

4 LIBERTY.eu

REVIEW

NO.1

A map of Europe with several countries highlighted in shades of blue. The highlighted countries include the United Kingdom, Ireland, France, Germany, Poland, Czech Republic, Slovakia, Hungary, Romania, Bulgaria, and Greece. The rest of the map is in a light grey color.

**THE EASTERN PARTNERSHIP:
THE PRESENT, THE PAST
AND THE FUTURE**



4liberty.eu is a network of several think tanks from CEE (Poland, Hungary, Slovakia, Slovenia, Czech Republic, Bulgaria, Estonia, Lithuania and Germany) and our partners from EaP countries. Our goals: to make the Central European perspective accessible to international audience, to be a reliable source of information on regional issues and the voice of region. Our authors are experts, intellectuals and researchers. We publish high quality analyses, polemics and articles exclusively in English, building bridges between nations to help in better understanding between experts from particular countries. Webportal 4liberty.eu is designed to become a platform where experts and intellectuals representing liberal environment from Central and Eastern Europe can share their opinions and ideas.

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The Troubled Waters around the Safe Shores of the European Union

European Union – one of the most magnificent ideas of the modern-day Old Continent for promoting democracy, prosperity, economic cooperation, rule of law and human rights – has recently entered troubled waters. Russian annexation of Crimea, and Ukrainian crisis in general, Belarusian and Azerbaijani violations of human rights, the issues of Transnistria, Gaguzia and Balti in Moldova, among others, have posed a serious problem for an idealistic in nature EU, which has to very quickly figure out how its stance towards those matters shall be reflected in action. So that EU does not turn out to be only an alluring illusion.

It is no longer enough to find a safe harbour on the sea of authoritarian propaganda of Russia. European Union has to stand up to the danger and show that it is not only about mere words but action. The future of the countries of the Eastern Partnership lays in our hands, in the hands of the European Union. Recently, it became obvious that a peaceful Europe is not given once and for all. That we, the Europeans, must be prepared to protect and fight for the values we believe in. Values which constitute our European identity – despite the fact that the notion of a European patriot still remains only a dream that does not necessarily come true, at least so far.

Eastern Partnership, unfortunately, served as a fuse to Russian imperialistic ambitions. It awoke Vladimir Putin's desire to reinstate its partially lost with the collapse of the Soviet Union power and sphere of influence in the region. And it seems that Ukraine is simply a boat beating against two completely opposite currents. Let's just hope that the European current will be stronger and that, with some time, Ukraine will safely reach the shores of the EU.

We have the pleasure to present you the first print issue of *4liberty.eu Review* – a collection of articles written by experts and human rights activists from member states of the European Union and the Eastern Partnership. We believe that such an overview is the best possible way to understand how the past, the present and the future of those two projects was, is and will be shaping up.

Enjoy your reading,

Olga Łabendowicz
Coordinator of 4liberty.eu network

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A Europe of Freedom For and By Its People



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LIBERAL
INSTITUTE

The process of European unification was one of the great political achievements of the 20th century. It gave Europeans - and with it, Germans - freedom, peace, and prosperity.

It continues to be the aim of a liberal Europe to ensure freedom in politics, economy, and society, to safeguard peace and boost prosperity, and to give young people in particular a vision of Europe where they can live, learn, study, work and travel as they please, without having to contend with internal borders.

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WORLDWIDE,
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LEGITIMISE ITSELF

Europe's unification is a quintessentially liberal project: liberals believe in the creativity and strength of the individual and in giving people the opportunity to make the

most of their own potential. This is done by building an institutional framework, based on liberty, that encapsulates the essential aspects of an open and pluralistic society: the rule of law, protection of fundamental human rights, as well as democracy and free markets.

Worldwide, people continue to strive for freedom. But the value system of liberal democracies and free markets is facing increasing pressure to legitimise itself. Liberals can only address this challenge by providing responses to today's great global issues. In these times, such answers are needed more than ever.

As Europeans we are experiencing the great benefits that liberty brings. Free and peaceful interactions in a flourishing domestic market have brought us unparalleled wealth. In times of rapid globalisation the European Union helps to secure freedom, peace, and prosperity in Europe. But this process of integration is risky and, for some, threatening.

Decisions are being increasingly centralised. Decision-makers are becoming further and further distanced from citizens. And there is a lack of clarity about the political level at which responsibilities should be assigned, based on the principle of subsidiarity.

These developments, and the question of how the various organs of the EU are politically legitimated, place at risk the acceptance of the integration process. The Euro crisis has exacerbated these underlying problems and brought them to the fore, where everybody can see them. It is the responsibility of politicians to adhere to the rules and benchmarks they themselves have set. Otherwise citizens will lose their trust in the process of European unification.



EUROPEAN INTEGRATION WILL ENDURE IF CITIZENS SUPPORT IT. EVEN TODAY'S EU, WITH ITS 28 MEMBERS, IS MUCH TOO HETEROGENEOUS TO INTEGRATE AT A SINGLE PACE. WE NEED A PROCESS THAT ACCOMMODATES DIFFERENT SPEEDS AND DEGREES OF INTEGRATION

Europe faces considerable challenges. The causes of the Euro crisis have to be combated effectively to make Europe more capable of action and to avert harm from its citizens. Europe has to organise itself in a way that maximises the opportunities globalisation offers its citizens, and democratic principles have to be strengthened at all levels.

Increasing centralisation and protectionism have to be countered. The principle of competitive federalism needs to be reinforced because it plays a key role in enabling sus-

tainable progress. Building a sensible and binding system of rules that complies with the principles of democracy, the rule of law and a social market economy requires clear assignment of responsibilities, democratic legitimation and supervision of institutions.

The idea of a unified Europe, capable of effective action, has to be revitalised in the face of these challenges. This is a vision for Europe as a federation of sovereign states, where matters which individual states or their federal levels cannot decide on on their own are jointly decided, based on a partial transfer of sovereign rights.

Building this Europe is one of the great tasks of the future.

1: PROMOTE EUROPEAN DIVERSITY: INTEGRATION AS AN OPEN PROCESS

What makes Europe special is a great diversity in a relatively small area. Its wealth of history, languages, architecture, literature, music, painting and culinary traditions is extraordinary.

This diversity deserves to be preserved. The European identity is a kaleidoscope of historical and cultural linkages. All of these facets are bound together by shared cultural and legal traditions, as well as values which have marked Europe's history. In particular, they include the medieval separation of worldly and spiritual authority, and of princely and corporate power, which evolved into the basis of the Western understanding of freedom, individualism and pluralism.

This European identity does not compete with the respective national, regional or local identities of citizens. European integration is a valuable asset, but it is no end in itself. We should not interpret it as a linear process. Instead, integration has to remain an open process that is supported and de-

sired by the member states and their citizens. Europe has to grow organically and be carried by the free will of its citizens.

The question of Europe's future structure should be discussed openly and without preconceptions. Whether the quality of this federation of states will change, and how, depends entirely on us as Europeans; it is an evolutionary process for which there is no historical precedent. Locking the EU into an institutional or geographical finality would rob this process of chances and opportunities. It is important that as Europeans, we express our dedication to our values and goals, follow our own rules, and act based on a sense of shared responsibility.



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2: ALLOW EUROPE TO DEVELOP AT DIFFERENT SPEEDS

European integration will endure if citizens support it. Even today's EU, with its 28 members, is much too heterogeneous to integrate at a single pace. We need a process that accommodates different speeds and degrees of integration.

States that wish to participate in the development of the EU at a slower pace, or not at all, should not hold back the others. Where joint action is not possible or required, a "Europe of different speeds" would enable political progress to be made, and would allow more flexibility in timing while taking into account national specifics.

The example of the monetary union illustrates perfectly how important flexible solutions are. When a country is unable to bear the pressure of a hard currency and is clearly out of its depth when it comes to restoring its competitiveness and its debt-carrying capacity within the monetary union, it endangers the entire union's existence.

That is why in the future, in addition to the possibility of state insolvency within the Euro currency area, Euro member states should be able to withdraw permanently or temporarily from the joint currency, while being given the possibility to return, subject to clearly defined conditions. This method is also Europe-friendlier because it makes the Eurozone – with states that are able to stand on their own two feet economically – more attractive for new members.

3: ENSURE THAT EUROPE IS ABLE TO ACT EFFECTIVELY

In areas for which the European Union is indisputably responsible, it has to be capable of action when required, and not only



EUROPE'S MILITARY
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when addressing typical core tasks such as the customs union, competition law for the domestic market or common trade policy.

In a globalised world Europe can only defend its interests if it is capable of action in critical areas of policy and able to speak and act with one voice in its external relationships. "More Europe" is required particularly in dealing with issues of migration and asylum, in combating international criminality, and in dealing with cross-border environmental pollution.

The EU also has to work more closely together in defining its approach to securing sources of energy and raw materials, in creating European power infrastructure, and in its energy relationships with non-EU countries. Where there is an European responsibility, it should be exercised. This is true especially of integration in the area of Common Foreign and Security Policy (CFSP). But taking this to its logical conclusion would have far-reaching consequences: at the end of the process the EU would be sovereign in foreign and security policy and be exclusively responsible for these areas.

In such a case, for the EU to fulfil its duties, all member states would have to contribute.

Europe's military capacities should be used jointly and more effectively in the context of "pooling and sharing". Against the background of severe financial constraints it is essential that Europe's defence capabilities be used more efficiently.

European structural policies also require reworking. The European structural funds should be designed to be degressive in nature and their effectiveness should be continuously monitored. In order to improve the competition conditions of structurally

disadvantaged regions, regional and transnational cooperation should rather be promoted.

When European agricultural policy was launched in 1957 the goal was to provide farmers with adequate living conditions, to stabilise markets and to ensure security of supply. But in the face of liberalised global markets, these goals are no longer at the centre of attention. The European domestic market and world markets ensure sufficient supply. It is therefore urgently required that the Common Agricultural Policy be reoriented along free market principles.

In accordance with the principle of subsidiarity, the member states or regions should redefine agricultural policy to ensure that citizens are provided with high-quality food, that our cultural landscapes are maintained and farmers and their families are provided with adequate livelihoods.

Both politically and culturally, Europe is characterised by great heterogeneity. This heterogeneity and the structures resulting from it have to be taken into account in the further development of the EU. Anyone who believes that the details of social policy, wage policy, R&D policy, technology policy or even regulating national or regional economies can be organised jointly underestimates the inertia, but also the productivity of the prevailing differences. Moreover, democratically legitimised integration will only succeed if the principle of subsidiarity is enforced and if responsibilities are assigned unambiguously.

4: ENFORCE SUBSIDIARITY, PREVENT THE GRADUAL ENCROACHMENT OF CENTRALISATION

Subsidiarity means simply that problems should be solved by the smallest unit capable of doing so. Problems are only passed

on to the next higher level if the lower level cannot solve them. As a rule of thumb: "small before large", "private before state", "local before central".

Subsidiarity creates closeness to citizens. Subsidiarity creates transparency. Subsidiarity creates competition. It is important to delegate as much responsibility as possible to local authorities, regions, and member states. This is the only way of ensuring that the EU remains a flexible and democratic system. That is why the principle of subsidiarity has to be given greater importance in the European order, especially with regard to shared responsibilities.

Currently, higher authorities are often too quick to intervene. Instead, it would be better to check first if citizens or local, communal or regional authorities can deal with the issue. If a decision can be made at the regional or national level, there is no reason to delegate matters to the supranational level, that is the level of the EU. Emphasising the principle of subsidiarity should not be seen as Euro-scepticism. It is a method for ensuring that public tasks are accomplished as efficiently and as closely to citizens as possible.

The tendency towards ever greater centralisation and mission creep has to be counteracted more decisively. The pre-emptive checking of subsidiarity by national parliaments should be strengthened and developed further.

In addition to formal and legal subsidiarity checks, national parliaments should also engage more strongly with the objectives and content of European initiatives and introduce their positions into the European process of opinion forming and decision making at an early stage, if necessary through the national governments.



TODAY, THE EUROPEAN COMMISSION IS THE ONLY EU INSTITUTION WITH THE RIGHT TO PROPOSE LEGISLATION, EVEN THOUGH IT ONLY HAS INDIRECT DEMOCRATIC LEGITIMACY

Furthermore, it is necessary to set up a second senate of the European Court of Justice, which can be appealed to in cases of doubt or dispute and which decides on the basis of the principle of subsidiarity whether the EU may in fact exercise a responsibility.

5: CLEARLY ASSIGN INSTITUTIONAL COMPETENCIES, STRENGTHEN DEMOCRACY

The democratic legitimacy of the European Union rests on the European Parliament, and is derived indirectly from the national parliaments, which control their ministers in the Council. The Lisbon Treaty for the first time anchored the rights and duties of the national parliaments in European primary law and thus helped to reduce the democratic deficit. We therefore welcome the strengthening of the national parliaments' participation rights.

EUROPEAN PARLIAMENT

Votes in the European Parliament are weighted according to the principle of degressive proportionality. This principle ensures that the number of delegates of an EU member state is not directly proportional to the size of its population. Small states are relatively over-represented as a result of the principle.

This means that the votes of delegates to the European Parliament have unequal weightings and represent different numbers of citizens. The vote with which one citizen elects a delegate may therefore not be equal to the vote of another citizen. This is an infringement on the principle of democracy. This disadvantage has to be eliminated by introducing a uniform voting law that provides base mandates to protect smaller states.

Although the different vote distributions in the Council of the European Union reflect the differing population sizes of the member states, this effect does not compensate the negative impact of degressive proportionality in the European Parliament elections and can only be resolved by changing the electoral law.

We call for a right to initiate legislation for the European Parliament. Today, the European Commission is the only EU institution with the right to propose legislation, even though it only has indirect democratic legitimacy. The European Parliament does have the right to request the European Commission to table a proposed law. If the Commission does not accede to the request, it must justify its decision. But the current arrangement is not suitable for a future European Parliament assembled on the basis of a reformed electoral law and which has direct democratic legitimacy.

EUROPEAN COMMISSION

In terms of the Lisbon Treaty, the European Commission was to be reduced in size to a number corresponding to two-thirds of the number of members of the EU by

the autumn of 2012. This reduction in size makes sense and is necessary. Contrary to the resolution passed by the European Council on 11/12 December 2008, the reduction should be implemented in order to make the Commission as a whole more effective and in order to avoid further fragmentation and the increased accumulation of competencies by the individual commissioners. But in view of plans to accept additional members into the EU, even the reduction already decided on will not be sufficient, meaning that further reductions will become necessary.

Directly electing the Commission's president would give him or her the greatest legitimacy of all European organs, but it would not provide the president with the corresponding authority. Inevitably, the president would have to disappoint expectations. Instead, the current procedure should be maintained.

EUROPEAN COUNCIL AND COUNCIL OF THE EUROPEAN UNION

The European Council is made up of the heads of state and heads of government of the European Union member states. It is chaired by the president of the European Council, who is elected for a two-and-a-half year term of office.

6: DESIGN JUST AND FUTURE-PROOF FINANCING

The funding of the EU is an on-going point of contention between the member states of the European Union. The debate revolves around the so-called own resources and the contributions by the individual member states on the one hand, and the amount and structure of expenditure on the other hand. For as long as raising taxes remains the exclusive right of the sovereign states, this right cannot be transferred to the EU. This is true independent of whether such a tax is raised by the member states and

forwarded on to the EU or whether the EU is given the right to raise its own taxes. The EU's debt ban should be maintained. Similarly, the EU's level of expenditure should continue to be limited by the upper limit of own resources.

A JOINT EUROPEAN TAX POLICY WOULD NOT PROMOTE THE AIMS OF THE EU

Independently of EU budget policies, the harmonisation of tax policy within the EU is a recurrent topic of discussion. But a joint European tax policy would not promote the aims of the EU.

Tax competition between EU member states does not lead to a race to the bottom, as is often claimed. Instead, it contributes to the competitiveness of the individual member states. Only while member states continue to have the possibility of reacting to economic developments quickly and flexibly by adjusting their tax rates can the overall European objectives be achieved.

Because of the heterogeneity of the member states' economies, a uniform tax rate for direct taxes (income, profit) should be rejected. Tax competition in this area makes sense and is necessary. Different reasoning applies to the Europe-wide specific consumption taxes, which are reflected directly in prices. In this area comprehensive harmonisation makes sense and is urgently required to avoid undesirable developments (petrol tourism, cigarette smuggling) and to prevent competitive distortions.

7: USE MARKET MECHANISMS TO RESOLVE THE EURO CRISIS

The monetary union's stability architecture should be based on the obligations of the member states to take responsibility for maintaining budget discipline and on the independence of the European Central Bank (ECB). The Euro crisis revealed

a key flaw of the European monetary union: there was no effective mechanism to stop member states from taking on too much debt. The EU's existing supervisory mechanisms were not being consistently applied. Regulatory safety mechanisms, like the stability and growth pact, were not adhered to.

WAYS OUT OF THE CRISIS

The monetary union can only exist in the long term if it is a stability union. The economic principles of the stability community – in particular the prohibition of mutual budgetary assistance by the Euro states (no-bail-out rule) – have to be fully restored. Decision-making and liability belong together. What is true in private law has to apply to states, too.

Any mixing of responsibilities based on joint liability – no matter in which form – should be rejected. Every single member state has to fulfil the stability requirements on its own account.

Collectivisation of debt has to be avoided in the Euro crisis. It tempts parties to abrogate their obligations at the expense of others (moral hazard). Eurobonds, a fund for the joint liquidation of debts, or other variants of joint liability violate the principle of national financial sovereignty.

The crisis requires solidarity, provided that this helps to restore the original design of the monetary union as a stability union. Therefore limits have to be placed on the duration and amount of assistance, and it has to be linked to conditions. Individual member states can be provided with temporary assistance using the European Financial Stability Facility (EFSF) and the European Stability Mechanism (ESM).

The assistance defined in the EFSF and the ESM should not be supplemented or replaced by further ECB measures on

a permanent basis. The ECB's legal obligation to maintain monetary stability must remain its primary goal in future, as well. Its independence and the prohibition of public financing must be respected and maintained.



COLLECTIVISATION OF DEBT HAS TO BE AVOIDED IN THE EURO CRISIS. IT TEMPTS PARTIES TO ABROGATE THEIR OBLIGATIONS AT THE EXPENSE OF OTHERS (MORAL HAZARD)

The fiscal pact served to catch up on necessary steps towards financial policy integration, which are aimed at improving expenditure discipline. Specifically, the introduction of binding debt limits for Euro states and automatic penalty mechanisms against budget offenders should be welcomed. In principle, penalties should be designed to correct misguided budget policy automatically, for instance by means of an increase in the turnover tax.

From the perspective of the real economy, the inefficiency of deregulated financial markets generally leads to market fail-

ure. It is not necessarily more, but better regulation of actors and their behaviour that is required to make financial markets function efficiently.

This is why it is right that the EU should be given efficient banking supervision. The ECB's monetary independence has to be preserved in its entirety and its statutes should not be touched. In particular, monetary and supervisory competencies should not be mixed and should not be given to the same decision-makers.

At the same time it must be ensured that the capital adequacy of banks is raised to increase their risk aversion (e.g. Basel III). To begin with, the states should be obliged to set up their own protection systems for bank deposits, which should be funded by the banks. Banks that have miscalculated should be able to leave the market in an orderly fashion. This urgently requires a European legal framework for the orderly insolvency of financial institutions. If such measures help to make the financial sector as a whole more robust, the risk of contagion is lessened. Orderly bank and state insolvencies become possible and the prohibition on bail-outs can fulfil its purpose and be applied consistently.

The divergent competitiveness and reform capabilities of European member states have their origins not only in different economic departure points, but also have deep cultural roots and do not change overnight on instruction from Brussels. It remains the responsibility of member states to create an environment that enables competition. Only they are able to do this.

By bringing the domestic market to completion, it can help ensure that areas that hitherto have been protected are exposed to some competition. And by concluding

liberal trade deals it can reduce barriers to international trade and thus unleash the forces of economic growth.

OUTLOOK

The European Union's three goals remain unchanged in the 21st century: to ensure that Europe's citizens can live in freedom, peace and prosperity. This can be achieved neither through renationalisation nor by transferring the concept of the national state to the European level. Instead it requires a continual assessment of the tension between transferring competencies and respecting subsidiarity.

Europe will remain strong and attractive if it stays true to its liberal roots: by respecting democracy and the rule of law at all levels, protecting fundamental and human rights, pursuing a regulatory policy that corresponds to the rules of free markets, and by presenting a united front outwardly while using and protecting its diversity internally.

The article is based on recommendations by a panel of experts chaired by Dr Hermann Otto Solms, a Member of the Bundestag, formulated in Resolution of the Board of Trustees of the Friedrich-Naumann-Stiftung für die Freiheit, 22 March 2013. ●



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A think tank of the Friedrich Naumann Foundation for Freedom dedicated to political issues such as how liberalism can respond to challenges of contemporary world and how the liberal ideas can contribute to shaping the future.

It's All About Values



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ANDREI
SANNIKOV

The Vilnius Eastern Partnership Summit of last November was a turning point not only for the EU initiative but for Europe itself, followed by a major turmoil, completely unexpected and extremely dangerous. Russia's aggression against Ukraine renewed the security challenges of the past and created new ones that need urgent and timely answers and, at the same time, new strategic thinking and vision for the future.

The fact that Eastern Partnership failed to produce the expected results, or any sustainable results for the region, does not undermine the importance of the countries of EaP for Europe's future and for the international security.

ODD PARTNERS

Eastern Partnership, discussed and approved in June 2008 and launched in May 2009, was established in order to reconcile and balance the interests inside the European Union of countries belonging to different geographical regions as regards the neighbouring countries. President of France initiated and promoted the idea of the Union for the Mediterranean and formalization of the southern dimension risked to draw more resources and attention than other flanks of the European Union.

As is well known the initiative of Eastern Partnership belongs to Polish foreign minister Radoslaw Sikorski and was later supported by foreign minister of Sweden Carl Bildt. Swedish support was decisive for putting the Eastern Partnership on European table. Thus the Eastern dimension was singled out and formalized. It was extended to the six countries East and South-East of the European Union.

The criteria were not easy to establish since all six countries were different in too many aspects. Ukraine was probably the most ad-

vanced at that time in its relations with the European Union and was visibly disappointed, to say the least, with the whole initiative. The largest country among all the participants of EaP officially demonstrated its irritation with the fact that it was put seemingly on equal footing with countries that were at conflict with Europe, like Belarus where the dictatorial Lukashenko had a long record of human rights violation and denial of democratic developments.

There was also a geographical controversy since the three Transcaucasian states, formally speaking, do not belong to the region of Eastern Europe and could have formed their own group. However for the sake of scale they were united with three "properly" European countries. It looks that the decisive argument here was the war in Georgia in August 2008 and failure of the West to deal with the situation and stop Russia's aggression. The reasoning was to provide an additional mechanism for Georgian European aspirations.

Since the Eastern Partnership criteria included democracy and the rule of law, the very first inaugural summit presented a political problem. Lukashenko's regime was under sanctions and had the lowest level of relations with the EU namely because of its rejection of values that had to form the basis of every formal European endeavor.

EU rightfully decided to invite Lukashenko formally and informally pass him a message that he is not wanted in Prague, where the summit was to be held. The mission was entrusted to the Czech foreign minister Karl Schwarzenberg. Belarus was represented at the summit by deputy prime minister and foreign minister.

But that was not the main problem created by EaP. The main opponent of Eastern Partnership was Russian leadership. From the



THE WARNINGS AND CONCERNS OF RUSSIA EXPRESSED AT AN EARLY STAGE OF EASTERN PARTNERSHIP WERE TRANSFORMED INTO THREATS AS EU PROCEEDED WITH ASSOCIATION AGREEMENTS WITH GEORGIA, MOLDOVA AND ABOVE ALL, UKRAINE

very moment when the new initiative was discussed Russia expressed its dissatisfaction at first and then open rejection of Eastern Partnership. The warnings and concerns of Russia expressed at an early stage of Eastern Partnership were transformed into threats as EU proceeded with Association Agreements with Georgia, Moldova and above all, Ukraine.

RUSSIA AND EASTERN PARTNERSHIP

The Russian attitude towards Eastern Partnership clearly demonstrated that it took this new initiative of the European Union as a geopolitical challenge of the West, as an encroachment on Russian "sphere of interest" which Kremlin after the collapse of

the Soviet Union labelled as "near abroad". It looks like this fact wasn't duly taken into account while shaping the Eastern Partnership. Not as a "legitimate concern" of Russia but as a threat.

Besides its visible and vocal opposition to the EaP Russia accelerated the realization of its own geopolitical project called Eurasian Economic Union, or Eurasian Union (EAU). It was first suggested by the president of Kazakhstan in 1994 and then again at the meeting of CIS states in 1995. The idea was reduced to Customs Union signed in 1995 and almost forgotten. After the launch of EaP the idea was revisited by Kremlin and in 2011 alternative integration project was launched by Russia together with Kazakhstan and Belarus. Other post-Soviet states were invited to join. One of the main goals of the project seemed to be preventing EaP countries, above all Ukraine from getting closer to the European Union.

Eventually, of all six EaP countries only the regime in Belarus signed EAU despite the pressure on Armenia, Moldova and Ukraine to enter into Russia-controlled union. The pressure on Ukraine was especially strong and continued to this day in most ruthless way and with no visible end in the foreseeable future.

The danger of Russia possible response to EaP was clearly underestimated by the architects of the initiative and EU politicians and officials. EU thought that it would be enough to keep saying that the EaP is not directed against Russia., and the budget allocated for the period of 5 years for six EaP countries (\$600 mln) was very modest for such a challenging program.

Different relations of EaP countries with the European Union on the one hand, and Russia on the other, was an indication of a serious latent controversy that wasn't ad-

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— FREEDOM MATTERS



dressed at the inception by Europe and later was addressed by Russia in its vicious aggression in Ukraine.

Russia was getting ready for such aggression for quite a long time and used Belarus to torpedo the program in different ways. One of the tools used against EaP had a military nature.

In 2009 the largest full-scale joint field exercise in the region since the dissolution of the USSR was held by militaries of Russia and Belarus - Zapad-2009 (West-2009).

West-2009 was held in September, that is after the Eastern Partnership was inaugurated, lasted for two weeks and imitated a full-blown military conflict, involving strategic bombing, airborne and seaborne landings and a tank attack spread over a large front. The Russian air force practiced using weapons from its nuclear arsenal, while in the Russian enclave of Kaliningrad, which neighbours Poland, army forces stormed a "Polish" beach and attacked a gas pipeline.

The operation also involved the simulated suppression of an uprising by a national minority in Belarus – the country with a significant Polish population, part of which has a strained relationship with dictatorial regime of Belarus.

The next exercise of similar scale was conducted in September of 2013 – Zapad - 2013. The "West-2013" plan was based on elements of the Arab Spring events and assumed that external forces wanted to destabilize Belarus, but were opposed by the Belarusian army, supported by the Russian air force, army and marines. It indicated the importance that the regimes in the two countries have attached to the events in North Africa, and they demonstrated to their neighbors and the NATO countries the ability of both armies to resist outside

intervention. The "West- 2013" manoeuvres were also an opportunity to test the combat readiness of the Russian forces.

Both large-scale exercises, when viewed in the context of the events in Ukraine and their interpretation by Russian side, demonstrate that Russia was getting ready to defend dictatorial and authoritarian regimes under its control and to attack if it decides that any part of its "sphere of interest" is trying to break away.

The enlargement of the European Union and especially "big bang" accession of Eastern European country to full membership in 2004 seemed to be taken by Russian leadership as a real threat to the model that prevailed on the post-Soviet area. The successful development of democratic institutions in the new members and their economic achievements as well as painful but gradual process of co-working within the EU itself did produce a positive effect on the countries of the former Soviet Union.

It looks that from that moment, May 2004, Russian leadership started to regard EU enlargement as potentially more dangerous to its interests than NATO enlargement. At least Baltic states entered NATO in 2004 without any strong reaction from Russia which was already ruled by Putin at that time.

For quite a long time Russia, although maintaining the fabric of its relations with Brussels in practice, tried to ignore a multilateral setting of EU functioning and preferred to put an emphasis on bilateral relations with individual members or to create its own power configurations like Russia-Germany-France troika with an emphasis on the relations between Russia and Germany. Russia apparently tried to use the period of chilled relation between US and Europe and Gerhard Schroeder chancellorship in Germany to push for its agenda. The summit of troi-



RUSSIAN LEADERSHIP VIEWED EAP AS A ZERO-SUM GAME AND EUROPEAN UNION EVENTUALLY WAS DRAWN INTO A GEOPOLITICAL RIVALRY WITH RUSSIA AND FOUND ITSELF IN THE WORST TYPE OF CRISIS SINCE THE WORLD WAR II

ka in 2004 immediately after a significant expansion of the European Union was an alarming sign for common European policy.

Russia repeated its attempt in a different format, that of foreign ministers, and with a new participant, Poland, in 2012. It was called a triologue and was touted by pro-Kremlin experts as a new rapprochement of Russia with EU.

By the time of the Vilnius summit it became quite clear that earlier ideas of broad association of EU and Russia were almost dead, that Russia was resolute to exert extra pressure on Ukraine to prevent it from signing the Association Agreement with EU.

The U-turn that Ukrainian president Yanukovich made on the eve of the Vilnius EaP summit was more or less predictable and even expected. What was not expected was the reaction of people in Ukraine that protested against that decision. The protests led to the revolution and ousting of Yanukovich from power. What was completely unexpected was Russian open aggression against Ukraine, annexation of Crimea and the war that Russia unleashed in Ukraine.

EU rhetoric that EaP is not directed against Russia and that reforms and strengthening of trade and economic ties with Europe would benefit Russia fell on deaf ears. Russian leadership viewed EaP as a zero-sum game and European Union eventually was drawn into a geopolitical rivalry with Russia and found itself in the worst type of crisis since the World War II.

INEVITABLE PARALLELS

After the brutal crackdown on the election night of December 19, 2010 of the peaceful demonstration in Minsk, capital of one of the six Eastern partners, Arab Spring revolutions erupted in a number of North African and Middle Eastern countries belonging to the Union for the Mediterranean. Different regions, different country situations, but there are striking similarities between the crackdown in Minsk, Arab Spring and Maidan revolution in Ukraine.

Union for the Mediterranean is different from Eastern Partnership by its shape, number of participating countries, its structure (it even has a secretariat) and, of course, by geographic region.

However, one of the main trends of relationship with those countries and those regions have a common feature of high tolerance to dictatorial and authoritarian regimes for the sake of "stability" in the region.

Both founding documents for Mediterranean and Eastern partners of the EU stressed the shared values of democracy. The EaP Declaration spoke about “shared values” of “democracy, the rule of law, and respect for human rights” at its core, “as well as the principles of market economy, sustainable development and good governance”.

In practice though, the EU preferred to lay little or no emphasis on democracy and human rights in Mediterranean and Eastern dictatorships. There were proper statements made on the situations with human rights, which rarely affected business relations.

It was more visible in the Mediterranean region. Ironically the Association Agreement was signed between the EU and Egypt in 2001 under Hosni Mubarak – a dictator who has ruled in the country for almost 30 years. EU has also signed association agreements with Tunisia (in 1998, under Zine El Abidine Ben Ali), with Algeria (in 2005 under Buteflika) and was getting ready to sign it with Libya’s Gaddafi by the end of 2011.

It was quite a bizarre way to “to transform the Mediterranean into an area of peace, democracy, cooperation and prosperity” relying on non-democratic regimes. The dictators were enjoying high level recognition in Europe, were supported financially, and even offered the “know-how” of security forces of major European states that helped them to control their population with repressive methods.

The years of oppression by the aging dictators, social problems, poor governance and constant violation of human rights led to revolts in the Mediterranean partners of the EU.

Between December and January 2011, men and women across North Africa have taken to the streets to overthrow the despotic regimes. The Arab spring broke out and the Union for the Mediterranean has shown itself powerless because most of the governments that should support development of the Mediterranean (Mubarak in Egypt, Bashar el Assad in Syria, Ben Ali in Tunisia, and Gaddafi in Libya) began to fall under the pressure of the grassroots movement.

As a result, the whole project – Union for the Mediterranean – lost relevance, is in a standstill today and lacks vision. The developments in Arab countries that had to be expected sooner or later, came unexpected for the European Union and paralyzed the whole Barcelona Process that laid foundations of Euro-Mediterranean partnership.

Within Eastern Partnership, unfortunately, the EU fell into the same trap when it relied on authoritarian and dictatorial regimes hoping to achieve progress in the areas of economic and political reforms that could make the six partners compatible with the European Union.

Belarus here is the most illustrative example.

When Eastern Partnership was declared, Lukashenko has been in power for fifteen years and has succeeded in establishing the most ruthless dictatorship in Europe. His interest in Eastern Partnership was not democratization or even economic reforms. He was interested in being legalized by Europe as he is, a dictator, and to use any joint program to get credits to maintain his regime.

Despite the fact that from the very inception of Eastern Partnership Lukashenko rejected any interaction on human rights and democracy with the EU and was the only



one to advocate Russia's participation in the initiative, Europe continued its efforts to persuade him to change. Credit lines were opened, business relations started to get revived and Germany even offered security assistance for the police and secret services of Belarus. There was a governmental program of training police and special agencies by German Interior ministry in 2009-2011 that included providing equipment and know-how for suppression of riots. Repression machinery of Lukashenko effectively used that know-how and equipment to brutally stifle any civic activities.

The illusion of Europe, as regards Lukashenko, should have vanished on the night of December 19, 2010, when he used brutal force to suppress protests against yet another rigged election thus killing any hope of gradual reforms in Belarus. Amazingly, the EU today tries to fall into the same trap of dealing with the dictator and even welcoming his mediation in Ukrainian crisis.

In Ukraine, Yanukovich after his election in 2010 started to dismantle whatever was left of democratic achievements of the Orange revolution hoping to establish the same model as in the neighbouring Belarus. Keeping alive the rhetoric of closer integration with the European Union the Yanukovich government was moving in the opposite direction.

Russia's pressure on Ukrainian authorities not to sign Association Agreement with EU, Yanukovich's reluctance to take any obligations for reforms in his country have sent early warning signals that something might go wrong in the relations between EU and Ukraine. Despite all this, European politicians and officials continued to persuade Yanukovich to proceed with the deal, even dropping their initial demands on the im-

mediate release from jail of the main opponent of Ukrainian president at that time Yulia Timoshenko.

European Union was sincere in its efforts to reform Lukashenko, to sign meaningful agreements with Yanukovich and to make sure that they are implemented. However these efforts were doomed since Europe had the wrong partners.

It was naive to hope that EaP would persuade Lukashenko to change the regime of his personal power and start democratization process so badly needed in Belarus. It was naive to hope that Association Agreement would persuade Yanukovich to stop building the regime of his personal power in Ukraine.

Both Mediterranean and Eastern neighbours of the European Union need to build "deep and sustainable democracy", as is suggested in EU papers but for this EU must identify partners committed to these principles and values, no matter whether they are in power, in the opposition or in the civil society and make them real counterparts of the EU efforts. European money have to be invested in forming decent democratic societies in the neighbourhood.

Dictators International

Russia's war against Ukraine created the most serious security crisis in Europe in almost 70 years. On the surface it was provoked by Russian unwillingness to allow Ukraine move closer towards Europe. After awkward attempts to lure Yanukovich back to Russian "sphere of interests" which led to the revolution in Ukraine Kremlin started open aggressive operation against Ukraine, its independence, territorial integrity and freedom. However it shouldn't be viewed as an aggression against Ukraine. It looks like a real well-prepared attempt to restore an imperial



KREMLIN NEVER ABANDONED THE REVISIONISTIC IDEA OF RESTORING RUSSIA'S IMPERIAL "GREATNESS"

aggressive Russia, split European Union, weaken it and seriously undermine, if not destroy it.

Kremlin never abandoned the revisionistic idea of restoring Russia's imperial "greatness" and it was no coincidence that in April 2005, during the State of the Union address, Putin lamented that USSR's breakup was the "biggest geopolitical catastrophe of the century". However any attempt to restore the "lost" empire could have been made only on the basis of a dictatorial model and practices that dominated in the former Soviet Union (FSU) states.

Commonwealth of Independent States, created after the dissolution of the USSR, has long become Russia dominated decorative body. Russia prefers to deal with FSU states on bilateral basis and is not known for supporting any democratic reforms in any of those countries. In fact, it takes extra measures including changes in its military doctrine to prevent "colour revolutions" in any of those countries.

The totalitarian government model is currently much more appealing than Western-style democracy to the ruling groups of FSU countries. For example Lukashenko in Belarus has chosen this development

path and is never going to adopt Western democratic ways by his own choice. Why should he? At the moment issues like human rights and democracy can be excluded from meaningful bilateral trade relations. He can always reach a deal with Europe that is monetarily profitable to both sides. Liberalization and democratization will cost him power. At the same time there is little cost to him for failing to comply with international obligations.

In reality, the fact is that the FSU nations have created an alternative development model and are now building upon it, with Russia as the heavyweight in the region, and with help of Western Realpolitik. Occasionally some of the FSU nations may have differences with Russia, but turning a blind eye to the nature of their regimes and supporting them just because they are from time to time at odds with Russia is lethal for values and for the future of those countries and Europe.

Russia was encouraging the Dictators International that was developing in the post-Soviet area. It serves well the Kremlin policy of controlling the former republics and using them for its political aims. The model of such International was tested in Belarus and started when Lukashenko came to power in the 1990s at the time when Europe lived through its best period of great expectations, enlargement and common values. Lukashenko achieved a successful coup d'état (disguised as a referendum) and assumed total power in 1996.

All FSU regimes, notably that in Russia, carefully studied the approaches and methods tested by the dictator in Belarus. They also adopted the dictatorship practices for their own use. It is clear how Lukashenko's practices are currently implemented in Russia. Among other things, Russia is watching



IT IS BIZARRE TO SEE EUROPEAN COUNTRIES SOFTENING ON LUKASHENKO'S REGIME IN THE TIME OF UKRAINIAN CRISIS AND EVEN AGREEING TO USE HIS SERVICES FOR MEDIATIONS. IT LEADS NOWHERE

how quickly Belarus can patch up its relations with the EU after yet another, more vicious conflict.

The experience of the Belarusian dictatorship shows that after any conflict with the West, after putting down peaceful demonstration, putting more political prisoners into jail, someone will come forward in Europe to defend the bankrupt Belarusian regime, and appeasers would be found domestically, who would join efforts to make the EU to revert to the Realpolitik mode.

No "Realpolitik," no amount of "engagement" and overtures towards dictators are going to create predictable, safe neighbours for Europe. Dialogue and engagement with these regimes legitimizes them and lets them in to the EU where it is the EU's systems and values that corrode.

Russia's war in Ukraine is a frantic attempt to preserve and defend Dictators International, which can be than used to attack European Union and the West in general. It can be countered only with returning to the original values that formed the basis of the "Europe Whole and Free" concept. Ignoring these values created an illusion in Russia which is much weaker economically than Europe, that it could resort to aggression as an effective method for changing the international order to its benefit.

It is values that can re-introduce logic into geopolitics, not the other way round.

Only a direct, honest, uncompromising assessment of the dictatorship's actions, only an honest, strong, and brave stance in response to human rights violations by oppressive and dictatorial regimes, and bold support of democratic movements should help Europe defend its values and avoid new conflicts at the time when Russia started real "clash of civilizations".

A united Europe, with active involvement by the US can guarantee restoration, reinforcement and development of democratic values, principles, and standards in the post-Soviet region. This is necessary for FSU nations, and for Europe itself.

The time is gone when it was possible to think that Europe can maintain its own institutions and values untainted and engage, and trade with its undemocratic European neighbours at no cost to itself.

SHAPING THE FUTURE

By unleashing the war in Europe Russia ruined the existing international order, challenged the foundations of the European Union and demonstrated how fragile the peace and security can be. The search for the best solution for this crisis ideally should also become a search for the future of European security and prosperity.

There cannot be any courting of dictators in the future. The Dictators International, which serves as a basis for hostility towards neighbors has to be dismantled for good.

It is bizarre to see European countries softening on Lukashenko's regime in the time of Ukrainian crisis and even agreeing to use his services for mediations. It leads nowhere. Belarus' neighbours - Lithuania, Latvia, Poland - are rightfully raising the alarm about Russia's aggression demanding NATO to reinforce their defense and deploy the alliance forces on their territories. Using strong language and looking for unity against belligerent and authoritarian Kremlin, they somehow tend to turn a blind eye to the dangers of the same nature that Lukashenko's regime presents. Lukashenko continues to maintain the most ruthless dictatorship in Europe and can only create more problems, not contribute to the solution.

Belarus is undoubtedly very important for the future of Europe. No efficient solution in the region can be found if Belarus is not part of it. Throughout its history Belarus played strategic geopolitical role, especially in times of war. It is fundamentally wrong to support Ukraine in its fight for democratic and independent future and ignore the dictatorship on its borders and the borders of Europe. Allowing the dictator to enjoy international recognition and continue with his repressions inside the country will not help any progress neither in Belarus, nor in Ukraine, nor in Europe.

Ukraine's revolution and courageous fight of the people for their dignity created a universal phenomenon emotionally involving the whole world on their side. The West and Europe in particular have to be equally courageous to support the values that people in Ukraine, Belarus and other Eastern European countries fight for. New vision is needed, new bold thinking and strategies that would restore value-oriented solutions in Europe.

Eastern Partnership failures do not undermine the importance of the Eastern dimension for Europe, since the new Eastern Europe is the only dimension that means Europe proper and through which the "Europe Whole and Free" could become a reality. ●



ANDREI
SANNIKOV

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The Chairman of European Belarus Foundation, Deputy Foreign Minister of Belarus in 1995-1996 and the Belarussian opposition leader. He ran in the country's presidential election of 2010 against Alexander Lukashenko

How to
Establish
a European
Public
Opinion and
a European
Society?

Ideas are the driving force of the world. Politics without ideas may become dangerous. On the one hand, the concept of building a European society is extremely needed in the context of the practical challenges Europe is currently facing. On the other hand, accelerating this process would require resorting to a set of socio-technical tools, the use of which would be extremely controversial in 21st century Europe. Moreover, it is difficult to foresee if such an operation would not get out of hand of the liberal elites, which would be the ones responsible for taking on this challenge. Today's European decision-makers are facing a fundamental dilemma.

The European Union is a materialization of one of the most magnificent ideas which have ever been thought of and carried out in international politics in the past centuries of our world's history. However, even the most beautiful ideas can collapse like a house of cards, if they are not reinforced by the common interests of various entities, of which there is undoubtedly plenty in Europe. On the other hand, even the most brilliant idea should not take for granted the psychological aspects of social behavior and of experiments regarding democratic rule, which have been undertaken in many countries with a positive outcome. Technocracy and bureaucracy alone, even if they are sufficient to effectively look after common interests, will not create a lasting community – this can be achieved only with the help of emotions. What's needed on the path of the evolution of separate nations into a European society is a combination of two main elements: the awareness of the existence of common interests and the creation of a collective emotional bond.

What the European Union needs in order to survive and to effectively expand is the existence of a European public opinion and of a European society. However, their

establishment cannot be simply decreed. Their formation is a process which could take many years, and which can happen only through evolution. Nevertheless, there is a variety of actions which could facilitate and accelerate this process. One vital aspect would be a change in the way in which the European Union itself acts and operates. In the following recommendations, some of which may seem controversial, we offer a number of propositions, which, if carried out, could help build a European society.

EUROSCEPTIC AND FEDERALISTIC MOODS IN EUROPE

In order to overcome today's Eurosceptic moods in Europe, which are impeding the formation of a consistent European identity, an in-depth understanding of the reasons standing behind those moods will be required. First of all, Eurosceptic moods are related to the economic crisis. The European Union has been presented as an economic project capable of bringing an end to crises and which would ensure the dramatic events of the 1930's will not happen again. This presumption turned out to be untrue, therefore it shouldn't be surprising that the European Union is the natural institution to be blamed for economic problems – even though it was the European Union that actually protected countries such as Greece, Portugal or Spain from an utter financial collapse. The problem is that these facts do not have an impact on the way in which Europe is perceived by for example part of the youth on the Iberian Peninsula, where half of the young population remains unemployed, while all they hear from the European Commission are declarations stating the need to implement austerity measures. This is especially frustrating since those young people don't have basically any democratic say in the election of the technocratic authorities based in Brussels. The European Union, looking after its economic interests,

intervened strongly in states in danger of bankruptcy, taking for granted the opinion of their citizens. The question whether this construction, devoid of the Commission's direct democratic mandate, can be maintained in the long term, remains just a rhetorical one. Economic problems are an ideal opportunity for all sorts of populists, who threaten with emigrants, claiming they



THE ONLY MEDIA WHICH ENJOY A GENERAL EUROPEAN VIEWERSHIP ARE USUALLY SPECIALIST MEDIA, WHOSE TARGET IS A LIMITED GROUP OF ELITES OR PROFESSIONAL GROUPS

will take jobs away from the locals. According to those populists, the ones to blame for it are the common labour market and the expansion of the European Union towards the East. In this context it is crucial to point out the benefits achieved owing to the presence of Eastern-European workers in Western European countries and the amount of taxes they pay. At the same time, the profits achieved by Western companies

after the opening of Center- and Eastern-European markets for Western businesses should also be emphasized.

Second of all, what's fundamentally important is the bureaucratic character of the Union. Europeans don't feel like they are allowed to participate actively in the decision making process which is taking place in Brussels, therefore they fear that a higher integration may lead to a situation in which their voice will not count at all anymore, and anonymous Union clerks will be the ones deciding how the life of all Europeans should look like. Federalism, which is what Europe desperately needs today, cannot be established without democratization. The technocratic Monnet formula as a mechanism for heightened integration is apparently not sufficient anymore. Today's federalism is very elitist and is based predominantly on the pragmatic assumption that individual member states are too small to play an appropriate role in the world, rather than on a feeling of belonging to a European community shared by ordinary people. Without overcoming this Eurosceptic mood and without turning federalism into an idea which will be recognized as a reasonable concept also by ordinary citizens, the European Union will be stuck in a deadlock, or it may even decay as an entity not able to fulfill the aspirations of European citizens, who will begin to treat it as an increasingly alien element.

THE IMPORTANCE OF INTERNATIONAL AND STUDENT EXCHANGE PROGRAMS, AND THE SCHENGEN AGREEMENT

These long-known methods of integrating young people and introducing them to the life in other countries, among a diversified society, are undoubtedly beneficial and should be continued. They promote forming acquaintances with people of different nationalities as well as establishing



bonds between state frontiers. The possibility of coexistence with people from various countries, collective studying and entertainment, as well as a chance to perfect one's language skills are all very vital elements. However, let's not overestimate them or expect unrealistic effects. Those programs teach mostly tolerance and self-reliance, and they have a rather entertainment-oriented character. Moreover, it should be noted that young people tend to travel around Europe on a larger scale also without such organized exchanges. Therefore, while supporting the continuous implementation of student exchange programs, let's be realistic and admit this is not a path which will lead directly to the establishment of a lasting community. In many cases meeting people of the same age from other countries may in fact turn out to be an incentive to establish and cultivate one's own distinctive individuality, as it often actually occurs among young, theoretically tolerant people once they have a chance to experience living abroad. Let's also remember that the Erasmus program is not the only available one – exchange programs for other professional groups, such as "Leonardo" or "Grundtvig", are equally significant.

The Schengen Agreement certainly possesses a fundamental significance for the promotion of social integration. Moreover, it is vital for the functioning of the free market and for the possibility of building a federal state. Therefore, attempts aimed at keeping this pillar of European freedom intact seem so utterly crucial, especially in the face of the recent Switzerland's decision and of the increasing aversion towards emigrants from the East which can be observed in many Western European countries. The return to erecting walls between the states of the Union would be the beginning of the end of freedom and equality among the citizens of the European Union, and probably also of the Union itself.

ESTABLISHMENT AND ACCESS TO PANEUROPEAN MEDIA

In the 19th century the creation of modern societies and of national bonds was indivisibly connected to the establishment of the press. In the 20th century mass media controlled social and political moods, they established national bonds and cultural communities. However, for dozens of years of the functioning of the European Union no one has been able to establish a real mass media on a European scale, since even BBC can hardly be considered to be a network watched by the general European audience. The only media which enjoy a general European viewership are usually specialist media, whose target is a limited group of elites or professional groups. Could this situation be easily changed? It seems to be an extremely difficult task – since there is no European public opinion, there will be no potential viewers. Here the vicious circle seems to close off. There aren't enough European leaders whose debates could form a core around which a media discourse could be built. How could this be explained? First of all, because democratic mechanisms have not been implemented beyond the national state level. The second reason is that the attitude favoring the strengthening of communal institutions was reversed by the Lisbon Treaty, which has given priority to the intergovernmental European Council. Another key barrier is also language. Translations remain so expensive that anyone considering carrying out a large project is deterred by the sheer scale of the costs. If official European public media were to be created, they would probably not be allowed to operate only in English, due to the ambitions of other countries. Despite of this concern, it should also be noted that, as popular as English may be, for many people the lack of fluency in the English language still remains a serious obstacle.

In order for the European media to be established, several events would have to take place simultaneously, including the necessary democratization of the European Union's structure. We shouldn't put too much faith into programs initiated from the top, which would be carried out by a special unit of the European Commission. Considering the quality and the way clerks usually communicate, a pub-

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lic television established by the Commission would probably be utterly dull and would turn out to be a spectacular failure. Instead, the Commission should create the infrastructure and a friendly legal environment for private, panEuropean media initiatives – which will perhaps become more cost-effective with the technological advancement and improvement of automatic-translation technologies, such as the one which is already offered today (in a very imperfect version) by the Google Translate program.

POLITICALIZATION AND DEMOCRATIZATION OF THE EUROPEAN UNION'S BODIES

It's difficult to even discuss the possibility of building a European society if there will not occur fundamental changes in the system of election of the European Union's authorities and if this system will not undergo democratization. A democratic society is a community united by the privilege of electing its leaders from among its members. However, the structure of the European Union does not allow for that, since it favors national states rather than a conception of a panEuropean democracy. The increasing prerogatives and significance of the European Council and of the European Commission, which are not elected in direct elections held in Europe, have led to the creation of a mixed, intergovernmental-technocratic system through which the Union is managed, which is a far cry from giving actual power to citizens and from giving them a sense of agency and influence with regard to the decisions which are being made in Brussels. This leads to natural frustrations, the effect of which was, among others, the excellent outcome of openly anti-European parties in the last elections to the European Parliament. The intergovernmental system is in fact strengthening the egoistic, national approach to European problems, and the natural rooting for one's own government in the endless negotiations held between different countries.

This is a serious problem. Today it is clear that the states' leaders will be reluctant to give up their prerogatives and, despite of the obvious need for democratization, they will not initiate any attempts to introduce more serious changes. No one is ever eager to give up power. Therefore, what's necessary is a strong pressure exerted by the civil society, due to which such changes would be imposed. However, a European society which would be able to express its own in-

terests does not exist today. Here the vicious circle manifests itself once again. One thing is certain – in a medium-term perspective democratization is necessary for the Union to remain attractive and for its further existence. The question is when will the politicians rise above their short-sighted interests and recognize this historical necessity.

This being said, what's worth emphasizing is the importance of the cooperation of national political parties within groups in the European Parliament. This is an attempt to build a political discourse based on a worldview rather than on national affiliation. Of course, this attempt is not functioning perfectly today, but it is, nevertheless, a necessary step towards the politicization of Europe. It should go hand in hand with the creation of a panEuropean list of parties in the elections to the European Parliament. This way a Pole could vote for a French candidate and a Spaniard could vote for a Latvian, based on the criteria of his worldview rather than on national criteria. Moreover, the disputes regarding the standardization of the electoral system in different Union's states should be resolved, and the financing of electoral commissions from abroad (within the European Union's states) should be allowed. Additionally, electoral thresholds all over Europe should be standardized.

There is another great predicament worth mentioning, a problem which could destroy the political system of the European Parliament from within and which could lead to an even greater triumph of the radicals – the management of the Union based on a consensus among all the largest political groups. In every democratic state the winning party rules on its own or forms a coalition with a weaker partner (such as a coalition of the conservatives with the people's party); in the following elections they will perhaps turn over the power into the hands of an opposite coalition, for example one

formed by the socialists and the liberals. The formation of great coalitions is perceived as an exception suited for extraordinary historic moments or in the case of an unexpected election outcome. This is an extremely important phenomenon: it introduces authentic competition, and, most of all, it gives citizens hope for a change of the status quo. Meanwhile, within the European Union the filling of the main posts has been done for years on the basis of a consensus between the main political parties. As a result of this there is never any genuine political opposition – in fact, in the eyes of the voters different political parties simply merge into one, uniform as to its program, technocratic whole. Such a system can hardly be considered to be fully democratic. Moreover, it constitutes a dangerous opportunity for radical movements, which appear to be the only valid opposition to the ruling establishment which is based on the alliance of the conservatives and the socialists. We could already see this happen during the elections in May 2014 and this phenomenon will be undoubtedly intensified. Europe needs a rational opposition to the political mainstream.

PROGRAMS FOR TEACHING ABOUT THE MOST RECENT HISTORY AND FOR SOCIAL STUDIES

It's clear that in order to establish a European public opinion it is necessary for schools to emphasize the common history and identity of Europe, to teach children about our collective cultural heritage. What would be worth considering is the expansion or modification of the fixed canon of books on schools' reading lists in many countries, in order to make it more Eurocentric rather than national-oriented. In this context it would seem necessary to establish a European Commission of Education, which would recommend a new canon of books or which would introduce more balanced programs for teaching history.



THE EUROPEAN UNION WAS ESTABLISHED AS A PROJECT OF THE ELITES, AND ITS MAIN GOAL WAS TO AVOID THE REPETITION OF THE TRAGEDY OF THE SECOND WORLD WAR

Although these types of programs could achieve the desired effect, their imposition from above by the European bureaucracy in its current form is simply impossible. National states would not agree to that, and today's authorities based in Brussels do not possess a democratic mandate to carry out such undertakings. That's why a process of democratization would be so vital – without it many potential initiatives will be devoid of legitimization.

INTERESTS AND EMOTIONS

The establishment of a European society cannot be simply decreed. Its creation is and will be a natural effect of a gradual, stronger integration, which will in turn lead to an increased number of problems, challenges, hopes and fears shared by all Europeans. Therefore, the main action supporting this process is informing citizens about what the societies of member states have in common in terms of various interests and challenges which are easier to solve together. The European Union was established as a project of the elites, and its main goal was to avoid the repetition of the tragedy of the Second World War. Today, despite of the aggressive attitude of the Russian Federation, Europeans no longer seem to ascribe a fundamental importance to the justification of the existence of the Union as a means of protection from the tragedy of war. For contemporary citizens of Europe, especially those from Western Europe, the fear of war has become something utterly distant, and for the majority of them the sheer possibility of being drawn into a war conflict in the heart of the continent seems absurd and impossible. We will not evaluate here the rationality of this attitude in the face of Russia's actions and of their possible ramifications, but such an approach is undoubtedly a sad fact, which shows why the quest for fundamental new common interests is so crucial today. It is not a coinci-

dence that there is an essential difference when it comes to the support for the Union between, on the one hand, the society in Poland and in a few other states from Central-Eastern Europe, and, on the other hand, in the Western societies. Our region is still receiving significant help from the Union, the feeling of fear driven by geopolitical insecurity is much stronger in this area, which makes these societies recognize very clearly where their interests are located. Unfortunately, the attitude in the West is different. After the year 2020 Euro-sceptic moods will intensify in Poland as well, since the stream of Brussels-money will be significantly limited by then.

The first reaction to this phenomenon should be an attempt to provide very clear information about common actions undertaken within the European Union, actions which brought genuine profits to European societies. So far the Brussels based institutions and its public relations agencies have not been able to do this effectively. Instead of making people aware about the numerous advantages and benefits, in many countries the predominant narration has been one of emphasizing the endless regulations implemented by the Union, which tend to make life more difficult or which simply irritate people. The Union must renounce its obsession to regulate various detailed spheres of life – people are beginning to oppose this on a massive scale. Instead, what's definitely needed is better communication in order to inform about those actions, through which the Union is bringing authentic, substantial profits for all the Europeans, such as the protection of privacy on the Internet, the efforts aimed at lowering the cost of international phone communication and of international money transfers. Moreover, the advantages to which we've already grown accustomed to, but which are not self-evident at all, should also not

be forgotten, but rather exposed and emphasized – these include the freedom to travel within the Schengen Area, the freedom of running a business and the unlimited migration of workers.

There is also a whole array of challenges which could be solved more easily (not only in theory) if actions were undertaken on the panEuropean level. These include: the growing unemployment rate among the youth, the deterioration of the natural environment, challenges related to the supply of energy, the fear of crimes (including cybercrimes) the need for a rational immigration policy, and finally – especially in recent times – the need for a common defense policy. A significant positive change in the Union's reception and image could be achieved if only someone explained clearly to people why the Union can be useful and how it can help solve specific problems, and if only someone would point out the areas in which savings or a strengthening of security could be obtained through cooperation of different states.

As we can see, the awakening of an awareness of common interests is a necessary requirement, but it will not be enough to establish a European society. Even an excellent accomplishment of this task (along with a successful carrying out of common programs) will not establish a European society. This will become obvious once we take a look at the historical process of the constitution of nations. No one is willing to sacrifice their life for lower roaming fees, but rather for their homeland – an emotion difficult to describe. What is lacking in this cold union of interests is something fundamental: emotions. Unless they will be Machiavellianly awakened in Europe, it will be impossible to establish a lasting, genuine union.





WHAT WE NEED
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This being said, we reach a more controversial thesis – the creation of a European emotion would entail a cynical renouncement of the political correctness of which Europe is so fond, of the popular cultural egalitarianism, of the defensive policy of not-engagement with regards to international matters. A union of emotions is established through the opposition of values and through the exposition of differences in comparison to other groups or societies. There is no better way to constitute a unity than to find a common, dangerous, clearly defined enemy. However, the implementation of this method in order to create a social bond in an efficient and accelerated (the only effective?) way entails many negative consequences. Being aware of this problem and of its possible costs and ramifications, will we be willing to take the risk and attempt to carry it out? Would European elites be capable of such a fundamental change of attitude and of operating?

Why would anyone want to become a European patriot? To be able to understand this, European values as well as the ideology dominant in this part of the world would have to be very clearly exposed. At the same time, they would have to be radically opposed to other systems of values which are very far from our understanding of the world. It should be declared out loud that the equality of cultures is a fiction and that our European culture is the one that should be emulated. However, how close would we then find ourselves from risking accusations of racism? Where would we then draw a line between patriotism and a dangerous nationalism? Or perhaps European nationalism is necessary to create a European society, in order for state authorities to be willing to take the initiative and change history textbooks, which, as we now, is not likely to happen as a result of a bureaucratic directive enacted

in Brussels? A successful establishment of a European community and of a European society can take place through a strong objection to other practices which we consider to be morally inferior or undignified. What we need is to promote liberal values in an anti-liberal way, for example through a radical objection to Islamic practices which discriminate women, through objection to authoritarian regimes which repeatedly violate human rights and suppress democracy, through objecting to signs of intentions to establish religious states and to brutal violations of the sovereignty of another state, just as in the case of the actions undertaken by the Russian Federation. What we need is a general recognition that our European culture, based on freedom, democracy, a free market and human rights is simply better, that it represents a higher level of development than other cultures. We should speak up with great conviction on behalf of this society.

Would we be willing to do this? What about our political correctness? Would we be able to fight off all the accusations of racism, of extolling our culture at the expense of others? It doesn't really matter if we actually believe in the uniqueness of the values on which Europe was founded, if we support panEuropeism or if we believe in the need to recognize cultural neutrality. The establishment of a European society in a reasonable period of time is a challenge which requires the creation of a clearly defined union of values and of enemies. This would have to be "the end which justifies the means". This is the objective price which we would have to pay, willingly or not, for the attempt to build an authentic European social community, a European society with strong ties which would be based on emotions. Will the European elites, aware of the need to establish a European society, be willing to try to

implement social engineering in the 21st century, which would be a very risky task, one requiring an enormous amount of shrewdness and intelligence? Are we ready for the return of a Churchill-like vision of a unified, world-power Europe, both in the field of economics as well as in the political and military field – a vision which is, in fact, contrary to the moods of the European political and bureaucratic class?

A European society cannot be established neither by dull bureaucrats, nor by the current, politically correct political class. This mission requires an enormous change both in the narration and in the way in which politics is being carried out in Europe. Is such a revolution actually possible? Where would it lead us? What could be the ramifications of the awakening of a European liberal nationalism? We leave these questions without an answer. However, there is a real danger that Europe will simply have no other choice. As the last elections to the European Parliament have shown, the time of Brussels-based post-politics and of the rule of bureaucrats is slowly coming to an end. At the same time, in the face of the actions of Russia, of global economic challenges and of new powers such as China, if the European Union were to split into national states, it would become a permanent second-league area and many countries would be subjected to a long-lasting dependency from other, more aggressive powers. Perhaps it is high time for us to imagine a completely different United Europe.

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The Cold War and the Eastern Partnership



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BŁAŻEJ
LENKOWSKI

As I write these words, it slowly becomes obvious for the entire world that on the territory of Eastern Ukraine fight no longer only armed by Moscow separatists and mercenaries but also regular Russian army. The future of the entire Central-East Europe is in question, perilous and uncertain. The destiny of Ukraine, which on

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THE EASTERN PARTNERSHIP HAS FAILED AND INSTEAD OF PROGRESSING EUROPEANISATION WE WITNESS A WAR WITH UNFORESEEN CONSEQUENCES

its own has to face the military power of Russia, paints a gloomy picture. In this context, the Eastern Partnership has failed and instead of progressing Europeanisation we witness a war with unforeseen consequences. This initiative was, however, constructed for the times of peace and its creators did not take into consideration the possible military scenario in the region and so far-advanced unpredictability of Vladimir Putin.

The Eastern Partnership was initiated by Sweden and Poland in the first decade of 21st century. Its main aim was a creation –

within the confines of European policy of Neighbourhood – mechanisms of a continuous cooperation between the European Community and Belarus, Ukraine, Moldova, Georgia, Azerbaijan and Armenia. The aim was clear: to consequently support pro-democratic changes in the neighbouring countries, develop economic relations and to bring these countries closer to the European Union. The events of 2014 – on the one hand signing of the Association Agreements by Georgia and Moldova, on the other, civic awakening and the tragic scenario of Ukraine later on – result in the need of summarizing the current EU policy towards the region and formulating crucial new strategic objectives in this matter.

HISTORICAL BACKGROUND

On December 3, 2008, after many years of diplomatic attempts, European Commission adopted a project of Eastern Partnership, which included creation of a free trade zone, signing of Association Agreements with the chosen countries, introduction of visa facilitation for the citizens of the Eastern Partnership members and increasing the financing of the program to €600 millions. On May 7, 2009, during European Council summit in Prague, the program of the EaP was officially adopted. It was considered a great success of the Swedish and Polish diplomacy. The basic objectives were defined as follows: political and economic integration, mobility, strengthened sectoral collaboration. The cooperation was to be based on clear principles and European values: promoting democracy and rule of law, respecting human rights and civil freedoms, creating and developing market economy in the countries of the region. Anti-authoritarian scope of the initiative directed towards non-democratic rule and ambitions of the Vladimir Putin's crew in Russia, was another obvious objective.



THE EASTERN PARTNERSHIP WAS INITIATED RIGHT AFTER THE RUSSIAN AGGRESSION ON GEORGIA IN AUGUST 2008 AND WAS CLEARLY OPPOSING THE KREMLIN STRATEGY OF REINTEGRATING THE POST-SOVIET TERRITORIES. THE PARTNERSHIP WAS A PEACEFUL RESPONSE TO THE AGGRESSIVE BEHAVIOUR OF MOSCOW

Diversification of the political and economic situation in the individual states of the Partnership has therefore resulted in the fact that the cooperation rooted in European values had the biggest chance of success in the countries with democracy as a dominant form of governance. This is why, from the very start, the prospects of cooperation with the states such as Lukashenko's Belarus or Aliyev's Azerbaijan and application of the Partnership's resolutions right there seemed poor.

The real objective of the Partnership was, however, to show the societies of the former Soviet Union that the route to Western integration – hence the creation of democratic state of law which respects the basic human and civil rights – is actually possible.

Signing of an Association Agreement and entering a path of Western structures at least with two or three countries has brought hope for introducing the changes in the rest of the region. This strategy of a gradual change produced, although quite limited, but measurable results.

The development of political situation in Moldova shall be seen as a great success. More complicated is the situation in Georgia, where the political struggle has infringed democratic norms of the Western world. The press reported in August that a court in Tbilisi ordered imprisonment of the former President of Georgia, Mikheil Saakashvili, who was accused of power abuses. A former Defence Minister, Davit Kezerashvili, and a former Prosecutor General, Zurab Adeishvili, were faced with similar accusations. After the lost elections of 2013, all three politicians emigrated, what may suggest a pathology of the Georgian political system. Despite those events, both Moldova and Georgia initialled the Association Agreements with

the European Union during The third Eastern Partnership Summit in Vilnius on November 28, 2013.

This unquestionable success of the process initiated by the Eastern Partnership was, however, overshadowed by the decision of the then president of Ukraine, Viktor Yanukovich. Despite previous declarations made to Ukrainian society and the Western partners, the Ukrainian satrap succumbed to pressure from Moscow and unexpectedly denied to initial the Association Agreement. Neither he, nor Vladimir Putin, who used his entire force on Kiev in order not to allow the initialling of the agreement, did certainly not expect the unbelievable, assertive, magnificent reaction of the Ukrainian society. Protests on Maidan turned out to be the biggest and the most extraordinary mass pro-European movement since Polish Solidarity (Polish trade union). Suddenly it turned out that the Ukrainian society is long beyond the age of sovietization and that it is capable of uniting for the sake of its basic priorities, of fighting for its European chance against the corrupted regime of President Yanukovich, who at the end of his inglorious presidency was behaving in a more and more brutal way. Heroism and steadfastness of this outstanding social movement in the face of aggression of services, trials of violent suppressing of the demonstrations with weapons, was exceptional. It was simply impossible to suppress this protest. The death toll did not break the spirit of Ukrainians, who did not hesitate to sacrifice everything, even their own lives, for a better future, freedom of their country and for European values. The contrast between the social vitality of the Ukrainians and the static, torpid societies of the West is huge.

The fall of Yanukovich, who is responsible for ordering shooting to the protesting citizens, the triumph of Maidan and

the electoral success of a democratic, pro-West moderate candidate – Petro Poroshenko, did not, however, bring peace. Ukraine has initialled the Association Agreement with the EU but Moscow did not come to terms with the situation in Ukraine. We all know what comes next – the annexation of Crimea and separatists' and Russian mercenaries' action in the eastern Ukraine, which has led to the real civil war in Lugansk and Donetsk, and recently also in southern Ukraine. A war which with time becomes an actual conventional war between weak militarily Ukraine and strong (in comparison) Russia, the results of which are difficult to foresee, and which may influence the future of the entire continent. The Western politicians, spearhead by the president of the US and German Chancellor, are so far not able to respond to the brutal Russian aggression in any coherent and promising manner.

RUSSIA AND THE EASTERN PARTNERSHIP

From the very beginning, the initiators of the Eastern Partnership did not include any place in it for Russia. On the one hand, it might seem natural. First of all, it does not seem possible that a country of the size of Russia could be a member state. Secondly, the policy of Vladimir Putin was becoming more and more aggressive and authoritarian, both internally and externally. It is worth mentioning that the Eastern Partnership was initiated right after the Russian aggression on Georgia in August 2008 and was clearly opposing the Kremlin strategy of reintegrating the post-soviet territories. The Partnership was a peaceful response to the aggressive behaviour of Moscow. Even the biggest optimist of all could not have predicted at that point the integration of Putin's Russia with the European Community.



EVEN THOUGH INCLUDING RUSSIA IN THE EASTERN PARTNERSHIP WAS ONLY A MERE SYMBOL, IT WOULD BE BETTER IF IT TOOK PLACE BACK IN 2008 SO PUTIN AND HIS CREW WOULD HAVE MUCH MORE DIFFICULT TIME BUILDING IN THE RUSSIAN MINDS A PARANOID IMAGE OF RUSSIA AS A FORTRESS SURROUNDED BY THE WEST

Nevertheless, exclusion of Russia from the Eastern Partnership program was a mistake. After all, the project was aimed at, for example, Belarus, despite the fact that it was obvious that affiliating this country to the Union was simply impossible under the Lukashenko's regime. However, there was still some hope for a change in the Belarusian ways and a will to at least try to help triggering it, whereas the situation in Russia was deemed a status quo for many decades and this was a big mistake. The West has obviously many arguments for believing that the political situation in Russia will not change in a rationally predicted future. The support for Putin and a specific form of propaganda spread by Russian intellectuals – such as a great writer Victor Erofejev – who claim that, despite all Putin's flaws, he is still more liberal than 80% of the Russian society, just add to this opinion. To create such an atmosphere Kremlin for years used the Communist Party and a xenophobic party of Vladimir Zhirinovskiy. This message is aimed at averting the possible desire to confront Putin (as his successor might be worse) as well as discourage from any actions which could enhance a change in Russia (no matter how limited are those possibilities in the face of Russian services' actions fiercely fighting off any real opposition). Is, however, a change more possible in Belarus than in Russia? Was any rationally thinking person able to predict Solidarity and the events of 1989? Even though including Russian in the Eastern Partnership was only a mere symbol, it would be better if it took place back in 2008 so Putin and his crew would have much more difficult time building in the Russian minds a paranoid image of Russia as a fortress surrounded by the West.

It is Vladimir Putin and his crew who shall be considered a geopolitical enemy, and not the entire Russian society. Russia can not be erased from the maps, geography is unmerciful. Therefore, positive scenarios shall be

built also for this country. No dictator lives and rules forever. The essential question is what kind of society will his rule produce and whether democratic society may have any influence on this process? Closing the Eastern Partnership for Russia has definitely limited those – even then small – chances.

Today, these historical reflections do not matter anymore but they are worth mentioning as a lesson for the future. Russian behaviour towards Ukraine, violation of international agreements and sovereignty of another state, occupation of a part of its territory, invasion of the Russian army to Eastern Ukraine put the entire Europe in a different position. Now, conventional instruments of the Eastern Partnerships are not enough to secure a transformation according to Western democratic and economic standards for its members, especially Ukraine.

THE WEST: QUO VADIS?

Eastern Partnership should not be suspended. Quite the opposite, it shall be enlarged as a consequent and long-term response to destabilization of the region. The Community shall therefore allocate more resources to support the democratic opposition in the authoritarian states of the region – in Russia as well. However, the situation is too serious to expect that such measures will solve the geopolitical conflict in the Central-Eastern Europe. In order to respond to Russian action we must understand the way of thinking of a group of people which now rules the Russian Federation. Russian elite consists of people raised by secret services – first KGB, then FSB (The Federal Security Service of the Russian Federation). In their understanding, the geopolitics of the times of Cold War is still valid. They are sensible, cold-blooded politicians who understand the politics of the past, of balance of military powers and not of declarations, which they deem as empty and meaning-

less gestures. Russians are laughing at European statements, yet another „concerns” of Chancellor Merkel or President Obama. They are laughing at the naivety of the West, which still has some illusions, trying to believe in Russian declarations and promises. According to them, geopolitics means a tough game and getting what is attainable. Vladimir Putin is not joking when he says that he wants to rebuild Russian empire and emphasizes that the collapse of the Soviet Union is the greatest tragedy of the 21st century – those are not just words directed towards internal public opinion, as the West has hoped so far. It is his real plan and he will implement it unless he sees on the other bank of a river a rival who may endanger his project, someone who could stop him. People from KGB play hard and they often play *va banque*. However, in spite of appearances, they are very reasonable and they will not get involved in conflict, the consequences of which could wipe their power and privileges off the face of the Earth. Putin has decided for action in Ukraine because he knew that he does not risk much – he tries to get as much as he can at the smallest possible expense. He was certain that the West will react only with regret, outrage and some limited sanctions. And a weak Ukraine is not capable of a long-term resistance to, even a limited, Russian intervention. Prolonged chaos is only in best Putin’s interest, who wants to bleed the rebellious nation to death, disgrace the recent authorities and – in a long-term perspective – to get control over the entire Ukraine.

Putin’s goal is to incorporate into Russia not only Crimea, but also eastern and southern territories of Ukraine, to take over the country’s military industry (situated on the East) and to separate Ukraine from the sea. Mutilated Ukraine’s territory will be further destabilized and induced into the state of a permanent economic crisis so that ex-



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hausted society would eventually turn its back on pro-Western politicians and agree to place in Kiev a puppet government obedient to Kremlin.

A similar scenario can be then applied in the following years in other countries of the region. The perception of the geopolitical reality by Russian generals and decision-makers, descendants of the secret services, is simple and rooted in the times of the Cold War. Besides, we may often hear Russian politicians – President Putin included – utter such statements.

The first circle of countries surrounding Russia is the so-called Near Neighbourhood, to which Russia claims its right to intervene in internal matters as well as to military intervention (Georgia, Ukraine, Transnistria's case) and against the will of nations wants to treat those countries as their vassals, subjects which may be potentially absorbed into the Russian Federation. This group includes precisely the countries of the Eastern Partnership, what puts them in an especially difficult position. The second group of the countries consists of the former members of the Warsaw Pact, which joined the European Union. Countries which, according to the Russian way of thinking, were placed under the Western influence for the times of the crisis, but which, in a long-term perspective, are treated as a sphere to be reclaimed and terrorized. An indicator of such a state of affairs is the pressure of Russia on abiding by the agreement between the Western countries while entering of the countries from the region into NATO, which stated that armies and infrastructure of the the North Atlantic Alliance will not appear on the territory of the countries of the former Warsaw Pact. No sane person does take into consideration a military attack on the nuclear power such as Russia. The disposition of the NATO forces in the region may

be only defensive in nature. The German and U.S. obsession with abiding by it, in the face of the fact that Russia itself is breaching all international arrangements and agreements, is simply a travesty. We need to remember that Russia was one of the signatories (along with the USA and Great Britain) of the treaty which guaranteed the inviolability of Ukraine's territory from 1994, when Kiev agreed to transfer its nuclear weaponry to Russia (the so-called Memorandum of Budapest). The attitude of Washington and Berlin without NATO simply encourages Russia to continue its expansion in the region. For Russian strategists, who still are thinking in the categories of spheres of influence, the region of Central Europe is a grey area in which potential intervention is possible due to the fact that there are neither armed forces, nor positioning of NATO on its territory. As we all know, for Russia matter only facts and not words or gestures of friendly guarantees, which were not kept many times throughout the history.

If the West does not want to terribly regret its passivity in the near future, it must understand that a cold war with Putin's Russia is inevitable. Putin himself ruthlessly strives for such a state of affairs. The question is where will the new iron curtain be situated – the later the West wakes up, the more regions, nations and states will be vassalized and subjected to the authoritarian rule of Moscow and the West will have less strength to conduct this new cold war.

A new initiative of the Eastern Partnership, a program this time on a completely different scale and different in nature, must be based on two pillars. First of all, continuation of the intensified cooperation within the scope of conventional instruments, used by the Partnership so far, in those countries and regions in which such help is still possible. A new element of

such conventional actions shall be an increased financial support of the European Union to the countries facing such fundamental issues as now Ukraine is. Sustaining Ukraine as a well-functioning country is as important for the European interests as rescuing Greece from its enormous indebtedness. Secondly, EU shall together with NATO immediately introduce on the territories of its member states from Central-Eastern Europe significant military allied forces, which in the understanding of Russia would mean a real readiness to defend those territories. This action should not raise any doubts.

I am, however, convinced that the Western countries, together with the European Union and NATO, should go further and introduce peacekeeping forces onto those parts of Ukraine, where now there are still no Russian armies, fixing in this way a new iron curtain, after the fall of which Kiev and fundamental part of Ukraine will be situated on the side of democratic forces. Unfortunately, this is probably the only chance for Ukraine not to become a country fully conquered and vassalized by Moscow and for Ukrainians to have a chance to fulfil their aspirations in a democratic and capitalistic state of law, which will respect their natural laws and freedoms. ●



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Civic Awakening: The Impact of Euromaidan on Ukraine's Politics and Society



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KATERYNA
PISHCHIKOVA



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OLESIA
OGRYZKO

From December 2013 to February 2014¹, the world was moved by images of peaceful protests by Ukrainians who bravely faced freezing temperatures, intimidation, violence, and sniper fire to demonstrate against an increasingly authoritarian and corrupt state. These protests became known as 'Euromaidan'.

The events in Ukraine seem to follow the global pattern of mass mobilisation and protests, witnessed in countries as diverse as Brazil and Egypt and Thailand and Turkey. These protests tend to be spontaneous and organised from the bottom-up; and they are remarkable in their diversity, degree of organisation and resilience in the face of police violence. Some have argued that they represent a new wave of 'democratisation from below'; others are more sceptical about their ability to bring about real political change².

In Ukraine, despite the memories of orange flags flying above the crowds protesting the electoral fraud in 2004, this new wave of mass mobilisation is very different from other protests the country has experienced in its post-Soviet history. The Euromaidan followed a different pattern of mobilisation, had much larger numbers of protesters, and lasted longer. It also underwent a dramatic transformation from a peaceful demonstration to a fortified protest camp with its own paramilitary defence units. In addition, Euromaidan has profoundly changed Ukrainian society.

¹ This paper was written before the MH17 air-crash disaster of 17 July, 2014, which is likely to have a severe impact on the development of the Donbas conflict in Ukraine as well as on EU-Russia relations.

² D. Della Porta, *Mobilizing for democracy. Comparing 1989 and 2011* (Oxford: Oxford University Press, 2014); and I. Krastev, *Democracy Disrupted: The Politics of Global Protest*, (University of Pennsylvania Press, 2014).

With the ousting of President Yanukovich on 21 February 2014, a new post-revolutionary phase began. This was marked by a number of dramatic events, most importantly, Russia's annexation of Crimea and the separatist insurgency in the regions of Donetsk and Luhansk. In addition to these military challenges, Ukraine's political future is threatened by economic problems; continuing tensions with Russia over gas prices; and resistance to reform by vested interests. The need for constitutional reform and decentralisation is urgent and cannot be postponed until the security situation is resolved. In addition, there is a pressing need to reform the judiciary, the prosecutor's office and the state agencies responsible for security, to strengthen the electoral law and last but not least to begin to combat corruption.

The events in Ukraine are of particular significance for the European Union (EU). The protests were sparked by President Yanukovich's decision not to sign the Association Agreement (AA) with the EU at the Eastern partnership (EaP) Summit in Vilnius in late November 2013. For many Ukrainians closer relations with the EU is seen as the best safeguard against existing deficiencies in domestic governance and authoritarianism. Yet, despite the EU's increasing engagement with Ukrainian civil society, mass mobilisation was not dependent upon EU support. Although the EU has done some important work to engage with various political players in Ukraine since the outbreak of the crisis, direct outreach efforts to Ukrainian citizens have been rather limited. There are important lessons to be learned for the EU in assessing the efficacy of its support for democracy in Ukraine.

This paper assesses the impact that the Euromaidan revolution has had to date on Ukrainian society and politics. It argues that although the longevity of the incipient

democratic transition is far from assured, the changes to date are unprecedented and profound. The post-revolutionary phase brings with it new opportunities and challenges. First, the paper sets out the political background to the Euromaidan revolu-



DESPITE HIS POOR DOMESTIC REFORM RECORD, PRESIDENT YANUKOVICH CONTINUED TO WORK ON EU APPROXIMATION THROUGHOUT HIS PRESIDENCY, COMPLETING THE NEGOTIATIONS AND INITIALLYING THE AA IN MARCH 2012

tion and discusses its uniqueness in the context of Ukraine's post-Soviet history. It briefly describes how Euromaidan developed from pro-European student protests into a fortified resistance camp demanding regime change. The second part of the paper discusses recent important changes within Ukrainian civil society in terms of its composition, modes of mobilisation and

reform agenda. Thirdly, the paper discusses the changing relations between civil society and political actors, and assesses the impact that civil society can have on Ukrainian politics. It also stresses that closer relations with the EU is an important element in the strengthening of civil society. Finally, the paper proposes a number of recommendations as to how the EU could maximise its support for Ukrainian civil society.

THE LEGACY OF EUROMAIDAN

Although by the end of 2013 discontent with the socio-economic and political situation in Ukraine was rife, Euromaidan took many observers by surprise: scholars, policy-makers and even civil activists themselves. President Yanukovich had aggressively sought to centralise power since his election in 2010. He repealed a constitutional amendment, adopted during the Orange Revolution, that curbed the power of the presidency. He effectively gained control over the judiciary, security forces, and regional administrations by appointing political appointees loyal to him. President Yanukovich also engaged in a variety of activities to enhance his personal wealth which at times threatened the economic interests of the oligarchs who had initially supported him.

Corruption and a lack of the rule of law were pervasive during his four years in office but they did not spark any concerted opposition from civil society. However, towards the end of his term, discontent with the worsening socio-economic situation and police impunity did lead to small-scale, localised protests³. The forces that would later galvanise these local protests into a national political mobilisation were not evident at the time. Opposition parties tried

³ Centre for Society Research Protests, 'Concessions, and Repressions in Ukraine: Monitoring results in 2013', Kyiv, available at <http://www.cedos.org.ua/uk/protests>

to stage a number of demonstrations during the parliamentary election in 2012 but these did not attract a large following.

Despite his poor domestic reform record, President Yanukovich continued to work on EU approximation throughout his presidency, completing the negotiations and initialising the AA in March 2012. Negotiations in 2013, however, proved difficult as the two sides could not agree on the political conditionality that constituted a precondition to the signature of the agreement⁴. A week before the November EU EaP Summit in Vilnius the government of Ukraine announced that it had 'suspended' its work on further integration with the EU, citing security and economic concerns⁵. This decision sparked student protests on Maidan Nezalezhnosti in Kyiv, the site of the Orange Revolution of 2004. The protesters were hoping to convince the government to reverse its decision and to send a signal to the EU that the citizens of Ukraine were not supporting this U-turn. President Yanukovich seemed unimpressed and upon his return from Vilnius ordered the riot police to clear the square. Police violence, captured on video and tweeted in real time, provoked a strong response from Ukrainian society and opened up a new phase in 'Euromaidan'.

Three elements in Euromaidan's evolution have been instrumental in the considerable impact it has had. First, unlike the Orange revolution, it grew from being a simple demonstration into a real stand-off between citizens and state authorities. The opposition parties were following the protesters rather

than leading them. As many as 92 per cent of the protesters were not affiliated with or mobilised by any political organisation⁶.

Second, protesters' demands evolved from support for further integration with the EU to include domestic grievances, most importantly discontent with corruption and the lack of the rule of law. Their protests were no longer just about integration with the EU, but about putting an end to the abuse of power by the state authorities. Indeed, many activists refer to Euromaidan as the 'revolution of dignity'. Although President Yanukovich's departure became one of the key demands, the overall Maidan agenda was about deep systemic transformation rather than simply a change of leadership. Maidan helped consolidate a genuine domestic agenda for structural reform.

Third, unlike the Orange revolution, Euromaidan was not confined to the capital but spread to become a nation-wide phenomenon. In mid-January 2014, after another round of police violence and the failure of the opposition to pass an amnesty law for those detained during the earlier clashes with the police, the protests spread to the regions. A number of smaller 'Maidans' sprang up. The buildings of regional authorities were occupied throughout the country⁷. Disillusionment with Yanukovich's rule, his refusal to open a real dialogue with society and the violence against the protesters all contributed to the spread of protests.

⁴ European Parliament resolution of 13 December 2012 on the situation in Ukraine, 2012/2889(RSP), Council conclusion on Ukraine 3209th Foreign Affairs Council meeting, Brussels, December 10, 2012.

⁵ Ukraine's Government conclusion to suspend the process of preparation for the conclusion of the Association Agreement with the EU', Kyiv, 21 November, 2013, available at http://www.kmu.gov.ua/control/uk/publish/article?art_id=246864953&cat_id=244276429

⁶ Kyiv International Institute of Sociology 'Maidan-2013: Who protests, why and for what?', poll conducted among the Maidan participants on 7-8 December, 2013; and N. Shapovalova, 'Ukraine's new prodemocracy movement', *FRIDE Commentary*, No. 3, February 2014, http://fride.org/blog/wp-content/uploads/2014/02/Commentary-3_Ukraines-new-pro-democracy-movement.pdf

⁷ Although these protests were taking place predominantly in the west and centre, they spilled over into a number of provinces in the east and south, including those that had given considerable support to Yanukovich in 2010 and his Party of Regions in 2012 (for example, Kyiv, Lviv, Dnipropetrovsk, Mykolajiv, and Zaporizhzhya).

The scale of violence and intimidation and the number of victims were unprecedented in Ukraine's recent history. The high human cost put an end to any remaining apathy and cynicism on the part of Ukrainian citizens, forging an understanding that things could not go back to 'business as usual'.

Repeated violent crackdowns by riot police and attacks by hired thugs during the Euromaidan inspired the rise of paramilitary 'self-defence' groups. Despite rather biased media coverage that focused on the small radical right-wing organisation 'Right Sector', these were a motley crew that included civilians as well as former war veterans from a wide variety of backgrounds. In the post-revolutionary era, attempts to incorporate these paramilitary groups into the newly created National Guard have had mixed results. Many see themselves as revolutionaries, not soldiers, and do not believe the revolutionary phase is over. More recently, with the proliferation of private militias, both pro- and anti-Kyiv, the state seems to have lost its monopoly over the use of force, although some pro-Kyiv units have started collaborating with the Armed Forces. At some stage in the future, disarmament, demobilisation and reintegration will be a considerable challenge for the government and society in general.

The protests also highlighted longstanding tensions and deficiencies in relations between Kyiv and the regions. The fundamental cause of the current crisis in the regions of Donetsk and Luhansk in the east of the country, although clearly fomented by Russia, is the failure to implement decentralisation. The governments of post-Soviet Ukraine have paid lip-service to the concept of decentralisation while actually centralising power even more in Kyiv. Local and regional authorities are weak and have no executive or tax-raising power. This leads to a lack of financial autonomy,

an ineffective distribution of state funding, a rise in the abuse of power and corruption as well as fewer possibilities for citizen oversight or partnerships between civil society and local authorities⁸. It was no surprise that the poorest and most mismanaged regions, where the income gap between very wealthy oligarchs and poor workers is vast, have proven particularly vulnerable to unrest. Although separatist groups in the so-called Donbas area, i.e. Donetsk and Luhansk regions, are largely composed of marginal figures and Russian nationals, a sense of frustration with the central authorities is widespread among the general populace⁹. This frustration has been stirred up even more by the aggressive anti-Kyiv propaganda broadcast by Russian media that dominate these regions.

To date, the authorities in Kyiv have not managed to reach out to the people in Donbas or to ensure their safety. Indeed, as this paper is being published, the conflict between the Ukrainian military and Russian-backed militants is escalating and there is clear evidence of direct Russian military involvement¹⁰. It is difficult to predict the outcome of the on-going military clashes in Donbas, but it is exacting a heavy toll on those regions. According to the Ministry of Defence of Ukraine, between 8 March and 16 July, 200 servicemen died and 655 were wounded. Civilian deaths are more difficult to verify. Some Ukrainian media reports cite

⁸ For more details, see Assembly of European Regions, 2013, 'Briefing note on local and regional government in Ukraine', http://www.aer.eu/fileadmin/user_upload/Commissions/CultureEducation/EventsAndMeetings/2013/0425-27_DNK/WorkDocs/Briefing_note_on_local_and_regional_government_in_Ukraine.pdf

⁹ Crimea, for all its specificity, falls into this pattern on many counts. This may not explain its annexation by Russia but it certainly contributed to the ease with which Russia could move in.

¹⁰ BBC 'Russia "shot down Ukraine jet"', 17 July 2014, available at <http://www.bbc.com/news/world-europe-28345039>

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THE ANNEXATION OF CRIMEA BY RUSSIA AND THE ARMED INSURGENCY IN DONBAS SEEM TO HAVE CONTRIBUTED TO THE 'RALLY-AROUND-THE-FLAG' PHENOMENON THROUGHOUT THE COUNTRY

figures of close to 500, while the number of internally displaced is over ten thousand people. At the time of writing, the newly elected president, Petro Poroshenko, is trying to reach a peace deal that would halt the inflow of mercenaries and weapons across the border with Russia and reestablish control over those territories by the Ukrainian state. If and when the fighting stops, post-conflict reconstruction should be accompanied by reforms for greater local self-governance.

The annexation of Crimea by Russia and the armed insurgency in Donbas seem to have contributed to the 'rally-around-the-flag' phenomenon throughout the country. Even in the east and south of Ukraine, where support for unification with Russia tends to be higher, almost 54 per cent are against unification with Russia and only around 15 per cent in favour. Almost 65 per cent of those living in Donbas are in favour of a unitary Ukraine¹¹.

At the same time, however, the change in the situation in Crimea, Donetsk and Luhansk may have also given new life to previously marginal pro-Russian organisations, such as *Oplot*, *Rosmolodjzh*, *Sootechestvenniki*, or the Eurasian Youth Movement. Most of these organisations receive direct support from Russia and may have links to similar right-wing organisations in Russia. Although they previously enjoyed a limited following and were rather marginal in city politics, their importance has increased markedly. In Crimea, Aksyonov's Russian Unity Party had as little as 4 per cent of the seats in the region's parliament before Russia's annexation – yet, few would question the influence of the self-proclaimed head

¹¹ Two-thirds of those who are for Ukraine's unity support decentralisation. Around 25 per cent support a federal system. 'Opinions and views of residents of east and south of Ukraine: April 2014', poll conducted by Kyiv International Institute of Sociology on 8-16 April, 2014.

of the Republic of Crimea today. In other regions of Ukraine, such as Donetsk, Luhansk, Odessa, and Kharkiv pro-Russian groups continue to operate and will continue to be a source of instability, despite their small numbers.

The depth and scale of the changes brought about by the Euromaidan protests are unprecedented. 'Maidan' has become a social and political phenomenon. It is used to denote bottom-up civil activism and new modes of civil political participation that some have even referred to as 'Maidanocracy'. A 'Maidan' agenda is first and foremost an agenda of public oversight over state institutions and pressure for transparency, accountability and reform. This civil awakening has spread throughout the country, reflecting the specificities and grievances of each region. Although the situation in Ukraine remains fragile, state-societal relations have been dramatically shaken up and are likely to be reconfigured.

TRANSFORMATIONS WITHIN CIVIL SOCIETY: A CIVIC AWAKENING

Euromaidan has become a catalyst for strengthening Ukrainian civil society. Not only has it given a new impetus to the existing civil society organisations, it has redrawn the boundaries of civil society as a whole. Civil society in Ukraine – understood here as an arena of un-coerced collective action around shared interests, purpose, and values, including trade unions and professional associations¹² – has become more diverse. It includes an array of actors and institutional forms with varying degrees of formality, autonomy, and power. Euromaidan has brought about a decisive break with the typical 'post-Soviet' model of civil soci-

ety, whereby formally registered non-governmental organisations (NGOs) with small and sometimes non-existent memberships, operated within a bubble of the donor-created 'aid industry' and enjoyed little support from society¹³. Overall, post-Soviet societies were generally characterised by apathy, low social capital (meaning the quality and density of social networks and interactions beyond one's immediate family and friends) and profound mistrust of all public institutions.

Euromaidan has led to a number of qualitative changes that include the emergence of new actors and new patterns of social organisation, a rise in social capital and a change in attitude of the society towards the state. A large number of grassroots organisations have been established, each with their own goals and ways of working defined by public demand, voluntary action and networked structures; and – crucially – sustained by voluntary contributions.

Euromaidan itself was a powerful and unprecedented volunteer movement that revealed an incredible capacity for organisation on the part of civil society. The so-called 'Civil Sector of Maidan' that emerged after the first round of police violence on 30 November 2013 consisted of some 30 coordinators and almost a hundred activists engaged full-time¹⁴. Most people at the core represented active civil society organisations (CSOs) and had relevant experience in civil activism, although many stress that they were on Maidan in their individual capacity.

¹³ K. Pishchikova, *Promoting Democracy in Postcommunist Ukraine: The Contradictory Outcomes of US Aid to Women's NGOs* (Lynne Reinner/FirstForumPress, Boulder, 2010).

¹⁴ By comparison, during the 2004 Orange Revolution around 2,000 activists had been trained and were ready to organise a mass protest that was expected in case of a rigged election. The preparations and mobilisation took several months before the actual ballots were cast.

¹² For a detailed discussion of different perspectives on civil society, see for example, B. Edwards, M. W. Foley and M. Diani (eds), *Beyond Tocqueville: Civil Society and the Social Capital Debate in Comparative Perspective*, Tufts University (Hanover 2001).

Running a big protest camp in the middle of a harsh winter and in the face of a possible police crack-down created very defined daily needs, from setting up tents to providing supplies and medical aid, running a press office and coordinating various initiatives. Thousands of volunteers came to help, so coordinating their activities and managing private donations became a huge task. Bottom-up mobilisation, crowd funding, voluntary support from Small and Medium Enterprises (SMEs), and volunteering were Euromaidan's defining features.

The discipline of Euromaidan participants compared favourably to recent more disorganised protests elsewhere in the world. Despite clashes with the riot police that involved throwing Molotov cocktails and stones and setting fire to tyres to create black smoke, there was a remarkable attention to order. Good relations were maintained with all the businesses around the square that remained open throughout. The participants also mounted patrols to keep out thugs and troublemakers to ensure safety¹⁵.

The composition of Euromaidan was highly diverse and representative of all regions as well as social and demographic groups, with equal participation of men and women. Compared to the population as a whole, the people on Maidan were younger and better educated than the average. More than half were Ukrainian speaking, as many as 27 per cent spoke Russian and 18 per cent both¹⁶. The Euromaidan created space and opportunities for a younger generation of civil activists. It also proved to be

an important formative experience for the students who were the first to mobilise and have remained active. Such engagement on the part of younger Ukrainians is new. According to sociologists during the previous two decades Ukrainian youth had been rather passive¹⁷.

Many well-established CSOs have also been transformed as the Euromaidan experience has encouraged them to become more self-critical and goal-oriented. They would like to see clearer benchmarks of effectiveness in their relations with donors¹⁸. In a break with the past, today most CSOs prioritise the delivery of tangible results over concerns for their survival as organisations. However, a number of longstanding challenges for civil society remain, most notably the need to achieve better cooperation between CSOs. While some organisations have started to work more together, others say there has been no fundamental change in the civil sector. The emergent culture of compromise and cooperation still needs to take root and spread.

Some 'new' civil leaders are sceptical of the established CSOs. They argue that the structural features of these organisations render them less creative, less relevant, and even less reliable. They are also critical of the idea that civil society needs external funding. If an initiative is a relevant one, they argue, citizens themselves should sustain it¹⁹. Although the distinction between 'old' and 'new' civil activists is not so clear, it illustrates the pressure that more active civil leaders are putting on the civil sector

¹⁵ I. Verstyuk 'No Looting or Anarchy in this Euromaidan Revolution', *KyivPost*, 20 January 2014, <http://www.kyivpost.com/opinion/op-ed/nolooting-or-anarchy-in-this-euromaidan-revolution-335296.html>

¹⁶ Kyiv International Institute of Sociology 'Maidan-2013: Who protests, why and for what?', poll conducted among the Maidan participants on 7-8 December 2013.

¹⁷ FRIDE interview with Iryna Bekeshkina, Director of the 'Democratic Initiatives' Foundation, Kyiv, 13 May 2014.

¹⁸ FRIDE interview with Maria Holub, activist of the RPR, Kyiv, 15 May 2014.

¹⁹ FRIDE interviews with Serhij Loboyko, Head of the Centre for Innovations and Development, Kyiv, 7 May 2014 and with Yegor Sobolev, Head of the Lustration Committee, Kyiv, 12 May 2014.

as a whole. Such peer pressure, if constructive, may help renew the whole civil sector and help improve a number of vital links, such as between civil and political society, between different civil organisations, and between CSOs and citizens.

Euromaidan has also seen an impressive mobilisation of actors that had previously tended to remain passive politically, such as SMEs. With the exception of the so-called 'Tax Maidan' in 2010 when SMEs protested – unsuccessfully – against a new tax code, small-scale entrepreneurs did not tend to mobilise politically before the Maidan. Their protests were small-scale and focused on narrow sectoral interests. Although little discussed, a clear rift between SMEs and larger businesses in Ukraine has become more apparent since then. While Ukraine's millionaire businessmen may have an interest in retaining a version of the status quo, SMEs have suffered from growing corruption and lawlessness over the past few years and represent a clear constituency for reform. For now, however, different associations and initiatives that represent their interests remain dispersed, and current attempts at building up a nation-wide SME platform are very promising but need time to develop²⁰.

A lot of initiatives that have emerged over the past few months were a direct response to the emergency prompted by Russia's actions. Indeed, the violence fomented by Russia's support for pro-Russian groups in Donetsk and Luhansk was a strong mobilising factor for Ukrainian civil society. One activist even believes that the external threat from Russia acts as a kind of a social glue²¹.

²⁰ UNIAN, 'Business associations in Ukraine initiate a joint platform to represent their interests', 10 April, 2014, available at <http://press.unian.net/ukr/pressnews-113745.html>

²¹ FRIDE interview with Oleksandr Solontay, civic activist, Institute for Political Education, Kyiv, 13 May 2013.

Some of these initiatives may ultimately become institutionalised over the longer term, while others will most probably dissolve as the emergency situation subsides.

Overall, their value is in the remarkable rise in solidarity and social capital throughout the country that may constitute the end of post-Soviet apathy.

The *EuromaidanSOS* is one example of an organisation whose focus was and continues to be on people who have been unlawfully detained, the disappeared, and victims of human rights abuses. As the situation in Kyiv calmed down and violence broke out in Crimea, Donetsk and Luhansk, the organisation extended its work to those regions, monitoring human rights abuses, investigating disappearances and helping the unlawfully detained and the internally displaced. The post-Yanukovich interim government has made little progress to date with either investigating the crimes committed during the Euromaidan or with clarifying the legal status of the criminal cases opened during that period.

Another emergency response organisation *Automaidan* has been active in Crimea, Donetsk and Luhansk working with local activists and helping internally displaced persons. Its primary functions are anti-corruption initiatives and monitoring law enforcement agencies, especially the traffic police. *Automaidan* also provided emergency assistance²². Another initiative, *Rodyna Maidan* provides support to victims and their families. Having started as a spontaneous good-will initiative by a few legal entities and private citizens, *Rodyna Maidan* has evolved into a registered charitable foundation and receives support both from individuals and Ukrainian charities.

²² FRIDE interview with Oleksiy Grytsenko, *Automaidan* activist, 1 June 2014.

With armed conflict potentially escalating in Donetsk and Luhansk, a wave of new grassroots initiatives emerged to provide support to the Ukrainian Armed Forces, including the provision of bullet-proof vests, medical supplies and food for combat zones. Currently, several civil networks, including the *Automaïdan*, coordinate these efforts, thereby compensating for the underfunded and inefficient state bureaucracy that has proven incapable of delivering timely adequate support in an emergency. There are many other local examples of such initiatives. Many local communities provide basic support to the military and border guards stationed in their neighbourhoods. Ukrainians have shown extraordinary solidarity with their Armed Forces. From 21 May to 16 June 2014 the State Savings Bank of Ukraine sold treasury 'War Bonds' worth more than UAH 16.8 million (Ukrainian Hryvnia) (approximately €1 million) to fund the urgent needs of the Ukrainian army²³. As of the 2 June the Ministry of Defence received more than UAH 128 million (approximately €8 million) in donations to the Armed Forces of Ukraine.

The effects of Maidan have extended beyond Kyiv. Mobilisation and volunteer efforts in the regions have increased; but to be sustained they have to be supported by and linked to the Kyiv-led reform process. Given the situation in Donetsk and Luhansk as well as tensions in other cities, such as Odessa and Kharkiv, direct east-west links between civil activists are particularly important. Some Kyiv-based civil activists are trying to forge links with the regions. For example, experts from a new civil initiative, the Reanimation Reform

Package (RPR)²⁴, have conducted several tours²⁵ to present their ideas for reform nationwide, inviting local government officials, local politicians, human rights activists and journalists. As a result around 500 activists have joined the network of RPR supporters. RPR activists stress that the reform process cannot continue without all the regions being fully involved. Similarly the envisaged 'Lustration Committee', which will focus on investigating and removing officials found guilty of corruption, will draw on numerous local initiatives in its work to enhance public scrutiny and achieve greater transparency and accountability of public institutions.

Although the media is not always seen as part of civil society, Maidan has helped to expand the Ukrainian media landscape and launched many independent initiatives. Euromaidan fostered the emerging phenomenon of 'citizen journalism' and helped to create a number of new independent news outlets, such as the Internet TV channel *Hromadske TV*, media platforms such as *Spilno TV*, and social media initiatives, such as *EuromaidanPR*. Some of these channels will probably evolve into commercial organisations while others may continue to depend on voluntary contributions. Channels such as *Spilno TV*, on the other hand, aim to become a civil initiative to bring together different cultural and civil education projects. All of these arose as a response to citizen demands for an open and pluralistic public media sphere.

²³ The 'War Bonds' are on sale since 21 May 2014, Resolution of the Cabinet of Ministers of Ukraine from 1 April, 2014 No. 101 'On the issue of Treasury bonds "War Bonds"', http://www.minfin.gov.ua/control/uk/publish/article?art_id=400136&cat_id=352487

²⁴ The RPR is probably the most prominent Maidan initiative uniting around 200 active citizens representing various civil society organisations. Their main goal is to outline the most crucial reforms the country needs in a dire economic and political crisis. Their slogan is 'from protests to political demands'.

²⁵ So far RPR presentations were held in Odesa, Mykolayiv, Kherson, Ivano-Frankivsk, Dnipropetrovsk, Lviv, Truskavetz, Kharkiv, Zaporizhzhya and Chernigiv.



Dobry den,
Uradni listy



The recent election of one of the opposition leaders, Vitaliy Klychko, as the mayor of Kyiv reopened the question of the future of the square and the city hall that was occupied by the protesters. At the moment, Maidan is a peculiar combination of a rather nomadic-looking camp, a shrine to the victims, and the headquarters of a number of civil initiatives that emerged during the Euromaidan. The new 'heavy-weight' mayor should engage in an inclusive dialogue with all interested parties to agree on a plan for Maidan square that will be acceptable to all. Civil activists have put forward a variety of proposals, which include: the transformation of the burnt-out trade union building into a public space for civil initiatives; redesigning the square itself to reflect its significance in the fight for democracy; a range of creative methods to involve experts and stakeholders in the decision-making process about the future of Maidan square; and ideas to fund this initiative in ways that will be bottom-up and transparent²⁶.

Overall, as in many other places around the world, Ukraine saw an expansion of the public sphere via the internet, a rise in independent journalism, and emergence of new mobilisation tools as well as types of volunteer activism. Taken together, these recent civil initiatives and protests helped to expose governance deficiencies and raised awareness about the need to change the system as a whole as opposed to merely acting at a more local level. They became important formative experiences for the activists involved (mobilisation, organisational skills, crowd funding, legal support etc.) as well as for the public in general (an increase in awareness and in individual financial contributions). Euromaidan has become a catalyst and a unifying factor for all these dis-

parate tendencies and it has changed the nature and reconfigured the boundaries of Ukrainian civil society.

A QUALITATIVE CHANGE IN UKRAINIAN POLITICS?

Arguably, Euromaidan's most important contribution has been to create huge pressure for more accountability on the part of the Ukrainian government (regardless of its composition) and state bureaucracy. Ensuring 'input legitimacy', through widespread consultations with different sectors of society and free and fair elections, has become a growing priority for politicians. It remains to be seen if this pressure will be sustained and whether it will suffice to achieve systemic changes in Ukrainian politics (which forms part of what is sometimes known as 'output legitimacy' in academic jargon). What is clear is that society has much higher expectations of the state. Unlike the Orange revolution in 2004-2005, these expectations also go hand in hand with a generalised mistrust of political elites and a proactive attitude towards change.

The interim government of Arseniy Yatsenyuk tried to involve a number of Euromaidan leaders by offering them positions in his cabinet. One activist, Olga Bogomolets, declined an offer to hold the post of the Deputy Prime Minister for Humanitarian Affairs in the new government but ran for president in the elections that took place on 25 May (winning only 1.91 per cent of the vote). Yet, 'Maidan mandate' ministers and top officials are few and do not hold important portfolios²⁷. Most are newcomers

²⁷ Sergiy Kvit, Minister of Education and Science; Oleg Musiy, Minister for Healthcare; Dmytro Bulatov, Minister for Youth and Sport; Yevgen Nyshuk, Minister of Culture. In addition, the creation of two new agencies was promised in response to the Maidan demands, although neither has been established at the time of writing: the Lustration Committee (to be headed by Yegor Sobolyev, a prominent civil activist); and the Anti-corruption Bureau (to be headed by Tetyana Chornovol, a well-known inve-

²⁶ FRIDE interview with Bogdana Babych, Founder of Spilno TV, 15 May 2014.

to politics and do not seem to have gained much influence to date. Under the pressure of Euromaidan, two new bodies will be created: the Lustration Committee and the Anti corruption Bureau although their status, composition and mandate remain unclear and progress has been limited so far.

The Lustration Committee has yet to be officially created. A loose network of advocates are pushing for its establishment, but they do not necessarily agree on what the Lustration Committee should focus on. Some argue that the Lustration Committee should prevent those responsible for crimes during Yanukovich's term from holding public office. Others want to extend the ban to those found guilty of abuse of office and corruption²⁸. The majority of advocates simply want greater transparency and accountability in public institutions. For now the network pushing for the establishment of the Lustration Committee consists of around one hundred activists and many more occasional volunteers. According to its head Yegor Sobolyev, the initiative continues to grow throughout the country. Although it was the interim government that proposed the establishment of such a committee, it has done little to pursue this initiative or to formalise its position²⁹.

A similar fate befell the proposed Anti-Corruption Bureau. Unlike the Lustration Committee, a dedicated anti-corruption institution has been on the agenda for a long time and is part of the reform package envisioned by the AA with the EU. Political

stigative journalist who was particularly outspoken against the Yanukovich regime).

²⁸ The draft presented to President Poroshenko on 13 June lists a whole range of criteria for lustration, from the tainted Soviet past to holding high-ranking positions during President Yanukovich and having 'interfered with Ukraine's territorial integrity'. Text available at <http://lku.org.ua/uploads/file/31/law12.06.14.pdf>

²⁹ FRIDE interview with Yegor Sobolev, Head of the Lustration Committee, Kyiv, 12 May 2014.

journalist and civic activist Tetyana Chornovol was appointed to lead this Bureau. She assembled a team of activists to staff the Bureau but little progress towards institutionalising the initiative has been achieved to date. Two conflicting bills have been submitted to Parliament, yet neither of them has made it onto the parliamentary agenda so far. This is partly due to disagreements over the mandate and the organisational structure of the Bureau among civil activists themselves. The group led by Chornovol does not share the same approach or vision as a number of other well-established anti-corruption NGOs, in particular the Anti-Corruption Action Centre.

It is too early to say whether Euromaidan has had a significant impact on the political party system as a whole. It has certainly provoked a realignment of political forces and opened the door to new political groupings and leaders. Many civil activists argue that the party system as a whole has to become more transparent and open. If the parties fail to embrace meaningful reform, all that will happen is a reshuffle of traditional politicians. Civil society continues to press established political leaders and their parties to reform. During the presidential campaign, under pressure from the Chesno movement, a number of candidates from across the political spectrum³⁰ partially disclosed information about their campaign financing. In addition to reform of the electoral code, closer public scrutiny and levelling of the playing field between different parties, new and old, are needed for the next parliamentary elections (which may be held as soon as Autumn 2014). Local elections on 25 May were an important test case. A number of smaller parties, such as *Samopomich*, the Democratic Alliance, and *Nove Zhyttia* made it to the Kyiv city

³⁰ Olga Bogomolets, Anatoliy Gritsenko, Petro Poroshenko, Seriy Tigipko and Yulia Tymoshenko.



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council (following re-counts of votes in some districts). New political groupings will most likely be launched and succeed at the local level. They, like established political parties, should be closely scrutinised.

Maidan fostered the establishment of new forms of interaction between civil society and the state, such as the Reform Platform in the Parliament that consists of 24 legislators (from *Svoboda*, *Batkyvshchyna*, *Udar*, and several independent members) and the Centre of Support for Reform that consists of RPR members and representatives of the relevant ministries. These bodies meet weekly with representatives of civil society (mostly the RPR initiative) and collaborate closely over the preparation and presentation of legislation for new reforms. Some civil activists, who tried unsuccessfully to collaborate with the authorities during President Yanukovich's term, are gratified that a dialogue is finally taking place and that concrete steps are being taken in the parliament and in the cabinet³¹. Others, however, remain sceptical; with Ukraine's parliament, the *Rada*, as yet unreformed and the newly-elected president deeply rooted in the old political elite, they argue for stricter oversight and more forceful involvement on the part of civil society.

Maidan helped consolidate a nation-wide consensus over a set of core reforms to fight corruption and uphold the rule of law, transparency and accountability. During President Yanukovich's administration a number of civil society organisations campaigned on these issues. These included initiatives such as *Chesno*, *New Citizen*, and *Stop Censorship*, all of which aimed to increase public oversight over state institutions. Now many civil activists who were engaged in these initiatives and remained active on the

³¹ FRIDE interview with Svitlana Zalishchuk, Executive Director of the NGO Centre UA, Kyiv, 9 May 2014.

Maidan have formed a number of 'reform platforms' – networks of experts and activists who develop reform initiatives. The core group from the Civil Sector of Maidan and other activists have launched a number of new initiatives, for example, RPR and *Nova Krayna* which aim to foster a dialogue between the expert community and policy-makers and ensure that important reforms remain firmly on the political agenda.

Since the ousting of President Yanukovich, there has been some progress in a few reform areas, although for the most part it required considerable pressure from the CSOs to approve the legislation³². A lot remains to be done to complete the package of reforms and to harmonise the existing legislative framework. To date, a law on access to public information and several laws outlined under the Visa Liberalisation Action Plan with the EU have been adopted. This prompted the European Commission to move to Phase Two of the Plan³³. Unsur-

³² Numerous legislation has been adopted under the pressure of civil activists, namely: 'On amendments to some legislative acts of Ukraine in connection with the adoption of the Law of Ukraine'; 'On Information'; and 'On Access to Public Information' 0947, available at http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=45130; On public procurement, available at <http://zakon2.rada.gov.ua/laws/show/1197-18>; On restoring confidence in the judicial system of Ukraine (lustration of judges) 4378-1, available at http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=50133; On public broadcasting, available at <http://zakon1.rada.gov.ua/laws/show/1227-18>; On administrative services, available at <http://zakon4.rada.gov.ua/laws/show/5203-17>; On the standardization 4585, available at <http://rada.gov.ua/news/Novyny/Povidomlennya/93004.html>; On metrology and metrological activities 4583, available at <http://rada.gov.ua/news/Novyny/Povidomlennya/93003.html>; On open access to information about the use of public funds' 2012a; Decree of the Cabinet of Ministers 'On the list of administrative services provided by the centers of administrative services', available at <http://platforma-reform.org/?p=308>

³³ There are: amendments to Certain Legislative Acts of Ukraine on Prevention and Combating Discrimination, available at <http://zakon2.rada.gov.ua/laws/show/1263-vii>; amendments to some legislative acts of Ukraine in the sphere of public anti-corruption policy in connection with the Visa Liberalization Action Plan with the EU, available at <http://zakon2.rada.gov.ua/laws/show/224-18>;

prisingly, however, the most politically sensitive reforms remain blocked: at the time of writing these include the creation of the public prosecutor's office, electoral reform, public access to the land registry, higher education reform, and judicial reform.

Even though reforms might be passed into law, they are not always implemented in part because of a lack of clear guidelines on implementation. Sometimes a lack of clarity over which government body is responsible for implementation can also impede the application of new laws. Under pressure from a group of parliamentarians opposed to judicial reform, the 'Law on reinstating the trust in the judicial system' is now being reviewed by the Constitutional Court³⁴.

Civil society has a special role to play in monitoring EU-Ukraine bilateral relations. At the end of May, Prime Minister Arseniy Yatsenyuk announced that in each ministry there would be a new post of Deputy Minister for European Integration. Consultations with relevant civil society groups should become part of the new ministers' mandates; this process can be easily supported by the EU Delegation that maintains extensive links with Ukrainian civil society.

The AA also envisions a Civil Society Platform that brings together representatives of Ukrainian civil society and those from the European Economic and Social Committee (EESC – an EU consultative body of employers, employees and various other socioeconomic interest groups). The Plat-

amendments to the Law of Ukraine on refugees and persons in need of additional or temporary protection, available at <http://rada.gov.ua/news/Novyny/Povidomlennya/92527.html>

³⁴ RBC News 'The Constitutional Court of Ukraine received a request on the constitutionality of the law On restoring the confidence in the judicial system of Ukraine', 19 May 2012, available at <http://www.rbc.ua/ukr/news/politics/ksu-poluchil-deputatskoe-predstavlenie-o-konstitutsionnosti-19052014180500>

form is modelled on the Joint Consulting Committees that have been created with the accession candidate countries, but have never been used in the context of an AA. It is meant to monitor the implementation of the Agreement and produce recommendations and joint declarations on a bi-annual basis. At the time of writing, no agreement has been reached between the EESC and representatives of Ukrainian civil society over the format for the Platform. The model proposed by the EESC, namely a tri-partite structure with equal representation for employers, trade unions, and civil society, is not considered to be effective by Ukrainian civil society. Recent events have shown that, despite their large membership, trade unions and big employer associations in Ukraine tend to be more in tune with the state authorities and big oligarchic interests than workers or SMEs. SMEs, on the other hand, are only starting to establish a national platform. In addition, in a tri-partite structure civil activists would probably be under-represented, thereby denying a voice to key proponents of reform.

Furthermore, the role of the existing National Platform of the EaP Civil Society Forum remains unclear. Many activists believe it should become the EESC's counterpart for the Civil Society Platform. Its structure reflects that of the AA and its members are among the most active in civil society³⁵. Its added value is its specific areas of expertise and its links to civil society platforms in other EaP countries. Consultations are now under way in Ukraine as to the format and structure of the Ukrainian part of the Civil Society Platform envisaged by the Association Agreement. Regardless of how these consultations proceed, they will have to clarify whether and how the existing EaP Civil Society Forum could be involved in

Ukraine's association process more directly. The goal should be to exploit the synergies between different mechanisms and empower civil society in its role as watchdog. What is needed is not necessarily a 'super-platform' that would speak for all but an effective coordination mechanism that would make the most of each EU-sponsored mechanism, without creating unnecessary tensions and competition.

Ukraine has had a 'protracted' association process. It took more than five years to negotiate the agreement and two years elapsed between the initialling and the signature of the EU-Ukraine Association Agreement, including the Deep and Comprehensive Free Trade Agreement (DCFTA) that was signed on 27 June 2014. Although some progress has been made, a lot remains to be done to implement deep and sustainable reform. The technical and analytical capacity of some government institutions has to be strengthened to ensure successful implementation. At the same time, some institutions have to be seen for what they are – 'fig leaves' created by the previous administration to simulate its commitment to approximation with the EU. These institutions should be abolished.

LESSONS FOR EU SUPPORT TO DEMOCRACY IN UKRAINE

It is widely recognised that the EU is slow and often weak in responding at times of crisis, and that its strength lies in offering a long-term vision for countries and supporting gradual reform. The crisis in Ukraine has exposed both the potential and limits of such an approach. Many observers called the Euromaidan the largest pro-EU demonstration in history. Although the EU's normative appeal remained high throughout the crisis, its diplomacy was often behind the curve. High profile visits by the EU foreign policy chief Catherine Ashton, European Commissioner for the neighbourhood,

³⁵ FRIDE interview with Rostyslav Dzhundza, Head of the Social Dialogue working group, Ukraine's National EaP Civil Society Platform, 15 May 2014.

Štefan Füle, and a number of national foreign ministers, including notably those from Germany and Poland, were welcomed, but the lack of concrete action on their part led to a degree of disillusionment with the EU. As one Maidan placard put it in January: 'EU: thank you for your deep concern, now do something!'

In the face of this criticism and in recognition of the scale and importance of the crisis in Ukraine, the EU has since put together a substantial package of support. Over the next six years, Ukraine will receive more than €11 billion in bilateral development assistance and macro financial assistance via the European financial institutions³⁶. It is not much more than the EU was promising Ukraine before the crisis, but thanks to the political change in the country and a number of new instruments that the EU is deploying, the assistance could be more effective in securing real change. Although the EU may have appeared undecided and weak at the start of the crisis, it is now well placed to deliver what post-revolutionary Ukraine needs most – concrete financial support and a solid framework for deep and sustainable reform. Ukrainian civil society, strengthened and emboldened by the Maidan experience, is a crucial partner in this endeavour.

A new 'State Building Contract', worth €355 million, has been signed. It is aimed specifically at addressing Ukraine's short-term stabilisation needs and implementing urgent governance reforms. The contract includes concrete steps towards building transparency and fighting corruption and aims to enhance the government's ability to respond to citizens' demands and needs. Crucially, the aid package is made conditional upon

progress with political reform³⁷. Under the Civil Society Facility (CSF) that is now fully integrated into the bilateral aid package under the new EU Financial Framework 2014-2020, €10 million is ear-marked specifically for civil society support³⁸. The Facility is meant to go beyond simply providing financial support to non-state actors by enhancing engagement with civil society and increasing civil society involvement in the policy dialogue with the EU³⁹. Moreover, a greater role is envisioned for civil society in the new bilateral programming instrument, i.e. the Single Support Framework (SSF). In addition, a number of new initiatives have been launched to help maintain the reform momentum and support Ukraine's approximation with the EU, such as a dedicated Support Group for Ukraine created by the European Commission and an ad hoc international donor coordination platform.

The EU's engagement with civil society has been growing steadily in importance and funding since the late 1990s. The EU has also enhanced its direct support to civil society organisations under the renewed European Instrument for Democracy and Human Rights (EIDHR)⁴⁰ that enables the EU to deal directly with NGOs and human rights activists. Its other thematic programme, Non-State Actors and Local Authorities

³⁶ European Commission, 'European Commission's Support for Ukraine', MEMO/14/159, Brussels, 5 March 2014, available at http://europa.eu/rapid/press-release_MEMO-14-159_en.htm

³⁷ European Commission, 'European Commission's support for Ukraine – update', MEMO/14/279, Brussels, 13 May 2014, available at http://europa.eu/rapid/press-release_MEMO-14-279_en.htm

³⁸ €2 million per year was allocated for 2011, 2012 and 2013. For more detailed analysis of the CSF see N. Shapovalova and R. Youngs 'EU Democracy Promotion in the Eastern Neighbourhood: A Turn to Civil Society?', FRIDE Working Paper, No. 115, December 2012, http://www.fride.org/download/WP_115_EU_democracy_promotion_in_the_Eastern_neighbourhood.pdf

³⁹ European Commission, Action Fiche for Neighbourhood Civil Society Facility 2011 (Brussels, 2011).

⁴⁰ Development and Cooperation – Europeaid, European Instrument for Democracy and Human Rights, available at http://ec.europa.eu/europeaid/how/finance/eidhr_en.htm

in Development (NSA&LA) launched in 2007, has been expanded and is aimed at strengthening the capacity of civil society organisations working on poverty reduction and sustainable development. Since the peer review communication in 2011 and the subsequent communication on working with civil society in external relations, the focus on civil society has become better embedded in the overall architecture of EU assistance since 2012⁴¹.

One clear sign of increased European support for civil society is the European Endowment for Democracy (EED) that was established in May 2013 as a joint effort between the EU institutions and EU national governments, and is intended to function as a private nonprofit organisation. The EED is expected to fill the gap left vacant by bigger EU grantmaking agencies by offering timely and flexible support to those civil society actors who are not eligible for support from other donors or are in dire need of emergency funding, such as journalists, bloggers, non-registered NGOs, or political movements⁴². The Ukrainian crisis has been an important test ground throughout the EED's first year of operation. The Endowment responded by offering varied and

rapid assistance to different actors, from independent media outlets to the victims of police violence in February.

The new Financial Framework 2014-2020 has a stronger emphasis on support to civil society as a specific objective. Importantly, with the CSF now being fully incorporated into the bilateral SSF, the EU Delegation has acquired more say in defining the objectives of civil society engagement, and freedom to allocate the disbursements for each financial year on the basis of the priorities in any given country. This new approach will take the form of a 'civil society roadmap' prepared by the EU delegation in consultation with local civil society. This document is also meant to assist donor coordination. Most notably, for some of the budget support operations, civil society is represented on the steering committees that assess progress in implementing programmes.

Ukraine seems to be a perfect test case for further improvement and effective implementation of this updated approach. At the same time, a number of lessons drawn from the first five years of the EaP – especially the association processes it offered to Ukraine, Moldova and Georgia – should be taken into account in the EU's overall strategic thinking. It has become clear that signing an AA with these countries cannot be an end in itself. What matters more is how effectively the AA is implemented, how sustainable the reform is and whether or not the engagement between the EU and local societies is maintained. The actual signature, despite its political significance, will not bring about changes by itself. Moreover, domestic support for further approximation with the EU cannot be taken for granted. The EU should commit assistance to forge greater consensus around the 'European path' for Ukraine, especially in regions that have close links

⁴¹ The European Commission and the EU High Representative for Foreign Affairs and Security Policy, *A New Response to a Changing Neighbourhood. Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions*, Brussels, 25 May 2011, available at http://ec.europa.eu/europeaid/where/neighbourhood/documents/communication_conjointe_mai_2011_en.pdf and *The Roots of Democracy and Sustainable Development: Europe's Engagement with Civil Society in External Relations*, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Brussels, 12 September 2012, available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0492:FIN:EN:PDF>

⁴² European Commission, 'The European Endowment for Democracy – Support for the Unsupported', Press release, 12 November 2012, IP/12/1199, http://europa.eu/rapid/press-release_IP-12-1199_en.htm



THE GROWING NUMBER OF GRASSROOTS COMMUNITY INITIATIVES CONSTITUTE A NEW AND VITAL WAY TO BUILD UP A VIBRANT CIVIL SOCIETY IN UKRAINE

with Russia owing to business, family or labour migration. Finally, the association process cannot be limited to technical government-to-government negotiations; it has to involve more constituencies and engage the public.

This updated approach can be translated into a number of concrete recommendations on how the EU could increasingly make a difference in Ukraine by working with its civil society. These are:

Invest in the upcoming parliamentary election. Explore the scope for boosting EU support for elections and political parties. Technical assistance to support the reform of Ukraine's electoral law and election monitoring is crucial for the upcoming parliamentary election. Work in partnership with civil society to render the party system more transparent and accountable (such as through scrutiny of party funding, equal access to media and so on). Combine techni-

cal assistance to political parties with initiatives that help strengthen the link between parties and citizens.

Focus on the political impact. The debate continues among EU officials and democracy support practitioners as to how to make EU democracy support less technical and more responsive to the prevailing political dynamics in the country. It is unlikely to be resolved with a few quick fixes. However, with respect to support for civil society there are some issues that should receive more attention and funding. It is vital to find ways to foster stronger linkages between civil and political society that are based on collaborative partnership principles and that ensure a greater influence of civil society on policy-making. The civil society roadmaps that are currently being prepared by the EU Delegations could provide the necessary country-specific and politically sensitive basis to this.

Extend the reach of EU democracy support into the regions. This is a long-standing challenge for EU democracy support. While civil initiatives in Kyiv seem to be taking the lead on a number of highly political issues, civil activism in the regions remains weak and unstructured. Initiatives in the regions should be receiving more support. The growing number of grassroots community initiatives constitute a new and vital way to build up a vibrant civil society in Ukraine. More emphasis should also be placed on linking local activism with civil initiatives in Kyiv so that the incipient reform process is not limited to a small expert community in the capital. Under the current circumstances, this would add substance to local governance in the nascent decentralisation process, and help forge greater ownership over political change and greater unity for the country.



EMPOWERED BY EUROMAIDAN, CIVIL SOCIETY WANTS TO PLAY A CENTRAL ROLE IN THE REFORM PROCESS AND HAVE AN IMPACT THAT GOES BEYOND CONSULTATIONS AND MONITORING

Prepare a post-conflict reconstruction package for Donetsk and Luhansk. As armed conflict in the regions of Donetsk and Luhansk continues, the toll on the civilian population and local economies is devastating. Whenever a lasting cease-fire is achieved, the EU should collaborate with local civil initiatives and organisations to support the rebuilding of these communities. While the priorities and methods have to be locally defined, direct funding and sectoral assistance from the EU would be needed.

Reinforce the focus on independent media. Maidan helped pluralise the media landscape. The EED has been at the forefront by giving prompt support to a number of media outlets. Support to the independent media has to continue and be reinforced. It has particular relevance for the regions that are more exposed to Russian media which

engages in a fullscale disinformation and propaganda campaign. Small community-based news agencies are particularly well-placed to improve the dissemination of information in their cities.

Help foster the emerging culture of small-scale philanthropy and volunteering. The range and effectiveness of small-scale community initiatives, volunteering, and fundraising by direct private donations are truly remarkable and illustrate the deep societal change in Ukraine. These have to receive more attention and support. Western organisations with experience in these areas should be encouraged to become engaged in Ukraine. Where useful, the EU Delegation could help facilitate and coordinate such collaborations.

Avoid a compartmentalised approach to engaging civil society in the EU association process. There is a substantial convergence between reform requirements in the AA and the reform agenda driven by civil society. Empowered by Euromaidan, civil society wants to play a central role in the reform process and have an impact that goes beyond consultations and monitoring. The Civil Society Platform envisioned in the AA does not have to be the only mechanism. It is recommended that the EU looks for ways to create synergies and foster real partnerships between different civil society forums and platforms, including the National Platform of the EaP Civil Society Forum and the newly founded civil initiatives, such as the Reanimation Reform Package.

CONCLUSION

Although the political situation in Ukraine remains highly unstable, the three months of Euromaidan protests have been a moment of major civil awakening. Indeed, one of the important differences between the Euromaidan and the Orange Revolution of 2004 is the richness and

autonomy of multiple civil initiatives that grew around it. As the concerns over the territorial integrity of Ukraine loom large, this paper argues that the quality and nature of its civil society will be one of the key elements in its incipient political transition.

Recent events sparked important transformations throughout the society, such as the rise of 'social capital', organisation, and increase in voluntary financial contributions for civil initiatives. These trends compare favourably to the previous two decades, during which most analysts described Ukraine, just as most of the former Soviet territory, as a land of apathy and low civil participation.

Not everything is so positive: the violence, the proliferation of para-military groups, and the rise of radical organisations which enjoy marginal public support but have gained disproportionate leverage are all sources of grave concern. The on-going conflict in Donetsk and Luhansk sponsored by Russia poses tremendous challenges to the Kyiv government. Civil activists are concerned that the protracted nature of the conflict may cripple the relations between these regions and Kyiv irrevocably. They also say it may be exploited by vested interests to sabotage reform.

A number of important transformations are under way in Ukrainian civil society. Several new mechanisms for interaction between civil society and state authorities are being introduced. There is increased pressure for more transparency and accountability, and experts and activists are working hard to create and implement a solid reform agenda for the country. Although a number of interesting initiatives have begun, it is still too early to say whether the overall cooperation and coalition-building between civil

organisations and initiatives will take root, especially with respect to links between Kyiv and the regions. There remains a gap between bottom-up mobilisation and established CSOs. In addition the linkages between CSOs and Ukrainian society at large have yet to mature.

Euromaidan helped consolidate an all-Ukrainian unifying narrative against corruption, establishing the rule of law, and promoting socio-economic development. More local reform initiatives should spread throughout different regions so that the reform process driven by a group of activists and experts in Kyiv does not remain something distant and abstract. Concrete initiatives aimed at addressing local grievances should be nurtured, and the nascent culture of volunteer activities should become the backbone of the new relations between CSOs and the society at large. This would be the best safeguard against any abuse of power and the most effective mechanism to ensure accountability and development. ●



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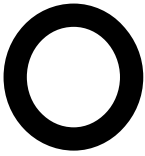
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The Kremlin Connection



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MÁTÉ
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nce again Russia is posing a threat to the western world. Putin's aggressive foreign policy antagonized Russia for both the United States of America and the European Union. The high hopes after the fall of the Soviet Union are shattered, the democratic changes stopped and reversed, and Russia is extending its influence towards the west. Georgia and Ukraine suffered the military actions of the bigger eastern neighbors, while the EU is beginning to experience Russia's clandestine foreign policy.

Putin found allies in Europe's far-right (in some cases arguably far-left) parties, which fiercely oppose pan-nationalistic tendencies such as the EU and NATO. These parties are vocal supporters of Putin's political system and claim that alliance with Russia would help them gain independence from the economic and political clutches of the European Union. Russia supports these parties because they can lobby for its interests in the EU Parliament, thus weakening or stopping any action that aims to sanction Russia or to affect it negatively. The pro-Russian parties have spread throughout Europe, they can be found in Central-Eastern Europe as well as the western parts of the continent.

The aim of this article is to show Russia's influence on the European Union through its support of far-right parties in various countries and also to provide background information on Russia's foreign policy and the activism of the pro-Russian European parties.

OVERVIEW

Many things have happened since 1991 when the Soviet Union ceased to exist. New countries have sprung from the ruins, democratizations started in Russia, which tried to rebuild its economy. It is no longer one

of the world powers in a bipolarized world. It is, however, still a dominant power, and it is trying to regain its past glory. Many things have changed but under the surface many things remained static. There are still Communist symbols at military parades¹, but at least they can be explained by the fact that at the victory day march, people celebrate the victory of the Red Army. It is harder to explain the red stars and a picture of Lenin in the Red Star² newspapers, which was the news portal of the Ministry of Defense of the USSR, now the newspaper of the Ministry of Defense of the Russian Federation.

This is not to say that a new, communist dictatorship is likely to happen in Russia. It is not about communism or nationalism, but about power. Vladimir Putin, Russia's charismatic president has pledged to restore the military power of his country to its past fame³.

Putin worked for the KGB and later for the Federal Security Services, so he is well-versed in the ways of the intelligence community. Therefore it is not surprising that Putin is pushing for a stronger spy network. There are talks about reopening a Russian spy base in Cuba⁴, which was used to intercept American communications. In Europe, Russia is using extremist parties to spy on and influence other countries.

According to a research done by the Hungary based Political Capital Policy Research and Consulting Institute, there are strongly pro-Russian parties in 15 EU member

¹ <http://www.theguardian.com/world/video/2014/may/09/russia-shows-military-might-victory-parade-moscow-video>

² <http://www.redstar.ru/>

³ http://www.huffingtonpost.com/2012/08/11/vladimir-putin-russia-military_n_1768561.html

⁴ <http://www.theguardian.com/world/2014/jul/16/russia-reopening-spy-base-cuba-us-relations-sour>



PUTIN RECOGNIZED THAT MANY EUROPEAN PARTIES ARE NOT SATISFIED WITH HOW THE EU WORKS, AND RUSSIA POSITIONED ITSELF AS AN ALTERNATIVE CHOICE, TOWARDS WHICH DISCONTENTED COUNTRIES CAN RUN TO

states⁵. These are: Austria, Belgium, Bulgaria, Czech Republic, France, Germany, Greece, Hungary, Italy, Lithuania, Poland, Slovakia and the United Kingdom.

The situation in Ukraine fits perfectly into Russia's plan to weaken the European Union. Using separatists, it disintegrates the country which was on its way to join the EU. Many European parties can be evaluated through their reactions to the Ukraine crisis. Observers of the Crimean referendum, invited there by the Russia based far-right non governmental organization called Eurasian Observatory for Democracy and Elections were members of far-right parties.

RUSSIA'S FOREIGN POLICY

Russia's foreign policy in many ways continues in the wake of the Soviet Union – disregard for democratic principles, human rights and international law have often manifested itself in the countries' policies.

Russia has renewed its hunger for being a more dominant world power and is using show of force to gain better place on the international stage of politics. In order to do that Russia has not refrained from using military actions, against for example Georgia or most recently Ukraine.

These actions also served to weaken Europe, which Russia sees as a political and economic threat. That is one of the reasons why Putin supports Euroskeptic and extremist parties – to destabilize the EU with internal struggles, and also to have parties which will represent Russian interest within the European Parliament.

Putin's third term of presidency brought forth a renewed force in Russia's foreign policies, and its endeavors towards an extensive Eurasian Union⁶, to rival the European Union.

Putin recognized that many European parties are not satisfied with how the EU works, and Russia positioned itself as an alternative choice, towards which discontented countries can run to.

It is in Russia's interest to support Euroskeptic parties who will oppose sanctions against Russia and weaken the integrity of European politics.

PRO-RUSSIAN PARTIES IN THE EUROPEAN UNION *DEDICATED PRO-RUSSIAN PARTIES*

⁵ http://www.politicalcapital.hu/wp-content/uploads/pc_elemzes_20140410_az_orosz_kapcsolat.pdf

⁶ <http://www.russianmission.eu/en/news/article-prime-minister-vladimir-putin-new-integration-project-eurasia-future-making-izvestia-3->

Minister



MIRO LJUBIĆ

ANĐELKA TEDIĆ

AUSTRIA

In Austria the Freiheitliche Partei Österreichs (Freedom Party Austria, FPÖ) has shown pro-Russian tendencies. The party was founded in 1956 and since then has gone through several ideological changes. With various degrees of liberalism being present in the party's ideology as well as an emphasis on individual freedom FPÖ is not a typical far-right party if we apply the term to other political entities, such as Hungary's Jobbik. Nevertheless, FPÖ advocates pan-Germanism and anti immigration policies and is thus often branded as a far-right party by the media.

The crisis in Ukraine showed FPÖ true colors. MEP Andreas Mölzer said that "the EU has to keep out of the power struggle in Kiev"⁷ and also that the west should not interfere but Russia has a legitimate interest in the region which should be considered⁸.

FPÖ has sent observers to the much debated referendum in Crimea alongside with many European far-right parties.

Freedom Party Austria is currently the third biggest party in the country, with 4 seats in the European Parliament.

BELGIUM

In Belgium the Flemish nationalist Vlaams Belang (VB) party supports Russian interests. VB was founded in 2004 as a successor of the Vlaams Blok party, which had to dissolve after it was declared racist by the Belgian court⁹.

Vlaams Belang states it advocates European values such as democracy, freedom of speech, equality of men and women and separation of the church and the state¹⁰. VB's manifesto goes on saying that humans are born free and the party will work to protect individuals from the abuse of the state. VB is a self proclaimed right-wing nationalist party which advocates Flemish independence and strongly opposes the European Union. VB is also anti-immigration.

Despite the party's claim of believing in European democratic values, VB sees Russia as a potential ally – as Filip Dewinter, a senior member of the party, said: "I think we can be a good partner for Russia in the European Parliament"¹¹. Members of Vlaams Belang (some of whom used to be members of Vlaams Blok) also were present as observer at the Crimean Referendum¹².

Vlaams Belang has one seat in the European Parliament.

BULGARIA

The Bulgarian Ataka (Attack) party is known to endorse Russia. The party was founded in 2005 and now holds a crucial role in the Bulgarian parliament, which is evenly divided, making Ataka a determining factor.

The ideology of the party is ultra-nationalistic although there are debates whether Ataka is a far-right or in fact a far-left party¹³. Ataka opposes privatization, wants government support for all businesses.

¹⁰ <http://www.vlaamsbelang.org/beginselverklaring/>

¹¹ <http://www.independent.mk/articles/3885/Europe+Far-Right+Groups+Develop+Closer+Ties+with+Russia>

¹² <http://euromaidanberlin.wordpress.com/2014/03/17/pro-russian-extremists-observe-the-illegitimate-crimean-referendum/>

¹³ http://www.academia.edu/233217/Left_Wing_Right_Wing_Everything_Xenophobia_Neo-totalitarianism_and_Populist_Politics_in_Contemporary_Bulgaria

⁷ http://www.wienerzeitung.at/nachrichten/europa/europaeische_union/593617_Europas-extreme-Rechte-kritisieren-Einmischung-der-EU.html

⁸ <http://www.fpoe.at/aktuell/detail/news/moelzer-ukraine-hat-selbst-ue/>

⁹ <http://news.bbc.co.uk/2/hi/europe/3994867.stm>

The party is also Euroskeptical, anti-Nato as well as anti-Semitic, anti-Muslim and anti-Roma.

When Bulgarians were asked in a survey whether they would choose EU membership or be a part of Russia's Eurasian Union, 22% of the respondents preferred the latter option¹⁴. The strongest supporters of Russia according to the survey are the supporters of Ataka.

The party also fiercely objected to sanctions against Russia on the Crimean crisis and vowed to overthrow the government if they support the sanctions¹⁵. Ataka supports the construction of the South Stream gas pipeline between Russia and Bulgaria – the cause of tensions between the country and the EU. Members of the party were also present as observers in the Crimean referendum.

Ataka currently holds no seats in the European Parliament.

CZECH REPUBLIC

In the Czech Republic the Worker's Party of Social Justice (DSSS) endorses closer ties with Russia. The party was established in 2003 under the name of Worker's Party (DS) however in 2010 it was banned after far-right supporters attacked minorities. The party then continued under its current name.

DSSS advocates an anti-capitalist, nationalistic economic system. The party is Euroskeptical and anti-Roma.

Tomas Vandas, the leader of the party raised his voice against the sanctions on Russia¹⁶.

¹⁴ <http://www.euractiv.com/sections/eu-elections-2014/22-bulgarians-want-join-russias-eurasian-union-302163>

¹⁵ <http://www.euractiv.com/sections/global-europe/nationalists-vow-topple-bulgarian-cabinet-over-russia-301301>

¹⁶ http://www.dsss.cz/dsss_-sankce-vuci-rusku-poskozuji-cr and http://www.dsss.cz/vandas_-realny-dopad

DSSS has no representative either in the Czech Republic or in the European Parliament.

FRANCE

France has one of the most influential far-right parties of the countries in question. The Front National (National Front, FN) was founded in 1972 and since then it grew out to be the third biggest political force in the country. FN advocates a strong state, central planning and protectionism. The party is also Euroskeptical, anti-immigration, and anti-Semitic – although FN is trying to shed this image¹⁷, its attempts are not, however, very successful¹⁸.

Front National, while against the European Union in its current form, strongly advocates a union of nation states, where each nation can self-govern. FN would like to include Russia¹⁹ in this union as well – what fits perfectly into Putin's Eurasian Union endeavors²⁰. The French nationalist party also wants to see a strong Paris, Berlin, Moscow trilateral cooperation. Among many far-right parties, FN bases its eagerness to cooperate with Russia on the grudge they hold against the European union, namely the pan-national policies which simply wouldn't fit into the ideology of a nationalist party, but which plays these parties into the hands of Putin.

The leader of the party, Marine Le Pen, also criticized the West for their misguided support for Ukraine²¹. FN also sent an observer

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¹⁷ <http://www.france24.com/en/20111214-national-front-goes-all-out-jewish-vote/>

¹⁸ <http://www.bbc.com/news/world-europe-27761534>

¹⁹ <http://www.frontnational.com/le-projet-de-marine-le-pen/politique-etrangere/notre-politique-etrangere/>

²⁰ <http://www.aljazeera.com/indepth/opinion/2014/06/putin-eurasian-dreams-20146306014211111.html>

²¹ http://voiceofrussia.com/news/2014_06_18/EU-acts-

to the Crimean referendum. According to Marine Le Pen, a new Cold War is escalating²² and by claiming that they want France to leave NATO and tighten relationships with Russia²³, while criticizing western actions, they made it clear: should a Cold War in fact break out, they would be on Russia's side.

FN has 23 seats in the European Parliament.

GERMANY

Russia's crony party in Germany is the Nationaldemokratische Partei Deutschlands (National Democratic Party of Germany, NPD). It was founded in 1964 as a rebranding of the Deutsche Reichspartei (German Reich Party), which in turn was the successor of the Deutsches Rechtspartei (German Right Party), a nationalistic party founded in 1946, and attracted many former Nazis.

NPD is often branded as a neo-Nazi party and there are attempts to ban it²⁴. Ex-leader of the party, Udo Voigt, who now represents the party in the European Parliament called Hitler "a great man" and also wore leather jackets saying "give gas", in reference to his anti-Semitic views²⁵.

NPD is also strongly anti-immigrant and anti-Roma. Since there are many Muslims living in Germany, the party's xenophobia extends to them as well²⁶, adding to the Islamophobic tendencies in the country²⁷.

like-fireman-incendiary-in-Ukraines-political-crisis-Marine-Le-Pen-3270/

²² <http://www.reuters.com/article/2014/04/12/us-ukraine-crisis-le-pen-russia-idUSBREA3B09I20140412>

²³ <http://en.ria.ru/world/20110413/163514574.html>

²⁴ <http://www.dw.de/second-attempt-to-ban-neo-nazi-ndp-under-way/a-17726217>

²⁵ <http://www.eubusiness.com/news-eu/vote-germany-far.wbv>

²⁶ <http://www.reuters.com/article/2014/05/21/us-eu-election-germany-neonazis-idUSBREA4K0DY20140521>

²⁷ <http://www.spiegel.de/international/germany/isla->

NPD also seeks closer ties with France and Russia in a trilateral agreement and it encourages cooperation with Russia and China²⁸, advocating a Eurasian scope of interests rather than close alliance with the United States of America.

NPD currently has one Member in the European Parliament.

In Germany a left-wing party, Die Linke (The Left) also advocates closer ties with Russia. It is a good example of how Putin can attract parties from both left and right. Far-left parties supporting the Russian cause are mainly Euroskeptic, except for Die Linke. It is an anti-capitalist, socialist party, with Marxist roots²⁹, which in fact more or less agrees with the existence of the EU, but they call for more democratic institutions³⁰. In this regard, they are not the primary focus of this paper as they are neither far-right, nor Euroskeptic, but their strong pro-Russian advocacy at times made them worthy of mentioning. They called for a new military cooperation involving Russia to replace NATO³¹. The party also opposes sanctions against Russia³² and supported the Crimean referendum³³. Die Linke sent an observer to Crimea but NPD did not. The party criticized Russia for its infringement of international law in Ukraine but

mophobic-hate-groups-become-more-prominent-in-germany-a-956801.html

²⁸ <http://www.npd.de/europa/>

²⁹ <http://www.die-linke.de/partei/weitere-strukturen/weitere-zusammenschlusse/ag-wirtschaftspolitik/texte/marx-im-herzen-und-keynes-im-kopf/>

³⁰ <http://www.thelocal.de/20140514/what-do-die-linke-want-for-europe>

³¹ <http://en.die-linke.de/index.php?id=10096>

³² [http://en.die-linke.de/index.php?id=10143&tx_ttnews\[tt_news\]=33627&tx_ttnews\[backPid\]=9651&no_cache=1](http://en.die-linke.de/index.php?id=10143&tx_ttnews[tt_news]=33627&tx_ttnews[backPid]=9651&no_cache=1)

³³ <http://www.thelocal.de/20140312/merkel-russia-has-stolen-crimea>



APART FROM
HUNGARY, GREECE
HAS THE MOST
MILITANT EXTREME-
RIGHT PARTY IN
EUROPE

at the same time condemned the actions of NATO and the Ukrainian government as well³⁴.

Die Linde has 7 seats in the European parliament and is the third biggest party in Germany.

GREECE

Apart from Hungary, Greece has the most militant extreme-right party in Europe. The Popular Association – Golden Dawn (Λαϊκός Σύνδεσμος – Χρυσή Αυγή, XA) is a pro-Russian, Euroskeptic far-right party in Greece. It was founded in 1985 and as many extremist parties has gained great popularity since the current economic recession. Often branded as neo-Nazi and Fascist party, XA is often linked to violence. The murder of Greek musician Pavlos Fyssas, the investigation of which showed connections of the tragic events to the XA, caused a decrease in the party's popularity.

XA is a strongly pro-Russian party. It claims that Greek interests coincide with that of Russia³⁵, which thus is a natural ally. XA also says that Russia is the only force which can liberate the country from the clutches of the United States and its allies. The leader of the party, Nikos Michaloliakos also stated that Greece should give access to its ports to Russia in exchange for protection and economic growth.³⁶

XA has gained 26 seats in the European Parliament.

HUNGARY

Hungary has one of the biggest and most influential far-right parties in Europe. Jobbik is a racist, extreme-right party, which has ex-

³⁴ [http://en.die-linke.de/index.php?id=10143&tx_ttnews\[tt_news\]=32719&tx_ttnews\[backPid\]=9651&no_cache=1](http://en.die-linke.de/index.php?id=10143&tx_ttnews[tt_news]=32719&tx_ttnews[backPid]=9651&no_cache=1)

³⁵ <http://www.xryshaygh.com/index.php/kinima/thesis>

³⁶ http://greek.ruvr.ru/2013_12_16/255918654/#.UrN-2N1yFTg.gmail

hibited strong pro-Russian affiliations. The party was founded in 2003 and since then has grown out to be a major force in Hungarian politics. Jobbik is often described as a neo-Nazi party, since it advocates territorial revisionism and anti-Semitism. The party is known of its anti-Roma actions, military-like marches threatening minorities and its strong stance against the United States and the European Union. Jobbik has been associated with burnings of the EU flag, and its members of parliament with throwing it out of the window of parliament after sessions.

Jobbik's foreign relations focus on other far-right parties, as well as the anti-Israeli Iran and Russia. Although the party is throwing accusations at other parties and civilians as well of being puppets in the hands of foreign powers, it is Jobbik that has debatable foreign friends. Leader of the party, Gábor Vona asked the then president of Iran, Mahmoud Ahmadinejad, to send observers to the 2009 European Parliamentary elections, and he also asked for the assistance of the Iranian Revolutionary Guards³⁷ which have been proclaimed as a terrorist organization by the United States³⁸.

As for Russia, there is ample evidence, that Jobbik has strong relations with this country and advocates its interests. The party supports closer cooperation with Russia, which they see as a potential partner instead of the European Union. In the centre of Jobbik's relations with Russia is Béla Kovács, a high ranking member of Jobbik, who has been accused of being a spy for Russia. There are, however, speculations that he was not gathering intelligence but that, in fact, his main task was to incite an anti-EU atmosphere thus disintegrate the EU policies

against the country³⁹. He also asked Russian officials whether an EU member state can start negotiations to be a member of the Eurasian Union⁴⁰.

Jobbik is growing out to be the second most popular party in Hungary with 3 seats in the European Parliament.

The most popular party, Fidesz, which is the governing political force in Hungary, has close ties with Russia as well. The party identifies itself as a central right party, but its policies as more extreme. Because of this, Fidesz is losing friends in the EU, on whom it depends, and is thus turning towards Russia. The party was founded in 1988 and since then has gone through a complete overturn of its ideologies. Under the government of Fidesz Hungary made a pact with Putin to secure loans for new Hungarian nuclear power plants, a deal which indebted Hungary severely. Another proof of the tightening relations is Hungarian Prime Minister Victor Orbán's speech in which he condemned liberal democracies and declared to bring on an illiberal state in Hungary, modeled on the Russian system⁴¹.

Fidesz is the biggest party in Hungary – it formed the government and holds 12 seats in the European Parliament.

ITALY

There are two far-right parties in Italy that can be associated with pro-Russian activities. One of them is Lega Nord (Northern League, NL), which as a party was founded in 1991, but existed since 1980s as a movement. They oppose a strong European state

³⁷ <http://politicalradical.cafeblog.hu/2014/03/31/a-jobbik-es-iran-kapcsolata/>

³⁸ http://www.washingtonpost.com/wp-dyn/content/article/2007/08/14/AR2007081401662_pf.html

³⁹ <http://nol.hu/belfold/kovacs-bela-a-bomlasz-to-1463621>

⁴⁰ <http://www.jobbik.hu/hireink/az-unioban-es-keleten-magyar-erdekekert>

⁴¹ http://index.hu/belfold/2014/07/26/orban_buszke_arra_hogy_illiberalis_allamot_epit/



and would rather have a Europe based on regions. NL has close relations with Russia which they see as the protector of family values. The party acclaims Russia's stance on Islamic fundamentalism⁴². NL also supported Putin's nomination to Nobel Peace Prize as well as an honorary citizenship to an Italian town⁴³.

Northern League has 2 seats in the European Parliament.

The other Italian party associated with pro-Russian tendencies is the Forza Nuova (New Force, FN). It was founded in 1997 and it expresses nationalistic, anti-capitalistic, and Euroskeptic views. The leader of the party, Robert Fiore perceives himself as a fascist, and admires Russia, thinking that its model is the one to follow. There have been reports in the media on a secret agreement between Russia and FN⁴⁴ although this has not been confirmed.

The party is not represented in the European Parliament.

At the Crimean referendum a member of Forza Italia, Berlusconi's party, was present.

LITHUANIA

In Lithuania Tvarka ir Teisingumas (Order and Justice, TT) is a far-right party, which is pro-Russian. It was founded in 2002 and advocates national liberal ideas, like decentralized government, reduced taxes, and free market. The party also states that both the European Union and the NATO is beneficial for Lithuania⁴⁵.

The party has been associated with not so liberal ideas as well – for example an MP for the party wanted to chase homosexuals and their supporters away from the country⁴⁶.

TT connection to Russia became famous during the presidency of Rolandas Paksas, who led the party to victory in the elections. He, however, was impeached a year later for possible ties with the Russian mafia⁴⁷. A Russian businessman, Yuri Borisov, whose company was associated with illegal arms deals, has donated huge amounts of money to the party, and was granted citizenship by Paksas. He was almost appointed as his adviser, but – because of the scandal around Paksas – it was canceled.

TT has two seats in the European Parliament.

POLAND

In Poland Samoobrona Rzeczpospolitej Polskiej (Self-Defence of the Republic of Poland, SRP) wants closer ties with Russia. The party was founded in 1992 and it holds both, left and right wing policies. SRP is a nationalist party, advocating state control, anti-capitalist economy. It is against foreign investments and is protectionist. The party is also Euroskeptic. On their website they claim that Russia is a natural ally⁴⁸, a thought upon which they are trying to act. The party is against closer ties with the United States and would prefer their eastern neighbor instead.

⁴² http://italian.ruvr.ru/2013_12_20/Matteo-Salvini-e-la-sua-Lega-di-battaglia/

⁴³ http://italian.ruvr.ru/2014_01_28/Riva-del-Garda-vuole-Putin-cittadino-onorario/

⁴⁴ <http://agenziaitaliapress.blogspot.hu/2012/10/putin-guarda-forza-nuova-gli-strani.html>

⁴⁵ <http://www.tvarka.lt/en/programa>

⁴⁶ <http://www.15min.lt/en/article/politics/mp-petras-grazulis-let-s-chase-gays-and-ambassadors-out-of-lithuania-526-219147>

⁴⁷ <http://www.nytimes.com/2004/04/07/world/lithuanian-parliament-removes-country-s-president-after-casting-votes-three.html?pagewanted=1>

⁴⁸ <http://www.samoobrona.org.pl/pages/20.english/index.php?document=presentation.html>

SRP was among those pro-Russia parties which tried to validate Crimea's detachment from Ukraine by sending observers to the referendum there. Throughout the Ukrainian crisis SRP backed Russian interests⁴⁹.

The party's popularity declined and currently they have no seats in the European Parliament.

SLOVAKIA

In Slovakia there are two pro Russian parties. The Slovenská Národná Strana (Slovak National Party, SNS) was founded in 1990 and although it characterizes itself as a social, Christian, centre-right national party, it was often claim to be racist because of their policies against the Hungarian minority⁵⁰ and the Roma people.

The party's pro-Russian activities are apparent, although since the party is not that popular at the moment, others have taken the position to be vocally supporting Russian interests. SNS's formal vice-president, Anna Belousovova was rewarded with the Order of Friendship by then Russian president, Dmitri Medvedev⁵¹.

SNS holds no seats in the European Parliament.

The other pro-Russian Slovakian party is Ľudová Strana Naše Slovensko (People's Party Our Slovakia, LSNS), which is a far-right nationalist party. It was established in 2000 and is Euroskeptic and strongly against NATO. The LSNS is vocal against the Hungarian and Roma minority as well. It has no seats in the European Parliament.

⁴⁹ http://m.wyborcza.pl/wyborcza/1,105402,15578187,Sa-moobrona___polskie_wsparcie_Putina.html

⁵⁰ http://www.hhrf.org/hhrf/index_en.php?oldal=182

⁵¹ http://www.riskandforecast.com/post/in-depth-analysis/russia-s-far-right-friends_349.html

UNITED KINGDOM

In the United Kingdom the British National Party (BNP) supports Russian interests. The party was founded in 1982 and is a far-right nationalist political force. It has been accused of being fascist⁵² and racist⁵³. BNP is Euroskeptic, anti-immigration as well as anti-free market.

Nick Griffin, the then leader of the party, praised Russia for their elections in 2011, when he was there as an observer. He said *"I think I've been transported to a parallel universe. The entire electoral system in this supposedly totalitarian state is ten times fairer than Britain's."*⁵⁴ In a comparison of the electoral systems of the United Kingdom and Russia he also said: *"Russia's electoral system is far more robust, transparent and honest, than Britain's. Britain today is less democratic than modern Russia"*⁵⁵

BNP has supported Crimea's referendum⁵⁶ taking Russia's side and also criticized the sanctions against Russia⁵⁷.

BNP has no seats in the European Parliament.

SPAIN?

In Spain there is one party which might have ties with Russia, although no conclusive research has been done. It is an undeniable fact however that the Platform for Catalonia (Plataforma per Catalunya),

⁵² <http://www.telegraph.co.uk/news/newstoppers/mps-expenses/5395358/David-Cameron-attacks-fascist-BNP.html>

⁵³ http://news.bbc.co.uk/1/hi/english/static/in_depth/programmes/2001/bnp_special/roots/1984.stm

⁵⁴ <http://www.bnp.org.uk/news/national/russia-love>

⁵⁵ <http://www.bnp.org.uk/betterelections>

⁵⁶ <http://www.bnp.org.uk/news/national/people-crimea-british-government-and-russia-distorted-view-events>

⁵⁷ <http://www.bnp.org.uk/news/national/g7-warmongers-threaten-russia>



WITH A GROWING MISTRUST IN THE EUROPEAN UNION RUSSIA MIGHT SEEM TO BE A SAVIOR FIGURE, BUT IT IS NOT REALLY THE CASE

a Spanish far-right party has also sent observers to the Crimean referendum on Russia's invitation.

PARTIES OPEN TO RUSSIAN INFLUENCE AND NEUTRALS

In some European countries far-right parties have either a neutral stance on Russia or are open to cooperation. These are: HSP (Croatia) and EIP (Estonia) – which are neutral, and DF (Denmark), PVV (Netherlands), LPR (Poland) and SD (Sweden) – which are probably open to cooperation.

PARTIES OPPOSING RUSSIA

There are also some far-right parties that oppose closer ties with Russia. Such parties are: PS (Finland), VL-TB/LNNK (Latvia) and PRM (Romania).

FAR-LEFT EUROSKEPTIC COUNTRIES

Of course there are far-left parties that support Russian interests as well. The Communist Party of Greece, for example, is a far-left party which also sent an observer to the Crimean Referendum.

CONCLUSION

In conclusion, it becomes obvious that many parties in the European Union show – at least to some extent – pro-Russian tendencies, and are proactively supporting Russian interests. The last European Parliamentary elections have shown a rise in the popularity of Euro-skeptic extremist parties, so Putin's fraction in the European Parliament got stronger.

It is usually not clear to what extent each party is tied to Russia, but it is crucial to find out what interest the parties serve. With a growing mistrust in the European Union Russia might seem to be a savior figure, but it is not really the case. On various occasions has Russia shown its disregard for democratic values and in many cases has the European far-right gone against the principles of a peaceful coexistence. In order to establish what each party stands for, more transparency is needed. And we need it right now. ●



*

MÁTÉ
HAJBA

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The Eastern Partnership at Crossroads: Defining the Future Relation Between the EU and EaP Countries



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YAVOR
ALEKSIEV

The recent developments in Eastern Ukraine have made one thing clear – the Eastern Partnership (EaP) is entering a decisive phase – one that will put to the test the commitment and political maturity of EU member states and institutions. The EaP is no longer another vague long-term strategic initiative, but a leading contemporary challenge, that may well prove to be the defining stone of future relations between not only the European Union (EU) and the six EaP countries¹, but also between the EU and Vladimir Putin’s Russia.

In order to secure the future stability of the region and the mutual understanding and acceptance of any type of political and economic relations, all parties concerned must

make it clear to themselves and others what the EaP stands for and what it is not. As things now stand, this does not seem to be the case. However, the strong Russian opposition towards increasing pro-European political and social sentiments in some of the EaP countries shows that the current EU initiative has managed to achieve something, which has proven difficult for previous such endeavours in this region – results.

As part of the eastern border of the EU and a Black Sea country, bordering directly with most of the EaP countries, Bulgaria has yet a vital role to play in the initiative. What is more – Bulgaria’s rocky experience with EU integration and its continuing struggles to overcome the heritage of its Soviet past make it a country worthy of a case study with regard to planning and undertaking any kind of further political or economic deepening of relations with the EU’s eastern neighbour-states.

¹ The Eastern Partnership includes six of the post-Soviet states: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.



RUSSIA HAS CLEARLY SHOWN THAT IT WILL RESIST ANY “EU CLAIMS” IN A REGION THAT IT DEEMS CRUCIAL TO ITS NATIONAL SECURITY AND OTHER INTERESTS

In this article, we will go through some of the main challenges that can arise from any further escalation of tension between Russia and the EU, regarding the EaP. We will also take a brief look at Bulgaria’s experience with EU-accession and the problems it still shares with some of the EaP countries. At the end, we will define what the EU’s approach to the EaP should include moving forward to account for recent events.

A BRIEF HISTORICAL NOTE

It was the anticipation of the 2004² and 2007 enlargements of the EU that facilitated the development of the so-called European Neighbourhood Policy (ENP). Although the ENP included quite a few countries, Armenia and Azerbaijan were not among them at first (in 2003), since they were deemed to be outside of the geographical scope of the initiative.

² The accession of Latvia, Lithuania, Poland, Slovakia and Hungary in 2004 and Bulgaria and Romania in 2007 meant that Belarus and Ukraine (2004) as well as Moldova, Armenia and Georgia (via the Black Sea in 2007) became the new direct bordering eastern neighbors of the EU.

It has been speculated that the ENP has been set up to prevent further acceleration of the EU’s enlargement to the East – i.e. some authors³ hold the view that the term “neighbourhood” was specifically chosen to prevent partner countries (and maybe Russia) from thinking of the ENP as a “pre-enlargement strategy”. The ENP was fully implemented in the South Caucasus in 2006, but was perceived as ineffective by most countries in this region, because of its wide geographical scope (the inclusion of North Africa and Middle East countries), and its lack of sufficient funding and clear future relations perspective.

Despite the follow-up facilitation and more concentrated regional character of the Black Sea Strategy (BSS), which was introduced in 2007, many of the flaws of the ENP made it through to the new initiative. Once again – the socioeconomic differences among Black Sea countries turned out to be too vast to be subject to a unified approach.

The bilateral framework of the Eastern Partnership that was launched in the spring of 2009 and the EU’s commitment to the negotiation of Deep and Comprehensive Free Trade Agreements (DCFTA) and visa facilitation agreements, as countries fulfil specific requirements laid out in their Association Agreements (AAs), helped bring clarity and purpose to future relations. As a result, the initiative became subject to increasing resistance from Russia, which saw it as a means for the EU to extend its sphere of influence in what Moscow perceives as a vital from geopolitical and strategic point of view region.

THE RUSSIAN FACTOR

The Russian approach to the EaP issue is still being influenced by the Soviet style of thinking and set of values. It puts geo-

³ Rinnert, David. *The Eastern Partnership in Georgia, Increasing Efficiency of EU Neighborhood Policies in the South Caucasus?*, Berlin, German Institute for International and Security Affairs, 2011, p. 6

political (and even military) considerations first, and economic and social implications second. Russia is neither a willing partner in the EaP process, nor can it be expected to be such in the near future. It has been argued that Crimea is where Putin drew the line and probably tried to bury any further progress on the EaP until the Ukrainian issue has been resolved. Despite the successful negotiations and the signing of the AA with Ukraine in June 2014, it is clear that the EU and Russia have to settle their own differences first and address the overall EaP framework second.

The EU should no longer have any illusions that despite the stipulations of international law Russia wishes to be the de-facto veto player as far as the continued economic and political support of the EU for reforms in EaP countries is concerned. Not only did Putin actively oppose any further deepening of economic and political relations between Ukraine and the EU, but he took what can only be described as a radical next step – the widely criticized and illegal annexation of Crimea. Russia has clearly shown that it will resist any “EU claims” in a region that it deems crucial to its national security and other interests. It is clear that for the EaP process to continue and to reach any substantial (and peaceful) progress, the EU and Russia need to first agree on a set of mutually accepted economic and political boundaries.

This is something that the EU’s 11th president of the European Commission (EC), José Manuel Barroso knew all too well, even when he stated⁵ that: “What we cannot accept is a condition on a bilateral

⁴ For a more comprehensive and well-structured representation of the recent state of EU-Ukraine relations, please consider EEAS’s recent Fact sheet on EU-Ukraine relations (published on July 30th, 2014).

⁵ During the 2013 Vilnius summit, Mr. Barroso also stated that the era of “limited sovereignty was over in Europe”.

agreement to have (...) a possible veto of a third country”. History has proven that when it comes to securing its perceived national interest, Russia can rarely be viewed as a “third country”. Just like other of the so-called “world super-powers” it has proved unwilling to follow the rules of international law to the letter. If the EU fails to reach an understanding with Russia, or it tries to circumvent Russian interests and influence, this might result in a number of possible negative outcomes, which may halt any further process on the EaP in the years to come.

POSSIBLE NEGATIVE OUTCOMES OF THE CURRENT CRISIS

First outcome: Further escalation of tension and violence in the region

Any further escalation of tension and violence in the region, may lead to lasting social, economic and institutional implications that will act as a deterrent on the EaP process, installing fear from Russia in the local population, as well as reluctance of governments to pursue external policies that Moscow deems threatening to Russian interests.

Putin wants to stop what he perceives as the West’s advance all the way to Russia’s borders. The EU also has significant geopolitical interest in this region – South Caucasus has a strategic location as an energy and communication corridor connecting Europe with the Caspian region and Central Asia. The peaceful resolution of conflicts in the South Caucasus is of some importance to the security of the EU as well. This is one of the reasons why the EU approach is based on mediation initiatives, for example repeatedly calling for easing of tensions in Nagorno-Karabakh⁶ and insisting on the indivisibility of states.

⁶ The said conflict is one of the main obstacles to further EU association with Armenia and Azerbaijan.

The ENP and the EaP have both acted not only as policy platforms for the development of relations with the states included, but also as an intermediary between the parties, the purpose of which is to prevent old disputes to once more transform into armed conflicts. The South Caucasus is not only an important transportation hub between the East and the West, but also a viable energy diversification route – which in itself is reason enough for both the EU to pursue further economic and political affiliation with the states in the region, and for Moscow to oppose such deepening of relations.

Second outcome: Unwillingness of EU member states to push forward with the EaP

There is always the danger that the current crisis may lead to general unwillingness of EU member states and citizens to push forward with the EaP because of an increasing possibility of lasting negative impacts to EU-Russia economic relations. The EU's foreign policy course is subject to the principles of liberal democracy, which imply the support of member states, as well as citizens and businesses – a “problem” that the Russian foreign relation doctrine hardly recognizes.

Depending on its extent and duration, the looming trade war between the EU and Russia might itself prove enough of an inconvenience to lower democratic support for further association with EaP countries⁷. Once member states see their foreign trade being hampered by sanctions and their energy supply put at risk, and once businesses see their profits go down, the European institutions will be hard pressed to provide evidence of the purpose and importance of the EaP.

The nature of common European foreign policy means that the EU cannot afford to throw groundless accusations against Moscow while at the same time promising something for nothing to EaP countries and their inhabitants. The support of EU member states for any kind of further political or economic association with EaP countries relies on the latter following through on their end of the AAs. The core structure and the instruments of the EaP cannot and should not be circumvented in order to achieve the desired results faster, in response to increasing Russian opposition. If that happens, the end may not justify the means, as it will put in doubt both further member state support for such endeavours and the bilateral nature of the EU's EaP.

Russia can promise to give almost any country billions in low interest rate loans without requiring any guarantees whatsoever, apart from political obedience. The EU cannot and should not do that, since it bears responsibility to EU taxpayers, which are already hard pressed by the slow and arguably still unstable economic recovery. The EU has to stick to what it has already offered: cooperation, free trade and financial contributions in exchange for democratic reforms.

Third outcome: Informational Propaganda War

The EU institutions are hardly suited to handle any further escalation of the informational propaganda war, which is arguably already underway. What is more, the significant share of the Russian-speaking population in some EaP countries, as well as the constraints that governments put on media pluralism, generally favour Russia.

Cases of political repression of media are most frequent in Belarus and Azerbaijan. Out of the six EaP countries, they are among the countries with the worst rating

⁷ With the probable exception of Ukraine.

possible in Freedom House's Freedom of the Press 2014 Index. Press in both these countries is considered as being "not free". What is even more troubling is that in the Index's latest instalment they are joined by Armenia and Belarus, where press was considered "partially free" until recently. Reporters Without Border's 2014 World Press Freedom Index points to similar conclusions with Belarus and Azerbaijan falling back to their pre-2011 places in the ranking (157th and 160th respectively), and Ukraine back to 127th place.

Moldova, Georgia (and to some respect Armenia) are probably the only EaP countries which have managed to achieve some progress as far as media freedom is concerned. With these results in mind, it is difficult to envision how the EU could potentially win an outright "information war" with Russia (especially in Belarus and Azerbaijan), unless the political elite of the EaP countries openly defied Moscow and recognized the EU as its preferred economic partner.

Fourth outcome: Lack of commitment of EaP countries to the association process

The deepening of economic ties between the EU and EaP countries is made even more difficult by their perceived "buffer zone" statute between Russia and the EU. Despite the fact that AAs are already in place with some of the EaP countries, many challenges remain. While Georgia, Ukraine and Moldova are showing growing aspirations to link their economies to the EU, countries like Belarus and Azerbaijan are still heavily dependent on Russia and at present show no significant signs to be considering a change of direction. In addition, most EaP countries are still perceived as allowing systematic violation of some leading democratic principles, which acts as a deterrent to further association.

For instance, political appointments on key positions in the administration are more practice than exception in countries such as Armenia and Belarus. At present, Belarus looks as far away from further EU-association as it could ever be – having joined the Eurasian Customs Union (ECU) and proceeding with crackdowns on civil society and political imprisonment. As of August 2014, Azerbaijan is not yet a member of the World Trade Organization – a necessary requirement for the negotiation of DCFTA. In Armenia ethnic and religious discrimination are still a leading issue, while Moldova may be facing her own "Crimea-moment" with Transnistria's declared intention of joining the Russian Federation, following the same model of annexation.

Fifth outcome: Economic power play

Overcoming the EaP countries' current isolation from world markets is bound to increase foreign investment interest and will help the diversification of their economic relations. However, it will also lead to other consequences, some of which might not be in the interest of given power circles. The removal of trade tariffs and barriers, while beneficial for local consumers and businesses, in the end may also lead to initial economic shocks and loss of "state-financed" competitiveness in some sectors of the economy. In addition, many of the EaP countries have strategic partnerships with Russia, to which the EU cannot really offer a short-term alternative.

As was the case in other post-Soviet countries (including Bulgaria), this logical consequence of the process of economic liberalization, has met the resistance of local interest groups, business lobbies and oligarchs⁸. The cohesion between local and foreign oligarchs and political leaders in EaP

⁸ Bulgarians know this all so well, as our own transition period is arguably still ongoing, having started more than 25 years ago.



AS BULGARIA'S EXPERIENCE WITH EU ACCESSION HAS PROVEN, ANY TYPE OF SUCCESSFUL POLITICAL AND ECONOMIC ASSOCIATION WITH THE EU IS SUBJECT TO THE LEVEL OF DEVELOPMENT AND MATURITY OF STATE INSTITUTIONS, ECONOMIC RELATIONS AND THE CIVIL SOCIETY

countries is a natural barrier to the development of a pro-active civil society and further economic liberalization and democratization. Liberalization itself presumes rise of economic competition, while democratization presumes rise of political competition. Neither of these seem to be in the interest of the powers in some of the EaP countries.

THE BULGARIAN EXPERIENCE

As Bulgaria's experience with EU accession has proven, any type of successful political and economic association with

the EU is subject to the level of development and maturity of state institutions, economic relations and the civil society. Although in the case of EaP countries EU-accession is not really an issue at present, many of the stipulations of the AAs follow the general spirit of Pre-Accession Agreements, promising financial support and economic partnership in exchange for specified reforms. In addition, some of the challenges that Bulgaria (as a post-socialist country) still faces are arguably as significant as the ones in EaP countries.

Many of these have the same sources – lack of sufficient institutional capacity, lack of experience in the ways of liberal democracy, lack of traditions in civil society initiatives, and last, but not least – inherited economic and social imbalances, resulting from past long-term affiliations with the former Soviet Union. The efforts of Bulgaria's recently overthrown and arguably pro-Russian government to move forward with the "South Stream" pipeline project in defiance of EU rules and regulations are probably the most obvious recent example of a post-Soviet country's struggles to break free of Russian influence.

Given the ongoing problems that Bulgaria is experiencing with ensuring the independence of the judiciary, the fight against organized crime and the reduction of corruption at the highest levels of government, the reservations that some member states expressed to Bulgaria's 2007 accession to the EU appear to have been fully justified. Bulgaria was ill prepared for its EU-membership and as a result, our country cannot take full advantage of the opportunities that the union offers. Our politicians' continuing half-hearted efforts to fulfil the requirements needed to exit the Cooperation and Verification Mechanism (CVM) are

a good enough example⁹ of that; the low absorption rate of European funds and the multiple suspensions of payments (some as recent as mid-2014) are another. The share of the shadow economy in Bulgaria is estimated to have been between 30-35% of GDP¹⁰ in the years prior to EU accession (2003-2006). In the years that followed its size shrank to 25-30% of GDP, but most recent studies¹¹ suggest that in 2013 there has been a reversal of this direction, while overall levels remain too high for a EU member state.

Moreover, as was particularly evident in 2013 and 2014, high levels of corruption, populist rhetoric of some politicians and lack of trust in institutions are not strictly Bulgarian problems, but ones with European dimensions. Bulgaria could not cope with the refugee wave from Syria, thus failing to perform its functions at an external border of the EU. Illegal immigration and smuggling also remain a challenge that our newly constructed 30-kilometre fence on the border with Turkey cannot possibly resolve.

Trust in institutions is so low that it has recently transferred to the banking system, causing bank runs that revealed astounding

malpractices in one of our leading banks, but also threatened to spread to sound financial institutions. Some local commentators have speculated that the inadequacy of national institutions and the immaturity of our own civil society are arguably a big enough concern to threaten both our EU membership and our currency board. The mistrust in the Bulgarian political class is so high, that many of the pro-European oriented Bulgarians believe that Brussels should do more to help us sort out the predicament we are in. However, the principles of subsidiarity and the nature of the relations between EU institutions and member states does not really provide the necessary tools to facilitate and implement such action, apart from the already mentioned suspension of payments or some other sort of financial sanctions, both of which hardly favour ordinary Bulgarians in any way.

It can be argued that our hasty accession in the EU has not helped speed up reforms, but to the contrary – has created an environment in which politicians feel secure enough to delay complying with (or only formally implement) many of the standards of modern institutional frameworks and legislation. Any EU action targeted at fighting such behaviour is portrayed as being “unreasonable” and “the fault of previous governments”. As a result, European efforts to exert influence are being marginalized by politicians and hardly deemed helpful by citizens. This is the main cause for the EU’s perceived lack of power to influence our own political establishment.

Part of the blame for the misgivings of Bulgaria’s EU-membership can be traced back to the manner in which many of the inherited problems of our institutions had been overlooked by the EU in the course of the pre-accession period. Despite the different nature of relations with EaP countries, the EU can hardly expect different results, in

⁹ Not only was our country accepted in the EU with the CVM already in place, but also we are the only member state in which organized crime still gets its own chapter in the Commission’s CVM reports.

¹⁰ Schneider, F. argues that the shadow economy in Bulgaria amounts to 31.2% of GDP in 2013. According to him, it was around 35.9% in 2003. (Schneider, Friedrich, *Size and Development of the Shadow Economy of 31 European and 5 other OECD Countries from 2003 to 2013: A Further Decline*)

¹¹ A study of the Center for the Study of Democracy in 2013 shows that the share of the shadow economy increased in 2013 in comparison to 2012. The research claims that although the data shows only a slight increase in the practice of hiring workers without a formal employment contract, the rate of employment with so-called envelope wages is the highest since 2002 – 13.8% of the employed reported to have received remuneration higher than the one stated in their contract.



THE EAP IS STILL BEING PRESENTED AS A “CHOICE” BETWEEN THE EAST AND THE WEST – A PERCEPTION THAT HAS TO BE OVERCOME IN ORDER TO ENSURE THE STABILITY OF FUTURE ECONOMIC AND POLITICAL RELATIONS IN THE REGION

case it tries to, once more, lower its own standards in order to fit them to realities on the ground in the pursuit of faster economic and political association. The Bulgarian case has proven two main things:

1. In order to ensure the stability of common political and economic relations, the EU has to demonstrate unwavering support for the implementation of economic and institutional reforms, without giving concessions aimed at moving the process along; any such concessions result in deterioration of political will to implement necessary changes, as they put the EU in a position where it has less to offer for “benefits” it has already provided;

2. Russian influence in Post-Soviet countries should not be underestimated, as even EU member states still struggle with their inherited political and economic ties with Moscow.

Both its recent history and its geographical location suggest that Bulgaria should be at the forefront of the EU’s EaP policies. Despite its shortcomings in adapting to the ways of liberal democracy and the reality of EU membership, Bulgaria has so far managed to maintain a balanced position between its economic relations with Russia and the EU. The security in the regions is also of big importance to our country, as it borders directly with most EaP countries via the Black Sea. Bulgarian minorities in EaP countries are another important factor, as more than 200 thousand ethnic Bulgarians are believed to live in Ukraine and Moldova alone.

THE WAY FORWARD

It cannot be denied that in the 21st century, the lack of political and economic association is a symptom of a country’s backwardness. The lack of mutual dependency with others may seem like a safe position to be in, but it actually implies a severe deficit of

social, economic and political freedom. This observation is to some extent true not only of the EaP countries, but of Russia as well, and as such, facilitates Putin's reluctance to expose his country's economic interests to increased competition.

The EaP's main purpose seems to be being the instrument that channels the values of human rights, democracy, rule of law, freedom of expression and willingness and ability to fight corruption. Indeed, liberal democracy implies a qualitative participation of citizens in the political process, which is why the EU devotes great attention and effort to the cultivation of a well-informed society that has both the opportunity and the tools to influence the manner in which the government implements its functions.

The EaP is still being presented as a "choice" between the East and the West – a perception that has to be overcome in order to ensure the stability of future economic and political relations in the region. For instance, the existing energy and trade relations between the EU and Russia are of undoubted mutual interest. Energy dependency is one of the major aspects of the EaP, but also – one of the possible building stones of future understanding. However, the stability of such an understanding is heavily dependent on three main factors: the pro-active role of the civil society, the support for economic liberalization and the increasing institutional capacity in EaP countries.

Russia is all too well aware of the fact that even the "unspoken" long-term perspective of possible EU-membership is in itself a powerful instrument which helps the EU bring neighbouring countries into its "sphere of influence". The rewards of EU membership or even economic affiliation have arguably something which Russia's foreign policy tools are currently unable to provide – benefits for the individual. The appeal of Western

society lies in its respect for the fundamental rights and freedoms of individuals – something that Russia can hardly bring to the table of negotiations. This is the policy course that has served the EU well in the past.

The EU can hardly hope to quickly "win over" the political elites in the EaP countries, without violating its own principles and standards by promising something for nothing. As was evident in the case of Bulgaria – faster affiliation does not necessarily imply faster results. To the contrary – if a country's economy, civil society, government and institutions are inadequately prepared for the realities of political and economic affiliation, the resulting negative consequences may not only find their own European dimension, but also decrease support for further affiliation initiatives with other regions, like the Western Balkans.

As things stand, the best alternative is the continuation and gradual implementation of strategic partnership initiatives with EaP countries, in pursuit of the cultivation of democratic and free market sentiments in the local population, as it alone is capable of withstanding the militaristic character of the Russian foreign relation doctrine. ●



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Belarusian Politics Towards Ukraine and Its Relations With the EU on the Back of Pressure From Moscow



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PAVEL
DANEK

Since the beginning of the Ukrainian crisis, a strong disgust of Alexander Lukashenko was clearly visible in relation to the overall situation in the territory of his southern neighbour. The first official comment regarding the protests on Maidan came in the second half of January 2014, thus in time when protesters on Maidan were already gaining the upper hand over government forces. Moreover, the Belarusian reaction was unambiguous. In essence, officially Minsk criticized both parties involved in the conflict and called upon rivals to ease the situation in the country. Nevertheless, the president's early disgust with the crisis changed to pragmatism and effort to use the protests and fighting in Ukraine to his own benefit. Even under enormous pressure from Moscow,

Belarus saw the crisis in Ukraine as a way to increase its geopolitical importance, improve its negotiating power in relations with Russia and to change its strained relations with the EU. Consequently, there has been a notable increase in the number of EU officials present in Minsk and statements from Belarusian officials about improving relations with the West. Only one question remains – to what extent can we observe a temporary phenomenon as we did in the two years preceding the 2010's presidential elections, and secondly, to what extent is this improvement sustainable?

LUKASHENKO'S ATTITUDE TOWARDS THE CONFLICT IN UKRAINE

Belarusian first reaction to protests in Ukraine was one of a complete silence. The Ministry of Foreign Affairs released

its first official statement on 20th January. The content of the statement was not surprising. Its main message was to criticise western governments and their complete neglect of the violent behaviour used by protesters in clashes with police¹. This statement was followed by Lukashenko's traditional New Year's press conference one day later. In his comments with regard to Ukraine, he strongly criticized the business of Janukovich's sons, engagement of outside actors in the conflict and predicted that in the case of a takeover of power by Janukovich's opponents, we will see a lengthy conflict in Ukraine. He referred to the crisis in Ukraine as a catastrophe and a nightmare². At the same time, he was trying to strengthen his own domestic position by using rhetoric of guaranteeing stability for Belarusian citizens, careful control of borders with Ukraine and prevention of any and every public action that could result in the show of disapproval with his rule.

President Lukashenko reiterated his criticism of business activities by Viktor Janukovich's family in his later comments in the middle of February and stated that all unrest in the world's societies has common characteristics. These characteristics being corruption, weakness and irresponsibility of the state, which cause turmoil and anarchy. He was very confident and said that something similar could never happen in Belarus³. The Belarusian leader stated: "If I start to steal and my nearest and dearest will start to put things into their pockets, Maidan will be unavoidable. No one will save the state."⁴

¹ http://mfa.gov.by/en/press/news_mfa/b42fc603e-78c7d78.html

² <http://minprom.ua/news/144460.html>

³ <http://itar-tass.com/mezhdunarodnaya-panorama/996523>

⁴ <http://charter97.org/ru/news/2014/2/24/87929/>

The abovementioned statements by Lukashenko show a recognizable effort not to anger the new Ukrainian leadership. Belarus president made it clear that Ukrainians are the only ones who can solve their own internal affairs and no one should interfere in it. He referred to his good relations with first "Maidan people", meaning persons close to Viktor Yushchenko. He has strived to maintain friendly relations with the new Ukrainian leadership - which was clear from his meeting with Oleksandr Turchynov in Gomel in March. The meeting ended with common statements in which the mentioned parties claimed that they had reached understanding with regard to all problematic questions. Afterwards, when Petro Poroshenko won the presidential elections, Alexander Lukashenko had congratulated him heartily. Later on, he even attended his inauguration and together with Moldovan President Nicolae Timofti, was the only president from the Commonwealth of Independent States who attended the ceremony. Using this visit, the Belarusian leader stated his strong support to the Ukrainian government in its fight against rebels and said that militants fighting against Ukraine must be destroyed. Such words only underlined his previous actions, in which he refused to recognize independence referendums in Luhansk and Donetsk regions or any federalisation of Ukraine⁵.

The warm approach of Belarus's president towards Ukraine was illustrated in his friendly attitude to the recent request of Petro Poroshenko. The Ukrainian leader asked his Belarusian counterpart to host negotiations on a settlement of the situation in Eastern Ukraine. The negotiations were held in Minsk at the end of July and besides representatives of Ukraine, Russia and OSCE, representatives of pro-

⁵ <http://www.iir.cz/article/beloruska-reakce-na-ukrajinsku-krizi>



BY AGREEING TO POROSHENKO'S PROPOSITION TO MAKE BELARUS A PLATFORM FOR THE NEGOTIATIONS, PRESIDENT LUKASHENKO HAS STRENGTHENED HIS IMAGE AS THAT OF A MAN STRIVING TO ACHIEVE PEACE AND ORDER IN THE REGION

Russian militants were also present⁶. By agreeing to Poroshenko's proposition to make Belarus a platform for the negotiations, President Lukashenko has strengthened his image as that of a man striving to achieve peace and order in the region. He has worked on this image since the beginning of the crisis. At the same time, he has succeeded in his efforts to avoid being a mediator. Alexander Lukashenko firstly refused such a position at the meeting with the Ukrainian ambassador in mid-May and later on repeated his stance

several times⁷. In doing so, he skilfully avoided the pressure such role would entail and kept his words confined to the statement that he will do everything possible to normalize the situation on the territory of his southern neighbour⁸. He reiterated the abovementioned at the end of July on the occasion of the arrival of the Ukrainian representative to talks between the Russians, Ukrainians, OSCE and pro-Russian militants to Minsk. At the meeting with Leonid Kuchma, President Lukashenko strongly protested against the statements asserting that thanks to hosting such a meeting, he is only trying to enhance the image of Belarus and put a positive PR spin on his own country⁹.

Throughout the duration of the conflict in Ukraine, the Belarusian president has stressed that Ukraine was, is, and will be a brotherly nation thus it needs some help¹⁰. He has strongly refused statements claiming that we can see clashes of nations in Ukraine. President Lukashenko asserted that incompetent and immoral politicians have caused all Ukrainian problems¹¹. He even offered jobs for Ukrainian refugees and was actively inviting them to Belarus¹².

Such a helpful stance on Ukrainian issue may be explained by a very pragmatic Belarusian foreign policy and to some extent by Alexander Lukashenko's efforts to maintain a certain scope of independence in the eyes of the citizens of Belarus. This partially comes from Ukrainian economic importance for Belarus. Sim-

⁶ <http://www.unian.net/politics/945305-poroshenko-poposil-lukashenko-sodeystvovvat-provedeniyu-peregovorov-s-terroristami.html>

⁷ <http://ria.ru/world/20140515/1007876367.html>

⁸ <http://www.interfax.by/news/belarus/1162752>

⁹ <http://belapan.by/archive/2014/07/31/717478/>

¹⁰ <http://www.belaruspartisan.org/politic/272253/>

¹¹ http://www.belta.by/ru/all_news/president/Lukashenko-nikakoj-vojnny-narodov-v-Ukraine-net-est-neporjadochnye-politiki_i_674764.html

¹² <http://belapan.by/archive/2014/06/24/710328/>



ply put, Kiev is so important for Minsk that President Lukashenko cannot afford to lose it. In 2013, Ukraine was Belarus's second most important trading partner. Over 11% of Belarusian export headed to Ukraine. Such a result will be difficult to achieve looking at the decreasing volume of Belarusian products heading to Ukraine this year. For a stagnating Belarusian economy - every similar decrease is extremely painful. During the first quarter of the year, mutual trade with Ukraine decreased by 14%¹³. In addition, such losses in foreign trade with other partners give further rise to an already huge economic dependency on Russia. Therefore, the Belarusian regime builds the myth of Belarusian independence on such surprising and unusual moves as was the public speech in the Belarusian language given by President Lukashenko. This was the first time the Belarusian leader has spoken publicly in the Belarusian language in 20 years. It occurred on July 1, during the celebration of the Independence Day¹⁴.

COMPLICATED RELATIONS WITH RUSSIA

Aleksandr Lukachenka's attitude towards Russia is best illustrated by his stance on the annexation of Crimea. He commented on this event during a press conference in March 2014. At that conference, he stated: "Crimea is today a part of the Russian Federation. We can recognize it or not but it won't change the situation." Furthermore, he evoked international parallels that according to him, reiterated discussed issue. The Belarusian leader stressed that Iraq was unlawfully bombed and that everyone knew that. Despite that, as Lukashenko says, NATO member states supported US actions

against Iraq. The explanation is clear – union treaties bind NATO members. Similarly, Belarus is in alliance with Russia¹⁵.

The importance of economic relations with Ukraine is evident, whereas with Russia it is of vital importance. Moscow is by far the biggest trading partner with Belarus and also crucial for Belarus are Russia's cheap supplies of oil and gas. And one cannot forget the annual Russian loans handed out to Belarus, especially in the last few years that serve to a large extent to pay off its foreign debts. The last loan, in mid-June, was 2 billion dollars. Without this economic help, the Belarusian regime wouldn't be able to sustain and fulfil its international commitments. Looking at numerous claims by many foreign creditors, it can be argued that this loan is sufficient only for a few months and at the end of the year the Belarusian state will need additional funds. Without any doubt, Belarus will approach Russia first.

The conflict in Ukraine and increasing pressure from the international community on Russia have dramatically raised the geopolitical importance of a once insignificant Belarus. Suddenly, Belarus has become an important strategic partner of Moscow in its Eurasian integration aspirations and plans. Prevailing circumstances give Minsk a unique opportunity to use the situation in negotiations with Moscow over oil supplies and in the creation of conditions of functioning of the emerging Eurasian Union (EAU). Therefore, Belarusians were not afraid to criticize the negotiated deal regarding the establishment of the EUA and firmly defended its interests against the partner on which they are economically dependent¹⁶.

¹³ <http://belstat.gov.by/>

¹⁴ <http://www.rferl.org/content/shocking-belarusian-president-speaks-belarusian-lukashenka/25443432.html>

¹⁵ http://www.belta.by/ru/all_news/president/Lukashenko-o-vyborax-sudbe-pravitelstva-i-otnoshenijax-s-Rossiej-i-Ukrainoj_i_L_663771.html

¹⁶ <http://belapan.by/archive/2014/06/11/707604/>



Apart from its geopolitical importance and actual indispensability in Moscow's integration plans on the post-soviet area, the military importance of Belarus for Russia has increased as well. Russia reacts towards every NATO move in the region by strengthening its own military presence in Belarus. Belarus, as a state bound by many agreements and with significant economic dependence on Russia has no other option than to accept these steps and welcome them by pointing to the increasing number of NATO troops in neighbouring states.

BELARUS-EU RELATIONS

Due to the repressive politics of Lukashenko's regime, The EU has never signed The Partnership and Cooperation Agreement (PCA) with Belarus. Belarus is thus the only member of the Eastern Partnership (EaP) Programme without the PCA. Consequently, a platform for political dialogue between these two partners is missing. Minsk joined the EaP before the 2010 presidential election period when Lukashenko was striving to improve relations with the West and was willing to ease the repressiveness on society, and even give some freedom to opposition candidates. Yet, Belarus is participating only in the multilateral part of the EaP. Nevertheless, this cooperation was problematic and Belarus did not participate at the Eastern Partnership summit in Warsaw in September 2011. Cooperation continued predominantly in sectors of mutual interests, and those benefiting most directly were the citizens. In connection with this, it is worth mentioning the launch of the European Dialogue on Modernization with Belarusian society in March 2012¹⁷.

In 2013, Brussels continued in its policy of critical engagement towards Belarus. The EU recalled that the development of

bilateral relations under the Eastern Partnership was conditional on the progress of democracy, the rule of law and human rights. No progress has been made thus far and therefore the Council of the European Union has decided to extend the restrictive measures against Belarus until October 2014. In July 2014 the EU revisited the sanction list and removed eight and added one new person to it. Still, there are more than 200 names on the list. Belarus reacts to every mention of sanctions in the same manner stating they are unacceptable, contra productive and that they are hampering any progress¹⁸.

Despite restrictive measures being enforced and the EU's effort to force Belarus to fulfil its democratic standards, the stance and strategy of the EU towards Belarus has slightly changed. First hints indicating a change in the EU policy came in June 2013, when the Union removed Vladimir Makei from the sanction list and allowed him to travel to the EU. Nevertheless, fundamental progress hasn't happened and one needed to wait for more frequent Belarusian contacts with the EU at the beginning of the conflict in Ukraine. Minsk welcomed the opportunity to get the maximum from this situation. At once, it was an important international actor, who has good relations with both, Ukraine and Russia. Consequently, Minsk's popularity has increased significantly and Lukashenko's regime has become much more of an interesting partner not only for the EU.

Thus, one could see in a very short period of time in Minsk, Gunnar Wiegand, European External Action Service (EEAS) Director for Russia, Eastern Partnership, Central Asia Regional Cooperation and OSCE countries or Lithuanian Minister of Foreign Affairs, Linas Linkevičius. Other

¹⁷ http://eeas.europa.eu/delegations/belarus/press_corner/all_news/news/2014/07042014_01_en.htm

¹⁸ http://belapan.by/archive/2014/07/10/eu_713296/

high EU diplomats are expected in the very near future. Linkevičius's visit occurred shortly after Vladimir Makei's visit to Brussels, where he participated in the meeting of EU's Foreign ministers¹⁹. Such an increased activity in mutual contacts happening without any changes in the field of democracy and human rights in Belarus indicates a change in the EU's attitude towards Belarus.

According to some observers, Brussels is grateful for such behaviour, which stems mainly from the lack of results of its previous politics, accepting conditions from the officials in Minsk and making the same mistakes as in the years 2008- 2010. Allegedly, danger of even greater marginalization of the civil society and political opposition exists²⁰. However, we cannot condemn diplomatic negotiations themselves. The EU's support for civil society is not decreasing and to change this situation only thanks to sanctions, is improbable.

SITUATION OF HUMAN RIGHTS IN BELARUS

Increased number of contacts between the EU and Belarus became also a theme for recently released Ales Bialitski. The former political prisoner and Chairman of Human Rights Centre Viasna, warned against "azerbajjanization" of the situation in Belarus²¹. By this, he meant the relative standardization of diplomatic relations, contacts and political cooperation in general going to the expense of supporting democratization and human rights. Certainly, such a scenario would not be the one the EU wants and it is necessary to be wary of such.

Even after the surprising release of Ales Bialitski from jail, there are still a number of political prisoners in Belarus. Among them Mikalai Statkevich, the former presidential candidate. The regime continues to use repressive methods against those whom the president dislikes. We may mention here an example of the regimes' actions before and during the Ice Hockey World Championship this year. More than 40 dissidents and political activists were sentenced to 25 days in prison for minor criminal acts such as hooliganism or swearing in public during the campaign of preventive arrests. In an effort to present himself in the best light, the Belarusian state ordered a clean-up of Minsk city centre of all alcoholics, prostitutes and homeless people by gathering them into detention centres and holding them there for the duration of the Championship. Approximately 350 people were held in such places²².

Criticism of the existence of the death penalty has been successfully ignored by the regime. So far, in 2014 two people have already been executed and another two are on death row. Procedures surrounding this barbaric way of punishment remain untouched for decades. Prisoners are executed by shooting. The time of the execution as well as the place of burial are kept as a secret. Another big question relates to the conditions in prisons where torture is nothing extraordinary. The founder of the organisation Platforma, Adrei Bondarenko, who has drawn attention to this problem is now on trial himself for alleged hooliganism and faces up to 10 years in prison²³.

¹⁹ http://www.mfa.gov.by/en/press/news_mfa/b415962a44c4afd3.html

²⁰ <http://eurobelarus.info/news/policy/2014/07/29/andrey-egorov-v-blizhayshey-perspektive-stoit-ozhidat-palomnichestvo-evropeyskih-delegatsiy-v-belarus.html>

²¹ http://belapan.by/archive/2014/07/28/eu_716653/

²² <https://www.gov.uk/government/publications/belarus-country-of-concern/belarus-country-of-concern-update-30-june-2014>

²³ <http://euroradio.by/ru/prodolzhaetsya-sud-nad-pravo-zashchitnikom-andreem-bondarenko>



TRENDS SHOWING
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Unchanging situation in the field of human rights in Belarus is happening on the background of increasing popularity of Russia as well as President Lukashenko in Belarusian society. Such tendencies can be illustrated in surveys done by the Belarusian think-tank ISEPS. In its March survey ISEPS stated that when asked if Belarus should rather unite with Russia or prefer to enter the European Union, 51,5% of the population answered that under such conditions they would prefer unification with Russia. This is a 15% increase compared to the results from December 2013. Trends showing increasing popularity of Russia among common Belarusians are visible even on Belarusian streets, where the number of Russian symbols is growing rapidly.

It is necessary to mention that together with the popularity of Russia, this has also increased the popularity of President Lukashenko, who benefited from his propaganda and relative calm in the country. Indeed, since the beginning of the crisis, the Belarusian leader stressed that he would never allow Maidan to occur in Belarus and has done everything possible to prevent it happening. He has defamed the opposition and warned the society not to support opposition forces, starting riots, inciting chaos and instability in Ukraine saying that such things may happen in Belarus as well. Belarusians, who still remember instability following the breakdown of the Soviet Empire and chaos after financial crisis in 2011, are very sensitive to such words. The propaganda of the state, which clearly does not have many other topics, concentrates on this issue and tries to use it skilfully. Furthermore, Alexander Lukashenko uses the fact of how violently the Ukrainian authorities intervened on Maidan - e tells with much pleasure how he treated the anti-government protests in 2010. He claims, with pride: "Only now our nation understands what might have happened if we would not have

intervened. We weren't using water cannons, neither tear gas, we weren't breaking anything on anyone"²⁴.

The current Belarusian president knows better than anyone else that the presidential elections in 2015 are quickly approaching and by making such statements, he is trying to strengthen his position in domestic politics. In terms of the upcoming presidential elections, his milestone speech in Belarusian could also be seen as a sign. With such a move, he made it clear to Russians and also to some part of the society that he is at least to some extent ready to defend his "independent and very pragmatic" policy. On the other hand, it is visible that now only a more pro-Russian candidate with strong backing from Moscow can jeopardize his position as the next president of Belarus. With respect to the warming of relations with the EU and Belarus's economic dependency on Russia, it will be extremely interesting to observe the next moves of President Lukashenko.

CONCLUSION

The first reaction of President Lukashenko towards protests in Ukraine was silence. Main Belarusian state-owned media were not discussing the crisis either. Presumably, Belarusian establishments were seriously afraid of spreading of the protest to their country and hence, they were concentrating on the consolidation of power and monitoring of the opposition. When it became clear that Maidan wouldn't end without the downfall of then President Janukovich, Lukashenko stopped criticizing the West for the support of violent Maidan protesters and came out with the statement blaming corruption in the Ukrainian leadership for all the instability and chaos in the country. He was even criticizing the

businesses of Janukovich's sons. Indeed, the theme of corrupted and incompetent politicians has become the central one for Alexander Lukashenko. For him, it is the core cause of the conflict in Ukraine. Meanwhile, listening to Belarusian leader's words about Ukraine, there are two recurrent messages – firstly, external powers should stay away from Ukraine and not interfere, and secondly, that Belarus has an interest in having close relations with the new Ukrainian leadership. It is possible to state that when it comes to the Ukrainian crisis, Belarus does not share the view of its closest ally and biggest economic partner, Russia. Although the Belarusian establishment stressed that in all serious situations it will stand on the same side together with Moscow, it knows well how to push its Russian colleagues in mutual negotiations and express its dissatisfaction with their moves skilfully. Compliance with its crucial ally on the post-Soviet territory regarding its integration plans is for Vladimir Putin of fundamental importance. Therefore, we can assume that Belarusians will use the Ukrainian crisis and its own role in it as leverage in the mutual negotiations with Russia and will expect some reward for its loyalty within the Eurasian Union or in quantitative supplies of crude oil from Russia.

Belarus-EU relations are strongly influenced by the missing platform of political dialogue. Engagement of Belarus in the EaP is incomplete. For the last few years Brussels has been practising the policy of critical engagement towards Belarus. However, neither improvement in mutual relations, nor in the field of human rights and democracy has occurred. The EU could see in the past that without contacts with the highest Belarusian officials, almost nothing can be achieved in this country. Probably because of that the EU is now transforming its policy and trying to communicate with Belarusian

²⁴ http://www.belta.by/ru/all_news/president/Lukashenko-Ukraina-dolzha-soxranit-tselostnost_l_660934.html



TO REALLY STRENGTHEN ITS POSITION IN NEGOTIATIONS WITH RUSSIA, BELARUS NEEDS TO IMPROVE ITS RELATIONS WITH THE EU

regime more. By coincidence, Belarusian willingness to participate in such discussions these days has increased, since they are aware of its almost complete dependence on Russia. Nowadays, Belarusians are trying to act more independently and show Moscow that they have other options, other partners and use it in mutual negotiations. In this regard, the EU has no other option than to carry on with discussions with the regime, while constantly stressing the importance of protection of human rights. Alexander Lukashenko has shown many times in the past that he is clever enough to deceive his partners and Brussels must be aware that he won't make any concession easily. He is an utter pragmatist and follows only his own interests. And his core interest is to stay in power. This is the fact that the EU needs to remember.

Thanks to the Ukrainian crisis, Belarus has gotten a chance to increase its importance in the international arena. The Belarusian attitude has developed from one of utter silence stemming from fear that

protests taking place on Maidan could spread to Independence Avenue in Minsk, into a desire to help quarrelling parties reach reconciliation. From taking over the position of a peacemaker Belarus could benefit a lot. It seems that Minsk believes that the EU could soften its hard stance and start to cooperate comprehensively, even without substantial improvement in the field of human rights, democracy and rule of law. Furthermore, one can observe increased self-confidence in negotiations with Russia, where completely dependent Belarus is not afraid to defend its interest face-to-face with that of a much stronger partner. To really strengthen its position in negotiations with Russia, Belarus needs to improve its relations with the EU. Brussels shall act carefully and think twice about its moves in order not to repeat its naivety that proceeded December 2010. Thus, the EU needs to be aware that Belarus can use it only as a leverage in negotiations with Russia as it did 4 years ago. We all remember that when Lukashenko had reached a deal with the Russians in 2010, he disregarded all the promises he had made to the EU and started to repress the society again. ●



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A Ferry
Between the
East and
the West:
Examples of
the Visegrad
Countries for
Ukraine



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Since November 2013 the world has turned its gaze towards Ukraine. The country, which in its attempt to gravitate towards the West has been trying to break away from the Russian impact, is now on the brink of a civil war. What Ukraine can do to solve its problem is not the only important matter; the role of the European Union as well as Ukraine's neighbours, the Visegrád countries, has also become a crucial factor in resolving the crisis.

UKRAINE'S POSITION BETWEEN THE EAST AND THE WEST

Similarly to other countries in Eastern Europe, Ukraine was a part of the Soviet Union until declaring its independence in 1991. Ukrainian politics following the turn of the century can be seen as a fight between the East and the West: in the 2004 elections Viktor Yanukovich, a politician of Russian favour and Viktor Yushchenko, supporter of politics more open to the West, ran for the presidential seat. The unstable pillars of democracy in Ukraine became apparent when Yushchenko's victory came only after a series of election-scandals and mass protests – the so called Orange Revolution – and who, as a result of a lack of political support, was unable to fulfil his political objectives. In 2007 the possibility of a more westernized style of politics emerged again with the appearance of Yulia Tymoshenko, who, however, was sentenced to jail after she and Vladimir Putin signed a contract putting an end to the Russian-Ukrainian gas-conflict. Following the elections in 2010, the opportunity of power-construction was given to Viktor Yanukovich, who, although being a believer of Russia-friendly politics, mainly sought his own interests.

In November 2013, Yanukovich withdrew from the association agreement with the EU, thus openly turning his back at the Union as well as all the western as-

pirations. As a response, the Euromaidan, an oppositional movement, organized protests on the central square of Kiev, which due to their persistency, eventually evolved into bloody conflicts with the authorities in the February of 2014. Meanwhile, similar movements began to emerge in other cities of Western Ukraine as well.

The ongoing violence evoked international reactions: the French, German and Polish ministers of foreign affairs travelled to Kiev, where they signed an agreement with Yanukovich about resituating the constitution of 2004, which limits presidential power; thus, the ongoing bloodshed was temporarily stopped. On the same night, Yanukovich left his presidential estate and with his bodyguards, moved to an unknown location.

At the end of February, Russia started its invasion of the Crimean Peninsula. Later they announced the annexation of the Crimea to Russia. However, the situation is becoming more aggravated every day and military tensions between the two countries are also increasing. One of the shocking results of the conflict was the shooting of a Malaysian airplane by Russian-supported rebels near the borders of Donetsk on 17 July. All passengers, that is 295 people, lost their lives. This was the first sign indicating that the Russian-Ukrainian conflict posed an international threat.

Although according to its constitution, Ukraine respects human rights, the rights to freedom, it operates a plural-party system and organizes democratic elections, the events of the Maidan Square prove that its system can hardly be considered as a democracy. It seems as though Ukraine wished to step onto the path of democratization and approach the West. However, the country is trapped in deeply rooted

problems such as its oligarchic system, the all-pervading corruption, social conflicts and the oppression of civil initiatives.

After declaring its independence in 1991, fast and unmonitored privatization gave birth of oligarchs and clans whose descendants, even today, practice a strong political influence in the country. The examples of both Viktor Yushchenko and Yulia Tymoshenko prove that without the support of oligarchs, presidential aspirations are destined to fail.

Civil union against these problems is largely hindered by the fragmentation of the society: while one group wishes for freedom and democracy and envisions entering the EU at some point in the distant future, another part of the same society, especially the Russian natives of Eastern Ukraine, welcome the interventions of Putin.

HUNGARY – THE OLD-NEW FERRY

Similarly to Ukraine, the dilemma of “East or West” seems to have been recently renewed in Hungary. For a long time it seemed as if with the end of communism in 1989, Hungary had committed itself to the West. However, due to the politics of the Orbán-government, the country is again a ferry beating between the East and the West: it is getting closer and closer to Russia and to the East in general, while western values and relations become deemphasized.

After more than forty years of Soviet rule, the governmental change, the collapse of communism became known in our history as a glorious and “peaceful revolution” – people welcomed democracy and newly won rights to freedom with great enthusiasm. Later, on the 2003 referendum, more than 80% of voters opted for joining the European Union. However, in so little as a decade after the referendum, the country went through a change of political image: the

Orbán-government openly and strenuously communicate the change of the political direction, the so-called “eastern opening”. The prime minister often emphasizes the vision of the declining West, suggesting that we turn our attention to the slowly growing countries of the East, because they might cause surprises. Recently, Hungary has made many spectacular and shocking allowances for the East (for example a memorable gesture was the extradition of Ramil Shafarov to Azerbaijan – a man convicted of the brutal murder of an Armenian soldier and sentenced to life imprisonment in Hungary). In Azerbaijan, Safarov was immediately released with a presidential pardon. His extradition tightened connections between Hungary and Azerbaijan, but completely destroyed our partnership with Armenia.

Hungary seeks to tighten Russian relations as well – a huge step towards this aim was when in January Viktor Orbán and Vladimir Putin signed a contract on the use of nuclear energy for peaceful purposes, which included the building of two new nuclear power station blocs in Paks with the strong support of Russia. The agreement lead to a huge uproar, since it was not preceded by any form of political or social debate. The signing was rushed and kept in secret. Furthermore, the matter of our energy-dependence on the Russians occurred just when Russia invaded the Crimea, expressively declaring its power and influence.

Despite the growing concern of the opposition and various trade associations, the politics of the eastern opening continues. In his speech recently given in Tusnádfürdő, Viktor Orbán stated that Hungary can only become competitive if it breaks away from dogmas and ideologies prevailing in Western Europe and choses a new type of social construction instead – that is, if it gives up liberal democracy and tries to understand and follow the success of countries

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Ján DINGA

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that are not liberal or not even necessarily democratic, such as Singapore, China, India, Russia or Turkey. Many view Mr. Orbán's statement about turning towards illiberal democracies as a downright and open declaration of dictatorship and, indeed, it did evoke negative reflections across the international media. According to several studies, Hungary's new political style can be defined as a form of "putinism", because it is built on the elements of nationalism, religion, conservatism, control over every aspect of the social and economic sectors and the regulation of the media – all typical of the Putin-governed Russia.

Mr. Orbán's decisions to be more open to the East are complemented with strong anti-EU politics. Ever since the formation of the Fidesz-government in 2010, the Prime Minister's frequently used phrase, "we're not going to be colonized", has become an adage; this refers to the notion that Hungary will not let anyone from abroad to dictate the rules based on foreign interests. Furthermore, it "defends the interests of the Hungarian people" and it is strong enough to win the "fights with Brussels". Fidesz's campaign slogan for this year's European Parliamentary elections also embraced this idea – "Tell Brussels: respect for the Hungarians!"

After winning the elections in 2010, Fidesz made numerous decisions that meant distancing Hungary from the democratic values of the West. Its two-thirds majority in the Parliament enabled the party to make and accept laws of crucial importance without debating the opposition or to write a contradictive constitution that has been amended several times since it first came into effect – it could also centralize the operation of state authorities, limit the power of the Constitutional Court, or offend the critical media's freedom of speech. It does not initiate extended social consultation, nor

does it consider NGOs as partners; recently it even mounted an open offensive against them. The Government Control Office is now examining the projects of the Norwegian NGO Fund on the accusation that its organizations are lobbying in Hungary following foreign and opposition interests. In his speech in Tusnádfürdő, Mr.Orbán told his audience that Hungarian NGOs are not volunteer organizations constructed from the bottom-up but paid political activists, who try to realize foreign interest in Hungary. The Fidesz-government's activities destroying 25 years of accomplishment is a cause for concern: after just having been able to acquire the liberal system of values following a slow period of construction, they now turn their backs and start building a government, the efficacy of which is highly questionable at best, let alone the elements of strong centralization and nationalistic attitudes, where opposing criticism is being silenced and decisions are not based on comprehensive social and professional consultations. Mr.Orbán is persistent in trying to secede Hungary from the European Union's influence, while at the same time he yields to another, namely, our energy dependence on Russia. Through this pact, Hungary might get under the influence of an empire that is now proving in Ukraine that once a nation is in its hands, it is willing to do anything in order to keep it.

REACTIONS OF THE VISEGRÁD COUNTRIES TO THE UKRAINIAN CRISIS

The situation in Ukraine falls under different evaluations by the four countries of the Visegrád Group. The harshest criticism and opposition against Russia came from Poland; Slovakia and the Czech Republic would stand by Ukraine, but they share concern over their economic relations with Russia, whilst Hungary's statements can be seen as forgiving, if not almost completely indifferent. From the point of view of the

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FROM AMONG THE V4 COUNTRIES, OR, IN FACT, IT APPEARS THAT FROM AMONG ALL THE MEMBER STATES OF THE EU, HUNGARY WAS THE ONE ISSUING THE MOST FORGIVING STATEMENTS ABOUT RUSSIA

Visegrád Cooperation it would be extremely important for the countries to give a coherent response to the Ukrainian crisis and to precisely articulate the necessary actions to be taken. However, reaching a consensus seems to be so far, that several analysts warn for the collapse of the V4.

Poland's reaction to the conflict is largely determined by its history of close relations with Ukraine. The Polish have always held the Eastern Partnership in high regard as well as bringing not only their closest neighbours, such as Ukraine and Belarus, but also Moldova, Armenia, Azerbaijan and Georgia, closer to the West. After Poland joined the EU, these ambitions grew even stronger; the centre of the country's eastern politics is still Ukraine. The Polish government took on an active role in resolving the Ukrainian-Russian conflict, when in February, together with France and Germany, they managed to

stop the ongoing bloodshed in the country and contributed to the overthrowing and eventual escape of Viktor Yanukovich.

In accordance with this, in its statements about the Ukrainian crisis, Poland harshly condemns Russia and urges international action, criticising the Union for its hesitation. In an interview, Włodzimierz Cimoszewicz, the chair of the Polish Foreign Affairs Committee, said that people have to prepare for a possible cut-off of all Polish-Russian relations. Considering Hungary's growing dependency on the Russians, for us to issue such statements is unimaginable. After the tragedy of the Malaysian airplane, Poland immediately articulated its firm stance on the event: they considered the attack and the "rejection of the obvious" unacceptable; whilst, they supported the resulting EU sanctions, calling them necessary even if there was a price to pay.

The standpoint of the Czech Republic and Slovakia regarding the situation is less determined, although by no means indifferent. The Czech government assured Ukraine of its support and recognized that Russia offended the territorial sovereignty of the country. However, unlike Poland, neither the Czechs nor the Slovaks urged EU sanctions against Russia out of concern that the situation of their countries' economy could become endangered. Both the Czech Republic and Slovakia mainly have its gas imported from Russia, hence the emphasis on why their economic relations with Russia cannot be cut off.

From among the V4 countries, or, in fact, it appears that from among all the member states of the EU, Hungary was the one issuing the most forgiving statements about Russia. Fidesz's reaction to the Ukrainian situation was somewhat delayed and primarily focused on the Ukrainian side: the

party emphasized that the construction of a democratic Ukraine was in Hungary's best interest and that it was important that the country was not susceptible to provocation and that it should try to peacefully resolve its crisis. Although they did recognize that Russia offended Ukraine's territorial sovereignty, they did not expressively condemn and reject these actions. One reason for this could be that the Ukrainian-Russian conflict broke out right before the Hungarian parliamentary elections and the governing party tried to avoid its Russian relations' – thus the controversial contract about Paks signed a month and a half earlier – getting in the centre of attention. The opposition parties, however, used the events to criticize Fidesz for its Russia-friendly politics.

The government was cautious with its reactions about the crashing of the Malaysian airplane and the resulting EU sanctions, as well – Tibor Navracsics, the Minister of Foreign Affairs and Trade said there was no direct evidence that proved Russia's responsibility in the plane crash and that the EU sanctions were no more than desperate attempts possibly without any effect.

Answering questions after his speech in Tusnádfürdő, Viktor Orbán said "we're sympathetic with the Ukrainians and we express our condolences with regard to the events happening in the country, but still, we have to focus on our own issues." This was the first time Viktor Orbán openly expressed his wishes to continue the partnership with Russia in order to maintain energy-security and an uncompromised Russian-Hungarian bond. His statements received harsh criticism from Poland – according to the Prime Minister Donald Tusk, "Hungary is unpredictable, you cannot count on Hungary. Hungary's leader is completely irresponsible."

The GLOBSEC (Global Security) Forum this May was the first time all the four leaders of the V4 countries were present. The event was regarded as highly important in the light of the Ukrainian crisis. However, the conference made it clear that the leaders' opinions differed in many questions. A debate evolved around how serious and urgent the Ukrainian situation really is – there was no consensus on what the adequate response would be on the part of the V4 members. It would, by all means, be necessary to express a shared standpoint about the crisis, as well as regarding supporting Ukraine in terms of its sovereignty and reforms. The extent to which each member state viewed itself as subject to a Russian threat also varied. Therefore, debates erupted about the necessary defence strategies and their financing. The issue of energy-security also became urgent – Eastern European countries mostly import gas from Russia through Ukraine. The question is whether their dependence can be relieved to any extent, whether they can build new relationships that could provide a replacement for Russian gas. This would not only be the interest of all the V4 countries, but of every EU member as well.

Recently, the possible collapse of the Visegrád Cooperation due to inner conflicts has also become an issue. It is true that the V4 do not form a political unity. Nevertheless, their partnership is deeply rooted, quite manifold and therefore stable. A permanent cooperation is necessary with regard to the future, as well as bringing differing opinions closer, so that the members of the Visegrád Group can form an effective alliance to Ukraine.

WHAT CAN UKRAINE LEARN FROM THE MEMBERS OF THE V4?

Although Ukraine's situation is complex and unique, on many levels it does resemble the processes the V4 countries have

already once went through. All four members gained a first-hand experience of the Soviet influence and dictatorship and each of them had to break out of the system on their own, finding new solutions and starting their journey on the rough path towards democracy. One of the reasons why the Visegrád Cooperation came to life at the time was to help each other give up the shared history of Soviet rule and at the same time get closer to and eventually join the EU. After realizing this goal, the V4 countries shifted their focus on other issues, such as nourishing eastern partnerships and the democratization of other once Soviet-ruled countries.

During the communist era, politicians constituted a separate, elite fragment. They enjoyed privileges the ordinary citizen could never have dreamed of, such as owning proper real estates, cars or going on holidays. Thus did decision-makers drift away from everyday life and started making decisions regarding the fate of people, whose life circumstances were completely unknown to them. The political elite of today's Ukraine is also separate, living in luxurious conditions. Viktor Yanukovich's residence is a ridiculous and, at the same time, tragic example of the above mentioned: mahogany doors and marble floors, a collection of luxury cars, the golden toilet brush – these were all part of a redundant power-display and sumptuousness.

The V4 countries all experienced what the fear of the Soviet military presence and political imprisonment meant. Citizens were unable to freely speak their minds and protests were retaliated. The events of the protests, the bloody conflicts, the resulting executions and imprisonments of 1956 are deeply rooted in Hungary's memory, while the Czech Republic and Slovakia both know that military invasion is not necessarily a result of demonstrations and protests; as little

as peaceful reforms can also be enough. In 1968 Soviet tanks invaded Czechoslovakia because it attempted to build up a sort of "human-like socialism".

The bloody clashes on the central square of Kiev are shocking, precisely because they are happening in a country where, theoretically, liberty rights, including the freedom of opinion and speech, were ensured. By attacking the protesters, the Ukrainian system showed its true face – one from which democracy is light-years away. Today crews of Russian invaders are stationed in the eastern part of the country and, as of now, the end of the conflict is nowhere in sight.

A reason for hope, however, could be the fact that in each of the V4 countries the softening and the collapse of the communist system came after people raised their voices. Ukraine has already taken a major step: it expressed its wish for a change. And even if that change will only come after many years of struggle, the events of the Maidan square will certainly be considered as its starting point.

Although Ukraine has a market economy, it faces many problems the V4 countries have already dealt with when they strived to change their socialist planned economy to a capitalistic one. Following the governmental change fast and radical economic changes became necessary, but these did not always succeed. The GDP fell in all of the countries that went through the governmental change and the amount of time it took to climb out of the hole was different for each. Later, however, the economy started to develop and with it, the standard of living started growing.

A lesson about this shift in the economic systems is that if privatization – a fast way of liberalization and economic growth – is done improperly, it can cause severe dam-



WHAT UKRAINE CAN PRIMARILY LEARN FROM THE V4 COUNTRIES IS THAT DEMOCRACY AND LIBERALISM DO NOT COME FOR FREE

ages. In Hungary, as well as all the other V4 countries, privatization was rushed and done without any proper legal regulations, which thus was used by company leaders to establish their economic power and to save their illegally accumulated assets. Privatization without a strategy creates vague circumstances in which those who are watchful enough can climb higher and become rich. However, it leaves many disappointed losers behind.

Privatization is hindered by a lack of capital and the lack of professionals as well as debts and the general economic instability. Thus bringing in foreign stock and technology might become necessary, which, however, presupposes political stability. In order to lure in foreign investors, the V4 countries used, among others, methods such as tax relief or even tax exemption, but the low cost of production, raw materials and wages are also attractive factors.

Changing to a plural party system and economic liberalization goes together with the recognition of civil rights and the creation of a civil society. The urge of the communist dictatorship is apparent in the elimination of the opposition, primar-

ily, then all other social communities and clubs, so that it can stabilize its power. When these communities reappeared after the softening of the socialist system, they made major contributions to the end of communism and the evolution of democracy.

What Ukraine can primarily learn from the V4 countries is that democracy and liberalism do not come for free. The road towards changes is long and rough; it can infer economic fall-backs or even human loss. The example of Hungary shows that when ruined, the post-communist shift can break down the enthusiasm for democracy to such an extent that we give up halfway and take a complete turn backwards. It would be useful to think about how such a change of direction, the "urbanization" could be avoided.

STANDING BY DEMOCRATIC VALUES

The abovementioned examples prove that the well-fought-for governmental change, the warmly welcomed market economy and human rights may lead to disadvantages as well. Similarly to other Eastern European nations, the Hungarian society suddenly found itself facing problems that were not present during the socialist era: unemployment, the growing difference in earnings, the significant economic fall-back were all new phenomena. Zsuzsa Ferge's public opinion polls showed shocking results: half of the respondents considered the new system worse than the old one and the majority claimed that the best era for their families was the "soft dictatorship" of the 80s. To this day, research shows that quite a few Hungarians think that changing the paternalistic state to a liberal one was not worth it. Since the governments of the last two decades were unable to reach a spectacular close-up to the West, it is no surprise that Viktor Orbán enjoys such widespread support when he explains that



liberal democracy is no longer a means to development and that we have to choose illiberal methods instead.

To avoid and eliminate similar situations, Hungary as well as other countries that walk in the same shoes, such as Ukraine, need a series of actions that strengthen the democratic values of the society.

It would be highly important to explain what democracy really means. Reports and research with questions addressing the “man in the street” make us realize from time to time that everyday people are not aware of how important a democratic election is, how it is conducted or how the parliament works. The negligently rushed class of civics in our educational system barely teaches students on how to be more self-conscious citizens. Meanwhile, there are plenty of western examples where teaching democratic values takes up a significant part of school activities. Furthermore, numerous NGOs created programs specifically for high school students with the purpose of teaching them about democracy.

It is necessary to raise the awareness in our citizens that during elections they should use their civic rights and cast their votes. In the speeches of political parties the importance of the elections is always emphasized in the following way: *go vote and vote for us!* Thus often, the voter does not feel that the importance of voting is not only the interest of the individual parties but also his/her own.

It would also be crucial to let citizens know how they can affect the ongoing issues of their country apart from the elections. Civil initiatives should be encouraged and strengthened by the continuous communication of their importance and by helping their work with various scholarships, grants and financial support.

It is extremely important to strengthen democratic institutional guarantees such as the freedom of the press or the independence of jurisdiction. These are the sacred and inviolable foundation-stones of democracy, the ultimate respect of which must be taught to every citizen.

The respect and love for democracy comes easier, of course, if the country's economy is boosting. It seems to be true that those who go home with an empty stomach will scarcely feel the urge to stand by liberal values. Hence, it is necessary to make economic reforms that will lead to perceptible development and a higher standard of living. To achieve this, comprehensive social and professional consultation is necessary as well as well-detailed effect assessment. In addition, the governing party and its opposition should find a direction to be followed even by new governments.

Another key task would be to alleviate the “side-effects” of the shift towards market economy: decreasing unemployment and helping marginalized groups as well as integrating them with targeted projects. These problems need solving almost as soon as they rear their head, because by time, groups sinking deeper and deeper on the social scale will accept any system that promises a solution to their problems.

LESSONS FOR THE VISEGRÁD COUNTRIES

The fights in Ukraine remind us that what seems to be obvious – as if it has always been the case – such as democracy, human rights, living without fear, is in fact the result of a huge amount of work and struggle.

Being the closest western neighbours of Ukraine who know and have actually experienced what Ukraine is going through,

the V4 countries have to be sympathetic and they need to do something in order to help their partner. Not only because their initial objective when starting the cooperation was to help their eastern neighbours find the road towards democratization, but also because it is in their own interest – the V4 countries themselves are half under the influence of the Union and half under the impact of Russia, thus they are especially sensitive to the Russian-Ukrainian conflict. The V4 can only maintain a good relationship with Ukraine if the country is a democratic, independent and reliable partner.

The fact is, however, that the West has made a mistake when it expected Ukraine to easily yield to its interests forgetting the strong ties between Ukraine and Russia. The cold war ended, now Eastern and Central Europe is democratic. However, Russian interests and business ties still exist and Russia still makes its influence felt in the region. Although we tend to see the situation of the countries in East-Central Europe as one in which they are forced to choose between the East and the West, in reality, these countries do not have much of a choice. They will never have the possibility to exclusively choose one over the other. With its Ukrainian conflict, Russia has proven that it will not let post-Soviet countries slip out of its control. The most Ukraine can do and where the assistance of the V4 can come useful is to maintain a good relationship with both sides and to be cautious in getting closer to the Union.

This dichotomy for Ukraine is also an identity crisis – does it define itself as an ex-Soviet country or does it consider Europe as a norm? Will its society be torn if Eastern-Ukraine pulls towards the East and Western-Ukraine towards the West? Can it achieve progress if it has not yet decided

which direction to take? And will it be able to stand by its European goals if now those are light years away and it is fairly easy to become exhausted by the changes and struggles, as the example of Hungary so well demonstrates? Can it ever be real for Ukraine to get closer to the West or will it remain only a dream?

It is the responsibility of the European Union and the Visegrád countries to make the dream come true and to help Ukraine go down this road with as little a loss as possible. The V4 countries are the bridge between the eastern partners and the Union, but for them to successfully fill their role they first need to have a common stance. Currently, the four countries represent three different opinions about the crisis. It would be of key importance to harmonize their statements and decisions as well as define the most crucial steps and act on them.

It is important because it is the Visegrád countries who stand closest to Ukraine – barely more than two decades ago they were under Soviet rule and they struggled through their own liberation. If they do not know what to do against Russia, how can the rest of Europe? ●



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BORBÁLA
PÁL

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Moldova Between the Soviet Ways and the European Path



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TUDOR
COJOCARIU

MOLDOVA'S NATIONAL BACKGROUND AND THE UNWANTED INHERITANCE

When talking about present day Moldova we have to bear in mind a series of important events which have conducted to the nowadays situation. The issue of terminology is also extremely important. These things matter when analyzing Moldovan leaders' behavior in several situations they had to face recently.

The Republic of Moldova, which is the constitutional denomination of the state, is a recent name given to the territory between Prut and Dniester rivers. It dates back to 1991, when the Great National Assembly has proclaimed the Independence of the new political entity. The new-born state is smaller than Bessarabia (a name given to it after the Ottoman Empire traded the territory to the Russian tsar Aleksandr the 1st

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THE MOST
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THE SOCIETY

in 1812) and even than the Soviet Socialist Republic of Moldova (SSRM, a name given after its occupation by the Soviet Union on the 28th of June 1940).

This state of facts has lead to a series of consequences, which have much to do with Moldovans' self-consciousness. This includes a weak devotion to the state, a low level of trust in the state institutions, a weak civic involvement, weak ties between citizens, uncertainty towards future and so on. But the most important feature of the Moldovan society remains the great deal of Soviet inheritance that still shapes the development of the society. Given the fact that the most notable rival of democratization is this Soviet legacy, the inevitable battle between these two in the following years will take place.

Even though terms like communism or democracy were in large use, few people knew what was the real meaning and how did these function. That is the reason why immediately after becoming officially independent, Moldovan citizens, who were educated in the *homo-sovieticus* way, have elected a new Parliament formed mainly from intellectuals and persons from the once repressed social categories.

These events were part of a large context and the SSRM was one of the last Soviet republics to have shaken the Soviet yoke, which was a major event. Back then very few were concerned about political ideologies or systems, as people weren't even aware how to live in a pluralistic society, where the ruling party didn't owe the truth. Only then has regrouping started. Until then people were divided into two main categories: the pro-East and the pro-West. A fact worth-mentioning is that the intellectuals were pro-West, aspiring to implement the Western (European and American) values in

their country. Of course, this feature of the national Parliaments from the ex-Soviet republics was found almost in each case.

The first Government of Moldova is known as the first democratic Government and its prime-minister Mircea Druc is still considered to be the first democratic head of Government. The term *democratic* meant *non-Soviet/non-communist*, hence freely elected by all the citizens having the right to vote. The



THE PUBLIC POLITICAL DISCOURSE NOW OSCILLATES BETWEEN TWO MAIN IDEAS, AT LEAST AMONG THE NON-COMMUNIST VOTERS

term was not denominating a social and political order or ideology in the widely-accepted way. It was an unimportant issue to discuss whether a party is liberal, socialist or conservative. The criteria on the basis of which people voted were slightly different. One of the reasons for that was the lack of political culture amongst citizens. And it isn't hard to explain why, as before 1989, the Party was deciding everything.

THE BATTLE FOR NATIONAL POWER

The quest of the nowadays leaders of Moldova has started back in 2009, when taking advantage of the huge anti-communist protests, they have gained political power and legitimacy. Since then the alliance's name and format have changed. Between 2009 and 2010 we were talking about the Alliance for European Integration, formed out of 4 parties (The Liberal Democrat Party, The Liberal Party, The Democrat Party and the "Our Moldova" Alliance). After the last one did not make it in the Parliament of 2010, it has merged into the Liberal Democrat Party and a new alliance was formed out of the remaining 3 parties. The name of the alliance was kept. At the beginning of 2013, after a horrendous scandal involving leading public figures and chiefs of institutions, the alliance broke. The Liberal Party became a "half-opposition" party. Since then, the party is not participating in the governing act, but is voting in favor of the main pro-European initiatives.

In May 2013 the present days Pro-European Coalition has been established, formed out of LDP, DP and the new-born Liberal Reformist Party (which has split from the Liberal Party). The event marked a new beginning for the 3 parties, as their presidents have made the step back, leaving in the spotlight their younger backers. This is when the liberal-democrat Iurie Leancă was named the new prime-minister and the democrat Igor Corman has become the head of Parliament. Until now, even when the electoral campaign is ready to start, all the leaders of the Coalition refrain from launching public attacks towards their allies. Besides, LP has lately become very vocal against not so public acts of corruption against the leading parties. This issue is an essential one and there is a consensus in the society, but also among pro-European experts, that having a governing coalition which is refraining from dragging its mem-

Policy difficulties: Roma integration
issues



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bers down by itself, is better than letting the anti-European forces win the elections. However, this doesn't mean that the "silent" acts of corruption would be welcomed by anyone.

Although the name and the structure of the ruling coalition changed during the last five years, the European integration has remained its main purpose. This is why some important leaders of the Diaspora, for example, are urging the four pro-European parties to re-unite in an electoral bloc and to have a common electoral list. This gesture is regarded as a guarantee that the unity of the pro-European bloc remains safe, so that even those who became disappointed could be mobilized for the sake of the European integration. This idea has its merits, even though there is an other side of that. Namely, some analysts consider that each of the 4 parties have specific categories of voters. Consequently, it would be smarter to gather all the heterogeneous votes and to ally only afterwards. For example, the Liberal Democrat Party has recently (on September 7th, 2014) organized a huge public meeting named "LDP in favor of Europe". The event was using only the official color of the party, while the speakers were mainly cheering for LDP's merits. Ironically, this happened right after the liberal-democrat prime-minister said in an interview that the faith of an eventual pro-European coalition after the elections depends greatly on the way each party chooses to campaign.

A similar line is followed by the liberal leader. He said that there is no way that LP's voters would trust the other parties, so that every party should go on their own. Regarding the eventual post-electoral alliances, the liberal president said that if the pro-European parties gather all together more than 51%, he will consider it a sign that the citizens are in favor of an alliance. And the citizens' will is everything for his party. For now, the one

thing differentiating the Liberal Party from the other three parties in power is the firm pro-NATO approach, which seems to be one of the key-ideas in their campaign. It is an issue comprised in the party's program and it has popped out just recently after the events in Ukraine.

However, the main stake consists in not losing the votes of those who were disappointed after voting in 2010 for a Pro-European Coalition. And the number is not small at all, according to recent polls it is situated around 30%. The public political discourse now oscillates between two main ideas, at least among the non-communist voters. The talks are whether the ruling parties deserve another chance, or they have to be punished for a reckless way of governing and for simulating a great deal of important reforms. The first option is far from being a satisfactory one, as the necessity of sending the governing alliance a signal of discontent is huge. Yet, the second one is even worse, as most of the independent actors tend to agree, because the memory of the governing years of Party of Communists (2001-2009) is still fresh, by its abuses and economical degradation.

EU, THE NEW NATIONAL ENDEAVOR

The republic has recently celebrated 23 years of Independence in an atmosphere which is bringing, from year to year since 2009, more and more enthusiasm and "Europeanity". We could say that this enthusiasm is directly proportional to the achievements of the Government and inversely proportional to people's disappointment. Starting from that judgment, we might assume that the Government's achievements are having a bigger impact compared to the usual disappointment of the citizens. The squares and parks were full and the internet was bursting with cheerful wishes and smiles. This is happening because the European idea is a quite engaging one for many

Moldovans, and it's being put on the public agenda as the new national endeavor. This could be a good sign for the three pro-European parties in power, who since not too long have started to filter each and every of their actions through the general purpose of winning in the elections.

From the early beginning of their coming to power in 2009, the Alliance for European Integration has tried to do its best in order to assimilate the European project, so that a true transfer of image could happen. Ideally, the transfer should have occurred from the EU to the Alliance. However, it happened the other way round. This is how many analysts have explained the decreasing of EU's popularity, the Union starting to be associated with the poor performance of the pro-European parties. Inevitably, in a state striving to bypass the transition and the Soviet inheritance, the parties in power are rarely managing to keep people's approval for more than two mandates. The temptations while being in power are too strong, while in some cases the experience of the new-comers is too limited. People see this and understand it very well. The good news is that the political leaders have understood it also and have recently changed their ways of acting publicly, promoting solidarity rather than conflicts, "for the sake of the integration".

RECENT EVOLUTIONS IN THE EUROPEAN PATH

Moldova was included in the European Neighborhood Policy in 2007, alongside other former soviet states and some northern African ones. The policy was addressed to the governments, as well as to the civil society, which is considered to be an important player in the process of deepening democracy and making it sustainable in these neighboring countries. Among several financial and institutional instruments that had the role of strengthening

the European orientation of the partners, the most important component is the Association Agenda, the "carrot" of the ENP.

The present age of Moldova-EU relations has started in the summer of 2009, when the already mentioned pro-European parties came to power. The key-document of the Government was launched on the 16th of December 2010, right after it came to power. The Action Plan on Visa Liberalization has become since its beginning a source of hope and despair of all the Moldovans. It has generated a continuous debate between all the social layers, the pro-Europeans and the pro-Eurasians, the Power and the Opposition and not only. It has even generated the unaccepted "resignation" of the prime-minister, who was promising periodically that the visa regime will soon be annulled, but the deadlines were broken every time. Some have blamed miscalculations, while others blamed the "machievellitic" calculations of the ruling coalition, who was simply using any instrument in order to meet people's great expectations.

The liberalization has finally come on the 29th of May this year, after European Parliament' announcement, made on the 27th of February. Actually, this proper announcement was the button that was needed to be pushed so that the general enthusiasm started to spread. The enthusiasm was so strong, that it has exceeded the Moldovan borders. Media analysts have reported that a wave of Transnistrian and even Ukrainian citizens started to apply for Moldovan citizenship. A huge information and media campaign was immediately launched, being initially promoted by the Liberal Democrat Party. Later, the other two governing parties joined. Until then they did not manage to fully master the European idea and the merits connected to it. It was a moment when one could notice, more easily than

ever, that the parties inside the coalition had at some extent their own agendas and their own messages for their own electorate.

Right after the visa liberalization wave of enthusiasm had passed, the Democratic Party announced that it was time for them to concentrate more on the social dimension, which was for too long neglected due to their partnership with the center-right parties. In the same period of time, the Communist Party has announced that European integration is actually not so bad, and that Moldova should make the most out of this. Soon some leavings followed and the communists' opposition became even more faded than before. This chain of events prompted many experts to talk about a possible center-left alliance between the democrats and communists right after the November parliamentary elections. Yet, both parties have denied such an evolution and have recently resumed the mutual attacks and the battle for the leftists' votes.

But beyond the internal battle for the voters and the moving sands on which any partnership between the parties may function, there is the certainty that the real battle is carried by the EU/USA and the Eurasian Union/Russia. As things are looking now, one should not be worried about the geopolitical orientation of the ruling parties. Each of these is sharing, through the voices of their first- and second-level leaders, public assurances that the EU is the only reasonable path for Moldova's future. Moreover, the leaders of all three plus one parties are doing their best to "steel" the European credits one from another. And, cynically speaking, what could that be if not a sign that their eyes and ears have turned all together towards the European partners?

Still, the big worry from this point of view is the traditional mid-positioning of the Democratic Party, who is commonly say-

ing one thing in Brussels and another one in Moscow. Its electorate is quite heterogeneous and the party strategists are aware of the fact that the voters will follow them just due to their "centrist" approach. That means that sliding to the left, into the arms of the communists, won't be much worse than remaining alongside the present 99% pro-European partners. They know that their members and voters will understand and accept almost anything, in contrast to the voters of the other three center-right parties, who will certainly disapprove their parties' eventual remoteness from the EU.

This is one of the reasons why these three parties are taking into consideration creating an electoral bloc, in order to cut the potential of eventual "renegades". The good thing is that, as some experts argue, the only variable which is still unclear regards the speed of further European integration. The reason is that, mostly out of fear of a "Moldovan Maidan", every government will be pro-European after the elections, even a leftist one. At least this is the view of experts such as Nicu Popescu or Oazu Nantoi.

THE ASSOCIATION AGREEMENT, A BREATH OF FRESH AIR

One of the reasons why the Democrat Party, for example, would not give up the European path too easily, lies in the integration of the European successes in their public, but also internal discourse. The signing of the Association Agreement with the EU on the 27th of June was a huge success, and any actor involved in this process would be a fool not to take advantage of this, especially in nowadays context of mass disappointment and loss of patience.

"Europeanization" got even more consistent in 2010, when the Rethink Moldova report was belabored. The document

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was prepared for the Consultative Group Meeting in Brussels on the 24th of March 2010 and was referring to the priorities for medium term development. It contained a brief analysis of the then recent economic developments, a reform agenda according to the European model (civil service, anti-corruption, decentralization, e-governance, among others), economic recovery, industrial parks, improving business conditions, efficient agriculture, infrastructure investments and human capital.

The progress in all these areas has served as argument when the discussions regarding the association with the EU have started. Chisinau has rapidly become the host of many European officials and some voices have begun to talk about an “European discourse inflation” inside the society. But beyond metaphors, it was an important success, upon which the ruling parties have cling on from the beginning. It was a breath of fresh air for them and for the pro-European citizens also, although too few citizens are still aware of the aims of the Agreement and its stakes.

Briefly, the aims of the Agreement are as following: political association and economic integration, enhancing political relations between national and European political parties, strengthening democracy and institutional, regional and international stability, eliminating sources of security tensions, supporting the rule of law, the human rights and mobility, integrating the markets by setting up a Deep and Comprehensive Free Trade Area. In other words, this means huge support and large amounts of resources for the Moldovans. And these are not just mere words. European countries such as Romania, Germany, Poland, Sweden, Austria, Great Britain or the Czech Republic, are among the biggest donors in Moldova.

This being the framework, the next steps should reasonably consist in implementing each and every provision described over the almost 1000 pages. But for this, political will and stability are, of course needed. It has been stated that signing the Association Agreement is the biggest achievement since Moldova's Independence. Many analysts have argued that apart from politicians, people should be those who are setting the direction. This is why NGOs, think tanks and groups of initiative were launching campaigns, projects and all kinds of actions in order to reach the society in its depths. On the other hand, mass-media remains the main tool which intermediates this communication between these actors and the population. And the reaction of the public indicates that it mostly works.

For example, one of these think tanks, Expert-Group, has published several analyzes. These analyzes were dismantling the European integration myths, focusing on arguing why the Association Agreement is so important. The study shows that the consumers, the producers and the state will be the ones who will win, while the inefficient firms, the vested interests and the monopolist/oligopolist companies will be the losers. These materials were highly promoted in the pro-European mass-media.

THE CHALLENGE OF BEING LOVED BY FORCE

Unfortunately, the highly popular idiom "Moldova is not alone" has proved once again to have both positive and negative meanings. After talking about the positive ones, presenting the negative ones would be fair. We should, of course, talk about the reluctance of the Russian Federation to simply let Moldova be. And because Russia is not just a country, but the proud and "legitimate" successor of the Soviet Union, it

seems also legitimate for its rulers to make use of any weapons in order to have their way in the post-Soviet space.

First of all, the economic sanctions were translated in a step by step embargo on wine (autumn 2013), meat (spring 2014) and fruits (summer 2014). Stopping tones and tones of Moldovan products at the border and leaving thousands of agricultural entrepreneurs and employees without any profit or wages, has generated enormous discontent among these categories. Knowing that Moldova is mostly an agrarian state being aware that the generalized rage would be directed towards the pro-European parties and the signing of the Agreement, Kremlin applied its economic instrument without a single blink. From that moment on, the Government realized that the real stake is not being right or wrong, but making the people see who's right or wrong. And this will remain one of the key-stakes in the upcoming campaign.

The second instrument that was only partly used by Russia, regards the labor migrants coming from Moldova. Since regaining its Independence, Moldova was highly dependent on its migrants. Some of these went to Europe, while others to Russia. A large amount of those working in Russia are illegal migrants (as are most of the immigrants living and working in Russian Federation) who were tolerated by the authorities due to the need of cheap work force. The state institutions in Russia are well-known for acting arbitrarily, without respecting the basic rights of migrants. Plus, the lack of options for the Moldovan workers with low qualifications, or none qualifications whatsoever, has contributed to an unbalanced relation, where the workers coming from the ex-Soviet states are being completely left in the hands of the Russian authorities. The results are not at all optimistic, as more and more Moldovans are being refused





THE MOLDOVAN
PARLIAMENT STILL
RELIES ON ITS
LEGISLATURES FROM
BACK TO 1941,
HAVING ITS ROOTS
IN AN ILLEGAL
ACT OF SOVIET
OCCUPATION

while trying to enter Russia. They are being returned for all kind of reasons or for no reason at all. The aim is, on one hand, to raise unemployment and on the other, to evoke public rage while getting closer to the autumn elections. Of course, all these people blame the pro-Europeans and their attitude will hardly change, as they remain subject to Russian media propaganda.

The natural gas issue is another thorny problem for Moldova. The republic is fully dependent on the Russian gas. This means that if before the upcoming winter, Moldova does not renew its agreement with Moscow, households, public institutions, economic agents and the energy sector will not be able to function. And this would be, without exaggerating, a catastrophe. The prospects for this to happen are not very optimistic, meaning that chances for such an unhappy evolution really exist. Regardless of the present declarations or threats enunciated by Russian officials such as deputy prime-minister Dmitri Rogozin, for example, it is too soon to make inferences whether the gas will or will not be interrupted. We still need to see the reactions of the Russian Federation after the first cubic meter of gas enters Moldova through the Iasi-Ungheni pipeline coming from Romania. But we also need to see who is going to win the elections.

The last weapon against Moldova's European path is Russia's capabilities and intentions to re-activate territorial separatism. Both Transnistria and Gagauzia regions, alongside the "newly emancipated" county of Balti, have a recent history of conflicts or at least tensions. The Transnistrian regime is openly supported by Moscow, being artificially sustained through money and military force. It was demonstrated that without Kremlin's support, Transnistria is nothing but a militarized buffer zone between the East and the West. It's a no man's land with some Russian citizens controlling

the lives and resources of around 300.000 people of Romanian, Ukrainian and Russian ethnicity.

The "Transnistrian" citizenship is not recognized even by Russia. Their money called "Ruble", similar to the Russian currency, are also useless. The thing with that territory, however, is that it is controlled by active Russian army troops and equipment, which is in contrast with the situation in the other two territorial entities mentioned above. Taking into consideration the recent worsening of the Russia-Ukraine relations, Moldovan authorities are beginning to rely more and more on their Ukrainian partners, who are equal members in the 5+2 negotiation format with Russia and the Organization for Security and Cooperation in Europe. Until the Euro-Maidan started, Ukraine had a rather hesitating position, while everybody was hoping that it will take somebody's side. In contrast, Transnistria is now "squeezed" between two independent and pro-European states. Consequently, it is only a matter of time for the separatist region to give up its independence claims and to choose a side.

The Gagauzia region, which is autonomous, is inhabited by around 160.000 Moldovan citizens, including 120.000 ethnic Gagauz (a Turkish orthodox population brought by the Soviets). The administrative and cultural center is the municipality of Comrat. There are, however, some centrifugal tendencies among other cities from the autonomy, which feel somehow neglected by Comrat. The capital Chisinau is also quite far institutionally speaking, although geographically there are around 100 km to Gagauzia. Luckily, getting closer to the region is becoming a strategic purpose for the Government.

Until 2009, the Party of Communists was almost totally controlling the situation, thus there was no need of intervening from out-

side. The anti-European discourse and the "Russification" policies were fully on the agenda. But since the pro-Europeans won the elections, things have started to precipitate. Each party from the governing coalition has tried, and still is, to gain control over the local leaders. Even the "bashkan" (governor, in Gagauz language) has a changing attitude towards Moldova's future direction. However, it's true that most of his public positions were anti-European until now, even though his actions are being carried on the grassroots level. Although the bashkan was not accused of anything, right before signing the Association Agreement, the Moldovan security forces have arrested two persons who were being thought to have organized anti-constitutional and military actions. The event became viral in the media, attracting all eyes on Gagauzia.

The county of Balti is the most calm among all three, but the Russian speaking minority (including many Ukrainians, ironically), is virulently against European integration. Moreover, the communist local authorities have announced several times that it is giving serious thought to organizing a self-determining referendum. Luckily, the Government has reacted in the spirit of democratic and European principles, by trying to tighten the links between the center and the north.

For example, on the occasion of City Day of Balti, the Government has provided a number of 23 trolleybuses to the citizens of Balti, using European resources from the European Bank of Reconstruction and Development. The event was conducted in the presence of the local communist authorities. We could call it a coincidence, but since then, no public threats were heard from their side. However, the electoral campaign is a perfect opportunity to revitalize their anti-European rhetoric. Regardless of their conduct, however, it is to be expected that because of their background and the

influence of the Russian media, the citizens of Balti and Gagauzia will most probably vote for the pro-Russian parties, may it be the Communists, the Socialists, or the anti-European extremist Renato Usatii.

MOLDOVA, WHERE TO? (CONCLUSION)

Another issue, deriving from Moldova's Soviet past, regards its present statehood. For example, the Moldovan Parliament still relies on its legislatures from back to 1941, having its roots in an illegal act of Soviet occupation (28 of June 1940), according to the international law. This does not question its functionality, of course, but it is for sure a matter of symbolism and positioning.



TOO FEW MOLDOVANS ARE PRO-NATO AT THIS MOMENT

Actually, after condemning at the highest level the communist regime and the Molotov-Ribbentrop pact (between the Soviets and the Nazis) in the early 90's, the back then elites did not manage to truly start all over. This is only one of the reasons why there still exists a series of voices in the public space, arguing that the statehood of Moldova is doubtful. Most of these voices are in favor of unifying with the Russian Federation (sic!), calling upon the Soviet legacy, while the others are in favor of re-unification with Romania. The armed conflict from the East of Ukraine has only reinforced both approaches, as both sides are having now

enough arguments to say that Moldova is doomed as an independent state, under the threat of Russia.

The option of unifying with Russia is aberrant for now, at least as long as Russia does not go further for the South of Ukraine in the Odessa region. Under the influence of Russian media, many Moldovans think Americans and Europeans are the source of the conflict. The Eastern message was unequivocally stating, since the beginning of the Euro-Maidan, that the West organized all the menace, manipulating all the Ukrainians to go against their "Slavic brothers". It would be hard, considering this, to expect that after months and even years of cultivating the admiration for Vladimir Putin's aura and power, the category of Moldovans I am speaking about here, will change their minds at a glance. The force of habit is something the Moldovan society still has to fight with. And in such times, when its neighbor is being occupied by foreign military troops and a great deal of Moldovan citizens are dreaming of being conquered by the same foreign troops, fighting bad habits can become vital.

On the other hand, re-unification with Romania is geographically possible, but merely impossible because of other reasons. It should not be a matter of worry for the western partners and for the Russian occupants. The reasons are quite simple and could be listed as following.

First of all, there is a need of social consensus, so that the majorities from both Moldova and Romania vote in favor of the re-unification at an eventual referendum. The polls show that even if the citizens of Romania would vote in favor, the Moldovan ones are far from the thought, around 1/4 of the respondents agreeing with this direction for their state. Secondly, none of



SUPPORTING THE UKRAINIAN PEOPLE IN THEIR STRIVING FOR FREEDOM AND DEMOCRACY BECAME A MASSIVE PHENOMENON

the present parliamentary parties have the re-unification process in their political program. The closest thing is Liberal Party's and Liberal Reformist's Party center-right discourses regarding national identity, but limiting themselves at identity issues, without touching the subject of border modification. And thirdly, both Moldova and Romania do realize that the more Moldova approaches the EU, the more the re-unification is beginning to look like an unnecessary complication.

However, most of the Moldovan citizens are in favor of a true independence for their state. Unfortunately, many Moldovans put the EU in the same pot as NATO, without having a proper understanding of what each of these organizations really means. These kinds of misinterpretations are being stimulated periodically by populist public actions having no reasonable basis, organized by pro-Russian interest groups. For example, recently, during the NATO summit in Wales, the Party of Socialists organized an anti-NATO protest in Gagauzia, having 20 persons protesting against Moldova participating in NATO missions. Meanwhile, Moldova was being accepted in the Defense and Related Capacity Building Initiative. The event was reported as a major

success by the Moldovan Defense minister, Valeriu Troenco. Soon after this, a comprehensive analytical study and specific support in the necessary areas are expected to follow.

Too few Moldovans are pro-NATO at this moment. The proportion is reaching about 25%, according to several not so recent polls. In the same time, about 55% of the population is pro-EU. However, the events in Ukraine have changed considerably the attitude of those rather neutral Moldovans, who were oscillating or who did not have any outlined attitude towards the Alliance. Having no recent and reliable sources to refer to, some influent pro-European media sources have recently conducted online polls, showing a huge majority of respondents being pro-NATO. But from a sociological point of view, this is also unreliable data.

It is worth mentioning that supporting the Ukrainian people in their striving for freedom and democracy became a massive phenomenon, being embraced by all the pro-Europeans from Moldova, but first of all by the Government and the pro-European parties. It has equally comprised those inside the country, as well as those included in the European Diaspora. The solidarity was being manifested through social networks, mass-media and throughout the internet. Unfortunately, the Diaspora working in Russia remains silent, just like before. •



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The Impact of the Ukrainian Crisis on the Foreign Policy of Azerbaijan Republic



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PARVIN
GULIYEV

After the collapse of the Soviet Union Russia has created frozen conflict zones within the former Soviet Union countries. In this way Russia has retained its influence on these territories. This is why we may observe Karabakh conflict between Azerbaijan and Armenia, Transnistrian or Pridnestrian in Moldova as well as the issues of Abkhazia and Ossetia in Georgia, and Crimea in Ukraine. Russia tries to show its power as a global player. It remains a global danger, the biggest challenge for the West. After August 2014, Azerbaijan began to put forward its foreign policy very attentively in order to balance the policy of the region.

UKRAINIAN CRISIS (CRIMEA ANNEXATION, LUGANSK AND DONETSK)

The Crimean crisis was an international crisis in 2014 involving Russia and Ukraine as regards to the control of the Crimean Peninsula, until its annexation by Russia. However, the current status of Crimea and Sevastopol as federal subjects of the Russian Federation is only explicitly recognized by five UN member states, including Russia.

Crimea is populated by an ethnic Russian majority and a minority of both ethnic Ukrainians and Crimean Tatars. Prior to the crisis, Crimea comprised Ukraine's Autonomous Republic of Crimea and the administratively separate municipality of Sevastopol. The Russian Federation has organized them as the Crimean Federal District. On February 26, pro-Russian forces began to gradually take control of the Crimean Peninsula. Media sources reported that military personnel in Russian-made uniforms without insignia, and former members of the Ukraine military were involved. While these troops occupied Crimea's parliament building, the Crimean parliament voted to dismiss the Crimean government, replace its Prime Minister, and call a referendum on Crimea's autonomy.

A referendum on whether to join Russia had an official turnout of 83% and officially resulted in a 96.77% (Crimea) and 95.6% (Sevastopol) affirmative vote, but was condemned by the EU, the U.S., Ukraine and the representatives of the Crimean Tatars as violating Ukraine's constitution and international law.

On March 17, the Crimean Parliament declared independence from Ukraine and asked to join the Russian Federation. On March 18, Russia and the separatist government of Crimea signed a treaty of accession of the Republic of Crimea and Sevastopol into the Russian Federation. On March 27, the UN General Assembly passed a non-binding Resolution 68/262 that declared the Crimean referendum invalid and the incorporation of Crimea into Russia illegal. On April 15, the Ukrainian parliament declared Crimea a territory temporarily occupied by Russia.

On April 17, Russian President Vladimir Putin confirmed Russian involvement in Crimea and remarked that "Of course, Russian servicemen backed the Crimean self-defense forces". During the conference in Yalta in August of the same year, Putin reasserted that under no circumstances the annexation of Crimea, which was described as "absolutely legal", will be reversed. Pro-Russian sentiment is strong in eastern regions such as Donetsk and Luhansk, Ukraine's industrial heartland. After the withdrawal of Ukrainian troops from Crimea, there were reports of large numbers of Russian troops gathering right over the border. On April 7, protesters occupied government buildings in the eastern cities of Donetsk, Luhansk and Kharkiv. Although Kharkiv was retaken the following day, the occupations spread to other cities, and a number of pro-Russian leaders declared that referendums on granting greater autonomy to eastern regions would be held. On May 11, pro-Russian separatists in Donetsk and Lugansk declared independ-

ence after the referendums, which were not recognized by Kiev or the West. A build-up of Russian troops on the shared border in April sparked concern that another annexation could take place.

Elections for a new president in Ukraine were held on May 25, resulting in confectionery tycoon Petro Poroshenko being elected with over 55% of the votes, although no polling stations were open in Donetsk city and several other locations. On June 20, President Poroshenko announced a 15-point peace plan and declared a week-long truce. It was held for a few days until a military helicopter was shot down over eastern Ukraine. With a government offensive launched once more, on July 5, rebels abandoned strongholds in the north of Donetsk region, withdrawing to a smaller area of insurgency in the south.

Ukrainian and Russian officials opened talks with separatist leaders and international monitors in Minsk on September 1. Russian Foreign Minister Sergei Lavrov said that he wanted the talks to focus on "agreeing on an immediate and unconditional ceasefire". The first face-to-face talks between Russian President Vladimir Putin and President Poroshenko on August 26, failed to bring results. NATO has announced it is assembling a "readiness force" in response to Russia's actions in Ukraine. Details are to be confirmed at a summit in Wales, on September 4.

About 2,600 people have been killed in the fighting since mid-April (not including the passengers and crew involved in the MH17 plane crash), according to a UN report from August 29. Nearly 350,000 people have fled their homes – about 190,000 have gone to Russia.

KARABAKH CONFLICT – THE ROLE OF RUSSIA AND THE WEST

The Nagorno-Karabakh conflict developed from an internal struggle to a war between two independent states in 1991, with the

break-up of the Soviet Union and the establishment of Azerbaijan and Armenia as independent states. The cease-fire achieved in 1994 – with Russia as a mediator – froze the conflict. Armenia, supported in the war by Russia, took over the control of the disputed territory as well as of additional neighbouring areas – in total about 17% of Azerbaijan's territory. The Organization for Security and Cooperation in Europe has been at the helm of international mediation efforts for years, within the framework of the Minsk Group, whose co-chairs are France, the U.S. and Russia, but to no avail.

Armenia, landlocked and suffering from a weak economy and a precarious security situation, is entirely dependent on Russia, which has military bases deployed on Armenian soil. Azerbaijan, a country rich in oil and gas, is endeavouring to establish its own military option in order to regain control of the areas lost during the war. The rise in energy revenues, especially since the construction of the Baku-Tbilisi-Ceyhan pipeline in 2005, had allowed Azerbaijan to institute a defense budget greater than Armenia's entire annual budget.

However, Azerbaijan is also landlocked, borders Russia and is in a desperate need of Russian good-will in order to sustain the regional stability necessary for its energy export infrastructure. Both Armenia – dependent upon Russian support in the conflict – and Azerbaijan, whose military and policy options in the conflict are not obtainable as long as Armenia enjoys Russian support, consider Russia a key state in any future settlement.

Both states are aware that the U.S. and EU efforts to broker this conflict will come to nothing unless Moscow agrees. Under these circumstances, the conflict serves as effective Russian leverage to further its geostrategic objectives. The location of the

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Republican	3
Projekt Polska	2
FNF	1
LFMI	1
Others	6



Nagorno-Karabakh region in the Caucasus, and the location of the Caucasus as a vital bottleneck, underlines the conflict's geopolitical significance in Eurasia. As a result, the latest development in the conflict cannot be separated from the present crisis in Ukraine.

RELATIONSHIPS OF AZERBAIJAN WITH UKRAINE AND THE SITUATION IN REGION

The Ukrainian crisis exceeds its local context and is an expression of the struggle between the West and Russia over hegemony in the Eurasian sub-continent. Therefore, one should consider the renewal of hostilities in Karabakh and the meeting between the heads of states of Azerbaijan and Armenia, and the Russian president as a development connected to the intensification of the conflict in Ukraine.

Ukraine and Azerbaijan are two pivotal states in the Black Sea–Caspian region, strategically located at the gateway to Eurasia. US geostrategic thinking defined them as geopolitical states of critical importance at the end of the 1990s. Moreover, Russia sees Azerbaijan as a target of high priority, the subordination of which to Russia would help seal Central Asia off from the West. This attitude has been further validated since the Russian–Georgian War in 2008, given that Russia established its position via-Georgia, Azerbaijan's neighbour in the Caucasus.

The future of the conflict and the possible return of territory Azerbaijan lost during the August War is of high importance to Baku. Russia, upon which Armenia is entirely dependent, has decisive influence over these territories. In light of Russia's desire to improve its position in the current Ukrainian crisis, it now believes it is the right time to use the Armenian–Azerbaijani conflict as a leverage for influence over Azerbaijan. In parallel with Russia's actions in Ukraine, its

latest complementary activities aim to tighten control over Azerbaijan. The renewal of tension in the conflict does hence not stem only from the bilateral relations between the two countries directly involved in the conflict, but should be seen as a combined Russian move, as part of the Ukrainian crisis.

The Ukrainian crisis erupted following the EU's initiative to promote the Eastern Partnership, intended to include Ukraine in the EU's framework. The source of Russia's reaction, therefore, is the perception of its most vital geostrategic interests coming under threat. In due course, Russia devised countermeasures by accelerating the establishment of the Eurasian Union. The inclusion of additional countries in the Eurasian Union from among the CIS countries is intended to consolidate the CIS members in a political and economic framework that would block EU and NATO expansion eastward.

The more entangled the Ukrainian crisis becomes, the more likely it is that Russia will make use of its options to exert its influence over countries in the region in order to block what Russia sees as a US geopolitical threat in a region, which is considered by Russia to be its own backyard. The current flare-up in Karabakh can be understood in this context. Using the conflict against Azerbaijan is a Russian means of preventing a similar development of US and EU tactics in the Ukraine.

Russia chose to take extreme steps in order to block, as it perceived it, the West from taking over the control of one of the key states in the Russian sphere. Using Karabakh as a leverage is meant to ensure that Azerbaijan will not join the EU framework, but also to convince it, in a long term perspective, to consider joining the Eurasian Union. As long as the confrontation between the U.S. and Russia in Ukraine continues, we can expect the Armenian–Azerbaijani conflict to intensify.



BAKU HAS CAUTIOUS ATTITUDE TOWARDS POROSHENKO AS A NEW UKRAINIAN PRESIDENT

The future of the Armenian-Azerbaijani conflict is not only in the hands of the two sides directly involved. From the very beginning, the outcome of the struggle has been dependent on outside players, predominantly on Russia and the U.S. The interests of these two powers are influenced by the competition between them, which transcends regional dimensions. The crisis in Ukraine is defined by competition between Russia and the West over preserving or changing the geostrategic balance of power in a region of geopolitical importance. The reappearance of tensions in Karabakh at this time is closely connected to the crisis in Ukraine. Russia is taking advantage of the conflict as it tries to solidify its hold on Azerbaijan and to improve its stance in the confrontation with, primarily, the U.S. over Ukraine. This confrontation, in effect, is over geopolitical superiority in the Black Sea-Caspian region, which is a key to the gates of Eurasia.

The government of Azerbaijan had close relations with the former authorities of Ukraine. Last year, President Ilham Aliyev paid unexpected visit to Kiev to discuss with then president Viktor Yanukovich his position concerning Association Agreement with the EU. Because if Ukraine along with Georgia and Moldova signed Association Agreement with Brussels, Azerbaijan would

remain the only GUAM country behind this cooperation format. Azerbaijan several times was a part of official delegations when it worked in capacity of the Secretary of National Security Council, governor of the Ukrainian Central Bank, foreign minister and other positions.

However, so far, Baku has cautious attitude towards Poroshenko as a new Ukrainian President. For example, unlike previous elections, this time Azerbaijan's Central Election Commission did not send monitoring mission to Ukraine. It also took President Ilham Aliyev several days to send formal congratulation letter to Poroshenko. It is likely that Baku is not in rush to build tight relations with the new Ukrainian government, what could be explained by two factors.

First is that Baku does not want to take sides in aggravating Russian-Ukrainian relations. Azerbaijan has voted for Ukrainian territorial integrity in the UN and Parliamentary Assembly of the Council of Europe. In the meantime, Azerbaijani officials do not make statements like "Crimea is Ukraine's territory" and "we are condemning separatism at the Eastern part of Ukraine." Baku does not want to harm its relations with Kremlin – for example, a conference about "coloured revolutions" was held in Moscow on May 23, the main focus of the event being condemning the revolution in Ukraine. Azerbaijan's Defense Minister Zakir Hasanov has participated in this conference – by such a step Baku showed that it shares Russia's negative attitude towards coloured revolutions.

Second factor is that changes in Ukraine have happened in a revolutionary way, which Azerbaijani government does not support. That was the main reason behind the recent tension between the government and US Ambassador to Baku Richard Morningstar after his critical interview to

Azadlig radio. Baku officials have openly accused Washington of "organizing 'Maidan' movement in Ukraine." Therefore, Azerbaijani government showed that it is against it and does not accept forceful removal of Viktor Yanukovich from power.

Moreover, Azerbaijani government does not pay any attention to the issue of Crimea Tatars. The Crimea Tatars leader Mustafa Jemilov has several times appealed to Turkic countries for support. However, only Turkey has ever responded. In order not to irritate Russia, Baku does not show interest even in providing humanitarian aid to Crimea Tatars.

However, Baku will have to initiate contacts with new Ukrainian government soon. It is possible that after some time Petro Poroshenko will be invited to pay a visit to Azerbaijan. As Ukraine still remains important economic and political partner of Baku – e.g. Azerbaijan's state oil company (SOCAR) has big investments in Ukraine and its agenda concerning the expansion of SOCAR's business in Ukraine did not change. SOCAR plans to expand its chain of gas stations in Ukraine by 50% by the end of 2014. In 2009-2013 SOCAR has invested more than \$160 million into this country. Another \$5 million has been spent to social and charity projects in Ukraine. And, obviously, new authorities in Kiev urgently need foreign loans and direct investments. It is possible that Azerbaijani state-owned and private companies will actively participate in privatization and investment into Ukraine.

THE ROLE OF TURKEY AS A REGIONAL PLAYER

Few years ago Turkish Foreign Minister Ahmad Davutoglu has sounded ideas concerning resolution of Nagorno-Karabakh conflict stating that, immediately after Armenia liberates occupied regions around NK, Yerevan will become involved in trans-

port and infrastructure projects of Turkey and Azerbaijan. However, at that time Yerevan and Russia, which supports it, did not pay attention to this proposal.

After Russia's invasion of Crimea, Turkish foreign minister has once more intensified his efforts concerning NK conflict. Ankara has again been sending messages to Yerevan that in case if Armenia liberates occupied regions, Turkey will be ready to launch comprehensive cooperation with Armenia. It is likely that Baku has already agreed to that. The U.S. diplomats also have recently often said that "Azerbaijan's seven regions have to be liberated." Turkish foreign minister feels that Washington is interested in getting progress in Nagorno-Karabakh conflict's resolution as well. Therefore, Ankara does not want to lag behind in the fight for its interests in the South Caucasus region. In this case Turkey is ready to cooperate with Russia and there are two reasons for it:

- unlike the U.S., Russia has strong levers on Armenia. Therefore Turkey has to coordinate its efforts with Moscow which could make Yerevan accept Ankara's proposals,
- Turkey has developed economic, trade and energy ties with Russia and therefore Ankara has to take into consideration Moscow's geo-political interests.

Turkey is one the most important strategic partners of Azerbaijan. It always supported the resolution of Karabakh conflict. In fact, Turkey plays a great role for regional interests. As a NATO member Turkey is always trying to achieve peace and stability in the entire region. This action also meets the West interests.

There are strong and good relations in many fields between Azerbaijan and Turkey. This is why Turkish foreign minister is



CRISIS IN UKRAINE HAS SERIOUSLY HARMED RUSSIA'S INTERNATIONAL IMAGE AND CREATED TENSION IN ITS RELATIONS WITH THE WEST

seeking ways to get progress in Karabakh resolution not in Washington but in Moscow. Davutoglu's visit to Moscow on May 27, confirms it. Big part of Turkish foreign minister's talks with his Russian colleague Sergey Lavrov was about resolution of Nagorno-Karabakh conflict. At the press conference after the talks, Davutoglu discussed "positive situation for progress in NK resolution process." Ankara's message to Kremlin is as follows: crisis in Ukraine has seriously harmed Russia's international image and created tension in its relations with the West. However, if Moscow will pressure Armenia and force it to agree to liberation of seven occupied regions, it will have positive results for Russia— Russia could achieve some compensation of its image losses after secession of Crimea by achievement of peace in NK conflict.

Ahmad Davutoglu visited Moscow after he had talks in Baku. While in Azerbaijan, Turkish foreign minister had another mediation mission – between Baku and Ashgabat. First meeting in a new trilateral format of foreign ministers of Azerbaijan, Turkey and

Turkmenistan was held in Baku on May 26. Davutoglu has turned into an important mediator of problems between Azerbaijan and Turkmenistan. Resolution of the issues between the two countries is of utmost importance for boosting regional energy cooperation and projects.

The matter of Turkmen gas transportation via Caspian Sea and Azerbaijani and Turkish territories to European markets was the focus of foreign ministers' meeting in Baku. By participation in the meeting Ashgabat showed that it is still interested in construction of the Trans-Caspian pipeline. The discussion will continue at the next meeting held in Ashgabat by the end of 2014. Now it is important to get strong political and financial support of the European Union to this project.

Kremlin intensifies its efforts directed at Azerbaijan. It has recently sent Russian economic development minister Alexei Ulukayev to Baku with a special mission. The minister arrived with two proposals to Baku. First one: Azerbaijan could join the Customs Union and Eurasian Economic Union. Second one: to create joint Azerbaijani-Russian investment fund. It is not the first time when Kremlin wants to gain Azerbaijan in the Customs Union. However, earlier Russian officials did not state it openly but only at closed talks.

Russian President Vladimir Putin knows that in the current circumstances (unresolved Nagorno-Karabakh conflict) Azerbaijan's joining the Customs Union seems impossible. Nevertheless, Putin continues pressing Azerbaijani government. It is likely that Kremlin believes that Baku will not be able to pursue balanced foreign policy for a long time and will have to make a choice at some point. But, Ulukayev's visit did not change Baku's position concerning Customs Union. While Russian minister was

in Baku, Azerbaijani officials have said one again that Azerbaijan does not intend to join Russia-led unions.

Baku is ready to discuss Kremlin's second proposal – creation of joint investment fund. Moscow is concerned about the fact that, at the background of Baku's plans to invest \$18 billion in Turkish economy during five years, the amount of investments to Russia is only about \$1 billion. Turkish market is more advantageous and reliable for Azerbaijan. Meanwhile, Western sanctions imposed on Russia after Crimean crisis have turned Russian market into unstable and risky for foreign investors. Nevertheless, in order not to harm relations with Kremlin, Baku could give green light to creation of such an investment fund. Russia already has such joint investment funds with Qatar, Kuwait, South Korea and China.

But even if such Azerbaijani-Russian investment fund was to be created, the problem is how to make it efficient. Earlier, Kremlin called Azerbaijani government for investing into Northern Caucasus regions of Russia. After that, Azerbaijani's minister of economy and industry Shahin Mustafayev paid a visit to these regions. However, no real investments were made as a result of all these activities. The reason is clear – political instability, widespread corruption, security risks and other problems make any foreign investments in the Northern Caucasus regions very tricky. In this case economic concerns overbalanced political interests.

Last month, the situation at the front-line between Armenia and Azerbaijan has again aggravated with several major violations of cease-fire regime. Journalists and political experts have again tried to find an answer to the question of "who is interested in violating the cease-fire?" Logically, neither Armenia nor Azerbaijan has any interest in ten-

sions at the front-line. Therefore there must be as third party which has on its agenda violation of this relative stability.

Deputy foreign minister of Russia Grigory Karasin said last month that Azerbaijan's foreign policy guarantees that the country will not become a hostage of geo-political interests of other powers. Karasin gave the example of Ukraine, which is in a difficult situation because of "different foreign policy." This statement could be considered as a blackmail of Baku. Russian diplomat indeed means that if Azerbaijan deepens ties with NATO and the EU without considering interests of Moscow, it will face serious problem.

Russian diplomacy has intensified efforts towards Azerbaijan. A number of high-ranking government officials have visited Baku in June. During short period of time Baku was visited by Russian economic minister Alexei Ulyukaev, foreign minister Sergei Lavrov and deputy Prime Minister Dmitry Rogozin. All these officials have raised the issue of Azerbaijan's potential membership in the Russia-led Eurasian Union. However, President Ilham Aliyev has denied this offer.

In the meantime, Baku does its best not to deteriorate relations with Moscow and keep them at the level of "strategic partnership." So far Aliyev's administration is successful in it. For example, Russia's deputy PM Rogozin, who is one of the most nationalistic Russian politicians often strongly criticizing the U.S., the European Union, Georgia, Moldova and Ukraine, has, however, never said anything against Azerbaijan but to the contrary – during a visit to Baku he expressed satisfaction with bilateral relations. Rogozin knows President Ilham Aliyev personally from early 2000th when they both served in the Parliamentary Assembly of the Council of Europe. Taking into account personal relations, Kremlin has appointed Dmitry Rogozin as



the head of the bilateral Russian-Azerbaijan commission on economic cooperation from Russian part. He is also responsible for military-industrial complex in Russia.

In the meantime, during recent four years Baku has purchased weaponry and other military equipment from Russia worth almost \$3 billion. Such cooperation is beneficial for both Moscow and Baku.

Another big event in Azerbaijani-Russian relations is scheduled for June 23, when big economic forum with participation of over 500 Russian businessmen and government officials will be held in Gabala city. It looks that Baku is trying to develop relations with Moscow beyond the frames of Customs Union and Eurasian Union.

Along with Russian-made weaponry import, Azerbaijan has also been developing economic ties with various regions of Russia. At present Azerbaijan has bilateral agreements on cooperation with 30 Russian regions. This activity is aimed at decreasing Russia's pressure on Azerbaijan concerning Eurasian Union and to get Moscow's support in Nagorno-Karabakh conflict's resolution. However, Baku has failed to achieve any of these goals while Moscow does not forget its plans to make Azerbaijan member of the Union. There are no changes in Russia's stance towards Nagorno-Karabakh conflict as well. A day after Russian FM Lavrov's visit to Baku, Azerbaijan's deputy Foreign Minister Araz Azimov said that "Azerbaijan is the leading country in the region and Russia will get biggest benefits from cooperation exactly with us. Therefore, by showing support in Nagorno-Karabakh issue, Moscow will get even bigger results." It means that in case if Russia supports Azerbaijan in Karabakh issue, Baku could re-consider its decision not to join Customs Union and Eurasian Union. Now it is time for Moscow to make the choice.

The new war in the South Caucasus region does not meet Russian interests at this point. There are two reasons: the first one is an ongoing civil war in Ukraine. Putin is provoked a crisis in Ukraine, annexed Crimea and faced strong Western sanctions. Another military escalation in Russia's neighbourhood could put Kremlin in a difficult position. In case of a new war in Nagorno-Karabakh Moscow will have to support Armenia. But this will automatically destroy Russia's relations with its two strategic allies – Azerbaijan and Turkey. The second reason is the risk that a war between Azerbaijan and Armenia could "export" instability to Russia's Northern Caucasus regions.

The factor of religion has grown in importance in Azerbaijan during the past 20 years and therefore in the case of a new war many people might join it under the pretext of "jihad". Radical Islamic groups from the Northern Caucasus and all over the world could enter the war against Christian Armenia. This could create additional problems for Russia.

The presidents' meeting in Sochi did not bring real results – at the meeting, Azerbaijani President Aliyev demanded releasing two Azerbaijanis detained in occupied Kelbajar region by Armenian armed forces in July. However, it is difficult to believe that this stability will last long. Because of the present status quo in the NK, the conflict zone does not meet Azerbaijan's interests. Therefore, a possibility of new escalation and even full-scale war in the region is still high.

New war will be much more disastrous for the region than the first one, while both Azerbaijan and Armenia have now professional armies and modern weaponry. Such war could also touch Georgia where clashes are possible between Azerbaijani and Armenian minorities in this country. Moreover, in this case, diversions against

oil and gas infrastructure at the Georgian territory are possible, what would influence interests of Turkey, the U.S. and the European Union. It means that war in Nagorno-Karabakh will by no means be a local one. Therefore, Azerbaijani President Ilham Aliyev is facing a difficult choice now: either to start small war to liberate occupied regions in Nagorno-Karabakh, which is, in fact, really risky, or to remain at the waiting position and reconcile himself with the existing status quo which will lead to growing discontent of the population.

Chief of the Foreign Policy Analyst Department of the Center for Strategic Studies, Rovshan Ibrahimov, claimed that "Azerbaijani government is trying to be more pragmatic, preventive and predictable. According to this strategy it reduces the possible risks of unsolicited cataclysms. There is no impact for integration process of Azerbaijan towards Euro-Atlantic area. It seems that the Western officials do not think about the admission of Azerbaijan to Euro-Atlantic area simply because the programs do not meet Azerbaijani national interests. It is not agenda of Azerbaijan to integrate with Eurasian Union. It is not the main goal of Azerbaijan."

CONCLUSION

Russia never made any war until August War in 2008. After this conflict, Azerbaijan began to put forward its foreign policy very attentively. According to Azerbaijani balanced policy in the region, Ukrainian crisis has not influenced significantly the foreign policy of Azerbaijan. Nevertheless, it proved again that the solution to Karabakh conflict is in the hands of Russia. It is ready for any war in order to secure its interests in the region. Azerbaijan still does not want to worsen current relations with Russia, but it is also interested in normalizing relations with the West. It is the best evidence of lack of will of Azerbaijan to join the Eurasian Union.

All in all, after aggression of Russia and Russian separatists on Ukrainian territories (Crimea, Lugansk and Donetsk), Russia's active involvement in internal politics of Azerbaijan seems very clear. Russia wants to increase its influence on Azerbaijan by some political parties, NGOs, companies and other organizations, even some high-rank officials inside of Azerbaijan. It is trying to jeopardize the future security and independence of Azerbaijan. For these reason, safety of territorial integrity issues has become the major agenda of the USA's strategic partners.

Moreover, the new international energy projects TAP (Trans Adriatic Pipeline) and TANAP (Trans Anatolian Pipeline) have launched its implementation. The implementation of democratic reforms will be on the agenda of energy security for the next years. On the other hand, when the removal of NATO troops from Afghanistan will take place by the end of 2014, Azerbaijan will serve as an important transit country. Therefore, it is crucial to protect the model of a democratic and Muslim country in Azerbaijan. ●



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PARVIN
GULIYEV

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Eastern Partnership in Context of the Wider European “Foreign Policy”



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MARTIN
REGULI

European Union as an institution has been originally, in the days of European Economic Community, conceived of as an institution promoting economic cooperation that would prevent European countries from sinking into conflicts of the likes of two World Wars. In the wake of the Cold War paradigm, the United States overtook the position of the geopolitical and foreign policy leadership until the collapse of the Soviet Union. The foreign policy agenda was taken over by the North Atlantic Treaty Organisation even though European countries have made some initiatives to push for a European defence policy and even a common army. Thus, due to the lacking need as well as the continually non-existent capacity or even legal foundation for the creation of such capacities, the early 1990s found the European Union facing the break-up of the Soviet bloc unprepared. Since the newly founded countries and regimes in the Central and Eastern Europe in the early 1990s were susceptible to turn to authoritarian tendencies, the European Union had to act quickly in the new geopolitical environment and prepare a framework, in which it would manage to handle relations with these countries and ensure their peaceful and complete transition from a planned economy and totalitarian political systems to the club of modern democracies with a market economy and a stable social system. The result was an incorporation of these countries in the European Union.

In the mid-2000s when the Central and Eastern European bloc of countries joined the EU in two waves, Europe found itself facing new challenges on its outskirts and realised the need to assert its influence in these countries. The main areas in mind were the Mediterranean region, Turkey, Caucasus countries and Ukraine and Belarus in the East. All of the mentioned regions

and countries lie in the borders of the European Union and present a potential area of development for the EU and its influence abroad. European Union was particularly concerned by the development in the Ukraine and the Caucasus countries, which have seen more problematic struggles in the path either towards the establishment of functioning democratic processes with a market economy or even in some of the basic aspects of transformation for an authoritarian regime. The Orange revolution in the Ukraine and similar attempts in other countries of the region (namely Georgia with the Rose Revolution in 2003, but also the opposition protests in Belarus) sent out a clear signal to the European countries that there is a need for a consolidated effort to help the pro-European voices in the individual countries.

EASTERN PARTNERSHIP

That is why European Union tried to promote its position in the Ukraine, Belarus and the Caucasus region by the foundation of the Eastern Partnership, which was inaugurated by the European Union on 7th May 2009 in Prague. The Eastern Partnership was set out to improve political and economic trade relations with six post-Soviet states, namely Ukraine, Belarus, Moldova, Georgia, Armenia and Azerbaijan in order to prepare ground for possible future membership in the European Union. This article is an attempt to analyse the Eastern Partnership as a form of European foreign policy in the context of an overall foreign policy strategy of the EU as well as the basic aims and methods applied in this particular case from the perspective of efficiency in terms of achieving the set goals. This is critical in order to better evaluate the usefulness of the partnership as an effective means of promoting positive change in the wake of the current events unfolding for example in Ukraine, which may require a reevaluation of this policy going forward.

In the beginning, the main goal of the Eastern Partnership was to create economic and political transformation of the mentioned countries into fully functioning market economies with stable democratic institution and constitutional checks and balances protecting the citizens of these countries from the arbitrary abuse of government power. Obviously, from the outset this was a different mission than the one with the Visegrad or Baltic countries over a decade before. While there were some difficulties in the democratic and economic transformation in case of the Central European countries, as could be seen in the case of Mečiar government in Slovakia between 1994 and 1998, the general transformation to democratic principles was never threatened in terms of challenges to the basic constitutional principles. Moreover, Ukraine, Belarus and the Baltic countries are positioned directly in a traditional sphere of Russian influence, not just in terms of economic interests, but also in terms of basic security concerns that the Russian Federation tried to overcome by having a layer of countries around itself, which it could view as economic and geopolitical allies acting in accordance with Russian interests. Ukraine, Belarus or the Caucasus countries found themselves between the two economic and political actors that were struggling to impose their vision on the region.

From this perspective, the purpose of this article is to then compare this measure to other forms of initiatives that the EU pursued over the past couple of decades. Since it could be argued that the most effective way for the EU to conduct its foreign policy was the offer of the EU membership through a system of conditions given to the applicant state, it is necessary to evaluate the efficiency of missions that had a different set of aims and relations, at least in the short run. Since the Eastern Partnership could not offer a direct membership, but

only a distinct step up in the relations with the European Union leading to the possible ratification of the Association Agreement, the arrangement of the relationship could matter tremendously if the mission was to be successful in achieving the gradual improvement in the cooperation between the European Union and the respective countries. This could be particularly topical for the case of Ukraine, which was offered an accession agreement only in 2013 and so the impact of the Eastern Partnership could be evaluated as a program to precede the later establishment of accession talks.

HISTORICAL DEVELOPMENT OF THE EU'S FOREIGN POLICY

In order to fully grasp the nature of this foreign policy initiatives of the European Union it is necessary to understand that the foreign policy dimension of the European Union only appeared in the overall picture of the European Union's policies as a result of the pillar system of the European Union stemming from the Treaty of Maastricht in 1993. It established the Common Foreign and Security Policy (CFSP) as the second pillar of the European Union, which was to be governed by the principle of intergovernmentalism, which required an agreement between the governments of individual member states of the European Union. It is for this reason that the CFSP pillar together with the third pillar focusing on the cooperation in the area of Police and Judicial Co-operation were developing on an insufficient level, from the point of view of the overall process of European integration. This was especially true with respect to the new challenges facing the European Union on a much more global scale, particularly in the context of the terrorist attacks on the World Trade Centre and the Pentagon on the September 11, 2001. The response by the United States in the form of military operations in Afghanistan and Iraq found the European countries split

right down the middle with some countries actively involved in the operations, while other ones actively criticising the United States for these measures. European Union faced similar weakness in terms of influencing other geopolitically important conflicts such as the conflict in Israel and the escalations of the tensions with Iran.

It is for this reason that the European Union sought to increase its capacities to act on both local and global scales. The first step in the transformation was supposed to cover the legal foundation necessary to increase the efficiency of the EU institutions. The first significant step forward was supposed to be the introduction of the European constitution, which was seeking to create a unified position of a Foreign Minister of the European Union. However, this was prevented by the referenda in France and Netherlands, where the citizens of these two countries voted against the introduction of the new treaty, and thus rejected with it the establishment of a unified position that would represent the entire European Union in all its diversity, and more importantly have the power to act in their name and effectively be a partner to global actors, such as the United States, Russia, China or India. This was then later substituted with the Lisbon Treaty in 2009, which was supposed to create a position of the President of the European Council and the High Representative of the Union for Foreign Affairs and Security Policy. However, this was proven to be a compromise that was not sufficient to bring satisfactory prominence to the European Union as a single foreign policy actor.

THE EUROPEAN NEIGHBOURHOOD POLICY

It was within this context that the European Union developed the foreign policy initiatives that were aimed at the neighbouring regions. Overall, the policy was spearheaded under the name of the European

Neighbourhood Policy. It aims at providing a chance to countries lying on the outskirts of the European Union to develop political and economic institutions that would enable the European Union to offer them the Accession Agreement. It was designed as a tool to improve the situation at the EU's Eastern and Southern borders, excluding Russia, for which a separate approach has been developed. The program declares the maximum support for the countries involved in order to reach the European standards when it comes to finances, economy and politics. This support is directed towards the promotion of basic European values. As it was pointed out earlier, perhaps the main distinction compared to the previous case of the CEE countries in the case of the European Neighbourhood Policy and more specifically the Eastern Partnership the European Union used financial support as the main incentive for the introduction of many structural reforms as opposed to the direct membership prospect. However, as it will be shown later, often these financial advantages were insufficient compared to counterincentives that these countries had to resist due to the transformations.

UNION FOR THE MEDITERRANEAN

Overall, the Neighbourhood Policy had two dimensions. The first one that could be viewed as more robust, both in terms of the size of the program and the level of involvement, was the Euro-Mediterranean Partnership (EUROMED), which has been promoting economic and political reforms across sixteen countries in the Southern neighbourhood of the EU in the North Africa and the Middle East. Previously known as the Barcelona Process, the Union for the Mediterranean (UfM) posed an opportunity to restart the relations in a more concrete and visible way as a result of the commencement of new regional and sub-regional projects that would have real impacts on the people inhabiting those countries and

regions. The main areas of these projects were economy, environment, energy, health, culture and migration. The countries that are officially a part of this Union are: Albania, Algeria, Bosnia and Herzegovina, Egypt, Israel, Jordan, Lebanon, Mauritania, Monaco, Montenegro, Morocco, Palestine, Syria (suspended), Tunisia and Turkey. Looking at this arrangement we can see that institutionally the UfM has been organised relatively weakly, and is primarily based on regular meetings that are currently copresided by one EU member state and one member of the UfM. In addition, since 2010 there has been a functional secretariat founded in Barcelona. It is headed by a Secretary General and six deputy secretary generals. As a result of the abovementioned Lisbon Treaty there will be a change in the institutional arrangement following the establishment of the European External Action Service (EEAS).

Currently the Union for the Mediterranean has a number of initiatives on its agenda. In general terms they focus on the environment, transport, energy, education and the cooperation of small businesses in the region. The key long-term objective of the partnership is to create a deep Euro-Mediterranean Free Trade Area, which would remove all barriers to trade and investment between the UfM and EU countries. To help achieve this end the Euro-Mediterranean Association Agreement has been signed and put in force with most of the partners. At this moment the scope of these agreements is limited to trade in goods. Further negotiations are ongoing to increase the trade to the areas of agriculture and services, acceptance of industrial products and regulatory governance in order to establish sound and comprehensive free trade areas. Through the mutual trade and economic cooperation the EU tries to achieve a common area of peace, economic prosperity and political stability in the region.

It is especially at the present time, in the direct aftermath of the political instabilities in the region of Middle East and North Africa that the EU tried to push the economic cooperation as the main tool of its foreign policy. On one hand, the EU realises that the current level of economic integration between the countries in the region is still relatively low and that in order to stabilise the political situation, it also needs to compete with other foreign interests in the region – China, for example – which has been strengthening the economic ties with Africa for the past couple of years. An example of the Free Trade initiatives in the region include the Agadir Agreement between Morocco, Tunisia, Jordan and Egypt, which came into force in 2007 and still remains open to other Arab countries. Another example with potential political implications for the region is the Free Trade Agreement signed between Israel and Jordan, which could serve as a foundation for wider economic cooperation and thus could provide a critical stabilising mechanism for the Middle Eastern region. Especially if we note that Egypt, Israel, Jordan, Lebanon, Morocco, the Palestinian Territories, Syria and Tunisia have all signed bilateral trade agreements with Turkey. The European Union tries to build up on these attempts and promote economic and social transformations.

EASTERN PARTNERSHIP IN THE CONTEXT OF EUROPEAN NEIGHBOURHOOD POLICY

As a result of the historical development as well as the development of the Southern dimension of the European Neighbourhood Policy, European Union intended to counterbalance the newly established Mediterranean Union and provide a second dimension of the foreign policy towards its bordering regions. It was exactly in a very similar manner that the means and the goals of this part of the ENP were defined. Similarly to the area of Southern

neighbourhood, the Eastern Partnership focused initially on the improvement in the political cooperation, economic integration, transportation, energy policy and the offer of the financial reward for the pro-democratic and pro-market reforms. These reforms and the increased cooperation on all levels should ensure stability on the EU's Eastern border, but more importantly, increase EU's political and economic impact in the area that traditionally belonged to a sphere of influ-

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THE QUESTION IS THEN, WHETHER THE EU IS NOT JUST TRYING TO PROVIDE A SUBSTITUTE OF THE RUSSIAN SPHERE OF INFLUENCE WITH A ONE OF ITS OWN

ence of a world power that was seeking to reinstate its impact for economic and security reasons. The issue of geopolitical loyalty of the regimes in the Eastern borders, Ukraine, Belarus, Moldova, Armenia, Azerbaijan and Georgia, to the European values. An important aspect was the conflict in Georgia, which urged the European Union to take a politically decisive action in this matter. While the European Union seems to want to overcome the notion of

the Russian sphere of influence and the EU officials claim that Russia has no right for such sphere in the neighbourhood, one must take a much more careful and closer look on the outcomes in order to judge the efficiency of such policy and plan the future steps in this region.

The question is then, whether the EU is not just trying to provide a substitute of the Russian sphere of influence with a one of its own. And while the Eastern Partnership is not focused on a military or security cooperation, the attempts done in the area of political transformation in say, Belarus or most notably Ukraine, clearly showed that the political control of the countries in this region can be of crucial importance due to many types of economic and geopolitical interests of the Russian Federation. This is often true even in the direct military aspects such as the strategic position of Sevastopol as the location of the Black Sea Fleet. This way we can view the political transformations as having direct implications for security concerns of the Russian federation. Furthermore, the energy supplies following the 2009 Russia-Ukraine gas dispute, the diversification of energy sources to Azerbaijan or Armenia could also be seen as a direct threat to its economic interests on one hand and the political leverage in these countries on the other.

By the same token, the European Union has had a similar combination of economic and security interests in mind when it pursued the project. Looking at the main results after the initiative has been in place for four years we can see that the project has been initiated with the goal that would later result in the offer of Association Agreements. These have been negotiated with Ukraine, Georgia, Armenia and Moldova, later on also with Azerbaijan. Another area of success has been the liberalisation and the fa-

cilitation of visas. Furthermore, the EU has strengthened the multilateral and sectorial dimensions of the Eastern Partnership.

However, a couple of things have become apparent in the light of the developments unfolding over the last year, particularly in Ukraine, but also in other countries, eg. Moldova or Armenia. The main lesson that can be taken out of these examples is the leverage provided by the European Union in terms of its position vis-à-vis the Russian Federation, which can offer an immediate benefit of the Customs Union with Russia or the cheaper gas prices. This situation has occurred in a number of cases and perfectly illustrates the limits in the influence the Eastern Partnership has in the face of serious political contenders. The situation in Ukraine with the political aftermath of the unseating of president Viktor Yanukovich, which was followed by the military operations and the current state of civil war are issues that the EU has little capacity to contain.

This shows that despite the initial willingness to push for political changes and the foreign policy influence in the region of the Eastern border, the European Union is not prepared to support the efforts with a serious and economically attractive offer that would counter the potential offers from Russia. More importantly, however, the EU also lacks the foreign policy capacities (military capabilities, decisiveness and the unity in terms of its voice) to back any such offer that could be used in case of large scale escalation of a conflict such as in Ukraine, or just as a negotiating tool to increase the respect from the side of major international partners such as Russia. The decision of Armenia to suspend the preparation for the Accession Agreements with the EU after the build-up of Russian pressure and the interest to join the

Customs Union with Russia, Belarus and Kazakhstan was only confronted with regrets from the side of the European Union. This puts European Union and the entire Eastern Partnership initiative into a very dim light in terms of its capacity to deliver the desired ends when faced with any significant pressure from Russia.

This is especially discouraging towards any pro-European voices in the countries directly under Russian sphere of influence – it used to apply to Ukraine much more during the government of Viktor Yanukovich, and still applies most heavily in countries like Belarus and Armenia, which have been traditionally strong allies of Russia. However, if we look at the sentiments of the ordinary people, the efficiency of the Eastern Partnership to be a successful tool of foreign policy is also limited as the countries still face a strong internal split within the population, especially if there is an influential Russian minority present in the respective country.

PATH AHEAD

In order to change the fortunes of the European Union a number of things should be on the EU's agenda with respect to its foreign policy. Now, the level to which the European Union should focus on each of these elements is dependent on the priorities that the EU wants to take due to the political will and resources being limited and already strongly contested in the EU today. The natural objective of the EU would be to make a firm decision and a firm offer to the countries that it wants to attract in order to counter the offers presented by Russia. This should not only include a direct access to the EU markets, but also a counter offer for the economic benefits proposed by Russia. The question is, of course, whether the EU even has the capacities in terms of financial and other resources that it could freely offer

to offset the temptations to break under the economic and political pressure from Russia. If this approach is not possible due to the lack of political will, then the EU will have to focus on the gradual build-up of its capacities to counter the crises that happen as a result of the natural will of the people in these countries to promote pro-European ideas. This is not to mean necessarily to build an army to be used in the cases such as Ukraine, but more specifically a leadership mechanism in terms of both crisis management and diplomatic staff that could be deployed quickly in the moment of such need. This approach could help the EU in a number of ways. Firstly, it could build a substantial credibility to the capacity of the European Union and the capacities to act in the times of need. The feelings that the EU was lacking such capabilities have tarnished the image of the EU as a serious partner and an actor. Given the fact that the EU would have hard time countering Russia in terms of the economic offers, being the promoter of peace and stability alongside spreading the message of the EU values and the benefits of the EU membership through positive images and more substantive soft power could be the most effective way for EU to win the hearts and minds of the people in the region of the Eastern neighbourhood.

CONCLUSION

Of course, there still remains the question of to what extent these policies can be established with the adherence to the principles of economic and political liberty of the countries and the peoples of the current EU. It is the responsibility of the EU to define it and we may only remain patient as it is a turbulent process, which will require the EU to react quickly and be well prepared for taking measures often different from the predicted patterns. The EU tried to replicate a weaker version of

what worked in the case of Central and Eastern European countries a decade before – offering an enlargement. However, due to the geopolitical context, the EU has seen the attempts end in vain as a result of the Russian interests in economic and political relations with some of the countries, notably Ukraine and Armenia. It is the lack of prediction of this development that made the EU unprepared for such a course of events as well as having capabilities insufficient for deployment that turned this initiative to the disadvantage of the EU which resulted in a current state of geopolitical crisis that this European organization now faces. It rests upon the EU to try to handle the relations with Russia as well as with Ukraine and other members of the Eastern Partnership and prepare for developing at a slower pace but more stable relations with the individual countries and turn the initiative into a fruitful project that can bring policy results for the EU. ●



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Economic aspects of the Association Agreement between the EU and Ukraine



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IRYNA
KOSSE

On June 27, 2014, the EU and Ukraine signed the Association Agreement (AA)¹ during the Summit of EU leaders in Brussels. The AA is, without exaggeration, the most ambitious package of agreements in the history of independent Ukraine. The economic part of the deal concerns to some extent all sectors of the Ukrainian economy. The parties agreeing on such diverse content is the evidence that Ukraine and the EU have a strong intention to not only upgrade their cooperation to a new level but also to bring Ukrainian economic system closer to that of the EU based on mutual liberalization of the movement of goods, capital and services, harmonization of approaches and principles for sectoral policies and regulatory system.

The obligations that Ukraine took can be tentatively divided into two broad categories: hard commitments and soft commitments (see Figure 1). Hard commitments depicted in Title IV Trade and

Trade Related Matters are crucial for establishment of the free trade area and their implementation will be closely followed. These are, for example, all obligations on import duties reduction. Soft commitments depicted in Title V Economic and Sector Cooperation, on the contrary, are expected to have weak enforcement. These are, for example, commitments in the area of macroeconomic policy, taxation, consumer protection etc. [See Figure 1.]

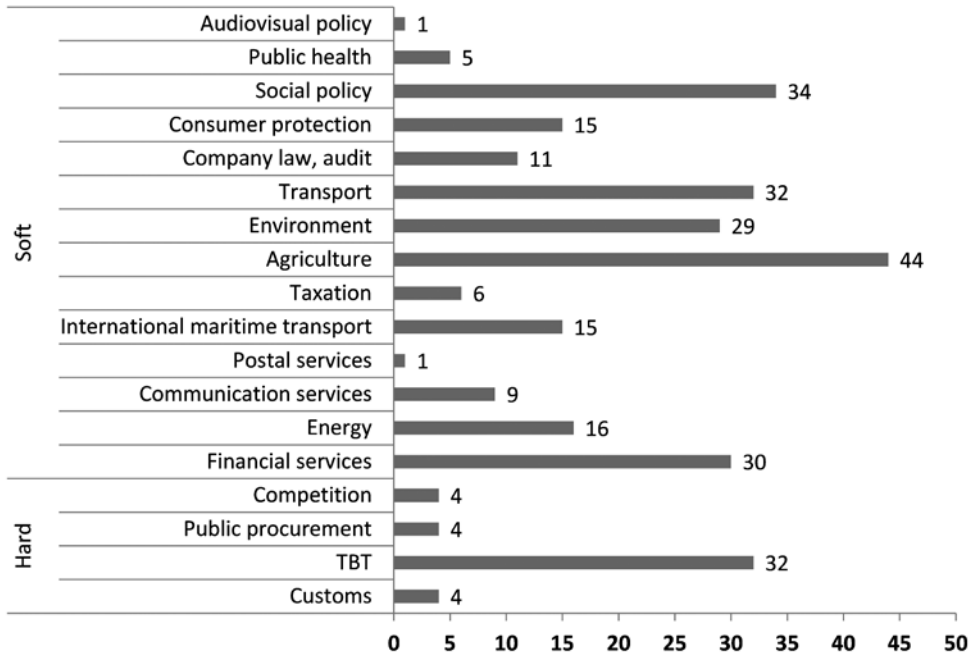
Harmonization of the regulatory regime between Ukraine and the EU means reforming the rules of the game and improving the investment climate in Ukraine. The majority of legislative changes will happen in 2-5 years after the enactment of the AA. [See Figure 2.]

The AA provides for asymmetrical opening of the markets: the European Union lowers its customs duties to almost zero during the first year after the signing of the AA while Ukraine has a much longer transitional period. [See Figure 3.]

Source: Economic Component of the Association Agreement between Ukraine and EU: Consequences for Business, House-

¹ http://www.eeas.europa.eu/ukraine/docs/association_agreement_ukraine_2014_en.pdf

Figure 1. Ukraine's commitments on the harmonization of legislation (number of legal acts)



Note: The Energy section contains both hard and soft commitments. Commitments in the Chapter 11 of Title IV "Trade-related energy" are hard commitments.

Source: Economic Component of the Association Agreement between Ukraine and EU: Consequences for Business, Households and the Government. IER, 2014 http://www.ier.com.ua/files//publications/Books/Economic_red.pdf

holds and the Government. IER, 2014 http://www.ier.com.ua/files//publications/Books/Economic_red.pdf

Moreover, for April-October 2014, EU unilaterally opened its markets for Ukrainian exporters in the framework of autonomous trade preferences. These preferences de-facto implement the EU commitment regarding opening of its market envisaged for the first year of implementation of the AA. Thereby Ukrainian producers got preferential access to the EU market half-year earlier.

According to the AA, Ukraine has to establish a number of coordination bodies for interaction in various spheres of cooperation,

constant dialogue and quick problem solving. Here the principle of transparency and predictability of economic policy is very important.

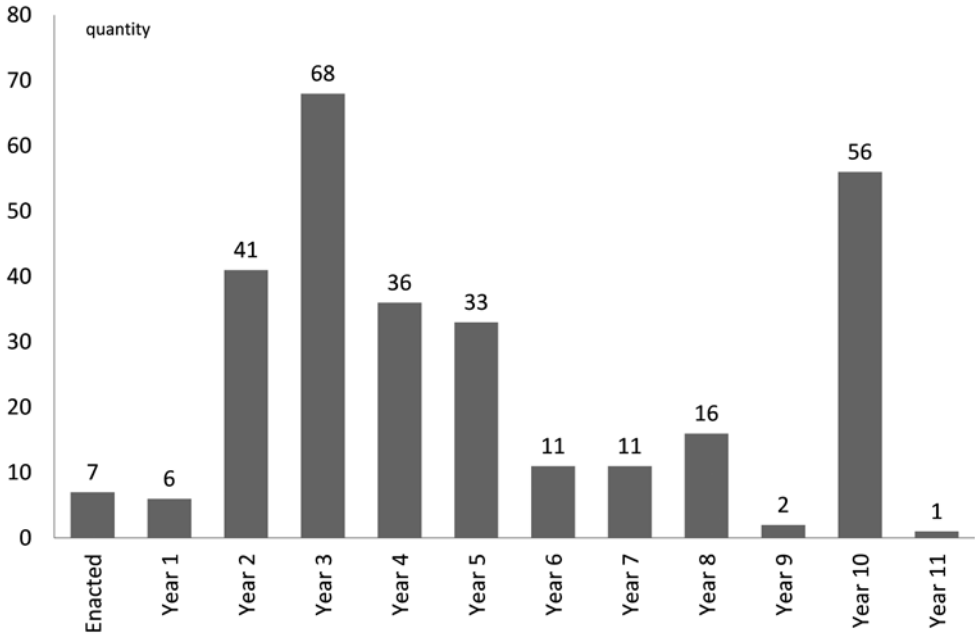
Let's look on AA's impact on some sensitive sectors of Ukrainian economy.

AGRICULTURE, FOOD AND RELATED INDUSTRIES

In 2012, the share of agriculture, food and related industries (further in the text agrifood) in the total output in Ukraine was 17%.²The sector exported 26% of its out-

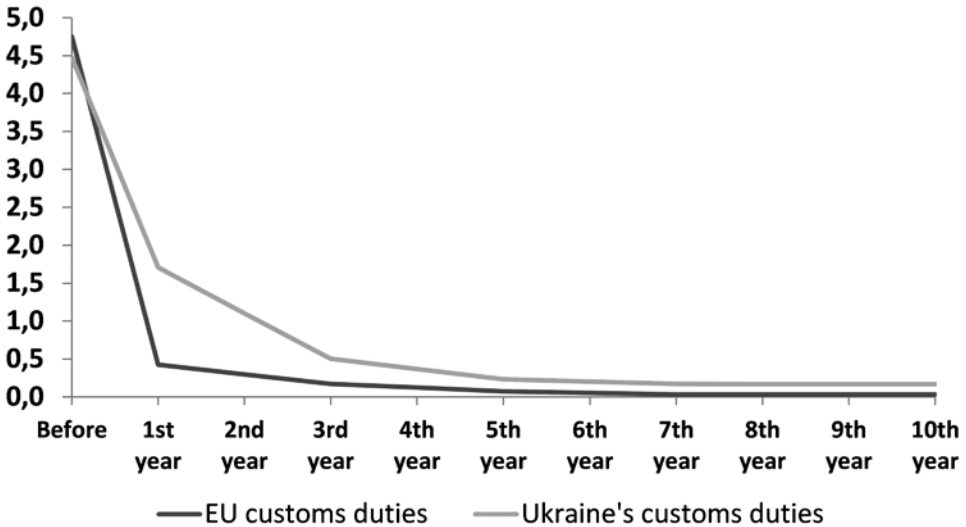
² Here we count as agrifood "Agriculture, forestry and fishery industry" and "Manufacture of food, beverages and tobacco products" from the national input-output table.

Figure 2. Legislation harmonization timeframe (years since signing the AA)



Source: Economic Component of the Association Agreement between Ukraine and EU: Consequences for Business, Households and the Government. IER, 2014 http://www.ier.com.ua/files//publications/Books/Economic_red.pdf

Figure 3. EU and Ukraine mutual commitments on customs duties reduction (average overall,%)



Source: Economic Component of the Association Agreement between Ukraine and EU: Consequences for Business, Households and the Government. IER, 2014 http://www.ier.com.ua/files//publications/Books/Economic_red.pdf

Table 1. The level of self-sufficiency in food in 2013 in Ukraine

	Grain	Vegetable oil	Sugar	Fresh vegetables	Eggs and egg products	Milk and dairy products
Level of self-sufficiency in 2013,%	161	645	118	106	108	105

Source: IER own calculations based on consumption balances. Level of sufficiency = Production/Domestic consumption.

put in 2013³ as compared to 19% in 2010. Still export orientation of agrifood sector is moderate and the majority of its output is consumed domestically. Ukraine can fully meet its needs in grain, vegetable oil, fresh vegetables, sugar, eggs and milk, and has a significant export potential. [See Table 1.]

Trade in agrifood⁴ between Ukraine and the EU⁵ has been rapidly growing in the nominal terms during the last decade with the only exception of 2009 due to the global crisis. According to Eurostat data, in 2001-2012, the agrifood trade volumes between Ukraine and the EU countries increased by 563%⁶ and comprise 20% of the total Ukraine-EU trade in goods.

The share of agrifood exports in the total exports of Ukraine to the EU has been steadily increasing and reached 31% in 2012 which shows an increasing importance of trade in these goods. For comparison, in

2001, the share was 11%. Ukraine mainly exports agricultural commodities to the EU: grains, oilseeds, and vegetable oils.

In 2012, the share of agrifood imports of Ukraine from the EU was 13%. Similar to exports of agrifood products, their imports over time has also been increasing which stresses the importance of this trade. Ukraine mainly imports agricultural machinery, fruits, vegetables, coffee, tea and spices from the EU.

The AA will impact the agrifood sector mostly through changes in import duties, export duties and SPS measures.

Import duties.⁷ According to the AA, Ukraine has a transitional period of 10 years during which it has to gradually reduce or cancel import duties. The speed of cancellation varies among product categories. Final import rates for more than 90% of tariff lines in agrifood sector will be equal to zero in ten years and import rates for 38.7% of tariff lines are reduced to zero immediately upon entering into force of the AA. For some group categories import duties will not be reduced to zero [see Table 2].

³ Ukrstat data for "Food products and raw materials for their production"

⁴ Here we define agrifood as the following SITC classification codes: 00, 01, 02, 03, 04, 05, 06, 07, 08, 09, 11, 12, 22, 27, 29, 41, 42, 56, 721, 722, and 727. Therefore, we define agrifood as products of agriculture, fisheries, food industry, fertilizers, and specialised vehicles and equipment used in agriculture and food industry.

⁵ Here we

⁶ According to IER claculations in EUR.

⁷ M.Ryzhenkov, S. Galko, V.Movchan, J.Radeke. The impact of the EU-Ukraine DCFTA on agricultural trade. http://apd-ukraine.de/wp-content/uploads/2013/11/Pol-Pap-01-2013-DCFTA_eng.pdf

Table 2. Evaluation of changes in ad-valorem import duty rates of Ukraine and the EU for agrifood (average, excluding tariff quotas and specific import duty rates)

	Import duties of Ukraine		Import duties of the EU	
	Base rate	Final rate	Base rate	Final rate
Agriculture, hunting, forestry	6.1	0.7	12.7	0.3
Fishing, fisheries	1.9	0.2	12.1	1.3
Manufacturing of food products, beverages and tobacco products	10.8	1.5	0.4	0.0

Source: AA, Economic Component of the Association Agreement between Ukraine and EU: Consequences for Business, Households and the Government. IER, 2014 http://www.ier.com.ua/files//publications/Books/Economic_red.pdf.

Ukraine will use tariff quotas for a number of sensitive products namely pork meat, poultry, and sugar. It should be noted that the quota increases over time. For example, during the first five years of DCFTA the sugar quota increases from 30 tons per year 40 tons per year.

The EU has a shorter transition period than Ukraine: rates for 82.2% of tariff lines applied to agriculture, food and related products will be cancelled immediately. This applies to wild animals, seeds and oilseeds, raw materials of animal and vegetable origin, oils and fats of animal and vegetable origin and special machinery. Import duties for mineral and chemical fertilizers will be liberalised during 3-7 years.

The EU will use tariff quotas more intensively and apply them to 13.7% of agrifood tariff lines. A tariff quota does not mean quantitative export restrictions. Tariff quota implies that within the quota the product will be imported at a zero rate, while the remaining amount will be supplied at the non-preferential rate.

The EU is going to apply 36 tariff quotas, including quotas for beef, pork, lamb, poultry, milk, butter, honey, sugar, grape

juice and apple juice. The largest tariff quotas are set by the EU for soft wheat (an increase over five years from 950,000 tons per year to 1,000,000 tons per year), corn (400-600,000 tons per year) and barley (250-350,000 tons per year). Other target goods are meat products (beef, pork, lamb, and poultry), dairy products (milk and butter), eggs, sugar, ethanol, starch, bran, tomatoes, and apple and grape juices. These groups are the main source of high final weighted average rate for the EU.

Quick opening of the European market will allow Ukrainian producers to reap the benefits of free trade from the very first year, while the gradual opening of the Ukrainian market provides time for domestic producers to prepare for competition with their European counterparts and modernize production in line with the European standards.

Export duties. The DCFTA envisages complete abolition of export duties during ten years. Ukraine has the right to apply a special protective mechanism - temporary surcharge to its export duties. It will increase from 0.9%

in the base year to 10.0% in the tenth year of the implementation of DCFTA followed by a linear decrease to zero in the 15th year.

Export duties are established for several agri-food tariff lines, namely live animals and oilseeds. Export duty for live animals will be cancelled during ten years with 5 percentage point (p.p.) reduction the first year and the following annual reduction of 1.1-1.2 p.p. As a result of surcharge the effective export duty for oilseeds will gradually decrease during 15 years by 0.5-0.8 p.p. while the export duty itself will be reduced to zero during 10 years.

SPS measures. Ukraine took an obligation to harmonize its legislation with that of the EU. In particular, it means adoption of the EU standards. Ukraine needs to harmonize its legislation with the European norms on sanitary and phyto-sanitary measures (SPS), as well as on the maintenance and handling of animals. To facilitate implementation, the AA requires not only to harmonize the legislation but also to develop relevant institutional capacity. Ukraine needs to establish a Subcommittee on management of sanitary and phyto-sanitary measures which will regularly monitor the harmonization process and provide recommendations. At the first meeting of the Subcommittee the parties should inform each other about the structure, organization and share of responsibilities between the authorities and later inform about changes in this area. Within three months after the entry into force of the AA Ukraine shall provide the Subcommittee with a comprehensive strategy for implementation of the provisions of the SPS section of the Agreement.

Geographical indications. The Agreement prohibits commercial use and simulation of geographical indications, including translation, using homonymous names which may confuse the consumer about the place of origin. If geographical indication is not protected in its country of origin, the parties are

also not obliged to protect it. The Agreement gives a complete list of titles which includes about three thousand titles. Products that prior to the entry into force of the Agreement were produced and labelled in accordance with the national law but do not meet the requirements of the Agreement may be sold until the end of stock. For the following trade names the AA sets a transition period of ten years: champagne, cognac, madeira, porto, jerez (sherry), calvados, grappa, anise Portuguese (Anis Português), armagnac, marsala, malaga, tokay. For the following products the transitional period lasts seven years: Parmigiano Reggiano, roquefort, feta. Ukraine and the EU agreed that the EU will support marketing of the Ukrainian products that would suffer from implementation of geographical indications commitments.

Impact assessment.⁸ In case of liberalization, Ukraine will have an opportunity to increase its agricultural exports to the EU by 18-20%. Ukraine will benefit almost immediately after the introduction of DCFTA due to the rapid tariff liberalization by the EU. During the first 10 years of trade liberalization the highest increase in exports is expected for tobacco, grain, and meat in terms of the total cost of additional supplies. Grain, oils and fats of vegetable origin will be the main drivers of the growth of total exports.

Due to the reduction of import duties Ukraine will be able to increase imports of agricultural products, food and complement goods by 4-8%. Imports will grow gradually; the maximum effect will be reached in about seven years, reflecting a longer transition period for the liberalization of the Ukrainian import duties.

The largest increase is expected for imports of beverages, oils and fats of vegetable origin, meat products, mineral and chemical

⁸ M.Ryzhenkov, S. Galko, V.Movchan, J.Radeke. The impact of the EU-Ukraine DCFTA on agricultural trade. http://apd-ukraine.de/wp-content/uploads/2013/11/Pol-Pap-01-2013-DCFTA_eng.pdf

fertilizers, oils and animal fats, and sugar. The growth of total imports will be mainly due to an increase in imports of beverages, meat products, fruits and vegetables.

For the government, harmonization of SPS measures with the European ones means a push to reform this area, for business – a reduction of non-tariff barriers to trade with the EU and third countries, for consumers – an increase in safety, quality and range of products, as well as accurate and complete information about the product. Harmonisation of technical regulations and standards with the EU rules and regulations will lead to displacement (disappearance) from the market domestic and imported goods that do not meet safety requirements. However, apart from benefits, the transition to EU standards and compliance will mean additional costs.

TEXTILE AND LEATHER INDUSTRY

In 2012, textile and leather industry's share in total output of Ukraine was 1.3%.⁹ In 2013, the share of textile and leather products in the total exports of Ukraine was 1.5% and their share in the total imports was 3.5%. The main buyers of Ukrainian textile exports are the EU member countries (71%). At the same time, EU's share in Ukrainian textile imports is only 25%.

Importance of Ukraine in EU's textile industry exports and imports is not high. Ukraine's share in European textile exports is 2.31% which is above average and its share in European imports is 0.43% which is below average. Therefore, for Ukraine the EU is more important trade partner and the effects of changing tariff rates on Ukraine's economy will be more tangible than for the EU countries.

Import duties. The AA envisages bilateral reduction of import duties to zero from the current level (see Table 3). Changes of ad-valorem

import duties will result in increased competition in the domestic market. However, the enterprises will have time to adjust (and thus increase the production efficiency of the relevant goods), since the duties will be decreased gradually. For consumers, increased competition is expected to hamper inflation, boost variety and positively affect quality of products supplied on the market [See Table 3.]

Ukraine took an obligation to reduce export duties for leather to zero during ten years. Such a long period of adaptation will allow leather producers to adapt to changes and counterbalance the possible losses.

Worn clothing. Worn clothing issue is given a particular attention in the Association Agreement.¹⁰ Ukraine's cancellation of import duty for worn clothing (HS code 6309) has certain specifics. Ukraine needs to reduce duties on imports within five years.

Along with the annual reduction of import duties Ukraine will introduce the entry price determined in euro per kilogram of net weight. During the transitional period of elimination of the duties, the MFN customs duties will be charged on imports of products the value of which is below the entry price. The rate of the entry price will be defined as 30% of the average for the preceding year customs value of the clothes falling within the nomenclature codes listed in the Agreement.¹¹ Ukraine took an obligation to publish the relevant annual average price of two years before. This average will be the basis for calculation of the entry price of products falling under the relevant customs codes. The established entry price will be applicable in the entire customs territory of Ukraine for the entire year.

¹⁰ Annex I-B of the Agreement.

¹¹ The Ukrainian codes are 6101, 6102, 6103, 6104, 6105, 6106, 6109, 6110, 6111, 6112, 6114, 6116, 6117, 6201, 6202, 6203, 6204, 6205, 6206, 6209, 6210, 6211, 6214, 6217

⁹ Based on 2012 input-output table.

Table 3. Evaluation of changes in ad-valorem import duty rates of Ukraine and the EU for textile and leather industry (average, excluding tariff quotas and specific import duty rates)

	Import duties of Ukraine		Import duties of the EU	
	Base rate	Final rate	Base rate	Final rate
Manufacture of textiles and textile products	6.4	0.0	4.3	0.0
Manufacture of leather and leather products	8.9	0.0	4.9	0.0

Source: AA, Economic Component of the Association Agreement between Ukraine and EU: Consequences for Business, Households and the Government. IER, 2014 http://www.ier.com.ua/files//publications/Books/Economic_red.pdf.

The scheme of worn clothing imports is foreseen to favour the domestic production of the relevant goods since it protects the positions of national textile industry and reduces the attractiveness of imports of worn clothing. However, the market analysis of worn clothing conducted by IER shows that the major competitors of Ukrainian clothing manufacturers are not importers of worn clothes but companies importing cheap clothing from China and other Asian countries, as well as smugglers.¹² Therefore, it is likely that the establishment of input prices for worn clothing will not significantly affect the economic situation in the production of clothing in Ukraine.

MACHINE BUILDING SECTOR

In 2012, machine building industry's share in total output of Ukraine was 5%.¹³ In 2013, the share of machines and equipment, including transport equipment, in the total exports of Ukraine was 16% and their share in the total imports was 24%.

In 2013, countries of the European Union exported to Ukraine 1.3% of the total EU exports of vehicles other than railway

and tramway, 1.2% of nuclear reactors, boilers and machinery and 1.6% of electrical and electronic equipment. At the same time, Ukraine exported to the EU countries 0.5% of the total EU imports of electrical and electronic equipment and 0.2% of nuclear reactors, boilers and machinery. Therefore, EU is a more important trade partner for Ukraine than Ukraine is for the EU.

Import duties. The EU will significantly reduce tariffs for machinery and equipment which will ease market access for Ukrainian producers. For selected machinery Ukraine will keep non-zero although low import duties. For example, on electrical equipment import duties will be reduced on average from 3.7% to 1.6%, on automotive transportation import duties will be reduced on average from 5.8% to 3.5%.¹⁴ [See Table 4.]

Passenger cars. The AA pays special attention to safeguard measures on passenger cars. Ukraine got an opportunity during 14 years starting the second 12-month period from entering into force of the Agreement

¹² IER (2010) Second-hand clothing trade in the world and Ukraine. Analytical report. See at: http://www.ier.com.ua/ua/projects/archive_2010/?pid=2662

¹³ Based on 2012 input-output table.

¹⁴ Economic Impact of Signing the Association Agreement between Ukraine and the EU on Business. IER, 2013. http://www.ier.com.ua/files//Projects/2013/EU_Ukraine/Impact_of_DCFTA_on_business_EN_FINAL.pdf

to apply safeguard measures in the form of a higher import duty on passenger cars originating in the EU if the following conditions are met:

1. the aggregate volume (in units) of imports of the product in any year exceeds the trigger level, namely 45,000 units;
2. if the aggregate volume of imports of the product into Ukraine (in units) for the last 12-month period ending not earlier than the penultimate month before Ukraine invites the EU for consultations exceeds the trigger percentage of all new registrations of passenger cars in Ukraine for the same period.

The trigger percentage is set at 20% for the second 12-month period from entering into force; 21% for the third 12-month period; 22% for the fourth 12-month period; 23% for the fifth 12-month period; 24% for the sixth 12-month period; and 25% for the consecutive 12-month periods.

The maximum value of the applied import duty and customs/additional duties should not exceed 10%. The additional duty can only be applied to imports made in the defined period till the end of the year.

Transparency requirements state that Ukraine shall, as soon as possible, provide written notification to the EU of its intention to apply such a measure and provide all pertinent information. Ukraine shall invite the EU for consultations as far in advance of taking such measure. No measure shall be adopted for 30 days following the invitation for consultations.

After the transitional period of 10-13 years Ukraine can apply safeguard measures on passenger cars only following an investigation which has to prove that as a result of the

reduction or elimination of a customs duty under the AA, the product is being imported into the territory of Ukraine in such increased quantities and under such conditions as to cause serious injury to a domestic industry producing a like product. The relevant factors relating to the injury determination shall be evaluated for at least three consecutive years.

Ukraine took an obligation to ensure that the statistics on passenger cars that are used as evidence for such measures are reliable, adequate and publicly accessible in a timely manner.

Ukraine also agreed not to apply a safeguard measure on passenger cars during year one. It also agreed not to maintain any safeguard measure on passenger cars or continue any investigation to the effect after year 15.

Finally, Ukraine agreed not to apply a safeguard measure on passenger cars set by the AA and a measure under Article XIX of GATT 1994 and the Agreement on Safeguards, with respect to the same product, at the same time.

TBT measures and ACAA. Since agreements on Conformity Assessment and Acceptance of Industrial Products (ACAA) are included in the Association Agreement, some Ukrainian products can be considered as de facto coming from an EU member state. In particular, annex on the ACAA states that trade in goods in sectors covered by ACAA will be held on the same conditions as trade between EU member states. For this to happen, EU audit has to certify that the harmonization of Ukrainian legislation with the relevant technical regulations and standards as well as the creation of infrastructure had been successful.

Impact assessment. Since safeguard measures on passenger cars can be applied for a certain period only based on the information

Table 4. Evaluation of changes in ad-valorem import duty rates of Ukraine and the EU for machine building industry (average, excluding tariff quotas and specific import duty rates)

	Import duties of Ukraine		Import duties of the EU	
	Base rate	Final rate	Base rate	Final rate
Machinery manufacturing	2.6	0.0	2.1	0.0
Electrical equipment, appliance and component manufacturing; computer and electronic product manufacturing	3.5	0.0	2.2	0.0
Transportation equipment manufacturing	5.0	0.0	4.1	0.0

Source: AA, Economic Component of the Association Agreement between Ukraine and EU: Consequences for Business, Households and the Government. IER, 2014 http://www.ier.com.ua/files//publications/Books/Economic_red.pdf.

of exceeding the trigger level without conducting a relevant investigation, Ukrainian automobile producers receive a grace adaptation period to a more competitive environment.

In 2010-2012, the volume of passenger cars imports from the EU exceeded the trigger level twice during the three-year period: in 2010, Ukraine imported from the EU 39,400 passenger cars, in 2011, it imported 63,600 cars and in 2012 – 52,200 cars. This constituted 25-37% of the total automobile imports depending on the year.¹⁵

Additional import duties on passenger cars mean clear losses for consumers since they will not be able to benefit from a greater variety and lower prices which trade liberalisation usually brings.

At the same time, additional import duties, if set at a current MFN rate, may decrease imports thus decreasing budget revenues. It should be noted that the outcome depends

on demand elasticity for passenger cars imported from the EU compared to demand for domestically produced cars and cars imported from other countries. If the demand elasticity is low, the import may not drop but there will be no boost from trade liberalisation.

As for the rest of the machinery, the business will benefit from the reduction of import duties to the EU. Ukrainian producers will be able to sign the Agreements on Conformity Assessment and Acceptance of industrial products (ACAA). At the same time, they will face an increased competition on the Ukrainian market due to the reduction of import duties to Ukraine. Businesses will incur costs related to compliance with the EU technical regulations. It is reasonable to expect disappearance of the markets for goods that do not comply with the EU standards in sectors of the economy that are harmonised with the EU norms.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

Development of information and communication technologies (ICT) and the "information society" as a whole (including computer

¹⁵ Economic Component of the Association Agreement between Ukraine and EU: Consequences for Business, Households and the Government. IER, 2014 http://www.ier.com.ua/files//publications/Books/Economic_red.pdf

awareness and computer literacy, level and quality of usage of digital technologies in different spheres of social life, etc.) is calculated by different indices. Two of the most widely used indices are Networked Readiness Index and ICT Development Index.

Networked Readiness Index is a composite index that reflects the level of development of ICTs in the world. In 2013, Ukraine scored fairly low (73rd place) in the overall ranking on this indicator. ICT Development Index (IDI) is calculated by the International Telecommunication Union. According to the latest report, in 2011, Ukraine dropped eight positions (from 59th to 67th place) in the total ranking despite a slight increase in the absolute value of the index.

Disappointing ratings of Ukraine for ICT and information society development require a detailed program on increasing Ukraine's capacity in this area. Such program can be based on international agreements of Ukraine on implementation of best practices in ICT included, inter alia, in the Association Agreement with the EU.

Provisions on cooperation between Ukraine and the EU on the development of information technology and information society are written in Chapter 14 of Title V of the AA. These arrangements are not fundamentally new, they develop resolutions adopted during the Geneva (2003) and Tunis (2005) World Summits on the information society. The issue of cooperation between Ukraine and the EU in the development of the information society had been fixed and detailed in the Strategy of Information Society Development in Ukraine approved in 2013.¹⁶

It should be noted that ICT issues are described in Title V of the Association Agreement which describes soft commitments of Ukraine. The AA states the following:

- Ukraine and the EU will strengthen cooperation in the development of information society through wide access to information and communication technologies (ICT) as well as by improving the quality of services at affordable prices.
- Cooperation should aim at implementation of the national strategies for the information society, the development of a comprehensive legal and regulatory framework for electronic communications and enhance the participation of Ukraine in EU research in the field of ICT.
- Collaboration will be done in several areas, including promotion of broadband access, enhancing network security and wide use of ICT.
- The Parties undertake to exchange information, best practices and lessons learned in the field of ICT, take joint action to develop a comprehensive regulatory framework and provide effective functioning and free competition in the markets for electronic communications.

According to the AA, Ukraine and the EU are to work on joint projects and coordinate efforts in the ICT. One of the seven flagship initiatives within the strategy Europe 2020 is called Digital Agenda for Europe. Digital Agenda for Europe is a program that has a list of 100 specific actions and sets European strategy for digital economy to flourish by 2020.

Impact assessment. Cooperation between Ukraine and the EU in ICT development and building of the information society will have a broad positive impact on the public sector, business and society as a whole. For the public sector, co-operation with the EU in

¹⁶ CMU Resolution of May 15, 2013, # 386-r. Stable URL: <http://zakon4.rada.gov.ua/laws/show/386-2013-%D1%80>

the field of ICT and electronic communications will create a proper regulation system of these innovative markets which will attract investments, give greater transparency and protection of market participants. Additionally, development of ICT sector will create opportunities for using digital technologies in public administration ("e-government"), increase the transparency of public bodies and the quality of administrative services.

Business involved in ICT and electronic communications services markets will benefit as a result of improving the practice of ICT regulation in line with European standards. One can expect that future public policy supports ICT more and eliminates artificial barriers on the electronic telecommunications market (e.g. prohibition of allocation of radio frequencies spectrum for new generation mobile communications 3G/4G which now blocks the development of the market). All other companies need to be given an opportunity to increase their competitiveness through wider use of innovative software solutions and/or products in the management/production practice as well as greater availability of such solutions/products in the local market.

Introduction of European standards in ICT will also benefit the society as a whole. Households will be able to gain access to innovative products and services in the Internet and telecommunications technologies, including broadband access to digital television and Internet at affordable prices, as well as a range of new online services that will reduce the time on communication and improve user experience in commerce, medicine, public health, public administration, etc.

CONCLUSION

Implementation of the agreement primarily is an institutional challenge for the government and for business. Ukraine needs to

improve the quality of governance, teach employers how to use the new features in the highly competitive environment. Full and effective implementation of the Agreement will increase the well-being of the Ukrainian society.

In many aspects the AA is a work in progress and specific steps will be determined in the process of implementation. The agreement contains mechanisms of EU support to Ukraine during the implementation process.

Overall, the AA is a chance for changes but not a guarantee of a positive outcome. The agreement brings Ukraine closer to the EU, but does not promise it the EU membership. ●



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Fiscal and Monetary Policy in the Czech Republic: Strengths, Weaknesses, Opportunities and Threats



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ROD

In 2014, people in the Czech Republic are going to celebrate 25 years since the Velvet Revolution (November 17, 1989). It was quite some time ago when Czechs have started to “struggle” with market principles, political and economical freedom and individual responsibility. Some of them have succeeded, some of them haven’t. The latter explains why increasing levels of communist nostalgia are recently observed in CEE countries¹.

Anyway, from many points of view, the Czech Republic may be considered as developed economy. Janos Kornai, a great economist dealing with a research covering communist and post-communist economies, recognizes the end of transition as a situation when the communist parties have lost their monopoly power, the private sector contributes mostly to GDP and the market is the dominant coordinator of economic activities². Gelb³ views the end of transition as a situation when “transition countries” are confronted mostly with political and economic issues characteristic for more developed countries.

More or less, this is true. Actual problems in the Czech Republic – a fiscal situation and growing public debt, weak governments as a result of rational ignorance among voters, monetary policy tasks of

a country outside from the Euro Area or a competitiveness related to EU regulations – seem to be quite common in today’s Europe. However, in the Czech reality, these issues are still under way of the post-communist heritage of manners and habits of the centrally-planned economy from before 1989. The aim of this article is to explain these recent problems in the Czech Republic and describe opportunities and threats of the Czech economy.

POLITICAL SITUATION

Last year, political instability in the Czech Republic got another dimension. After the decay of the then leading coalition government, an early parliamentary election has determined a new government in October 2013 (seven months before a constitutional expiry of the Chamber of Deputies elected in 2010).

The government elected in May 2010, led by the Prime Minister Petr Nečas from ODS (Eng. Civil Democratic Party), was forced to resign on June 17, 2013, due to a spying, corruption and bribery scandal involving the person of Petr Nečas himself and his closest colleagues. The leading opposition party ČSSD (the Czech Social Democratic Party) demanded the Chamber of Deputies to be dissolved and early election organized as soon as possible. Nevertheless, the Czech President Miloš Zeman decided unprecedentedly not to adhere to any of the political requests, but instead to appoint a caretaker government which he calls “government of experts”. However, the caretaker government narrowly lost a vote of confidence on August 7, 2013, leading to its resignation six days later. The parliament then – very surprisingly – voted in favor of dissolving itself, which actually determined the way to the early election in October 2013. [See Table 1.]

¹ Ekman, J., Linde, J. 2005. Communist nostalgia and the consolidation of democracy in Central and Eastern Europe. *Journal of Communist Studies and Transition Politics*, 21(3), 354-374.

² Kornai, J. 1999. “Reforming the Welfare State in Postsocialist Economies”, in: *When is Transition Over? Annette Brown, ed. Kalamazoo, Mich.: W.E. Upjohn Institute for Employment Research*, chapter 6.

³ Gelb, A. 1999. “The End of Transition?”, in: *When is Transition Over? Annette Brown, ed. Kalamazoo, Mich.: W.E. Upjohn Institute for Employment Research*, chapter 2.

Table 1: Parliamentary election in the Czech Republic (October 2013)

Party		Electorate support (%)
ČSSD	Czech Social Democratic Party	20.45%
ANO	ANO2011 – “YES, IT WILL BE BETTER”	18.65%
KSČM	Communist Party	14.91%
TOP09	TOP 09	11.99%
ODS	Civic Democratic Party	7.72%
Úsvit	Dawn of direct democracy Tomio Okamura	6.88%
KDU-ČSL	Christian and Democratic Union	6.78%
Zelení	Green Party	3.19%
Piráti	Czech Pirate Party	2.66%
SSO	Free Citizens Party	2.46%
SPOZ	Party of Civil Rights – Zeman’s friends	1.51%
Suverenita	Jana Bobosikova’s Block	0,27%
others	-	2.53%

Source: Czech Statistical Bureau (results)

The results of the election are interesting from several points of view. Let’s mention three of them. Firstly, the outcome could be marked as a failure for both Social Democrats and Communists, at least compared to election forecasts.⁴ Secondly, a brand new party “ANO2011 – Yes, it will be better” controlled by Andrej Babiš, one of the richest entrepreneurs in the Czech Republic, won a “silver”. Moreover, it has become the most important element of the coalition government led by the Prime Minister

Bohuslav Sobotka (Social Democrats) consisting of Social Democrats, ANO2011 and Christian and Democratic Union. Thirdly, the party “Party of Civil Rights; Zeman’s friends” – with a more than close relationship to president Zeman – hugely failed and got only 1.51%.

Nowadays, the government is still in power, although a position of Prime Minister Sobotka is quite weak in comparison with Andrej Babiš, the Minister of Finance, nicknamed “informal Prime Minister”. Babiš’s party (ANO2011) even dominates public election questionnaires and election forecasts.

⁴ Of course, we should not ignore the fact that the Communist Party is still the third strongest party in the Czech Republic

DEVELOPMENT OF BASIC MACROECONOMIC MEASURES

Let's start with a Gross Domestic Product measure. We can safely say that the Czech economy has dealt with the financial crisis relatively well, although the development has had the W-shape. The Czech Gross Domestic Product in constant prices (Real GDP) decreased annually by 4.5% in 2009. Then, after two growing years 2010 (annual growth by 2.5%) and 2011 (annual growth by 1.8%), the economy went into red numbers again. The economic outcome dropped by 1% in 2012 and 0.9% in 2013, which was unexpectedly lower performance than in both EU28 and Euro Area. This recession in the Czech Republic has rather structural than general roots; especially a strangulation of the government expenditures post-crisis years has paid the bill here.

However, both fiscal and monetary policy regulators' forecasts for 2014 and 2015 predict a recovery, especially through channels of domestic demand and of export on recovering markets abroad. Analysts at the Ministry of Finance expect a growth at the level 2.7% for this year – this prediction was revised by 1 pp due to better than expected development in the first quarter of 2014 – and 2.5% for 2015⁵.

The Czech National Bank predicts even a higher annual increase in economy. A combination of several factors, particularly accelerating dynamics of foreign demand, weaker exchange rates supporting exporters, extremely low interest rates and increased government investments – resulted in the prognosis of annual real GDP growth by 2.9 percent this year and

by 3.0% in 2015⁶. The development of the Czech GDP in both years should be higher in a comparison with Euro Area and EU28.

The performance of the economy mentioned above correlates with an unemployment rate measure (LFS). The rate oscillated around 7% in previous years, which is below the average of EU28, EU15 and Euro Area states. Actually, it is the TOP 8 result within the EU member states as observable from the Figure 1. Moreover, a better economic forecast reflects the optimistically predicted values for 2014 and 2015, which are about to decline sharply (2014: 6.4%; 2015: 6.5%). Better economic performance will improve the creation of new job places. Whereas many firms have used "the crisis period" for cost optimization, wage bills will also rise in the following years, especially in specific industries which are labor-intensive – such as engineering. [See Figure 1].

Despite the weakening of CZK by the Czech National Bank's foreign exchange intervention, the year 2014 is expected to generate a very low level of inflation – 0.6% annually. This development is based on expectations of a decrease in electricity prices⁷. The CNB predicts the rate of inflation to be deeply below the inflationary target for 2014 with an average of 0.4%. [See Table 2]

FISCAL POLICY OF THE CZECH REPUBLIC

As mentioned above, the policy in post-crisis years could be characterized by the fiscal restriction. It influenced the multiple decreases of GDP measures. On the other hand, the general government deficit de-

⁵ The Ministry of Finance, Czech Republic. *Macroeconomic Forecast (July 2014)*. Prague: MF. Available online: bit.ly/1vGqAjX.

⁶ Source: http://www.cnb.cz/cs/menova_politika/prognoza/predchozi_prognozy/prognoza_1407_g3_data.xlsx

⁷ The Ministry of Finance, Czech Republic. *Macroeconomic Forecast (July 2014)*. Prague: MF. Available online: bit.ly/1vGqAjX.

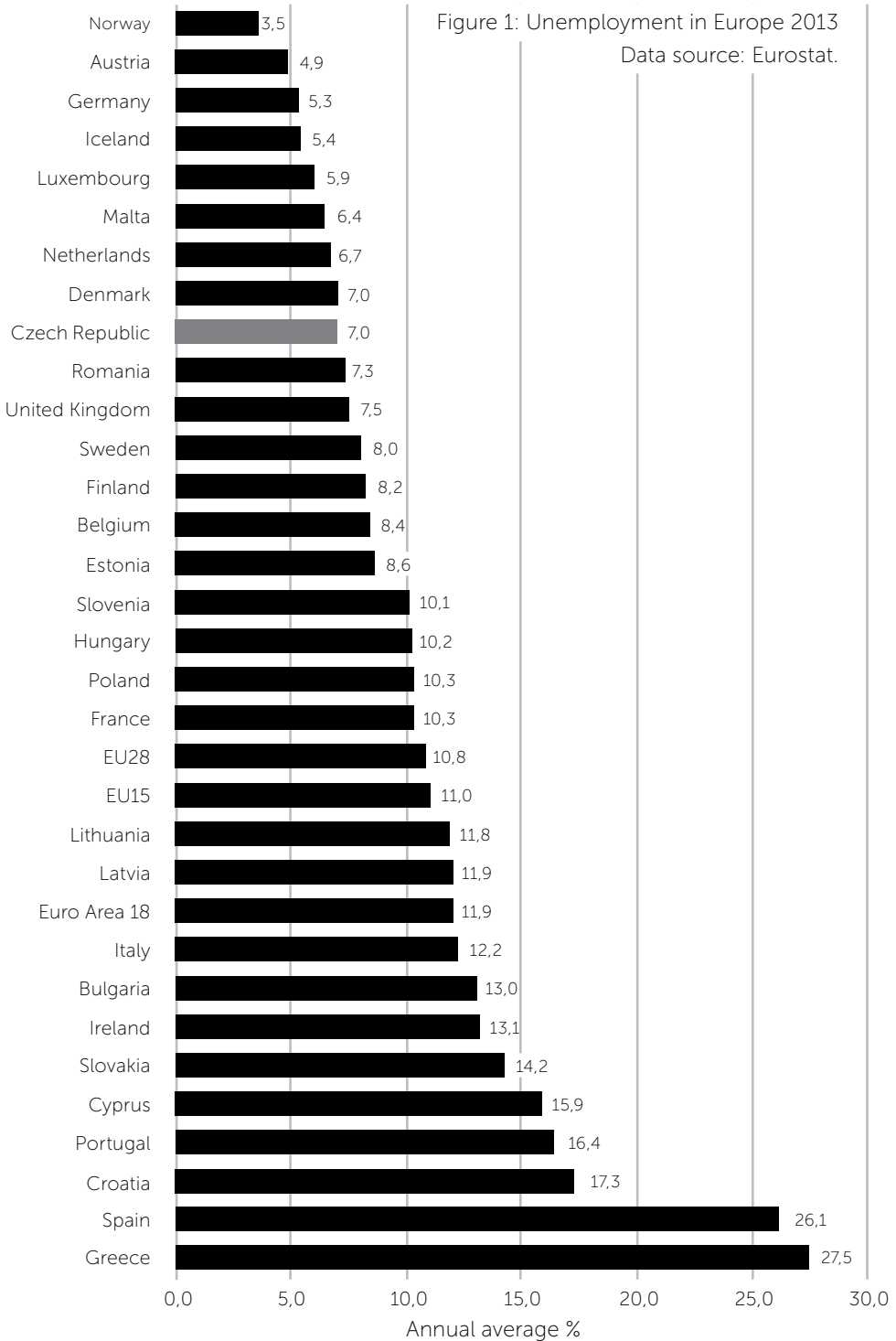


Table 2: Main Economic Indicator (Czech Republic)

		2010	2011	2012	2013	2014	2015	2013	2014	2015
		Current forecast					Previous forecast			
Gross domestic product	<i>bill. CZK</i>	3 791	3 823	3 846	3 884	4 061	4 216	3 884	4 023	4 173
Gross domestic product	<i>growth in % const.pr.</i>	2.5	1.8	-1.0	-0.9	2.7	2.5	-0.9	1.7	2.0
Consumption of households	<i>growth in % const.pr.</i>	0.9	0.5	-2.1	0.1	1.6	1.4	0.1	0.6	1.5
Consumption of government	<i>growth in % const.pr.</i>	0.2	-2.7	-1.9	1.6	1.9	1.6	1.6	0.8	0.7
Gross fixed capital formation	<i>growth in % const.pr.</i>	1.0	0.4	-4.5	-3.5	4.1	3.5	-3.5	2.7	2.0
Contr. of foreign trade to GDP growth	<i>p.p., const.pr.</i>	0.6	1.9	1.7	-0.3	0.6	0.5	-0.3	0.5	0.6
Contr. of increase in stocks to GDP growth	<i>p.p., const.pr.</i>	1.0	0.1	-0.1	-0.2	0.0	0.2	-0.2	0.2	0.1
GDP deflator	<i>growth in %</i>	-1.6	-0.9	1.6	1.9	1.8	1.3	1.9	1.8	1.7
Average inflation rate	<i>%</i>	1.5	1.9	3.3	1.4	0.6	1.7	1.4	1.0	2.3
Employment (LFS)	<i>growth in %</i>	-1.0	0.4	0.4	1.0	0.5	0.2	1.0	0.2	0.2
Unemployment rate (LFS)	<i>average in %</i>	7.3	6.7	7.0	7.0	6.4	6.1	7.0	6.8	6.6
Wage bill (domestic concept)	<i>growth in % curr.pr.</i>	0.8	2.2	1.8	-0.9	2.8	3.8	-0.9	1.8	3.5
Current account / GDP	<i>%</i>	-3.9	-2.7	-1.3	-1.4	0.4	0.0	-1.4	-0.4	-0.3
Assumptions:										
Exchange rate CZK/EUR		25.3	24.6	25.1	26.0	27.4	27.4	26.0	27.3	27.2
Long-term interest rates	<i>% p.a.</i>	3.7	3.7	2.8	2.1	1.9	2.4	2.1	2.4	2.6
Crude oil Brent	<i>USD/barrel</i>	80	111	112	109	108	104	109	105	101
GDP in Eurozone (EA-12)	<i>growth in % const.pr.</i>	1.9	1.6	-0.6	-0.4	1.1	1.6	-0.4	1.1	1.5

Note: The table is reproduced from the Macroeconomic Forecast by the Ministry of Finance Czech Republic (July 2014). Original data source: CNB, CZSO, Eurostat, U. S. Energy Information Administration, own calculations.

creased the structural balance almost to zero. A trade-off is observed also in the debt service which is cheaper. The government sector deficit decreased from 5.8% of GDP in 2009 to 1.5% of GDP in 2013, although the economic performance in 2013 was lower than before the crisis (2008). For the following years, general government balances are planned to maintain the level of GDP under the 3%, namely: 2014: -1.8% of GDP; 2015: -2.3% of GDP; 2016: -2.0% of GDP; 2017: -1.7 of GDP⁸.

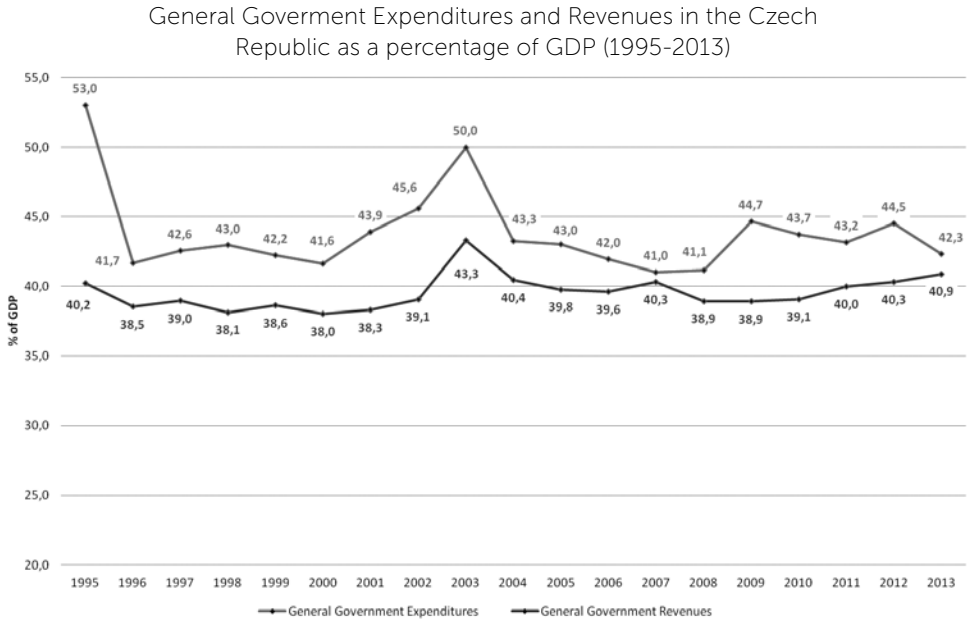
The Ministry of Finance declares its focus on more efficient tax returns to be one of the most important points of the government program. And it really works. In the first half of 2014, the state budget performs

much better than in the same period of the previous year – revenues increased annually by 39.2 billion CZK (+7.1%) up to 589 billion CZK, especially due to higher returns from VAT (+7%) and excise taxes (tobacco +22.9%, mineral oils +7.3%), while expenditures increased only by 1.1% (6.18 billion CZK) up to 587.6 billion CZK. It resulted in an unexpected budget surplus (1.45 billion CZK) so far. It is a considerable improvement compared to the same period of 2013 (a deficit of 31.5 billion CZK). The 2014 budget plans total revenues at the level of 1104.7 billion CZK (in the first half on 2014, it has been fulfilled more than by a half – 53.3%) and expenditures at the level of 1216.7 billion CZK (in the first half on 2014, it has been fulfilled less than by a half – 48.3%). [See Figure 2]

⁸ The Ministry of Finance, Czech Republic. 2014b. Fiscal Outlook of the Czech Republic. Prague: MF. Available online: <http://bit.ly/1oL4s37>.

It is worth mentioning that a tax burden is also taken into officials' account. This important measure informing about a total

Figure 2: Expenditure and revenues as a percentage of GDP



Source: Own production from the MF's data.

level of taxation that economic agents in a country must deal with, is planned to continually decline in the Czech Republic. Both qualitative instruments improving a process of tax returning and economic recovery are considered as relevant factors in this issue. [See Table 3]

This all forms optimistic fiscal forecasts not just to the second half of 2014, when the economic recovery should even strengthen, but also to the following years. Fiscal sources that arise on basis of, both, past fis-

cal savings and recent economic recovery, are going to be used to support the Czech economy – consumption of the government is planned to rise by 1.9% in 2014 and 1.6% in 2015. [See Figure 3]

However, as we can see on the picture 3, unlike the early phase of transformation⁹ no Prime Minister has been able to prepare a surplus budget for a following annual fiscal period in the past 17 years. The debt has

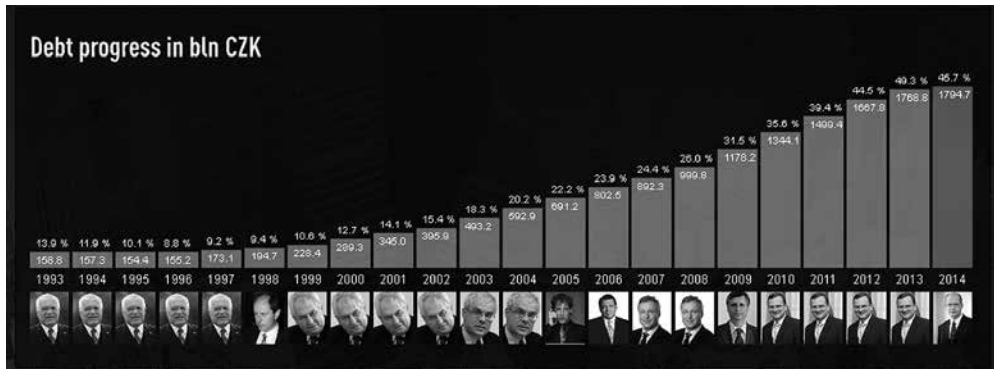
⁹ And related high revenues from the privatization.

Table 3: Tax burden as a percentage of GDP

	2013	2014	2015	2016	2017
Tax burden (% of GDP)	35.5	35.6	34.3	34.2	34.1

Source: The Fiscal Outlook by the Ministry of Finance, Czech Republic (May 2014).

Figure 3: Public debt progress in the Czech Republic (1993 – 2014)



Note: The data strictly follows planned budget measures (not eventually reached results). It shows better whether the Prime Minister in a year Y-1 plans increase (decrease) the public debt in the next year (Y). Source: Debtville.cz

continuously risen up. Due to improved economic projections mentioned above, the general government debt is supposed to reach the level of 44.9% of GDP at the end of 2014.

MONETARY POLICY

While analyzing the monetary policy of the Czech Republic provided by the Czech National Bank, it is necessary to pay attention to one thing – foreign exchange interventions.

As firstly stated¹⁰ during the monetary policy meeting on July 31, 2013, the CNB Bank Board decided to use the exchange rate as a monetary policy instrument and therefore to commence foreign exchange interventions, during the Bank Board meeting on November 7, 2013. An argument for the intervention was that *"For the Czech Republic, as a small open economy with a long-term excess of liquidity in its banking sector, this is a more effective instrument for easing the monetary conditions than any other.*

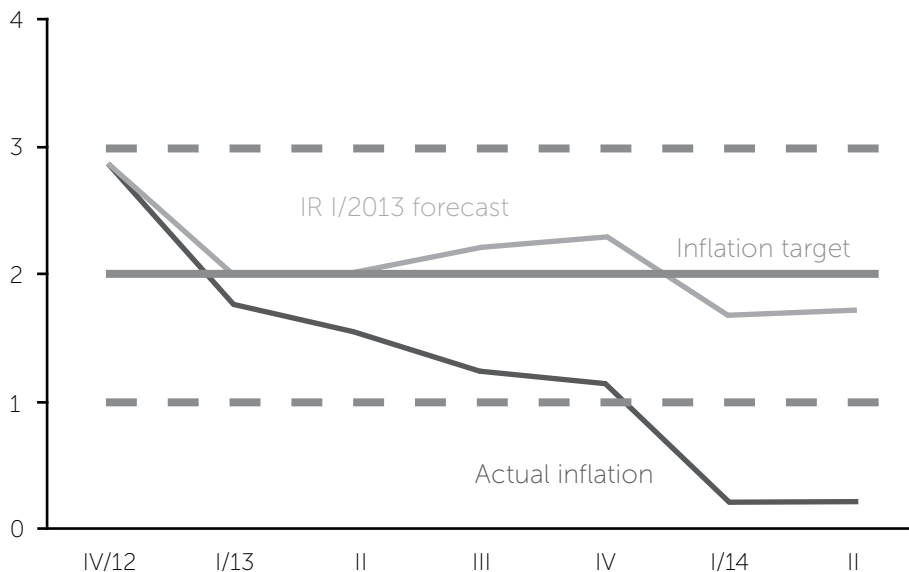
¹⁰ The CNB will *"if needed (...)* intervene on the foreign exchange market to weaken the koruna so that the exchange rate of the koruna against the euro is kept close to CZK 27/EUR". Source: The CNB press release, July 31st, 2013.

*The use of foreign exchange interventions as an appropriate tool for countering deflation risks was recently also recommended by an IMF mission. The decision to use the koruna exchange rate as a potential additional tool for monetary policy easing after the lower bound on interest rates was made by the Bank Board in autumn 2012."*¹¹ To make a long story short: defending deflation risks and supporting a recovery of the economy was reached.

An implication of the interventions, generally unexpected, has raised many questions about its impacts and time limitations. The CNB stated this regulative commitment will apply until it is necessary, i.e. until the central bankers see the risk (that the 2% inflation target is under-shot) had declined considerably. The latest information suggests it could be at least until the end of 2016. This means the CZK/EUR exchange rate is going to maintain above the level of 27 and so it provides a certainty to corporations and other subjects in the economy.

¹¹ Source: The Czech National Bank. 2014b. The exchange rate as a monetary policy instrument. Available online: <http://bit.ly/1rpPa25>.

Figure 4: Forecast versus actual inflation (IV.Q 2012 – II.Q 2014)



Source: The Czech National Bank.

Let's have a look at the causes¹² of the interventions. The first reason – a risk of deflation – is still a problem, even a bigger one than seemed to be at the beginning of 2013. As observable from the Figure 4, actual inflation was significantly below the inflation target in 2.Q 2013, when the verbal statement about a possible intervention firstly occurred. The forecast made in 2013 didn't predict such difference. The situation went even worse from bankers' point of view and in the third quarter of 2013, it became clear that the then inflation was about to leave the ± 1 pp target band. If we take into account the price stability determined by the inflation targeting, which is the main goal of the Czech National Bank defined by the Constitution of the Czech Republic,

we have got a sensible and real reason why the interventions have been applied by the CNB. [See Figure 4]

Despite of the interventions, the prices are rather unstable and deeply below the inflation target. *"The 1.5 percentage point devia-*

”

OVER THE PAST
FEW YEARS,
A VOLUME OF THE
EU REGULATION
HAS BEEN STEADILY
INCREASING

¹² Due to the act the second aspect – supporting the economy through a net export' component of the GDP in an open economy like the Czech Republic is – has been mentioned yet, I am going to focus on a price stability.

Figure 5: Main exchange rates related to the Czech koruna



Source: The Czech National Bank.

tion of actual inflation from the forecast in 2014 Q2 was due to an unexpected decline in administered prices and low adjusted inflation excluding fuels, reflecting an unexpectedly strong anti-inflationary effect of the domestic economy over most of the forecast horizon," the Inflation Report III/2014 states¹³. External production prices and performance of external economies (both lower than expected) also contributed to anti-inflation risks. In 2014, a decline of administered prices and a slow growth of food prices form conditions for the inflation rate being still below the target.

Actually, the CNB states that the interventions on the CZK/EUR exchange rate were, de facto, unnecessary after the adoption of this commitment. The exchange rate devel-

opment follows the asymmetric nature of the interventions (against appreciation)¹⁴. [See Figure 5.]

The rate of inflation should reach the 2% target in the second half of 2015, i.e. at the horizon of recent CNB's monetary policy.

IMPENDING EU REGULATIONS

Over the past few years, a volume of the EU regulation has been steadily increasing. Adopted regulations differ from those intended very often and, moreover, they are commonly in a direct contradiction with each other. As a result, we can observe ineffective allocation as well as tremendous waste of resources. The problem is that all those factors lower competitiveness of the EU member states. Nevertheless, the pre-

¹³ The Czech National Bank. 2014a. Inflation report III/2014. Prague: CNB. Available online: <http://bit.ly/1sUrQgG>.

¹⁴ The development of the CZK/EUR exchange rate and CZK/USD exchange rate is presented in Fig. 5.

ceding regulatory trend can be expected to continue also during 2014 and the following years. Let's mention three examples¹⁵:

- firstly, the regulation of the EU banking sector should be considered as important. The European Commission proposes to use a bank tax (levy) as a tool for tackling the subsiding financial crisis and its impacts. The main goal of this instrument was to decrease the level of riskiness in the European banking sector and thus ensure stability of the sector. Further, the intention was to transfer the financial responsibility for future crises on banks themselves. On the other hand, the implementation of bank levy is not without potential risks due to its relatively broad settings from which the particular member states can draw. Negative impacts of bank levy can be illustrated in an example of several countries¹⁶ where the improper choice of the parameters caused a significant decrease in banks' income and, paradoxically, funds supposed to be used strictly as reserves for the financial sector and related problems are outlaid otherwise.
- secondly, the regulation of the multilateral interchange fee could also bring unintended impacts to the system. The European Commission proposes to limit the maximum cap of the multilateral interchange fees which are charged by banks issuing payment cards to merchant. The

¹⁵ Those examples correspond with the outcome of the study "Chosen regulations of the EU and their impacts – Czech Republic and Slovakia in 2014". See: Rais, J. Reguli, M. and Ivanská, B. 2014. *Chosen regulations of the EU and their impacts – Czech Republic and Slovakia in 2014*. Prague: The Centre for Economic and Market Analyses & The Hayek Foundation.

¹⁶ Slovakia – contributions to the fund were 169.8 million EUR in 2012, which is more than income tax paid by the whole sector. It caused a sharp decrease in banks' profits (by 30%), when the burden was slightly transferred on clients. The bank tax (levy) has been implemented in 13 countries. 16

cap should be fixed to 0.3% of the transaction value for the use of credit cards and to 0.2% for the use of debit cards. According to the European Commission's assumption, these caps should help with the development of fully integrated payments, easier orientation of consumers in bank fees and the decrease of retail prices for consumers. Nevertheless, this is debatable – recent experiences show that the regulation of the interchange fees has crucial negative effects. In Spain, for example, a fixation of the interchange fee caps has raised various banks' fees – this costs consumers some 2.35 billion EUR over 5 years in added expenses. Furthermore, the existing benefits of bank customers were cut and the retail prices did not decrease as intended. The effect of this regulation on consumers, i.e. a decline of European consumers' disposable income, is estimated to the amount 17.5 billion EUR.

- thirdly, there is an increasing pressure to improve a digital personal data protection as the world's economy is more and more dependent on the ITC. The exponential increase of digital data volume also leads to more frequent breaches in their security. Therefore, the European Commission proposed a new regulatory reform in 2012. It should provide harmonized rules across the whole EU increasing the security of personal data and boosting, both, economic growth and employment. Nevertheless, it is much complicated. Economic analyses of the proposed regulation indicate the opposite – the final outcome could dramatically increase (not decrease) administrative costs of firms¹⁷, which nega-

¹⁷ Negative impacts just on UK firms are predicted to be 47 billion GBP, while additional costs related to a right to consent, a right to be forgotten, a right to data transferability, an obligation to appoint data protection officer and an introduction of the approach called "one-stop-shop

tively influence employment and competition. A disruption of international trade services and data transactions, an increase in import prices, a decrease of foreign investment and an increase in final prices of goods and services for European consumers are also expected. The ill-conceived regulation does not take into serious consideration dynamic development of new information technology and could thus choke a growth of the internet economy in the central Europe.

STRENGTHS, WEAKNESSES, OPPORTUNITIES, THREATS?

The article provides an overview of main issues related to the political situation, the macroeconomic measures, the fiscal policy, the monetary policy and the impending EU regulations in the Czech Republic. All of these points, among many others, influence (and will influence) a performance of the Czech economy. A brief SWOT analysis is therefore, in my opinion, a suitable way to conclude:

Strengths: the predicted economic recovery of the Czech economy, the positive fiscal projection with reasonable costs on the debt service, the sophisticated monetary policy-making and, last but not least, the government with a relatively positive outlook concerning its stability.

Weaknesses: deficit budgets still increasing the public debt, inefficient public administration, missing reforms of health-care or pension system, high costs related to labor market, an extensive network of clientelism and corruption causing wasting of the Czech public finance, and a negative pressure on the competitiveness of Czech entrepreneurs due to rais-

will strengthen the negative impact. See: DMA. 2012. *Putting a Price on Direct Marketing*. Direct Marketing Association (UK) Ltd.

ing level of bureaucracy and regulation with unintended effects (so called "Peltzman effects").

Opportunities: a recovery of the EU economy, an enlargement of potential outlets of Czech goods abroad, FDIs, an ongoing fulfillment of constructive points from the government program and an increasing attention to R&D investments in the Czech Republic.

Threats: a risk of another decay of the coalition government, a growing bureaucracy, an adverse selection within the public sector caused by clientelism-oriented promotions of officials without required competences, and impending EU regulations. ●



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ALEŠ
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Economic Aspects of the Weak Rule of Law in Slovenia



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The rule of law has a significant impact on economic growth, international trade, foreign direct investment, fragmentation of production processes, and in general on trust among individuals in a society - trust being an essential component of social capital. Within the time frame analyzed, the rule of law has weakened in Slovenia both in comparative and absolute terms. The lack of a satisfactory strengthening of the rule of law in Slovenia has resulted in a number of anomalies with regard to the public's trust in the rule of law, entrepreneurship and markets, as well as overall trust among people in general. The importance of the last-mentioned issue is significant in the context of the historical fact that the unprecedented increase in prosperity from year 1800 to today is not rooted solely on three R's of Revolution,

Reformation, and Renaissance, but rather particularly on the expansion of ideas that liberated and ensured the dignity of the middle class. These same ideas are at present under great threat in Slovenia mainly due to the weak rule of law. This article tries to move from criticism to a constructive debate about the causes and possible solutions of problems in the Slovenian justice system. It highlights proposals for an organizational and ethical transformation of the Slovenian judiciary toward a stronger rule of law — not rule of men — which would maintain or even increase freedom for Slovenian citizens as well as their protection from abuses by the state.

THE IMPORTANCE OF INSTITUTIONS

Economists have long ago recognized the impact of institutions on economic activity within a society. Institutions provide

the formal and informal rules of the game in a society. New institutional economics analyzes various aspects of the institutional framework of a society — property rights, management models, social norms, ideology, mechanisms of control and enforcement, and contractual relations. The International Society for New Institutional Economics, which was created in 1997, is proud to have recipients of the Nobel Prize for Economics among its members (Ronald Coase, Joseph Stiglitz, Douglass North, Elinor Ostrom, Oliver E. Williamson). The representatives of the new institutional economics school have explored questions with regard to the development of the legal institutions of a country as well as the influence these institutions have on economic activity. As an example, Hoff and Stiglitz¹ show that strengthening the rule of law during times of transition stalls when low expectations about the quality of legal institutions, i.e., rule of law, serve to increase an expected return on the use, in a sense abuse, of public property. As such, special interest groups then become in favor of weakening the rule of law. In their research, Caselli and Gennaioli outline the workings of various social groups that are in favour of or against the implementation of the rule of law, and deregulation and at the same time show that reforming the legal system can significantly increase social groups' support for further deregulation of the economy². In an empirical analysis, Rigobon and Rodrik³ demonstrate that the rule of law

and democracy have a positive impact on the economic development of a country, while the economic openness of a country is positively correlated with the quality of the functioning of the legal institutions. Because of the explosion of fragmentation and decentralization of business processes, the rule of law and general trust in society are correlated with the growth of productivity in an economy⁴, these two factors also being keys to economic growth in the last few decades⁵. The same conclusions were drawn by Knack and Keefer⁶ and La Porta et al.⁷. Trust, which is addressed later in the paper, is positively correlated with foreign direct investment and international trade⁸. Alfaro et al.⁹ also show that the quality of legal institutions has a significant impact on the ability to attract foreign direct investment into a country — a factor particularly relevant to Slovenia, which is experiencing

cracy, openness, and income," *The Economics of Transition*, vol. 13(3), pp. 533-564.

⁴ Bloom, N. & Sadun, R. (2012). „The Organization of Firms Across Countries," *The Quarterly Journal of Economics*, vol. 127(4), pp. 1663-1705.

⁵ Foster, L., Haltiwanger, J. & Krizon, C. (2000). "Aggregate Productivity Growth: Lessons from Microeconomic Evidence" v Charles Hulten, Edwin Dean and Michael Harper (ur.) *New Developments in Productivity Analysis*, Chicago, IL: University of Chicago Press.

Foster, L., Haltiwanger, J. & Krizon, C. (2006). "Market Selection, Reallocation and Restructuring in the U.S. Retail Trade Sector in the 1990s", *Review of Economics and Statistics*, 88(4), pp. 748-758.

Graveson, R. H. (1941). "The Movement From Status To Contract", *The Modern Law Review*, 4(4), pp. 261-272.

⁶ Knack, S. and Keefer, P. (1997) "Does Social Capital have an Economy Payoff? A Crosscountry Investigation", *Quarterly Journal of Economics* 112(4), pp. 1251-1288.

⁷ La Porta, R., Lopez-de-Silanes, F., Shleifer, A. & Vishny, R. (1997) "Trust in Large Organizations", *American Economic Review*, 87(2), 333-338.

⁸ Guiso, L., Sapienza, P. & Zingales, L. (2009) "Cultural Biases in Economic Exchange", *Quarterly Journal of Economics*, vol. 124(3), pp. 1095-1131.

⁹ Alfaro, L., Kalemli-Ozcan, S. & Volosovych, V. (2007). "Capital Flows in a Globalized World: The Role of Policies and Institutions", v Capital Controls and Capital Flows in Emerging Economies: Policies, Practices and Consequences, University of Chicago Press.

¹ Hoff, K. & Stiglitz, J. (2004). "After the Big Bang: Obstacles to the Emergence of the Rule of Law in Post-Communist Societies", *American Economic Review*, vol. 94(3), pp. 753-763.

Hoff, K. & Stiglitz, J. E. (2005). "The Creation of the Rule of Law and the Legitimacy of Property Rights: The Political and Economic Consequences of a Corrupt Privatization," NBER Working Papers 11772.

² Caselli, F. & Gennaioli, N. (2008). „Economics and Politics of Alternative Institutional Reforms," *The Quarterly Journal of Economics*, vol. 123(3), pp. 1197-1250.

³ Rigobon, R. & Rodrik, D. (2005). „Rule of law, demo-

a slowdown in real economic convergence due – at least in part – to a dismal inflow of foreign know-how and capital. An annual survey among the foreign investors in Slovenia, which was conducted by the Centre of International Relations, University of Ljubljana, confirms that weak rule of law is among the most important determinates of the extent of their investment¹⁰.

Let's now look at an overview of the findings of selected studies measuring the quality of legal institutions and comparing the performance of the rule of law in Slovenia to other countries. The World Justice Project *The Rule of Law Index 2014*¹¹ measures the legal institutional environment in 99 countries, representing over 90 percent of world population. Slovenia's rank per category is: Constraints on Government Power (30th place), Absence of Corruption (32nd place), Open Government (23rd place), Fundamental Rights (13th place), Order and Security (17th place), Regulatory Enforcement (28th place), Civil Justice (29th place), and Criminal Justice (27th place). In the first area, Constraints on Government Powers, Slovenia significantly negatively deviates on sanctions for official misconduct (0.52; on a scale 0-1, where 0 is the worst) and limits by judiciary (0.54). Regarding the second category, Absence of Corruption, Slovenia was worst on corruption in the executive branch (0.55) and corruption in the legislature (0.53). With regard to Regulatory Enforcement, Slovenia scored worst on effectiveness of regulatory enforcement (0.50) and respect for due pro-

cess (0.54). In the category of Civil Justice Slovenia scored worst on unreasonable delays (0.39) and effectiveness of enforcement (0.38). Within the category of Criminal Justice, Slovenia was found to have the most problems with timely and effective adjudication (0.54), effectiveness of correctional system (0.43), discrimination (0.52), and corruption (0.58). It should be noted that the Rule of Law Index is just one of many databases measuring the rule of law globally.

Kunčič¹² combines a wide range of institutional environment indicators from several international databases and divides them into three dimensions of institutions: legal, economic, and political. This freely available database¹³ offers institutional indicators for most of the countries in the world for the period 1990-2010. Among other things, it shows the deterioration of Slovenia's legal institutions in both relative and absolute terms. The ineffectiveness of the judiciary in Slovenia is also highlighted in a recent study by the Organisation for Economic Co-operation and Development (OECD), which singled out Slovenia as one of the worst ranked countries in the measurements of trial length, identification of problematic cases, and cost of the judiciary¹⁴.

The weakening of the rule of law, especially in the area of commercial crime, has a significant impact on trust in the rule of law, entrepreneurship, markets, and in general on the trust among the people of a society. Among the studies that confirm this are Jackson et al.¹⁵, which reports that, along

¹⁰ Burger, A., Jaklič, A. & Rojec, M. (2012). *Uspešnost programa spodbujanja začetnih tujih neposrednih investicij v Sloveniji*, (Elektronska knjižna zbirka Analize CMO, 12). Ljubljana: Fakulteta za družbene vede, Založba FDV.

Burger, A., Jaklič, A. & Rojec, M. (2011). *Poslovno okolje za delovanje podjetij s tujim kapitalom v Sloveniji*, (Elektronska knjižna zbirka Analize CMO, 7). Ljubljana: Fakulteta za družbene vede, Založba FDV.

¹¹ Botero, J.C., Harman M., Martinez, J., Ponce, A., Pratt, C. S., Roberts K. & Steele J. (2014). *The WJP Rule of Law Index 2014*. Washington D.C.: The World Justice Project.

¹² Kunčič, A. (2013a). "Institutional quality dataset", *Journal of institutional economics*, p. 27.

Kunčič, A. (2013b) *Institutions in international trade and FDI: doctoral dissertation*. Ljubljana: [A. Kunčič], 2013.

¹³ <https://sites.google.com/site/aljazkuncic/>

¹⁴ OECD (2013). "Judicial performance and its determinants: A cross-country perspective", OECD Economic Policy Paper no. 5, Paris: Organisation for Economic Co-operation and Development.

¹⁵ Jackson, J., Kuha, J., Hough, M., Bradford, B., Hohl, K.

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with Bulgarians, Slovenes have the lowest trust in the competence of their judiciary (How often do you think the courts make mistakes that let guilty people go free?) and, along with Russians, Portuguese, and Bulgarians, Slovenes have the lowest opinion of the courts' procedural fairness and impartiality (How often do you think the courts make fair, impartial decisions based on the evidence made available to them?). The same study finds that Slovenes, along with Czechs, Russians, and Bulgarians, predominantly believe that their judges take bribes, in contrast to their assessment of the prevalence of bribes among the police, which is average. Jackson et al.¹⁶ observed that of the 26 countries included in the *European Social Survey (Round 5)* only Bulgaria is lower than Slovenia in public trust in the efficiency of the courts, while Slovenia ranks a bit better (20th place) on the issue of courts' procedural fairness. Since Slovenes strongly feel that the courts protect the interests of powerful and influential groups to the detriment and expense of the ordinary person, Slovenia ranks 19th (a score 0.09; on the scale 0-1) on the fairness of the courts. Toš¹⁷ also observed a negative trend in Slovenes' trust in the rule of law, as based on public opinion polls reflecting a decline in their trust in the courts and the legal system from 34.7% in 1991 to 29.9% in 1998 and to 24.3% in 2009, while distrust rose from 51.6% in 1991 to 71.8% in 2009. In the same study Slovenia ranks 30th among 40 countries based on the level of trust in the judiciary. While in 1994, 49.8% of the

Slovenes were not pleased with the courts' fairness and impartiality, this number went up to 60,1% in 2009.

INSTITUTIONS AND ECONOMY

The latest survey *Entrepreneurship in the EU and Beyond*, which was commissioned by the European Commission, offers an insightful, timely, and comparative analysis of the relationship Slovenes have toward entrepreneurship as an essential component of the economic system, for which Slovenia decided at the time of independence but has problems putting into place. Based on data from the summer of 2012, only 83% of Slovenians believe that entrepreneurs create jobs (87% in the EU-27 and 97% in Finland). A belief that entrepreneurs take advantage of the workforce is held by 63% Slovenes (57% in the EU-27 and only 20% in Denmark). The general opinion about entrepreneurs and business owners in Slovenia was found to be 37% positive (53% in EU-27 and 74% in Denmark) and 16% negative (7% in the EU-27 and only 1% in Denmark). Similarly, public opinion of the management in large enterprises is dismal, with only 18% perceiving it positively (25% in the EU-27 and 45% in Denmark) and 36% negatively (30% in the EU-27 and 13% in Denmark). This negative attitude toward business is observed also in Toš¹⁸ with 72.7% in 1991 and 77.5% in 2009 of Slovenes distrusting factories and companies.

Distrust in the rule of law creates an artificial conflict between employees and employers¹⁹. Among 38 countries, Slovenia is 34th in the belief that conflicts between the employees and management of companies are very sharp or harsh (71% of respondents). The weak rule of law in prosecuting economic crimes has undermined trust in private market initiatives. In 2011 only 34%

8 Gerber, M. (2013). Trust and legitimacy across Europe: a FIDUCIA report on comparative public attitudes towards legal authority. FIDUCIA.

Jackson, J., Kuha, J., Hough, M., Bradford, B., Hohl, K. & Pooler, T. (2013a). Trust in Justice: Topline Results from Round 5, The European Social Survey.

¹⁶ Ibid.

¹⁷ Toš, N. (2013). *Vrednote v prehodu VII: Slovenija v mednarodnih in medčasovnih primerjavah*, SJM - ISSP 1991-2012 / Niko Toš, ured. - Wien : Echoraum ; Ljubljana : Fakulteta za družbene vede, IDV-CJMMK.

¹⁸ Ibid.

¹⁹ Ibid.

of respondents strongly agreed or agreed with the statement that "private enterprise is the best guarantee for the solving economic problems in Slovenia" (placing Slovenia in the 25th place out of 32 countries), while in 1993 this share was 47.2%.

Weak rule of law also has a negative effect on general trust among the people of a society²⁰. In 2008 Slovenia ranked 34th among 40 countries on general mistrust among the citizenry, since only 22% of Slovenes felt that people are almost always or usually to be trusted (80% in Denmark).

IDEAS MATTER

History teaches us that words and ideas are of great importance. People swim in words. We are realizing this after a very long infatuation with Marxist, Freudian, behavioral, neoclassical or neo-Keynesian claims that seen and unseen material interests spin the world, that the Founding Fathers of the United States of America were only protecting the value of their own property when writing their founding documents, that slavery was abolished in order to strengthen manufacturing, or that Slovenia became independent in order to protect its national economic interest.

A quarter of domestic product is generated by using "sweet words", that is, the persuasiveness of the retailer, manager, teacher, prosecutor, and lawyer while performing their work²¹. History also teaches us that the incredible rise in the welfare of the average person on the earth going from \$1-3 per day in 1800 to \$30 today (\$60 in Slovenia and \$270 in Norway) is not a consequence of international trade, capital accumulation, education, imperialism, private prop-

erty, European style of marriage, greed, Protestant ethics, population growth, black plague, or advances in science, but rather is a consequence of the liberation and dignity of the bourgeoisie or middle class, which enabled the flourishing of market-tested innovation. Words, ideas, and ethics were that which facilitated a significant decline in poverty and a visible increase in spirit in the period after 1800.

Because ideas matter, a number of attitudes and concepts are crucial for society: our perception of the rule of law, the kind of attitude we have toward entrepreneurship, distinguishing entrepreneurs from tycoons and the market from oligarchy, our understanding of the role and rights of employees, business owners, and management of companies in a market economy, our understanding of the market system as a positive-sum, not a zero-sum, game, our trust in state institutions and in people. We should not forget that the idea of class struggle, scepticism toward private entrepreneurial initiative, and a general mistrust gradually paved the way for the catastrophes of the 20th century.

The duty of the Slovenian judiciary is to do its part in strengthening the rule of law, which is essential in preventing the resurrection of both right-wing (e.g. Nationalism) and left-wing (e.g. Democratic socialism) ideologies, as they flourish in conditions of general distrust and pessimism in a society. Likewise it is also important for the prevention of widespread anti-market and anti-innovation rhetoric. Examples of such can be seen in the anti-globalization movement, radical environmentalism, the condemnation of the freedom of commercial free speech (advertising), the idea that the market system depends on an army of the unemployed, and the calls for a revival of Keynesian dirigisme and similar utopias.

²⁰ Ibid.

²¹ McCloskey, D. (2006). *The Bourgeois Virtues, Ethics for an Age of Commerce*, University of Chicago Press, p. 634.

The liberation and dignity of the middle class have been and continue to be necessary, key conditions for the progress of modern society. In this context, freedom is an economic factor and dignity, a sociological one. Being better at supporting the rule of law, the judiciary may have a positive influence on both. As a defender of the freedom of individuals against abuses by the legislative and executive branches, the judiciary can nourish liberation, while also, as a guardian of the legal system, creating conditions where innovation and entrepreneurship are cherished. Society and the economy are in constant interaction, but they are not one as materialistic reductionism claims. Without dignity, the middle class is under constant attack by hostile rhetoric from politics, society, and art, as it had been under the Habsburgs and Bourbon, and in fascist Spain – in all, destined to \$3 per day. Without freedom, the middle class is doomed to return to the medieval hierarchy, as during the times of the hyper-regulated guild cities of Venice and Lübeck, again destined to \$1-5 a day²².

In a society where the justice system is partly culpable for the erosion of trust in the rule of law, where politics blames capitalism and an alleged brutality of entrepreneurs for its own mistakes, where media constantly blame markets and entrepreneurs for any problem in society, where influential economists spread the archaic and mistaken ideas of the historically proven harmful notion of a middle way between capitalism and socialism – the middle way in reality always engaged in much plundering and virtually no market, with only a national industrial policy and almost no competition as well as national interest and no true interest in the

consumer. In such society, it is impossible to create the conditions for healthy competition-based entrepreneurship.

THE RULE OF LAW IN SLOVENIA: PROBLEMS AND SOLUTIONS

In the private sector it is not a matter how much you work, but rather whether you are doing the right things in a proper way. The same should apply to the judiciary.

The length of court proceedings is one of the most important weaknesses in Slovenia with regard to the rule of law. The reasons for the excessive length of criminal proceedings are many, most of which are related to organizational and technical problems.

One of the major problems is related to a provision requiring the presence of the accused and witnesses at hearings. Various tactics of evading arrival at court have become Slovenian folklore and are the cause for more than half of the hearings being postponed. For a trial not to be postponed due to the absence of a single witness, the courts should increase their competence in ensuring the presence of the accused and witnesses at hearings as well as better management of the hearings such that a large number of witnesses can be present at a single hearing.

The Slovenian courts lack the courtrooms to handle their current workload, making it impossible for a judge to process cases in the shortest possible time and for there to be short periods between hearings, which would enable greater focus, knowledge, and competence in a particular case. The procedural organization of the Slovene courts is at an unenviable low level.

Bošnjak also points out the conceptual confusion of Slovenian criminal justice procedure, which allows a lack of clarity regard-

²² McCloskey, D. (2011). *Bourgeois Dignity: Why Economics Can't Explain the Modern World*, University Of Chicago Press, p. 592.



THE MANAGEMENT OF THE SUPREME COURT SHOULD DESIGN A SYSTEM FOR EARLY DETECTION OF DELAYS, BOTTLENECKS, AND INCOMPETENT JUDGES

ing the subject of discussion at the main hearing, enables the parties in the trial to be too passive, and accepts evidence very late in the process, resulting in the postponement of quarter of all hearings²³.

Slovenia is unique in the fact that the judges themselves, without meaningful support of the professional and technical personnel, engage in tasks that should be delegated to professional support services. Courts have major organizational problems with technical tasks, such as getting and sending documentation.

The Slovenian judiciary is trying to deal with these problems in an utterly inefficient way. Instead of reducing the number of judges and organizing the work of professional and technical services better, they have increased the number of judges, costing the

national budget much more than support staff would. The judges not only preside over cases but also do much of the administrative work related to them. According to the European Commission for the Efficiency of Justice (CEPEJ), in 2010 Slovenia spent €87 per capita for the courts, while the average in the EU-27 is only €40 per capita²⁴. For Slovenia that translates to 1% of government expenditure, while the average of the EU-27 was only 0.4%. The catastrophic organization of the judiciary is also evident in the comparative data on the number of judges per 100,000 population. Slovenia has 71 judges per 100,000 population (EU-27 has only 30 per 100,000 population) and 50 full-time professional judges per 100,000 population (EU-27 has 18 full-time professional judges per 100,000 population). Also of note is that along with the administrative staff the Slovenian courts have twice as many people employed (209.6 employees per 100,000 population) than is the average in the EU countries (92.3 employees per 100,000 population)²⁵.

Reducing the number of judges and support staff is essential, but the prerequisite is a drastic reduction in the number of first-instance cases, where Slovenia has 33 non-criminal cases per 100,000 population and the average of the EU-27 is 7 non-criminal cases per 100,000 population. The first reason for this lies in the lack of decisiveness in the elimination of allegations, since as many as 99 percent of them result in a trial regardless of how well the case is argued and the evidence supporting it²⁶. The sec-

²⁴ Dubois, E., Schurrer, C. & Velicogna, M. (2013). "The functioning of judicial systems and the situation of the economy in the European Union Member States", Strasbourg: European Commission (Directorate General JUSTICE).

²⁵ Ibid.

²³ Bošnjak, M. (2008). Kazenski sodniki vse preveč uradujejo in vse premalo sodijo, Dnevnik, 7. junij 2008.

²⁶ Bošnjak, M. (2008). Kazenski sodniki vse preveč uradujejo in vse premalo sodijo, Dnevnik, 7. junij 2008.

ond reason is the lack of established alternative dispute resolutions, such as arbitration and mediation.

There is no good reason for senior judicial advisers to be promoted automatically to the position of judge after a certain period at their position. On the other hand, as is the case in the rest of the world, judges should come to a greater extent from the ranks of prosecutors, attorneys, and lawyers who have years of experience on the opposite side of the courtroom. These invaluable experiences would help judges discover the law, since not all law is enshrined in the laws as Hayek²⁷ observed and Cicero before him.

The management of the Supreme Court should design a system for early detection of delays, bottlenecks, and incompetent judges. A simulation of the market is a necessary tool here. Just as the market eliminates bad lawyers, the judicial system must also create the most objective system of a regular and politically independent monitoring of judges, which would end the term of a poorly performing judge. The incompetence of some judges and their lack of being prepared for trials is often a reason for the postponement of hearings and the emergence of a backlog. Thus far, the practice has been to transfer poorly performing judges to a district court, or even to a higher court where verdicts are reached by a senate of judges and thus the slacking of a judge easily going unnoticed. In addition to the negative measurements, the system must have incentives for judges, prosecutors, and attorneys who are performing well. The reward could be financial or non-financial, thereby preventing the exodus of the best legal professionals into the private sector.

The quality of the management of a private enterprise is left to the owners' decision (*ius utendi et abutendi!*). Providing the best possible management of the courts is a legal, but above all a moral obligation to the citizens and taxpayers, which is why tolerance of poor performance should not be an option. The next president of the Supreme Court will have to be either a very good manager or surround himself with professionals who have experience in managing and reforming large systems as well as in IT support for such organizations, human resources in large systems, psychology, sociology, and economics of large-scale systems. Unfortunately there are not many people with such skills in Slovenia, mostly because managers of large companies and organizations were not forged, but were in most cases appointed by way of political considerations. Most importantly, before opening ourselves to knowledge and experience from abroad, we should acknowledge our shortcomings as it applies to both the judiciary and Slovenian society as a whole.

In the declaration and enforcement of criminal justice sanctions there is often a divergence between jurisprudence and economic logic. The current paradigm of sanctioning in the criminal justice system is based on an outdated utilitarian philosophy of instrumentalizing the penalties with an aim to achieve the prevention of further offenses by the offender, rehabilitation of the offender, and a deterrence of others committing the same crime. As professor Randy Barnett observes, it is time for a new paradigm of criminal law, based on the restoration model, under which the offender is asked to restore harm done to the stakeholders of the company (its shareholders, creditors or employees) and not to the company itself. Unless serious crime has been committed, imprisonment is not necessary, since

²⁷ Hayek, F. A. (1960). *The Constitution of Liberty*. Chicago, IL: University of Chicago Press.



such a form of punishment is not meant to achieve the three criteria mentioned above: prevention, deterrence, and rehabilitation. It should be noted that the current system of retributive justice did not develop from a justice system in place 900 years, which was rooted in restoration. The emergence of the absolutist state and the consequent transfer of the judiciary to being under the influence of the rulers instrumentalised the courts to engage in aggression against the people of the state²⁸. Such a justice system does not offer credible, theoretical, let alone a consequentialist, argumentation. Instead of punishment, the outcome of the restoration model of justice system is reparation and reconciliation. The aim is to restore the victim, offender, and community to their pre-crime status. In the restoration model the victims report offences to a greater extent, while the "rehabilitation" of offenders enables them to return to their pre-crime status in the society. In addition, with offenders making an effort to make amends to victim and community as soon as possible, the crime would not be worth it anymore, and at the same time the cost of the justice system from public finances would dramatically shrink. To summarize, the restorative model of justice system would benefit victims, taxpayers, and even offenders. At the same time, the justice system would meet the aims of prevention, deterrence, and rehabilitation to a much greater extent²⁹.

²⁸ Hobhouse, L. T. (1951). *Morals in Evolution*, London: Chapman & Hall; Laster, R. E. (1970). "Criminal Restitution: A Survey of Its Past History and an Analysis of Its Present Usefulness," *University of Richmond Law Review* 5 (1970): 71-80; Schafer, S. (1970). *Compensation and Restitution to Victims of Crime*, 2d ed., enl. (Montclair, N.J.: Patterson Smith Publishing Corp.

²⁹ Barnett, R. E. (1977). "Restitution: A new paradigm of criminal justice", *Ethics* 87 (4):279-301;

Barnett, R. E. (1980). Justice of Restitution, *The American Journal of Jurisprudence*, 25, 117;

Barnett, R. E. (1983). Resolving the Dilemma of the Excusatory Rule: An Application of Restitutive Principles of

Formally Slovenia has a separation of the judiciary, legislature, and executive branches of government. However, I claim that is not the case in practice. The judiciary in Slovenia does not perform its most important function: to protect individuals from abuses by the state. The judiciary must not accept a mere implementation of the law, as legal positivism is incompatible with a free market economy, for which the Slovenes decided with independence and accession to the European Union.

Referencing an inadequate legal basis or procedural loopholes for numerous unpunished violations of the law in the transition process is unacceptable. Judges must measure up to their moral responsibility, stop being robots reading the law letter by letter, and rather be the last bastion of the defense of individual personal and property rights. The law must originate in what is right, and everything that is understood as right in our society cannot be part of the normative legal code. Legal positivism is to some extent, of course, a necessary component of the rule of law, as the society needs some kind of anchors that prevent major deviations and provide transparency and predictability of general rules. At the same time legal positivism must allow for adjustments and a search for law outside the domain of strict but limited legal codes.

Reaching a verdict should not be merely subjective (judge's discretion) or merely objective (legalism), but conjunctive, i.e., a bringing together of the subjective and objective, neither of which is ever purely one or the other. This is a difficult and responsible task for the judges.

Justice. *Emory Law Journal*, 32, 937;

Barnett, R. E., (1996). "Getting Even: Restitution, Preventive Detention, and the Tort/Crime Distinction" [v "Symposium: The Intersection of Tort and Criminal Law], *Boston University Law Review* 76, 157.

Justice must be blind but not deaf and numb. If the task of the judiciary is to protect individual rights and property against abuses by other persons or the state, then the Slovenian judiciary should take a more active stance in the implementation of this goal. In particular, the Constitutional Court should monitor the legislative and executive branches much more closely, and participate in public discourse to a greater extent, especially to draw attention to violations of the powers of the other two branches of the government.

The courts, public prosecutors, and public defenders should establish closer cooperation with the legislative and executive branches by regularly providing feedback on proposed bills, implementation of laws, procedural obstacles, and opportunities for simplification of the legal code. Any new bill before becoming a law should be scrutinized by the Bar Association and the Supreme Court, in order for all stakeholders to weigh in an opinion on what a proposed bill may bring.

We should always keep in mind that democracy is beneficial to individual freedom as long as the majority of the society is in favour of individual freedom, the rule of law, and limited power of the state. For this reason, Herodotus preferred isonomy (equality before the law), "*the most beautiful name of all*" political systems, over democracy³⁰.

CONCLUSION

A misunderstanding of the role of the rule of law in society is present in Slovenia to a certain degree. Among the reasons is the courts' prevailing practice of resorting to the comfortable shelter of legal positivism, which is unrelated to the moral and ethical foundations of the rule of law.

³⁰ Herodot. *Zgodbe*, Ljubljana: Slovenska matica, 2006.

With regard to the economic sphere, such a *modus operandi* of the Slovene judiciary enabled unhindered illegitimate appropriation of property at the time of transition to independence, impunity on restriction of competition, abuse of inside information and the small shareholders, state backing of inefficient firms and banks from foreign competition by invoking "the national interest", destruction of the trust in the private ownership of companies and the stock market, and a widespread lack of payment discipline. All this has a negative impact on the economic climate and discourages individuals from entrepreneurship, as it further increases risk and at the aggregate level inhibits the restructuring of the economy.

A breakthrough in the development of the Slovenian economy will happen or break down on the issue of the rule of law. Hence, the organizational and ethical transformation of the Slovenian judiciary is essential for strengthening the rule of law in Slovenia. The development of all advanced societies has been built on a shift from Status to Contract³¹. In Slovenia it is also time to move from "Privi-leges" towards "Leges". ●

³¹ Graveson, R. H. (1941). "The Movement From Status To Contract", *The Modern Law Review*, 4(4), pp. 261-272.



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Roma and social benefits:

Do Roma citizens
represent a problem
for Slovak public
finances?



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Roma minority is one of the most unpopular political topics in countries with their substantial share in population. Slovakia, Romania, Czech Republic Bulgaria or Hungary, just to name few countries where conflicts between the majority and Roma minority are often discussed, but rarely solved. With the opening of borders to the eastern member countries, also countries like France or Italy encountered their way of Roma-related problems and mostly ill solutions (remember 2009-2010 Roma expulsions and camp demolitions by the French government, or 2011 arson attacks on camps in Italy?).

The problems are usually seen as two-sided. First, there is a social conflict. Roma minority is often segregated, ostracized by the majority and lacking trust in the majority in return. This results in prolonged conflict often with criminal and hygienic aspects.

The second side is an economic conflict. The unemployment of Roma minority is staggering (in Slovakia more than 80%) and they lack any assets (especially real estate), which makes them extremely poor and completely dependent on the welfare state. Large part of the majority views this situation as a "parasitism" of Roma. This intensified with the coming of the crisis and subsequent serious fiscal problems in most of the countries. Cutting down the social allowances to Roma has been proposed (mainly from the crowd, but sometimes also by politicians) as one of the easy and painless solutions.

Several parts of Slovakia experience problematic coexistence of Roma people and majority population, without any successful solutions in sight¹. As a result, there is

growing dissatisfaction of majority living in the areas with Roma minorities. Dissatisfaction was expressed in regional elections at the end of 2013². But besides real social issues, which deserve our attention and effort in finding solutions, the public discussion involves many proofless economic statements and myths that are constantly repeated by politicians and the public.

Roma people are often referred to as the abusers of social system who create a significant burden on public finance. As a consequence, limiting social benefits to Roma is often proposed by many as a solution for public deficits also in Slovakia. It is an ongoing story. In 2004 the incumbent government reformed the social system and introduced substantial cuts (especially to larger families), which led to widespread unrest in the social minority, looting and finally required thousand soldiers to strengthen the police force and calm down the situation. Current government copes with the fiscal crisis by hiking up tax rates, hoping for higher revenues. Cutting social expenditures for Roma instead is a strongly heard outcry from the public. Analysts of our institute regularly encounter this notion even during the Price of the State project lecture tours in Slovak high schools. A complex calculation of social expenses on Roma community in Slovakia, which would help to confirm or dismiss the idea, had been missing so far.

This analysis is aimed at changing it. It focuses on estimating how much of the social welfare system actually ends up in the regions with high proportion of Roma community. In our publication we argue against conventional stereotypes and myths about Roma being a burden for public finance in Slovakia. Total annual fiscal costs of "Roma" districts amount to less than a *month and*

¹ Problematic coexistence concerns mainly regions with segregated and extremely poor Roma communities.

² A radical nationalist became a regional governor of Banska Bystrica self-governing region

a half expenses on old age pensions, while public support used by multi-child families being even more marginal, amounting to a little fragment of this sum. Roma issue is social, not fiscal problem, and so should be concerned as such.

ROMA AND SOCIAL BENEFITS

According to Atlas of Roma Communities, 403-thousand Roma lives in Slovakia (7.4% of Slovak Republic population). There are 46,5% (187-thousand) Slovak Roma living dispersed within the settlements of majority, 17% (69-thousand) lives in segregated settlements (shanty towns) and the rest lives in urban concentrations.

There is no record-keeping of ethnicity of social benefits beneficiaries in Slovakia, which is why we implemented three complementary techniques to identify Roma beneficiaries. Common assumption is that Roma people have large families, so we evaluated the proportion of public resources supplied to multi-child families (families with more than 4 children). When the data could not be directly connected with large families, we used demographic proxy - districts with highest proportion of multi-child families ("15 districts"). in which more than 1000 children live in multi-child families (with more than 4 children)

We have also examined absorption of benefits by "Roma districts" – i.e. districts with two-thirds of Slovak Roma population, as identified by Atlas of Roma Communities. These are exclusively in the central and eastern parts of the country. These are the "20 districts". [See Map.1]

We have studied the absorption ratio of selected social benefits, bonuses and subsidies, focusing on benefits supplied to low income individuals and families, specifically:

1. Benefits in material need and related allowances
2. Child allowance
3. Parental allowance, Childbirth allowance, Contribution to the childbirth allowance
4. Disability pension, Youth disability pension

Some basic facts about Slovak public finance are needed in order to offer the proper proportions of our findings. Annual government expenditures reach over 17 billion euro. Large part of social expenditures is managed by Social Insurance Agency, which currently spends almost 7 billion euro annually. Most of the health care is funded by health insurance agencies, adding slightly less than 4 billion euro of public expenditures. The overall public expenditure number is summed up by 4.6 billion spending of local councils to around 28 billion euro per year.

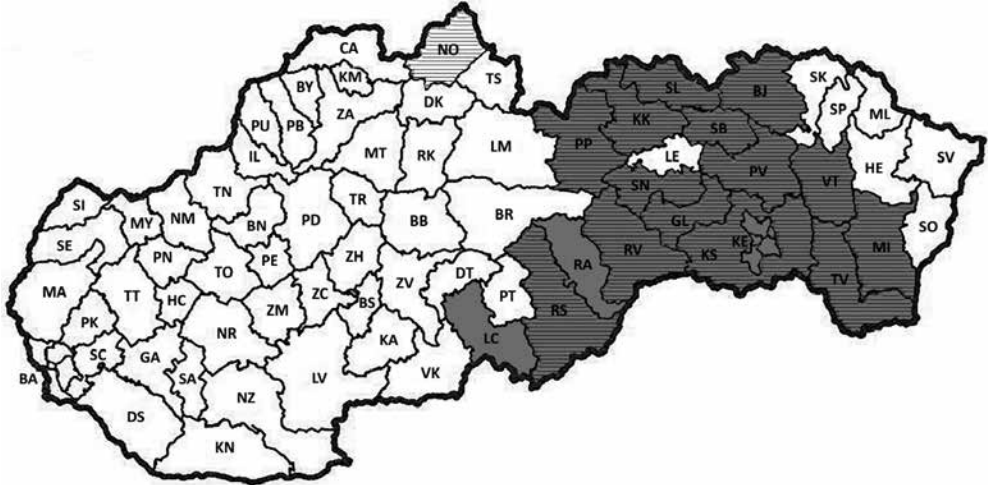
BENEFITS IN MATERIAL NEED

Benefit in material need is the basic benefit of the social system for the poorest people with no income. Primary condition for the benefit eligibility is a state of a material deprivation of an applicant. Providing of the benefit is thus conditional and means-tested by law and government only provides it to the people with income lower than subsequent minimum, to the people who are unable to secure an income by their own actions (job, sell of property). [See Table 1.]

Government also provides additional allowances to benefits in material need which can be claimed if the applicant meets conditions defined by law³.

³ These are the healthcare benefit (2€), activation allowance (63.07€), protection benefit (63.07€), housing allowance (55.8/89.2€).

Map 1: "20 districts" with highest ratio of Roma population. Hatched fields show districts fall also in the "15 districts" category.



Source: Atlas of Roma Communities 2013

Table 1: Benefits in material needs sum in 2012

Considered persons	Benefit monthly sum
Single person	60,50 €
Single person with 1 to 4 children	115,10 €
Single person with more than 4 children	168,20 €
Couple	105,20 €
Couple with 1 to 4 children	157,60 €
Couple with more than 4 children	212,30 €

Government also provides additional allowances to benefits in material need which can be claimed if the applicant meets conditions defined by law .

€ 270.7 million was spent on benefits in material need in 2012. There were 183 341 registered beneficiaries. Together with common assessed persons (usually family members in a household), 357 765 individuals were dependent on benefits in material need, which is 6.6% of Slovak population.

Following graphs show distribution of beneficiaries of benefits in material need split by the number of family members (2012 numbers). [See next page]

Geographically, there is a visible correlation between higher proportion of Roma population and higher sum paid out in benefits in material need. According to the data, 142.5 million euro in Benefits in material needs was allocated to the group of 20 districts with highest Roma minority (with two thirds of Slovak Roma living there). That is over one half of the total sum of Benefits in material need in Slovakia.

47-thousand people in multi-child families (with more than 4 children - corresponding to common perception of multi-child Roma family) were receiving benefits in material need in 2012, representing 13.2% of all beneficiaries. There were 9 436 multi-child families (with more than 4 children) in Slovakia in 2012, of which 5 762 (61%) were receivers of the benefit.

Total costs on benefits in material need for multi-child families amounted to € 16.8 million in 2012. Even though multi-child families represent 13.2% of population in material deprivation, they received only 6.2% of total € 271 million assigned for the benefit and related allowances. We should stress, that multi-child is not a synonym for Roma, and there are quite a few receivers in majority population.

CHILD ALLOWANCE

This benefit is paid to a parent (or other beneficiary) of every child until it ends educational process (including university stud-

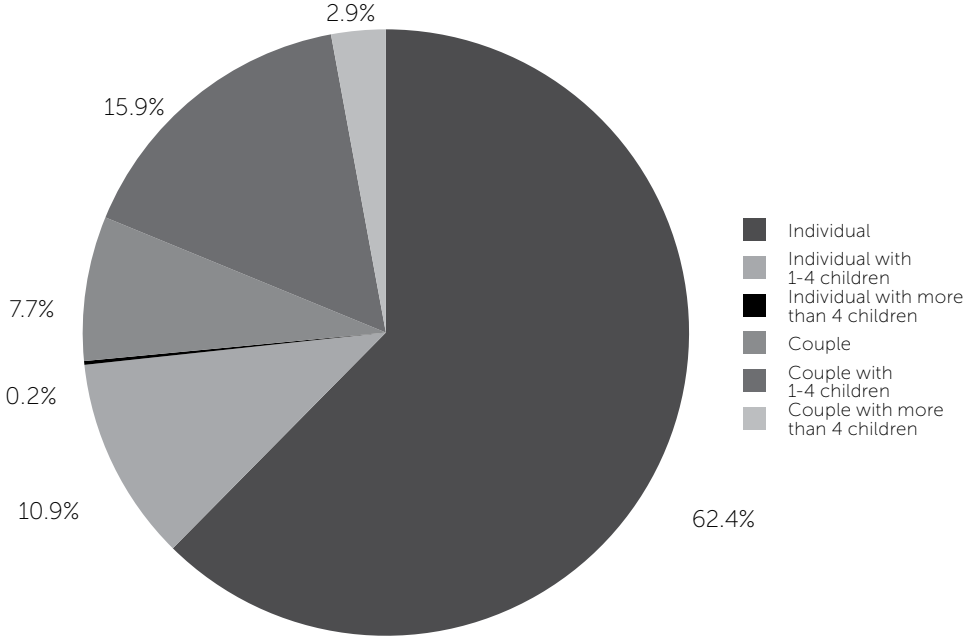
ies) or reaches 26 years of age. The child allowance was 22.5 euro per child in 2012. This allowance is paid disregarding the parent's income.

According to official statistics, the child allowance was paid to 678 000 families with 1.16 million eligible children. Out of them, 365 000 children were up to six years of age (pre-school), 280 000 children were 17 years or older and thus out of compulsory education. Curiously, almost 122 000 „children“ older than 20 years were eligible – almost all of them being university students. Children allowance demanded 311.6 million of public resources.

88% families (597 000) receive allowances on one or two children, 8,5% families receive allowances on three children, 2,0% families on four children and families with 5 and more children have 1,4% share (9 436 families with 55 429 children). From the allocation point of view, we can say that 75% of resources end up in families with one or two children. Families with three children have 15.2% share, families with four children have 4.8% share and finally, large families with five and more children have 4.9% share. This means that they received 15 million euro in child allowances in 2012. Families with one or two children received almost 235 million euro.

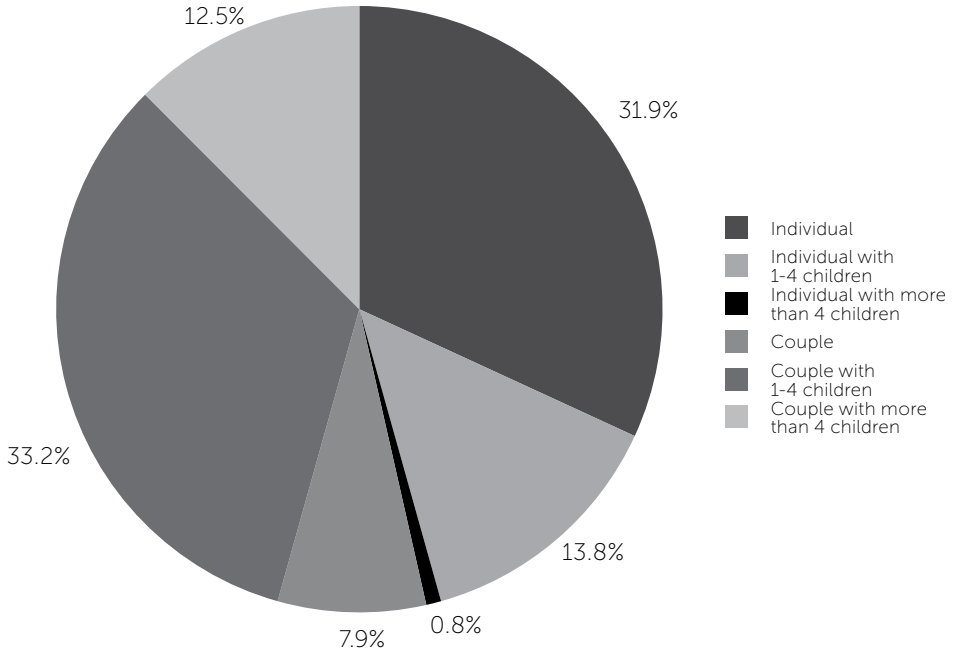
Using the same methodology as for Benefits in material need, we counted the sum of allowances flowing to the 20-districts group. These districts received 31.8% of the child allowances sum in 2012, or 99 million euro. With the help of empirical data we can claim, that large families and also districts with high share of Roma minority are not among significant receivers of child allowance. To some extent this is caused by minimal share of Roma children in tertiary education (that means most of Roma children lose child allowance eligibility after they end compulsory education).

Distribution of the recipients of benefits in material need (183-thousand persons)



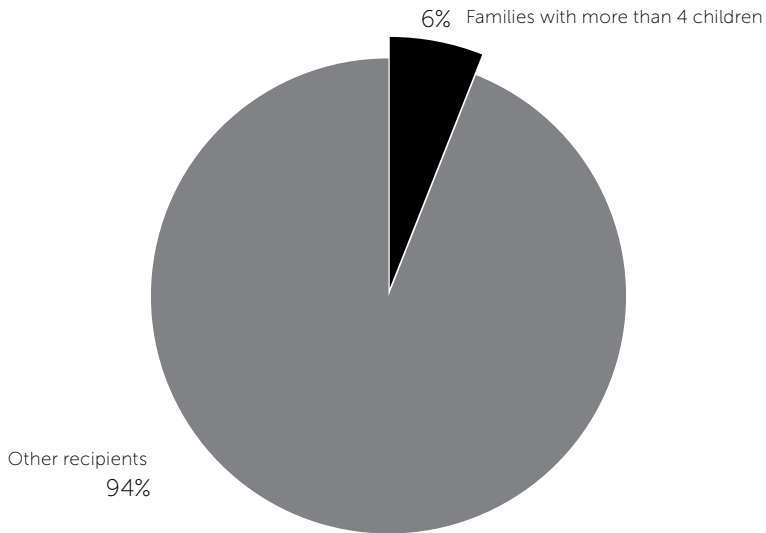
Source: Central Office of Labor, 2012

Distribution of the recipients of benefits in material need including the family members (357-thousand person)



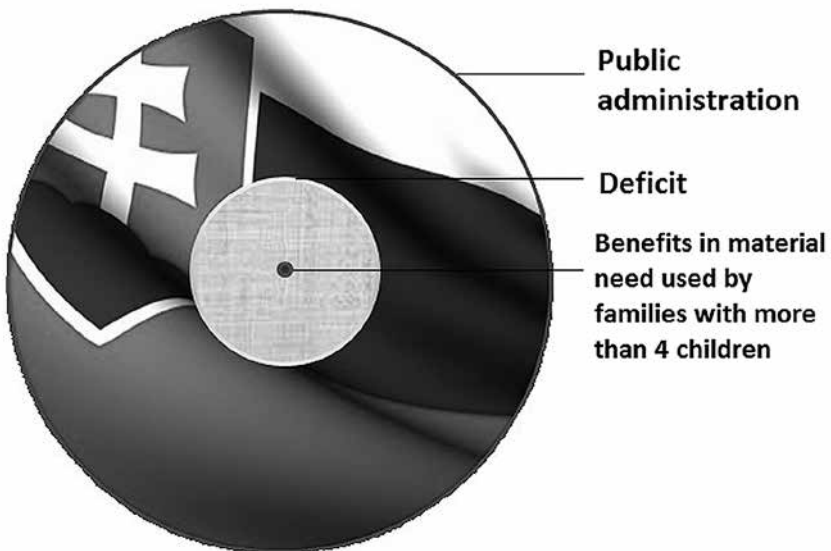
Source: Central Office of Labor, 2012

Portion of expenditures on benefits in material need (271 mil. euros) used by large families



Source: Central Office of Labor, 2012

Public expenditures comparison



Source: Ministry of Finance, 2012

According to statistical data, 15.3% of general population in Slovakia was younger than 15 years in 2012. Meanwhile, in the Roma minority living in concentrations (not living diffused within the majority), 38.5% of the population was younger than 15 years. If we assume that 40% of the whole Roma population is eligible for the child allowance (children up to 16 years of age – compulsory education), we can estimate that around 161 000 young Roma is eligible for the allowance. That equals 43.6 million from the public resources.

Parental allowance, Childbirth allowance, Contribution to the childbirth allowance

Parental allowance is paid on children up to three years of age (six years in case of worsen health) and is worth 194.7 euro per month. Eligibility starts after the end of maternity allowance period (which is subject of social insurance scheme). If there was no maternity allowance period (mother was unemployed and not insured), parental allowance eligibility starts immediately. Parental allowance was paid to 142 000 persons (2.63% of the general population) and total sum reached 334.4 million euro.

We can estimate that 9 436 large families in Slovakia received 6.1 million euro in the form of parental allowance, or 1.8% of total parental allowance funds.

There was 45 679 recipients of parental allowance in the 20-districts group, who received 106.7 million euro or 31.9% of overall funds. This share is almost identical to the share of general population, living in these districts (29.3%).

From the data mentioned we can conclude that 17% of recipients of the parental allowance were Roma (Roma women). That equals around 24 000 Roma recipients and

57 million euro. However, it is important to note, that parental allowance lowers the paid sum of Benefits in material need.

Childbirth allowance is represented by single payment worth 151.37 euro, which is paid to one of the parents after the child's birth. It was paid out 56 978 times in the year 2012. The sum of payments reached 8.8 million euro. As much as 90% of the children were born as 1st, 2nd or 3rd children.

When examining the group of "15 districts" (large families districts), we find that 9 436 large families received slightly less than 400 000 euro in childbirth allowance, that equals 4.5% of overall resources.

Analysis of the group of 20 districts (high Roma minority share) shows 18 511 (32.5% share) childbirth allowances paid out, requiring 2.8 million euro. The share of these districts is therefore only 3.2% higher than would average share suggest.

Contribution to the childbirth allowance (has been paid since 2007) is provided at a standard amount of 678.49 euro in the case when a mother gives birth to the first, second or third child. In 2012, the contribution was paid to the 90% of born children (51,398), the total amount of resources for the payment of contribution reached 35.4 million euro.

Since the contribution covers 90% of born children in a mentioned year, its distribution by region approximately follows a distribution of paid childbirth allowance.

In 2012 the contribution was paid in the 15 selected districts with a high number of multi-children families 12 950 times (25.2% of the shares) so overall resources for the payment of contribution reached about 8.8 million euro. But the fact is that the multi-

children families cannot get the contribution, because it is paid only by the birth of the first, second, and the third child.

In "20 districts" with a high share of the Roma minority, the number of paid contributions reached 15 392 (29.9% of total), around 10,4 million euro. In this case the deviations from corresponding aliquots of the population are lower than by the payment of the childbirth allowance.

DISABILITY PENSION, YOUTH INVALIDITY PENSION

In 2012 the disability pension was received by 227 801 recipients in the average amount of 265 euro. The total cost reached 723 million euro.

The Social Insurance Agency recorded 53 016 disability pension recipients in the 15 selected districts with a high number of multi-children families, counting 23.2% of the total. Therefore it is a smaller percentage than the proportion of Slovak population, which lives in these districts (23.9%).

If we assume that the proportion of invalidity pension recipients in multi-children families is the same as in the 15 monitored districts (23.2%), we can estimate that in 2012 it has been paid approximately 13.9 million euro in the form of an disability pension (1.9% of total resources) to 9 436 multi-children families.

In the "20 districts" group with a high share of Roma population Social Insurance Agency recorded 65 753 disability pensioners, thus 28.9% of the total. Again, this is a smaller proportion than the proportion of the population living in these districts. Compared to retirement pension, which creates the highest expense of the Social Insurance Agency (4 166 mil. Euro annually), the difference is even more acute. The "20 districts" (with a high proportion of Roma) represent

29.3% of the total Slovak, but only 26% of total recipients of retirement pensions lives there. That means that districts with high proportion of Roma minority have lower requirements on the retirement pension system. Presumption that Roma are disproportionately high recipients of invalidity pensions was not confirmed.

In 2012 the youth disability pension was received by 7 800 people with average monthly payment of 248 euro. The total cost reached 22.4 million euro. In 2012 in the 15 selected districts with a high number of multi-children families Social Insurance Agency recorded 2 215 recipients of youth invalidity pension, that is 28.4% of all recipients. It is 4.5% more than aliquot share to these districts, in practice it is a variation of 351 people.

If we assume that the share of the recipients of youth invalidity pension in multi-children families is the same as in 15 monitored districts (28.4%), we can estimate that in 2012 in 9 436 multi-children families in Slovakia it has been paid about 8 million euro in the form of youth invalidity pension (35.6% of total resources).

In the "20 districts" with a high share of Roma Social Insurance Agency recorded 2 433 recipients of youth invalidity pension, thus 31.2%. Again, this is higher than aliquot share, but in practice it is a deviation only by 148 people.

Due to the numbers mentioned, the burden imposed on public finance is only negligibly higher. Districts with a high share of Roma receive in the form of youth disability pension 440 000 euro more than would be aliquot share of these districts. Total resources for the payment of youth disability pension equals to only 0.5% of the resources paid in the form of retirement pensions (or around one third

of the resources devoted to Christmas allowance for pensioners). From the perspective of public finance it is not a significant amount.

PUBLIC SPENDING ON MONITORED GROUPS

[See Table 2.] Total sum paid out on all monitored benefits, allowances and payments to multi-child families represented approximately 0.2% of total public expenditures (€ 60 million). That is less than government spends on Christmas allowances to pensioners annually.

Multi-child families represent 13.2% of all persons dependent on benefits in material need while at the same time they receive only 6.2% of the total benefit spending. In addition, multi-child families were not eligible for supplementary childbirth allowance (only family with the first-born, second-born, or third-born child was eligible).

Total sum absorbed by the group of "15 districts" in the form of all monitored benefits, allowances and payments represented 1.8% of total public expenditures (€ 482 million). That approximately equals the sum that the government spends inef-

ficiently on public procurement or public transfers. Moreover, these payments were neither used by the multi-child families exclusively, (mostly by families with two or three children), nor were they received only by Roma community.

"15 districts", in which more than 1000 children live in multi-child families (with more than 4 children), represent 24% of Slovak population. 36% of beneficiaries of benefits in material need live in these districts, and 45% of all persons dependent on the benefits in material need (that is including jointly assessed persons).

Total sum paid out in all monitored benefits, allowances and payments in 2012 in the group of „20 districts" represented 2,2% of total public expenditures (€ 578 million), which is less than a half of expenses the taxpayers pay every year on public debt service.

Following our assumptions, we have estimated that child benefits are being paid on more than 160 thousand Roma children in total amount of around € 44 million per year. We have also estimated that 17% of all the parental allowance benefi-

Table 2. Absorption of selected social benefits by defined groups

Social support (benefits, pensions)		Used by (million euro)			Share			Total usage (million euro)
		Large families	"15 districts"	"20 districts"	Large families	"15 districts"	"20 districts"	
Material need	Aid to persons in material need	16,8	118,0	142,5	6,2%	43,6%	52,6%	270,7
Family support	Child allowance	15,0	85,5	99,0	4,9%	27,4%	31,8%	311,6
	Parental allowance	6,1	91,9	106,7	1,8%	27,5%	31,9%	334,4
	Birth allowance	0,4	2,4	2,8	4,5%	27,8%	32,5%	8,8
	Extra benefit to the birth allowance	0,0	8,8	10,4	0,0%	25,2%	29,9%	35,4
Pensions	Disability pensions	13,9	168,8	209,1	1,9%	23,2%	28,9%	723,0
	Youth disability pensions	8,0	6,6	7,2	35,6%	28,4%	31,2%	22,4
Total		60,2	482,0	577,7	3,5%	28,2%	33,9%	1706,3

ciaries were from Roma community with the total amount benefit absorption of € 57 million.

In "20 districts" with the highest number of Roma residents (67%, that is 271-thousands of total 403-thousands Roma according to Atlas of Roma Communities) live 29% of Slovak population. At the same time, 45% of all benefits in material need beneficiaries and 54% of people dependent on benefits in material need live in these "20 districts".

FINDINGS SUMMARY

Through our data analysis (data was provided mainly by Central Office of Labor, So-



ROMA ISSUE IS PRIMARILY SOCIAL, NOT FISCAL (BUDGETARY) PROBLEM

cial Affairs and Family and Social Insurance Agency) we have come to the following conclusions:

1. Roma issue is primarily social, not fiscal (budgetary) problem. Fiscal costs to districts with two-thirds of Roma population contribute to 2.2% of public expenditures (€ 578 million). That approximately equals the sum of what the government spends inefficiently on public procurement or public transfers, according to website plytvanie.sk.

2. Benefits in material need represent less than 1% of Slovak public expenditures (approximately € 270 million) and includes both Roma and majority population.

3. Families with more than 3 children receive less than € 27 million a year on benefits in material need. This equals the sum that has been assigned for construction of National football stadium.

4. Families with more than 3 children receive € 30 million a year in child benefits. Likewise, in the case of benefits in material need it is only a drop in the ocean of public finance. The government would have to cut 67-fold of this sum to balance the budget in 2014.

5. Families with more than 3 children receive € 15 million a year in Parental allowance. Year-to year indexation of old age pensions accounts for almost 12 times of this sum.

6. Following our assumptions, we have estimated that child benefits are paid out for more than 160 thousand Roma children in total amount of around € 44 million per year. We have also estimated that of all the parental allowance beneficiaries, 24-thousand were of Roma community with estimated costs of € 57 million in 2012. For comparison, the taxpayer has to pay additional € 65 million for annual Christmas allowance to pensioners.

DISCUSSION

Roma issue is primarily social, not fiscal (budgetary) problem. Fiscal expenditures paid out to multi-child families (or to "20 districts" with high Roma population rate) represent 0.2% of public expenditures (or 2.2% of public expenditures, respectively). It is not very critical sum in the perspective of public finances consolidation. Dis-

continuation of benefits in material need to its beneficiaries would cause a social disaster, while at the same time it would reduce the public deficit by only 25%. However, government should consider advanced incentives to accept even a low paid job (for example, unemployed person accepting a job for a minimum wage could be receiving the benefit in material need for some time while working)..

Concerning the level of payment of the benefits, we should ask a question if it is motivating for a multi-child family beneficiary to take up a low paid job. This should also be a question for lawmakers, as payment of a fraction of benefits (decreasing with increasing income) even after taking up a job could be profitable for both beneficiaries and public budget.

What also needs to be remembered is that there are relatively less Roma old age pensioners compared to non-Roma population (only 4% of Roma are more than 60 years old, compared to 19% in the majority population) and are also receiving less health care⁴.

World Bank study⁵ shows that 20% of Roma men and 9% of Roma women aged 15-64 are employed in Slovakia, compared to 66.6% of all men and 53% of all women in the same age group. Thus, Roma employment rate is at about 25% level of employment rate of non-Roma population. However, the statistics is affected by the segregated communities, whose unemployment rate exceeds 75%, according to UNDP.

Benefits, allowances and payments are paid out of social system in accordance with corresponding laws, ratified by parliamentary majority. If the social system is being abused or has lack of incentives to look for a job, it is partly a consequence of wrong system adjustments, or inefficient state control. Work incentives are strongly influenced by high rate of executions because wages unlike social benefits are subject to execution.

As 20% employment rate of Roma men suggests, we should not attribute the lack of interest to work to all Roma. One of the solutions for this issue could be lowering the social contributions burden of low paid employees and improving labor market flexibility. This would help the labor market to "absorb" more unemployed people, including many Roma people. ●



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⁴ PDCS. (2009). Roma population and health: Situation analysis in Slovakia [Online]: <http://www.gitanos.org/upload/13/60/Eslovaquia-corrected.pdf>

⁵ In vivo. (2014). Roma: Most wide-spread disinformation. [Online]: http://invivomagazin.sk/romovia-najrozsirenejšie-dezinformácie_207.htm

Pension System Reform and Reform Reversal: The Polish Lesson



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Ex post analysis of economic reforms is essential to verify their impact on a long-term growth, economic stability and individuals' welfare. In some areas, like old-age pensions, we have to wait many years to observe full results of such reforms. Regular reviews of reforms, if they are honest, can help to introduce important modifications and improvements. Nevertheless, what may happen to a successful long-term reform is its reversal conducted, for example, by one of the successive governments.

This article presents the case of the pension system reform reversal in Poland – especially its second phase that took place in 2013. In the first part, we analyze economic and political aspects of the reform and reform reversal. We challenge certain myths about the pension system and private pension funds presented by the government's representatives. It is clear that what Donald Tusk did in Poland, i.e. nationalization of pension savings, resembles the policy of Victor Orban towards the Hungarian private pension funds. In the second part, we show how the civil society opposition towards the destructive reform reversal developed in Poland. The purpose of this chapter is not only to show which measures were used against the pension anti-reform but also to provide a set of ideas and know-how to other non-partisan and non-governmental organizations. It is our belief that – by adopting and improving the measures presented in this article¹ – future opposition towards reform reversals will be more efficient in constraining short-sighted politicians.

PENSION SYSTEM REFORM AND REFORM REVERSAL IN POLAND

To better understand the context of the reform implementation and reform reversal we have to move back to the late 1990s.

In 1999 Poland introduced a fundamental pension system reform. Other Central Eastern European countries also implemented similar pension reforms at that time. The reform in Poland included:

- reform of the defined benefit system, i.e. substituting it with a defined contribution system²;
- introduction of the mandatory funded second pillar of the system, i.e. private pension funds (called OFE in Poland);
- setting contribution rate at 19.52% of the gross wage – 12.22% was directed to the first pay-as-you-go (PAYGO) pillar (run by the state-controlled ZUS) while 7.3% was forwarded to the private pension funds (OFE).

This critical reform was implemented in order to³:

- respond to the demographic changes with a falling share of people in a productive age expected in the future;
- strengthen economic growth by increasing national savings and developing the capital market thanks to the private pension funds;
- encourage people to stay longer at the labor market and increase labor force participation rate.

Additionally the reform assumed use of the privatization revenues to cover pension system reform costs instead of spending them on the current government consumption.

² It means that the level of pension payments is calculated by dividing the life-long accumulated contributions by a life expectancy at the age of retirement.

³ See for example "Safety through Diversity" official governmental report from 1997 (in Polish: Bezpieczeństwo dzięki różnorodności. Reforma systemu emerytalno-rentowego w Polsce, Biuro Pełnomocnika Rządu ds. Reformy Zabezpieczenia Społecznego).

¹ Some of these measures were of course inspired by some best-practices of the NGOs abroad

The reform also anticipated the transition period costs which were to be covered by the privatization revenues and implementation of the reforms on the public sector spending side. On the one hand, privatization revenues covered over 2/3 of the contributions transferred to the private pension funds instead of the PAYGO first pillar during 1999 - 2012. On the other hand some serious breaches were introduced to the original pension reform plan. These included maintaining or reintroducing pension privileges and exempting certain professional groups from the reformed system⁴. [See Table 1.]

The pension system reform was based on a broad consensus. The system was created, approved and implemented by the two successive governments: that of post-communist SLD (Democratic Left Alliance) government of prime minister Włodzimierz Cimoszewicz (1996-1997) and of AWS-UW (Solidarity Electoral Action-Freedom Union) government of prime minister Jerzy Buzek

Families). Neither of these governments questioned the mandatory funded pillar of the system. The payments of the contributions to the private pension funds were maintained at the original level. What is more, during the economic slowdown in the early 2000s, the fiscal consolidation plan was introduced (so called *the Hausner Plan*) and the lowering of the contributions to the funded system was not suggested. The pension system reforms acted as an additional incentive for other reforms and constrained growth of the public spending.

In 2007 the new coalition government of PO (Civic Platform) and agrarian PSL (Polish People's Party) was formed with prime minister Donald Tusk. Payments to the mandatory funded pillar were continued at the original level during the first 3 years of the coalition rules and the PO leaders did not question the rationale of the system. Moreover, they defended it against some populist attacks. Therefore, it was a huge shock

Table 1. Privatization revenues and contributions transferred to OFE. Sources: Ministry of Finance, Ministry of Treasury.

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Privatization revenues (billion PLN)	13.3	27.2	6.8	2.9	4.1	10.3	3.8	0.6	1.9	2.4	6.6	22.0	13.1	9.2
Contributions transferred to the private pension funds - OFE (billion PLN)	2.3	7.6	8.7	9.5	9.9	10.6	12.6	14.9	16.2	19.9	21.1	22.3	15.4	8.2

(1997-2001). These governments were followed by the post-communist SLD and a coalition of right-wing PiS (Law and Justice) with the populists from Samoobrona (Self-Defence) and LPR (League of Polish

when in the late 2010 a fundamental shift in the government's position took place. All of a sudden the private pension funds were accused of:

being a main cause of a growing public debt even though the payments to the second pillar were only 2.5 – 3.6% of the total pub-

⁴ For example farmers, military personnel, police and other uniformed services, prosecutors, judges, miners



Figure 1. Contributions transferred to OFE vs. public sector expenditures. Sources: Ministry of Finance, European Commission.



lic sector spending and over 2/3 of these payments were covered by the privatization revenues; [See Figure 1.]

- charging excessive fees even though the ceiling has been set by the government and they have been successively lowered;
- generating low rates of return even though there are no real returns in the first PAYGO pillar (just indexation of contributions on the individual "accounts") and when *the same methodology* is applied, the average rate of return of the private pension funds exceeded the first pillar indexations in the years 2000-2012⁵;
- being "private" as an element of an anti-capitalistic propaganda.

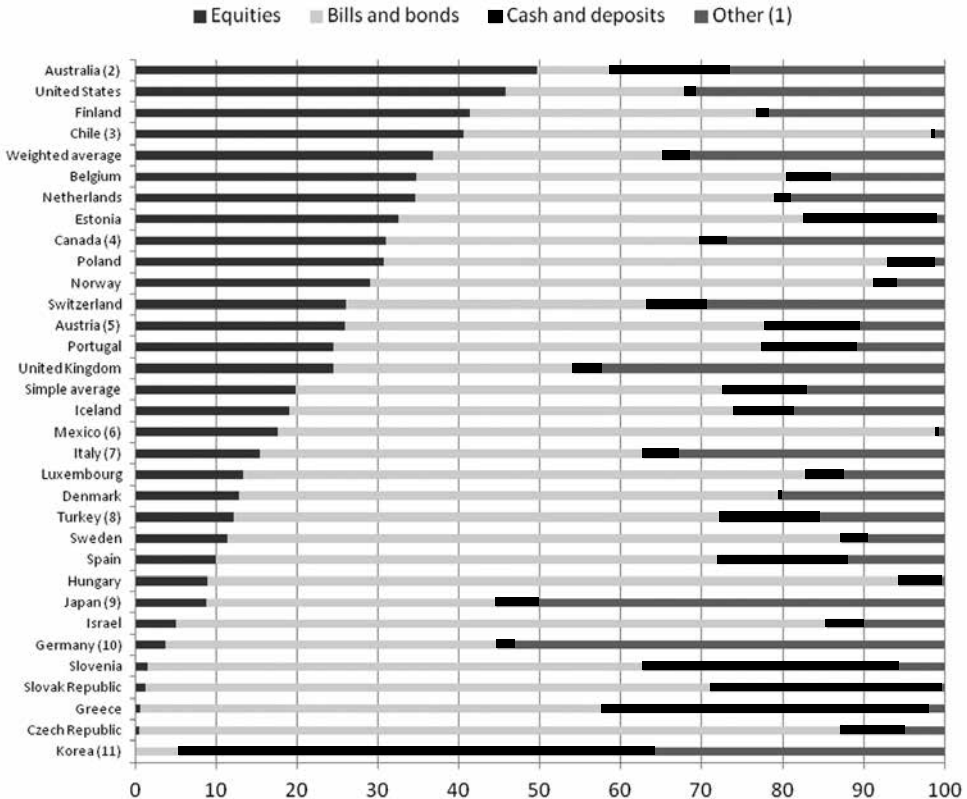
Moreover, a "theory" was created which presented investment in sovereign bonds by the private pension funds as a "cancer"⁶. Only the pension funds' investments in stocks were presented as acceptable. The "cancer theory" has been, of course, incompatible with the principles and practice of the pension funds' investments worldwide. [See Figure 2.]

Despite the protests of many economists and much of the media this negative campaign ended in 2011 with a sharp cut of the contribution rate to the funded pillar – from 7.3% to 2.3% with a promise to increase the rate to 3.5% by 2017. The government also promised that it was the last step against OFE and that the investment regulations for the pension funds would be liberalized.

⁵ See Citizens' Committee for Pension Security (pol. Komitet Obywatelski ds. Bezpieczeństwa Emerytalnego – KOBE) report, <http://kobe.org.pl/konferencja-prasowa-obywatelski-kntrraport-kobe/>, p.19.

⁶ See Jacek Rostowski's (Minister of Finance) article in *Gazeta Wyborcza* OFE: nikomu niepotrzebna beczka prawie bez dna, 7 February 2011.

Figure 2. Pension funds' asset allocation for selected investment categories in selected OECD (The Organisation for Economic Co-operation and Development) countries, 2011, as a percentage of total investment. Source: OECD.

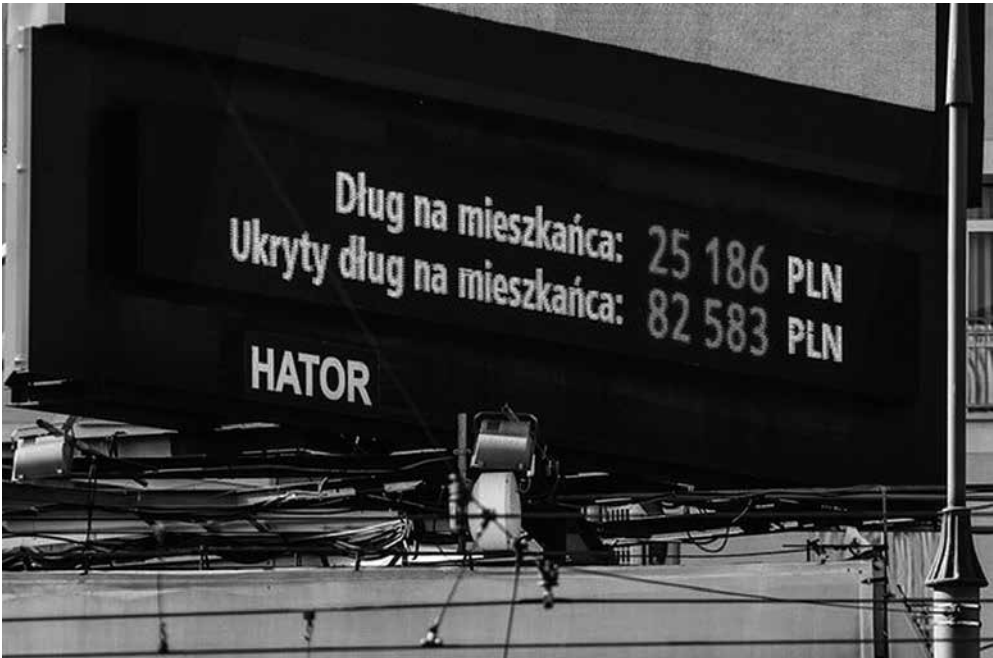


However, these promises were broken. What is more, in 2013 the PO – PSL coalition started a new aggressive campaign and repeated the accusations listed above. The obligation to increase the contribution rate to 3.5% was not maintained. Instead, the attack was launched against the already accumulated assets (similar things happened in Argentina under the Kirchners and Hungary under Victor Orban). The reform reversal initiated in 2011 entered the next stage.

The final version of the pension anti-reform was passed in December 2013 and was comprised of three major changes in the system:

- following the “cancer theory”, the government decided to nationalize this part of the assets that are invested in sovereign and state-guaranteed bonds (slightly above 50% of the total private pension funds' assets). The purpose of this move was to reduce the *explicit* public debt. Together with the ban on investment in sovereign bonds, it turns OFE into high risk funds making their liquidation easier in the future, for example during the next turmoil at the financial market;
- the pension funds' assets are to be gradually taken over by the first PAYGO pillar 10 years before an individual reach-

Figure 3. Explicit and implicit public debt clock in Warsaw city centre. See www.dlugpubliczny.org.pl for details.



es the official retirement age (so state-run ZUS, the social security agency, will be solely responsible for pension payments). It is another form of nationalization of the pension assets and a move that is against the risk diversification;

- the choice was given to the current members of the funded pillar and the new labor market entrants whether they want to participate in both pillars or just in the first PAYGO pillar. The government set participation only in the first pillar as a *default option*. Willingness to stay in, both, funded as well as PAYGO parts required a special declaration to be submitted between April and July 2014 (the next opportunity to join or leave OFE will be in 2016). Behavioral psychology teaches us that most people do not take this type of actions so the choice of this particular *default option* by

the government would lead to marginalization and liquidation of OFE in the future. It is also important to emphasize that the government banned advertising of the private pension funds which was accompanied by a manipulative campaign criticizing the funded pillar of the system.

There was a huge professional resistance to the changes proposed by the government, which are based on demagogic justifications and are against the basic direction of achievements of the Polish transformation since 1989, i.e. privatization and not nationalization. This resistance, including the civil society and think tanks' activities, is discussed later on.

The announced changes in the Polish pension system, including nationalization of over half of the private pension

funds' assets, will lead to only temporary lowering of the explicit public debt and permanent increase of the *implicit* public debt⁷. The nationalized funds will allow the government to delay necessary reforms in public finance and may be used to finance higher public spending (especially in the years of elections). As a result an increase in the implicit public debt will not be accompanied by a proportional lowering of the *explicit* public debt.

In September 2013 Civil Development Forum (FOR) presented its own calculations of the current level of the implicit liabilities of the state towards the current and future pensioners. The level of this largest share of the implicit public debt was then over 3036 billion Polish zloty or 193% of GDP. Our calculations are based on the new methodology for calculating the national accounts in the EU (ESA 2010) approved by the European Parliament in July 2013. This methodology obliges EU countries to estimate their pension system obligations based on accrued rights. By paying contributions, people acquire rights to be paid a pension of a certain value in the future. At the same time, these rights become the government's future liability, i.e. the *implicit* public debt. FOR presents both *explicit* and *implicit* debt at the public debt clock in the city centre of Warsaw and at a dedicated website. To our knowledge it is the first outdoor public debt clock in the world presenting both *implicit* and *explicit* debt. [See Figure 3.]

⁷ *Implicit* public debt is a broad concept. While explicit public debt is defined as liabilities that are government loans and bonds, implicit public debt includes all other government liabilities – i.e. obligations for future expenditures that are written in the current law, like pensions and health insurance. See Sonja Wap's article Implicit government liabilities displayed on public debt clock in Warsaw, <http://4liberty.eu/implicit-government-liabilities-displayed-on-public-debt-clock-in-warsaw/>

Analysis by many experts, including members of the Citizens' Committee for Pension Security (KOBÉ)⁸ and Confederation Lewiatan⁹ (entrepreneurs association), show that changes in the pension system violate the Polish constitution. It is why the legislation should be investigated by the Polish Constitutional Tribunal. President Bronislaw Komorowski signed (i.e. accepted) the legislation passed by the parliament and then asked the Constitutional Tribunal to control the constitutionality of this act. Unfortunately, president has not asked in his application to the Tribunal about some essential parts of the legislation including nationalization of the accumulated assets.

Countries in Europe and other parts of the world which have introduced the mandatory funded system may be divided into 3 groups:

1. Countries which reduced the contribution rate to the funded pillar but are restoring the previous level (e.g. Latvia).
2. Countries which reduced the contribution rate and are not restoring its previous level.
3. Countries which both reduced the rate and/or nationalized the accumulated assets (e.g. Victor Orban's Hungary or Argentina under the Kirchners).

The Donald Tusk's government decision moved Poland to the third, Orban-like, group of countries. While Orban's proposal was widely criticized abroad there was surprisingly little comment about the Polish government's plans.

⁸ See for example the official report by KOBÉ: <http://kobe.org.pl/konferencja-prasowa-obywatelski-kntrapor-t-kobe/>

⁹ Full constitutional analysis available at: http://konfederacjalewiatan.pl/opinie/aktualnosci/2014/2/lewiatan_zaskarzy_do_trybunalu_konstytucyjnego_zmiany_w_ofe

The attitude of the European Commission and of the International Monetary Fund has been, so far, very surprising. It seems that the EC is applying double standards in direct interactions with the EU member states. On the one hand, it has praised Latvia for raising the contributions to the funded pension pillar¹⁰. On the other hand, it has been almost silent about the Polish government's proposal to nationalize the private pension funds' assets.

Needless to say, nationalization of the pension assets is not a substitute for lasting fiscal consolidation. Even worse, it postpones the fiscal consolidation and improvement of the fiscal stance. The European Commission attitude is puzzling because of the two other considerations:

- disregard to the Stability and Growth Pact has led to the fiscal problems in some countries, e.g. Greece or Portugal. As a lesson from this experience the EU has declared to strengthen the fiscal monitoring so as to avoid the repetition of what happened for example in the Southern Europe. By its behaviour so far the EC risks jeopardizing its role as a fiscal guardian;
- according to the new European System of National and Regional Accounts (ESA 2010) such nationalizations of the private pension funds as the Polish proposal would not be regarded as fiscal consolidation¹¹.

Finally, there is a danger that the *Orbanization* of the pension systems may spread all over Europe if not counteracted¹². The

governments in the Central Eastern Europe are under pressure to slow down fiscal consolidation or retreat to fiscal stimulus. The Hungary-Polish bad example risks giving more power and additional arguments to the populist voices in other countries in the region. This is why a strong and efficient opposition from the think tanks and civil society is necessary to stop this destructive shift in policies and to counteract attempts of reform reversal in various areas, including pension systems.

OPPOSITION TO THE DESTRUCTIVE REFORM REVERSAL – THE POLISH LESSON

At the beginning of 2013 first signals that the government may initiate a second phase of its attack on the pension savings and reverse key elements of the pension system reform occurred. It was connected with the pension system review to be published by the government in the first half of 2013¹³. This is when the non-partisan opposition to the government anti-reform started to develop.

One of the examples of the non-partisan opposition was a group of reputable economists and lawyers which formed the Citizens' Committee for Pension Security (*Pol. Komitet Obywatelski ds. Bezpieczeństwa Emerytalnego - KOBE*)¹⁴. KOBE was an independent body of twelve academics and experts on pensions created in April 2013. It consisted of:

- prof. Marian Wisniewski, economist, University of Warsaw (KOBE Chairman)
- Maciej Bitner, economist, Wealth Solutions (KOBE Secretary)

¹⁰ See European Semester country-specific recommendations between 2011 and 2013, http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm

¹¹ See p. 478 Regulation (EU) No 549/2013 of the European Parliament And Of The Council of 21 May 2013

¹² See for example Kaetana Leontjeva Poland exports OFE nationalization to Lithuania [published in Polish

Polska eksportuje na Litwę nacjonalizację OFE, Rzeczpospolita, <http://www.ekonomia.rp.pl/artykul/1061014.html>

¹³ Ministry of Labor website: <http://www.mpips.gov.pl/aktualnosci-wszystkie/ubezpieczenia-spoleczne/art.6266,przeglad-funkcjonowania-systemu-emerytalnego.html>

¹⁴ The official website: www.kobe.org.pl

- dr Maciej Bukowski, economist, Warsaw School of Economics
- prof. Aleksander Chlopecki, lawyer, University of Warsaw
- prof. Stanislaw Gomulka, economist, Business Center Club - entrepreneurs' association
- prof. Miroslaw Gronicki, economist, former Minister of Finance
- Jeremi Mordasewicz, advisory to the Lewiatan Confederation - entrepreneurs' association
- prof. Wojciech Otto, economist, University of Warsaw
- prof. Ryszard Rapacki, economist, Warsaw School of Economics
- judge Jerzy Stepien, lawyer, former President of the Constitutional Tribunal
- prof. Urszula Sztanderska, economist, University of Warsaw
- prof. Andrzej Wojtyna, economist, Cracow University of Economics

During its active campaign KOBE has organized 8 press conferences, published a large report on pension system and released over 15 shorter papers and policy recommendations. They made hundreds of media appearances and their activities were widely discussed by the media and the government officials.

In July 2013 KOBE published the report¹⁵ which was very critical of the government proposals and the pension system review presented by the Minister of Finance and

Minister of Labor. The ministers' report, as KOBE has shown, was based on manipulation, exaggerations and outright lies. Moreover, opinion surveys among the people who are the participants of the OFE show that the largest percentage is against the government's proposals. It was not a popular measure and will bring significant political costs. Nevertheless, the ruling coalition leaders disregarded the critical voices.

KOBE activities had a full support of the Civil Development Forum (FOR), a think tank represented by the author of this paper. FOR initiated its own campaign to counteract the reform reversal. Our think tank's research and communication activities were based on several elements.

Firstly, we have organized 6 press conferences featuring Leszek Balcerowicz (FOR Chairman of the Board), Aleksander Laszek (FOR economist), Marek Tatała (FOR economist), Wiktor Wojciechowski (Chief economist of Plus Bank), Marian Wisniewski (KOBE Chairman) and other external experts. Most of the press conferences had a live TV coverage and generated significant media attention. Secondly we have published 18 policy analyses and reports connected with the pension system. We have challenged the myths published in the official government documents about the pension system and private pension funds. We took part in the public consultation process and our recommendations and critical remarks were included in the official documents sent by the government to the parliament. Thirdly we have been very active in the media with Leszek Balcerowicz and other FOR experts giving interviews and comments on various elements of the government pension policies¹⁶. We

¹⁵ <http://kobe.org.pl/konferencja-prasowa-obywatelski-kntrraport-kobe/>

¹⁶ Summary of FOR and other organizations' activities to be found here: <http://www.for.org.pl/pl/a/2569;FOR-przeciw-skokowi-na-oszczednosci-Polakow-zgro->

have not limited ourselves to scientific research and participation in economic debates. FOR and our experts were active in the social media, including Facebook and Twitter. To get access to even more people (especially the youth) Leszek Balcerowicz appeared in one of the most popular talk-shows in Poland – The Kuba Wojewodzki Show¹⁷.

One of the most important press conferences by FOR was connected with the opening of the implicit public debt clock. As it has already been mentioned, nationalization of over half of the private pension funds' assets will lead to only temporary lowering of the explicit public debt and permanent increase of the implicit public debt. Nationalized funds will allow the government to delay necessary reforms in public finance and may be used to finance higher public spending. As a result, increased implicit public debt will not be offset by a proportionally lower explicit public debt.

To mobilize the civil society we have started the NieZaglosuje.pl online campaign (Eng. I-Will-Not-Vote.pl) which in just a few days gained the support of over 10,000 people. NieZaglosuje.pl was a campaign of individuals and organizations initiated and coordinated by the Civil Development Forum (FOR). All participants signed a petition, which was later sent to the members of both houses of the Polish parliament and the president. Campaign slogan: "If you vote for nationalization of our pension savings, I will not vote for you in the forthcoming elections". This slogan reminded the members of parliament that voters were observing their actions which will be assessed during the elections.

madzone-w-OFE

¹⁷ <http://kuba.tvn.pl/odcinki-online/leszek-balcerowicz-i-tomasz-niecik,23162,o.html>

On November 20, 2013 we sent a petition in defense of the private pension savings to all members of parliament and published it at our website www.NieZaglosuje.pl as well as on the Facebook profile. To strengthen the campaign impact FOR built and coordinated a wide coalition of organizations to support the campaign - 22 organizations signed our petition¹⁸. We also asked our supporters to take pictures with a piece of paper showing how much money they and their families would lose due to nationalization. Most importantly, our campaign was featured in all leading media: TV, radio, press, Internet, social media etc. Finally, we created a special innovative online application to send petitions to the members of parliament and enable easy access to their Facebook profiles, Twitter accounts and phone numbers to their parliamentary offices. Over 250,000 petitions were sent.

More than 20 volunteers were involved in the NieZaglosuje.pl campaign. They were sending letters, calling and visiting the members of parliament offices, developing the campaign website and Facebook profile, recording videos¹⁹ and representing our campaign in the media. FOR clubs'

¹⁸ 1. Business Centre Club, 2. Forum Młodych Lewiatan, 3. Forum Obywatelskiego Rozwoju (FOR), 4. Fundacja Forum Europejskie, 5. Fundacja Sapere Aude, 6. Fundacja Wolności i Przedsiębiorczości, 7. Koło Naukowe Inwestorów na Uniwersytecie Warmińsko-Mazurskim w Olsztynie, 8. Koło Naukowe Libertas et Lex Uniwersytetu Warszawskiego, 9. Koło Naukowe Public Relations WE Uniwersytetu Gdańskiego, 10. Koło Naukowe Rynku Kapitałowego INDEX Uniwersytetu Ekonomicznego w Krakowie, 11. Komitet Obywatelski ds. Bezpieczeństwa Emerytalnego (KOBEm), 12. Liberte!, 13. Projekt: Polska, 14. Ruch Społeczny Obrony Mieszkańców, 15. Stowarzyszenie KoLibe!, 16. Stowarzyszenie Libertariańskie, 17. Stowarzyszenie Młodzi dla Polski, 18. Stowarzyszenie Młodzi Europy, 19. Stowarzyszenie zwykłe Forum Rdzawka, 20. Studenckie Forum Business Centre Club, 21. SKN Bankowości na UE w Poznaniu, 22. SKN Zarządzania w Sporcie, Szkoła Główna Handlowa.

¹⁹ For example a video about Jan Vincent-Rostowski, former Minister of Finance and candidate in the elections to the European Parliament: <https://www.youtube.com/watch?v=kJXBpLA7rb0>

members visited several local offices of the parliamentarians and talked to them in person about the legislation and its detrimental impact on the future pensions and the Polish economy.

Apart from NieZaglosuje.pl FOR, together with other organizations, created two special petitions (focusing on economic and constitutional issues) and organized signatures of many important opinion leaders. The first petition was signed by 144 Polish economists and warned against economic consequences of the government policy proposal. The list of signatories included 7 former members of government (including 4 ministers of finance), 39 academic professors from 13 universities, 10 Polish academics teaching in the foreign universities. It was signed for example by: prof. Andrzej Wojtyna, prof. Marian Wisniewski, dr Janusz Steinhoff, Ryszard Petru, dr Andrzej Olechowski, prof. Adam Noga, dr Stanislaw Kluza, Stefan Kawalec, dr Mirosław Gronicki, prof. Marek Gora, prof. Stanislaw Gomulka, prof. Dariusz Filar, prof. Leszek Balcerowicz and many more. The second petition was signed by 60 lawyers and warned against unconstitutionality of the government policy. It was signed for example by former President of the Constitutional Tribunal Jerzy Stepien and former (left-wing) Prime Minister Włodzimierz Cimoszewicz. Both petitions were sent to the media, members of parliament and the president of Poland and like other activities generated significant media and government attention.

After the pension anti-reform was passed by the parliament, the act was sent to the president. He could either sign or veto it. He also had an opportunity to send this legislation to the Constitutional Tribunal (which he eventually did, as mentioned previously). Two important meetings with President

Bronisław Komorowski took place. On December 19, President Komorowski met with Leszek Balcerowicz, FOR's Chairman of the Board and then presidential ministers and experts met with the members of the Citizens' Committee for Pension Security (KOBIE) and several other experts²⁰. These are another examples of an active civil society pressure on the decision-makers to stop the reform reversal in Poland.

CONCLUSIONS

There is no doubt that changes in the Polish pension system presented in the article can be classified as an example of a reform reversal. The short-term politics of the day won over long-term interests of the pensioners and the Polish economy. The abovementioned opposition to the pension anti-reform consisted of several elements which can be summarized as:

- expertise and media activity by many experts and organizations;
- organization and mobilization of the opinion leaders, campaign participants and volunteers;
- innovative online tools to exert pressure on politicians;
- coalition building;
- use of simple language and approaching the mass media (e.g. talk shows);
- targeting campaign at selected key decision-makers.

Although the presented civil society opposition was not enough to stop this reform reversal, the campaign had an important

²⁰ Official information at the president's website: <http://www.prezydent.pl/aktualnosci/wydarzenia/art,2776,konsultacje-dotyczace-zmian-w-ustawie-emerytalnej.html>

impact on the society and decision makers. It therefore acts as a very useful lesson for the future activists of FOR and other think tanks. Therefore, to summarize we can list some measurable results of the campaign to defend the private pension savings and the multi-pillar pension system in Poland.

- civil society pressure was an important reason why the legislation was eventually sent to the Constitutional Tribunal by the president. It leaves an open door for reversal of some harmful changes in the pension system in the future;
- in December 2013, 53% of the Polish people had negative opinion about the pension system changes proposed by the government and 47% claimed that future pensions would be less secure²¹;
- thanks to an online application at the NieZaglosuje.pl website, over 250,000 e-mail petitions to the members of parliament were sent in just a few days;
- many opinion leaders and organizations have been mobilized to actively participate in the public debate;
- NieZaglosuje.pl (I Will Not Vote.pl) campaign was quickly supported by around 14,000 people on Facebook and became popular thanks to the simple message, interesting content of the profile and attractive graphics;
- despite selection of the default option by the government (i.e. participation *only* in the PAYGO pillar), ban on advertising OFE and manipulative campaign²² against

the funded pillar over 2.5 million people decided to remain in the private pension funds.

As Leszek Balcerowicz said: "Civil society is the key. We have ecologists and trade unions which exert pressure on politicians. And how many well-organized and strong groups demand politicians not to break the Constitution? Too few. We have to change it."²³ Experiences from the battles against reform reversals are useful to change "it" and defend good policies as well as the Constitution even more efficiently in the future²⁴. ●

-na-manipulatorskie-ustalenia-rzadzacych-w-OFE-pozostalo-wiele-osob

²³ TOK FM

²⁴ Thank you to all individuals and organizations involved in a campaign to defend the private pension savings and the multi-pillar pension system in Poland.



✱

MAREK
TATALA

Executive Board member and economist at the Civil Development Forum (FOR Foundation) in Warsaw, Poland. FOR is a proliberty and promarket think tank founded in 2007 by prof. Leszek Balcerowicz. He received his BSc in economics and politics from the University of Bristol in England and MA in economics from the Warsaw School of Economics in Poland, where he is currently a PhD student. During his studies he served as the VicePresident of the Law and Economics Students' Association (Warsaw) and President of the Polish Society (Bristol). In 2013 he completed the CPPRACE Winter School in Public Policy Research Methods in India and the Think Tank MBA program organized by the Atlas Economic Research Foundation. He is the graduate of the Atlas Leadership Academy.

²¹ Research by CBOS – Centre for Public Opinion Research: <http://www.money.pl/emerytury/wiadomosci/arttykul/cbos;53;procent;polakow;krytykuje;zmiana;w;ofe;73,0;1434185.html>

²² <http://www.for.org.pl/pl/a/3137,Komunikat-FOR-Jak->

MEMBERS OF 4LIBERTY.EU NETWORK

Free Market Foundation (Hungary) is a think tank dedicated to promoting classical liberal values and ideas. The organization's projects focus on advocating a free market economy and fighting racism. The Foundation's activities involve education, activism and academic research alike, thus reaching out to different people.

Liberalní Institut (Prague, Czech Republic) is a non-governmental, non-partisan, non-profit think tank for the development, dissemination and application of classical liberal ideas and programs based on the principles of classical liberalism. It focuses on three types of activities: education, research, and publication.

Svetilnik (Ljubljana, Slovenia) is a non-profit, non-governmental and non-political association. Its mission is to enlighten Slovenia with ideas of freedom. The goal of the association is a society where individuals are free to pursue their own interests, and are responsible for their actions.

The Lithuanian Free Market Institute (Vilnius, Lithuania) is a private, non-profit, non-partisan organisation established in 1990 to promote the ideas of individual freedom and responsibility, free market, and limited government. The LFMi's team conducts research on key economic and economic policy issues, develops conceptual reform packages, drafts and evaluates legislative proposals and aids government institutions by advising how to better implement the principles of free market in Lithuania.

The F. A. Hayek Foundation (Bratislava, Slovakia) – is an independent and non-political, non-profit organization, founded in 1991, by a group of free-market oriented Slovak economists. The core mission of the F. A. Hayek Foundation is to establish a tradition of market-oriented thinking in Slovakia – an approach that had not existed before the 1990's in our region.

IME (Sofia, Bulgaria) is the first and oldest independent economic policy think tank in Bulgaria. Its mission is to elaborate and advocate market-based solutions to challenges citizens of Bulgaria and the region face in reforms. This mission has been pursued since early 1993 when the Institute was formally registered a non-profit legal entity.

The Academy of Liberalism (Tallinn, Estonia) was established in the late 1990s. Its aim is to promote liberal world view to oppose the emergence of socialist ideas in society.

INESS (Bratislava, Slovakia), the Institute of Economic and Social Studies, began its activities in January 2006. As an independent think tank, INESS monitors the functioning and financing of the public sector, evaluates the effects of legislative changes on the economy and society and comments on current economic and social issues.

Projekt: Polska (Warsaw, Poland) Projekt: Polska are people who are dreaming of a modern, open, and liberal Poland. Those, to whom a democratic, effective and citizen-friendly government is a key goal, and who help accomplish this goal while enjoying themselves, forming new friendships, and furthering their own interests.

Liberales Institut (Potsdam, Germany) is the think tank of the Friedrich Naumann Foundation for Freedom dedicated to political issues such as how liberalism can respond to challenges of contemporary world and how the liberal ideas can contribute to shaping the future.

Fundacja Industrial (Lodz, Poland) is a think tank created in Łódź in 2007. Its mission is to promote an open society, liberal economic ideas and liberal culture and to organize a social movement around these ideas. Among Foundation's most recognizable projects are: Liberté!, Freedom Games, 6. District. Foundation is coordinating 4liberty.eu project on behalf of Friedrich Naumann Foundation.

Republikon Institute (Budapest, Hungary) is a liberal think tank organisation based in Budapest, focusing on analysing Hungarian and international politics, formulating policy recommendations and initiating projects that contribute to a more open, democratic and free society.

Civil Development Forum (FOR) (Warsaw, Poland) was founded in March 2007 in Warsaw by Professor Leszek Balcerowicz as a non-profit organization. Its aim is to participate in public debate on economic issues, present reliable ideas and promote active behaviour. FOR's research activity focuses on four areas: less fiscalism and more employment, more market competition, stronger rule of law and impact of the EU regulations on the economic growth in Poland. FOR presents its finding in the forms of reports, policy briefs and educational papers. Other projects and activities of FOR include among others Public Debt Clock, social campaigns, public debates, lectures, spring and autumn economic schools.

AFFILIATE ORGANIZATIONS FROM EASTERN PARTNERSHIP COUNTRIES

The Institute for Economic Research and Policy Consulting (Kiev, Ukraine) is a well-known Ukrainian independent think tank, focusing on economic research and policy consulting. IER was founded in October 1999 by top-ranking Ukrainian politicians and scientists and German Advisory Group on economic reforms in Ukraine, which has been a part of Germany's TRANSFORM programme. Its mission is to provide an alternative position on key problems of social and economic development of Ukraine.

New Economic School – Georgia (Tbilisi, Georgia) is a free market think-tank, non-profit organisation, NGO. Its main mission is education of young people in free market ideas. It organizes seminars, workshops and conferences for education and exchanges of ideas. NESG was founded by Georgian individuals to fill the gap of the market economy knowledge in the country and the deficit of good teachers and economics textbooks.

ANDREI SANNIKOV
IT'S ALL ABOUT VALUES

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EU rhetoric that EaP is not directed against Russia and that reforms and strengthening of trade and economic ties with Europe would benefit Russia fell on deaf ears. Russian leadership viewed EaP as a zero-sum game and European Union eventually was drawn into a geopolitical rivalry with Russia and found itself in the worst type of crisis since the World War II.

BŁAŻEJ LENKOWSKI
THE COLD WAR AND THE EASTERN PARTNERSHIP

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Eastern Partnership should not be suspended. Quite the opposite, it shall be enlarged as a consequent and long-term response to destabilization of the region. The Community shall therefore allocate more resources to support the democratic opposition in the authoritarian states of the region – in Russia as well. However, the situation is too serious to expect that such measures will solve the geopolitical conflict in the Central-Eastern Europe.

KATERYNA PISHCHIKOVA, OLESIA OGRYZKO
CIVIC AWAKENING: THE IMPACT OF EUROMAIDAN ON UKRAINE'S POLITICS AND SOCIETY

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The depth and scale of the changes brought about by the Euromaidan protests are unprecedented. 'Maidan' has become a social and political phenomenon. It is used to denote bottom-up civil activism and new modes of civil political participation that some have even referred to as 'Maidanocracy'. A 'Maidan' agenda is first and foremost an agenda of public oversight over state institutions and pressure for transparency, accountability and reform. This civil awakening has spread throughout the country, reflecting the specificities and grievances of each region. Although the situation in Ukraine remains fragile, state-societal relations have been dramatically shaken up and are likely to be reconfigured.

YAVOR ALEKSIEV
THE EASTERN PARTNERSHIP AT CROSSROADS: DEFINING THE FUTURE RELATIONS BETWEEN THE EU AND EAP COUNTRIES

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The Russian approach to the EaP issue is still being influenced by the Soviet style of thinking and set of values. It puts geopolitical (and even military) considerations first, and economic and social implications second. Russia is neither a willing partner in the EaP process, nor can it be expected to be such in the near future.

BORBÁLA PÁL
A FERRY BETWEEN THE EAST AND THE WEST: EXAMPLES OF THE VISEGRAD COUNTRIES FOR UKRAINE

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Similarly to Ukraine, the dilemma of "East or West" seems to have been recently renewed in Hungary. For a long time it seemed as if with the end of communism in 1989, Hungary had committed itself to the West. However, due to the politics of the Orbán-government, the country is again a ferry beating between the East and the West: it is getting closer and closer to Russia and to the East in general, while western values and relations become deemphasized.

MARTIN REGULI
EASTERN PARTNERSHIP IN CONTEXT OF THE WIDER EUROPEAN „FOREIGN POLICY“

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It rests upon the EU to try to handle the relations with Russia as well as with Ukraine and other members of the Eastern Partnership and prepare for developing at a slower pace but more stable relations with the individual countries and turn the initiative into a fruitful project that can bring policy results for the EU.