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Stronger energy security platform for EaP region

In many instances, energy ties became the decisive factors for the post-Soviet countries in their decision to take a path either to Moscow or towards the Western, liberal democracies

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EaP Think Bridge is a platform uniting expert communities in the countries of Eastern Partnership region to fill the gap in distributing analytical products for stakeholders

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Energy boost for EaP

Energy is a much broader issue for the EaP countries than economy or even security. In fact, this is an issue of the state independence and the leverage Moscow has a habit of using to put pressure on those aspiring to escape its control

The Russian energy products were many times a decisive factor for choosing of a certain geopolitical way, and the perspective to be left without the Russian supplies overturned the ambitions of the European integration for the countries of the region.

Will the Eastern Partnership be able to create a common energy platform and deprive Kremlin of one of its best cards? What are the preconditions for such cooperation and what stands in its way? The answers you will find in the analysis by Azerbaijani expert Ahmad Alili.

While in June Georgia faced Russia interfering with its foreign policy yet again. Concerns have been raised by the Russian diplomats regarding the prospects of the Tbilisi's deeper cooperation with NATO. At the same time this month clear aspirations of a NATO membership were juridically confirmed by Ukraine as a law.

Belarus is moving towards visa facilitation with the EU. However, these functions have for some reason been performed not by the Belarusian diplomats but by the Ministry of Internal Affairs, following the general trend of strengthening the positions of the law enforcement officials in the country.

Moldova is still torn between the West and the East: while its prime minister visited Brussels, its president had one more official visit to Russia. As for Armenia and Azerbaijan, both countries expressed criticism addressed to their Western partners. Yerevan, despite the financial aid coming from the EU, responded strongly to the comments regarding its Central Electoral Commission, while Baku announced that an attempt of the OSCE Minsk group to facilitate the resolution of Nagorno Karabakh conflict failed.

You can find the main trends of the first half of the summer in each of the six countries in our traditional monthly reviews.

Olga Chyzhova,
Editor in Chief
EaP Think Bridge Digest

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Armenia: Political posturing & economic optimism

Richard Giragosyan, Regional Studies Center (Armenia, Yerevan)

A simmering rivalry between the Armenian president and the prime minister drives a new degree of the domestic political discord, with an added distraction from a surprisingly scathing attack on the EU by some government officials. Yet the deeper and more demonstrable concern was the contradiction between the Armenian government's optimism over the economy and the statistical reality of the ballooning debt. Meanwhile, Armenian foreign policy continued to face the challenges of a mounting tension and a heightened risk of the renewed hostilities over the Nagorno-Karabakh conflict, only exacerbated by more Russian weapons deliveries to Azerbaijan.



Statement by head of the Delegation of the European Union to Armenia causes a surprising new political war of words.

Photo by European Union in Armenia

DOMESTIC POLICY

Biting the hand that feeds you

Even after a round of the parliamentary and municipal elections in April-May, domestic politics in Armenia continued to be dominated by the perception of a rivalry between the President Serzh Sarkisian and the Prime Minister Karen Karapetian. This perception is particularly well-grounded, however, for two main reasons.

First, with the country's looming transformation to a

full parliamentary form of government, a pivotal moment will come in April 2018, when the incumbent president completes his final second term, thereby openly fueling speculation over his political future. Although the President Sarkisian will continue to hold sway as the leader of the ruling Republican Party, some expect him to hold on to power by moving from the presidency to the prime ministerial position, which will become the new "head of the state" in Armenia. And with a series of several contradictory state-

ments and vague hints as to his own plans, the President Sarkisian has only added to the speculation.

A second reason for this perceived rivalry between the president and the prime minister is driven by the background of the emergence of the premier. More specifically, the Prime Minister Karen Karapetian's arrival in Yerevan from Moscow in September 2016 can be interpreted as an appointment forced on Sarkisian by Russia. And in the wake of this month parliamentary approval of the premier's new five-year policy program, some see 53-year old Karapetian as personally ambitious and politically invested in carrying out his own vision for the economic development of Armenia in the years to come.

Meanwhile, a surprising new political war of words erupted this month, when the Justice Minister Davit Harutiunian strongly criticized the Ambassador Piotr Switalski, the Head of the Delegation of the European Union to Armenia, for questioning the credibility of the country's Central Election Commission (CEC). While the EU ambassador publicly recommended changes in the composition of the

CEC, including adding some members of the Armenian civil society, his statement merely reflected the recognition of the need to restore and regain public trust and confidence, something that is clearly without doubt. Yet the government's swift and strident reaction were surprising not only for rejecting the message of the obvious need for public trust but also for its personal attack of the messenger. And this attack on the EU envoy, allegedly for the "interference in the Armenia's internal affairs", was especially egregious and disingenuous, as the [EU provided more than \\$7 million](#) for the Armenian authorities to purchase the voter authentication devices and other election observation equipment. In fact, that aid was crucial for the Armenian government to implement the anti-fraud measures from its own amended Electoral Code. And further highlighting that inherent hypocrisy of the government as a "vindictive victor" was the [recent announcement by the Armenian Deputy Foreign Minister Shavarsh Kocharian](#) welcoming the 27.7 million Euros in budgetary support for the Armenian government from the EU last year.

ECONOMY

Dangerously high expectations

The Armenian parliament formally approved a sweeping new government policy strategy presented by the Prime Minister Karapetian. The roughly 100-page strategy covers a five-year period and is predicated on the increased economic growth and reduced poverty. Despite the passage by the parliament in a 64 against 31 vote, the opposition "Yelk" ("Exit") and the second largest fraction, the Tsarukian bloc, voted against the government's plan, largely based on the recognition that the plan is flawed by two inherent factors.

First, the strategy is overly optimistic, as it is based on an economic model of an average annual rate export-driven growth around 5% and promises a 12% cut in poverty, which now stands at about 30%, with little detail or justification for either projection.

A second flaw stems from the sweepingly ambitious range of the strategy, reverting to a Soviet-style five year plan, that fails in regards of the inescapable change in the government in April 2018 or such key variables as volatility in global commodity markets, that impacts the crucial Armenian mining sector, and spillover from the Russian economy that directly effects remittances into Armenia.

Beyond the government's strategy, the dangerously high public expectations for an improved economy pose addi-

tional pressure. Much of these higher expectations stems from the government's election campaign promises, centered on rather unrealistic pledges of some \$850 million investments this year, roughly equivalent to 7% of the Armenia's GDP.

Domestic politics in Armenia continued to be dominated by the perception of a rivalry between the President Serzh Sarkisian and the Prime Minister Karen Karapetian

An additional concern relates to a significant increase in the country's foreign debt. Although the Armenia's public debt is set to surpass \$6 billion (or over 55% of the GDP) by the end of this year, the [Finance Minister Vartan Aramian](#) struggled to reassure some worried legislators during a Parliament session, vowing to secure the external borrowing and to rely on the economic growth to manage the rapid rise in debt, which was less than \$2 billion before the 2008-2009 global financial crisis triggered a severe recession in Armenia. With debt service commitments projected to reach \$1 billion in 2020, the country will be burdened with an especially serious debt obligation, given that the country's entire state budget is currently worth around \$3 billion.

FOREIGN POLICY

Armenia as safe haven

After taking in some 22 thousand Syrian Armenians who fled to Armenia since the outbreak of the war in Syria, the Armenian officials reported that an additional 300 Syrian Armenians arrived in the first half of 2017. The refugees influx into Armenia also promoted some fresh assistance from the EU, which this month announced a new aid package of more than \$3 million for the "access to health and psychosocial services, improving housing conditions, increasing access to the economic opportunities, and by facilitating the integration of schoolchildren and students".

At the same time against the backdrop of a steady escalation over Nagorno-Karabakh, the Armenian and Azerbai-

jani foreign ministers will hold their next summit meeting on 12 July. Despite the value in meeting, expectations remain meager, especially as the [mounting casualties](#) and the detention of an Armenian villager by the Azerbaijani forces hamper any return to the diplomatic engagement. Moreover, the recent delivery of a [fresh shipment](#) of the Russian anti-tank missile systems to Azerbaijan only exacerbates the risk of the renewed hostilities. And as part of a broader series of the Russian arms deals, Azerbaijan has procured some \$5 billion worth of tanks, artillery systems and other weapons, prompting an Armenian reaction, reflected in a [recent statement](#) by the deputy Foreign Minister Shavarsh Kocharian warning that "we should not exaggerate our expectations from Russia".

Azerbaijan: New challenges of oil prices instability

Vugar Bayramov, Center for Economic and Social Development (Azerbaijan, Baku)

The Azerbaijani domestic agenda in May was yet again overshadowed by the escalation of the Nagorno-Karabakh conflict. While the Qatar crisis put the economic stability of the country in danger as well. Though the Azerbaijani foreign policy gives some hope for the a better future.



Presidents have signed documents that expand economic, scientific, and political cooperation between Poland and Azerbaijan. Photo by president.az

DOMESTIC POLICY

Nagorno-Karabakh conflict escalates

In the mid-June, the Armed Forces of Armenia and Azerbaijan had another [clash](#), resulting in the death of several soldiers from both sides. Azerbaijan claimed one, while Armenia claimed three losses.

Both sides accused each other in provocations and escalation of the situation. During the clashes,

both countries used the high-caliber weapons and the artillery guns. The event yet again brought the conflict issue to the county's agenda. The public consensus in Azerbaijan is in favor of the military measures.

The escalation happened a few days prior to the visit of the OSCE co-chairs to the region, signifying the lack of the results in the international peace building efforts. [As it was highlighted by the Permanent Representative of Azerbaijan to the](#)

[OSCE Galib Israfilov](#), for the last 23 years since the establishment of the OSCE Minsk Group there are no any significant and effective result of its work yet, and at the moment the group doesn't even hold meetings and all the group's work is carried out only by its co-chairs.

The tension at the conflict line is only likely to grow in the future.

The Qatar crisis caused a sudden change in the oil prices and may cause some additional problems for Azerbaijan

ECONOMY

Qatar crisis affects Azerbaijani economy

[The Qatar crisis](#), related to the threats by the other Persian Gulf countries to cut ties with Doha for its alleged relations with the terrorist organizations and Iran, affected Azerbaijani economy as well.

This crisis caused a sudden change in the oil prices. First the markets saw it as a threat to the

oil transportation, that caused a rise in the energy prices. Following the sudden short rise, the oil prices felt by more than 1%, that is a significant fluctuation for the sector.

The debates on the Qatar crisis impact over the oil prices continue, but the situation demonstrated the current notion unstability. For Azerbaijan, which intends to revise its budget for 2017, this may cause some additional problems.

FOREIGN POLICY

Azerbaijan-Poland relations deepen

On 26 June the President of Azerbaijan made an [official visit](#) to Poland and had a one-to-one and extended meetings with the Polish president. Afterwards two presidents and the high-ranking officials signed documents expanding the economic, scientific, and political cooperation, as well as the "strategic partnership" between their countries. Also, during the press-conference, the Polish president stated the will to build "a direct railway line between Azerbaijan and Poland through Georgia and Ukraine". The presidents also talked about the ener-

gy projects. Currently the Azerbaijani oil is delivered to the Polish market, and the Southern Gas Corridor project implementation will secure a delivery of the Azerbaijani gas to Europe. The Following the visit, President Aliyev tweeted about the support of the Azerbaijan's territorial integrity by Poland.

The results of the visit are evaluated in positive terms. In the light of EU-Azerbaijan re-approachment, Azerbaijan and Poland demonstrated a will to get closer and build more beneficial cooperation. In many cases, Azerbaijan in the Caucasus and Poland in the Eastern Europe are seen as the countries, that can mobilize their forces against the Russian expansion.

Belarus: Political games of law enforcement agencies

Arseny Sivitski, the Centre for Strategic and Foreign Policy Studies (Belarus, Minsk)

The national security, defense and law enforcement agencies of Belarus are becoming more powerful, therefore raising concerns that the President no longer controls them as he himself is under their control. The economy of the country is showing a positive upward trend, playing into the hands of those opposing reforms. As for its foreign policy, some progress was seen in the relations with Russia, while the relations between Belarus and China have deepened as well.



Law enforcement agencies grow power.
Photo by naviny.by

DOMESTIC POLICY

Ministry of internal affairs gets more power

The given period was marked by the consistently escalated positions of the national security, defence and law enforcement agencies. The main “champions” were the Ministry of Internal Affairs (MIA) and the State Security Committee of the Republic of Belarus (KGB). The [MIA became a coordinator](#) for developing and implementing of the public security monitoring system. According to some mass media sources, this system should

start working on a full scale in 2-3 years, so it will play a key role in providing security during the period of the presidential campaign, which will take place not later than 2020.

According to some observers, a key role of an institution in this situation does not provide any advantages to the MIA, as the system technical operator will be selected in the course of a corresponding competition. Moreover, it will be independent from the ministry, while providing of the monitoring information to the various institutions will be a subject to the formal criteria. Other ana-

lysts believe that it is most likely that the MIA will keep an opportunity to interfere in the work of the system and manipulate the issues of the “clearance” for some information.

At the same time the MIA started its expansion into the migration policy, quite openly intruding into the foreign policy competence sphere. For example, the Head of the Citizenship and Migration Department of the Belarusian Foreign Ministry Alexei Begun said that [the agreement on visa facilitation with the European Union](#) may be signed by the end of 2017. If this is the case, then visas will become cheaper starting January, 1, 2018. The biometric passports will be issued to Belarusian citizens starting January, 1, 2019. Another novelty announced by the MIA was launching of the online registration for the foreign citizens visiting Belarus for less than five days. The comments made in the course of the negotiations on visa facilitation between Belarus and

the EU triggered a nervous response of the Belarusian MIA.

It was quite illustrative with a situation involving a world champion in mixed martial arts Murad Amriev who was detained and extradited to Russia [from Dobrush police department](#) on the evening of June, 8 without any participation of the Ministry of Foreign Affairs.

The situation was completely handled by the MIA, with the President Lukashenko being abroad at that moment. That caused some comments saying that the President of Belarus does not control the law enforcement, on the contrary, the law enforcement controls him.

The President of Belarus does not control the law enforcement, on the contrary, the law enforcement controls him?

ECONOMY

Positive trend

The given period was marked with a growing economic optimism expressed by the authorities. Despite a rather pessimistic forecast provided by the international financial institutions, the Belarusian economy has a consistent tendency of a positive growth. In its turn, this led to the authorities seriously considering their further actions options while reforming the economy: those favouring a more conservative approach got a weighty argument to get back on an “old lifestyle” track.

According to the authorities, [in January-May, 2017 the Belarusian GDP](#) grew 0.9% against the same period of the previous year and made up 38.7 bln roubles (\$20.5 bln). Therefore, the Belarusian economy has been showing positive dynamics for three months already. And following the results of five months it outperformed the official growth forecast of 1.7%, provided by the Ministry of Economy of the Republic of Belarus.

In the given period, the authorities also “ex-

ceeded the target” of an [inflation forecast](#), resulting in its update from 12% to 7% in 2017. Therefore, the National Bank of the Republic of Belarus lowered its refinancing rate to 13%.

In May, the gold and foreign currency reserves continued to grow and made [up \\$ 5,239 bln by June, 1](#). The balance of the currency trade among the population remained positive. Despite a holiday season and a growing currency purchase, in overall the population continued to sell currency (in May the positive currency balance made up almost \$270 mln).

The income of the population also showed a positive tendency. For example, during the first quarter the number of the families below the poverty line slightly went down. [In January-March 2017](#), according to the official statistics, 4.3% of the households were below the poverty line. This is 0.1% less against the October-December, 2016 period. [In April the average wages in Belarus increased to 777 roubles \(\\$413\)](#), while in May — to 795.2 roubles (\$428).

Overcoming differences with Russia and new challenges from the West

The given period was marked with some progress in the relations between Belarus and Russia. Some progress was also made in the resolution of the “food” and “visa” conflicts. Following their straight-talk exchange, the Russian and Belarusian partners started to overcome the deadlock in the food and agriculture export. [First, Rosselkhozadzor unblocked the supplies](#) from two dairy processing plants, and then from four more. Belarus and Russia reached a mutual understanding in the course of the negotiations on the visa issue and announced that soon they will sign an agreement on a joint visa recognition for the transit goals. [The Union State Council of Ministers meeting went well in overall](#), with both sides confirming their agreements in energy and migration and agreeing upon the measures in the industry policy and the engineering development in the frames of the meeting.

This, by the way, happened while the Chinese investors emphasized their active public position in the background. Not only did they confirm their interest in the capital investing into the Belarusian food industry and agriculture, but also presented a compressed work schedule for this project. Therefore, China is becoming not only an alternative to the Russian trade area but also organizes its economic presence exactly at the Belarus-Russia border. Taking into account a high level of the prices on the Chinese market, such diversification will strengthen the position of the Belarusian manufacturers, while a successful certification of the Belarusian enterprises in order to access the Chinese market can be an additional argument for lifting the complaints of the Russian institutions.

One of the main news for Belarus in the given period was the statement made by the US Secretary of State Rex Tillerson, when he said that

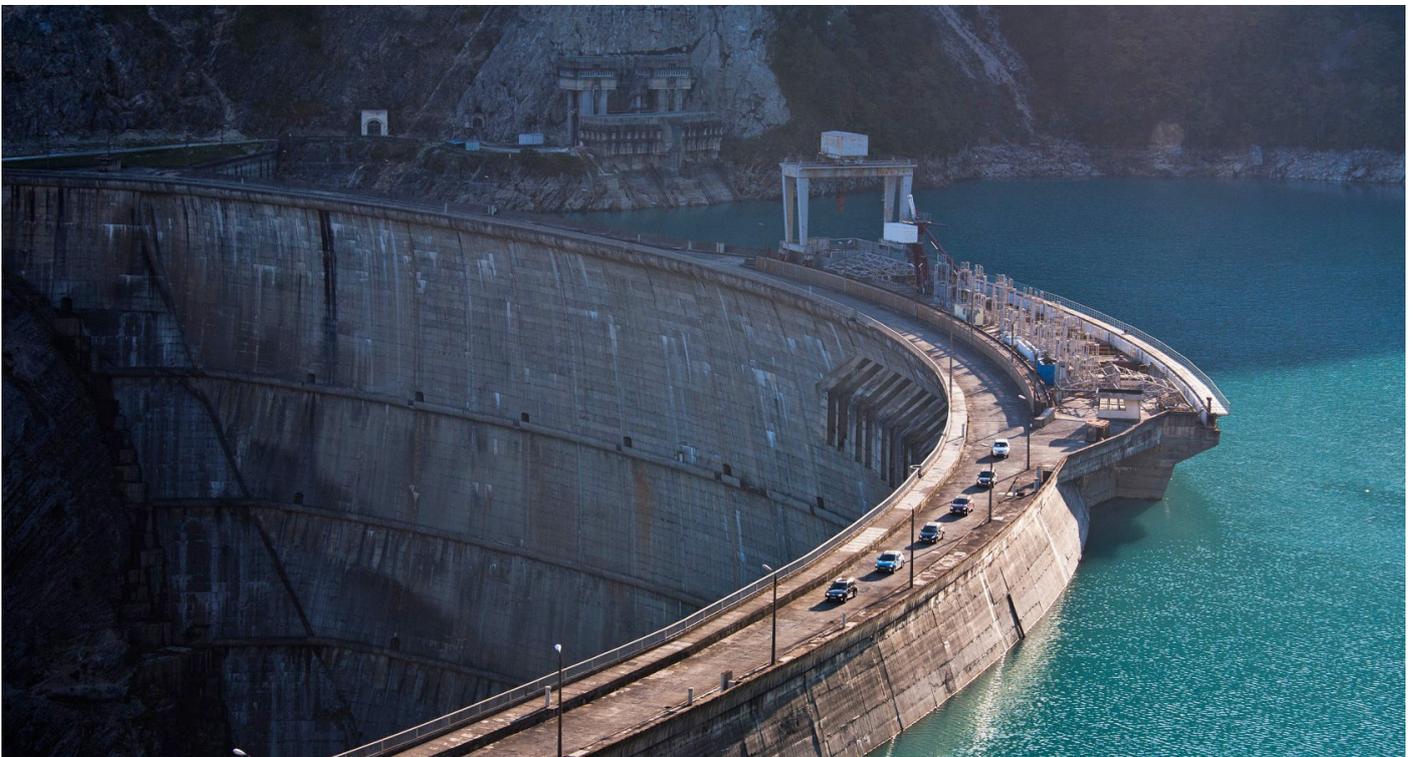
the USA does not want to be “handcuffed” to the Ukraine agreement processes only within the frames of the Minsk agreements. Posing the question should have without a doubt struck a warning note among the Belarusian authorities, as in fact it means a less significant international role of Minsk as the main platform for the Ukrainian crisis discussing. Against this background the President of the USA Donald Trump prolonged the US sanctions against some of the Belarusian officials, initiated after the events of 2006, for a year. [The Belarusian Ministry of Internal Affairs](#) gave a nervous response referring to the fact that Belarus acts as a donor of the regional stability and does not pose a threat to the interests and security of the USA.

Belarus suffered a major setback as its status of a donor of the regional stability and security was questioned by Lithuania. Against the background of the successfully IAEA mission’s work closing and publishing a of positive conclusion, Vilnius went for the escalation of the situation and adopted a law [on declaring a Belarusian nuclear power plan a threat to the national security of Lithuania](#). The stern wording of the adopted law and the corresponding official comments played in the hands of the Russian side and some Belarusian law enforcement officials aspiring to create an impression of the aggressive Western intentions towards Russia and Belarus. It is important to mention that the current escalation of the nuclear power plant issue happened against the background of the consistent tensions on the issue of the military and political confrontation in the region. In the given period the NATO countries carried out a large scale NATO defensive drill in the area of the Suwalki Gap, while the President of Lithuania Dalia Grybauskaitė (she acts as the Head of the Ministry of Foreign Affairs of Lithuania as well) [made an explosive statement declaring threats to her native country](#) as it neighbours Belarus and Russia.

Georgia: Seven years waiting for democracy

Lasha Tughushi, “Liberal Academy Tbilisi” Foundation (Georgia, Tbilisi)

Discussions regarding the changes to the Constitution are still ongoing in Georgia with the main stumbling point being the electoral system. As for the Georgian economy, the results of the first half of the year give some hope for a new record. When it comes to the foreign policy, the heated arguments with Russia regarding the Georgian Euroatlantic ambitions have intensified.



Georgia completed the construction of the largest hydro power plant in Shuakhevi.
Photo by zelenyipalisad.ru

DOMESTIC POLICY

One against all

“I cannot see any possibility for a dialogue between the parties. My message would be the following: talk to each other. A dialogue is very important. I feel very, very disappointed. I feel more and more disappointed hour after hour. I believed in the Georgian political class to take a step forward to get a more democratic constitution, and today it is in crisis”, — said Gianni Buquicchio, the President of the Venice Commission, after meeting the Georgian authorities in Batumi.

In fact, the Venice Commission received one project of changes to the Constitution, while the Georgian Parlia-

ment adopted a completely different one in two readings. The Venice Commission approved the implementation of the proportional representation as early as during the next elections, however, the Parliament “tricked” the commission as it suddenly changed the text of the project already after the written conclusion of the commission.

The proportional representation, when mandates are divided according to the party lists, should substitute the mixed electoral system. However, this transition will be postponed. It means that whatever good there is in the document will only be implemented in seven years, and not during the nearest elections. The concept of the “postponing democracy for seven years” is unclear

both to experts and most politicians, apart from the ruling authorities. One against all seems to be a current political landscape in Georgia. On the one hand, there is a ruling party with a super majority in the Parliament, on the other hand, there are the rest of eighteen parties, a numerous non-governmental sector and the President chosen by the people of Georgia. The “Georgian Dream” was left all alone yet still achieved its goal while losing some of its reputation. The wide spectrum for manipulations and administrative resources used during the elections are the obvious pitfalls of the current system, as well as the opportunities for the ruling political power in the majority constituencies.

The struggle continues. Most talks are concerned with the concessions, yet it is still unclear which ones exactly. The situation is likely to deteriorate. The project will have its third Parliament reading in September. The local elections in October are bound to provide an even more emotional response to the situation acting as a red flag to the parties.

Russia needs to understand once and for all, that NATO is a choice of the people of Georgia

ECONOMY

A new record?

The Georgian tourism tends to continue its growth. The number of tourists coming to Georgia increased by record 43% in June, stated the Prime Minister of Georgia Giorgi Kvirikashvili at the government meeting. According to the head of the government, up to 330 thousand tourists visited Georgia in June.

This number is made up of those visitors who spent at least 24 hours or more in Georgia. This makes 99 thousand more tourists than in June of 2016. According to the last 6 months data, the number of tourists grew by 29%, with visitors entering Georgia not only from the countries of the region, but also from the EU countries: there is a 54% growth of the tourist coming from Austria, 36% from the Netherlands, 32% from Germany, 28% from Great Britain, 23% from France, 17% from Lithuania. Moreover, the number of tourists arriving from Asia has gone up dramatically as well. According to the forecast provided by the Department of Tourism, this year will see a 1 mln growth in the number of tourists against last year and will set a new record of 7 mln visitors.

While Kakha Kaladze, a former football player for “Milan”, resigned the seat of the Georgian Minister of Energy to run for Tbilisi mayor, the construction of the largest hydro power plant in Georgia for the last 50 years, Shuakhevi HPP, is coming to an end.

The construction on the project began in the fall of 2013. The project investment cost equals \$416 mln. Shuakhevi HPP will have a total installed capacity of 187 megawatts. It will enable Georgia to meet the electricity demand during the winter months, while the rest of the energy will be exported to Turkey.

At the same time Georgia is facing the prospect of a serious foreign investment project. A leading Swiss train manufacturing company “Stadler Rail AG” is interested in building a factory that will manufacture, put into operation and repair rail vehicles in Georgia. A corresponding memorandum was signed by the President of Stadler Rail AG Peter Spuhler and the Georgia’s Economy and Sustainable Development Minister Giorgi Gakharia. The Prime Minister of Georgia Giorgi Kvirikashvili attended the ceremony of signing this memorandum.

FOREIGN POLICY

Russian opposition to Georgian NATO aspirations

Moscow yet again expressed its dissatisfaction with Georgia cooperating with NATO. [According to Grigory Karasin, the Deputy Minister of Foreign Affairs of Russia](#), “recently the Georgia’s cooperation with the alliance takes such forms that it actually makes Tbilisi a participant of the NATO’s policy to deter Russia”.

Replying to Mr. Karasin, the State Minister of Georgia on European and Euro-Atlantic Integration [Victor Dolidze made a statement that](#) “Russia needs to understand once and for all, that, first of all, this is a choice of the people of Georgia, and secondly, this choice is not aimed at someone. European Georgia, Georgia as a NATO member, Georgia that is economi-

cally strong and stable is a guarantee of the security in the region, which includes Russia as well”.

Moreover, in June it was announced that the Vice President of the USA Mike Pence will arrive in Georgia after his visit to Estonia and Montenegro. The Prime Minister of Georgia Kvirikashvili called this visit “[a clear sign of the American support](#)”.

In 2016 the strategic partnership between the two countries reached a new level as they signed a Memorandum on Deepening the Defense and Security Partnership. In the frames of this memorandum, the USA will build a military center in Georgia similar to the German base in the city of Hohenfels.

The expectations are high following the American officials’ visit to Georgia, especially from the security standpoint.

Moldova: Mixed electoral saga continues

Danu Marin, Foreign Policy Association of Moldova (Moldova, Chisinau)

The Moldovan authorities still continue to promote the change of the electoral system before the 2018 parliamentary elections, despite the negative conclusions provided by the Venice Commission and the concerns expressed by the main development partners. At the same time, in the economic field, experts forecast a 6% growth of the Moldovan GDP in 2017. The foreign policy still evolves in the traditional East-or-West discourse.



Prime Minister Pavel Filip visited Brussels.
Photo by coe.int

DOMESTIC POLICY

Venice Commission verdict

The most important development on the domestic level is the reform of the Republic of Moldova's electoral system. The project of the switch to the mixed electoral formula, where some MPs will be elected from the parties' lists and some in the single-seat majority constituencies, has caused serious opposition in the civil society. On 19 June the OSCE/ODIHR and the Venice Commission issued a joint conclusion dis-

proving the planned reform, quoting that the reform comes at an inopportune moment, lacks large political consensus and has not undergone the public consultation.

The [joint conclusion](#) expressed some major concerns related to: the increased possibility to influence the independent majoritarian candidates by the business and other interests groups; the increased risk of the political influence over the Central Electoral Commission; the unclear criteria of the constituencies es-

establishing in the Transnistrian region and abroad; a low probability of the reform enhancing the women participation in the Parliament (now 22 out of 101 MPs are females) and the failure to address the financial transparency problem.

Following the Venice Commission conclusion, both the European Union and the United States [publicly urged](#) the Moldovan authorities to reconsider the

adopting of the law in its current form. Despite the Venice Commission conclusion and the notice from the major development partners, the Moldovan authorities seem determined to [push the reform](#) before the 2018 parliamentary elections. In this case, it is likely to expect some public backlash and new street protests following the [June, 11 protests](#) organized by the civil society and the opposition parties.

ECONOMY

Moldovan GDP 6% growth forecast

According to [the economic forecast presented by the independent think tank “Expert-Group”](#), the Moldovan economy is expected to grow by 6% of the GDP, due to the expansion in lending, foreign remittances and the resumption of the funding for the public investment. A strong factor of growth is the recovery of the agricultural sector after the 2015 draught, as well as the increase in trade and services by 6.4%, and the employment rates rising to 40.8%. The total exports of goods and services are projected to grow by 12%, and the imports by 9%.

The unfreezing of the external aid is also contributing to the economic stabilization. The Republic of Moldova has been receiving the financial aid from the

International Monetary Fund after signing the Memorandum in 2016 (\$130 mln) and is set to receive the EU €100 mln macro-financial assistance (€60 mln in loans and €40 mln in grants) aimed to support the economic stabilization and the structural reform agenda. The Council of Europe endorsed this agreement on June, 15. But [in the joint statement](#) with the EU institutions it was highlighted that granting the assistance is directly linked to the respect for the democratic mechanisms, namely the considerations of the recommendations of the Venice Commission and the OSCE/ODIHR by the Republic of Moldova authorities.

The government still fails to convince the EU leaders to cancel out the pre-condition for the macro-financial assistance granting

FOREIGN POLICY

Government goes West, president goes East

On 20-21 June the Prime Minister Pavel Filip visited Brussels and met the EU leaders. The [discussions](#) focused on the EU-Moldova Association Agreement implementation progress, the EU macro-financial assistance and the draft law on the electoral system amending. While the government is officially claiming some progress with the reform agenda, it still fails to convince the EU leaders to cancel out the pre-condition for the macro-financial assistance granting.

Meanwhile, Andrei Galbur, the Minister of Foreign Affairs and European Integration, and Bridget Brink, U.S. Deputy Assistant Secretary of State for European and Eurasian Affairs, announced the relaunch of [the Strategic Dialogue between Moldova and the United States](#). The partnership puts emphasis on four strategic areas: democracy and good governance, including

anticorruption; energy independence; economic and financial development; security cooperation.

The President Igor Dodon yet again paid a visit to Russia to participate in the St. Petersburg International Economic Forum 2017. He delivered a traditional “Moldova is a friend of Russia” speech emphasizing the failing policy of the European integration and the relaunch of the strategic partnership with Moscow. Furthermore, the President Dodon [borrowed some of the Vladimir Putin’s thesis](#) from his Munich Security Conference speech in 2007, speaking about the shared values and principles, reiterating the failure of globalization and unipolar world under the Western leadership. However, the main objective of Mr. Dodon’s visit was to smooth the recent diplomatic crisis between Moldova and Russia with the expulsion of five Russian diplomats on [the espionage allegation](#), and convince Kremlin to limit the retaliation measures towards Moldova.

Ukraine: Focus on foreign policy

Iurii Vdovenko, Foreign Policy Council “Ukrainian Prism” (Ukraine, Kyiv)

While the domestic events in Ukraine were about the notorious corruption cases, on the foreign policy arena June brought quite a lot of success and a series of the important victories for Ukraine. As for its economy, the country deserved both praise and disapproval from its Western partners.



The meeting of President Poroshenko with U.S. President Donald Trump is already a positive result.

Photo by president.gov.ua

DOMESTIC POLICY

Corruption fight and “bread truce”

In June, the Office of the Prosecutor General of Ukraine, Specialized Anti-Corruption Prosecutor’s Office and National Anti-Corruption Bureau of Ukraine became the main newsmakers in the country. The Verkhovna Rada had to decide on the criminal proceedings for as many as five MPs at a time suspected of the corruption: namely, the MPs from the presiden-

tial faction of the Petro Poroshenko bloc, the “People’s Will”, the Radical party and the “People’s Front”. Another high-profile incident included the detention of the web-based media resource “Strana” editor-in-chief who was suspected of blackmailing and getting of \$10 thousand for a refuse to publish some materials compromising an MP.

Another high-profile scandals rather overshadowed the ongoing “trash crisis”, meaning the struggle of the city of Lviv in the West of Ukraine with its waste disposing and taking to the other landfills. Some “Samopom-

ich” (or “Self Reliance”, a party led by the mayor of Lviv) MPs believe there is a political background for this situation, already threatening to become an environmental disaster, and thus they went on hunger strike.

Some tensions remain in the ATO zone. There is still shellfire, despite the agreement reached on the so-called “bread truce”: a peace and quiet order covering the entire harvesting season. Every day the number of killed and wounded is growing, with a stated new concept of reintegrating Donbas becoming highly publi-

cized. Its appearance calls for the concerns regarding the full-scale hostilities being renewed.

Therefore, the anticorruption remains a hot topic for Ukraine, and yet again the expectations are raised high as the initiated investigations are set to be finished. The demonstration of the results will be able to make a positive impact both on the rhetorics, and the Western partners support to become a turning point for the restoring trust to the incumbent authorities within the country.

ECONOMY

One step back, two steps forward?

As for the Ukrainian economy, June saw the tensions intensifying in the Ukraine’s relations with the EU, as the Verkhovna Rada of Ukraine reduced the term for the raising export duty on black scrap metal.

Taking into account that this is a repeated situation, a strident reaction is expected from the European side. Just before the Verkhovna Rada adopted the law, the EU Delegation called on the Verkhovna Rada to respect the accepted international obligations and criticized it for the reform process blocking.

At the same time, in the frames of a sustainable energy week the EU Delegation registered some progress in this field of reforms. In June, adopting of the landmark laws on the commercial accounting for the housing and public utilities services and energy efficiency became yet another step on the way to the full-scale reforms.

The banking sphere also demanded some attention this month. The national currency keeps getting stronger, the foreign exchange controls are going down, and the “cleaning” of the market through the banking institutions liquidation is still going on, while a decision on UAH 38.5 bln (approximately EUR 1.3 bln) capital increase for PrivatBank, recently turned state-owned, was taken.

Since the Ukrainian economy is demonstrating some signs of a spotty economic performance, its attempts to act on-the-spot instead of the systematically fulfilling its obligations in the frames of the Association Agreement may have far-reaching consequences, connected particularly to limiting or postponing the aid granted to the country.

Starting 11 June the Ukrainians are able to enter 30 European countries without visas

FOREIGN POLICY

Bundle of success

June turned out to be quite full of the foreign policy developments proving important for Ukraine.

On 31 May the Stockholm Arbitration Court granted a major victory to Ukraine following a dispute between NaftoGaz (the national oil and gas company of Ukraine) and Gazprom (the Russian state-owned gas company), rejected Gazprom’s “take or pay” claim, pointed out the necessity to revise the price in accordance with the market, and annulled the destination clause.

There is no doubt that the most important development of the month was the ending of the epic visa-free regime process with the European Union granted to Ukraine. Starting 11 June the Ukrainians are able to enter 30 European countries without visas.

Not least important was the President of Ukraine Petro Poroshenko’s visit to the USA. The success of

this visit can be evaluated in various ways, however, the very fact of his meeting with the President Trump prior to the Trump’s meeting with Vladimir Putin is already a positive sign. The foreign policy activity later continued at a summit meeting in Paris, where the President Macron confirmed the consistent course for the support of Ukraine.

Another positive news came when the USA and the EU prolonged and broadened their sanctions, continuing to put Russia under pressure. In this context, the changes to the Ukrainian legislation should be mentioned. They include naming a NATO membership the Ukraine’s national priority.

The facts above provide a background for the optimism, while showing that there is still an international coalition to support Ukraine, yet leave no doubt about the necessity to reach further progress in the domestic reforms implementation agenda.

Stronger energy security platform for EaP region: current situation analysis and recommendations

Ahmad Alili, Center for Economic and Social Development (Azerbaijan, Baku)



Existing network can be used as a base to build a sustainable energy platform within the Eastern Partnership region.

The Energy Security Platform for the Eastern Partnership countries is a relatively new concept. Once integrated in the Soviet Union's energy system, these countries seek to part ways in fulfilling their own energy security needs.

The integration of the European Union institutions, embodied by signing of the Association Agreements, raises new concerns regarding the regional energy security. In many cases, the break with the Moscow-led energy and economic institutions was followed by some punishments from Kremlin, such as an energy-supplying pipelines blocking.

In many instances, economic and energy ties became the decisive factors for the post-Soviet countries in their decision to take a path either to Moscow or towards the Western, liberal democracies. Hence, it raises the importance of a research for the Energy Security Platform for EaP countries and policy recommendations to improve the situation further.

Background and current situation of energy security problems in the region

Among the EaP countries, Azerbaijan is the only one extracting, producing and transporting any energy resources; all the others are energy consumers.

The ongoing conflict between Azerbaijan and Armenia over Nagorno-Karabakh limited the economic cooperation between these countries, and hence the energy security platform for the Southern Caucasus countries exists only between Azerbaijan and Georgia. The mentioned conflict [cut the ties](#) of Armenia with the only energy producer among the countries of the region. Currently, the energy resources for Armenia are provided by the Russian companies through Georgia, putting Yerevan into the dependence from Moscow.

Nevertheless, several EaP countries have already tried the multilateral collaboration on the energy security issues. For example, the GUAM Organization for Democracy and Economic Development (Georgia, Ukraine, Azerbaijan, and Moldova) members extensively cooperate on the energy-related problems.

In fact, reducing of the economic and energy, that is the most important, over-dependence from Russia, and developing of the energy transit on the Caspian Sea–Caucasus–Europe rout bypassing Russian territory was seen by many experts as one of the main goals of the organization. In 2011, the GUAM states founded a Working Group on Energy Cooperation, and Azerbaijan was elected to coordinate this group. The [next meeting](#) of the GUAM energy group is scheduled for September–October, 2017.

Despite this, there're also the energy cooperation bilateral tracks between the countries of the Eastern partnership region. For instance, Georgia and Azerbaijan are the parts of the transit corridors transporting oil and gas from the Caspian Basin to the European markets. Furthermore, the West-East transit corridor, connecting the European market with China through the Caucasus and Central Asia, also crosses the Azerbaijan and Georgia territories. These developments enable these two countries to have more integrated transit capabilities and infrastructures.

In this context, the Baku-Tbilisi-Kars railway, a regional rail link connecting Azerbaijan, Georgia and Turkey, also should be mentioned. This rail link created the additional potential for the transportation between Azerbaijan and Georgia. Meanwhile, the Georgian Black Sea ports are capable of connecting the Caucasus region with the other EaP countries in the Eastern Europe, the goods and energy products from the Caspian Basin can be easily transported to Ukraine and the EU countries.

The bilateral energy contracts were also signed between Azerbaijan and Belarus. In the end of 2016, Rus-

sia cut the oil supplies by one-third trying to habitually pressure Belarus in the gas prices negotiations. This is where Baku lent its shoulder to Minsk.

In November 2016, during his visit to Azerbaijan, the Presidents of Belarus and Azerbaijan have [discussed](#) Azerbaijani oil transportation the issue. Aleksandr Lukashenko thanked the Azerbaijani head of the state for the recent oil shipment to Belarus. Around 85 thousand tonnes of oil were delivered to the Mozyr Oil Refinery. “That was not the first time that you supported us, but that was a real one-time help. I understand that any oil producer should have a strategy. We are ready to go as far as Azerbaijan is ready to go” – stressed the Belarusian leader.

By the end of 2016, around 500 thousand tons of Azerbaijani oil were delivered through the Ukrainian port Odesa to Belarus.

In many cases, the break with the Moscow-led energy and economic institutions was followed by some punishments from Kremlin

However, the supply was stopped at the beginning of 2017. The head of the Center for Petroleum Research Ilham Shaban [has commented](#) it saying that currently, strategic priority of Azerbaijan is to attract more foreign currency into the State Oil Fund. Therefore, the country was neither interested in the low prices Minsk was asking for, nor in the barter conditions offered. The Azerbaijani prices for Belarus were 30% higher than Russian contracts. And while there was a progress in the negotiations with Moscow on the oil supply increase, Belarus keeps seeking for the energy diversification. Some agreements on this issue were also reached with Iran.

At the same time Azerbaijan established the bilateral energy connections with all the GUAM countries, as well as with all the other EaP countries, excluding Armenia for the obvious reasons. Thus this existing network can be used as a base to build a sustainable energy network within the Eastern Partnership region.

Next decade: energy security challenges

The Azerbaijan's oil reserves are depleting. For the next decade, Azerbaijan is expected to [significantly lose its potential](#).

Azerbaijan has a long history of the oil extracting and transporting. Since the middle of 19th century, as a part of the Russian empire and then of the Soviet Union, Azerbaijan exported its oil through the Georgian sea ports and the Russian territory to Europe. After regaining its independence, Azerbaijan signed the “Contract of the Century”, and the Production Sharing Agreements helped the country to attract more international investments. Now, Azeri-Chirag-Guneshli, the

main offshore oil field in the Caspian Sea, seems to be depleted. It might create some problems for the energy cooperation in the EaP region.

However, Azerbaijan tries to reinvent itself as a major natural gas exporter, and is rather ambitious about its gas projects (TAP& TANAP and the Southern Gas Corridor).

Currently, three pipeline projects intend to secure the Caspian Basin gas transportation to the EU market: (1) South Caucasus Pipeline (SCPX), which will pass over Azerbaijan and Georgia; (2) Trans Anatolian Pipeline (TANAP), going mainly through the territory of Turkey; (3) Trans Adriatic Pipeline (TAP), that involves [Greece, Albania and Italy](#).

In addition, Azerbaijan built and enlarged its energy transportation network. Within the ongoing gas projects, it is expected that Turkmenistan will also deliver its gas from the Caspian Basin to the European markets through Azerbaijan.

As in the past, the ongoing conflict over Nagorno-Karabakh creates some problems for the including of Armenia in any of the mentioned and new projects.

Armenia currently imports oil products mostly from Russia. Depending on the customs duty, the price might range. Many experts believe, Moscow is using the Armenia's energy dependency over Russia to [gain leverage in Armenia](#).

In this context, joining the common Eastern Partnership energy projects may be crucial for Armenia to reduce the Moscow's influence options in the region.

Conclusion and recommendations

The EaP countries need a diversified energy network in order to ensure their energy security. Their previous economic and energy security dependency on Russia plays a crucial role in the decision-making process of the EaP countries and their recent moves in favor of a greater European integration. The cases of Ukraine and Georgia have demonstrated how painful the process of opting out of the Russian incentives and signing the Association Agreement with the European Union can be.

Currently, the GUAM countries have established some energy cooperation links. Azerbaijan, the only energy producer in the region, has established an energy cooperation network with the other GUAM countries. In addition, Azerbaijan provides Belarus with the oil and oil products, in the need of the later.

In the light of the previous observations, the following actions are recommended:



EaP countries have already tried the multilateral collaboration on the energy security issues in the GUAM Organization for Democracy and Economic Development.

Photo by mfa.gov.ua

1) The EaP countries should declare their interest in moving toward some common energy security measures.

Currently, the EU countries are trying to lure Turkmenistan into cooperation on the Turkmen gas delivery to Europe. Additionally, the countries declaring their interest in the common measures may aid Ashgabat in delivering of the more promising gas export plans to the European markets.

Among the EaP countries, Azerbaijan is the only one extracting, producing and transporting any energy resources; all the others are energy consumers

2) The re-establishment of the economic ties between Azerbaijan and Armenia should be taken into account in order to include Armenia in the project and lessen its dependency on Russia. It is a very important measure to resume the economic ties. Currently, Azerbaijan expressed its will to cease the economic blockade of Armenia in return for the regaining control over the regions surrounding Nagorno-Karabakh. It is also vital for the rest of the EaP countries to express their support for the peaceful resolution of the Nagorno-Karabakh conflict.

The existing network can be used as a base to build a sustainable energy network within the Eastern Partnership region

Bridging the divide: forging cooperation & fostering collaboration

Olga Chyzhova, Foreign Policy Council “Ukrainian Prism” (Kyiv, Ukraine)



Moving from shared past through shared present on to shared future is a way for the countries of the Eastern Partnership to become stronger and more vocal in relations with their Western partners. Ways to leverage the synergy were discussed during the EaP Think Bridge round table on 14 June, 2017 in Yerevan, Armenia.

Diverse development, common challenges

The round table is one from the series of events aimed at building intellectual bridging between the countries of the region.



— Eastern Partnership is a very diverse region, with very different countries, challenges, mentalities and political systems. But discussions like this are important because it is surprising to find out how much they still have in common. And for us it is important to support the debate on how to overcome these common challenges, — said Felix

Hett, Director of Friedrich-Ebert-Stiftung office «South Caucasus», while opening the event.

— All Eastern Partnership countries have their bilateral relations with Brussels. But the political dialogue between the countries is underdeveloped. They don't have enough direct information exchange with each other. There are countries in the region that don't even have embassies of each other. That is a so called information gap that we try to break by providing of the first-hand information from progressive and well-known think tanks, — added Marcel Rothig, Director of the Regional Office «Dialogue Eastern Europe» at Friedrich-Ebert-Stiftung.



From civil society actors to change actors

In order to both bolster democratic institutions and pursue «good governance», engagement in the public policy process is an essential prerequisite. During the event the experts shared the country-specific examples of the successes and failures of such public policy engagement.



— Georgia was praised for the democratic reforms. But not everyone knows that they've come at a cost of a constant struggle between the democratic forces and the ones that look backward to the Soviet past. The Georgian civil society has always been a flagship of the democratic changes in the country. In all recent developments it was the civil society along with media who played a crucial role. The level of support and trust that people have for the civil society leaders is reflected in the fact that about two dozens of them are now represented in the parliament, — told Malkhaz Gagua, «Liberal Academy Tbilisi» Fund (Tbilisi, Georgia).



— Moldova is facing the situation when the civil society has less freedom to participate in the policymaking process as the country is highly politicized. That is highly dangerous as the civil society has to monitor the government, and note when the authorities cross the line. The Eastern Partnership countries have many positive cases of such civil participation, and need to share them with each other to find some common solutions for the common threats, — continued Victoria Bucataru, Executive Director, Foreign Policy Association of Moldova (Chisinau, Moldova).

— Transformation of the civil society actors into the change actors is the case in Ukraine, Georgia, and Moldova already. And we do believe that if we continue our efforts on cooperation, if we try to promote the solidarity between the civil societies in our countries, then our voice within the EU, our voice vis-a-vis Russia will be much stronger, — summed up Sergii Gerasymchuk, Deputy Chairman of the Board, Foreign Policy Council «Ukrainian Prism» (Kyiv, Ukraine).



The discussion was followed by an informal brainstorming session designed to boldly explore new «out of the box» approaches to cooperation between the Eastern Partnership states.

— What we see is that the lack of the strategic vision, as well as insufficient political will, resulted in situation where our countries despite shared legacy ignore the shared nature of their future in the terms of reintegration, independence strengthening, democratization, and economic development. Thus our event was designed to provide some innovative and cutting edge ideas, a brainstorming session looking for the ways to deepen our cooperation and foster greater collaboration within the region, — concluded Richard Giragosian, Director of Regional Studies Center (Yerevan, Armenia).



[Watch video report from the round table.](#)

INITIATIVE BY:



Foreign Policy Council “Ukrainian Prism” (Ukraine) is a network-based non-governmental analytical center, the goal of which is to participate in providing democratic ground for developing and implementation of foreign and security policies by government authorities of Ukraine, implementation of international and nation-wide projects and programs, directed at improvement of foreign policy analysis and expertise, enhancement of expert community participation in a decision-making process in the spheres of foreign policy, international relations, public diplomacy.

www.prismua.org

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Regional Project «Dialogue Eastern Europe» of The Friedrich-Ebert-Stiftung promotes mutual understanding and exchange between Armenia, Azerbaijan, Belarus, Georgia, Moldova, Russia and Ukraine as well as to support regional dialogue between these countries with Germany and the European Union. The Friedrich-Ebert-Stiftung is a non-profit German political foundation committed to the advancement of public policy issues in the spirit of the basic values of social democracy through education, research, and international cooperation.

www.fes-dee.org

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The Regional Studies Center (Armenia) is an independent think tank based in Armenia. The RSC conducts a wide range of strategic analysis and objective research, implements a number of educational and policy-related projects, and develops policy initiatives aimed at bolstering political and economic reform and conflict resolution in the broader South Caucasus region.

www.regional-studies.org



The Center for Economic and Social Development (Azerbaijan) is a leading Azerbaijani think tank specialized in economic and social policy issues working with and establishing bridge between the government and the various representatives of civil society. The Center was set up in 2005 to promote research and analysis into domestic economic and social issues for the purpose to positively influence the public policy decision-making processes.

www.cesd.az



Center for Strategic and Foreign Policy Studies (Belarus) is a non-governmental non-profit independent think tank, the mission of which is to promote the opportunities for the Republic of Belarus in the international arena

by analyzing international processes, and developing programs and projects.

www.csfps.by



The foundation Liberal Academy Tbilisi (Georgia) is a non-governmental, nonprofit organization, committed to promoting core democratic values, supporting peace-building and European and Euro-Atlantic integration and with that fostering the democratic development of Georgia and the

whole Southern Caucasus region.

www.ei-lat.ge



Foreign Policy Association (Moldova) is Moldova's leading foreign policy think-tank, committed to supporting Moldova's Europeanization, integration into the European Union and a viable settlement of the Transnistrian conflict.

www.ape.md