

German-American Dialogue on the post-Soviet space

Workshop Report

The first workshop of the German-American Dialogue took place in Berlin on 5 and 6 July 2016. The program is organized by the Institut für Europäische Politik (IEP) and the German Marshal Fund of the United States (GMF) with support of the Transatlantik-Programm of the Federal Republic of Germany, funded by the Federal Ministry for Economic Affairs and Energy (BMWi) through means of the European Recovery Program (ERP). More than 40 experts from national administrations and EU delegations, embassies, parliaments and think tanks from Germany, the U.S. and Moldova as well as Latvia and Romania, convened in the German capital, under the title: “Assessing the State of European Integration and Potential for Transatlantic Cooperation in the post-Soviet Space: The Case of Moldova”.

During the two-day workshop the discussions centered on the following key topics:

- Domestic challenges to transformation in post-Soviet countries: role of veto powers, vested interests, external actors;
- U.S., German and EU policies and approaches towards the region: conditionality, ownership/co-ownership of reform processes, role of civil society;
- Case study Moldova: analysis of the policies supporting transformation, lessons learned and scenarios;
- Recommendations for EU/U.S. policy development in support of transformation processes.

A study paper prepared by the authors Iurie Leancă (Former Prime-minister of the Republic of Moldova, Member of Parliament of the Republic of Moldova), Dr. Dr. Hans-Martin Sieg (Associate Fellow, German Council on Foreign Relations), Iulian Groza (Executive Director, IPRE) and Iulian Rusu (Associate Expert on European integration policies at IPRE) served as background for the discussions in all panels and was a key point of reference.

The workshop was introduced jointly by Prof. Mathias Jopp (IEP Director), Dr. Daniela Schwarzer (Senior Director Research at the GMF) and Dr. Dr. Martin Sieg (Associate Fellow at the German Council on Foreign Relations). Russia’s annexation of Crimea and the persistent challenges to transformation in the post-Soviet states – as embodied by the case of Moldova – were stated as the main drivers to initiate this workshop program. Major findings of the study were introduced, namely the fact that EU and US policies aimed at transformation largely failed to deliver as they did not sufficiently account for the geopolitical competition in the region. Most importantly, previous reform efforts did not succeed in breaking the veto power of domestic vested interests opposing effective transformation. Tensions between US/EU short- and longer-term interests in the region and the amount of the pressure or patience they require were also brought to the attention of the participants.

The first panel set out to identify key domestic and regional challenges to transformation in countries of the EU’s Eastern neighborhood. As of the current state of affairs, three key challenges were identified: 1) the difficulty to implement transformative reforms in the post-Soviet region as they face the veto power of vested interests; 2) the considerable effort it takes for post-Soviet countries

to meet EU standards for approximation and the challenge to build consensus and secure acceptance within the EU; 3) Russia's role as a geopolitical actor demonstrated by its interventionism, with many of the post-Soviet countries still having strong cultural and economic ties with Russia. It also became apparent that internal and external challenges are in fact very much intertwined in the region.

With respect to the EU's Eastern Partnership (EaP) the recent evolution from a unitary framework to a more differentiated approach was commonly welcomed. There was also some consensus on the merits of conditionality which many participants would like to see reinforced as a basis for a frank assessment of governments' performances. While some participants viewed the EaP framework as an overall success, other speakers asked for a stronger EU/US commitment and a clear perspective for the respective countries in the face of asymmetrical competition with Russia. This would also help to avoid popular disillusionment with the West since the respective societies were conceived as a crucial ally to promote reforms. Opinions also diverged concerning the degree of necessary pressure or patience the EU/US should deploy in order to advance transformation, notably with respect to the recent reform progress in Ukraine.

For Moldova, participants found that the country experienced a substantial drawback since 2014, transforming it from the EaP's 'model pupil' into a state that requires 'intensive care'. Patronage, pervasive corruption and personal rivalries among political actors and oligarchs were identified as key domestic issues while the judiciary was recognized as a priority for reforms. Individual speakers also deplored the current lack of German and US attention for Moldova. From a historical perspective, it was argued that the Soviet legacy, i.e. the absence of institutions and practices conforming to the rule of law, still persists as one of the central obstacles to genuine transformation. In a comparative manner, it was stated that the memory of an independent state and the irreversibility of the reform process were key to the successful transformation of the Baltic States and Georgia. For Moldova, suggestions comprised promoting a greater role of the diaspora, encouraging parts of the diaspora to return, supporting media pluralism by developing EU/US Russian language programming and strengthening minority rights. Moreover, budgetary assistance and Moldova's reliance on remittances were named as strong levers for the EU. In the ensuing discussion, the question was raised to what extent the EU would actually undermine its own objectives by supporting (allegedly) pro-EU governments whose lack of real reform will create popular dissatisfaction, which in turn could lead to the electoral success of a pro-Russian party coalition.

Georgia's pro-European reform process was considered as successful and sustainable and could be taken as a role model for the region. The 2012 election and the then new administration were named as an example for a government which was elected on populist promises, but couldn't keep its promises and thus quickly lost in popular support. Even this change of government did not substantially alter the basic vectors of Georgia's foreign policy. In any case, the EU was seen as being unable to compete with Russia that exercises direct influence on elections especially in the rural areas. However, post-Soviet societies were said to be widely attracted by Western lifestyles and supportive of transformative reforms. Also, cultural and semi-political affiliations with Russia must not be decisive as Moldova proved. Finally, a change in Russia's policy towards its 'near abroad' was noted, namely that it de facto no longer aims at integrating all countries into the Eurasian Economic Union. Instead it focuses on destabilizing those states that it could not associate.

The second panel focused on EU and U.S. interest in the post-Soviet space and the question whether these were focused on geopolitical considerations or the goal of transformation. The overall consensus among the panelists was that the EU should be focused on fostering transformation, rather than acting in a geopolitical realm, as it might be pushed to do by Russia. However, it was also acknowledged that, due to Russia's actions towards the region, geopolitics did play a role and was a field that the EU and the U.S. had to act in. The EU and U.S. policy response was described as a mix of deterrence but also efforts to uphold dialogue with Russia. It was argued that, while Russia may see the post-Soviet space as a sphere of influence, the EU and U.S. should protect countries' right to make their own decisions. Political and economic transformation was recognized as a way to increase countries' resilience and capability to withstand external pressure. It was pointed out that transformation is not only important for the partner countries, but also in the interest of the EU because it fosters stability and security in its neighborhood.

The discussion continued to cover the ways through which transformation could be generated. Credibility was identified as a crucial aspect of the EU and U.S. policy towards the region. It was underlined that they should stick to their commitments and not make promises they cannot keep. It was furthermore consensus that conditionality would have to play a role in incentivizing reforms, while some also referred to the fact that 'more for more' policies involving positive incentives rather than negative ones. It was, however, also pointed out that there may be limits to 'more for more' policies, as means are limited and that one would have to consider that a credible conditionality policy may even entail the credible threat and willingness to withdraw from cooperation altogether. One panelist noted that reform proposals would have to be more concrete. It was argued that without more detailed conditions, there would always be some reform but not the necessary ones. It was proposed that an integrative approach, in which EU experts and practitioners would assess reforms and recommend specific reform measures, could lead to more constructive transformation.

In the ensuing discussion, this proposal that was labelled as co-ownership of reform processes was challenged by concerns that the EU could be perceived as wanting to decide for their partner countries rather than treating them as equal partners. In response to these concerns it was underlined that such an approach should be embedded in partnership and not infringe on countries' sovereignty. Yet, others indicated that, although this is not desirable, some partner countries think in terms of spheres of influence themselves, expecting the EU to tell them what to do. In addition, it was suggested that the government of the respective country may not always be in the position to act as a partner for reform due to a weak democracy and oligarchic power. One participant referred to short-term versus long-term scenarios, stating that the EU is at the moment concentrated on internal issues and in a weak bargaining position towards Russia. However, after the election in the U.S., the EU and the U.S. should establish a long-term common strategy for the post-Soviet region. It was also argued that there should be a prospect of EU membership for the countries of the post-Soviet region, as one would otherwise risk creating a grey-zone and implicitly accepting a Russian sphere of influence. However, it was cautioned in response that one should not promise what cannot be delivered and that transformation was needed first.

Panel three concentrated on the case study of Moldova. The discussion pointed to key impediments to social, political and economic transformation. Moldova's post-Soviet authoritarian tradition and a tendency to look to the center rather than local leadership were mentioned in this context. It was suggested that transformation in a situation of state capture is particularly difficult, even more than in an authoritarian state. In addition, it was noted that there was no general consensus for EU convergence in Moldova. More specific issues in the fields of justice, trade and energy were discussed. While there were reforms, for instance towards more transparency in courts' case management systems, it was asserted that expected results were often missing. Moreover, the recent banking scandal posed major setbacks to reform efforts. The increasing trade between Moldova and the EU and U.S. was mentioned as a success. However, it was pointed out that problems remain also regarding the implementation of the DCFTA, e.g. due to a lack of technical equipment to conduct necessary quality controls for the export of agricultural products. Another major problem is related to the energy sector, since the Iasi-Ungheni gas pipeline that was planned to connect Moldova to the EU gas market but is still on hold.

While one could see some transformative steps, there was consensus that much more would have to be done. It was indicated that the need for reform was also apparent in the extent of emigration from Moldova. It was stressed that transformation could not be instilled from outside, but would have to be supported from the inside, thus it should not only be focused on a top-down but also on a bottom-up approach. In this context, it was suggested that, while there may not be a consensus concerning the EU approximation, there is a consensus in favor of reform. Civil society and progressive political parties were named as two vehicles for transformation that should be strengthened. In the case of political parties, support for new structures and more transparency were mentioned as being especially important. Conditionality and the prospect of EU membership as an incentive for transformation were discussed. One panelist cautioned that, at this point, there is a danger that an EU membership perspective would be guided by the objective of limiting Russia's influence and keeping refugees out rather than being focused on fostering transformation. One panelist emphasized the importance of focusing on supporting transformation rather than concentrating on geopolitical aspects. In his view, the pro-European/pro-Russian discussion would not be helpful and one should be focused on getting people involved who want to make a difference rather than making the support conditional on their pro-European orientation.

In the ensuing discussion, some of the points of the speakers were picked up again. One participant pointed out that a top down approach was crucial to coordinate reform efforts. It was suggested that Moldova has a weaker civil society compared to Ukraine. However, as one participant pointed out, one should not overstate the role that civil society/NGOs could play in resuming government functions. In addition, another obstacle to transformation was diagnosed in a lack of elite consensus on EU convergence. It was argued that oligarchs are only pro-European to gain funding but don't support constructive reform.

The fourth panel was concerned with the way ahead, discussing how transformation processes in the post-Soviet space could be supported more effectively in the future. A true commitment to and will for transformation was identified as the key precondition for reform. It was recognized that although there are instruments and policy recommendations in place, they are rarely implemented. In this context, it was stressed that conditionality should play a stronger role in pushing for reform.

However, apart from conditionality in the EU and U.S. approach, it was underlined that pressure from within was important for sustainable transformation. While such pressure was identified in Ukraine, some indicated that it did not exist to the same extent in Moldova. Rather, the population was seen as being divided on the question of whether Moldova should align itself with Russia or with the EU. In addition, because citizens of Moldova have Romanian passports, many of them would just leave instead of pushing for reform. In line with discussions in previous panels, it was indicated that one should examine how this Moldovan diaspora could be involved in the transformation process. In considering the role of the society as an actor, the discussion once again turned to the concept of co-ownership. While one panelist maintained that this was not an option for the U.S. approach, another panelist named examples of projects where this was already implemented but noted that also in these cases the main obstacle was a lack of commitment to reform.

It was pointed out that EU membership could not be anticipated for the near future and that requirements for joining the EU should not be lowered. Real transformation would have to come first, for which a will for transformation regardless of EU membership would be necessary. Nevertheless, the overall consensus was that EU membership would be an option in the future, as, according to the EU Treaties (Art. 49 TEU) any European country can apply for EU membership. It was asserted that one would otherwise risk that the post-Soviet region would become a grey-zone.

In accordance with other panels, differentiation in the approach towards the countries of the post-Soviet space and increased cooperation within the region were identified as objectives for the way ahead. Likewise, increased cooperation and communication between the EU and the U.S. in their policy towards the post-Soviet space was named. Corruption, the justice system and an independent, diverse media landscape were recognized as reform priorities. One panelist identified corruption as the biggest issue in Moldova and stated that, while there had been reform efforts in this area there still was no effective policy. Another panelist suggested sanctions for individual corrupt officials as a possible remedy.

In the ensuing discussion, the question was raised whether there could be opportunities in cooperation between the EU and the Eurasian Economic Union. One panelist stated that the EU should not cooperate with the Eurasian Economic Area, because this would demoralize countries that were forced into it and would support and legitimize a project that would likely soon fail on its own. The Deep and Comprehensive Free Trade Area (DCFTA) was mentioned as an important tool for transformation that could help decrease the power of oligarchs in the economy. It was however pointed out that while the DCFTA was an important tool for transformation it was also very complex and should be streamlined and certain aspects prioritized in order to avoid frustration in its implementation. On the specific situation in Moldova, it was asserted that while there was a divide within Moldova on whether to side with Russia or the EU there was no divide over the need for reforms. The role of Romania in Moldova that had already been identified earlier in the discussion was picked up again. One participant voiced regret that after the annexation of Crimea, Romania's approach towards Moldova was dominated by security concerns rather than by support for transformation.

The closing remarks were held by Dr. Daniela Schwarzer, Dr. Katrin Böttger, Deputy Director of the IEP, and Dr. Dr. Martin Sieg. The amount of agreement among the panelists and participants was mentioned as a main takeaway of the workshop. There was wide consensus on the need for differentiation, the priorities for action and the importance of EU/U.S. cooperation. It was noted that

the workshop showed that a transatlantic dialogue on the topic is needed and useful. Furthermore, central topics for future discussions were identified. These included the possibilities for transformation that the Association Agreements (AA) and DCFTA can offer as well as the question of how the EU/U.S. interests in the post-Soviet space can be reconciled with their norms and values. The workshop served as input for a review of the connected study. The role of the diaspora, a better definition of the concept of co-ownership and the question of how transformation can be supported from outside were identified as the main topics for a review of the study. In addition, the question of whether one can split technical from political considerations or whether the EU and U.S. are part of domestic politics of the partner countries was named as another topic for the review.

The workshop was the first of four workshops in the framework of the German-American Dialogue on the post-Soviet space. The second workshop in the series will take place from 26.-27. September in Washington D.C..