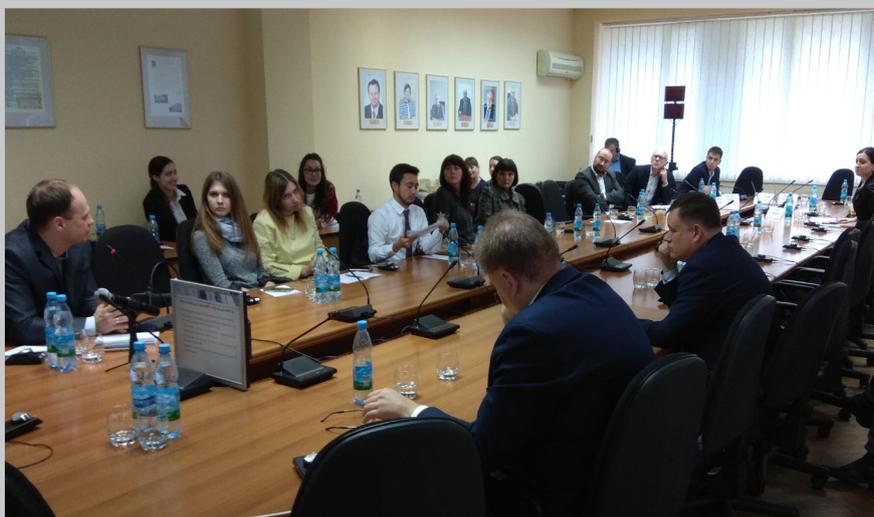


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Dear friends and colleagues,

We hope you've had a great start to 2019. The past months have brought plenty of publications and events to fill you in on. And while the new year has just begun, we are looking at the final stage of EU-STRAT.

Back in November, our partner institute in Kyiv, the Ukrainian Institute for Public Policy, hosted a policy briefing on the political economy of EU legislation harmonization. We'll take a look at the EU-STRAT findings that were presented as well as the discussions that took place between our consortium members and participants largely from Kyiv's research and business community. The impact of the EU Association Agreements and Deep and Comprehensive Free Trade Area (DCFTAs) on Ukraine, Georgia, and Moldova has left plenty to discuss.

Our latest policy comment, featured in this issue, sheds light on recent developments in Armenia stemming from the Velvet Revolution. The parliamentary elections held in December 2018 have confirmed overwhelming public support for the revolution movement, but what is the actual scope and depth of these changes? Our authors examine the reforms that are already underway, what's still needed, and how this impacts relations in the neighbourhood.

Our research on the strategies of external actors in the Eastern neighbourhood has featured in several working papers released in the last months. While the EU and Russia are known players in the Eastern Partnership countries, EU-STRAT set out to examine the role of other actors in this region as well. Accordingly, we present in this edition a glimpse into the papers examining the approach of China, Turkey, and the international financial institutions, such as the International Monetary

Fund and the World Bank. This research has important implications for how the EU could potentially work with other external actors that might not always share the goal of keeping EaP countries on the path of transformation towards greater political and economic access. As the final piece in this edition's 'EU-STRAT at Work', we also share a report from our St. Gallen team's workshop in Bucharest on the interdependencies of different secessionist conflicts.

Mark your calendars, our final conference is scheduled to take place in the Wijnhaven Building of Leiden University (Turfmarkt 99 2511 DP, The Hague, NL) on 11-12 April 2019. The conference will take a look at our most recent research on, to name just a few of the topics, the link between domestic regimes and interdependencies, the susceptibility of domestic actors to external actors' strategies, and scenarios of potential opening or closure in Moldova, Belarus, and Ukraine. We'll keep you in the loop as more details are finalized – don't forget to check our Facebook page (EU-STRAT) and Twitter (@eu\_strat)!

Sincerely,



Tanja A. Börzel  
Project Coordinator



Antoaneta Dimitrova  
Project Co-coordinator



## The political economy of EU legislation harmonization: a policy briefing in Kyiv

By Ildar Gazizullin (Ukrainian Institute for Public Policy)

A second policy briefing was organized in Kyiv by EU-STRAT's local partner, the Ukrainian Institute for Public Policy (UIPP). The briefing, entitled "Political economy of EU legislation harmonization with Ukraine and other Eastern Partnership (EaP) countries" took place on 12 November 2018 on the premises of and in partnership with the National Academy for Public Administration of Ukraine. Panelists and keynote speakers were drawn from the Ukrainian research and business community: Natalia Palamarchuk, professor of the Ukrainian Academy of Public Administration, Svitlana Mykhailovska, Deputy Director of European Business Association, Dmytro Naumenko, analyst at Ukrainian Centre for European Policy, Taras Kachka, strategic advisor at International Renaissance Foundation, Klaudijus Maniokas, chairman of the ESTEP board and EU-STRAT partner, and Ildar Gazizullin from UIPP. Maxim Boroda, Director of UIPP, opened the briefing with a short presentation on EU-STRAT's objectives and the briefing's topic.

### *How EaP countries balance costs and benefits of legal approximation*

Klaudijus Maniokas presented some of the findings from EU-STRAT's case studies on the legislation harmonization of the Association Agreement (AA) with the EU and selected EaP countries in the area of transport, energy, environment (TEE). While legal approximation in TEE contributes to increased connectivity (both in terms of trade and mobility), it is also associated with high costs, for example, related to safety standards. Therefore, countries often seek to reach a compromise to balance perceived costs and benefits of legal approximation, ensuring that the EU *acquis* are conducive to addressing their development needs as well. This is done by prioritization of the harmonization process, which involves limiting or even stopping process in areas with high approximation costs.

The progress with transposition and implementation in TEE in the EaP countries is uneven, but is arguably better than could be expected. An ongoing informal adjustment of the AA reduces the scope of the commitments taken, as in the case of road worthiness in Georgia, electricity unbundling in Ukraine and Moldova, as well as transport and environment in Ukraine. The EU conditionality, however, seems to be effective in Ukraine on a number of reforms that directly relate to Kyiv's interests, such as reform of the gas sector, which reduces dependence on Russia.



### *The effects of interdependencies in Ukraine's energy sector on domestic reforms*

Ildar Gazizullin presented developments of Ukraine's interdependence in the gas and electricity markets and how this has contributed to applying EU legislative norms in sectoral reforms. Complex interdependence between Russia and Ukraine in terms of transit and supply of gas has had a strong impact on security and economic relations between the countries. Ukraine implemented a number of policies to reduce its energy dependence, including steps to increase imports of gas from the EU and energy market reforms in line with the EU *acquis*. The role of the EU has increased, both as a blueprint for reforms, but also as a mediator in gas disputes with Moscow.

EU demands for greater transparency in the energy sector also target rent-seeking behaviour by business and political elites. Hence, increasing energy prices implies additional costs (or foregone benefits) for both citizens and elites in countries with a long tradition of heavily-subsidized prices. EU-induced energy reforms thus have important social implications and affect other public policies. The risk of alienating a large share of the population as energy poverty risks looms, on the one hand, and pressure from incumbent businesses to constrain competition in the sector, on the other hand, seems to be slowing down otherwise successful sectoral developments.



### ***The effect of trade liberalization on large and small businesses in Ukraine's agriculture sector***

Dmytro Naumenko presented Ukraine's agriculture sector structure and its trade patterns prior to and following trade liberalization with the EU under the AA/DCFTA. Large companies seem to emerge as one of the largest, though not sole beneficiaries of trade liberalization with the EU. Such companies are well placed in terms of preferential access to state aid and realize bigger gains from preventing competition by effectively blocking the land reform. Dramatic growth in exports, however, is also due to efficient corporate policies, which enables these businesses to increase their market share on both domestic and European markets.

Trade liberalization with the EU has also had a positive impact on SMEs that deal with niche products, like fruits, vegetables, honey, for example. On the one hand, these products tend to be excluded from strict quality standards on the EU side, and on the other, the nature of their production and trade (in small volumes)

make them less attractive for large agroholdings. SMEs in organic crop production have also been benefiting from access to the EU market.



### ***Discussion highlights***

One participant confirmed cited inefficiencies at customs and in terms of transportation (i.e. mutual recognition of authorized economic operators), which are barriers to further increase of exports from Ukraine. Approximating phytosanitary standards and food safety continue to be major policy priorities for making national agriculture even more competitive on the European market. When the Ukrainian government allows non-compliance (with the EU *acquis*) by extending the deadlines for legal approximation or deviates from the original commitments, this sends a negative signal to the business community, according to one participant. Another participant pointed to the link between trade and the structure of agriculture (large companies increasing output and exports and pushing small producers out of business) and how this contributes to income inequality in rural areas. Reform of state aid policy entailing more effective support of small-scale producers could compensate for the possible negative (social) effects stemming from the dominance of large companies across key markets.

Finally, participants elaborated on some areas where progress in terms of approximating the EU *acquis* has slowed down and where further steps may require further political compromises: namely, the adoption of the Agreement on Conformity Assessment and Acceptance of Industrial Goods (ACAA), and unbundling of the incumbent transport operator in the gas sector and the operationalization of the competitive electricity market.

## Armenia's 'Velvet Revolution': Whither change?

By Laure Delcour (Fondation Maison des Sciences de l'Homme) and Katharina Hoffmann (University of St. Gallen)

In spring 2018, the installation of former President Serzh Sargsyan as prime minister – a scenario which would have enabled the incumbent elite to maintain their grip over Armenia – unexpectedly failed to materialize. The 2015 constitutional referendum that transferred key powers to the prime minister as of spring 2018 paved the way for this swap scenario. Instead, on April 23<sup>rd</sup>, the newly appointed Prime Minister (and former President) Serzh Sargsyan resigned amidst a wave of protests that swept the country. This outcome to the demonstrations took many observers by surprise.

Admittedly, over the past decade, Armenia has been home to frequent protests against the ruling elite. In 2008, the flawed presidential elections that brought Serzh Sargsyan to power were followed by a brutal crackdown on protesters, killing at least ten people. None of the prior protests led to changes as substantial as the ones Armenia has experienced since spring 2018, though. In light of the authorities' record of excessive use of force, there was little reason to believe that the 2018 protests would not end in a brutal crackdown, thereby perpetuating the rule of the incumbent elite through a constitutional change. The scenario made possible by the constitutional amendments was also likely to materialize given its success in other post-Soviet countries, primarily Russia (Armenia's strategic partner). Yet contrary to all expectations, the founder of the Civil Contract party and leader of the demonstrations, Nikol Pashinyan, was elected prime minister in early May 2018, raising considerable expectations among the Armenian population.

The 'Velvet Revolution,' as it is called in Armenia, is undoubtedly Armenia's most substantial political change since its independence. Yet, even though the previous waves of protests did not yield significant change, Armenia's recent shift of power finds its roots in the widespread

discontent that also underpinned the prior demonstrations. In fact, Armenia's marked political stability since the early 1990s developed at the expense of democratic reforms – a failure only exacerbated by the Nagorno-Karabakh conflict. The proximity of the governing elite and oligarchs, as well as pervasive corruption and the lack of governmental accountability, have in the last decade fuelled both massive distrust in the incumbent authorities and the development of a vibrant civil society. Combined with an increasingly fragile socio-economic situation, this resulted in an intensification of protests against the elite in recent years, giving rise to new civic movements. In contrast to previous protests, the recent events were marked by the strong leadership of a single person, Nikol Pashinyan, who as a former journalist is widely known as a longstanding government critic, and was therefore able to mobilize diverse societal groups in all regions of Armenia.

The Velvet Revolution has already survived a first major crisis caused by the ability of the former incumbent Republican Party to block initiatives of the new leadership. On October 16<sup>th</sup> 2018, the prime minister resigned with a view to forcing the organization of snap parliamentary elections and completing the shift of power in the National Assembly. The elections held on December 9<sup>th</sup> 2018 confirmed the overwhelming public support for the revolution movement, ensuring Pashinyan's My Step Alliance 88 of 132 seats in the Parliament. Accordingly, Pashinyan was reappointed as prime minister.

Notwithstanding the already irrefutable impact of Armenia's Velvet Revolution, the scope and depth of changes are still unclear. The Pashinyan government has impressed observers from the very beginning with its high activism focussing on elite rotation, anti-corruption measures and social policy. The new authorities have dismissed

and replaced key elite figures, including the Police Chief and the director of the National Security Service, almost all regional governors and many mayors, as well as the leadership of Armenian TV. They have arrested former President Kocharyan (1998-2008) and former key governmental figures. As part of the commitment to fight corruption, the new government has launched investigations into corruption in companies, as well as against key political and economic figures. These include the family of the former President Sargsyan and the general and Republican MP Manvel Grigoryan who misused donations for military veterans and soldiers. In the last weeks of 2018, the elite rotation has been widened to diplomatic personnel dispatched abroad. As part of the fight against corruption, Pashinyan has introduced demopolization measures, so far for key products owned by oligarchs linked to the former elites, such as sugar. In addition, the new incumbent elite addressed urgent social policy issues by raising pensions and salaries in critical sectors like health care, allocating funds to improve the housing situation of military personnel and subsidizing energy payments of vulnerable groups of the society. Recently, the Pashinyan government has also made a move toward a more inclusive policy-making process by announcing the setting-up of public councils for each minister. These would provide civil society with an opportunity to file suggestions and recommendations.

However, the government has not engaged NGOs in the preparation of key reforms (for instance, the draft strategy on anti-corruption), which fail to both properly address key structural problems and develop an effective policy framework. Crucially, reforms need to be adequately prepared, expanded and deepened in order to achieve a structural impact. This requires a sustained effort on the part of the authorities. Political changes in Armenia are also fragile because they are deeply sensitive to the country's difficult regional environment. Nikol Pashinyan has made it clear that both the April demonstrations and the subsequent shift of power were a domestic affair, driven by the need to change the country's governance practices and neatly disconnected from Armenia's

foreign policy. In fact, Pashinyan's strategic decision to exclude foreign political topics from the movement's agenda was another massively mobilizing aspect in Armenia. This is in sharp contrast to the so-called Colour Revolutions in Georgia (2003) and Ukraine (2004). The porosity between domestic and diplomatic change in these countries triggered Russia's fury over an alleged Western interference in political upheavals and its subsequent loss of influence in the post-Soviet space. Pashinyan confirmed that Russia would remain Armenia's strategic ally when meeting President Putin in his first visit abroad. The signals sent to Moscow (among others, regarding Armenia's membership in the Eurasian Economic Union) were initially regarded as sufficient guarantees of loyalty. Not only did Russia refrain from interfering in the April demonstrations; the Russian authorities also reiterated that Armenia was a sovereign country and acknowledged political change there, as it was combined with reassurances of a tight relation with Moscow. At the same time, however, Pashinyan is eager to communicate to the Armenian public that he is not Moscow's puppet and that he will seek a partnership on an equal footing with Russia.

However, for all the Armenian authorities' signals of foreign policy continuity to the neighbourhood, domestic political change bears important implications for Armenia's relations with key regional players. Even though the new authorities made it clear that no reorientation toward the West was to be expected, the 'Velvet Revolution' coincides with a new phase in EU-Armenia relations, with the expected entry into force of the Comprehensive Enhanced Partnership Agreement (CEPA). Together with this new contractual framework, the congruence between the reform agenda of Armenia's new government and EU priorities open new opportunities for strengthening the EU-Armenia partnership. These have yet to materialize, though. Crucially, in recent months the domestic measures taken by Pashinyan have put relations with Russia to an increasingly severe test. Investigations into instances of corruption and other measures have not spared Russian interests. Importantly,

charges filed against General Yuri Khachaturov (the Secretary General of the Collective Security Treaty Organisation) and especially former President Robert Kocharyan (both in relation to the crackdown on protesters in the wake of 2008 presidential elections) triggered Russia's concern and provoked the first irritated statements against the new authorities. In addition, the Armenian government cancelled the contract transferring electricity networks to Tashir Group (whose Armenian branch is owned by a Russo-Armenian oligarch connected to the Armenian Republican Party) and left them under state control. Pashinyan also demanded a decrease by 20 % in gas prices from Gazprom Armenia for the poorest part of the population. Gazprom's decision to raise gas prices for Armenia in 2019 (as well as threats to decrease investments there) have come as a clear signal of Russia's growing irritation vis-à-vis Pashinyan and his team.

A crucial aspect for gaining broad societal support in Armenia was also to demonstrate continuity in Armenia's Nagorno-Karabakh policy; the more so given that unlike Sargsyan and his predecessor Kocharyan, Pashinyan is not from Nagorno-Karabakh. Pashinyan did so by visiting the de facto government in Stepanakert the very day after his election as prime minister. He also demanded an arms embargo for Azerbaijan from Russia and called for accepting Nagorno-Karabakh as party to the conflict negotiation – two requests that run contrary to Azerbaijan's key interests. While Azerbaijani state officials initially portrayed Pashinyan as a hard-liner in matters of Nagorno-Karabakh, in late 2018 Azerbaijan started to signal that it sees the change of leadership in Armenia as providing new chances for peaceful conflict settlement. Armenia's very first reaction to Azerbaijan's softened line was marked by caution. However, in a meeting between the foreign ministers of both countries and the OSCE Minsk-

Group co-chairs, Armenia and Azerbaijan showed commitment to prepare their populations for peace and to talk about the possibility of economic collaboration. These declarations are vague, but resemble remarkable progress compared to the achievements made in recent years. It remains to be seen whether the conflict-hardliners in Armenia as well as Russia allow the newly ruling elite some room to continue this rather peace-oriented development.

Overall, six months after the Velvet Revolution, the Armenian people have brought a government into power that is capable of achieving significant political and economic change. From the very beginning of his term as prime minister, Pashinyan has shown his commitment to addressing the people's demands as expressed in the rallies and presents himself as accountable to the streets. The political life in Armenia appears to be more dynamic as public protests have become a frequently used instrument, also against decisions of the Pashinyan government. However, how deep and lasting the changes are largely depends on how ready the Pashinyan government is to address Armenia's challenges by systemic reforms, particularly as regards the fight against corruption and the reform of security forces. In the longer run, the crux of political change may ultimately be Armenia's relations to the key players in the neighbourhood. While the promise to continue Armenia's foreign policy was key to the success of the movement, maintaining the external status quo will ultimately constrain the depth of domestic change. This is primarily because the Russian authorities may use their manifold leverages (especially security) over Armenia if they deem Russian interests to be affected by the reforms.

*An earlier version of this comment was published in October 2018 on our website, but has been updated to reflect recent events.*

## Deconstructing China's foreign policy in Belarus and Ukraine

By Marcin Kaczmarek, Jakub Jakóbowski, and Szymon Kardaś (Centre for Eastern Studies, OSW)

As the global US-China rivalry unfolds, the impact that Beijing's grand international strategies have on the socio-political systems of the developing world is subject to a heated debate. Is China's state-led economic expansion reinforcing authoritarian regimes and undermining fragile democracies? Or are Beijing's actions guided by the long-standing principle of non-interference effectively separating money and politics, and thus not affecting domestic socio-political orders? The scholarly debate on those issues has up to present focused mainly on China's engagement in the Global South, largely overlooking a relatively new object of Beijing's interest – the post-Soviet space. With the inception of the Belt and Road Initiative (BRI), China's political and economic contact with Eastern Europe has gained traction. Beijing has encountered a complex environment of diversified political systems, with local countries balancing between two major regional powers – Russia and the EU.

Our paper<sup>1</sup> aspires to deconstruct China's policy towards the Eastern Partnership (EaP) region by analysing two distinct regional cases – Ukraine and Belarus. The study depicts the evolving relevance of this region for Beijing and identifies key instruments of its foreign policy. It places Chinese's actions in the broader context of China's grand strategies, such as the BRI, and specific policy goals towards the post-Soviet space. The article provides an overall assessment of the effects of China's economic and political expansion on the social orders in the region, as well as the implications this has for the EU's policy towards EaP countries.

Due to an interplay of China's general foreign policy principles, the limited scope of its goals

towards the region, and the recognition of Russia's alleged interests in the region, Beijing does not aspire to alter local political regimes. It aims at securing recognition of its basic political and strategic interests, and focuses on gaining access to particular countries' markets, selected resources and technologies, and exporting its financial and productive overcapacity. Since 2013, this has been conducted largely within the framework of BRI. Although Beijing's political ambitions are limited, China's political elites' anti-hegemonist identity and their own anxiety regarding regime change translates into a general scepticism towards the EU's agenda in the region.

The case studies of Belarus and Ukraine reveal that one particular feature of China's approach – a comprehensive economic and policy cooperation linked with the BRI – may lead to increased economic openness and the evolution of local domestic orders. However, the dynamic in these two cases are distinctly different. Belarus is increasingly important to Beijing as a 'testing ground' for the long-term feature of BRI, i.e. the complex structural alignment of local economies with Chinese economic powerhouse, conducted through a close economic policy coordination. However, this kind of comprehensive policy dialogue is, since the Maidan revolution, not present on China's agenda in the case of Ukraine. This can be attributed to Belarus' centralized political system and a high degree of state involvement in the economy, which is much closer to China's own domestic environment than Ukraine's. China's attitude towards Ukraine's participation in the BRI (and particularly the EU-China railway transport) has also been highly influenced by Russian aggression in Eastern Ukraine. Political instability and Russia's actions have jeopardized more comprehensive Chinese cooperation with Ukraine. Beijing has instead opted for more targeted and less risky forms of engagement, such as securing resources supply and acquiring military technologies.

1 Kaczmarek, M., Jakóbowski, J., and Kardaś, S. (forthcoming) 'Is Chinese economic expansion transforming political regimes in Eastern Europe? Deconstructing China's foreign policy in Belarus and Ukraine', *EU-STRAT Working Paper Series*, Berlin: Freie Universität Berlin.

# Turkey's foreign policy towards its Post-Soviet Black Sea neighbourhood

By Ole Frahm (University of St. Gallen)

The post-Soviet states Ukraine, Belarus, Moldova, Armenia, Georgia and Azerbaijan form a space that throughout the last two decades has been marked by contestation of different international actors, with Russia and the European Union as the most important ones. Whereas the EU tried to shape this space via its Eastern Partnership policy, which relies on intensifying economic, cultural, and migration as well as security-related relations, Russia aimed to preserve its historical hegemony in the region. Russia has not refrained from military means in its reaction to the EU's increasing role in those six post-Soviet countries.

However, the prevailing focus on Russia and the EU risks underestimating the influence of other actors on the countries of the broader space comprising the South Caucasus (Armenia, Azerbaijan and Georgia) as well as Ukraine, Moldova and Belarus. Thus, Turkey's role in this space is largely understudied, considering that the country has become an increasingly active player that receives growing attention from not only the South Caucasus, but also Moldova, Ukraine and even Belarus. The EU-STRAT research team at the University of St Gallen has therefore sought to work out the relations between Turkey and the post-Soviet space since the latter's independence.

Our paper<sup>1</sup> discusses the main strands of Turkey's post-Cold War foreign policy in its post-Soviet Black Sea neighbourhood of Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine, with a focus on the period of Justice and Development Party rule (2002-2018), as the country's interactions gained momentum in this period. It analyses Turkey's rhetorical stance towards the region's countries and its actual interaction across

five sectors – trade, energy, security, education/culture and migration. Our findings demonstrate that Turkey's foreign policy rhetoric, with its strong emphasis on historical ties, economic and energy cooperation and support for regional countries' territorial integrity, is not matched by Turkey's observable engagement. An important factor for the mismatch between rhetoric and engagement is that relations with the region are seen at least partly through the prism of Turkey's more salient relations with Russia.

While not a priority region, after 2002, Turkey sought to leverage its neighbourhood for a more prominent global role. Accordingly, Turkey's engagement with the six countries varies depending on cultural proximity, diaspora ties and the country's potential to serve Turkey's regional ambitions. Relations with Azerbaijan are therefore the most intense while those with Belarus the most aloof. In terms of sectoral engagement, economic links but also cultural and educational ties are promoted most actively and consistently. Turkey is more ambiguous with regard to security and pays little attention to migration. A substantial contribution to relations with the post-Soviet neighbourhood is on the other hand made by Turkish non-state actors, especially the business community. Given the small number of works on the role and impact of non-state actors in Turkey's foreign policy in general and towards the region in particular, the next task for research on Turkey as a foreign policy actor in the post-Soviet Black Sea region therefore will be a closer look at the business community. This will be done in order to assess the business community's impact as well as its congruence with or divergence from the official state policies and rhetoric toward the region.

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1 Frahm, O., Hoffmann, K., Lehmkuhl, D. (2018) 'Turkey and the Eastern Partnership: Turkey's Foreign Policy Towards its Post-Soviet Black Sea Neighbourhood', *EU-STRAT Working Paper No. 13*, Berlin: Freie Universität Berlin.

# Strategies and approaches of international financial institutions towards Eastern Partnership countries

By Ramūnas Vilpišauskas (Vilnius University)

International financial institutions (IFIs) have long been considered key actors in supporting transformation processes in Central and Eastern European countries. Since the start of reforms in that region in the early 1990s, the IFIs have provided funds, advice and assessment of the transition progress. Although their role has declined in the countries that joined the European Union (EU), the IFIs remain important actors in the Eastern neighbourhood. The paper<sup>1</sup> focuses on the strategies and approaches of the main IFIs – the International Monetary Fund (IMF) and the World Bank – towards reforms in Eastern Partnership (EaP) countries, namely, Belarus, Moldova and Ukraine. It assesses the main principles, goals, policy instruments, conditionalities and the target groups of the IFIs in their interaction with authorities of the EaP countries and implementation of country support programs. The analysis is guided by examining, first, the role of IFIs in supporting economic and institutional reforms, which aim at transformation of their domestic institutions and policies towards greater economic and political access, and, second, their interaction with other external actors that are present in the EaP countries, such as the EU.

It argues that fiscal consolidation and reforms of governing structures have dominated assistance programs, with financial (banking) and energy sector reforms receiving particular attention in all three countries. The focus on these two sectors could be seen as an indication of the areas where rent-seeking is most widely practiced and/or reforms are often avoided. More specifically, reforms may be avoided by the local elite with a vested interest in preserving rent-accumulation sources, often hidden behind a bureaucratic 'jungle', which deprives the majority of the population from opportunities to increase their

purchasing power and to access public services without personal connections. For example, artificially low prices of gas and heating are used to maintain public support for the closed economic and institutional environment, while still allowing the ruling elite to maintain privileges. Competition and market entry has primarily been supported by focusing on levelling the playing field in terms of tax regime, removing privileges of state-owned enterprises, and reducing discretion and rent-seeking practices. Particular focus has been laid on reducing incentives for corruption as well as enforcing sanctions for corrupt practices, which also aims at making the business environment more attractive to foreign investors.

The increasing focus on policies aimed at reducing corruption, in particular in the case of Ukraine, is one notable feature of the IFIs' operations in those countries. Such measures are, however, most often at risk for only being implemented 'on paper', in a symbolic way, i.e. without leading to the desired outcome. The attempt to partially remedy this by broadening the political and societal support for the country support programs and agreed policy reforms has become another exceptional element of the support strategy practiced by the IFIs in EaP countries, in particular in Ukraine. In the latter case, the negotiated arrangements were discussed not only with key figures from the ruling elites and responsible institutions, but also with the opposition, societal activists, and other important stakeholders.

The IMF and the World Bank have practiced a coordinated approach towards financial and technical support for transition measures in Central and Eastern European countries. They have coordinated their policies among themselves and other institutions and donors such as the United States, the EU, the European Bank for Reconstruction and Development, and the European Investment Bank, to name a few. The IMF has usually played the role of the anchor with respect to unlocking financial support to the

<sup>1</sup> Vilpišauskas, R. (2019) 'Strategies and approaches of international financial institutions towards Eastern Partnership countries', *EU-STRAT Working Paper No. 14*, Berlin: Freie Universität Berlin.

recipient countries. Its role, however, has been extended far beyond financial support and related conditionalities, as it has become an important provider of technical expertise, coordinator of policy advice, and a signalling institution. However, despite attempts at broadening reform ownership and coordination with other external

donors, the actual effects of the IFIs' strategies on transition reforms have been limited. These efforts have been hindered by both the domestic ruling elite's interest in maintaining their privileges as well as the existence of competing external actors willing to supply resources under less demanding conditions.

## Workshop in Bucharest: The present and future of secessionist conflicts

On 7 July, the Center for Governance and Culture in Europe at the University of St Gallen together with the Leibniz Institute for East and South East European Studies Regensburg organized a one-day workshop on the future of secessionist conflicts in the wider Black Sea region. The event was held in Bucharest at the New Europe College and brought together mostly young researchers from Germany, Switzerland, Georgia, Romania, Bosnia-Herzegovina, Czechia, Russia, Azerbaijan and Moldova. In three sessions, participants sought to establish the state of the art in the field of research on secessionist conflicts and – inspired by the University of St Gallen's research as part of EU-STRAT – to deliberate on the interdependencies of different secessionist conflicts.

Panel I explored the issue of commonalities and differences between protracted conflicts by focusing on the cases of Abkhazia, South Ossetia, Crimea and Republika Srpska. For one, it touched upon the philosophical question of under which circumstances secession can be justified and whether in the wake of Putin's justification for annexing Crimea secession may become regularized rather than remain reserved only to extremely oppressed peoples. The argument was made that the Russian foreign policy elite's approaches to separatist statelets changed not in 2014 but in 2008 following the war in Georgia and Kosovo's declaration of independence. Moreover, it was emphasized how important not only the ethnic imaginary but also an idealized memory of the Socialist social order was for secessionism

and how detrimental intrusive policies by the EU could be – for instance in Bosnia-Herzegovina – for the growth of a culture of democratic accountability.



The second panel concentrated on interdependencies between protracted conflicts in the post-Soviet space and delved into the particularities of relations between Russia and Transnistria as well as the economic cost of conflict in Nagorno-Karabakh. There are some forms of institutionalized exchange between the 'post-Soviet four' but the lack of further cooperation is not only due to the preference for other relations (e.g. to Russia) but to different ambitions among local elites and some level of competition over international recognition. Whereas in general the level of the client states' leeway towards the patron is proportional to the severity of the security threat, for the post-Soviet space the global financial crisis marked a turning point as fiscal dependence on Russian aid reduced agency substantially. The militarization

and brinkmanship of the Nagorno-Karabakh conflict meanwhile not only imposes high economic costs on states and communities but also negatively effects education, services, corruption and democracy.

In the third panel on the role of international actors, presentations dealt with the international community's stabilization dilemma and with the contentious part played by international organizations in shaping dialogue and confidence-building measures in Ukraine and Moldova. As unilaterally seceding entities can subsist even without international recognition, the international community faces the insoluble dilemma that efforts to stabilize the situation on the ground, for example through development work, run counter to efforts to stabilize the international state system. In the case of Ukraine, efforts by the EU and OSCE to foster track 2 and track 3 forms of dialogue in a process of orchestration were hampered by very different understandings among Ukrainian stakeholders of what actually constituted dialogue.

Similarly, different agendas among donors and the Moldovan government have created downsides for civilian confidence-building measures regarding relations between Transnistria and the right-bank.

The panels were followed by a collective brainstorming session to develop new avenues for the future of this research field and to sow the seeds for collaborative research projects. One strand of argument arose over the need to provincialize the post-Soviet space and to engage more directly with research on secessionist conflicts in other world regions such as Africa as well as with more theoretical approaches from the field of conflict studies and international relations theory. Overall, the workshop benefitted from a very open and collegial atmosphere and there was a general sense that it would lead to further get-togethers in the near future.

*For more information on the workshop programme, see the following link: [http://nec.ro/data/pdfs/public-events/2018/july/2018-07-07\\_Workshop.pdf](http://nec.ro/data/pdfs/public-events/2018/july/2018-07-07_Workshop.pdf)*