

# BULLETIN

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## The Eastern Partnership Under the Lithuanian Presidency: Time for the EU to Keep an Eye on Eastern Europe

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*One year after the second Eastern Partnership summit in Warsaw, Lithuania has intensified preparations to further develop the Eastern Partnership (EaP) during its EU Council presidency in the second half of 2013. The presidency creates an opportunity to draw the attention of an EU engaged in solving the economic crisis to the EaP. Lithuania is interested in the closer economic integration of the EaP countries with the EU internal market but will need to be innovative in its arguments for increased financial assistance for this priority as well as for the introduction of flanking growth and mobility initiatives.*

Both as a political and economic model, the EU is less attractive to its neighbours. The Union played only a very limited role in supporting the “colour revolutions” in Eastern Europe in 2003–2005 and the Arab Spring in North Africa in 2011. Now, with the economic crisis slowing enlargement policy and diminishing the EU’s economic attractiveness to its neighbours, it is also struggling to prevent these countries from a democratic regress.

At the same time, a year after the second Eastern Partnership summit and a few days after the undemocratic parliamentary elections in Belarus, consistent EU policy towards Eastern Europe is more than necessary. If the economy is the problem, though, it may also provide the solution. Lithuania announced at the July European Parliament plenary session its intention to make the EaP a high priority of its EU Council presidency and thus would like to give a stronger economic angle to the EU’s cooperation with Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.

**Overcoming Uncertainty.** The success of this agenda is clouded in uncertainty. Lithuania’s political ambitions will depend heavily upon political developments in the EaP region, notably the results of the upcoming parliamentary elections in Georgia on 1 October, and in Ukraine on 28 October. The political will to commit to the reforms will be crucial for Lithuania to achieve its goal of having at least two partners (Moldova and Georgia) able to finalise negotiations on Association Agreements, including Deep and Comprehensive Free Trade Agreements (DCFTAs), as well as to start the ratification process with Ukraine. The same relates to the speed of the visa liberalisation process, which mostly requires significant reforms to perform by the beneficiary governments.

And yet, the uncertainties are not as great as they appear. The concrete agenda and advocacy are in place. Lithuania will organise the EaP’s third summit for November 2013 in Vilnius. This meeting for EU and EaP heads of state will conclude negotiations on the declaration concerning the post-2013 EaP and will be accompanied by meetings of the Civil Society Forum, Business Forum, the Conference of Regional and Local Authorities, Youth Forum, and possibly by the Foreign Affairs Committee meeting of the Euronest Parliamentary Assembly. In addition, expert meetings are planned as well as an informal meeting of transport ministers.

In order to secure allies in the run-up to the summit, Lithuania has also been making concerted diplomatic efforts towards EU institutions and Member States. In July 2012, a meeting was held involving Lithuanian ambassadors and representatives of EU institutions and during which the organisation of the third summit was discussed. In addition, Lithuania has been holding meetings with key EaP players within the EU, notably Germany, Poland and Sweden. For instance, in May, Lithuanian Minister of Foreign Affairs Audronius Ažubalis met with Minister of State Georg Link and invited Germany to cooperate in creating an ambitious Eastern Partnership policy.

**A Difficult Economic Case to Make.** With Vilnius intending to focus on deepening economic integration with the EU and developing growth initiatives in the region, a rather greater obstacle to its plans will likely be posed by the economic mood amongst EU member governments. Lithuania is not aiming to bring a major revolution to the Eastern Partnership, of course. By drawing on intensive consultations with the countries of the region, Lithuania wishes to “reinvigorate” the Eastern Partnership by improving existing instruments rather than, say, by increasing spending. Nevertheless, its notion of principled economic engagement in the neighbourhood may clash with an altogether harder rationale.

The economic case in favour of boosting the EU sales market in Eastern Europe will certainly draw interest from Member States, but it will not necessarily speak to their principles. Moves to attach conditions to trade, coupled with the necessity for the EU to liberalise its market and visa regime as well as actually following through with the laborious implementation of joint economic commitments, will create a difficult pill for Member States to swallow in these times. The EU’s economic offer must also be competitive in relation to the latest Russian economic integration projects in the post-Soviet area (the Customs Union or Common Economic Space), and trying to assert principles in the offer can hinder its attractiveness.

Moreover, if the economic benefits are not forthcoming, there may also be a tendency to seek to cut funding where possible. The European Commission introduced in June a financial instrument based on the principle of “more for more”, meaning financial rewards for countries that demonstrate progress with reforms. This is the Eastern Partnership Integration and Cooperation Programme, with a budget of €130 million. This instrument has provided Moldova with €28 million, Georgia with €22 million, and Armenia with €15 million. However, the principle of “less for less” has also emerged, under which the EU would punish transgressions by means of radical economic sanctions or cuts in funding.

**Recommendations.** The main tool for integrating the EaP economies into the EU internal market is provided by DCFTAs. These imply the acceptance of a major part of EU legislation in the sphere of the internal market. Ukraine has completed negotiations on an agreement, and Georgia, Moldova and Armenia have started talks on them. Only Azerbaijan and Belarus, which are not members of the World Trade Organisation, have no current prospects to negotiate such an agreement.

The speeding up of EaP economic integration is important for Poland as the major promoter of this initiative as well as a country with much trade in this region. Therefore, Polish–Lithuanian cooperation to achieve the stated priorities would be worthwhile. Four strands may be proposed to develop an agenda based around the DCFTAs in order to be successful in the EU’s current economic climate.

First, in order to ensure the implementation of the DCFTAs, the creation of more robust local monitoring mechanisms is necessary. In order to increase local pressure on Eastern governments to live up to their commitments, the needs assessment for financial assistance should be carried out not only with government officials and EU experts but also with independent experts and NGOs from these same countries. They should also be involved in the control mechanisms of these agreements.

Second, funding should be more targeted, with growth initiatives financed on the basis of a detailed analysis of an EaP country’s needs. Currently, relatively little EU financial assistance in the EaP region is used to fund growth initiatives, i.e., minor support for small and medium-sized enterprise development and the investments of the European Investment Bank covering a limited number of areas, such as transport, energy and the environment.

Third, an important and relatively cheap growth aspect may be found in an increase in youth mobility from EaP countries. The Union can certainly increase the number of student exchanges it carries out. Lithuania should lobby for the opening of a normal Erasmus programme covering EU and candidate countries. The number of scholarships through Erasmus Mundus already reaches about 2,300 for the whole region, but greatly underserves the demand.

Last, the EU should shift a more substantial percentage of funding to the “more for more” rule to improve participation. Additional financial assistance of just €20–30 million is little incentive for countries to commit themselves to major reforms. In addition, the EC should introduce the formal requirement for EaP government administrations to publish officially detailed data on the use of EU funding, which is currently not the case. This would allow public monitoring of the implementation of EU conditions and thus weaken the impulse to cut funding.