentage points, while fear of Russia has increased by 14 percentage points.<sup>7</sup>

Societies in all of the Eastern Partnership countries are subject to the formidable Russian propaganda machine — a combination of former KGB mass manipulation techniques and resurfacing anti-Western sentiment — which emphasizes the “sins” of Western societies and the pains and sacrifices a country needs to make in order to join the West. Russia's penetrating, vivid messages are ineffectively counteracted by the boring, vague responses of European and national governments; the Russian narrative in EaP countries serves to continually chip away at popular support for the European choice. Once EU-sanctioned reforms start to bite, these unconvinced and angry populations, incensed by the powerful anti-Western messages, may work to destabilize the integration processes.

<sup>4</sup> IPP Moldova, Opinion Poll, April 2014, [http://www.ipp.md/public/files/Barometru/Brosura\\_BOP\\_04.2014\\_prima\\_parte\\_final-rg.pdf](http://www.ipp.md/public/files/Barometru/Brosura_BOP_04.2014_prima_parte_final-rg.pdf)

<sup>5</sup> Centre Ukraine, Opinion Poll, April 2014, [http://www.razumkov.org.ua/eng/poll.php?poll\\_id=919](http://www.razumkov.org.ua/eng/poll.php?poll_id=919)

<sup>6</sup> National Democratic Institute, “Public Attitudes in Georgia: Results of a April 2014 survey carried out for NDI by CRRC-Georgia,” May 2014, [https://www.ndi.org/files/Georgia\\_April\\_2014\\_Survey\\_English.pdf](https://www.ndi.org/files/Georgia_April_2014_Survey_English.pdf)

<sup>7</sup> Ibid

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*As a consequence of placing security and stability high on the agenda of EaP countries, the Ukraine crisis has also pushed democracy and democratization lower on the list of their priorities.*

The events in Ukraine have pushed the issue of national security to the top of the six governments' priority lists. As security has been a serious concern in the region for the past two decades, all of these countries have sought security guarantees, whether they be it with NATO (as in the case of Ukraine and Georgia), Russia (Armenia and Belarus), through their neutrality status (Moldova), or in a close security relationship with the United States (Azerbaijan).<sup>8</sup>

Given Russia's aggression, all six governments have now been forced to reconsider their positions in the international security architecture. Armenia desires to continue its relationship with NATO, Moldova is talking timidly about joining the Alliance, Ukraine is silent, while Georgia has regained confidence and is openly asking NATO for a Membership Action Plan, after a period of *silenzio stampa*. Azerbaijan, the least vulnerable to Russia, continues its relationship with NATO and its arms procurement from Russia somewhat unabatedly, yet it is well aware of its vulnerabilities, as explained later in this study. Regional confusion is mirrored by the lack of European determination to decide on security architecture for the region, leaving it vulnerable. Regional insecurity led the governments of Georgia and Moldova to review their priorities, and pushed the issue of reintegrating secessionist territories (Transnistria, South Ossetia, and Abkhazia) further down on their lists. The current approach is to view these territories for what they are — major vulnerabilities for each country and leverage for Russia over each country's central government — and to minimize or eliminate the negative effects Russia can have on the two countries through further manipulation of these conflicts.

As a consequence of placing security and stability high on the agenda of EaP countries, the

<sup>8</sup> The status of each of these countries' relations with NATO is described in the tables at the end of each chapter

Ukraine crisis has also pushed democracy and democratization lower on the list of their priorities. Governments in the region, and many in Europe, remain supporters of the false dichotomy between stability and democracy, prioritizing the first over the latter. The situation in Azerbaijan provides the best example: encouraged by Europe's renewed strategic interest in the country as an alternative source of hydrocarbons from Russia, President Ilham Alyiev has intensified his crackdown on the opposition and civil society. Yet his actions have received little attention or condemnation from the EU or United States. Many in Azerbaijan fear this trend will continue and that internal pressure on freedom of speech and assembly will only worsen. Belarus offers another telling example. President Alyaksandr Lukashenka has used the Ukraine crisis to get closer to all sides of the conflict. There are signs of rekindled relations between Belarus and the EU, despite the fact that EU's main condition for unfreezing the bilateral relations — the release of all political prisoners — has not been fulfilled. Domestically, Lukashenka is exploiting the crisis to create the feeling of "an enemy at the gates" in order to distract from the continued pressures on civil society and opposition. Yet while regional security should be a major concern of national governments and the transatlantic community alike, democracy in the region should not be ignored, and the West should not fall in the old trap of "stability over democracy." Ukraine itself stands as the best case study of how frail stability, and how vulnerable to external and internal pressures, actually is in a non-democratic state.

### **The Need for a Nuanced Response**

Western support for, and involvement in, the region remains critical from the perspective of all six countries. The current crisis in Ukraine should not be a deterrent for efforts to stabilize, secure, and modernize the region, but rather should be seized as an opportunity for the West and the region to

revise their approach and recalibrate their actions. The EU and United States have direct interests in the EaP countries' success; as the current crisis has demonstrated, instability in the region has spillover effects, threatening the security of the EU and NATO's eastern members, and heightening concerns over energy supplies and routes. In the long term, regional destabilization could have direct, unwanted effects on illegal migration, increase the risk of illegal trafficking over EU borders, and also augment financial and economic risks.

Therefore, the EU and United States should:

- **Focus on Ukraine, but do not forget the region.** The crisis in Ukraine is indeed posing a major challenge to the transatlantic community, and, consequently, attention has been focused on containing instability and lowering the risk of insecurity. However, the level of insecurity remains high throughout the entire region, and attention needs to be focused on mitigating risks at the regional level. Yet beyond containing the crisis and “fixing Ukraine,” both the EU and United States need to develop a coherent vision for the region that entails security, political and economic stability, and democracy. To this end, the Ukraine crisis acts as a disadvantage, both as a destabilizing factor and also by enhancing the region's portrayal as a constant source of instability and trouble, further diminishing chances for regional success. For two decades, the EU has lacked a consistent strategy for the region that would unleash its potential as a trade route, energy supplier, and stable partner. The United States has had moments of attention to such a vision, either to focus on the strategic importance of the Wider Black Sea or to promote a New Silk Road, only to concede to other priorities or interests. Yet the Ukraine crisis will be resolved only when the

country can be part of a secure, stable, and prosperous region that is no longer a “buffer zone” between the EU and Russia. The United States and EU should understand by now that this approach is the only way by which to secure their long-term interests, whether they be related to security, financial, economic, or social matters. The West should muster the political will ensure the success of these objectives.

- **Address regional security.** The EU and United States must decide on a security architecture for the region, and need to address the frozen conflicts in Transnistria, South Ossetia, Abkhazia, and Nagorno-Karabach. With Russia acting less like a partner and more like a foe, the EU and United States are faced with a new security reality in Central and Eastern Europe, with direct implications for NATO, and, generally, for the European security architecture. While the pillar of the transatlantic cooperation framework will unlikely waver, some elements will require a renewed approach. Events in Crimea and eastern Ukraine have shown that a threat to security in the region has direct implications on the NATO and EU members near its borders, and thus the need for enhanced security in these member states should be adequately addressed. It follows that additional attention must be paid to assets in the countries in the Wider Black Sea region (pipelines, ports, airports) of importance to transatlantic security and economic stability, so that cooperation with these countries on these issues may be intensified. For the last 22 years, the EU and the U.S. have largely ignored the frozen conflicts in the region, and permitted Russia to prolong them by skirting responsibility. Russia was allowed to maintain its troops, renamed “peacekeeping forces,”

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on some of these territories, which weakened Organization for Security and Cooperation in Europe (OSCE) efforts to negotiate and stabilize these conflicts and reduced the impact of these negotiations. The EU and United States should strive to limit Russia's destabilizing power and push for serious negotiations and sound political solutions to these conflicts.

- **Invest in a new Eastern Neighborhood Policy that has democracy at its core, involves societies, and differentiates between countries.** The EU needs to learn from past mistakes and take the new reality into account. Its new policy should be tailored to address each country as needed. In its relationships with its Eastern partners, the EU should avoid imposing a choice between itself and Moscow, and should instead highlight the benefits of closer relations. As security remains the main concern of these countries, a new policy for the region will need to address these issues on an individual basis, as outlined above. Concerted attention should be paid to human rights abuses and democratic deficits in Belarus and Azerbaijan. In addition, the EU should focus on utilizing fear of Russia in Belarus and desire to modernize in Azerbaijan as useful levers in its respective relationships. In each of the countries, the EU will need to redefine its partnership with the society, designing programs that are targeted for each country's unique attitudes, for example differentiating between a generally friendly Georgia from a more reluctant Moldova. Economic cooperation envisaged by the Association Agreements (AA) and accompanying Deep and Comprehensive Free Trade Agreements

(DCFTA) might well help the countries in the region advance their economies, yet the EU will need to invest more substantially in the democratic institutions in these countries, since they are essential for long-term stability and progress. The new approach needs to engage societies as well as governments, while democracy promotion should not be limited to cooperation with only pro-European political parties. Student exchanges, people-to-people contacts, and cultural and religious activities need to be better emphasized and employed as tools to promote European values and principles. Each of the countries in the region has its own context, strengths, and vulnerabilities, so the approach needs to be tailored accordingly from country to country and be adapted to local circumstances.

- **Strengthen transatlantic cooperation in the region.** The main lesson that can be drawn from the Ukrainian crisis is that the EU and United States need to reinforce and coordinate their support to the region. While European interests are more directly and obviously connected with the region, recent events have shown that instability at Europe's borders affects U.S. interests as well. Addressing the challenge posed by Russia requires enhanced transatlantic cooperation, and Western countries will need to combine forces to reach a new regional policy, one that reflects the transatlantic approach to, and interest in, the region and that would be best implemented synergistically.

*Alina Inayeh is the director of the Bucharest office of the German Marshall Fund.*

# 3

## ARMENIA: THE BESIEGED FORTRESS

ARA TADEVOSYAN

### Reasons for Turning Away from the EU

A few weeks before the Eastern Partnership summit in Vilnius in November 2013, Armenia suddenly decided not to sign an Association Agreement with the EU, which it had been negotiating for four years, and to become a member of the Moscow-led Customs Union instead. Since the dissolution of the Soviet Union, Armenia has been a close ally of Russia, hosting a Russian military base and remaining tightly connected to Moscow economically. Like the other five countries in the Eastern Partnership, Armenia had been offered an Association Agreement with the EU in exchange for reforms aimed at aligning its internal institutions and processes with the EU standards. Armenia's recent sudden refusal to sign the Association Agreement strongly indicated the country's deep dependency on Moscow and its perceived lack of alternatives to follow another path.

Armenia's unexpected choice to stray away from the Association Agreement infuriated EU officials, and left many wondering why the Armenian government had invested four years into negotiating an agreement in which it ultimately decided it was not interested. There was no indication throughout the communications between the EU and Armenian government during the negotiation process that this would be the outcome — both Armenians and EU officials appeared to be genuinely waiting to formalize their relationship at the Vilnius summit. A statement made 15 years ago by the then foreign minister, Vardan Oskanian, is particularly helpful at shedding light on Armenia's unexpected reversal of course: "Contradictions between the U.S. and Russia have become more exacerbated than ever before. In case of further exacerbation of relations, we will be forced to repudiate the principle of complementarity and make a choice between the

U.S. and Russia."<sup>9</sup> Fifteen years later, as Russia started its offensive against what it considered to be an intrusive European Union, Armenia was forced to make this choice. Yet, as many foresaw and as the recent Customs Union Summit in Astana proved, now that Armenia has turned away from the EU, Russia has little genuine interest in Armenia becoming a member of the Union, a membership that makes little economic sense as the country has no physical border with any other member of the Union. Moreover, as President Serzh Sargsian comes to understand, the eventual membership would affect Armenia's relation with Nagorno-Karabach, which would not be accepted as a member, putting Armenia in a position to de facto recognize the independence of a territory it regards as its own. As a result, Armenia is now stranded in a foreign policy quandary it cannot solve, and is more isolated than ever.

### Relations with NATO

As one might expect, Armenia's relationship with the EU cooled down considerably following its decision not to sign the Association Agreement. This breakdown of relations, however, has not necessarily been a primary point of concern for Armenia. Rather, Armenia's relationship with NATO, as well as bilateral military ties with the United States, have dominated more of its foreign policy focus. NATO officials would like to see relations with Armenia continue, and have been relatively unaffected by Armenia's choice of the Customs Union over the EU's Association Agreement; this position is shared by representatives in Armenia, as well. Despite this agreement, Yerevan is not fully in control of its own future. It is highly probable that a further strain on relations between Russia and the West and a potential freeze of the NATO-Russia Council

<sup>9</sup> Quoted in Ara Tadevosyan, "What losses will Armenia endure as a result of the Ukrainian crisis?" Mediamax, March 10, 2014, <http://www.mediamax.am/en/column/12496/>

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will result in Moscow trying to use its influence on Yerevan to hinder the further development of NATO-Armenia relations. Since Armenia gets most of its armaments from Russia, Moscow could easily manipulate this arrangement.

Such a freeze of relations would not only anchor Yerevan's geopolitical choice for the near future, but would also deprive it of any opportunity to take advantage of the privileges for defense reforms, modernization of military education, and building of peacekeeping capabilities that accompany a partnership with NATO, which has helped to make the Armenian army modern and competitive.

#### **The Legacy of Conflict**

Armenia has a history of giving priority to security concerns, going back to the 1993 war over Nagorno-Karabakh. The legacy of this war affects Armenia to this day. Armenia will soon celebrate the 20<sup>th</sup> anniversary of its ceasefire with Azerbaijan, marking two decades of a freeze in its relationship with its neighbor. Given the war and the "brotherly" relationship between Turkey and Azerbaijan, Armenia's border with Turkey has consequently been closed for almost for 20 years. Armenia is seen as a "besieged fortress" by both Turkey and Azerbaijan, and there are no major changes in this status on the immediate horizon. Perhaps ironically, the conflict that froze relations within the region helped to renew cooperation between Russia and the United States during a phase in which the tension between the two countries had reached its peak. When U.S. President George W. Bush took office in 2001, a few months after Vladimir Putin became Russia's president, Russian-U.S. relations were largely viewed to be "falling into the abyss." Yet, many believe that the talks held in April 2001 between the Armenian and Azerbaijani presidents in Key West, Florida, served as a catalyst for improved U.S.-Russian relations. In particular, *The Washington Post* published an editorial following

the meeting saying: "U.S. administration officials say the Nagorno-Karabakh talks provided a chance for the Bush and Putin governments to work together cooperatively after months of tension over spies and arms-control issues."<sup>10</sup> Further, then National Security Advisor to the U.S. President Condoleezza Rice claimed that the Nagorno-Karabakh conflict settlement was a "good example of U.S. cooperation with Russia and France."

At present, neither Moscow nor Washington challenge their partnership within the OSCE Minsk Group, the official format for the negotiation of a resolution to the Nagorno-Karabakh conflict. Yet, in the present global context, there is the possibility of a breakdown in the triple co-chairmanship structure that currently exists, with Russia likely to nominate itself as the sole mediator in the Nagorno-Karabakh talks. This move would presumably trigger the opposition of Azerbaijan's President Ilham Alyiev. However, even if he has more space to maneuver than his Armenian counterpart, he will still find it difficult to create an overt confrontation with Russia. Moreover, it is uncertain how Russia and the West would interpret the principle of self-determination based on the Crimean precedent.

It is important to note that the only resolution of the Nagorno-Karabakh conflict acceptable to Armenians — both those living in the country and those living abroad — is the one favoring their country. However, given the stalemate of the negotiation process and Azerbaijan's increased support by the West, such a resolution is unlikely to be reached any time soon. Until then, the danger of war will linger over the country. Although relations with Turkey are less threatening to the Armenian public today, in 1993, when the Nagorno-Karabakh war began and Turkey chose to close its borders

<sup>10</sup> "Brokering Regional Conflicts," Editorial, *The Washington Post*, April 16, 2001.

with Armenia, while also providing weapons to Azerbaijan, Turkish troops were amassed at the Armenian borders. At that time, the Russian military base and Russian jets based in Armenia served as an important deterrent against the Turkish, and were definitely perceived as a desired, and necessary security guarantee by Armenians.

Beyond foreign policy preferences, Russia's military presence in Armenia has provided a certain tranquility to the "besieged fortress." Despite the strong criticism of Russia prevalent in Armenia, Armenians (some loudly, some quietly) feel relieved

when they read about the new Russian S-300 or S-400 missile systems in Armenia, although they pay little attention to the fact that these missiles belong to the Russian military base and not to Armenia itself. Still, this is the price Armenians must pay for the fragile peace arrangement in Armenia and the Nagorno-Karabakh region. The Armenia of today is not capable of maintaining a power balance without Russian armament, which is provided partially at no cost, and partially at discounted prices.

Armenia	
Relations with EU	EU continues cooperation with Armenia in all areas compatible with its choice to join the Customs Union. Until 2013, inclusively, Armenia benefited from financial assistance from the EU. The Visa Facilitation and Readmission Agreements entered into force on January 1, 2014. (Source: EEAS, European Commission, 2014)
Relations with NATO	Armenia cooperates with NATO on the Individual Partnership Action Plan (IPAP), which is jointly agreed for a two-year period. The last IPAP was launched in 2011. Currently, Armenian and NATO representatives are finalizing a new IPAP for 2014-16. Armenia is involved in the Partnership for Peace (PfP) program, the PfP Planning and Review Process (PARP), and the Euro-Atlantic Partnership Council (EAPC). It consults with the Allies on political and security issues, including relations with neighbors, democratic standards, rule of law, counter-terrorism and the fight against corruption. Armenia contributes troops to the Kosovo Force, but does not seek membership in NATO. (Source: NATO, 2014)
Trade with Russia as percent of total Armenian trade	Exports: 19.5 percent (nr.2); imports: 24.7 percent (nr.1) (2012)
Trade with EU as percent of total Armenian trade	Exports: 39.2 percent (nr.1); imports: 23.7 percent (nr.2) (2012)
Russian FDI as percent of total FDI in Armenia	21.62 percent in 2013
Migration to Russia* as percent of total legal migration from Armenia	74.7 percent (2012); 89 percent of remittance comes from Russia (2012)
Migration to EU* as percent of total legal migration from Armenia	9.1 percent (2012)
Russian minority in percent of Armenian population	0.4 percent (2011 estimates)

\* Number of migrants is expressed according to country of residence; the calculations were made in 2011-12 by the Migration Policy Center based on a previous assessment as well.

Statistics Sources: WTO, CIA World Factbook, The Migration Policy Center-EU, U.S. State Department, IOM, CASE, and local official sources.

*Scenarios for Armenia's future development perspectives will have to balance the country's interest in ensuring its physical security with its economic development.*

The Armenian president's November 2013 decision to allow Armenia to join the Russian Customs Union is proof that Armenian authorities are currently ruling out the possibility of changing the regional status quo. With this decision, Armenia acknowledged its struggle to ensure its own security without Russia, or to make decisions of which Moscow does not approve. Armenia also gave up on any attempts to challenge this reality and seek an alternative way out of its besiegement. As such, when EU Commissioner for Enlargement Stefan Füle arrived in Yerevan in September 2013, he was surprised by the altered political atmosphere. Just a month earlier, Füle had been met with abundant statements of Armenia's intention to initial the Association Agreement at the Vilnius Summit. However, when he returned, Armenian authorities explained that their reversal in foreign policy approach could be boiled down to the fact that "Europe offers us only values," while Russia offers weapons.

### **Balancing Interests**

A particular challenge for Armenia is that economic growth in Turkey and Azerbaijan is quite strong, which tilts the balance of power in the region to Armenia's disadvantage. In 2013, according to a report of the news agency *Trend*, the volume of foreign investment in the economy of Azerbaijan reached \$28 billion, and its strategic monetary reserves reached \$50 billion. However, the Armenian economy will likely not reach such levels in the coming decades. Scenarios for Armenia's future development perspectives will have to balance the country's interest in ensuring its physical security with its economic development.

Given this, one possible scenario for Armenia is a form of integration with Russia that would make Armenia and Nagorno-Karabakh an integral part of Russia, rendering Turkish and Azerbaijani military pretensions almost impossible. In this case, Armenians would have their physical security guaranteed by Russia. As a consequence, however, Armenia might have a partial or complete loss of identity.

A second scenario is that the "besieged fortress" is transformed into just a "Fortress." Weak fortresses are easy to besiege, and strong ones less so. Armenia needs to become a strong country, one that reaches its full economic and social potential, takes advantage of opportunities to develop, and plays the regional role that its unleashed potential will offer it. The ultimate objective, but also challenge, would be to strengthen Armenia to such a degree that the price to besiege it would be too high, both from Azerbaijan's and Turkey's perspective.

In the face of permanent external uncertainty, internal consolidation for Armenia might make a great difference. However, such consolidation requires genuine democratization, introducing true rule of law, a resolute fight against corruption, and long-term development projects. The longer these measures are delayed in Armenia, the more likely it is that the more adverse foreign policy scenarios will become a reality for the country.

*Ara Tadevosyan is the director of Mediamax News Agency in Yerevan.*

# 4 AZERBAIJAN: POTENTIAL BENEFITS AND HIGH RISKS

SHAHIN ABBASOV

The energy-rich South Caucasus state of Azerbaijan is one of the countries that benefits from the confrontation between Russia and Ukraine. While other neighboring countries are destabilized, Azerbaijan is seeking to strengthen its position as a regional energy power, as well as a reliable partner of the West in the region. However, the growing strategic importance of countries like Azerbaijan for the European Union and United States may in turn mean that the West becomes less critical of human rights and democracy issues in the respective countries. Azeri civil society can already feel these effects.

## Relations with the West

Azerbaijan is likely to attract greater Western support for its energy and security projects, since the European Union and the United States are presently seeking alternatives to Russian gas, as well as transit links to Afghanistan for withdrawal of NATO troops from the country. Upon the suspension of U.S.-Russia military cooperation on Afghanistan, Azerbaijan's relevance to the U.S. approach to the region has risen considerably; the country remains the only reliable route for the withdrawal of NATO troops, personnel, and weaponry from Afghanistan.

The withdrawal of U.S. troops and cargo from Afghanistan via Azerbaijan reportedly started in October 2013.<sup>11</sup> The current volume is about 40 percent of cargo and troops leaving the theater, and it is expected that it will reach at least 60 percent by the end of 2014.<sup>12</sup> High-ranking consultations on this issue between Azeri and U.S. and NATO officials are expected to be conducted later this

year, illustrating the country's important role in the conflict.

Could Moscow put pressure on Baku to slow down this cooperation? While Moscow does have some leverage over Azerbaijan (as discussed below), this issue does not fall into that category. Azerbaijan's role in the NATO transit from Afghanistan is far too important in the current climate for the United States to allow Moscow to interfere, and Moscow is aware of the gravity of the situation. Baku has consolidated its role as a partner to the United States a few years ago, easily approving transit via its territory. It then sealed the deal by allocating more than \$2 million to support the Afghan army over the past few years. President Ilham Aliyev considers this relationship to be of strategic importance, as it offered the country some security guarantees against Russia. An added benefit for Aliyev is that Azerbaijan's allegiance has afforded him a respite from Western criticism on violations of human rights and weak democracy in the country.

As a result of the Ukraine crisis, Baku could stand to benefit not only from its security cooperation with the United States, but also as an increasingly important gas supplier to Europe. Given tense relations with Russia, the EU is paying more attention to alternative sources of hydrocarbons, while the United States is eager to support its transatlantic partner in becoming energy independent. In early April 2014, U.S. Secretary of State John Kerry, who is expected to visit Baku and Tbilisi later this year, said that "getting more gas from Azerbaijan to Europe is on today's agenda."<sup>13</sup> Kerry stressed that the United States and the EU have a lot of work to do in order to diversify their energy supplies, and supplies from Azerbaijan will be a major part of this process.

*Azerbaijan's strategic importance for the West could have negative implications for the country's local civil society and opposition activists who currently face repressions and are under constant government pressure.*

<sup>11</sup> "Transit of the U.S. Forces through Azerbaijan Begins," Contact, October 2, 2013, <http://www.contact.az/docs/2013/Politics/100200051998ru.htm#.U4bgzNFZqM8>

<sup>12</sup> Jasur Sumarinli, head of Doctrina think tank and local military analyst, interview with author, April 2014.

<sup>13</sup> Badalova, Aygun, "U.S. Secretary of State: Getting more gas from Azerbaijan is on today's agenda," Trend, April 3, 2014, <http://en.trend.az/capital/energy/2258711.html>

*As a result of the Ukraine crisis, Baku could stand to benefit not only from its security cooperation with the United States, but also as an increasingly important gas supplier to Europe.*

Starting in 2019, Azerbaijan is expected to supply about 10 billion cubic meters (bcm) of gas from the “Shahdeniz-2” field to the southern European countries of Greece, Albania, and Italy, as stated by SOCAR Vice President Elshad Nasirov at a press conference in Baku on April 29, 2014. For this purpose, two new gas pipelines — Trans-Anadolu Pipeline (TANAP) and Trans-Adriatic Pipeline (TAP) — are to be constructed. However, there is no need to wait until 2019. Should the EU finance the construction of a short, 180 kilometer interconnector between gas distribution networks in Turkey and Bulgaria, which could take a few months and would not require large investments, Azerbaijan could start to send supplies of up to 2 bcm of gas to Bulgaria as early as the end of this year.

Azerbaijan has been increasing gas production recently and it could, therefore, increase volumes of gas for Bulgaria and to the neighboring EU countries of Romania and Slovakia in the near future. It could even help supply Ukraine through reverse-flow pipeline from Slovakia to Ukraine. Azerbaijan is also interested in the AGRI (Azerbaijan-Georgia-Romania-Interconnector) project of liquefied natural gas (LNG) deliveries to Romania and Ukraine. This idea was largely overlooked due to high cost and lack of investors, but the EU and United States could revive it if they are serious about alternative sources of energy.

Along with Azerbaijan’s own gas, deliveries of Turkmen gas to Europe — another prospect considered by the EU as a substitute to Russian supplies — are possible only via Azerbaijan. Significant volumes of Iraqi (and eventually Iranian) gas could similarly reach European consumers through the TANAP pipeline in Turkey, which is also controlled by Azerbaijan. Shortly before the Ukraine crisis erupted, Azeri Foreign Minister Elmar Mammadyarov visited Baghdad and officially offered Iraqi authorities the use of

the TANAP and TAP pipelines for gas supplies to Europe. All of these projects are only possible if the EU finds the political will to move ahead with its quest for alternative sources, which is no easy task for the 28-member union. Even if these projects do not materialize, Azerbaijan will still maintain its strategic importance as long as it remains a potential alternative source of gas for the West, and President Alyiev has played this card very skillfully.

However, Azerbaijan’s strategic importance for the West could have negative implications for the country’s local civil society and opposition activists who currently face repressions and are under constant government pressure. Out of need for Azerbaijan’s support on energy and security issues, Washington and Brussels have shown signs of compromising on human rights and democracy problems in Azerbaijan, and they have avoided putting appropriate pressure on President Aliyev to rectify the situation. This trend is illustrated by several recent developments in Azerbaijan, including the government repression of NIDA (which means “exclamation” in Azeri) youth group activists; long prison sentences for prominent politician, leader of “Republican Alternative” (REAL) movement and civil society activist, Ilgar Mammadov, and of deputy chairman of opposition Musavat party, Tofiq Yagublu, as well as the arrest of prominent journalist Rauf Mirkadirov, and pressure on human rights defender Leyla Yunus. Judging by the West’s pragmatic positions on such issues in the past, the Ukrainian crisis may serve as a deterrent to the domestic reform process in Azerbaijan.

Unlike in Georgia and Moldova, where full European integration is a stated goal of the government and a centerpiece of the public debate, a closer relationship with the EU does not seem to be a priority for either policymakers or the wider society in Azerbaijan. At the Vilnius summit in November 2013, not only did Ukraine not sign the Association Agreement, but neither did Azerbaijan.

Unlike Kyiv, however, Baku had announced its decision a year earlier. While the decision of Ukrainian authorities brought thousands of Ukrainian protestors to the Maidan in Kyiv, there were no protests in Azerbaijan. There was no media attention, not even from the few open minded and less controlled media outlets — the issue went unnoticed by the Azeri public.

The Azeri government seeks a relationship with the EU that suits its importance as an energy supplier and its aversion to political reforms. While Azerbaijan declined the offer of an Association Agreement in 2012, it has continued talks with the EU on visa liberalization and closer economic relationships. It offered the EU a *modernization agreement*, based on “mutual respect and equality of rights of the parties”<sup>14</sup>, which outlines its economic importance but would not require Baku to undertake any political or institutional reforms. The EU has not yet offered an official reaction to this proposal.

### Relations with Russia

While cooperation with the West is the key policy priority of the Azeri government, it pursues this course very carefully, in order not to spark confrontation with the Kremlin, which still maintains some strong levers of influence over the country. The government in Baku has been very cautious in expressing positions or views on the Ukraine crisis and on Russia’s actions, generally avoiding any statements on the issue, which notably is largely absent from the public debate. Azerbaijan is less vulnerable to Russian pressure and influence than many other Commonwealth of Independent States (CIS) countries. Armenia depends on Russia economically, financially, and for security, with Russian troops based there to supposedly protect its borders. Ukraine and Kazakhstan have

large and organized Russian minorities, which increase Moscow’s destabilization potential in those countries. Kyrgyzstan depends on Russian investments and loans and hosts a Russian military base, while Moldova has Russian troops based on its soil in Transnistria.

Azerbaijan does not host Russian troops on its territory, nor does it does not have a large and organized Russian minority within its populace. Furthermore, Russia is not Azerbaijan’s biggest trade partner, and Baku does not rely on Russian loans or investments. In this regard, Baku enjoys more independence in its domestic and foreign policy, which Aliyev actually uses in balancing his country’s foreign policy. After the annexation of Crimea by Russia, Azerbaijan was among the three CIS countries (together with Georgia and Moldova) who voted in favor of the pro-Ukrainian resolution in the United Nations.<sup>15</sup> Aliyev also initiated a very active regional diplomacy campaign, receiving Turkish Prime Minister Recep Tayyip Erdoğan in Baku, followed by the visit of high-ranking Turkish military officials, visiting Iran, and meeting with Turkmen Foreign Minister Rashid Meredov. In addition, Israeli Foreign Minister Avigdor Lieberman traveled to Baku in late April 2014, while Secretary Kerry will visit Baku and Tbilisi by the end of this year. It is also expected that Aliyev will eventually receive an invitation to pay an official visit to Washington (during his 11 years in office Aliyev has never been invited to the White House). At the same time, it is unlikely that he will visit Moscow anytime soon.

Yet, despite Aliyev’s recent efforts to mark his independence, Moscow still retains a strong influence on Azerbaijan in three areas:

*Baku does not rely on Russian loans or investments. In this regard, Baku enjoys more independence in its domestic and foreign policy, which Aliyev actually uses in balancing his country’s foreign policy.*

<sup>14</sup> Rustavi 2 News, November 26, 2013, [http://rustavi2.com/news/includes/get\\_news\\_print.php?id\\_news=50248&ct=0](http://rustavi2.com/news/includes/get_news_print.php?id_news=50248&ct=0)

<sup>15</sup> Radio Free Europe, “UN Passes Resolution Calling Crimean Referendum Invalid,” March 27, 2014, <http://www.rferl.org/content/ukraine-un-passes-crimea-resolution/25312158.html>

- **The Nagorno-Karabakh conflict.** Russia exercises major influence in the conflict as well as over Armenia, and might provoke a new war in Karabakh, which Azerbaijan could lose because of Moscow's support for Yerevan. It is unlikely that Moscow will use this lever in the short-term, because in such a scenario, Moscow might risk its positions in the South Caucasus. Moreover, in the case of a new

military conflict in Nagorno-Karabakh, Turkey could interfere on Azerbaijan's side, forcing Russia into another confrontation with the West.

- **Unresolved legal status of the Caspian Sea.** Russia could use this situation to justify military action in the Caspian Sea against Azerbaijan's or Turkmenistan's assets (oil and gas rigs), should the two latter governments

Azerbaijan	
Relations with EU	In 2013, three agreements — a Visa Facilitation Agreement, a Readmission Agreement, and a Mobility Partnership — were signed, offering easier travel access between Azerbaijan and the EU. Financial assistance in Azerbaijan from the EU tends to focus on human rights and democratic consolidation. (Source: EEAS, European Commission, 2014)
Relations with NATO	Azerbaijan has an Individual Partnership Action Plan (IPAP) agreed for two years, the third one was signed in 2011. Key areas of cooperation include good governance and democratic control of the defense and security sector. Azerbaijan is also part of the Partnership for Peace (PfP), the Planning and Review Process (PARP), and the Euro-Atlantic Partnership Council (EAPC). Azerbaijan contributes to the Kosovo and Afghanistan missions. NATO has no direct role in negotiations aimed at resolving the Nagorno-Karabakh conflict, conducted in the OSCE Minsk Group framework. (Source: NATO, 2014)
Trade with Russia as percent of total Azerbaijan trade	Not in top 5 for exports; imports: 14.3 percent (nr.3) (2012)
Trade with EU as percent of total Azerbaijan trade	Exports: 47 percent (nr.1); imports: 27.7 percent (nr.1) (2012)
Russian FDI as percent of total FDI in Azerbaijan	36.1 percent (2013)
Migration to Russia* as percent of total legal migration from Azerbaijan	88.8 percent (2012) ; 60 percent of remittance comes from Russia (2012)
Migration to EU* as percent of total legal migration from Azerbaijan	3.6 percent (2012)
Russian minority in percent of Azerbaijan population	1.3 percent (2009 Census)

\* Number of migrants is expressed according to country of residence; the calculations were made in 2011-12 by the Migration Policy Center based on a previous assessment as well.  
 Statistics Sources: WTO, CIA World Factbook, The Migration Policy Center-EU, U.S. State Department, IOM, CASE, and local official sources.

reach the political decision to build the Trans-Caspian pipeline, which would deliver Turkmen gas to European markets via Azerbaijan. It is a very strong lever of which both Baku and Ashgabat are aware, lessening the likelihood of decision on the pipeline in the near future.

- **Inciting separatism among ethnic minorities (mainly Lezgis) in northern provinces of Azerbaijan bordering the Russian Republic of Dagestan.** Russian security services have a strong influence on these minorities and could potentially provoke a serious conflict in this area. However, Moscow would use this lever only in an emergency situation, as such

separatist movements could provoke further security troubles for Russia in its own region of the Northern Caucasus, mainly in Dagestan.

These vulnerabilities necessitate that Azerbaijan position itself as an important partner for the West. Even if this relationship does not offer security guarantees, Russia is less likely to create trouble with one of Europe's major gas suppliers and the United States' security partner, as Azerbaijan aspires to be. For this to be realized, Baku will continue to not pursue an open anti-Russian policy, carefully maintaining the balance between the West and the Kremlin.

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# 5

## BELARUS: THE PRAGMATISM OF AN ALLEGEDLY CLOSE ALLY OF RUSSIA

YAUHENI PREIHERMAN

**B**elarus has long been considered Russia's close ally, and in both domestic autocracy and international estrangement, the government in Minsk indeed resembles the one in Moscow. It would seem only rational if, in the course of the Ukraine crisis, Belarus clearly sided with Russia. However, developments in Ukraine have presented an extraordinary, perhaps even unprecedented, challenge for Belarus. They raise numerous geopolitical and economic concerns, and they touch upon multiple hot-button issues in the mentality of the Belarusian authorities.

### The Situation Before the Ukraine Crisis

Since 2010, when Belarus last held presidential elections, several crucial developments have shaped its domestic politics, economy, and international relations. During the 2010 electoral campaign, the government generously allocated social benefits to buy popular support needed for the re-election of long-time leader Alyaksandr Lukashenka. These populist measures destabilized the economy and caused a serious financial crisis, resulting in a massive devaluation of the Belarusian ruble and skyrocketing inflation in 2011. This near meltdown led to a steep decline in Lukashenka's approval ratings and resulted in a wave of public protests. As these so-called "silent protests" grew in size, the authorities dispersed them forcefully and launched repressions against their most active participants. Thus warned, the government has since tried hard to buy back popular support by raising salaries, which grew by 20 percentage points in 2012-13, far ahead of labor productivity (2 to 4 percentage points).

At first, this move did not help to improve Lukashenka's approval rating, which fell to 25 percent of the population at the end of 2011.<sup>16</sup> An

<sup>16</sup> "The Most Important Results of the Public Opinion Poll in December 2011," Independent Institute of Socio-Economic and Political Studies, December 10, 2011, <http://www.iiseps.org/reliz/13>.

overwhelming majority of Belarusians blamed Lukashenka for the financial turmoil and did not trust his ability to improve the long-term situation. However, his ratings resumed steady growth, with his rising approval attributed to renewed increase in real incomes.

With the next presidential election scheduled for 2015, increasing social spending seems the government's natural option. Yet funding for such large-scale electoral bribery is scarce, with hard currency reserves shrinking and foreign trade and current account deficits growing. The regime is worried more by poor economic performance and alarming forecasts than by the political opposition, which is weak and divided.

The opposition's weakness is also a result of the crackdown by state authorities on protests following the rigged presidential election in December 2010. Police brutality against a peaceful rally, over 700 arrests including of seven presidential candidates, a series of political trials, and long-term prison sentences against leaders effectively silenced the opposition. These events also led to a prolonged freeze in EU-Belarus relations. At present, restrictive measures are in place against 243 Belarus officials and 32 Belarusian enterprises.

### Slowly Turning Toward the EU in 2012

By late 2012, the former head of the presidential administration, Uladzimir Makey, was appointed minister of foreign affairs and began diplomatic attempts to normalize ties with the EU. While Belarus failed to deliver on the EU's main condition that all political prisoners be released, the number of working diplomatic contacts with representatives of EU member states and institutions increased considerably.

Diplomatic normalization culminated at the Eastern Partnership Summit in November 2013 when Makey announced Minsk's intention to start

*The regime is worried more by poor economic performance and alarming forecasts than by the political opposition, which is weak and divided.*

visa liberalization talks with Brussels. This surprise offer was welcomed with a moderate degree of optimism by the EU, whose own offer on visa talks had long been ignored. Two months after the Vilnius summit, Belarus and the EU undertook the first practical steps toward visa liberalization talks. Thus, after several years of diplomatic confrontation, a constructive agenda seemed to take shape in Belarus-EU relations. In going beyond visa liberalization, Belarus and EU diplomats held meetings to establish a government-level forum on modernization issues, such as economic policy, financial restructuring, privatization, and the development of small and medium enterprises in Belarus.

#### Relations with Russia

For a long time, Belarus' relations with Russia were marked by turbulence. In response to Belarus' earlier rapprochement with the EU following Lukashenka's refusal to recognize Abkhazia and South Ossetia and culminating in the EU invitation to join the Eastern Partnership, Moscow launched painful attacks against Minsk. These included Russia's broadcast of a TV documentary that directly accused the Belarusian president of numerous crimes, most notably the murder of his political opponents. Russian pressure eventually forced Lukashenka in December 2010 — just days before the presidential elections — to sign the documents to establish the Common Economic Space of Belarus, Kazakhstan, and Russia.

From that moment, Belarus' relations with Moscow acquired an important Eurasian component. Bilateral relations, however, remain central as the Customs Union and Common Economic Space retain numerous exemptions from the free movement of goods, services, capital, and workforce that can only be settled in direct negotiations between Minsk and Moscow. The former tries to play its Eurasian card — by

promising to sign further documents on the Eurasian integration process or by threatening not to — as leverage in bilateral talks. The progress of integration naturally limits the sovereign powers of the Belarusian government and, therefore, Lukashenka is reluctant to advance it, and tries to get as many economic concessions from Russia for his signature of integration agreements as possible.

In so doing, Belarus negotiates much-needed financial injections from Russia, which remain a source of about 15 to 17 percent of Belarus GDP, especially through discounted oil and gas prices. Russia also provides loans to support the macro-financial stability in Belarus, either directly or through the Anti-Crisis Fund of the Eurasian Development Bank that the Kremlin controls. This assistance was central to overcoming the 2011 financial crisis in Belarus.

#### Belarusian Reactions to the Ukraine Crisis

Against this background, the Ukraine crisis presents an extraordinary challenge for the Belarusian authorities.

Firstly, growing tensions and open conflict between Russia and Ukraine pose a serious threat to Belarus' balancing act between Russia and the EU. Minsk is gravely concerned that Moscow will coerce Belarus to strictly adhere to its allied obligations and take a clear anti-Ukrainian stance, which would harm Belarusian relations with Kyiv and undermine a new rapprochement with the EU.

Secondly, the ongoing crisis involves Belarus' top trading partners. In 2013, the trade in goods with Russia accounted for almost 50 percent of foreign trade, and Ukraine for 7.8 percent.<sup>17</sup> Ukraine represents 11.5 percent of Belarusian exports, which generated \$2.1 billion in surplus, crucial

<sup>17</sup> Belarus' total trade turnover with the EU (29 percent in 2013) is significantly larger than that with Ukraine. But in the individual countries' ranking, Ukraine was second after Russia in 2013.

*Minsk is gravely concerned that Moscow will coerce Belarus to strictly adhere to its allied obligations and take a clear anti-Ukrainian stance, which would harm Belarusian relations with Kyiv and undermine a new rapprochement with the EU.*

*Lukashenka has brought the conflict to a territory familiar to him, hoping to capitalize on tensions between Russia and the West.*

revenue for Belarus given its current account and foreign trade deficits and poor economic outlook.

For both reasons, the Belarusian authorities remained cautious when the internal crisis in Ukraine broke out and transformed into a confrontation with Russia. Eventually, however, the Ministry of Foreign Affairs and Lukashenka himself had to provide some official position on the crisis. Numerous contradictory and vague statements later, three elements appear to form the Belarusian position:

- Belarus will cooperate with any Ukrainian government;
- Belarus supports Ukraine's territorial integrity; and
- Federalization will create chaos in Ukraine.

In all three respects, the Belarusian position clearly contradicts Russian interests. To mitigate this, Lukashenka has resorted to rhetorical tricks. When supporting Ukraine's territorial integrity, he added that "de-facto" Crimea has become part of Russia.<sup>18</sup> While declaring his readiness to help Ukraine restore peace and order, he added that if Belarus were forced to choose, it would always be on Russia's side, given common history and bilateral agreements.<sup>19</sup>

In this vein, the Belarusian government has tried to establish itself as a mediator in the crisis, also aiming to improve its international image and domestic ratings. Indirectly, Lukashenka made this

<sup>18</sup> Quoted in "Belarus Says Russia's Annexation of Crimea Sets a 'Bad Precedent,'" *The Moscow Times*, March 24, 2014. <http://www.themoscowtimes.com/news/article/belarus-says-russias-annexation-of-crimea-sets-a-bad-precedent/496633.html>

<sup>19</sup> Alyksandr Lukashenka, "State of the Nation Address to the Belarussian People and the National Assembly," President of the Republic of Belarus, April 22, 2014, [http://president.gov.by/en/news\\_en/view/alexander-lukashenko-to-deliver-state-of-the-nation-address-on-22-april-8550/](http://president.gov.by/en/news_en/view/alexander-lukashenko-to-deliver-state-of-the-nation-address-on-22-april-8550/)

offer in a long interview for a popular Ukrainian talk show, and held a confidential meeting with interim President Oleksandr Turchynov.<sup>20</sup> However, his mediation offers have fallen on deaf ears in the Kremlin, which does not seem interested in bringing the instabilities in Ukraine to an end.

As the crisis has worn on, the Belarusian rhetoric has shifted focus from a Russia-Ukraine conflict to a confrontation between Russia and the West. Minsk began to emphasize the role of the United States and NATO in the Ukrainian events and pointed to the conflict with Russia's security perceptions. It was in this context that Lukashenka offered in mid-March that Russia had deployed up to 15 war planes on Belarusian territory in response to increased NATO activity in Poland and the Baltic States. In so doing, Lukashenka has brought the conflict to a territory familiar to him, hoping to capitalize on tensions between Russia and the West.

By comparison, responses to the Ukraine crisis in Belarusian society have been somewhat more linear. Russian TV channels enjoy wide popularity in the country, and even though they get censored, the anti-Ukraine hysteria they promote reaches the Belarusian audience. It is, therefore, not surprising that opinion polls conducted in March recorded a surge of pro-Russian feeling and a decline of pro-EU sentiment. The number of Belarusians who would opt for integration with Russia, if they were to choose between Russia and the EU, shot up from 36.6 percent in December to 51.5 percent in March, while the share of those favoring EU integration decreased from 44.6 percent to 32.9 percent.<sup>21</sup>

Yet this shift in public opinion does not please Belarusian authorities, who fear increased Russian

<sup>20</sup> *Ibid.*

<sup>21</sup> "The Ukrainian Crisis and Lukashenka's Rating," Grigory Ioffe, *Eurasia Daily Monitor* Volume: 11 Issue: 76, April 24, 2014, [http://www.jamestown.org/single/?tx\\_ttnews%5Btt\\_news%5D=42266&no\\_cache=1#U7WfpvldXz4](http://www.jamestown.org/single/?tx_ttnews%5Btt_news%5D=42266&no_cache=1#U7WfpvldXz4)

influence. Lukashenka therefore devoted a great deal of time to the implications of the Ukraine crisis in his April State of the Nation address.<sup>22</sup> Opening the speech in an alarming way, he called on the nation to unite in protecting its independence against the instabilities in Eastern Europe.<sup>23</sup>

“I am addressing you in difficult times. The surrounding states have got in motion: Ukraine is boiling, the Russian Federation is trying to rise to its full historical status. State borders are being shifted in front of our eyes. [...] We must defend our most precious value — the independence of Belarus,” he said, adding that Belarus stayed calm and uninvolved in any external conflicts. But “we have reasons to worry,” without specifying those reasons. The essence of Lukashenka’s address was to fashion himself as the key defender of Belarusian statehood, threatened as it is from all sides.

Finally, the Belarusian opposition and civil society organizations also have reacted to the developments in Ukraine. Numerous opposition leaders and activists traveled to Kyiv to join the Euromaidan protests. Belarusian civil society quickly expressed its support for the new authorities in Kyiv. A Belarusian Committee of Solidarity with Ukraine was launched.<sup>24</sup> And the traditional opposition rallies on March 25 (marking the unofficial Freedom Day) and April 26 (the Chernobyl disaster anniversary) carried Ukrainian flags *en masse* to

<sup>22</sup> Lukashenka’s approval rating also seems to have benefitted from the Ukraine crisis. Despite the ongoing economic difficulties that have further slowed income growth in recent months, his ratings, according to the IISEPS, went up from 34.8 percent in December 2013 to 39.8 percent in March 2014.

<sup>23</sup> Lukashenka, “State of the Nation Address to the Belarussian People and the National Assembly.”

<sup>24</sup> An early example is the January 24, 2014 public statement by a broad range of Belarusian NGOs; see <http://belngo.info/2014.belarus-unites-in-support-of-ukrainian-civil-society.html>. The mentioned committee conducts its information and advocacy work through social media, including Facebook: <https://www.facebook.com/groups/218388188359907/>.

demonstrate solidarity. The authorities did not try to prevent these demonstrations of support.

### Strengthening Relations with the EU

With the Ukraine crisis still in full swing, its consequences for Belarus remain difficult to predict, as further turns of events are likely. However, several immediate effects can be discerned.

Given its economic dependence on Russia and suspended relations with the EU, the Belarusian authorities cannot (and, probably, would not) pursue a new far-reaching rapprochement with the EU. Instead, Lukashenka signed the founding treaty of the Eurasian Economic Union on 31 May, after the Kremlin had agreed, according to the Belarusian president, to provide Belarus with a fresh loan of \$2.5 billion and allow it a further \$1.5 billion in revenues from the export of oil products.<sup>25</sup>

At the same time, Russia’s assertiveness in Ukraine has augmented the intrinsic fears of the Belarusian leadership. Lukashenka is an authoritarian ruler and worries about any possible limitations to his powers. The fact that Russia puts its own interests in the post-Soviet space above all else exacerbates his fears that Putin may turn the Eurasian Union into another USSR. With all decisions made in the Kremlin and partner states’ sovereignty limited, this would mean the end to Lukashenka’s personal power.

In view of all this, Belarus will now double-hedge against the various risks associated with closer relations with Russia and against its political and economic dependence on the Kremlin. It will become even more reluctant to give up national

<sup>25</sup> See the Lukashenka statement of May 9, 2014, quoted in “Belarus intends to sign Eurasian Economic Treaty on May 29,” Minsk Capital Television, May 9, 2014. <http://www.ctv.by/en/belarus-russia-reach-agreement-on-gradual-abolition-of-oil-export-duties>

*With all decisions made in the Kremlin and partner states’ sovereignty limited, this would mean the end to Lukashenka’s personal power.*

powers in favor of the supranational bodies of the Eurasian Economic Union. And it will also seek more stable relations with the EU (but not a profound reorientation), in order to have some counterbalance to Russia's dominance in its foreign policy.

The EU should use this new situation to try to create additional, and strengthen existing, linkages with Belarus. This should be done on five different levels:

- *Civil society organizations* in Belarus already enjoy the support of Western donors. However, stronger efforts are needed to broaden their reach among the population and to work towards sustainable change. In this respect, it is important to note Russian designs to address civil societies in its “near abroad.” The Kremlin plans to overhaul its strategy of international development assistance, putting more emphasis on bilateral projects that promote Russian national interests. A new area

Belarus	
Relations with EU	EU-Belarus relations are currently governed by the Conclusions of the Foreign Affairs Council as last set out on October 15, 2012. Given the repression of civil society and the media, no action plan has been set in place for Belarus despite being part of the European Neighborhood Policy. Further financial assistance will be offered in case of civil society progress. The negotiations on visa facilitation and readmission agreements were launched on January 30, 2014. The EU currently offers limited support to Belarusian civil society, in areas of education, free media, or environment. (Source: EEAS, European Commission, 2014)
Relations with NATO	Despite having joined these two programs in 2004 — Individual Partnership Program (IPP) and the Planning and Review Process (PARP) — the NATO-Belarus relationship seems to be at a standstill. The official website of the Alliance does not note any developments since 2011, and states the concern at the lack of progress in democratic reforms in Belarus. (Source: NATO, 2014)
Trade with Russia as percent of total Belarus trade	Exports: 35.1 percent (nr.2); imports: 58.8 percent (nr.1) (2012)
Trade with EU as percent of total Belarus trade	Exports: 37.9 percent (nr.1); imports: 20 percent (nr.2) (2012)
Russian FDI as percent of total FDI in Belarus	46.7 percent in 2012
Migration to Russia* as percent of total legal migration from Belarus	68.7 percent (2012); 57 percent of remittance comes from Russia (2011)
Migration to EU* as percent of total legal migration from Belarus	20.9 percent (2012)
Russian minority in percent of Belarus population	8.3 percent (2009 Census)

\* Number of migrants is expressed according to country of residence; the calculations were made in 2011-12 by the Migration Policy Center based on a previous assessment as well.  
 Statistics Sources: WTO, CIA World Factbook, The Migration Policy Center-EU, U.S. State Department, IOM, CASE, and local official sources.

of competition will open between Russia and the West, a contest of soft power tools in the “shared neighborhood,” including in Belarus, that the EU should be ready for.

- *The political opposition* risks further marginalization by the Ukraine crisis as the majority of society sees Western forces behind the chaos in Ukraine. This is mainly the result of the Russian and Belarusian official propaganda, and the opposition does little to counter such perceptions. The EU could encourage the Belarusian opposition to become less focused on symbolic activities, and to present substantial policy ideas and programs to offer to society. Such policy-oriented work may not change the authoritarian regime but will help prepare a generation of opposition leaders able to grasp the challenges facing Belarus no less than Ukraine.
- *The business community* should be another priority for the EU. As part of the Customs Union, Belarusian businesses have a natural orientation towards Russia. This has not only commercial but also social and political implications, including for business culture, and businesses’ role and interests in societal processes. The EU should promote programs and inter-state agreements that will facilitate intensive cooperation and exchange between businesses from Belarus and the EU.

- *Universities* also have untapped potential for developing more linkages with Belarus. The EU should not only offer more education opportunities for Belarusian nationals, but also intensify exchange in the opposite direction with EU professors teaching courses and EU students studying in Belarusian universities. This is increasingly important given Russia’s plans to boost its impact on civil societies in the “shared neighborhood.”
- *The Belarusian government* is also a necessary partner for the EU. Cooperation on the highest government level should be a matter of political consideration but technocratic programs with civil servants should not depend on the current political climate and relations. Officials should know how to work with the EU and see that the EU alternative is open for them. This cooperation can take multiple forms in various fields, and the ongoing negotiations on visa liberalization and modernization issues may kick-start such broader engagement.

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*Cooperation on the highest government level should be a matter of political consideration but technocratic programs with civil servants should not depend on the current political climate and relations.*

# 6

## GEORGIA: TIME TO DOMESTICATE DOMESTIC POLITICS

NINO LILUASHVILI

*Nevertheless, throughout its independent history, Georgia has never been so intent on forging closer ties with Europe, including its recent signature of the Association Agreement with the EU, as it is today.*

In 2008, Georgia was the first post-Soviet country to experience real Russian power politics in action, when the Georgian-Russian war took place and two Georgian break-away counties were recognized by Russia as independent states. Since then, Russia has repeatedly warned Georgia against taking part in Euroatlantic integration or having NATO membership aspirations, the foreign policy course largely adopted by Georgia since the break-up of Soviet Union. Nevertheless, throughout its independent history, Georgia has never been so intent on forging closer ties with Europe, including its recent signature of the Association Agreement (AA) with the EU, as it is today.

Over the past two years, Georgia has witnessed a peaceful transfer of power to an opposition political party through fair elections for the first time. As such, the demands and expectations of the Georgian society with regards to the new ruling Georgian Dream Coalition (GD) are high. Apart from achieving progress in peace talks with the breakaway republics of Abkhazia and South Ossetia — territories recognized by Russia — GD is expected to deliver on its promises to improve relations with Russia, find solutions to various socio-economic problems, tackle rampant unemployment, and continue to implement reforms to invigorate the Georgian economy and achieve overall economic growth.

### Reaction to Developments in Ukraine

While Georgian policymakers have reacted with unanimous disapproval to recent Russian pressure on Ukraine, however, the tone and wording of the Georgian Government has differed from that of the opposition. Mikhail Saakashvili, previously the president of Georgia and is now the head of the opposition United National Movement (UNM), has a notoriously bad relationship with President Putin. Saakashvili was quick to visit Maidan when the Ukraine crisis began, and was

seen commending people in the Square for their bravery, calling on them not to let “Putin steal their victory.” Ever since the Ukraine crisis broke, Saakashvili has used every opportunity to warn the world of the need to appease Russia and deter its increasing appetite. He has accused Russia of having revisionist ambitions in its neighborhood for the last decade, as recent events have proved. Adhering to the more reconciliatory attitude of the coalition they represent (Georgian Dream, initiated by billionaire Bidzina Ivanishvili in 2011), President Giorgi Margvelashvili and Prime Minister Irakli Garibashvili have been more hesitant to continue UNM’s adopted hard line with the Kremlin, which has been to accuse Russia of being the main culprit of unfolding events in Ukraine, and rather have limited their statements to expressing concerns over developments in Kyiv and calling on the parties involved to resolve the crisis through peaceful means.

Perhaps fearing “poking the bear,” the Georgian parliament, in which GD holds the majority, has adopted a relatively soft tone in condemning the Russian annexation of Crimea. The resolution on events in Ukraine passed by the parliament became yet another bone of contention between the ruling coalition and the opposition. Opposition MPs argued that the failure to adopt a harsher and more straightforward appeal to the West to “carry out an active diplomatic campaign for the purpose of diplomatic isolation of and imposing sanctions against” Russia would demonstrate, once again, the parliamentary majority’s loyalty toward Russia.<sup>26</sup> Only on the annexation of Crimea and subsequent referendum did the Georgian government and opposition manage to find a common voice in calling the land grab by Russia an infringement of Ukraine’s sovereignty, a global security challenge,

<sup>26</sup> “PM calls on EU leaders to support Georgia and Ukraine together,” *The Messenger Online*, March 7, 2014, [http://www.messenger.com.ge/issues/3068\\_march\\_7\\_2014/3068\\_news\\_in\\_brief.html](http://www.messenger.com.ge/issues/3068_march_7_2014/3068_news_in_brief.html)

and a development that could have been avoided if only the international community been more attentive to the consequences of Georgia's 2008 war.

### Loss of Trust in the West

The Ukraine crisis has become a dominant topic of discussion in Georgian everyday life. Georgians felt somewhat disappointed by the Western response, in particular by not teaching Russia a lesson by opting for other robust measures besides visa bans and asset freezes. Supportive of Ukraine's European bid, and feeling kinship with the Ukrainian people — victims of the same aggressor — Georgian society rallied around symbolic actions to demonstrate solidarity with the Ukrainian people, sovereignty of the Ukrainian state, and Ukraine's European aspirations. For Georgians, the Ukrainian crisis refreshed fading memories of Russian aggression and the August 2008 war, amidst hopes that there would be a re-establishment of diplomatic relations, better economic prospects, visa-free travel to Russia, and eventually a reconciliation of the South Ossetia and Abkhazia regions. Yet, the majority of the population continues to perceive Russia as a threat to Georgia. In a recent public opinion survey commissioned by the National Democratic Institute (NDI), the percentage of Georgians questioned that thought of Russia as a "real and existing threat" increased to 50 percent by April 2014, up from 35 percent in November 2013.<sup>27</sup> Those who thought "Russia is no threat at all" made up only 13 percent of respondents in April 2014, as opposed to the 23 percent in November 2013. The Ukraine crisis also affected the Georgian population's view of the EU and NATO. Although still largely supportive of Georgia's Western orientation, it would appear that the West's reluctance to take decisive action to counter the Kremlin's increasing boldness in the region resulted in declined support for EU

integration, from 85 percent to 77 percent, and for NATO membership, from 81 percent to 72 percent. On the other hand, support for joining the Eurasian Union grew from 11 percent to 16 percent. Seeing the West's ineffectiveness in deterring Moscow and protecting weaker post-Soviet states, while also realizing Georgia's fragility, part of the public believes that appeasing Russia by adopting a more pro-Russian orientation would benefit the country the most.

The expectation is widespread that Russia will eventually turn its attention to Georgia in an attempt to change the course of Georgia's recent Euroatlantic integration and adoption of Western values, and straying away from the Customs Union and Collective Security Treaty Organization. Georgians widely share the view that without decisive Western support — including taking more robust actions to guarantee Georgia's territorial integrity, declaring Georgia a member of the European family and thus within Europe's sphere of influence, and by pledging Georgia is on the road to becoming a NATO member — the country stands no chance of withstanding Russian pressure.

The opposition has continuously accused the ruling coalition of adopting too soft a position when it comes to Russia. However, as the Ukraine crisis continues to spread, there have been instances of the ruling party speaking out more critically on Russia and, consequently, abandoning hopes of reshaping relations with Moscow. Although no longer toying with the idea of demonstrating dazzling success in relations with Russia and, in turn, discrediting and turning political opponents to ashes, the GD still has the possibility of showing some political progress, besides Russia's lifting of the embargo on Georgian products. This advancement could take the form of re-established diplomatic relations or further developments in negotiations with the break-away republics recognized as sovereign states by Russia. At the

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<sup>27</sup> National Democratic Institute, "Public Attitudes in Georgia: Results of a April 2014 survey carried out for NDI by CRRC-Georgia," May 2014, [https://www.ndi.org/files/Georgia\\_April\\_2014\\_Survey\\_English.pdf](https://www.ndi.org/files/Georgia_April_2014_Survey_English.pdf)

*Countering Russia's soft and hard power, leading the country through turbulent times, and reassessing Georgia's short-term and long-term internal and external threats will not be simple tasks for the incumbent prime minister and president, who have little to no political experience.*

same time, wary of Russia's growing appetite and the new political reality it is imposing on the region, Georgia's leadership has become increasingly outspoken on the country's EU and NATO ambitions after two years of silence on the issue. The latest statements made by the Georgian leadership range from pledges to step up reforms necessary to efficiently implement the Association Agreement that was signed on June 27, 2014, to the Prime Minister's call on the EU to give a clear membership perspective to successful EaP countries. Largely reminiscent of President Saakashvili's proposal was Defense Minister Irakli Alasania's recent call for the deployment of NATO's "defensive assets" in Georgia.<sup>28</sup> These openly pro-Western statements were also reinforced and endorsed by the Patriarch of Georgia Ilia II, an unchallenged opinion leader who enjoys a 94 percent approval rating, and who has, on a number of occasions, spoken against the moral deprecation of the West (mainly in reference to gay rights).

### **Georgia's Strategy Toward Russia**

Countering Russia's soft and hard power, leading the country through turbulent times, and reassessing Georgia's short-term and long-term internal and external threats will not be simple tasks for the incumbent prime minister and president, who have little to no political experience. Both were encouraged to become involved in government late last year by Ivanishvili, then prime minister, who was eager to retire from politics and to leave faithful allies in his place.

A key issue for the Georgian government to tackle is its approach to NATO. Russia has consistently voiced its opposition to NATO's expansion further eastward, especially Georgia's membership. In 2011, then President Dmitry Medvedev stated that the

<sup>28</sup> Irakli Alasania, "Defense Minister's Speech at ACUS Conference," Ministry of Defense of Georgia, May 1, 2014, <http://www.mod.gov.ge/?newsid=2838&lang=en>

2008 invasion of Georgia had been launched to stop further NATO expansion. By the same logic, the Kremlin annexed Crimea to punish Ukraine for its pro-European choice, a choice to which Georgia reaffirmed its commitment in June 2014 by signing the Association Agreement. Looking at the increasingly assertive politics Moscow has adopted, it is quite possible that Russia will again use its "hard and soft power" to secure its "vital interests" in the South Caucasus and to put Georgia's regional EaP Euroatlantic aspirations to an end. For instance, there is an increased fear that the Crimea referendum and new Russian legislation allowing regions of other countries to join the Russian Federation have opened the door for political manipulations and possible annexation of South Ossetia and Abkhazia.

Yet another plausible scenario could be an attempt by Russia to drag Georgia into confrontation by demanding a military corridor and overland access from South Ossetia, Abkhazia, and the North Caucasus to Russia's military base in Gyumri, Armenia. Georgia, left on its own, stands no chance of resisting armed takeover of its territories, communication mechanisms, or infrastructure, including the gas and oil transit pipelines. Russia might also instigate separatist sentiments in Georgia's region of Samtskhe-Javakheti, populated by ethnic Armenians and crossed by the Baku-Tbilisi-Ceyhan oil pipeline that carries Azeri oil through Georgia to Turkey.

### **Economic Interdependencies**

According to the latest data, Ukraine and Russia are Georgia's third and fourth most important trading partners, respectively.<sup>29</sup> Georgian agricultural exports to Ukraine are 28 times higher than the volume of agricultural exports to the European Union. In addition to being the fourth largest

<sup>29</sup> "Georgia's Foreign Trade in Q1 '14," Civil Georgia, April 21, 2014, <http://www.civil.ge/eng/article.php?id=27162>

trading partner of Georgia, Russia holds the lead position (47 percent) with regards to remittances sent to Georgia.<sup>30</sup> The Ukraine crisis and economic deterioration of both Ukraine and Russia, as well as the devaluation of their national currencies, will most likely have spillover effects on Georgia. In addition, a worsening of relations with Russia could result in a reintroduction of the embargo on Georgian products, as well as another wave of deportations of ethnic Georgians from Russia, which would cut remittances. For many Georgian families, this is a sole source of income. Some may argue that Georgia can diversify its markets, and that embargo does not pose a substantial threat since the country has already been down that road and many producers shifted to other markets. However, there is a realistic concern for part of the business community that a deterioration of Ukrainian-Russian and Georgian-Russian relations will have a detrimental impact on the Georgian economy in the short run, as diversification takes time and resources that the weakened Georgian economy does not have.

### **The Domestic Price of Georgia's EU Orientation**

Although the Association Agreement was successfully signed in June 2014, Georgia may still encounter a bumpy road in implementing the accord. For example, the EU has demanded that Georgia adopt or change certain legislation. One of the most problematic of the 300 laws in question is an anti-discrimination bill, which was one of the preconditions for being granted a short-term visa-free regime by the EU. This law has already spurred conflict within Georgian society between the proponents of the legislation and homophobic groups, supported and organized by Orthodox

Christian priests. The Georgian Orthodox Church strongly opposed the law and exerted pressure on lawmakers to drop "sexual orientation" from a list of prohibited grounds for discrimination. The Parliament did manage to adopt the law, despite increased pressure from the church and its ardent followers. This illustrates some of the potential challenges the government must address to adopt and gain support for legislation that is at times seen by various groups as detrimental to Georgian morals and national identity.

### **How the West can Help Stabilize Georgia**

Georgia's sovereignty and possible European future largely depend on the success or failure of Western sanctions to deter Russia from dismembering Ukraine and to assert aggressive politics in the post-Soviet space. Meanwhile, there are certain steps that the West could take to support Georgia's efforts to counterbalance Russian influence.

Although there is hardly any illusion that Georgia will become a member of NATO any time soon, signing an association pact with the Alliance and moving closer toward the Membership Action Plan (MAP) can serve as a containment policy toward Russia, as well as provide some level of safeguard for the territorial integrity of Georgia and for regional security. Stronger security guarantees can also serve as an incentive for the international business community to invest in regional infrastructure and to diversify natural gas and oil export pipelines. Georgia would therefore be more likely to ensure an uninterrupted supply of energy to Europe.

Unlike the MAP, the Association Agreement, signed on June 27, 2014, is a realistic prospective. The signing of the Agreement, including a Deep and Comprehensive Free Trade Area (DCFTA), may boost Georgia's economy and stimulate investments that in turn will help decrease its vulnerability. It is

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<sup>30</sup> "The Development and the Side Effects of Remittances in the CIS Countries and Georgia: The Case of Georgia," Alexi Gugushvili, CARIM-East Research Report 2013/29, [http://cadmus.eui.eu/bitstream/handle/1814/27886/CARIM-East\\_RR-2013-29.pdf?sequence=1](http://cadmus.eui.eu/bitstream/handle/1814/27886/CARIM-East_RR-2013-29.pdf?sequence=1)

essential that the Georgian population has realistic expectations of the Agreement and the European Union and understands the benefits of Westward orientation in political, economic, and security terms. Expectations that the AA will immediately translate into wealth, and that its association with the EU will only result in beneficial circumstances, could lay the groundwork for Russian anti-European propaganda. Accurate and continuous communication with the population through the media and with the help of non-governmental organizations can help to limit the effects of the Russian propaganda and manage the population's expectations from the EU. Since the new Georgian

government and opposition lack political experience, Western partners should encourage them to act in a consensual manner. This is particularly important when it comes to matters of national security. Deliberation and debate over the most pertinent issues are definitely needed. The West can offer its extensive experience and expertise in setting Georgia's mid and long-term goals right and helping Georgia find its beat in implementing much-needed reforms, including the rule of law, independence of judiciary, and deepening democratic processes.

Georgia	
Relations with EU	The EU and Georgia completed the negotiation of an Association Agreement (AA), including the Deep and Comprehensive Free Trade Area (DCFTA) element, in July 2013, and initialed the Agreement at the Eastern Partnership Vilnius Summit of November 2013. EU assistance to Georgia mainly takes the form of Annual Action Programs under the European Neighborhood and Partnership Instrument (ENPI); other funding sources are the thematic assistance programs focusing on human rights or civil society. (Source: EEAS, European Commission, 2014)
Relations with NATO	Georgia is an aspirant for NATO membership. The NATO-Georgian Commission a forum for both political consultations and practical cooperation frames Georgian-NATO relations. Georgia is currently the largest non-NATO troop contributor to the International Security Assistance Force (ISAF). (Source: NATO, 2014)
Trade with Russia as percent of total Georgia trade	Not in top 5 for exports; not in top 5 for imports (2012)
Trade with EU as percent of total Georgia trade	Exports: 14.9 percent (nr.2); imports: 30.9 percent (nr.1) (2012)
Russian FDI as percent of total FDI in Georgia	5 percent (2011)
Migration to Russia* as percent of total legal migration from Georgia	82 percent (2012); 65 percent of remittance comes from Russia (2013)
Migration to EU* as percent of total legal migration from Georgia	9 percent (2012)
Russian minority in percent of Georgia population	1.5 percent (2002 Census)

\* Number of migrants is expressed according to country of residence; the calculations were made in 2011-12 by the Migration Policy Center based on a previous assessment as well.  
 Statistics Sources: WTO, CIA World Factbook, The Migration Policy Center-EU, U.S. State Department, IOM, CASE, and local official sources.

Despite the individual government members at times sending mixed messages regarding Georgia's political orientation and despite occasionally downplaying the immediate threat coming from Russia, the crisis in Ukraine has pushed the new government to more pragmatically and realistically assess the foreign and domestic policy options its country has. Although there is a minor rift between the opposition and the ruling coalition on the formulation and wording of Georgia's political orientation and position with regards to Russia, Georgia's foreign policy agenda remains outspokenly pro-Western. The developments in

Crimea and the unprecedented measures taken by Russia opened a window of opportunity for Georgia to push for a European agenda for the country. It has enabled the Georgian leadership to make bolder statements when communicating with the Western partners about the country's future. It also presents a unique opportunity to Georgian policymakers to strategize, to drop old animosities, and to find a common platform to build mature, constructive relations for the country.

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# 7 MOLDOVA: A SINUOUS ROAD TO EUROPE

LEONID LITRA

*Separatist movements, allegedly supported by Russia, gained more momentum and intensified their claims to independence, as the Moldovan government proceeded with the association process with the EU.*

Moldova, a neighbor of Ukraine and home to one of the frozen conflicts nurtured by Russia (in Transnistria) is one of the smaller countries in which the crisis in Ukraine has had substantial effects. Decision-makers in Chisinau are seriously concerned about the potential threats the crisis may pose for Moldova, while at the same time keeping them from dominating the domestic agenda and public discussion. Their concern is to avoid further complications on the Transnistrian issue and in its relationship with Russia.

Moldova's relations with Russia were tenuous even before the crisis broke out in Ukraine. Over the past two years, Moscow became increasingly vocal about Moldova, most notably through the flamboyant statements of Russian Deputy Prime Minister Dmitry Rogozin, who repeatedly indicated Moscow's dislike of Moldova's association with the EU. According to Rogozin, "Moldova's train en route to Europe would lose its cars in Transnistria."<sup>31</sup> He threatened that Moscow would recognize Transnistria's independence, should Chisinau sign the Association Agreement with the EU, which had been negotiated for the past three years and was initialed in November 2013 at the Vilnius summit (and formally signed on June 27, 2014). In order to deflect Russian spin and propaganda on the effects of the Association Agreement and its Deep and Comprehensive Free Trade Agreement (DCFTA) on the Transnistrian region, the government of Moldova astutely invited representatives of the Tiraspol de-facto administration, the secessionist administration in Transnistria, to take part in the negotiations over the Agreement. Their presence at the negotiations, however, did not change their attitudes toward Chisinau.

<sup>31</sup> Vladimir Socor, "Rogozin Threatens Moldova with Sanctions over Association Agreement with the European Union," *Eurasia Daily Monitor* 10:155, September 4, 2013, <http://www.refworld.org/docid/523058ab4.html>

## Effects of the Crisis

When the crisis in Ukraine erupted, Moldovan officials took a very prudent position. The parliament adopted a declaration on Euromaidan, which was quite balanced, only after a second attempt. Prime Minister Leanca's government, a coalition of pro-European parties, openly condemned Russia's annexation of Crimea, which for many in Moldova had parallels with Transnistria. The Moldovan prime minister visited Kyiv on March 17, 2014, on the first days after the new Ukrainian government was invested, in order to reinvigorate Moldovan-Ukrainian cooperation and to coordinate action on European integration, namely the implementation of the countries' respective Association Agreements. In addition, there is strong cooperation on Moldovan-Ukrainian border security, especially on the Transnistrian perimeter.

The pretext used by Russia to justify its actions in Ukraine, that of "defending" the Russian-speaking minority and its right to self-determination, was also used to refer to Moldova by the Russian media, extensively watched and listened to in Moldova. Separatist movements, allegedly supported by Russia, gained more momentum and intensified their claims to independence, as the Moldovan government proceeded with the association process with the EU. Despite the fact that these movements are marginal, their claims on the need to organize referendums on joining the Customs Union garnered support from pro-Russian media, which distorts the magnitude of these movements. In addition, some of the separatist movements deployed an active paid television campaign in favor of the Customs Union.

On February 2, 2014, the Gagauz autonomous region held a referendum on membership in either the EU or the Eurasian Customs Union. The region is inhabited by a Christian Orthodox,

Turkic-speaking ethnic minority, representing about 4.5 percent of the population of Moldova. The referendum was declared illegal by Moldovan central authorities, as it was organized in violation of Moldovan laws. The results, however, merit attention, as 98 percent of Gagauzes voted for Moldova's integration into the Russian-led Customs Union, and an equal percentage supported independence of Gagauzia, "should Moldova lose its sovereignty."<sup>32</sup> The leaders of the Gagauz autonomous region have interpreted "loss of sovereignty" as the signing of the Association Agreement with the EU, and it was explained to the population in this way. Moldovan authorities are trying to explain that the signing of the Association Agreement will not result in any loss of sovereignty, but they face an uphill battle. Their message is less spectacular and their means are far less efficient than those of the Russian propaganda machine.

Moldova tried to de-escalate the conflict with the Gagauz authorities and did not prosecute any of those involved in the organization of the illegal referendum, despite the central government initiating criminal proceedings to avoid being portrayed as passive. Chisinau also demonstrated its openness to dialogue by creating a joint commission to discuss the issues standing between the central government and the Gagauz region. However, this commission should not raise high hopes of a solution, as the main aim of Gagauz authorities is to block Moldova's EU association. At present, talks continue despite the threats of Gagauz leaders to hold a new referendum, this time one for independence. Russia is openly supportive of Gagauz actions. In March of this year, Russian authorities lifted the ban on wine companies located in the Gagauz region, in addition to offering a 35-50 percent discount in the price of

gas supplied to the region. Once Moscow realized Transnistria did not hold enough significance to spoil Moldova's Association Agreement, it resorted to using Gagauzia for this purpose.

### **Transnistria's Response to the Ukraine Crisis**

In the first few months of the Ukraine crisis, Transnistrian leaders adopted a cautious and silent position. Then, on April 16, 2014, after the annexation of Crimea, they quickly claimed independence and announced their desire to join the Russian Federation. A declaration to this effect was adopted unanimously in the *de facto* parliament of Transnistria, motivated by the 2006 referendum in which 97 percent of voters in Transnistria voted to join Russia, which was actually put on hold by the Russian authorities themselves. Tiraspol authorities have since been obediently followed Russia's lead and have clamored about the supposed blockade of Transnistria by Ukraine and Moldova, who, Russia claimed, denied entry to citizens from Transnistria holding Russian passports. In fact, the total number of Russian citizens denied entry in Ukraine on the Moldova-Ukraine border on Transnistrian perimeter during January-March 2014 was 62, while Moldovan authorities turned away only one Russian citizen during this time period.<sup>33</sup> This allegation proved to be just another attempt by Russia to artificially escalate tensions on the southwestern flank of Ukraine.

Russia responded to the Transnistrian plea for annexation with indifference. Should Russia decide to follow course, annexation could be accomplished through a mere bureaucratic move, as Chisinau lacks any control over the region and Russian troops have been present in Transnistria for 23 years, albeit as so-called "peace-keeping forces." However, Transnistrian annexation is

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<sup>32</sup> Radio Free Europe, "Gagauzia Voters Reject Closer EU Ties For Moldova," February 3, 2014, <http://www.rferl.org/content/moldova-gagauz-referendum-counting/25251251.html>

<sup>33</sup> Author interview with a Moldovan official.

*The Ukrainian crisis has increased the polarization of the Moldovan society, heightening both pro- and anti-Russian sentiments.*

not advantageous for Russia. Unlike Crimea, Transnistria does not have any natural resources or a physical connection with Russia. Rather, it is in Russia's interests to maintain the current situation, as its presence in the region is useful as a means to control Chisinau's actions, especially in regard to European integration. Moreover, according to the *de facto* speaker of the Transnistrian parliament, Russia's financial support in the region reaches \$1 billion every year, which includes grants, humanitarian aid, joint projects, and top-ups for pensioners, basically financing the region's budget deficit, which is around 60 percent of GDP. From an economic point of view, it would be in Transnistria's interests to accept the DCFTA, given that about 70 percent of goods produced in Transnistria go to the right bank of the Dniester River (Moldova) and onwards to the EU, while only about 18 percent go to Russia. In the same logic, Chisinau canceled taxes for companies from Transnistria that are registered in Chisinau, attempting to raise their interest in the free trade agreement with the EU. Yet politics in the region do not necessarily follow economic rationale.

The Ukrainian crisis has increased the polarization of the Moldovan society, heightening both pro- and anti-Russian sentiments. Thirty-nine percent of Moldovans condemn the Russian action in Crimea, while 40 percent consider the annexation a legitimate action.<sup>34</sup> Only a slim majority in the Parliament has condemned Russian aggression, and there have been attempts by persons associated with Russia to overturn this majority through bribes to MPs in the governmental coalition. Moldovan officials, as well as the population at large, fear future similar attempts that would create serious problems in the process of ratification of the Association Agreement.

<sup>34</sup> "Barometer of Public Opinion — April 2014." Institute of Public Policy, <http://www.ipp.md/libview.php?l=en&idc=156&id=681>

### **Russia's Leverage in Moldova**

As things stand now, Russia does not need to take severe action in Moldova to derail its European course, as the Moldovan domestic situation serves Russian purposes well. A reversal from the AA is still possible in Moldova. According to the same poll quoted earlier, only 29 percent of Moldovans support the country's full European integration, while an almost equal percentage supports the Customs Union. One-third of the population remains undecided.<sup>35</sup> With parliamentary elections scheduled for November 2014, there is a high risk that the Communist party, an advocate of membership into the Customs Union and supported by 30 percent of the population, may win. As they have already stated, once in office, they would negate or simply not implement the Association Agreement that was signed in Brussels on June 27, 2014. All Russia needs to do in order to maintain its interests of keeping Moldova in its orbit is to help the Communists and other emerging parties return to power. There is no need for military intervention or major actions. Russia's infamous propaganda machinery will be very useful in this process. Moldovans are avid consumers of Russian media, which abounds with stories about the disadvantages of European integration and the benefits of the Customs Union.

In addition to Transnistria and the Communist party, Russia has yet additional leverage over Moldova: Moldovan migrants in Russia. In a quid-pro-quo reaction to the visa-free regime extended to Moldova by the EU in April 2014, Russia threatened to introduce visas for Moldovan citizens. In practice, it would expel around 200,000 Moldovans who currently live and work in Russia. For a country of 3.5 million, this is an enormous number to be reintegrated, and a serious hit for a

<sup>35</sup> Ibid

large part of the Moldovan population, which relies on remits from Russia.

In 2013, Russia imposed an embargo on Moldovan wines declaring that they did not meet Russian quality standards. Further testing of the wines, including tests performed by French laboratories, did not indicate deviations from international standards, yet the wine embargo remains in place. Compared to the 2006 wine embargo previously imposed by Russia, economic losses now are much smaller. While the 2006 embargo affected 75 percent of the Moldovan wine producers, this number dropped to 35 percent under the 2013 embargo, due to Moldova's redirection of exports to Europe.<sup>36</sup> The wine embargo has had several effects. First, in reaction to Russia's actions, the EU unilaterally liberalized the wine market for Moldovan producers. Second, given the new openness of the European market, Moldovan GDP, which had already grown by 8.9 percent in 2013, has increased in the first trimester of 2014 by 3.6 percent compared to the same period in 2013.<sup>37</sup> Third, most of the producers who suffered in 2006 understood that they need markets free of political influence and started searching for them, making Russia lose another lever over Moldova.

### What the EU Could Do

The EU, for its part, invested much hope in the new Moldovan government that took office on May 30, 2013 after a serious crisis within the governing alliance. Although several government actions are still inconsistent with the European agenda, the government of Iurie Leanca has taken concrete steps in certain reforms, and has made important efforts to speed up the initialing and

the signing of the Association Agreement, despite the EU's continued warning that such logistical preparations require sufficient time. Only after the Armenian reversal and the Ukrainian refusal to sign the Agreement in November 2013 did the EU find faster and more efficient ways to achieve the signature of the agreement, achieved on June 27, 2014.

Ahead of the successful signing of Moldova's Association Agreement on June 27, 2014, the EU and Moldova have worked together to prevent a diabolical scenario that would be illustrated by Moldova's failure to sign or ratify the agreement, as well as to show the concrete results and benefits of their cooperation. One step in this direction is the visa-free regime that the EU extended to Moldova as of April 28, 2014. To Chisinau's credit, this agreement was achieved after a set of painful reforms they bravely implemented. The EU is also visibly active in rebuilding Moldovan infrastructure, which has had direct impact on the population. Yet these efforts are not sufficient to counterbalance the strong influence exercised by the Russian media in Moldova, which spins all success stories presented by Moldova and the EU. At the same time, both the Moldovan government and the EU have been shy about selling their narrative to the Moldovan populace, and consequently risk losing the campaign for hearts and minds.

The United States has also shown a renewed interest in Moldova after the Ukrainian crisis, reiterating its support for the country's European course and for a solution to the Transnistrian conflict. But beyond symbolic gestures and bold statements, which are of undeniable importance, more practical cooperation is needed, especially in the area of security sector reform. At this point, it will have to be outside the NATO framework, as the Moldovan constitution provides for its neutrality, and challenging this in the current context would

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<sup>36</sup> "Moldovan winemakers learned lesson, president of Union of Oenologists," IPN, September 9, 2013, <http://ipn.md/en/economie-business/56756>.

<sup>37</sup> Moldovan National Statistics Bureau, <http://www.statistica.md/search.php?go=1&l=ro&searchfield=pib+primul+trimestru++2014>.

only aggravate the situation in the region. Moldova may use the experiences of military cooperation between the Alliance and non-NATO countries such as Sweden, Austria, and Finland as models.

Moldovans were distressed to see their defense minister, Vitalie Marinuta, resign right at the peak of Ukraine crisis. Significantly, this post has remained vacant throughout the Russian operations in and annexation of Crimea. Moldovan decision-makers perceive the current crisis and Russian actions in the region as part of a game played above their league, one that is a problem to be resolved between Russia, the EU, and the United States. Therefore, they feel that the West should establish deterrence mechanisms to prevent Russia from taking further actions. Since the crisis is indeed

wider and deeper than Ukraine and the region, the Moldovan government must take the Ukraine crisis more seriously, and it should be more vigilant to minimize its effects at home.

Fortunately, Moldova is not at imminent risk of a Ukrainian scenario, as the upcoming elections have moved Russian focus from hard to soft power, giving Moldova some time to pursue its European path and interests. Thus, the Moldovan government should use this time to work toward electing pro-European parties, while also preparing for an alternative post-election situation. There are two scenarios that would help to avoid instability after elections. In the first, Moldova would receive a very strong commitment from the EU, which the United States would back, just

Moldova	
Relations with EU	The EU and Moldova are currently negotiating an Association Agreement, which was initialized on November 29, 2013 at the Vilnius Summit. Since April 2014, Moldovans have had visa-free travel in the EU. (Source: EEAS, European Commission, 2014)
Relations with NATO	Moldova is described on the NATO website as constitutionally neutral and seeking to draw closer to Euroatlantic standards and institutions. Moldova currently has an Individual Partnership Action Plan (IPAP); a revised one is currently being developed for 2014-15. Moldova also contributes to the Kosovo mission. (Source: NATO, 2014)
Trade with Russia as percent of total Moldova trade	Exports: 30.3 percent (nr.2); imports: 15.7 percent (nr.2) (2012)
Trade with EU as percent of total Moldova trade	Exports: 46.9 percent (nr.1); imports: 44.5 percent (nr.2) (2012)
Russian FDI as percent of total FDI in Moldova	20.62 percent (2011)
Migration to Russia* as percent of total legal migration from Moldova	45.1 percent (2012); 37.2 percent of remittance comes from Russia (2014)
Migration to EU* as percent of total legal migration from Moldova	45 percent (2012)
Russian minority in percent of Moldova population	16 percent (2004 Census)

\* Number of migrants is expressed according to country of residence; the calculations were made in 2011-12 by the Migration Policy Center based on a previous assessment as well. Statistics Sources: WTO, CIA World Factbook, The Migration Policy Center-EU, U.S. State Department, IOM, CASE, and local official sources.

as it did with the Baltic states, standing up for them against Russia. This commitment should be a clear membership prospective for Moldova, beyond allusions to Article 49 of the Lisbon Treaty and various statements meant to distract from such a commitment. While this scenario cannot be controlled by Chisinau, as it lies outside of its decision-making powers and gives the EU the lead in ensuring stability in the country, it may be the Moldovan government's best choice. In the second scenario, within the powers of Chisinau, Moldova would obtain security guarantees from Russia that it would not be the next Ukraine. This possible outcome would come at a high cost for Moldova,

most probably at the cost of federalization by reanimating and updating the "Kozak" plan, which implies a slowing of its relations with the EU, as well as a mechanism to block strategic decisions of Moldova.

Sooner or later, Russia will confront Moldova and the smaller country will have to deal with the issue of its own stability. The events in Ukraine have broken the status quo in the region and the consequences are still unfolding.

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# 8

## UKRAINE: THE POLITICAL CRISIS

MYKOLA KAPITONENKO

Ukraine has been in the spotlight of international attention since then-President Victor Yanukovich refused to sign the Association Agreement with the EU at the Vilnius summit in November 2013. It triggered a full-scale political crisis that counts 356 casualties so far. Russia's subsequent intervention and annexation of Crimea, and efforts to destabilize the eastern regions of Ukraine elevated the crisis to levels unprecedented in post-Cold War Europe. Consequently, the newly elected president of Ukraine, Petro Poroshenko, faces a profound challenge. He will have to both remedy weaknesses of the state and steer Ukraine through its dangerous and risky foreign environs.

### A Failing State

Signing the Association Agreement with the EU in November 2013 could have been a solution for Ukraine, a country that, over the last few years, has been considerably weakened. In his four years in office from 2010 to early 2014, Ukrainian President Yanukovich significantly transformed the country, making it less democratic, more economically vulnerable, and dramatically less secure. The combination of these three factors resulted in a general deterioration of the state and, in particular, a growing vulnerability to external influence. In 2013, Ukraine was ranked 117<sup>th</sup> and included in the “warning” group in the Failed States Index of the Fund for Peace research.<sup>38</sup> The recent decline of the Ukrainian state is the basis of the current crisis, to which Russia only added gas — fueled both literally and figuratively.

The ability of the Ukrainian state to effectively perform its basic functions has been substantially diminished through unprecedented levels of corruption and abuse of state resources for personal benefits by political figures. Ever since

<sup>38</sup> “The Failed States Index 2013,” <http://ffp.statesindex.org/rankings-2013-sortable>

its independence, Ukraine's rulers have used state structures to enrich themselves, to control opposition and the public, or to protect their fortunes. The police's *raison d'être* has been to protect the interests and properties of politicians and oligarchs — in Kyiv and in the regions — and they are now unable to perform normal functions. Politics, economy, and society have been perverted, crippled, or alienated to protect a few and abuse the many. To the same effect, the balance of power was ruined, as it was concentrated in the hands of a person or a family. After undoing the constitutional reform of the Orange revolution, executive power fully returned to the president, who also had full control of the government. This allowed Yanukovich to install his kleptocratic regime and govern unabated by checks and balances and has been reflected in the country's deteriorating position in major democracy indexes. For instance, the Global Democracy Ranking put Ukraine in 63<sup>rd</sup> place in 2011-12, ten positions lower than in 2008-09.<sup>39</sup> The country's economy was hit by the global financial crisis, decreasing the GDP growth by 14.8 percent in 2009, slightly recovering to 4.2 percent and 5.2 percent in 2010 and 2011 respectively, only to stagnate at 0.2 percent and 0 percent in 2012 and 2013.<sup>40</sup> Perhaps more than the worsening of the global financial situation, the Ukrainian economy has been crippled by an astonishingly high level of corruption. Transparency International ranked Ukraine 144<sup>th</sup> in 2013,<sup>41</sup> but a more comprehensive picture of the corruption is revealed by the opulence of the former president's residence of Mezhihirya, which includes gold faucets, a collection of luxury cars, and a private zoo.

<sup>39</sup> David F. J. Campbell, Paul Polzlbauer, and Thorsten D. Barth, “Global Democracy Ranking 2013,” [http://democracyranking.org/wordpress/ranking/2013/data/Scores\\_of\\_the\\_Democracy\\_Ranking\\_2013\\_a4.pdf](http://democracyranking.org/wordpress/ranking/2013/data/Scores_of_the_Democracy_Ranking_2013_a4.pdf)

<sup>40</sup> “The World Bank GDP Growth Annual,” <http://data.worldbank.org/indicator/NY.GDPMKTP.KD.ZG>

<sup>41</sup> “Transparency International Corruption Perception Index, 2013,” <http://www.transparency.org/cpi2013/results>

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Low levels of energy efficiency have been another curse for the Ukrainian economy: the country spends more than twice on energy per a GDP unit than the European average.<sup>42</sup> The long-term problem of energy dependence from Russia has not been resolved in Ukraine's two decades of independence. Quite the contrary, it has been sealed by the Kharkiv Accords of 2010, which gave Ukraine a discount to the price of natural gas in exchange for political and strategic concessions to the Kremlin. In the years that followed, Ukraine was slow to take the opportunity offered by the shale revolution, and only recently started exploration of two shale gas fields despite considerable reserves. In 2010, in yet another concession to Russia, Ukraine adopted the status of military neutrality, making itself even more vulnerable to Russian influence. This was at the time when then Prime Minister Putin was unveiling his plan to reestablish control over former Soviet republics, as outlined in his famous article in *Izvestia*.<sup>43</sup>

### Balancing between Russia and the EU

Ukraine's status quo was built on its continued residence in the "grey zone," balancing between Russia and the European Union. This implied abstaining from NATO membership and — as it learnt later — from a closer association with the EU. In conjunction with continued dependence on Russia for energy and trade, Ukrainian status quo allowed the Kremlin to further its strategic interests in the region, albeit at the expense of Ukraine's sovereignty. The Association Agreement with the EU, designed to replace an outdated Partnership and Cooperation Agreement signed in 1994, was perceived by Russia as a direct threat to its interests and — as it turned out — stood no chance of

<sup>42</sup> "The World Bank GDP per Unit of Energy Use," <http://data.worldbank.org/indicator/EG.GDP.PUSE.KO.PP.KD>

<sup>43</sup> Vladimir Putin, "New Integration Project for Eurasia — Future Born Today," *Izvestia*, October 3, 2011, <http://izvestia.ru/news/502761>

being signed by a puppet Ukrainian government. Ultimately, Yanukovich lost control of the events to Russia in November 2013.

### The Reshaping of the Political System

The events on the Maidan dramatically affected all spheres of Ukrainian society, and led to a reshaping of the national political system. A centralized authoritarian presidential rule has been replaced by a parliamentary system and the return to the constitution of the Orange Revolution. The recent, early presidential elections reflected the demand for new politicians, although the pool of candidates was not as fresh as many would have wanted.

The Russian intervention and the subsequent annexation of Crimea in March reshaped Ukrainian social life. As confused police forces and a weakened army proved unable to face the new challenges, national security and territorial integrity transcended corruption in the public focus, and became the main preoccupation. Security became the vital issue for Ukraine, and, with intensification of Russian-heated separatism and at critically low levels of efficiency of the state, the country is set for further challenges. In order to effectively address them, the new government needs to push for fundamental reforms in two main directions. First, the government needs to re-embark on a path to democratization and decentralization of power aimed to strengthen territorial integrity and provide a power-sharing mechanism that would help overcome the weakness of the over-centralized state. Second, a new security strategy needs to be adopted that takes into consideration the new security threats and vulnerabilities, including weak police and insufficiently trained armed forces.

### Challenges for the Economy

On February 23, 2014, the new Ukrainian government was installed in the midst of an economy brought close to default by a fatal

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combination of incompetence and corruption. According to the Prosecutor General's office, during his four years in office, Yanukovich stole the equivalent of over \$100 billion,<sup>44</sup> depleting his country's reserves. In the last two months, the situation only got worse: the national currency depreciated by almost 50 percent, Ukraine's gold and currency reserves decreased by 13.16 percent and in January-April 2014, the inflation index reached 6.4 percent. Successful IMF negotiations resulted in a long-term loan agreement of \$17.01 billion for Ukraine, which will help to ensure macroeconomic stability. However, this loan is not a panacea.

The issue of energy dependence remains of utmost importance, especially as Gazprom intensifies pressure on Ukraine, demanding that outstanding bills be paid. Ukraine will have to pay an even higher price for Russian gas (the Kharkov accords, allowing a discount of \$100 per 1000 cubic meters have been terminated by Russia, who no longer needs a lease for its naval base in Sevastopol), while the possibilities for diversifying supply sources remain limited. Ukraine has agreed with Slovakia and Hungary on reverse supplies of natural gas from Europe, while Germany has already started supplying gas through Poland. However, these provisions are likely not enough to cover the country's huge demand for energy, stemming mostly from outdated and inefficient industries. Key objectives in the energy sector for the nearest future will include enhancing energy efficiency of Ukrainian industries and looking for alternative supplies, including the development of two shale gas fields in the Western and, if the situation allows, Eastern parts of the country.

<sup>44</sup> UNIAN News Agency, <http://www.unian.net/politics/913592-yanukovich-ukral-u-gosudarstva-bolee-100-mlrd-gpu.html>

### **Managing Vulnerability to Russia**

Ukraine requires a new strategic vision that would compensate for the country's internal weaknesses, vulnerabilities to Russia, and help to advance Ukraine's role in European security framework. The signing of the political portion of the Association Agreement in March 2014, and the signing of the complete agreement in June 2014, have been saluted in Ukraine as a step forward on a long path to Europe — institutionally, normatively, and politically. Moving along this path is the most effective way to turn Ukraine into a genuine democracy and to most effectively address its weaknesses, both in the political and security spheres. To seal these changes, Ukraine will need to move forward with the reforms required under the Agreement, and also find ways to cooperate with NATO given new strategic challenges in the region.

Ukrainian-Russian relations have dramatically changed since Yanukovich's departure. Russia's attempts to restore a post-Soviet sphere of influence, the annexation of Crimea, and Ukraine's renewed dialogues with the EU and NATO are some of the many new factors that have shifted dynamics in Ukraine's neighborhood. Ukraine faces the tough challenge of managing asymmetric interdependence with a more powerful and, unfortunately, aggressive neighbor. This task will have to be addressed primarily by building and improving multilateral ties, including those with international institutions. Ukraine needs to urgently address the problem of its energy dependence with Russia by diversifying sources of energy, which will include tapping into its own resources, to address its energy inefficiency.

### **Supporting Ukraine's Stabilization Process**

Immediate actions, as well as long-term strategies, are needed to rescue Ukraine. An immediate infusion of cash will help the government to avoid a default, yet no short-term fixes will be

enough to get and keep the country on the right track. Ukraine needs reforms to proceed, and the country needs to start implementing them right away. The government needs to address the most problematic aspects that make the country vulnerable: high energy dependence, unbalanced economic relations with Russia, and being in a “grey” security zone. Dealing with these issues requires clear “road maps” that would deepen, step-by-step, integration with the EU. The signing of the

Association Agreement in June 2014 and further steps towards visa liberalization, free trade, and political and security cooperation can all further this strategy. While saving Ukraine from default is an important priority, both Ukraine and the West should be reminded that providing money is not enough for Ukraine’s success. In addition to cash, Ukraine needs structural reforms to make its economy more effective, and strong anti-corruption measures to stop the leaking of public resources to

Ukraine	
Relations with EU	Developments after the start of the Ukrainian crisis consist of the financial assistance package agreed in March 2014 of at least €11 billion in loans and grants from the EU budget and EU-based international financial institutions; and the Comprehensive Free Trade Area section tied to the Association Agreement, which was signed on June 27, 2014. (Source: EEAS, European Commission, 2014)
Relations with NATO	NATO-Ukraine relations are based on the NATO-Ukraine Commission. Given recent developments in Ukraine, NATO allies have agreed to reinforce NATO-Ukraine cooperation with a set of priorities to guide cooperation over the next five years, including in training and exercises; extending a project for the retraining of former military officers in Ukraine; and plans for a new project to support the neutralization of radioactive sources from former Soviet military sites. In April 2014, an agreement was reached between NATO and Ukraine to intensify measures that will allow Ukraine to ensure its own security. Ukraine has also become the first partner country to contribute to NATO’s counter-piracy operation off the coast of Somalia. Ukraine has equally provided troops for the Kosovo and Afghanistan missions. (Source: NATO, 2014)
Trade with Russia as percent of total Ukraine trade	Exports: 25.7 percent (nr.1); imports: 32.4 percent (nr.1) (2012)
Trade with EU as percent of total Ukraine trade	Exports: 24.39 percent (nr.2); imports: 30.9 percent (nr.2) (2012)
Russian FDI as percent of total FDI in Ukraine	7 percent (2012)
Migration to Russia* as percent of total legal migration from Ukraine	66.7 percent (2012); 36.7 percent of remittance comes from Russia (2013)
Migration to EU* as percent of total legal migration from Ukraine	19.7 percent (2012)
Russian minority in percent of Ukraine population	17.3 percent (2001 Census)

\* Number of migrants is expressed according to country of residence; the calculations were made in 2011-12 by the Migration Policy Center based on a previous assessment as well.

Statistics Sources: WTO, CIA World Factbook, The Migration Policy Center-EU, U.S. State Department, IOM, CASE, and local official sources.

*While it is a Ukrainian task to find the determination and resolution to go forward with reforms, this could hardly be accomplished without the support of both the EU and United States.*

private pockets. Further financial assistance should be conditioned by concrete steps in both these directions.

Ukraine's security is in an even worse state than its economy as Ukraine is confronted with its internal weaknesses in tandem with Russian aggression. The main priority for Ukraine should be to overcome its legitimacy crisis and to improve the performance of the state. Presidential elections followed by parliamentary elections are necessary steps to give the governing elite the legitimacy to push forward with the needed actions and difficult reforms. The immediate support of the West should concentrate on helping ensure the freedom and fairness of these elections in the most difficult circumstances. In the longer term, Ukraine needs to leave its grey zone and integrate into the European security framework, provided that Europe and the United States understand that they may not neglect the issue of security in the region. These Western partners must also deal with the "frozen conflicts" of the post-Soviet area, of which Ukraine is now a new host. On each and every account, Ukraine will need the strong and long-lasting support of the West. In economic terms, the opening of markets, financial assistance, technical assistance, and close cooperation on energy issues are of vital importance. With regards to security, diplomatic support from the West and joint efforts to improve regional security arrangements are also much needed. The more institutionalized this assistance will be, the more secure Europe will become.

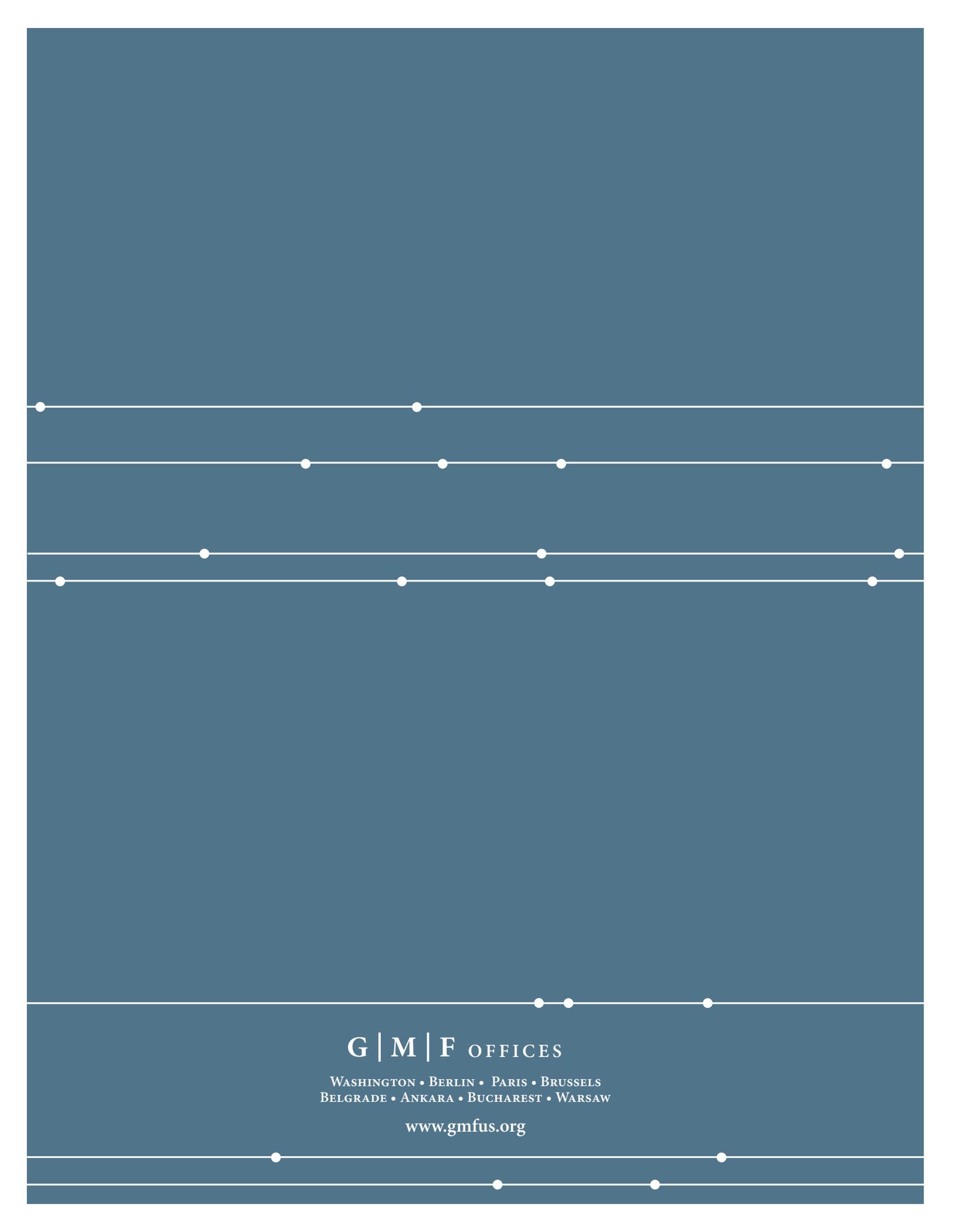
Reshaping the regional balance of power is a major challenge for both the EU and United States. Russia's geopolitical weight in the Black Sea region has increased, and so too has its abilities to project power to neighboring regions (Central Asia, Middle East). Instead of becoming a good partner in supplying energy to Europe, Russia will more likely increase the aggressiveness of its energy policy, and seek control over major transportation routes. So far, Russia's assertiveness has not been seriously opposed by the EU, and the countries in the region, while continuing to aspire to a European future, may feel somewhat isolated in their opposition to Russia's grandiose plans. The security of Ukraine should be part of a broader strategy of the West to secure the entire region.

Ukraine has a huge task ahead of itself and needs to fix many of the mistakes of the past governments. While it is a Ukrainian task to find the determination and resolution to go forward with reforms, this could hardly be accomplished without the support of both the EU and United States. These entities need to consider new strategic options for both Ukraine and the region, and not allow Russia to provoke further destabilization and create new division lines. Both the EU and United States have an interest in seeing Ukraine succeed, and should not let one's soft power lose its potency, or allow the other's hard power be counterbalanced.

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# 9 LIST OF ABBREVIATIONS

AA	Association Agreement
CEE	Central and Eastern Europe
DCFTA	Deep and Comprehensive Free Trade Agreement
EaP	Eastern Partnership
EEAS	European External Action Service
EU	European Union
IMF	International Monetary Fund
ISAF	International Security Assistance Force
GD	Georgian Dream
MAP	Membership Action Plan
NATO	North Atlantic Treaty Organization
NDI	National Democratic Institute
OSCE	Organization for Security and Cooperation in Europe
UNM	United National Movement
WTO	World Trade Organization

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