



10 YEARS OF THE ENP - THE WAY FORWARD WITH THE EAP Policy Brief

MAXCAP Policy Task Force

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10 years of the ENP – The way forward with the EaP¹

Key Recommendations. The EU should:

Broaden its communication strategy

- Target citizens in EaP countries to explain existing policies and improve the image of the EU to counteract the anti-EU discourse supported and financed by Russia.

Strengthen the principles of differentiation and competition

- Include multi-level differentiation among EaP countries and actors dependent upon their interest in and commitment to cooperation with the EU.
- Introduce a unified scoreboard system assessing and comparing the performance of the EaP countries in main policy areas.

Assist Georgia, Moldova and Ukraine in implementing the AAs/DCFTAs

- Acknowledge the aspirations of the three associated countries to join the EU as ‘European states’ rather than label them as ‘neighbours’, a term which has constantly contributed to the feeling of exclusion.
- Encourage and allow the three associated countries to set their own priorities in timing and sequencing the implementation of EU rules to ensure that the scope of rule transfer is adjusted to the developmental needs of the partners, which lack candidate status.
- Employ a problem-solving monitoring system through cooperation with international financial institutions and/or the EBRD and introduce credit programs to alleviate potential costs of implementing the AA/DCFTA for the associated countries.
- Introduce new funding schemes that take into account low absorption capacities of state bureaucracies in the three associated countries and assist non-state actors such as associations and firms through direct payments to transform the economies of EaP partners into more competitive markets.

Ten years after its inception, the ENP is on trial. In the current policy debate about the ENP, and its Eastern dimension in particular, the criticism of the EU underlined the failure to build a stable, prosperous, and democratic ‘ring of friends’ in its neighbourhood. Most of the EaP countries have at best stagnated in terms of good governance and democracy and have become less stable than they were ten years ago. To be fair, part of the problem lies with factors not directly related to the EU, such as the regional rivalry with Russia or the strong presence of reform-resistant elites. However, a number of challenges remain, and there is much room for further improvement. The EU cannot afford to fail in Ukraine, Georgia and Moldova, if it does not want to become a factor of further destabilization in the region. The gap is huge between the expectations these countries, and their citizens in particular, have when it comes to EU support for political and economic reforms and what the EU (especially the majority of its member states) is currently willing to offer in order to support domestic change. Our concern is that the wider this gap becomes, the easier it is for the Russian government and local reform-resistant forces to exploit the volatile domestic dynamics shaping these three

1 The brief draws upon the findings of the EU-funded research consortium “Maximizing the integration capacity of the European Union: Lessons of and prospects for enlargement and beyond” (MAXCAP) (<http://maxcap-project.eu>). The MAXCAP Policy Task Force for this policy brief included Nelli Babayan, Tanja A. Börzel, Antoaneta L. Dimitrova, Julia Langbein and Bidzina Lebanidze.

countries. In the following, we evaluate the effectiveness of the ENP and overall EU policy in the EaP region in a number of areas and propose recommendations for improvements regarding the EU's communication strategy towards the Eastern partners and guiding principles of the EaP. We also propose concrete recommendations on how to assist Georgia, Moldova and Ukraine with implementing the Association Agreements.

Better Communication

Improve the image of the EU. The EU is still highly attractive to all EaP countries. Yet, recent opinion polls show that the EU's attractiveness is declining, including in Georgia and Moldova.² The EU should put more emphasis on the effective communication of its own image and the programs of the ENP to the public in the EaP countries. So far, the EU has failed to counter the recent information campaign launched by the Russian government and implemented by the local media and civil society organizations in the EaP countries, characterizing the EU as a purely LGBT-promoting community. Since the EaP countries are not LGBT-friendly societies in the first place,³ Russia tries to gain popularity by portraying itself as a guardian of (Orthodox) traditional values. The EU does not have to compromise on its values, but needs to stress more prominently the benefits from association for the public in neighbourhood countries. Explaining the merits of EU programs on the websites of the EU delegations is obviously not enough to counter the anti-EU disinformation campaign. Furthermore, citizens outside capitals and in rural areas cannot easily gain information on what the EU does in their countries, even when considerable support has been provided. The communication strategy of the EU should not limit itself to the capitals and highly educated elites. **The EU has to develop its own information campaign through traditional and online media to improve its artificially distorted image in the EaP countries and communicate what it does in terms of financial support.**

Differentiation and Competition

Multi-level differentiation. A more differentiated approach is the key to successful use of conditionality. The EU should further strengthen and apply in a more differentiated way the 'more for more' and 'less for less' principles to encourage performance-based competition among its neighbours. The 'one-size-fits-all' approach, which, despite the introduction of 'more for more', has been prevalent in the previous policies of the ENP/EaP, has so far discouraged those EaP countries that have a proclaimed interest in European integration (Georgia, Moldova and Ukraine) to further advance their reforms, and the hesitant partners (Armenia, Azerbaijan and Belarus) to catch up in reforms.

The differentiated approach should not only take into account the different macro-level context conditions shaping the EaP countries (e.g. their general geopolitical orientation), but also the variety of domestic interests within these countries. EU representatives on the ground are well aware that even for the most committed neighbours, commitments to Association Agreements and to developing closer relations and trade links are not equal to commitments to democratic reform. EU rhetoric and conditionality have often ignored the fact that political elites in neighbouring states may not want democratic reforms and better

2 De Waal, T. (2015) 'Warning Signals for EU from Georgia and Moldova', Carnegie Moscow Center, available at <http://carnegie.ru/eurasiaoutlook/?fa=60141>, accessed 25 June 2015.

3 According to the recent World Values Survey, a big majority of population in the EaP countries do not justify homosexuality and would not like to have homosexuals as neighbours. Source: World Values Survey Wave 6.5, Data Documentation, Online Analysis.

governance that constrain their opportunities for rent-seeking and undermine their political power. At the same time, citizens in the EaP countries do expect the EU to promote better governance, anti-corruption initiatives, administrative reforms, and improved access to public services.

Adopt the ‘regatta principle’ to identify best practices and allow for multi-speed integration. In the EaP region where state actors, especially in Georgia, Moldova and Ukraine, are looking for external recognition of their still developing economic and political models, competition among states is of great importance. The ‘regatta principle’ is indirectly included in all EU documents, which systematically assess the performance of the EaP countries in various areas. Yet its application lacks clarity. Further, the technical language of the documents allows the governments to downplay their own shortcomings and makes it less attractive for reform-minded domestic actors to use EU assessments as a reference point. **The EU should consider the introduction of a unified scoreboard system assessing and comparing the performance of the EaP countries in the main policy areas.** The EU could either draw on its previous experience from the recent enlargement rounds (e.g. the Anti-Corruption Report and the Scoreboard System in various policy fields) or incorporate into its assessment system already existing indexes (e.g. the EaP index, which is co-produced by the EaP Civil Society Forum).

The application of the ‘regatta principle’ will not only empower reform-minded domestic actors, but it will also help to identify best-practices that can serve as an example for other EaP countries. Thus, EaP countries can learn not only from the EU, but also from each other. Due to similarities of domestic scope conditions, EaP countries will find it much easier to learn from each other than from EU member states. For instance, Georgia is supposed to have the most efficient system of legal approximation with the DCFTA-related *acquis*, whereas Moldova has the best record of reforms in the JHA area.

Assisting Georgia, Ukraine and Moldova with implementing the Association Agreements

Is a credible membership perspective the only tool that works? It is often wrongly assumed that a membership perspective, which is not credible, will not suffice to lock in the reform processes in the EaP countries. Whereas a certain level of enlargement fatigue both among the population and the political elites of EU member states cannot be ignored, providing a long-term perspective - hope for citizens - should not be dismissed. The EU and national policymakers should understand what is at stake. The utmost reluctance of the EU in offering the EaP countries something beyond closer relations has at times weakened the pro-reform political coalitions strengthening anti-reform forces. The EU may not be able to grant the three associated countries a clear membership perspective. However, there is something in-between a ‘neighbour’ and a ‘member’. **The EU should acknowledge the European aspirations of Ukraine, Moldova, and Georgia. There is no need to constantly remind them that membership is not in the cards for them in the years to come.** For these three EaP countries, which after the dissolution of the Soviet Union have been undergoing a very difficult process of identity building, a clear commitment by the EU to accept them as European countries, can be a strong inspirational incentive even without the immediate membership perspective.

Encourage and allow tailor-made timing and sequencing of the implementation of EU rules. The lack of a short-term membership perspective can also be an advantage for the less developed economies of Georgia, Moldova and Ukraine: They can negotiate trade liberalization and the implementation of EU rules

in areas such as state aid in a slower pace so as not to undermine state capacities to protect developing sectors from outside competition. **The EU should encourage and allow the three associated countries to set their own priorities in timing and sequencing the implementation of EU rules under the AA and DCFTA to make sure their economies survive the enforcement of EU rules.**

Improve monitoring by problem-solving. During the fifth enlargement of the EU, the EU went beyond mere checklist monitoring. Instead, monitoring involved elements of problem-solving, i.e. the European Commission was concerned about identifying the causes of non-compliance in order to define remedial measures (for instance, in the form of assistance projects or EBRD credits for affected industries/sectors to make it easier for policymakers to push through EU state aid, food safety or environmental regulations). The EaP currently lacks such mechanisms. **The EU is, however, well advised to ensure that domestic actors from the EaP countries can play and live by the EU rules if it does not want to become a factor of further political and economic destabilization in these countries.** Georgia, Moldova and Ukraine can implement their Association Agreements only if they are offered short-term incentives that must be differentiated and tailored to the needs of the 'rule takers'. For weaker domestic entrepreneurs access to the EU market may not provide much of an advantage. Firms can only benefit from market access if they have capacities for upgrading.

Balance long-term developmental goals with short-term carrots. The overall strategy of the EU focuses on supporting long-term development of the EaP countries, whereas local pro-reform coalitions have to deliver short-term benefits in order to ensure their legitimacy and mitigate present economic hardships. This discrepancy has become especially evident in Georgia, Moldova and Ukraine after the signing of the AA and the DCFTA. The full implementation of the DCFTA-related *acquis* will require high absorption capacity while imposing high adoption costs, which might erode the popularity of both EU agreements and pro-EU domestic coalitions. Moreover, unlike during the accession process, additional financial incentives that come with EU membership, such as access to the EU's Structural Funds, will be absent even after the implementation of costly reforms. Drawing on its previous experience with Central and Eastern Europe and the Western Balkans, **the EU can make the process of market integration less painful for the DCFTA-countries by designing instruments that put special emphasis on increasing public and private capacities to support development and coordinate economic integration.** Pre-accession programs have - notwithstanding their flaws - facilitated institution building to guarantee compliance with EU rules (and hence protect the integrity of the internal market). But they have also helped to facilitate coordination among state bureaucrats, firms and associations from EU member states and the candidates to plan market integration and anticipate potential negative consequences of trade liberalization and rule transfer for the candidates' economies. Further, they have helped businesses to improve their competitiveness in order to survive on the EU market. Yet, the pre-accession instruments presuppose a high absorption capacity by local administrations, which is often absent in the EaP states. To meet this challenge, **the EU should enrich its toolbox by genuinely new instruments, such as - for example - direct payments to the population via a system including NGOs and other non-state actors, in areas such as energy and agriculture.** Direct payments can be given to farmers or firms seeking to upgrade their facilities in order to increase their competitiveness or to citizens to pay for higher energy costs. **Next to mitigating the economic costs of adjustment to the EU single market rules for vulnerable parts of the population, the instrument of direct payments will have a huge symbolic effect. Direct payments will reach the broader population and will be more cost-effective as they will not require local state bureaucracies as an intermediary.**



“Maximizing the integration capacity of the European Union: Lessons of and prospects for enlargement and beyond”

The ‘big bang enlargement’ of the European Union (EU) has nurtured vivid debates among both academics and practitioners about the consequences of ‘an ever larger Union’ for the EU’s integration capacity. The research project MAXCAP will start with a critical analysis of the effects of the 2004-2007 enlargement on stability, democracy and prosperity of candidate countries, on the one hand, and the EU’s institutions, on the other. We will then investigate how the EU can maximize its integration capacity for current and future enlargements. Featuring a nine-partner consortium of academic, policy, dissemination and management excellence, MAXCAP will create new and strengthen existing links within and between the academic and the policy world on matters relating to the current and future enlargement of the EU.