



VISION 2025

UKRAINE AND THE EASTERN PARTNERSHIP

POLICY PAPER



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Ukraine and the Eastern Partnership: Vision 2025. Policy Paper// Foreign Policy Council "Ukrainian Prism", Konrad Adenauer Foundation Office Ukraine. — Kyiv, 2021. — 63 p.

The study contains analytical papers on multilateral and bilateral cooperation of Ukraine within the EU's Eastern Partnership policy (EaP). In particular, the evolution and development perspectives of multilateral, parliamentary, economic and energy dimensions of the EaP have been analysed as well as the cooperation in the field of small and medium enterprises and bilateral relations of Ukraine with Georgia, Moldova, Azerbaijan and Belarus within the EaP, including taking into account the factor of COVID-19. Forecast scenarios of development until 2025 have been considered; recommendations for key stakeholders have been suggested both on improving the effectiveness of the Eastern Partnership policy as a whole and on successful implementation of cooperation in specific areas.

The policy paper is published in the framework of the project "Ukraine and the Eastern Partnership: Vision 2025", implemented by the Foreign Policy Council "Ukrainian Prism" and the Committee on Ukraine's Integration into the European Union with the financial support of the Konrad Adenauer Foundation Office Ukraine .

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Introduction

For over a decade of the Eastern Partnership (EaP) functioning many events have taken place that enabled assessing the advantages and disadvantages of this dimension of the European Neighbourhood Policy. On the one hand, there is a progress in the development of cooperation between the EU and the EaP countries at the institutional level; numerous achievements in the key priorities of economic reforms, good governance, energy-efficiency, environmental protection, mobility and people to people contacts; examples of quite successful and promising initiatives, such as EU4Business, EU4Energy, EU4Digital, EU4Climate, etc.

On the other hand, the weaknesses in the EaP policy have been also revealed. Among them is the principle of inclusiveness which should have contributed to better engagement in cooperation of all six EaP countries, but instead it plays a deterrent role limiting partnership opportunities to the level of the least ambitious participants and thus reducing the EaP attractiveness for the associated “Trio”, namely Georgia, Moldova and Ukraine. A significant obstacle to the development of common positions within the Eastern Partnership was the geopolitical differences in the positions of the six participants, which has become especially noticeable since the beginning of the Russian aggression against Ukraine. Belarus and Armenia as military and political allies of the Russian Federation and members of the Eurasian Economic Union have fundamentally different goals and approaches in a number of issues than the “Trio” of Georgia, Moldova and Ukraine which are aimed at European integration. The EU’s unwillingness to clearly recognize the membership prospects for the latter also does not contribute to “Trio’s” interest in the Eastern Partnership, raising the concerns that the EaP policy could hold back their European integration ambitions.

The process of revising the EaP policy to set the new goals, which began in the EU in 2019, has opened up opportunities to address the existing shortcomings and to improve effectiveness of the Eastern Partnership. The EU’s documents published in 2020 on this issue (“Joint Communication” and “Council Conclusions”) gave hope for some progress, particularly in such important issues as deepening sectoral integration, better access to domestic EU market and expanding participation of the partner states in the EU programs.

However, in order to make the Eastern Partnership policy truly successful it

is necessary to be ready for more decisive changes, to higher the EU's ambitiousness on this dimension of the neighbourhood policy as well as more activeness of the EaP participant states themselves. The inclusiveness should not hinder the differentiation and "more for more" principle, and the EaP institutional framework should take into account differences in progress, capabilities and ambitions of the EaP participants. Greater commitment to the principle of conditionality should put an end to the attitude of the certain participants to the EaP as to a menu from which they can choose economic programs, while ignoring the issues of good governance, democracy and the rule of law. The security dimension needs to be deepened and institutionalized including the military and military-technical components in line with the strategic autonomy ambition declared by the EU... The authors of this study sought to find answers to these and a number of other challenges to the prospects of the Eastern Partnership, offering specific recommendations for improving the effectiveness of multilateral and bilateral cooperation within the EaP.

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Eastern Partnership – prospects for the multilateral dimension

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Evolution of the EaP multilateral institutional dimension (2009- 2019)

The basic institutional dimension of multilateral cooperation in the framework of the EU’s Eastern Partnership policy was laid down in the Declaration of the Eastern Partnership Inaugural Summit in Prague in 2009. Most notably, the document mentions that the multilateral mechanism of the Eastern Partnership will operate according to the joint decisions of the EU and the member-countries; create a forum for exchanging experiences on the partners’ success in reforms and modernization; add to the development of common positions and initiatives; strengthen ties between partner countries; and become a platform for discussions on the future development of the Eastern Partnership. The multilateral format was also intended to create systemic preconditions for the legislative and regulatory rapprochement of partners with the EU. The introduction of the conditionality and differentiation of principles, as well as the implementation of this policy, in addition to the existing bilateral tracks of cooperation between the European Union and each of the partner countries, became important Eastern Partnership features.

In the organizational and institutional format, they introduced the Heads of State and Government meetings to be held once every two years (EaP Summits), as

well as the Ministers of Foreign Affairs' meetings to be held every year.

The intergovernmental dimension of multilateral cooperation was formed around four platform activities: 1. Democracy, good governance, and stability; 2. Economic integration and approximation to the EU sectoral policies; 3. Energy security; 4. People to people contacts. The intergovernmental platforms meeting took place twice a year, with the European Union institutions' representatives, the EU and EaP government agencies, and some invited institutions taking part in them. Sectoral work was performed at the level of separate thematic panels. They reported the platforms' activities' results during the meetings of the Ministers of Foreign Affairs and other relevant EaP ministries.

The 2009 Prague Summit also set down the fundamental basis for the EURONEST Parliamentary Assembly (EURONEST PA) and the Eastern Partnership Civil Society Forum. Broad cross-sectoral stakeholders' involvement in the Eastern Partnership institutions activities became another important point.^[1]

Later, the multilateral cooperation architecture was complemented by the Conference of Regional and Local Authorities for the Eastern Partnership (CORLEAP), as well as the Eastern Partnership Business Forum. During the operation of these multilateral platforms, taking into account the political transformations in the Eastern Partnership region, some weaknesses in EaP activities became noticeable in this dimension, most notably the European Union's reluctance to recognize EU membership prospects for three partner countries stating such ambitions, as well as significant political differences in the six partners' positions, weakened the development of their common position. The summits' declarations, which can be considered the main political guidelines for EaP development, took the form of some refined manifestos with low-level diplomatic language, and that did not allow for seeing the real outlines of the Eastern dimension of the European Neighborhood Policy. The difference between partners' expectations and the EU proposal became especially apparent after the onset of Russian aggression in Ukraine.

In general, the multilateral format was not very interesting for the vast majority of the partner countries, as, in terms of the dynamics and resources, it significantly lagged behind the bilateral level of cooperation with the EU.

In 2014, the signing of the Association Agreements with the EU became another additional motivating factor for Ukraine, Moldova, and Georgia in

[1] Joint Declaration of the Prague Eastern Partnership Summit Prague, 7 May 2009, Brussels, 7 May 2009, https://www.consilium.europa.eu/media/31797/2009_eap_declaration.pdf

strengthening their integration processes and had natural influence on the deepening of partner countries' informal division into two camps, depending on their level of cooperation with the EU: they split into three other “associated” partners with a differentiated level of participation. In turn, this succeeded in further weakening the efficiency of the EaP institutional framework, designed exclusively for all six partners.

In 2015, the EU initiated reviewing Eastern Partnership foundations and mechanism. Despite the broad expert discourse on the need to reform an inefficient institutional approach and provide additional opportunities for leadership integration, the overall approach to the multilateral dimension inclusiveness remained unchanged.

However, in 2016-2017, in the EU, they made an attempt to increase the political attractiveness of the multilateral format for the partner countries by developing a Joint Working Document named “Eastern Partnership - 20 Deliverables for 2020: Focusing on Key Priorities and Tangible Results” in Brussels (first published in December 2016 and updated in June 2017).

The document presents a new approach to multilateral architecture, which should reflect the new 4 priorities and 20 thematic achievements of the Eastern Partnership. Given the existing practice of high-level meetings, the political level of decision-making in the EaP — in addition to summits (meetings of heads of state and government) and meetings of foreign affairs ministers — was supplemented with sector-specific ministers and informal partnership dialogues. For the political orientation of the intergovernmental platforms and panels, they introduced a new form of assembly, namely the Senior Officials Meeting. The platforms themselves were reformatted in line with new priorities, and the number of panels was reduced and focused on topics meeting the goals of the new document “Eastern Partnership - 20 Deliverables by 2020...”^[2]

In autumn 2017, in the summit declaration of the Eastern Partnership Summit in Brussels, the above-mentioned 20 Eastern Partnership goals were officially proposed as a roadmap for the buildup of relations between the EU and partner countries until 2020.

It should be also noted that, at the European Parliament level, they made a political attempt to propose differentiation and strengthening cooperation within

[2] Eastern Partnership - 20 Deliverables for 2020 Focusing on key priorities and tangible results, Brussels, 9.6.2017, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/eap_20_deliverables_for_2020.pdf

the Eastern Partnership framework (EaP+ initiative).^[3] However, the joint summit document reflected only a proposal for joint consultations or discussions of the EU with the three Association Agreement signatory countries—on the progress in implementing the AA and the DCFTA.^[4] The “associated” countries managed to make this informal consultations format operational.

In March 2018, the European Union officially relaunched the multilateral cooperation mechanism, according to the 2017 EaP Summit decisions and “20 Deliverables by 2020”. At the moment, the Eastern Partnership multilateral platforms conduct their activities in the proposed form, taking into account epidemiological issues. The next physical summit at the level of the heads of state and government of the EaP, planned for the first half of 2020, was postponed several times. In July 2020, they held a video conference at the level of the EaP heads of state and government, and prior to it they had a preliminary online meeting at the level of the ministers of foreign affairs.

New initiatives and proposals for the reorganization of the EaP institutional framework (2019-2021)

May 2019 marked the tenth anniversary of the Eastern Partnership policy launch. Taking into account the important anniversary, a number of EU members proposed their initiatives aimed at strengthening institutional cooperation within the Eastern Dimension of the European Neighborhood Policy.

For example, in May 2019, in his program article, the Minister of Foreign Affairs of the Republic of Poland [J. Chaputowicz] proposed institutionalization as one of the important principles of EaP policy development. They also presented the idea of an EaP Secretariat, which would take on the platforms’ coordination and development of common positions. The Secretariat could be placed in Brussels, and the partner countries could send their diplomats to work there. The introduction of the six EaP partners annual chairmanship on a rotating basis was another proposed innovation,

[3] European Parliament recommendation of 15 November 2017 to the Council, the Commission and the EEAS on the Eastern Partnership, in the run-up to the November 2017 Summit (2017/2130(INI)), https://www.europarl.europa.eu/doceo/document/TA-8-2017-0440_EN.html

[4] Joint Declaration of the Eastern Partnership Summit (Brussels, 24 November 2017), Brussels, 24 November 2017, <https://www.consilium.europa.eu/media/31758/final-statement-st14821en17.pdf>

which would strengthen coordination with the three EU Council presidencies and increase the impact on the high-level meetings agenda.^[5] Although the Polish diplomat did not propose the introduction of differentiated institutionalization mechanisms, the volition to strengthen the partners' political interest in shaping the EU's neighborhood policy was positive. However, it should be noted that the Polish proposals did not find much response among EU members and partners.

The unofficial positional document of the Lithuanian delegation in the European People's Party "Trio Strategy 2030", published in October 2019, is another interesting initiative, actually reflecting the differentiated approach. This proposal finds it a promising perspective to implement the "Trio Process" for Ukraine, Georgia, and Moldova by following the Berlin Process (2014), which helped to bring the Western Balkans closer to the EU. At the same time, the document proposes that the EU should take care of support for the three countries provided by friendly EU member states. In this context, it is about setting up an EU Support Group for the Trio from the countries taking part in the Annual Leaders' Summit. Ukraine, Georgia, and Moldova will have an opportunity to join the main EU policies on SMEs, have access to the domestic market, digital agenda, investments, and infrastructure projects as well.

In April 2020, the EURONEST Parliamentary Assembly adopted a resolution calling on the European Union to adopt the "Trio Plus Strategy 2030". Among other things, they pointed out that, under similar conditions for the cooperation with the EU, Armenia can also join it in the "Trio +1" format, given the significant democratic processes in the country^[6].

Prospects for differentiation within the EaP multilateral format

The coronavirus pandemic made its adjustments to the top-level policies of the EaP. The summit, normally scheduled for June 2020 under Croatia's presidency in the EU Council, was initially postponed to Portugal's presidency in March 2021, and, as for today, postponed until autumn of 2021.

In addition to the organizational decisions on relocation provoked by the

[5] New opportunities for the EaP: article by the Head of the MFA of Poland, May 13, 2019, <https://www.eurointegration.com.ua/articles/2019/05/13/7096093/>

[6] Resolution by the Euronest Parliamentary Assembly on the future of the Trio Plus Strategy 2030: building a future of Eastern Partnership, (2020/C 134/05), [https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:22020P0424\(05\)&rid=4](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:22020P0424(05)&rid=4)

pandemic, in the second half of 2020, some negative political transformations took place in the countries of the region (such as political crises in Belarus, Georgia, and Moldova, and the Azerbaijani-Armenian war). Such events do not create any positive background for the buildup of the next EaP Summit long-term agenda.

However, numerous attempts, taken by the Ministers of Foreign Affairs of Ukraine, Georgia, and Moldova in 2018-2021 to form a common position on defining a new Eastern Partnership horizon and its financial framework, can be assessed quite positively. The three countries' ministers repeatedly collaborated on some joint letters with proposals to take into account the "associated" partners' interests in the preparation of new goals and instruments for EaP after 2020.

Given the postponement of the summit to the second half of 2021 (with a high probability of further postponement), there is an additional window of opportunity for the three countries to advocate on their positions in communication with some separate EU members and the European institutions.

Recommendations

To the governments of Ukraine, Georgia, and Moldova:

- **Expanding the thematic focus of informal and formal ministerial consultations of the three "associated" partners with the EU members and the European institutions. The format introduced at the EaP Summit in 2017 proved its importance and practical significance on the example of issues related to the DCFTA trade regimes.**
- **The further institutionalization of the EaP security dimension, including the creation of a separate intergovernmental platform, can bring additional security dividends to Ukraine, Georgia, and Moldova, as well as other partner countries. To this effect, it is reasonable to consult with some friendly EU member states on initiating the strengthening of the EaP multilateral infrastructure.**
- **The format, designed by the "Trio Plus Strategy 2030" proposal, is a positive example of a differentiated approach that can help deepen the integration of the "associated" partners with the EU. In their joint communications, the governments of the three countries should emphasize the introduction of symmetrical approaches to the countries of the Western Balkans and the leaders of the Eastern Partnership.**

To the European Union:

- **The strengthening of economic and socio-cultural ties between partner countries through the development of some cross-border cooperation programs should be a separate and complementary component of the new roadmap for EaP deliverables. The Eastern Partnership Territorial Cooperation Support Programme (for Ukraine-Moldova, Ukraine-Belarus, Georgia-Armenia, and Georgia-Azerbaijan) proved to give positive effect. At the expert level, some recommendations were developed to improve these program operations and expand the range of cooperation between partner countries.**
- **In the EU, the Rule of Law Report proposed a practical methodological tool that could be incorporated into the assessment of the rule of law in the EaP. Financial support provided by the EU for the achievement of other EaP goals and priorities by 2025 should be linked to the fulfillment of legal causality criteria.**

Inter-Parliamentary Assembly Activities

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EU - Eastern Neighbours Parliamentary Assembly (EURONEST PA)

The Eastern Partnership provides a wide range of institutional and thematic dimensions for cooperation between the EU and partner countries. The level of inter-parliamentary cooperation is important for the formation of a common political vision and the exchange of best legislative practices on reforms and integration with the EU.

The declaration of the 2009 Eastern Partnership Summit, held in Prague, states that inter-parliamentary cooperation will take place through the EU Parliamentary Assembly mechanism, namely Eastern Neighbours (EURONEST PA). As defined in the procedural documents, the Parliamentary Assembly is a forum for promoting and creating necessary conditions for accelerating political association and further economic integration between the EU and the EaP. This platform for inter-parliamentary cooperation should contribute to the strengthening of the Eastern Partnership and its development as an institution responsible for parliamentary consultations, EaP oversight and monitoring^[7].

The EP delegation to the Inter-Parliamentary Assembly was formed in 2009, but discussions on procedures and forms of Belarus' involvement (against the background of human rights violations during the 2010 presidential election) postponed its launch until May 2011.

Internal PA regulations were adopted on May 11, 2011 at the preliminary

[7] Euronest Parliamentary Assembly Rules of Procedure, <https://www.europarl.europa.eu/euronest/en/home/rules-&-decisions.html>

session in Brussels. Since then, quite often it was subject to revision (in 2012, 2013, 2015, 2017, 2018), and they have a permanent working group on procedural issues within the assembly itself.

The PA consists of 60 members of the European Parliament, as well as 50 parliamentarians from 5 partner countries (Belarus is not included in the Assembly), with national delegations equally represented, 10 delegates in each one. Two Co-Presidents of the Assembly are elected from the delegations' members: one from the European Parliament and another from EaP countries. Although they have equal status, the procedures for their elections differ in the European Parliament and in the component of the 5 partner countries.

Together with the vice-presidents (at the moment, there are 8 such positions, 4 positions for each part of the PA), the Co-Presidents form the Bureau responsible for getting the PA ready for work, monitoring, and establishing relations with other EaP institutions and bodies. In 2012, for example, they introduced the practice of inviting the Eastern Partnership Civil Society Forum representatives to join the meetings of the PA standing committees, following the Bureau's decision.

Plenary sessions take place once a year, on a rota basis in Brussels and the EaP countries. So far, one preliminary and 8 regular plenary sessions took place. In 2020, they had no regular session due to restrictions on movement caused by the COVID-19 pandemic.

According to PA regulations, they formed 4 standing committees, thematically corresponding to the direction of the Eastern Partnership intergovernmental platforms: the Committee on Political Affairs, Human Rights and Democracy; the Committee on Economic Integration, Legislative Convergence and Convergence with the EU Policy; the Energy Security Committee; and the Committee on Social Affairs, Education, Culture and Civil Society. In addition to the standing committees, they set up a Working Group on the situation in Belarus, a Working Group on Procedures, and an ad-hoc Working Group on Association Agreements. The committees' meetings are held twice a year, at a time in parallel with the PA plenary session.

The PA Regulation also provides for the possibility of inviting representatives of the Association's bilateral parliamentary committees (PCAs) as well as parliamentary cooperation committees (PCCs) established in the framework of bilateral agreements between the EU and the partner countries to participate in Euronest sessions.

Ukraine in the Euronest PA

It should be noted that, in general, Ukraine uses this parliamentary platform quite effectively to promote its national interests. Members of the Ukrainian Permanent Delegation have systematically passed their resolutions and statements on countering Russian aggression and the need for stronger EU support for reforms in EaP through the Assembly's procedures.

Active developments of the ad-hoc Working Group on Association Agreements, initiated by the Ukrainian side and formed in 2017, are another evidence of the volition to introduce a differentiated approach to partner countries.^[8]

In 2017, a plenary session of EURONEST PA was held in Ukraine for the first time, and it was used to inform foreign parliamentarians about the progress made in the implementation of reforms and the Europe-oriented aspirations of Ukrainian society. In December 2018, Borys Tarasyuk, the Head of the Permanent Delegation of the Verkhovna Rada to EURONEST PA, was elected Co-President of the inter-parliamentary forum.

In October 2019, the 9th convocation of Ukraine's Verkhovna Rada held a preliminary meeting of the Permanent Delegation of the Verkhovna Rada of Ukraine to the EU Parliamentary Assembly - Eastern Neighbours.

During the meeting, MP Ivan Krulko was elected the head of the Ukrainian delegation; in 2019 he was also elected the PA Co-President of the Eastern Partnership component. Lithuanian MP and former Prime Minister of the Republic of Lithuania Andrius Kubilius was elected Co-President from the European Parliament, newly elected in 2019.

On December 8-10, 2019, during the eighth EURONEST PA plenary session in Tbilisi, the Permanent Delegation of the Verkhovna Rada joined the adoption of a resolution in support of the new Trio Plus 2030 Strategy^[9], which can be considered a strategic vision for a differentiated approach within the Eastern Partnership.

It is also important that the Ukrainian delegation representative actively uses his position as the PA Co-President and a member of the Bureau. In 2020, this was reflected in a number of reports from the PA Bureau, as well as some letters from co-presidents on the future of the EaP, in particular, against the background

[8] Decision on the creation of the 'Association Agreements ad hoc Working Group, of the Euronest Parliamentary Assembly, Chisinau, 23 May 2017, http://www.epgencms.europarl.europa.eu/cmsdata/upload/cc0931c4-38c5-432c-b9c9-a10adc1166e9/Euornest-bureau-decision-working-group_Association-Agreements_28_09_2017.pdf

[9] <https://iportal.rada.gov.ua/news/Novyny/185766.html>

of preparations for a video conference of the Eastern Partnership heads of state and government in June 2020.^[10]

The joint statement of the EURONEST PA co-presidents on the EU assistance to Ukraine for alleviating effects caused by the COVID-19 pandemic and continuation of the reforms necessary for economic recovery can also be positively assessed.^[11]

EU-Ukraine Parliamentary Association Committee

The Verkhovna Rada and the European Parliament, within the provisions of Article 467 of the Association Agreement between Ukraine and the EU, formed a Parliamentary Association Committee at the bilateral level. This important platform is used to discuss the dynamics of AA / DCFTA implementation, including the terms of legislative support for this process. The PCA can prepare recommendations for the Association Council, the highest bilateral body within the AA, and this turns final statements and recommendations made at the meetings into important political documents.

As a rule, PCA meetings take place twice a year, although this frequency can be adjusted by the committee members themselves. In February 2015, they had the first inaugural meeting in Brussels, with the participation of the Speaker of the Verkhovna Rada V. Groysman and the President of the EU M. Schultz. In October 2019, Vadym Halaychuk, the First Deputy Chairman of the Verkhovna Rada Committee on Integration with the European Union, was elected the Co-Chairman of the PCA from the Ukrainian side. The former Polish Foreign Minister Witold Waszczykowski became the EP delegation head in the committee.

As of December 2020, PCA has had 11 offline and online meetings. Such meetings are of great symbolic importance in the process of the Ukraine's European integration and implementation of the EaP's policy, as they make a room for European

[10] Message of the Euronest Parliamentary Assembly Bureau of 12 June 2020 submitted on the occasion of the Video Teleconference of the Leaders of the Eastern Partnership to be held on 18 June 2020, http://www.epgencms.europarl.europa.eu/cmsdata/upload/7fb1b4f7-7eab-4783-9db1-fb6b05a65df8/Letter_of_Euronest_PA_Co-Presidents_to_the_Leaders_of_the_EaP_VTC_on_18_June_2020.pdf

[11] Statement by Mr Andrius KUBILIUS, Co-President of the Euronest Parliamentary Assembly, Member of the European Parliament and Mr Ivan KRULKO, Co-President of the Euronest Parliamentary Assembly, Member of the Verkhovna Rada of Ukraine, 2020-05-08, <https://elpnariai.lt/en/on-the-eu-assistance-for-ukraine-to-mitigate-the-effects-of-covid-19-crisis-and-continue-reforms-necessary-to-sustain-the-economic-recovery/>

partners' discussion not only on the implementation progress of the reforms related to the AA implementation, but also on the EU support for a number of international security and humanitarian initiatives in the region. For example, during the 11th meeting in December 2020, they discussed the political situation in Belarus, while the EU had to drastically reduce the level of cooperation with the country and increase its political pressure.

Inter-Parliamentary Assembly of Ukraine, Georgia, and Moldova

Establishment of the Inter-Parliamentary Assembly of the Parliament of Georgia, the Parliament of the Republic of Moldova, and the Verkhovna Rada of Ukraine should be considered a step in the right direction. The Ukrainian side made significant efforts for this inter-parliamentary platform buildup. The main preparatory work took place in 2018, supported by the participation of the three parliaments' leaders and relevant committees.

As it is stated in the joint statement of the Speakers of the Parliament of Georgia, the Parliament of the Republic of Moldova, and the Verkhovna Rada of Ukraine on the establishment of the IPA, signed in Kyiv on June 9, 2018, one of its goals is to coordinate efforts to implement association agreements with the EU, including DCFTA and energy security. Of course, the joint efforts agenda was defined more broadly than the joint integration into the EU. They also covered the Euro-Atlantic course and countering Russian aggression.

In October 2018, the Inaugural Session of the Interparliamentary Assembly of the Parliament of Georgia, the Parliament of the Republic of Moldova, and the Verkhovna Rada of Ukraine was held in Tbilisi, where they approved the IPA Statute. Unfortunately, in 2019-2020, a number of political transformations in Ukraine, Moldova, and Georgia reduces political interest in this inter-parliamentary cooperation instrument.

However, the European direction could become one of the priorities for Assembly activities, given the dominant concurrence of interests and efforts of Ukraine, Georgia, and Moldova in implementing the Association Agreements provisions and joint advocacy of the EU membership prospects. Even in the absence of European partners in the IPA, the coordination of the efforts of these three "associated" states with each other could significantly strengthen their voice at the level of European institutions and capitals.

Recommendations for improving the parliamentary dimension

To the Verkhovna Rada of Ukraine at the level of permanent delegations to the PA and IPA, in cooperation with other delegations:

- In May 2021, the EURONEST Parliamentary Assembly will mark the tenth anniversary of the official launch of the parliamentary dimension of cooperation under the Eastern Partnership. This can be a good opportunity to audit the activities and organizational approaches to the Assembly buildup. Obviously, the committees' work needs to be reorganized according to the transformation and expansion of thematic cooperation of intergovernmental platforms. In their choice of themes, the committees should take into account the changes taking place at other levels of the EaP. For example, according to the position of the European Council, the European Commission and the EEAS, strengthening of the countries' and societies' resilience should be treated as one of the new priorities of cooperation with the EaP countries. It is reasonable to start discussion about creating a standing committee on strengthening the resilience of the EaP countries.
- The Belarusian track in EURONEST activity has always had its specifics, given the state of human rights in the country. In the framework of activities of the Working Group on Belarus, it looks reasonable to propose the rapporteur role, responsible for preparing a report on the situation with the human rights and democratic procedures in Belarus. It is also reasonable to invite the leader of the Belarusian opposition Svitlana Tikhanovska to take part in the Working Group meeting.
- The current parliamentary crisis in Georgia, as well as the ongoing process of resetting the Moldovan parliament, do not allow for resuming active work of the Inter-Parliamentary Assembly of the Parliament of Georgia, the Parliament of the Republic of Moldova, and the Verkhovna Rada of Ukraine. However, the first best opportunity should be used to resume active inter-parliamentary dialogue. The joint statements of the Ministers of Foreign Affairs of Ukraine, Georgia, and Moldova indicate a wide range of common interests that parliamentarians should collaborate on.
- Active developments in the international regional initiative of the Lublin Triangle raise the issue of resumption of work of the Interparliamentary Assembly of the Verkhovna Rada of Ukraine, the Seimas of the Republic of Lithuania, and the Seimas and the Senate of the Republic of Poland. Poland and Lithuania are active participants in the process of the new EaP horizons formation. Therefore, at the preparatory stage for the next Eastern Partnership Summit, it would be reasonable to hold an IPA dedicated to the promotion of joint initiatives (for example, the Trio Plus 2030 Strategy).

Sectoral cooperation: economic integration

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With respect to economic cooperation between Ukraine and the EU in the framework of the Eastern Partnership (EaP), the vector of support for small and medium-sized businesses stands out. Ukraine remains the largest recipient of EU4Business resources, primarily due to the signing of the Association Agreement.^[12] In 2019 alone, supported by the EU, small and medium-sized Ukrainian enterprises created more than 50,000 working positions and generated more than €400 million of additional income, which is one of the highest results among 6 member states of the EaP. The positive synergetic effect of the Ukraine-EU cooperation on SMEs is reflected in the Doing Business indicators and the SME policy index. However, they also demonstrate that in the regulatory environment quality Ukraine lags behind other 5 EaP countries.

EU4Business' role - stepping up SME Strategy implementation and taking into account the Small Business Act for Europe principles - can't be overlooked.^[13] But recently, a number of measures in Ukraine aimed at strengthening the partnership between government and business on implementing effective regulatory reforms, as well as the support of many government agencies to build their regulatory capacity, did not differ significantly from other member-countries. According to business development services indicators in 2019, Ukraine was among the outsiders. Therefore,

[12] <https://www.euneighbours.eu/en/east/stay-informed/publications/decade-investing-smes-eastern-partnership-eu4business-jubilee>, p.23

[13] <http://forbiz.org.ua/ua/#>

the number of SMEs able to use such services in Ukraine was one of the smallest, far behind similar indicators in Georgia and Moldova.^[14]

The Ukrainian direction was predominant among the indicators of access to financial resources: in 2019, Ukrainian companies received from the EU more than 160 million euros in loans, taking a third of all EaP borrowed funds. At the same time, Ukraine had the largest effect of redistribution of EU4Business financial instruments in favor of loans in the national currency.^[15] However, it is difficult to assess the extent to which such tools helped to improve SMEs' access to finance, as companies often incur additional costs (such as consulting services) to obtain such funds. Additionally, partner financial institutions in Ukraine do not boast of attractive interest rates and this drives many entrepreneurs away from them.

Activities aimed at solving the most acute problems of the national economy should be noted separately. First of all is the FinancEast program, under which in 2019-2020 micro, small and medium enterprises from the territories of the Luhansk and Donetsk regions controlled by the Ukrainian authorities had already received UAH 123 million out of EUR 9.6 million provided by the EU to resume financing investment projects. In 2020, the EU introduced a number of additional tools to support the business sector in Ukraine during the coronavirus pandemic. The European Investment Bank offered €25 million (out of €55 million allocated for Ukraine, Georgia, and Moldova) for Ukrainian companies' post-pandemic recovery.^[16]

Although the trade turnover between Ukraine and the EU increased significantly compared to 2015, the dynamics have slowed down in recent years. The share of EU partners in Ukrainian exports is being slowly but steadily replaced by other countries. The volume of intra-regional trade among the EaP countries increased by 51% between 2016 and 2018.^[17] However, a significant shift in the Ukraine's trade priorities to other initiative participants was not observed. Their share in Ukrainian trade froze at 6-7%. There was no surge in investment cooperation between partner countries as well. Revenues from Eastern Partnership countries account for only 0.7% of foreign investment in the Ukrainian economy. Due to the

[14] <https://eu4business.eu/results#business-development-services/>

[15] <https://eu4business.org.ua/uploads/20/08/10/8bd48c27574be4301884a0c5b3db211b.pdf>

[16] <https://eu4business.org.ua/news/team-europe-eib-and-procredit-to-support-faster-recovery-of-ukraines-smes-from-the-covid-19-crisis/>

[17] https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/monitoring_spring_2020_20_deliverables_for_2020.pdf

pandemic, the implementation of projects Connecting Companies (increasing trade on a sectoral basis) and Trade Helpdesk (web portal on the specifics of doing business with the Eastern Partnership and EU partners) slowed down.

According to the official statements by the EU and the three leaders and activists of the EaP, namely Ukraine, Moldova, and Georgia, the economy will remain among the priorities for the next 5 years. At the same time, although the Brussels vision meets the interests of the “trio”, it still contains critical conceptual differences. The European Commission’s joint communiqué on the future of the EaP speaks of a steady deepening of economic cooperation with clearly defined sectoral emphases (transport, energy, digitization, the circular economy)^[18] rather than a preferential or accelerated integration regime for signatories to the EU agreements. Bolder proposals to create a single economic space between the EU and six EaP countries came from the European Parliament.^[19] They mean a deeper level of integration than the conditions of the existing free trade zones allow, as they will open access to the EU’s internal market based on its basic economic freedoms - the free movement of goods, services, capital, and labor. This option is attractive, but difficult to achieve in the short term, given the heterogeneity of integration aspirations, current internal problems, and tense relations between some EaP countries.

The European Parliament’s approach to further building relations with EaP countries, in contrast with the European Commission’s approach, is based on the principle of “more for more” and provides special formats and roadmaps for the development of EU relations with the most ambitious member states. The vision of the European Parliament is in line with the common position expressed by the Foreign Ministers of Ukraine, Georgia, and Moldova. The Ukrainian-Moldovan-Georgian trio is currently demonstrating coherence and willingness to jointly lobby for economic interests at the forthcoming EaP Summit. The priorities voiced by Ukrainian officials include: expanding the EU’s economic recovery programs to the EaP region; relocation of supply chains closer to EU borders, in particular, to Ukraine; involving Ukraine, which has strong transit potential, in projects within the framework of the EU Euro-Asian connectivity strategy^[20]; gaining access to the Single Euro Payments Area (SEPA); signing of an Agreement on Conformity Assessment and Acceptance of

[18] https://eeas.europa.eu/sites/eeas/files/1_en_act_part1_v6.pdf

[19] https://www.europarl.europa.eu/doceo/document/A-9-2020-0112_EN.html

[20] <https://mfa.gov.ua/news/dmitro-kuleba-okresliv-prioriteti-ukrayini-v-ramkah-shidnogo-partnerstva-z-yes>

Industrial Goods (ACAA).^[21]

Given the different speed, multi-layers, and ambiguity of the integration aspirations of EaP participants, as well as the clear shift of strategic priorities in the EU budget for 2021-2027, there are **two basic scenarios** for building economic cooperation between Ukraine and the EU by 2025:

a) “Ukraine is a flagship and a core of win-win EaP projects”.

Relevant Ukrainian ministries, supported by independent experts, will identify and justify the ability of the domestic economy to generate value added in areas that meet EU priorities (climate neutral energy, circular economy, digitization of markets, and related security issues). Ukraine will also initiate platforms to discuss the possibility of joint initiatives with other EaP countries, primarily Moldova and Georgia. This will persuade Brussels to focus on funding of the new Neighborhood, Development and International Cooperation Instrument on relevant EaP projects that will bring benefits both to the EU and member states, transforming them from recipients of funds into equal partners. The new dimension of cooperation will also have a positive impact on achieving such desirable goals for Ukraine as signing an “industrial visa waiver”, updating the DCFTA, opening access to the COSME financial instrument, joining the EU common transit system.

b) “Adaptation to the new requirements of economic cooperation with the EU against the background of previously set inertia.”

If the status quo on the strategic orientations of the Ukrainian-Moldovan-Georgian trio is maintained as a result of the EaP Summit, frustrations with unjustified European integration expectations will serve as disincentives for the continuation of initiated economic reforms. The latter will take place within the framework of the obligations under the Association Agreement, without significant updates. The implementation of the provisions of the EU Green Course in trade (in particular, the Carbon Adjustment Mechanism at the border, stricter requirements for agricultural and food products) will be a test of strength for many Ukrainian exporters. Some business will begin to shift to less demanding third countries markets, reducing

[21] <https://www.ukrinform.ua/rubric-economy/3070037-20-dosagnen-do-2020-roku-ukraina-rozrahovue-na-ugodu-pro-spilnij-aviaprostir-z-es.html>

the volume and share of exports to the EU.

The most realistic situation is if the elements of the first scenario will be partially interspersed with the background of the second one. Shifts in the thematic content of the EU projects for Ukraine and other EaP countries (clean energy, construction and renovation, sustainable industry, sustainable agricultural policy) and changes in domestic legislation aimed at creating a favorable environment for entrepreneurship in these areas can then be taken as positive signals. In the longer term, we can see the growth of business activity, which corresponds to the green concept of economic modernization, the corresponding changes in the dynamics and structure of trade and investment in favor of services and more technologically advanced industries. However, to achieve this, the **authority tandem of Ukraine should play ahead**, in particular:

- **while preparing for the EaP Summit, to elaborate their own proposals for possible joint projects within the participants' strengths (as well as joint ones with Georgian and Moldovan partners) that meet EU development guidelines under the Green Course, Hydrogen Strategy, and Strategy on Energy System Integration and, at the same time, add to export-oriented manufactures adaptation to the new environmental requirements;**
- **to initiate consideration of combining trade opportunities provided by GUAM (the free trade area and transport corridor, first of all) and the EaP (provisions of the Regional Convention on pan-Euro-Mediterranean preferential rules of origin) to launch subregional value chains and increase intra-regional trade;**
- **to lobby for the Ukrainian ICT sector integration with the EaP and EU countries in the EU4Digital initiative framework, which will allow to implement ambitious infrastructure projects in the region and beyond it (for example, in the Three Seas Initiative);**
- **to focus on attracting all possible EaP and EU resources to address the problematic issues of the business climate in Ukraine and provide greater support for Ukraine's business infrastructure for SMEs, which can partially offset the "failures of the state."**

Sectoral cooperation: energy

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Situation as of early 2021

The energy dimension of the Eastern Partnership is one of the four priority areas in Ukraine-EU relations, aimed at improving the function of the energy sector according to European standards and norms, as well as promoting low-carbon economic development. Its main components are the integration of energy infrastructure and markets, energy-efficient improvement, environmental protection, and joining forces for combatting climate change.

The multi-sector platform №3, which features panels on energy, transport, environment, and climate change — as well as the Working Group ‘Environment, Climate Change, and Energy Security’ within the Civil Society Forum — is the practical dimension of cooperation for the Eastern Partnership.

Working Programs on energy—including an excerpt from the preliminary paper on ‘20 Deliverables for 2020’ in the energy-related part — were the focal point of the documents. As of early 2021, a new framework document setting principles or extending the previously-existing principles of cooperation in the Eastern Partnership has not been put forth.

Energy relations within the Eastern Partnership take place at the governmental level, as well as through the mechanisms of the Eastern Partnership Civil Society Forum. Government meetings at the level of the relevant state institutions in many cases became the platforms for discussion of the Eastern Partnership member states’ progress in a multinational format, as well as some new initiatives of the European Commission institutions (such as the Directorate General for Energy, European Union External Action Service, etc.).

Public organizations united in the Working Group framework operate more actively in an effort to prepare responses to European and domestic authorities’

initiatives, as well as to participate in the formation of proposals, resolutions, and appeals.

In addition, some civil society organizations' members took part in the government meetings as Civil Society Forum representatives and helped to represent member states' interests in the EU.

The principles of further cooperation between the EU and the Eastern Partnership countries on energy are described in the Joint Declaration^[22]: more specifically, one can find there mentions of the anticipated outcome of participation in the European Green Course, the Paris Climate Agreement, and the restructuring of national economies according to the principles of sustainable development.

COVID-19 impact

2020 was marked by most events switching to an online format because of the COVID-19 pandemic and subsequent restriction of cross-border travel. At the same time, energy cooperation became even more relevant, given the EU's decision to achieve climate neutrality and revise energy development goals by 2030.

In the first quarter of 2020, Ukraine was actively preparing for the introduction of the green energy transition concept, but after government changes the situation also changed dramatically and all efforts were focused on addressing current energy sector challenges related to falling consumption, prices, deficit of RES payments, etc.

Political, security, and economic factors

In the energy context, the Eastern Partnership program is more of a framework of the political dimension around which some specific EU structures build their work. However, the interaction takes place primarily in the framework of Annex XXVII to the Association Agreement and the Memorandum of Understanding on Strategic Energy Partnership (updated on November 24, 2016). The strategic goal in the Ukrainian energy policy agenda is to achieve full integration into the single European energy space, and practical steps to achieve this are taken through the Energy Community mechanisms, namely through the implementation of the adapted European energy acquis and the EU4Energy project.

In 2019-2020, Russian natural gas transit became the largest security challenge for the energy relations between Ukraine and the EU. Despite the signing

[22] https://ec.europa.eu/neighbourhood-enlargement/sites/default/files/joint_communication_on_the_eap_policy_beyond_2020.pdf

of a new 5-year contract, the security component of relations remains one of the most important, as a long-term balance of power between key players, namely Ukraine and Russia, as well as Ukraine and the EU, was not achieved. However, the Eastern Partnership currently has no security tools that could be used to reach a resolution.

2020 marked an intensive growth of Ukraine's role as a regional center for transportation and storage of natural gas; for the first time in many years, the level of underground gas storage facilities reached a high filling record (28.3 billion m³). At the same time, a significant part of gas (11.2 billion m³) was pumped in a special "customs warehouse" mode, which, together with the "short haul" pumping tariff, formed a list of benefits for working in Ukraine for foreign and domestic customers. Such cooperative success became possible primarily due to the separation of the gas transmission system operator and the implementation of the European standards in its work.

Forecast scenarios for the development of relations by 2025

The energy dimension of the Eastern Partnership remains primarily a bilateral relations prerogative, while at the level of the relevant EU institutions and national states it is only an area of responsibility and reports.

Basic scenario

The basic scenario for the development of relations by 2025 will include maintaining the main formats that existed before 2020, namely holding quarterly meetings at the governmental level on the thematic areas of cooperation, with representatives of each participating country reporting on public policy progress, as well as joint projects and initiatives. European Commission representatives will also use such meetings to inform about the results of their project implementation: in particular, on EU4Energy, EU4Climate, RES development, security issues, etc.

NGOs will use quarterly meetings as a platform to present their public position, as well as to convey joint statements and proposals to representatives of the EU and the Eastern Partnership countries.

The Eastern Partnership will not provide additional commitments on low-carbon development, especially in joint declarations following the summits of heads of state. The EU will maintain the formal coherence of the Eastern Partnership energy policy for all countries, although current projects, such as EU4Energy, will be administered by various institutions.

Optimistic scenario

The EU decides to divide the energy dimension of the Eastern Partnership into two areas; for the associate partner-countries that declare their goal to integrate into the single European energy space, and for countries with a limited number of cooperation programs.

The European Green Course is becoming a new long-term goal for the Eastern Partnership countries, especially for associated partners, and the EU is extending its support instruments to them.

Ukraine uses the existing contractual framework to promote sectoral integration: most notably, joining the continental European energy system of the European Network of Transmission System Operators for Electricity (ENTSO-E) and natural gas (ENTSO-G), the introduction of relevant network codes, joint auction platforms, and balancing and emergency support. At the same time, Moldova takes similar steps in their electricity sector, and this will allow the country to implement the Agreement on the terms of future synchronization by following an already agreed upon schedule.

Recommendations

To the Deputy Prime Minister for European and Euro-Atlantic Integration of Ukraine:

- **to hold a coordination meeting with field-specific deputies of the relevant ministries (energy, environment, economy, regional development, etc.); to determine short- and medium-term action plans related to the Eastern Partnership program; and to form a common roadmap based on that.**

To the Deputy Prime Minister for European and Euro-Atlantic Integration of Ukraine together with the Ministry of Energy of Ukraine:

- **to bring Ukraine's position in line with the European Green Course; to implement the main stages of the national energy policy and possess the necessary resources to achieve this, which will allow for further substantive dialogue with the European Commission.**

The Ministry of Energy is the governmental institution responsible for shaping energy policy, which includes identifying the ways to carry out its stated goals. To form a realistic plan of relations by 2025, it is essential to prepare and discuss an analysis of the current energy situation, including how to overcome existing challenges, and any changes in the relevant markets — including the expected cost of reforms, possible sources of funds, and expected consequences of said reforms — with the public.

To the Working Group “Environment, Climate Change, and Energy Security” of the Ukrainian National Platform of the Civil Society Forum:

- **to initiate a comprehensive project for studying the impact of future energy policy in the European Green Course framework on relations with the EU, neighboring countries, international institutions, and partners.**

Sectoral cooperation: small and medium enterprises

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A brief description of the current situation

The current situation regarding Ukraine's cooperation with the EU in this area is thoroughly presented in the "Review of SMEs in Ukraine 2018/2019. Focus on European integration".^[23]

According to the AA, Ukraine must take into account both the general European principles of creating and maintaining an environment conducive to business development, especially in terms of small business, as well as specific rules of SMEs-related directives. Peculiarities of regulating legal relations concerning SMEs can be found in the directives and regulations that Ukraine must implement following the AA and the Action Plan for the AA implementation, approved by the Order of the Cabinet of Ministers №1106, dated 25.10.2017.

In 2019, the Cabinet of Ministers of Ukraine opened access to an online system for monitoring delivery of the Action Plan for AA implementation, named the "Pulse of the Agreement". The system reflects current implementation progress year by year and the overall progress of implementation, starting from the moment of some AA provisions temporary implementation in 2014 and till 2024. In "Entrepreneurship" section, 81% tasks are now fulfilled. The lag behind the schedule began almost at the

[23] Part 3. Integration into the EU and support to SMEs. https://drive.google.com/file/d/1l2ckLnFpxcbePvy_ymQJjMi5Wci5RKxP/view

beginning of the AA implementation in 2015.^[24]

Additional opportunities for SME development are available within the EaP, primarily due to the EU4Business initiative. The EU is paying close attention to building relations with partner countries on the basis of the “20 Deliverables for 2020”, officially approved at the EaP Summit in 2017. The final declaration of the summit identifies specific results to be achieved by 2020. Priority area I. “Economic development and market opportunities” has a section named “Small and medium business and regulatory environment”. This section objectives in one way or another correlate with the AA.^[25]

In 2020, the UNP EaP CSF monitoring showed some progress in achieving goals in this direction.^[26]

According to the assessment of the Small Business Act (SBA) for Europe implementation, Ukraine increased the main indicators on the regulatory framework, operating environment, and support for SMEs by more than 10%, compared to 2015-2016 (indicators of institutional and legal framework, bankruptcy, entrepreneurship training, access to finance are among these indicators).

Funds provided to Ukraine by the EU for the SME sector since the start of the program were used to support 3,228 micro, small, and medium-sized enterprises, as well as to help create 7,226 new working positions (EU4Business Ukraine report).

The intensity of European aid significantly increased during the COVID-19 pandemic against the background of an increase in the number of national authorities assistance programs, in particular through special organizations for business support. For urgent assistance in overcoming the COVID-19 crisis, the EU allocated €18 million to EaP countries. The next financial package of about €800 million is to support the economic recovery. In December 2020, Ukraine received the first tranche under the new macro-financial (credit) assistance program with a nominal amount of €600 million as a long-term loan at 0.125% with a maturity in June 2035.

The main tools for public-private dialogue in Ukraine today are the SME

[24] Pulse of the Agreement. <https://pulse.eu-ua.org/ua/streams/entrepreneurship-development>

[25] Comparative analysis of “20 expected deliverables of the Eastern Partnership by 2020” with the Association Agreement provisions: what is the added value for the Ukraine-EU relations? <https://www.civic-synergy.org.ua/analytics/porivnyalnyj-analiz-20-ochikuvanyh-dosyagnen-shidnogo-partnerstva-do-2020-r-z-polozhennyamy-ugody-pro-asotsiatsiyu-yakoyu-ye-dodana-vartist-dlya-vidnosyn-ukrayina-yes/>

[26] Ukraine's progress in implementing 20 deliverables of the Eastern Partnership by 2020. Monitoring report of the Ukrainian national platform of the Eastern Partnership Civil Society Forum. Section “Economic Development and Market Opportunities”. http://eap-csf.org.ua/wp-content/uploads/2021/01/Postup-Ukraine_2020_site.pdf

Development Office under the Ministry of Economy (SMEDO) and the Better Regulation Delivery Office (BRDO); at the EaP level, the EU4Business project plays a greater role as a platform for dialogue. EaP business forums remain the primary tool for regional economic diplomacy.

SME support infrastructure covers business centers, business incubators, technology / science parks, chambers of commerce and industry, trade associations and industrial clusters (more than 400 active business support organizations in total), in particular, supported by EU projects (for example, the FORBIZ project of the EU4Business initiative). In turn, with the mediation of the EBRD, the EU created a network of business support centers in 15 cities of Ukraine.

In general, the dynamics of achieving 2020 goals met the stated indicators, but its full implementation is not ensured due to the lack of clear mechanisms for measuring the effectiveness of the EU support programs for SMEs and a limited range of tools to provide financial support to businesses under these programs. Relevant decision-makers from Ukraine and the EU should join forces to conduct a comprehensive analysis of existing / possible financial support mechanisms for SMEs, as well as to improve and strengthen the legal framework for non-bank financial instruments (micro-finance, factoring, venture capital, etc.).

As part of the EaP, the EU4Business initiative aims to improve the business climate in partner countries. For Ukraine, the initiative's programs make it easier for SMEs to obtain funding, provide training and targeted support for women-led enterprises and those working in the green economy. SMEs receive some technical support in compliance with EU standards. According to the 2019 report, the initiative indicators continued to grow. The total number of projects in Ukraine is 22, with the largest group focused on improving access to finance. Six of the 22 projects are now completed and the rest are ongoing with a total cost of almost €173.2 million euros.^[27]

Official plans for the EU and Ukraine's work within EaP

The main framework for EU cooperation on SMEs is defined by the Small Business Act for Europe and the Association Agreement.^[28]

According to the provisions of Article 282 of the AA, the parties shall create

[27] EU4Business. Investing in SMEs in the Eastern Partnership. Ukraine. Country Report. June 2019. <https://eu4business.org.ua/uploads/20/08/10/91e328e1366e96a180757b57d42ed2a5.pdf>

[28] Association Agreement between Ukraine, of the one part, and the European Union, the European Atomic Energy Community and their Member States, of the other part. http://zakon.rada.gov.ua/laws/show/984_011

and maintain an effective and predictable legal environment for market participants engaged in business in their territory, especially for small ones, with due regard for legal certainty and proportionality. Article 378 provides that the parties shall develop and strengthen cooperation on industrial and business policy issues and thus improve the business environment for all enterprises, with a special focus on SMEs. In-depth cooperation should improve the administrative structure and regulatory framework for Ukrainian and European enterprises in Ukraine and the EU and should be based on the EU policy on SMEs and industrial development, taking into account internationally recognized principles and practices in these areas. According to Article 379, the parties shall cooperate to implement SMEs development strategies based on the principles of the European Charter for Small Enterprises and to monitor the implementation process through annual reporting and dialogue. Such cooperation also means special attention to micro and craftsman's enterprises, which are an extremely important element of the economy of Ukraine and the EU.

The completion of the 2020 cycle in the EU marked the emergence of a certain vacuum of official plans. The standby mode for SMEs is connected with:

- the emergence of a new document to replace the Joint Working Document “Eastern Partnership - 20 expected deliverables by 2020: focusing on key priorities and real results”;
- the degree of Ukraine's interests during the AA renewal, especially in the part of the DCFTA;
- the speed of the negotiation process in sectoral areas that will have an impact on the SMEs development, in particular Ukraine's accession to the Customs Union, the Energy Union, the Digital Single Market, the European Green Course, the Common Aviation Area, etc.

Currently, the Action Plan for the AA implementation remains to be the main relevant official document; in addition to tasks directly related to entrepreneurship, it covers areas that have a greater or lesser indirect impact: customs and financial policy, taxation, financial services, competition, energy, energy efficiency, transport, digital sphere, science, technologies, innovations, etc.

Under current conditions, the development of relations in the near future will be based on the actual plans of projects under the EU4Business umbrella in addition to the updated Action Plan for the AA implementation.

Forecast scenarios for the development of relations by 2025

The forecast scenarios for the development of Ukraine-EU relations on SMEs will depend on the level of EU strategic decisions, in particular its readiness to get rid of the conservative approach to the next EaP framework and the prevalence of a formal or substantive approach to AA renewal.

- **If the current approach is maintained and extended by the EU, the “business as usual” scenario will be implemented. Despite the neutral name, the scenario is negative, as it will not be possible to maintain the current dynamics of Ukraine’s approach to the EU on SMEs. Ukraine’s external transformation factors and unfulfilled expectations will put SME integration under pressure, slowing it down.**
- **A positive scenario of in-depth development can be roughly marked as an “upgrade”. The scenario will be implemented provided that the EU is ready to recognize the failure of the EaP as a single regional policy for the six countries and readiness to differentiate it by deepening cooperation with AA signatories in the A3 format (Georgia, Moldova, Ukraine). Relevant changes should also affect the updating of the AA not only concerning the adoption of new EU regulatory rules, but also the revision of tariffs, updating of provisions on non-tariff barriers, Agreement on Conformity Assessment and Acceptance of Industrial Products, etc. It is an ambitious task to enable domestic SMEs to use the financial instrument of the COSME program (Single Market Program).**

The priority **task** for both scenarios is to ensure the transparency of financial support to SMEs (in particular, from the EU), which is provided through both traditional and new mechanisms - it is advisable to introduce a register of recipients of financial assistance from the state and the EU built as an online analytical platform.

The Ministry of Economy will continue to be the key EU partner on SMEs. Given the COVID-19 pandemic impact, the new goals will include SME sector digitization, so the Ministry of Digital Transformation of Ukraine’s activity in the business development field should not be ignored. The state institution for entrepreneurship development, which is to be created by the Action Plan for the implementation of SME Development Strategy in Ukraine until 2020 and the draft National Economic Strategy - 2030 (“Entrepreneurship” direction), should become an entity directly responsible for implementation.

Sectoral cooperation: digitization

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Over the last 4-5 years, digitization of the economy and society became one of the priorities of Eastern Partnership policy and it continues to keep the attention of major stakeholders both from the EU and within most EaP countries.

Until 2020, Ukraine-EU relations in the context of the digitization of the economy and society were largely based on the “20 Deliverables for 2020” expected from the Eastern Partnership countries — a roadmap naming the harmonization of the EU and partner countries’ digital markets as one of the key expected results.

In May 2019, the European Union officially launched a new program “EU4Digital: Supporting the Digital Economy and Society in the Eastern Partnership” in Ukraine, which is formally aimed at expanding the benefits of the EU Digital Single Market for Ukraine and other EaP countries.

Within the framework of the mentioned preconditions, they formed the main directives of digital development for each country of the Eastern Partnership region, and how they should move closer toward the EU Digital Single Market: telecommunications rules; trust and security; e-commerce; ICT innovations; e-health system; digital skills. In recent years, Ukraine made some progress in the areas mentioned.

Ukraine identified digital transformation as a policy priority, and has already been recognized by the European expert community for its success in implementing ProZorro and eHealth systems, negotiating a common roaming space in the EaP, introducing 4G mobile coverage, and launching e-services in public and private sectors.

In 2019, the new government of Ukraine presented a rather ambitious plan for the development of the country’s digital economy, calling for the accelerated

transition of the Ukrainian economy into a digital format. The newly created Ministry of Digital Transformation of Ukraine set the following goals to achieve by 2024: 100% of public services should be available to citizens and businesses online; 95% of transport infrastructure, settlements, and their social facilities must have high-speed Internet access; 6 million Ukrainians should be involved in the digital skills development program; the share of IT products in the country's GDP should be at least 10%.

Recently developed legislation on the digital economy and telecommunications, digital infrastructure, advances in cashless economy (e-Trade), electronic trust services (e-Trust), and cybersecurity are listed as the prerequisites for Ukraine's approach to the EU digital agenda.

Among the EaP countries, Ukraine occupies a leading position in improving the regulatory and institutional environment for the development of telecommunications services and digital infrastructure. Since 2016, Ukraine has been holding a proactive position within the the Eastern Partnership Electronic Communications Regulators Network framework. Development of the Regional Roaming Agreement (RRA) in the EaP, aimed at harmonizing pricing and reducing roaming tariffs among the countries of the region, is the most tangible result of the network's activity.

Ukraine's pro-European aspirations for digital development in the telecommunications sector are confirmed by the development of a Roadmap for Ukraine's integration into the European Union's Digital Single Market. The roadmap provides for the implementation of the latest EU digital norms and standards, 75 EU laws and acts in telecommunications.

Ukraine has been rapidly developing the system of public e-services and electronic identification: they created the public services portal "Diia"^[29] and the Integrated Electronic Identification System, while the implementation of SmartID technology is ongoing and the optimization of electronic data registers has started, giving impetus to international cooperation in this area. Back in 2019, at a meeting of the EU-Ukraine Association Committee, Ukraine submitted a request for the mutual recognition of trust services in accordance with Article 14 of the eIDAS Regulation^[30]. After this step, supported by the EU4Digital project, Ukraine was chosen among other Eastern Partnership countries to take part in pilot projects for the creation of cross-

[29] <https://diia.gov.ua/>

[30] <https://ec.europa.eu/futurium/en/content/eidas-regulation-regulation-eu-ndeg9102014>

border electronic signature systems.^[31] In 2020, they agreed on a two-year work plan for Ukraine-EU cooperation on electronic trust services.^[32]

In 2020, under the e-commerce component of the EU4Digital program, they started some activities to align EU-Ukraine e-commerce. Introduction of the “electronic residency”, allowing non-residents to remotely establish and conduct business in Ukraine, became another part of the Ukrainian government’s initiative. Introduction of an electronic consignment note system in Ukraine and the launch of a pilot project for the digitization of customs clearance procedures is another important step toward entering the cross-border e-commerce systems with the EU and EaP countries. For the first time, in July 2020, they launched a pilot activity on electronic delivery (eDelivery) for cross-border data exchange between Ukraine and the EU country (Poland).^[33] The pilot project’s success created preconditions for similar projects with other countries, in particular, in the EaP. In 2021, through eDelivery solution between companies from Ukraine and Armenia, they launched a pilot project on the usage of digital invoices.^[34]

In the context of the national ICT ecosystem, innovations and ICT startups development, they created a number of preconditions for cooperation with the EU and the Eastern Partnership countries. Starting from 2020, Ukraine can more cheaply share twice as much research data thanks to the EU-funded EaPConnect project, which provides a secure, high-capacity Internet connection for data transmission between Ukraine and the pan-European research and education network GÉANT. Within the framework of the EU4Digital program, to strengthen the national ecosystem of ICT innovation and startups, they developed a national action plan for improving national policies on access to finance for SMEs with digital innovations.

Recent achievements in digital skills development (eSkills) visible to European partners include the launch of the online educational platform “Diia. Digital Education”^[35] and government approval of the Concept for the Digital Competences Development.

[31] <https://eufordigital.eu/uk/building-digital-trust-with-the-esignature-pilot-initiative/>

[32] <https://thedigital.gov.ua/news/lyudmila-rabchinska-ukraina-ta-es-spivpratsyuvatimut-zadlya-vzaemno-viznannya-elektronnikh-dovirchikh-poslug>

[33] <https://eufordigital.eu/uk/edelivery-pilot-showcase-event-highlights-process-of-the-einvoice-exchange-between-ukraine-and-poland/>

[34] <https://thedigital.gov.ua/news/elektronna-torgivlya-mintsifra-pochala-koordinuvati-pilotniy-proekt-edelivery-mizh-ukrainoyu-ta-virmeniyu>

[35] <https://osvita.diia.gov.ua/>

The creation of the eHealth electronic health system^[36] was also praised by European stakeholders as one of the vectors on the country's path to the European digital market.

The new EaP policy for 2025 sets long-term goals, with support for sustainable digital transformation as one of the five priorities identified by the European Commission (according to the proposal on long-term policy goals of the EaP for the period after 2020).^[37] Within the priority framework, the EU identifies the following main areas: digital infrastructure (strengthening independent electronic communications regulators, broadband infrastructures development, support for the implementation of partner countries and the EU agreements on roaming and spectrum); e-government (adoption of a legal framework for e-identification schemes and e-trust services in the Eastern Partnership); digital economy and innovation (the expansion of highly innovative digital startups in the EaP region through the spread of the Digital Innovation and Scale-up Initiative^[38]); digital skills; cyber resilience (development of legal, political, and operational cybersecurity systems based on EU legislation and best practices, including the EU cybersecurity certification system).

Recommendations

The optimal scenario for Ukraine in the development of relations on digitization in the Eastern Partnership policy framework provides the *Committee on Digital Transformation of the Verkhovna Rada of Ukraine* and the *Ministry of Digital Transformation of Ukraine* gained success in implementation the following:

1) continuation of work on existing opportunities:

- proper implementation of the Roadmap for Ukraine's integration into the EU Digital Single Market (in the field of telecommunications);
- full implementation of the work plan of Ukraine-EU cooperation between electronic trust services;
- making signing of the Regional Roaming Agreement in the Eastern Partnership region possible;

[36] <https://ehealth.gov.ua/>

[37] https://eeas.europa.eu/headquarters/headquarters-homepage/76166/joint-communication-eastern-partnership-policy-beyond-2020-reinforcing-resilience-%E2%80%93-eastern_en

[38] <https://ec.europa.eu/digital-single-market/en/news/launch-digital-innovation-and-scale-initiative-disc>

- compliance with Ukraine's plan for the 700 MHz radio frequency band release, regarding the Regional Agreement on Spectrum between the EaP and the EU;
- compliance with the Eastern Partnership Cyber Security Guidelines developed under the EU4Digital program^[39];
- development of a comprehensive mechanism for measuring digital skills and competencies in Ukraine, under the requirements of the EU4Digital initiative;^[40]

2) creating new opportunities for further harmonization of Ukraine, the EU and the Eastern Partnership countries digital markets:

- bringing powers of the national telecommunications regulator (NCCIR) in line with EU standards and norms, under the Independence Assessment Methodology^[41] developed by the EU4Digital program;
- launching new pilot projects on e-Delivery and cross-border data exchange between Ukraine, the EU and the EaP countries;
- Interactive buildup of domestic innovations, ICT, and startups ecosystem with international and similar European ecosystems and networks for innovative financial development support (the EuroQuity platform, the European network of business and innovation centers, the European network of business angels, Business angels of Europe, the European crowdfunding network);
- creation of a separate national coalition for digital skills and the creation of digital working positions, its accession to the Coalition for Digital Skills and Jobs of the EU;
- development and adoption of a national contingency plan for unforeseen cybersecurity situations;
- development of a step-by-step action plan for the implementation of the EU Directive on network security and information systems (NIS Directive, EU 2016/1148);

[39] <https://eufordigital.eu/uk/cybersecurity-guidelines-for-the-eastern-partner-countries-eu4digital-publishes-assessment-on-strengthening-cybersecurity-resilience-in-eastern-partner-countries/>

[40] <https://eufordigital.eu/uk/eu4digital-publishes-recommendations-on-measurement-and-forecasting-of-digital-skills-gaps-in-eastern-partner-countries/>

[41] <https://eufordigital.eu/uk/library/methodology-on-national-electronic-communications-regulatory-authorities-independence-assessment-for-eastern-partnership-countries/>

- revision and improvement of Ukrainian legislation on personal data protection, consumer rights protection on the Internet and e-commerce taxation in line with EU requirements;
- bringing domestic regulatory framework and organizational mechanisms in line with EU requirements and standards for launching a pilot project to create a digital transport corridor between the Baltic Sea and the Black Sea;
- development of a step-by-step plan for harmonization of the national legal framework on e-commerce, venture investments regulation, and e-health with European norms and standards;
- creation of a national network of innovation business incubators according to the standards of the European Business and Innovation Centre Network (EBN);
- initiating the creation of a separate national coalition for digital skills and jobs, based on the EU Digital Skills and Jobs Coalition;
- support for the official development and implementation of a digital competence framework for citizens (DigComp) and e-competences for business (e-CF)^[42];
- ensuring cross-border compatibility of the e-health system of Ukraine with EU and the EaP ones, and initiation of relevant pilot projects;

3) advocacy for EU activities:

- inclusion of three associated and other interested Eastern Partnership countries in the EU Digital Economy and Society Index;
- Ukraine's and other EaP countries' accessions to some scientific, innovative, and technological initiatives and programs, in particular: the European Open Science Cloud (EOSC)^[43], the European High Performance Computing Joint Undertaking^[44], Coordinated Plan on Artificial Intelligence and Secure 5G Telecommunications Networks Deployment;
- adoption of a national coalition for digital skills and the creation of digital jobs in Ukraine in the Coalition for Digital Skills and Jobs of the EU.

[42] <https://eufordigital.eu/uk/digital-skills-network-approves-guidelines-for-competence-framework-for-smes-and-microbusinesses/>

[43] <https://eosc-portal.eu/>

[44] <https://eurohpc-ju.europa.eu/>

Bilateral relations in the EaP region: Georgia

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Ukraine-Georgia relations need to be thoroughly reviewed, with an emphasis put on the practical, as it currently corresponds neither to loud declarative statements in the international arena, nor to the “strategic partnership” concept. With that in mind, the following areas need to be strengthened: correlation of efforts on both territories’ de-occupation and sanctions pressure put on Russia as an aggressor country; coordination of practical steps and “roadmaps” in the European and Euro-Atlantic integration processes; activation / implementation of bilateral economic projects linked to regional formats of cooperation.

In 2021-2025, Kyiv-Tbilisi bilateral relations’ formation and development will be influenced by the following starting points:

1. Georgia continues to slide into a systemic internal political crisis, which is negatively affecting its integration into NATO and the European Union. The detention of Nika Melia, a key opposition politician, and the sharp reaction in response to Georgia’s Western partners (especially Washington) may undermine Tbilisi’s achievements in European and Euro-Atlantic integration. For many years, Tbilisi served as a kind of “lighthouse” for Kyiv in the information sphere (although not quite always fulfilling that role) to align on the path to joining the EU and NATO, but in recent years, Georgia has become a negative example for Ukraine. Currently, Tbilisi ruins preconditions for a significant breakthrough on the path to membership in the Alliance and obtaining a Membership Action Plan at the NATO Summit in Brussels in 2021. It is revealing that the Georgian crisis takes place against the backdrop of some signals from Brussels and relevant expert assessments of the real prospects for the Euro-Atlantic community to reach a consensus on the Georgia-NATO issue.

The internal political crisis in Georgia will only intensify: a compromise solution in the form of early parliamentary elections is unacceptable to the ruling team, and the detention of Nika Melia became a unifying factor for the fragmented Georgian opposition. Even the most “calm” scenario, with the scheduled parliamentary elections in 2024, will be characterized by domestic Georgian turbulence. This will be inconsistent with the authorities’ declared intention to submit a formal application for EU membership in 2024.

2. Kyiv is signaling at various levels that it is ready to agree on a Euro-Atlantic agenda with Tbilisi, in particular, to receive a MAP to NATO at the same time as Georgia. The Euro-Atlantic integration is enshrined in the Constitution of Ukraine, and Kyiv associates deepening cooperation with the Alliance with the de-occupation of Crimea and the occupied part of Donbas. Projects are being implemented both under NATO auspices and in a bilateral format with Alliance members: the United States, Great Britain, and the Republic of Turkey. The geopolitical situation, in particular Washington’s resolute approach to countering the Kremlin’s expansion through the restoration of Euro-Atlantic unity, forms preconditions for the Alliance to return to an “open door policy.” Under such conditions, the registration of Georgia and Ukraine membership in the NATO is gradually becoming not a problem of Kyiv and Tbilisi but rather of the Alliance itself. Against this backdrop, the domestic political crisis in Georgia and the further chaos of political life - regardless of the new Georgian government’s motives to act against the opposition - fuels the Kremlin, which, unable to drag Tbilisi into its own orbit of interests, relies on chaos as an alternative result. The formation of a “pro-Russian” information trend is a threatening factor for the authorities and will also actively underpin the Kremlin to increase Tbilisi’s “toxicity” toward the West.

3. The Saakashvili factor continues to hamper the Georgia-Ukraine bilateral relations development. As the domestic political crisis deepens, this politician’s critical toxicity to the acting Georgian government, as well as his growing activity in the Georgian direction, will only intensify this negative trend. Tbilisi is unlikely to be able to remain neutral from this case when it comes to further strategic cooperation buildup with Kyiv.

4. Against the background of a real lack of a truly unified EU security and defense policy, the Eastern Partnership is still unlikely to offer effective formats bringing about the de-occupation of territories to its participants, which is a key goal for Kyiv and Tbilisi in security and defense, a sphere prevailing over other areas of cooperation. Therefore, the practical part of bilateral formats against this background

can contribute to the effectiveness of the Eastern Partnership project, whose initiatives, in perspective, can serve as ancillary factors in achieving the key goal of restoring the territorial integrity and sovereignty of Ukraine and Georgia.

Kyiv and Tbilisi are entering 2021-2025 period with new bases for further bilateral cooperation development, namely:

- According to the new National Security Strategy of Ukraine (as of September 14, 2020), Georgia is in the limited list of countries for Kyiv to develop a strategic partnership with to protect its own national interests and strengthen regional security. Such positioning, in addition to clearly stated intentions, looks like an advance, a guide to action, and a start at a practical part;
- On December 13, 2019, the President of Ukraine V. Zelensky and G. Gakharia, who was at that time the Prime Minister of Georgia, signed Regulations on the High-Level Ukrainian-Georgian Strategic Council. The initiative should launch a comprehensive strategic dialogue between Ukraine and Georgia in security and defense, political, trade, economic, cultural, and educational spheres. The format of the Strategic Council needs to have a practical aspect;
- The Minister of Defense of Ukraine A. Taran paid an official visit to Georgia (in August 19-21, 2020), resulting in a number of agreements reached on the practical implementation of the defense and security mechanism of the Ukraine-Georgia strategic partnership . At the same time, military-technical cooperation (MTC) got some revival. In January 2021, Tbilisi hosted talks between the president of Zaporizhzhya “Motor Sich” V. Boguslaev and I. Garibashvili, who was at that time the Minister of Defense of Georgia (later, amid the political crisis, he superseded G. Gakharia, and he is now the Prime Minister of Georgia). During the visit, the JSC “Motor Sich”, the Georgian State Military Scientific-Technical Center “DELTA”, and the Tbilisi Aircraft Manufacturing (TAM) signed a tripartite memorandum on cooperation in the field of military entrepreneurship. Their plans include implementation of projects for the thorough overhaul and modernization of the Georgian Armed Forces helicopters;
- Three Eastern Partnership associates - Ukraine, Georgia, and Moldova - jointly initiated the introduction of an enhanced EU+ 3 dialogue format within the framework of the Eastern Partnership. Through a differentiated approach and without questioning the Eastern Partnership’s inclusiveness, Kyiv, Tbilisi, and Chisinau outlined their priorities in this format which include: integration into the domestic EU market, rapprochement with

the EU in transport, energy, digital market, green economy, healthcare, and strengthening security cooperation spheres.

During the specified period, Kyiv and Tbilisi bilateral relations can develop by **several scenarios.**

Optimistic scenario

The most optimistic scenario should provide for the practical filling of the existing bilateral cooperation formats, first of all, the harmonization of positions in reaching the European and Euro-Atlantic integration final stage. Tbilisi should resonate with the West in a short time, through finding a way out of the protracted domestic political crisis, adequate response to the partners' signals (optionally - through the consolidated pressure of the West). This creates a natural precondition for Georgia applying for EU membership in 2024. Against this background, Washington is bolstering its position in Georgia in the context of increased influence in the South Caucasus to counter the Kremlin under the new regional status quo following the "44-day war" in Karabakh (with a new Russian military base being de facto placed in Azerbaijan). By reviving its relations with Washington, Ankara is becoming for Tbilisi a separate communicator and key "lobbyist" on NATO integration. Already having practical experience with Ankara on security and defense (in the military and technical cooperation as well), Kyiv, in turn, intensifies bilateral projects with Tbilisi on security and defense. They also advance cooperation in other spheres in a natural way. This scenario currently looks to be the most idealistic and the one that Kyiv and Tbilisi should strive for.

Basic scenario

The basic scenario for the bilateral relations development looks more mundane. While declaring its course towards European and Euro-Atlantic integration, the Georgian government will continue to live in the long-standing "do not mess with the Kremlin" paradigm and pursue a hopeless policy towards the aggressor, with the economy and other spheres being pushed beyond the security sector in countering the Kremlin's hybrid influence. A sudden change in this approach due to the Western pressure (read: the United States) is unlikely, as well as Washington's focus on the transit of power in Georgia when they do not have a unified strategy for the fragmented Georgian opposition. Early parliamentary elections will automatically

mean the defeat of the Georgian Dream ruling party (it is important to note that this is the logic of the ruling team). It will be increasingly difficult for the authorities to support the dichotomy of the domestic political struggle with Saakashvili's United National Movement. Against this background, the Kremlin ramps up its agency of influence on the Georgian front in two directions. First, they will do their best to disseminate a message stating that integration into the EU, and especially into NATO, will mean the denial of the Abkhazia and Tskhinvali regions occupied by Russia. Against this background, anti-Turkish as well as anti-Azerbaijani (a separate case) hysteria will accelerate. At the same time, Moscow will try to draw Tbilisi into its orbit of interest as much as possible through speculation about some regional transport and infrastructure projects under its own auspices, launched as a result of the "44-day war" over Karabakh. The Saakashvili factor will only polarize society. In such conditions, restoring territorial integrity issue will certainly remain constant for Tbilisi. The authorities will not curtail the European and Euro-Atlantic agenda, but it can de-facto pause the development of strategic relations with Kyiv, which will formally revolve around traditional win-win declarations and loud statements. Whether these coordinates can be changed depends mainly on the Washington and Brussels tolerance and actions in containment of the Kremlin's expansion in Ukraine, the Black Sea region, the South Caucasus, and so on.

We do not consider here the negative scenario when Tbilisi drifts toward Moscow, as well as the revolutionary scenario of the political crisis in Georgia. Both create ad-hoc dysfunction for Ukraine-Georgia bilateral relations.

The general coordination of bilateral relations with Georgia will be carried out by the *Ministry of Foreign Affairs of Ukraine*. The dialogue with Tbilisi in the Eastern Partnership format "EU+ 3" is worth intensifying through the *Vice Prime Minister for European and Euro-Atlantic Integration of Ukraine*. The bottom-up initiative should come not only from Kyiv.

Keeping in mind what has been mentioned, while adhering to the unaltered partnership course they take with Tbilisi towards European / Euro-Atlantic integration and consolidation of international support for the de-occupation of territories, Kyiv should initiate Georgia's involvement in some bilateral and multilateral projects on military-technical cooperation in the security and defense sector through the *Ministry for Strategic Industries of Ukraine* (the corresponding Deputy Prime Minister). In particular, Tbilisi joining in on Ukraine-Turkey cooperation looks promising. Georgian officials have already sent some relevant cautionary signals on its volition to

develop the unmanned aerial vehicles segment. Alternative option is Tbilisi joining the already launched Ukraine-Turkey cooperation format, given intensification of Ankara's activities in the South Caucasus. This will create natural conditions for closer cooperation between the defense ministries of Ukraine and Georgia.

Bilateral cooperation in the economic sphere through the *Ministry of Economic Development, Trade and Agriculture of Ukraine* should focus on intensifying key transport, transport and energy projects within the multilateral regional and geo-economic formats framework. In this context, the GUAM platform needs some practical agenda. The resuscitation of the Anaklia deep-sea port construction should become a marker for intensification of the bilateral cooperation within the Trans-Caspian Corridor project framework. At the moment, this project's prospects look dim.

Bilateral activities at the level of *civil society, non-governmental expert sector*, etc. needs intensification. The key direction is to study hybrid threats and tools of the Kremlin's influence in the post-Soviet space and inform the population about the Ukrainian / Georgian experience of counteracting these threats. *The Ministry of Culture and Information Policy of Ukraine* can join this initiative with some relevant initiatives.

Educational sphere should become a separate layer of cooperation since this is an ideal segment for small, visually apolitical, but win-win tactical steps realized through specific initiatives in the humanitarian sphere. In addition to cooperation intensification through higher education institutions (student exchange), the *Ministry of Education and Science of Ukraine* can raise an issue of restoring an Ukrainian secondary school in Tbilisi (as a school with a sector providing education in Ukrainian). In Georgia, the Ukrainian-Georgian school students' potential is assessed as high.

It is attended by the children of Ukrainian citizens permanently or temporarily living and working in Georgia; children of mixed marriages, where parents prefer not to lose their Ukrainian roots and are interested in the "Ukrainization" of children against the background of warm apolitical relations between Ukrainians and Georgians; children of ordinary Georgian families (the school must operate according to the rules of the Ministry of Education, Science, Culture, and Sports of Georgia). A separate area of concern is Georgian citizens' further higher education in Ukraine. They need to study and revive early obtained positive experience of the Hrushevsky school in Tbilisi, in particular, its cooperation with the Kyiv-Mohyla Academy on the targeted future students' training for this higher educational institution. Development on this issue is worth adding to the socio-cultural and humanitarian international initiatives of the First Lady of Ukraine.

Bilateral relations in the region: Moldova

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Political context

In recent years, relations between Ukraine and the Republic of Moldova had ambiguous dynamics. This was caused by tensions in the relations between the former President of Moldova I. Dodon and the Presidents of Ukraine P. Poroshenko and V. Zelensky. During the 2016 presidential campaign, I. Dodon declared his recognition of illegally occupied Crimea belonging to the Russian Federation, thus provoking some criticism from the Ukrainian part (Ambassador of Ukraine to Moldova I. Hnatyshyn was recalled to Kyiv for consultations). After I. Dodon was elected president, he had no further contacts with his Ukrainian counterpart P. Poroshenko. Moreover, I. Dodon continued with his controversial statements making bilateral relations even more complicated. For example, in 2017, while expressing his opinion on the future of separatist Transnistria, he named two options for it - either “to become a part of Ukraine or a part of the Republic of Moldova.” The President of Moldova was also among those who criticized Article 7 of the Law of Ukraine “On Education” (on the language of education).

I. Dodon had only one telephone conversation with V. Zelensky, during which I. Dodon expressed his congratulations to the President of Ukraine on his election.

To some extent, the lack of contact at the presidential level was offset by intergovernmental cooperation. In particular, in 2017, the Prime Ministers of both

countries and the President of Ukraine Petro Poroshenko met with the Prime Minister of the Republic of Moldova P. Filip. The meeting's agenda included discussions on cooperation within the framework of the Eastern Partnership, ODER-GUAM, One Belt One Road initiative, infrastructure projects, and other bilateral relations aspects. Also in 2017, after a 6-year break, the Intergovernmental Ukrainian-Moldovan Joint Commission on Trade and Economic Cooperation resumed its work and two joint checkpoints were opened on the Ukraine-Moldova border.

In 2018, inter-parliamentary cooperation added a lot to the intergovernmental dimension of cooperation. In particular, they launched the Georgia-Moldova-Ukraine Inter-Parliamentary Assembly.

The Prime Minister of Moldova P. Filip also had official contacts with the President of Ukraine P. Poroshenko and the Prime Minister of Ukraine V. Groysman. Mr. Groysman paid a visit to Moldova to participate in the ODER-GUAM Summit of the Heads of Government.

Economic context

It is also difficult to call the economic interaction between Ukraine and the Republic of Moldova unambiguous. On the one hand, the Moldovan market is considered promising for Ukrainian exporters: this is stated in the Export Strategy of Ukraine. In sectoral strategies, the main emphasis is put on increase in agro-industrial products supply.

However, it should be noted that, in 2016, Ukrainian exporters, trying to move away from the Russian market, paid more attention to Moldova, and then, contrary to the CIS Free Trade Agreement and WTO rules, Moldova introduced quotas for a customs-free supply of food products of animal origin and cement from Ukraine, and explained it by the need to protect local producers' interests from the excessive competition caused by the influx of Ukrainian goods (due to the Russian embargo). The Ukrainian side also negatively assesses an environmental tax which Moldova introduced for imported products. In contrast, there is no proper control over such fee collection from local producers, and this creates unequal conditions for Ukrainian products compared to their counterparts produced in Moldova.

In 2019, the Interdepartmental Commission on International Trade (ICMT) of Ukraine decided to apply a 94.46% anti-dumping duty on cement clinkers imports into Ukraine and Portland cement from Moldova. Additionally, in January 2020, an anti-dumping duty was imposed for 5 years on imports of carbon and other alloy steels

originating in the Republic of Moldova.

The main instrument of economic cooperation at the interstate level, called the Intergovernmental Ukrainian-Moldovan Joint Commission on Trade and Economic Cooperation, is partly ineffective. Among the reasons for such inefficiency we can name irregular commission meetings and long breaks between them (the latest commission meeting took place in 2017, and prior to that in 2011).

The factor of Transnistria, a separatist region not controlled by the Moldovan government, has a negative effect on bilateral economic cooperation. Smuggling flows through the Transnistrian section of the Ukrainian-Moldovan border are significant and create competitive advantages for illegal importers.

Current situation and scenarios for relationship development

The newly elected President of Moldova Mai Sandu's visit to Ukraine (on January 12, 2021) created some preconditions for a new page in bilateral relations. This visit was M. Sandu's first foreign visit and witnessed the thawing of bilateral contacts at the highest level.

Besides, M. Sandu unequivocally confirmed that she considers Crimea a part of Ukraine and also stated her support for the sovereignty and inviolability of Ukraine's borders, thus removing this sensitive issue from both presidents' dialogue agenda. Also, the President of Moldova stressed the need to achieve a strategic level of bilateral relations.

In their dialogue, the parties also discussed the "Transnistrian issue". The presidents stressed the relevance of dialogue on the settlement of the Transnistrian conflict in the "5 + 2" format, which includes Moldova, Russia, Transnistria, the OSCE, and Ukraine, as well as the United States and the EU as observers. At the same time, both the Ukrainian and Moldovan parties believe that security, sovereignty, and integrity of the Republic of Moldova should be a priority issue of the settlement. This aspect is extremely important for Ukraine because during I. Dodon's presidency, in Moldova, they discussed various scenarios, including a pro-Russian settlement, which could set some negative precedents for Ukraine.

The presidents also agreed to jointly combat smuggling, especially on the Transnistrian border. The Moldovan side sees ensuring the joint Ukrainian-Moldovan customs and border control in the Transnistrian region as one of the most effective methods of such a struggle. It seems that the Ukrainian side, despite its political readiness to take such a step, first seeks to resolve a number of other bilateral

relations issues.

Among the priorities for bilateral relations outlined in early 2021, there are infrastructure and transit issues. In particular, to improve transport links between Ukraine and Moldova, the parties declared their readiness to create the Kyiv-Chisinau highway (Chisinau-Sorooca-Yampil-Kyiv). However, Ukrainian experts have criticized the decision as the initiative creates a route competitive with the recently opened Orlivka-Isakca ferry crossing, which provides connections between Ukraine and Romania without “unnecessary” transit through Moldovan territory.

Separately, they also point out that traffic and passenger flows from Moldova are mostly moving in the direction of Odessa, and therefore, against the background of a general shortage of funds, creation of a new Kyiv-Chisinau highway may be inappropriate.

In the energy cooperation context, Ukraine and Moldova have an ambitious goal to develop and implement a joint action plan for the integration of their energy systems into the European network of transmission system operators ENTSO-E. Both countries face the challenge of reducing energy dependence on the Russian Federation. Moreover, if Ukraine integrates into this union on its own, Moldova may find itself in the situation of an “energy island”, when all its borders are surrounded by the European continental network ENTSO-E.

The parties also expressed their volition to resume electricity supplies to Moldova and its transit to Romania. However, the negative experience with previous cooperation in this area calls into question the likelihood of such plans implementation. In 2017, Moldova already tried to reduce its dependence on Russian electrical manufacturers’ supplies. On April 1, 2017, the Ukrainian company DTEK Trading and the Moldovan intermediary, the state-owned company Energocom, signed an annual contract for the electricity supply. DTEK Trading won the competition over its competitor, the Kuchurgan power plant, located in Transnistria and owned by the Russian company Inter RAO. However, in June 2017, the Ministry of Energy of Moldova decided to amend the contract and they had new negotiations, when Inter RAO offered a better price than the Ukrainian company.

The environmental issue remains problematic. The Moldovan side strongly opposes Ukrainian plans to build a cascade of hydropower plants on the Dniester River as they find them to pose an environmental challenge for the Republic of Moldova: lower water levels in the Dniester River can lead to a shortage of drinking water in Chisinau and wider areas.

Taking into account collective problems, negative cooperation experience,

and lack of dialogue on strategic issues, the parties agreed to establish a Presidential Council. In addition, they also agreed to join forces in dialogue with the EU on vaccines supply.

However, the chances on bilateral priorities implementation appear only if, in addition to winning the presidential election, M. Sandu will be able to hold early parliamentary elections in Moldova and her political party “Action and Justice” will get results allowing her to form a government with the majority or with coalition partners.

At the moment, this scenario has significant obstacles. First, in the acting parliament, a situational union of political forces was formed, seeking to prevent early elections. It includes former President I. Dodon’s Party of Socialists of the Republic of Moldova (PSRM), the Șor Party, and the Pentru Moldova group. Secondly, the PSRM and the Șor Party have already adopted the controversial issue of protecting Russian minority rights; they will try to exploit the societal polarization issue in Moldova and have their chance for political revenge. Control over the new parliament will allow them to block Sandu’s initiatives. Thirdly, even if “Action and Justice” wins the election, there is a risk that to form a coalition it will have to cooperate with “Our Party” led by R. Usatîi, who has the reputation of an odious populist and is also able to hamper any reforms and initiatives declared by M Sandu. Fourthly, there is a possibility that an analogue of the Romanian parliamentary party “Alliance for the Unification of Romanians” (AUR) will be formed in Moldova, which will be a “conservative” formation and speculate on family, church, and national values to appeal to vulnerable populist voters, and this will form another challenge for M. Sandu (even if the AUR analogue in Moldova does not immediately become popular, they have a chance to become political allies of the PSRM and the Șor Party). Moreover, they will go for the center-right electoral field, despite the pro-European forces’ interests.

Thus, despite the current positive dynamics in bilateral relations between Ukraine and Moldova, it is too early to speak about this trend in the medium term.

The parliamentary election results will be of decisive importance, though even positive results for M. Sandu do not guarantee the implementation of her priorities, since “Action and Justice” will be forced to take into account its dubious partners and the volition of the opposition. Generally speaking, in the medium term, we can expect high turbulence and volatility of the Moldovan political system.

Recommendations

To the Office of the President of Ukraine:

- **Given the effectiveness of presidential dialogue to launch the Presidential Council and make it efficient, several steps need to be taken. This structure should be strengthened with expert support with the involvement of relevant central government bodies and civil society capacities. The Presidential Council activities should be supported by the annual Ukraine-Moldova expert forums, a platform for discussing the bilateral relations' problems and prospects (including, as the first such forum showed in 2019, security, environment, national minorities, and other sensitive issues).**

To the Ministry of Foreign Affairs of Ukraine, the Ministry of Economic Development, Trade and Agriculture of Ukraine:

- **In the economic sphere, it is necessary to ensure the resumption of regular meetings of the Intergovernmental Ukrainian-Moldovan Joint Commission on Trade and Economic Cooperation to resolve disputed economic issues.**

To the Ministry of Foreign Affairs of Ukraine, the Ministry of Energy of Ukraine:

- **In the energy cooperation sphere, it is necessary to intensify dialogue with both Chisinau and Bucharest on mechanisms for ensuring cooperation, provided that part of the transit routes pass through the territory of Transnistria, uncontrolled by the Government of the Republic of Moldova.**

To the Verkhovna Rada of Ukraine:

- **As for the inter-parliamentary dimension, it is also worth strengthening, but not without taking into account the political situation in the Republic of Moldova. It would be reasonable to keep contacts with the acting parliament at the working level and distance from the PSRM as this political force pursues a policy unfriendly to Ukraine. At the same time, in the case of parliament renewal during the early elections, it would make sense to raise the issue of restoring the Georgia-Moldova-Ukraine Interparliamentary Assembly format.**

Bilateral relations in the region: Azerbaijan

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Situation as of early 2021

In the autumn of 2020, the military campaign resulting in Azerbaijan regaining control over a large part of the territories around Nagorno-Karabakh provided a significant impetus to both domestic and international processes. Societal consolidation, the launch of several reforms (in education, medicine, partly in the energy sector), and regional players' support contributed to the growth of the political weight of the President of Azerbaijan and a development course of his choice.

Having identified Azerbaijan as a strategic partner at the political level, Ukraine tries to pursue a consistent policy on the development of relations between the two countries. Both countries mutually support the other's efforts in restoring their territorial integrity and share close positions and common interests on a number of national and regional interest-related issues.

At the same time, some peculiarities of the Azerbaijani political system, as well as the persecution of opposition forces, public activists, and journalists are those challenges making the political relations and public support in the international arena quite complicated.

Significant interest is currently focused on the relationship buildup in the economic sphere, especially in trade facilitation through the introduction of some electronic services, IT solutions, the implementation of innovations, and so on. Azerbaijan puts emphasis on recovery of the recently returned territories, which can

be an important platform for cooperation and an exchange of experience.

It should be noted that in the case of Azerbaijan, the Eastern Partnership and the BSEC and GUAM regional cooperation initiatives — enlisting a wide range of the Black Sea region countries that are less sensitive to democracy, the right to vote, and freedom of speech issues — are competing to their full extent.

Strengthening of Russia's involvement in the domestic political and security issues in the Karabakh region after the cessation of hostilities creates an additional factor that can affect both bilateral relations and the relations within the Eastern Partnership as a whole.

In fact, Russian troops obtained the right to control a large part of the territory along the line of demarcation between Azerbaijani and Armenian troops, as well as to influence further conflict settlement order. It is possible that Russia will try to use its presence, in particular, to influence Ukrainian-Azerbaijan relations and create some obstacles for the further cooperation between Baku and the EU.

Economic dimension

Traditionally, the Eastern Partnership program comprises energy relations where the Southern Energy Corridor development remains one of the strategic priorities for member countries. Within this framework, Ukraine has been developing mutually beneficial cooperation with Azerbaijan for many years, especially through importing hydrocarbons and exporting a wide range of products of the metallurgical, machine-building, food, and chemical industries. Azerbaijan is one of the most important suppliers of oil, as well as an investor in a number of companies engaged in the sale of petroleum products in Ukraine.

The countries failed to implement some joint projects in the past, such as the oil corridor project to the EU through the Odessa-Brody and Druzhba pipelines, and investment in the Odessa oil refinery. Today, the joint projects' prospects are shifting to the gas sector - from the opportunities to receive Azerbaijani gas through the TANAP-TAP-Trans-Balkan gas pipeline to production in the Black Sea oil fields. Besides, Azerbaijan remains an important supplier of oil to the Kremenchug refinery, as well as the operator of the SOCAR gas station network.

Following the 12th meeting of the joint Ukrainian-Azerbaijani Intergovernmental Commission on Economic Cooperation (on January 31, 2020), the parties agreed to expand their cooperation on infrastructure and transport, most notably maritime transport and port activities, as well as tourism. In early 2021, they

held a meeting of the working group on tourism development; among other things, it will coordinate capacity building issues in the air communication area.

COVID-19 impact

The coronavirus pandemic limited opportunities for bilateral contacts, but at the same time contributed to the development of electronic forms of communication. They held a number of international events focused on the history of relations and the search for new perspectives, with diplomats, politicians, and scholars taking part in these events.

The decrease in economic and trade relations in the first half of 2020 was somewhat compensated at the end of the year and during political contacts in early 2021, including a working visit paid by the Deputy Minister for Foreign Affairs V. Bodnar to Azerbaijan on February 23-24, 2021, aimed to reach the level of cooperation they had in 2010, when the total turnover had exceeded \$900 million.

Forecast scenarios for the development of relations by 2025

Within the framework of the basic scenario for the development of relations, Azerbaijan and Ukraine will continue to cooperate, following current needs and their own foreign policy capabilities.

In the coming years the coronavirus, which is hindering the development of the tourism sphere, and approaches to the formation of the political system in Azerbaijan in particular—maintaining the Aliyev family's influence and authoritarian governmental system with limited democratic rights and freedoms— will remain the main limiting factors.

Economic cooperation and contacts between people are the areas with a significant potential for further relations following the Eastern Partnership program. At the same time, both directions will be united by the strategic Azerbaijani goal to rebuild the territories returned by force in autumn 2020. In this context, Ukraine has an opportunity to join the programs designed for the reintegration of territories, restoration of infrastructure, as well as some plans for sustainable economic development and employment.

Bringing in international partners for the recovery of territories of the armed conflict zone, as well as providing support for the economic activity at the local level, can be named as another direction where Ukraine already gained some experience. Given the specifics of the state authorities' centralized structure in Azerbaijan,

Ukraine could share its already gained experience on the successful development of local communities.

Azerbaijan is still interested in taking part in the privatization in Ukraine, especially of the enterprises that can use hydrocarbons in their production processes, and ports and other infrastructure that can be used for logistics purposes. Offshore hydrocarbon deposits developing on the Black Sea shelf has promising potential, as Azerbaijan can become a partner for Ukrainian companies and support the gaining of investments.

At the same time, the political dialogue with Azerbaijan is important for Ukraine to prevent Russia's influence in bilateral relations and to deter Baku's possible involvement in Russia's integration processes. Given the EU's plans to pay more attention to democracy and the incumbent President's of Azerbaijan political plans to retain his power, the above mentioned scenario can be quite realistic.

An optimistic scenario for relations is possible if, in the near future, Azerbaijan and Ukraine agree on an ambitious program of their relations and support, and they witness a democratic transfer of power to the new president, as well as some positive developments in protecting human rights and freedoms, including those concerning the press, NGOs, and opposition political forces.

Azerbaijan can attract significant international support if it is able to present the process of reintegration of the territories around Nagorno-Karabakh as a national unity project. At the same time, Ukraine and Georgia also will be able to take active part in its implementation as countries with occupied territories that need to gain experience in their reconstruction, in particular, in the improvement of the economy and local residents' daily lives.

Successful preparation and privatization of state-owned enterprises and Azerbaijani companies' involvement in some joint projects can be the factors contributing to the deepening of Ukrainian-Azerbaijani relations. For example, Azerbaijan could become one of the partners in the privatization of the Odessa port side plant, as well as in the development of offshore hydrocarbon deposits. Indirectly, strengthening the partnership with Azerbaijan would also have a positive impact on the relations with Turkey and counterbalance Russian influence in the region.

Recommendations

To the Ministry of Foreign Affairs together with the Embassy of Ukraine in Azerbaijan:

- **to hold consultations on Ukraine's participation in the projects for reconstruction of the returned territories. In particular, Azerbaijan declares its volition to achieve a high level of energy efficiency and energy independence through the development of renewable energy sources, and, in this context, the Ukrainian experience in “Warm credits” usage, the Energy Efficiency Fund, and some projects with the international organizations GIZ and NEFCO can also be useful.**

To the Ministry of Reintegration of the Temporarily Occupied Territories of Ukraine:

- **to study the Azerbaijani authorities' experience in the liberated territories, and consider the possibility of joining some relevant projects.**

To the State Property Fund of Ukraine, the Administration of Seaports of Ukraine, and the state enterprises:

- **to consider options for establishing cooperation, inviting Azerbaijan to privatization and joint projects.**

Bilateral relations in the region: Belarus

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Situation as of early 2021

In a political crisis since August 2020, Belarus faces an economic crisis as well: its gold and foreign exchange reserves are shrinking, public debt is rising, the credit rating is the lowest in Europe (B/B-), and warehouses are overstocked with unsold products. Russia, which accounts for about half of the Belarus' foreign trade and which is currently the only country continuing to lend to Lukashenko's regime, is putting pressure on Minsk, demanding closer integration within the Union State.

Traditionally, Ukraine-Belarus relations are determined by two different factors: on the one hand is Belarus' membership in the Eurasian Economic Union and the CSTO, the existence of the Union State of Russia and Belarus, the activities on agreements on the Regional Group of Forces and the Unified Regional Air Defense System, as well as the placement of Russian military facilities (the Russian Navy communication center “Vileyka”, radar station “Volga”), while, on the other hand, Belarus is interested in developing mutually beneficial economic relations with Ukraine as the second most important trading partner with a positive balance for Belarus (for Ukraine, Belarus is the sixth trading partner by volume, critical for the supply of fuels and lubricants, bituminous mixtures, and fertilizers). Furthermore, Minsk understands the importance of Ukraine asserting its sovereignty in the conflict with Russia if taking into account the preservation of Belarusian independence.

Hence, Belarusian foreign policy towards Ukraine is dual: it simultaneously votes against Ukrainian resolutions in the UN General Assembly, but it avoids

recognizing the attempt to annex Crimea and get benefits from trade and economic cooperation with Ukraine. Kyiv, in turn, for a rather long time took Lukashenko as a guarantor of Belarus' neutral position on the Russian-Ukrainian conflict.

At the same time, relations between the two countries have had moments of aggravation, such as: the detention of the Belarusian and Ukrainian citizens on espionage charges in 2017, the mutual expulsion of the embassy staff, and the abduction of the Ukrainian citizen Pavlo Hryb in Gomel, followed by his deportation to Russia.

The pragmatic partnership between Ukraine and Belarus contributed to the stable growth in bilateral trade (+24% in 2017; +15% in 2018; +21% in 2019); although its volume fell by 21% in 2020 due to the COVID-19 pandemic, there was a positive \$1.5 billion balance for Belarus. In 2018-2019, the countries held two Forums of Regions, during which their participants signed two and a half dozen agreements on interregional cooperation and fifty contracts worth \$600 million. The Third Forum of the Regions was scheduled for October 2020, but it was postponed due to the post-election crisis in Belarus

In 2020, the COVID-19 pandemic resulted in some alterations in their cooperation, leading to the cancellation of a number of joint activities, including a business forum scheduled for April. However, there were some achievements: the first Azerbaijani oil consignments were pumped to Belarus through Ukrainian oil pipelines; the parties signed a bilateral protocol on the abolition of the permit system in irregular freight and passenger transportation areas; they collaborated on a project aimed to restore the international E-40 river route; several meetings of the working groups on mutual trade and interregional and cross-border cooperation were held; a Ukrainian government delegation headed by the Deputy Prime Minister O. Reznikov and the Minister of Defense A. Taran, the Chairman of the Verkhovna Rada Committee on Legal Policy A. Kostin, and the Head of the Office of the President A. Yermak paid a visit to Minsk.

Political relations between Kyiv and Minsk sharply deteriorated after unfriendly statements and actions taken by Minsk in response to Kyiv's decision to show its solidarity with the EU in its assessments of the August 2020 Belarusian presidential election and the crackdown on protesters. High-level official interstate contacts were "put on pause", with Ukraine joining the first package of EU personal sanctions against some Belarusian officials. However, D. Kuleba called inexpedient the introduction of the economic sanctions at this stage, and the deterioration of political relations did not affect economic cooperation so far.

Eastern Partnership outsider

From the very beginning, the authoritarianism of Lukashenko's regime and the Russian influence factor had a negative effect on Belarus' participation in the Eastern Partnership, where Minsk sometimes played a "Trojan horse" role while trying to block unfavorable statements and initiatives toward Moscow.

In 2015, Belarus refused to sign the declaration of the Eastern Partnership at the Riga Summit due to the condemnation of the attempt to annex Crimea. Minsk's reluctance to discuss democracy and the situation with human rights also negatively affected Belarus' participation in the EaP. With the European Union imposing sanctions on a number of Belarusian officials for political repressions that took place after the 2010 presidential elections, Minsk's participation in the Eastern Partnership was almost frozen.

The intensification of Belarus-EU relations, especially in the framework of the Eastern Partnership, took place in 2015-2016, when Minsk released some political prisoners and the EU lifted most sanctions against Belarusian officials. However, after receiving an invitation to the Eastern Partnership Summit in Brussels for the first time in 2017, Alexander Lukashenko refused to take part in it in fear for a negative reaction from Moscow. In May 2020, the EU's approval of the visa facilitation regime with Belarus became their biggest achievement. However, they did not sign the EU-Belarus Partnership Priorities (largely due to the disputes between Minsk and Vilnius over the Ostrovets NPP), and currently Belarus remains the only EaP country without a cooperation agreement with the EU.

In response to new EU sanctions against the Belarusian officials, following the rigging of the 2020 presidential election and mass repressions, Minsk announced a decrease in its participation in the Eastern Partnership down to the expert level.

Forecast scenarios for the development of relations by 2025

The **optimistic scenario**, which is unlikely to happen, provides for a peaceful transit of power in Belarus by amending the Constitution, strengthening the role of parliament, and more or less competitive elections in 2022. Representing a wide range of public sentiments, the new parliament and government will pursue a moderate course of economic reforms and democratization. Minsk will maintain its close relations with Russia but will avoid strengthening its integration within the Union State; instead, it will diversify its foreign policy and trade.

Relations with the EU will come to a normalization stage with Belarus

intensifying its participation in the Eastern Partnership and reaching a compromise with Lithuania on the Ostrovets NPP. The threat of sanctions and internal problems will deter Russia from significant interference in the affairs of Belarus. The end of the global COVID-19 pandemic will help restore Belarus' economic growth.

Under this scenario, in 2021, the Ukraine-Belarus relations will be affected by the preservation of trade and economic relations while high-level official contacts are on a "pause", but after the transfer of power in 2022-2023, political relations will quickly recover and gain new momentum. They will intensify their work on the implementation of strategic initiatives, such as the international E-40 river route; the Ukrainian experience will provide support for Belarus in carrying out reforms and developing relations with the EU, especially within the EaP; Belarus will be also involved in some subregional cooperation projects. By 2025, Ukraine and Belarus will have good neighborly political relations and dynamically growing economic cooperation.

But a **pessimistic** (though not basic) **scenario** looks more real, with the repressive component of the Lukashenko regime intensifying in 2021 and resulting in further polarization of Belarusian society. The EU and the US will be forced to impose tougher sanctions - not only personal ones, but also against some Belarusian budget-making enterprises, and possibly some sectoral sanctions as well, and this will make Ukraine face a difficult dilemma. Russia will increase its intervention in the affairs of Belarus, and its loans will be accompanied by the deepening of cooperation between Russian and Belarusian security and defense sectors. On the pretext of Union State borders' joint protection, Federal Security Service officers will appear on the borders with Belarus. Joint exercises will become more frequent, and after them some part of the Russian troops will be able to stay in Belarus in the format of a rotating or permanent presence. It is possible that new Russian military facilities will appear on the territory of Belarus or that existing ones will be significantly strengthened. Some changes to the Constitution and the transfer of power will follow the Russian scenario and Moscow's increasing influence. They will use their force to push full integration within the Union State before the presidential elections in Russia in 2024. The COVID-19 pandemic and related socio-economic problems will distract Western countries from the events in Belarus.

Under such a scenario, Belarus-EU relations will be almost frozen, as well as its participation in the Eastern Partnership (and might result in its withdrawal from the initiative). Kyiv will have to look for ways to diversify the supply of critical groups of goods from Belarus, as they can be used as levers of pressure and blackmail by

Moscow, whose influence on Minsk will grow. Belarus' borders with Ukraine, the EU, and NATO will turn into a source of provocations and security threats; although not formally related to Russia, the country will be able to use them as an excuse to apply force to "defend" Belarus and fulfill "allies' commitments".

The **basic scenario** assumes that A. Lukashenko will try to postpone the transfer of power and delegate some powers to the All-Belarusian People's Assembly, so he will possibly become their head in case of his resignation from presidential office. Only loyal parties will be re-registered in the Ministry of Justice in 2021; it is possible that, prior to the parliamentary elections in 2022 or 2023, a new party will appear, based on the public association "Bela Rus" designed especially for A. Lukashenko, and a new pro-Russian party will be also registered. Security forces will practice preventive detentions of the potential protest organizers, and civic activists will have to emigrate to avoid the arrests.

It will be difficult for A. Lukashenko's regime to counter Russian pressure for closer integration within the Union State as a "payment" for loans and political support, and Minsk's likely attempts to re-establish its contacts with Western countries will be not a success without further steps toward democratization. The global consequences of the COVID-19 pandemic will prevent rapid recovery of the Belarusian economy after the crisis, especially in 2021, which is critical for the A. Lukashenko regime. Belarus' participation in the Eastern Partnership will be almost frozen, at least until the transfer of power begins.

It is likely that Minsk will try to renew at least high-level non-public contacts with Kyiv, without which it will be difficult to maintain a high level of trade and economic cooperation.

Both the toxicity of the A. Lukashenko regime and the pressure from Moscow, which will insist on Belarus fully joining Russia's sanctions against Ukraine, will hinder the process. By 2024, the price of Russian oil for Belarus should reach world level (as a result of a "tax maneuver"), which will reduce the economic attractiveness of the Belarusian oil products for Ukraine. The prospects for resuming Kyiv-Minsk political relations may emerge closer to 2023-2024, after the start of the transfer of power scenario in Belarus.

Recommendations

To the National Security and Defense Council of Ukraine, the Office of the President of Ukraine, the Ministry of Foreign Affairs of Ukraine:

- **to study the possibility of creating a permanent closed channel of communication with Minsk to minimize the risks of emergency situations in the political and security spheres, and to respond quickly to possible third parties provocations.**

To the National Security and Defense Council of Ukraine, the Ministry of Defense of Ukraine, the Security Service of Ukraine, the State Border Guard Service of Ukraine:

- **to take measures to strengthen the security of the territory of Ukraine on the Belarusian border, taking into account the possible growth of Russian force presence in Belarus.**

To the Ministry of Foreign Affairs of Ukraine and the Ministry of Economy, Trade and Agriculture of Ukraine together with the analytical centers:

- **to promote the development of communications between the Ukrainian and Belarusian business circles during the “pause” in the official interstate contacts;**
- **to study the possibilities of diversification of critical groups of goods supplies from Belarus to Ukraine, and similarly, of the options for Ukrainian exports reorientation.**

To the Ministry of Foreign Affairs of Ukraine together with the analytical centers:

- **to develop and implement a strategy for the active promotion at the international arena of such issues as Belarusian sovereignty, the inadmissibility of Russia absorbing Belarus, and Russia’s military presence expansion in Belarus;**
- **to take part in international initiatives (first and second track diplomacy); to develop some plans to help restore the Belarusian economy after the democratic transit of power; and to reduce Belarusian economic dependence on Russia.**

To the analytical centers, supported by the Ministry of Foreign Affairs of Ukraine:

- **to intensify communication between Ukrainian and Belarusian experts to find mutually acceptable positions on common critical interests;**
- **to intensify relevant cooperation at the civil society level, under the conditions of freezing Minsk's participation in the Eastern Partnership.**

To the Ministry of Culture and Information Policy of Ukraine together with the analytical centers:

- **to develop a Belarus-related information policy strategy to provide its citizens with objective information about Ukraine, as well as to counteract misinformation and propaganda.**

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