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European Union Neighbourhood Policy towards
Russia, Ukraine, Moldova and Belarus
in the framework of modern european policymaking

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“We must build the united Europe not only in the interest of the free nations, but also in order to admit the peoples of Eastern Europe into this community if, freed from the constraints under which they live, they want to join and seek our moral support. We owe them the example of a unified, fraternal Europe. Every step we take along this road will mean a new opportunity for them. They need our help with the transformation they have to achieve. It is our duty to be prepared.”

Robert Schuman

These visionary words were not expressed at a time when the communist system was disintegrating in Eastern Europe and the socialist republics of Russian Federation, Ukraine, Moldova and Belarus were not even starting to consider a future on the “other side” of the Iron Curtain. They were uttered in 1963 by one of the founding fathers of the European Community when the prospect of European reunification was decades away. As such, they point if not to the strategic vision of European integration at least to close collaboration with countries searching a democratic development such Russian Federation, Ukraine, Moldova and Belarus that has existed from the very beginning of the European project.

Introduction

Relations between the European Union (EU) and the Soviet successor states, including the four countries covered in this introduction, developed from the early 1990s in parallel with the development of the Common Foreign and Security Policy (CFSP). They have evolved on the basis of the Partnership and Cooperation Agreements (PCAs) concluded with the countries concerned in the mid-1990s, as well as, in some cases, on the basis of CFSP Common Strategies towards industrial countries, and/or decisions by the Council of Ministers. In most cases, relations were, and predominantly, remain within the domain of the European Commission and only recently the EU’s CFSP institutions have started getting more actively involved in pursuing cooperation with some of the countries in the region. This Union engagement is particularly true with regard to the evolving “strategic partnership” of the EU with Russia. Nevertheless, EU policy towards the countries concerned, as CFSP in general, is as yet far from representing a single policy of a single actor. Policymaking is not only evolving from the mutual adjustments of different national policies on the basis of a common denominator, but also gradually emerging through the development of “binding orientations” and the “increased coherence of the EU AND Member States’ action”.

For the EU, managing and supporting the economic and political transformation of the Newly Independent States (NIS) by promoting the market, democracy and rule of law has represented a series of challenges. This is especially true for the western NIS that are prospective new direct neighbours of an enlarged EU : Russia, Belarus, Ukraine and Moldova. However, the dimension of the Union’s policy has never enjoyed the highest priority. The internal institutional reforms and developments of the EU, as well as the

management of the eastward enlargement process, have been and remain the immediate preoccupations of the EU and its member states. From the mid-1990s, stabilization and peace-building in the western Balkans shifted the focus of the EU policy further away from the NIS. This is reflected in the significant redirection of assistance funds. Within the CARDS assistance programme for the western Balkans, the EU has allocated €4.65 billion for the period from 2000 to 2006. For the same period of time, it has allocated €3.14 billion for the TACIS assistance programme which seeks to address the problems of the Soviet successor states and Mongolia.

From 2007, more money will be available to support relations with the EU's European Neighbourhood partners and the Russian Federation. For the period 2007-2013, there will be €12 billion in EC funding available – an increase of 32% in real terms. Following discussions with EU Member States and the European Parliament, the Commission has on March 7th taken a decision on the **breakdown of these funds**, and adopted Strategy Papers and indicative programmes covering country, regional and cross-border programmes, for the coming four years (2007-2010).

The main focus will be on **country programmes**, supporting partners' implementation of their own political, governance, economic and social reform programmes. Of the €5.6 billion available for 2007-2010, 73% will be geared to support partners' implementation of their European Neighbourhood Policy (ENP), for Russia, co-financing of the implementation of the Common Spaces Road Maps. For this reason, countries which have concluded an Action Plan and made progress in its implementation will receive substantial funding.

The second main focus is **regional co-operation** activities, including support for the Euro-Mediterranean Partnership and a brand new ENP scholarship scheme. A total of €27 million is available for this. In addition, **cross-border cooperation** will be supported, involving cooperation between local and regional authorities on both sides of the EU's external border. €277 million (matched by an equivalent amount from the European Regional Development Fund) will be available for this.

As announced in the Commission's recent Communication on "Strengthening the European Neighbourhood Policy", €400 million will be used during the 2007-2010 period to support **governance** and to promote **investment**, through two new facilities (Governance Facility and a Neighbourhood Investment Fund).

In addition to ENPI grant funding, neighbouring countries are eligible, in the period 2007-13, for loan financing through the European Investment Bank up to a total of €2.4 billion.

For this and other reasons, EU policy towards the NIS was, and remains, a work in progress, both for the EU itself and for the CFSP. In the early 1990s the underlying assumption of the EU policy towards the NIS was based on the expectation that the Soviet successor states would form a relatively coherent group of countries around Russia within the framework of Commonwealth of Independent States (CIS). This was why in 1991, when defining the criteria of recognition of the NIS, the EU urged that close economic links be maintained and why it has never considered offering any of the NIS either membership or any sort of formal association. This approach still remains the foundation stone of EU policy towards the NIS. However, developments over the past decade have shown that the initial expectation that the CIS states would remain a cohesive group was wrong. Not only did the CIS fail to develop as a viable framework for the regional cooperation, but there was also increasing differentiation

among the NIS, with distinctive and diverging perspectives as to the future of relations with the European Union. The western NIS, such as Moldova and Ukraine, particularly sought to keep open the option of eventual membership.

Through gradually differentiating its policies towards individual NIS, the member states of the EU, and therefore the EU itself, were not at all responsive to such membership aspirations. Although EU representatives emphasize that they do not wish to see an “exclusion syndrome” to develop EU’s eastern borders, or to set up new dividing lines across the continent, they have mainly been concerned with the lack of progress towards economic and political transformation, and with the “soft” security threats emanating from their future neighbours, such as nuclear safety, organized crime, drug trafficking and illegal immigration, and the spread of diseases and environmental pollution. This gap in mutual expectations between the EU and those NIS that have clearly articulated their desire for membership has become the source of mutual frustration and controversy. This is especially true with the regard to Ukraine.

General frameworks

After the collapse of the Soviet Union, the EU offered the NIS a new instrument called “Partnership and Cooperation Agreements”. The PCAs were to replace the 1989 agreement regulating trade with the Soviet Union. The first NIS to sign the PCAs with the EU in 1994 were Ukraine (in force from 1998), Russia (in force from 1997) and Moldova (in force 1998); these were followed by Belarus in 1995 (not yet in force) and with other countries from 1996 onwards.

All PCAs were negotiated individually, so their terms vary in points of detail. However, the basic objectives of all PCAs were :

- to establish a new trade regime with the NIS, partially extending to them “most-favoured-nation” (MFN) arrangements (trade in several sectors was treated through separate agreements, however) ;
- To institutionalize political relations, including political dialogue, in order to address relevant issues as well as to provide for the opportunity to further improve and expand cooperation. This dialogue developed within the Cooperation Councils, the Cooperation Committees and the Parliamentary Cooperation Committees established with each individual country, as well as at the working level ;
- To ensure that EU cooperation and assistance is conditional upon the progress of the countries concerned in terms of political and economic reform.

The PCAs offered neither prospective membership, nor any sort of association with the EU. The most they had to offer was, dependent on substantial progress in economic transition, the establishment of free trade with the Union. These provisions clearly distinguished the PCAs from the Europe Agreements with the aspirant countries of East-Central Europe (ECE), and they differ in this respect from the Stabilization and Association Agreements (SAAs) considered for the western Balkans. EU technical assistance to the NIS (TACIS), implemented and administered by the European Commission since 1991, was intended to support the goals of the PCAs and help the transformation of the NIS societies and

economies. Indeed, the EU became the largest provider of external assistance to those countries over the past decade, in the hope of supporting the conditionality provisions established within the PCA framework. The EU is also either the largest (Russia) or the second largest (Ukraine, Belarus) trade partner of those countries. Therefore, questions of trade do play an important role in its relationship with them and provides a certain degree of leverage for the EU.

Given the increasing differentiation among the NIS and the differing objectives of the EU itself towards these countries, the EU gradually sought to differentiate its policies with regard to the individual NIS, particularly by adopting CFSP “common strategies” towards some of them.

Common Strategy by country

The Common Strategy on Russia was adopted on 4 June 1999 in Cologne and was completed, in December 2001, by the EU Country Strategy Paper on Russia, which specified the objectives and priorities of EU policy for 2002 – 2006. The Common Strategy on Ukraine was adopted on 11 December 1999 in Helsinki. Meanwhile, the EU is considering another common strategy to be developed with regard to the other three countries : Belarus, Moldova and Ukraine. Drawing from the provisions of the PCAs, these strategies have sought :

- to specify more clearly the goals of the EU with regard to individual countries,
- to identify particular areas of cooperation and mutual interest,
- to focus the instruments available to the Union on those goals and areas.

Though being more specific and targeted, as well as seeking to acknowledge the perspectives and the interests of the partners, the country-specific strategies of the EU may prove a more efficient instrument. They also increase the cohesiveness of the policies of individual EU members with regard to NIS.

The evolving EU policies towards the western NIS have been updated and consolidated in the European Commission’s Communication of 11 March 2003, which offered a new long-term approach to enhancing relations with the forthcoming eastern neighbours of the EU, as well as the southern Mediterranean countries. Building on previous experience, progress and failures, the Commission has offered the countries concerned “the prospect of a stake in the EU’s Internal Market and further integration and liberalization to promote the free movement of persons, goods, services and capital”.

Regular meetings held at the level of presidencies, and at the senior government level within the Cooperation Councils, which are part of the “mechanism for dialogue provided by PCAs, function as the most important forums for the ongoing adjustment of the mutual policies of the EU and its partner countries, for the definition of common objectives, and for the identification of the main avenues for cooperation. The dialogue conducted between the EU and Russia and Ukraine since 1999, after the respective CFSP common strategies had been adopted, has made considerable progress and is close to identifying the modalities of their relationship for the near future. This may result, in the end, not only in a more specific but

also in a more realistic approach on both sides, abandoning excessive ambitions and laying the ground for a more solid, productive and efficient collaboration.

The 1990s, however, also revealed the limits and deficiencies of the EU common policy towards the NIS. As compared to the ECE countries, which have directed their efforts over the past decade to meeting the Copenhagen criteria and preparing to adopt the *acquis communautaire*, the transformation policies in the NIS have been predominantly driven by domestic considerations and by consensus-building among the relevant domestic interest groups.

Overview of assistance accorded to four countries

Russia

More than €2.6 billion has been allocated to Russia under the TACIS programme since its start in 1991, to promote the transition to a market economy and to reinforce democracy and the rule of law.

The Tacis national programme for Russia focuses on support to institutional, legal, and administrative reform, as well as economic and social development in Russia, with considerable emphasis given to issues related to freedom, justice and security, including judicial, reform, fight against organised crime and terrorism, migration, and asylum. Support to the further integration of the EU and Russian economies is also an essential component of the programme, including the progressive approximation of relevant Russian legislation with the *acquis communautaire*. The programme also addresses the social consequences of transition in terms of health, labour, and education.

Russia has also been one of the main beneficiaries of the Tacis Nuclear Safety Programme, which has allocated more than a billion Euro to improve nuclear safety in the NIS. The programme has in particular:

- Supported the promotion of an effective nuclear safety culture in line with the principles of the Convention on nuclear safety, in particular through continuous support for regulatory bodies and, at the plant level, through on-site assistance, including equipment supplies, where such assistance is most needed;
- Supported the development and implementation of spent fuel, decommissioning and nuclear waste management strategies, including in North West Russia in the context of wider international co-operation;

The programme has also supported the application of efficient safeguards of nuclear materials including measures against illicit trafficking.

Russia also participates in the Tacis Cross-Border Cooperation Programme and in other multi-country initiatives which cover specific areas such as environment, energy, and nuclear safety.

Since 2005, Russia has benefited from the Tacis Neighbourhood Programme facility intended to support projects covering both sides of the border between Russia and the enlarged EU.

Other major sources of cooperation are the European Initiative for Democracy and Human Rights (EIDHR) and the European Commission Humanitarian Office (ECHO), the latter being the largest foreign programme in the North Caucasus. In addition, in the context of the EU Joint Action on disarmament and non-proliferation, the EU has carried out cooperation programmes, in particular with Russia, for destruction of weapons of mass destruction, and non-proliferation.

Ukraine

This Country Strategy Paper (CSP) for Ukraine covers the period 2007-2013. Assistance to Ukraine over that period will principally be provided under the new European Neighbourhood and Partnership Instrument (ENPI) which is being established to promote the development of an area of prosperity and good neighbourliness between the European Union and the partner countries covered by the European Neighbourhood Policy (ENP).

Following the events which led to the “orange revolution” at the end of 2004, Ukraine has pursued an agenda of ambitious reforms to root democracy and the market economy firmly in the country and to bring Ukraine closer to the EU.

The principal objective of cooperation between the EU and Ukraine at this stage is to develop an increasingly close relationship, going beyond past levels of cooperation to gradual economic integration and deeper political cooperation, including on foreign and security policy.

EC assistance over the period covered by this strategy will therefore aim at supporting Ukraine’s ambitious reform agenda on the basis of the policy objectives defined in the Partnership and Cooperation Agreement (PCA) of April 1998 and the EU-Ukraine Action Plan of February 2005.

The National Indicative Programme (NIP) for 2007-2010 translates this into support for three priority areas:

- democratic development and good governance;
- regulatory reform and administrative capacity building;
- infrastructure development, in particular in the transport, energy and environment sectors, in close collaboration with the EIB, EBRD and other IFIs.

Moldova

Total EU assistance to Moldova amounted to more than €300 million since 1991. Annual assistance budgets have increased over recent years. EC assistance is currently being provided mainly under the Tacis and Food Security Programmes (FSP) and is today fully geared towards supporting Moldova implementing the ENP Action Plan. It provides for measures focusing on:

- Institutional, legal and administrative reform (consolidation of the rule of law, approximation of legislation including the reform of the health sector, cross-border co-operation, fight against crime, support to PCA implementation, civil society development and training, statistical infrastructure, and environmental issues).
- Private sector and economic development (in particular small enterprises development in rural and urban areas)
- Alleviation of the social consequences of transition (poverty reduction, social assistance through NGOs, health and childcare).

The TACIS programme covering the budgetary period 2005-2006 committed €42 million for assistance to Moldova.

Along with TACIS, Moldova has benefited from other EC instruments:

- **Humanitarian assistance.** ECHO provided € 5.6 million in 199-2001, of which the majority was spent on actions to the benefit of children, hospitals, elderly and poor people. This aid has been phased out because ECHO's mandate is limited to crisis related to conflicts and natural catastrophes, rather than to structural problems like those experienced in Moldova.
- **Food Security Programme.** Since 2000 the Food Security Programme (FSP) provided more than € 35.5 million in support for poverty reduction and to increase food security. Assistance under the FSP is largely disbursed as direct budgetary aid subject to fulfillment of pre-agreed conditionalities.
- **European Initiative for Democracy and Human Rights:** Its overall objective is to consolidate democracy in Moldova by supporting institutions and NGOs dealing with civil and human rights. This programme amounted to about EUR 1.7 million for the period 1996-2000 covering a variety of projects, such as training related to human rights, respect for trade union rights, and assisting independent media and local government. Since 2002 Moldova has not been a focus country for EIDHR.

Increased financial assistance to Moldova in the future

As from 2007, the Tacis and Food Security Programmes will be replaced by the new policy-driven European Neighbourhood and Partnership Instrument (ENPI). Assistance budgets to Moldova will increase substantially under the new instrument. A new ENPI assistance strategy 2007-2013 for Moldova is currently under preparation and will be adopted during the first quarter of 2007. It can be expected to focus on strengthening good governance and regulatory reform as well as on supporting poverty reduction and economic growth.

A new grant of macro-financial assistance is also under preparation and will be disbursed in 2007/2008 to address the current balance of payment problems of the country.

Moreover, EIB lending is being extended to Moldova and a Framework Agreement between the EIB and the Moldovan government has been signed. Under the current 2005-2006 EIB mandate for Russia, Ukraine and Moldova, a total amount of €500 million is available. Work on establishing a viable loan portfolio, in particular in the transport, energy and environment sectors is ongoing. For the period 2007-2013 a new EIB mandate will be in place. In the case of Moldova, EIB lending will as a general rule be blended with ENPI grant resources.

Belarus

EC technical assistance (like Member States' assistance), in line with 1997 EU Council of Ministers Conclusions, was previously limited "to humanitarian or regional projects or those which directly support the democratisation process". Between 1991 and 2004, a total of €221 million was provided specifically to Belarus.

Since 1997, two **Tacis National Programmes** for Belarus were launched for 2000-2001 and 2002-2003, both worth €5 million and focusing on the development of civil society. Under the programme endorsed by Belarus in 1999, there was a further €5 million allocation in 2003 targeting civil society and activities related to the effects of Chernobyl.

At the same time, Belarus received €16 million in 2001 - 2003 from the **CBC** (cross-border cooperation), **Interstate/regional** and the **Nuclear Safety** Programmes. In addition to Tacis resources, Belarus was provided €3.2 million in **food aid** during 1998 - 2001. ECHO provided €6.7 million to Belarus for **humanitarian assistance** linked to the effects of the Chernobyl accident.

Technical assistance to Belarus was hampered in 2002-2003 by the fact that Belarus stopped granting tax exemption to Tacis projects. In October 2003, Belarus adopted a decree on all international assistance, giving its assurances that EU assistance would be tax exempted. According to the new procedures, international assistance projects must undergo a registration process and be scrutinized by a ministerial level Committee for tax exemption and receive formal approval before they can be started.

A new coordination model was set up in the autumn 2003 for activities related to the alleviation of Chernobyl consequences. The **CORE programme** (Cooperation for Rehabilitation), in which the EU is participating, was established with the objective to improve the living conditions of the inhabitants of selected districts by reaching out to the people themselves, helping them to get involved in the development and execution of specific projects. The model emphasizes a participatory approach and active involvement of those affected by the Chernobyl accident. National and international partners as well as governmental and non-governmental actors operate under the CORE programme.

Through the **European Initiative for Democracy and Human Rights** (EIDHR) the EU has provided assistance to the European Humanities University, in cooperation with the OSCE. Support from the EIDHR to Belarus has also been granted through a project in 2003 with the Lithuanian Union of Journalists. The EIDHR and decentralised co-operation (calls for proposals) has provided 1,5M€ per annum, whilst in 2005 the EIDHR targeted projects provided 3M€ in funding. Landmine projects in 2005 were also granted 3M€ and media projects in Belarus were granted 2,4 M€ in 2006.

Current and future technical assistance to Belarus

Community and Member States' assistance programmes will continue to support the needs of the population and democratisation, notably by humanitarian, regional, and cross-border cooperation and by projects supporting democratisation and democratic forces in Belarus.

As a follow up to the GAERC's November 2004 Conclusions, the Commission initiated three events on EU assistance to democratisation and civil society in Belarus:

(1) The first event focused on non-governmental organisations and representatives of civil society (1-2 February 2005 in Vilnius.) This meeting, supported by the Ministry of Foreign Affairs of Germany and Lithuania, assessed Belarus' assistance needs.

(2) The second meeting was a special Tacis Management Committee meeting (10 February 2005) to facilitate strengthened co-ordination and delivery of EU assistance to democratisation and civil society in Belarus. Since then, Donor Coordination meetings led by the Commission, with all international donors, have taken place quarterly in Brussels

(3) The third and final event (17/18 March 2005) of the process was a concluding conference, hosted by the Government of Lithuania, bringing together representatives of the Member States, the Commission, Belarusian and Member States' non-governmental organisations, international financing institutions, international organisations and other donor countries.

The EU will continue to support the "needs of the population" through social and economic development under our future European Neighbourhood Partnership Instrument instrument. Commissioner Ferrero-Waldner pointed out that the Commission will "combine contacts with middle-range officials to reduce Belarus' self-isolation with NGO cooperation and support which directly benefits the population such as health, the environment or in the Chernobyl-affected area. The current EC-supported TV and radio programmes make an important contribution to democratisation. They also increase the EU's visibility in Belarus. It is important that we get across to the Belarusian population both the EU's considerable financial commitment and the potential benefits of ENP. Throughout our assistance, we are keen to foster people-to-people contacts and we seek maximum flexibility within the limits of our financial rules."

The Commission approach is therefore to focus on a pragmatic and well-targeted division of labour between various EC instruments and to maximize the flexibility within the existing assistance instruments – European Initiative for Democracy and Human Rights, Decentralised Cooperation and TACIS, - for strengthened support to meet the needs of the population, civil society and democratisation in Belarus.

- The EU Tacis programme (€10 million in 2005-06) in Belarus focused on addressing the needs of the population ;
- Information dissemination to the public on the EU and the European Neighbourhood Policy will be strengthened ;
- The Tempus programme will continue to finance exchanges of young Belarusian university students abroad, curriculum development on European studies and capacity building in local universities ;
- Belarus is eligible under the new Neighbourhood Programmes for cross border cooperation (Latvia-Lithuania-Belarus; Ukraine-Poland-Belarus; Baltic Sea Programme) and it will benefit from the European Neighbourhood Policy Instrument (as of 2007) ;
- The European Initiative for Democracy and Human Rights (EIDHR) plans a more active role in Belarus in the coming years. There is a specific allocation for Belarus for micro-projects (in total € 450 000 was made available through several calls for proposals in 2005). Belarus is also eligible under the calls for proposals for macro-

projects. In 2005-06, Belarusian applicants were able to apply for support under two campaigns, notably “Fostering a culture of human rights” and “Promoting democratic process”

- Belarus is eligible under the Decentralised Cooperation budget line (in total in 2005 € 1.7 million and €1.5 million in 2006 was made available through several calls for proposals). Envisaged projects will include an information component regarding the role of NGOs in assistance to vulnerable groups, social and cultural development and community mobilization. A call for proposals focusing among other areas on development of social dialogue between local governments and civil society was launched.

Recent Assistance developments

In addition to leading the donor coordination efforts through quarterly meetings with all donors in Brussels, the EC has launched three key projects during 2006.

- In January 2006 the EC granted €2.2m to help set up the European Humanities University (EHU) in exile in Vilnius.
- In February, new EC-financed TV and radio broadcasting programmes for Belarus were launched. They are part of a wider €2 million project that will cover internet, support to the Belarusian written press and training of journalists, in addition to radio and TV broadcasts. The objective of this project is to increase access to independent news and information across the whole of the country.
- In October the Commission launched a €4.5 million programme to support scholarships for Belarusian students wanting to study abroad. Under this project, which will be implemented by the Nordic Council of Ministers, scholarships will be made available to Belarusian students from the start of this academic year. With the contribution of the Nordic Council of Ministers the programme totals €5 million. Scholarships will be granted to students who have been penalised by the regime and who have been denied access to Belarusian universities because of their political activities during and after the presidential elections of 19 March 2006. Thanks to these scholarships, Belarusian students who have been expelled will be able to pursue their studies in neighbouring countries in particular at the European Humanities University (EHU) in exile in Vilnius and in Ukraine. This initiative complements the scholarships offered by several Member States to sanctioned students. The project is part of the Commission’s continuing efforts to support Belarusian civil society and in particular Belarusian students and youth.

The programme consists of three elements:

Scholarships to 170 Master and 35 Bachelor Programmes for new students at the European Humanities University (EHU) in Vilnius.

- Living expenses for Belarusian students currently enrolled at the EHU;
- Scholarships for 100 students for higher education in Ukraine and other neighbouring countries.