

Wider Europe

Overall grade

C+



WESTERN BALKANS	B
40 Rule of law and human rights in the Western Balkans	B
41 Stabilisation of Kosovo	B+
42 Stabilisation of Bosnia and Herzegovina	C
43 Visa liberalisation with the Western Balkans	A
TURKEY	C-
44 Bilateral relations with Turkey	D+
45 Rule of law and human rights in Turkey	C-
46 Relations with Turkey on the Cyprus question	D+
47 Relations with Turkey on regional issues	C-
EASTERN NEIGHBOURHOOD	C+
48 Rule of law and human rights in the eastern neighbourhood	C-
49 Relations with the eastern neighbourhood on trade and energy	B+
50 Visa liberalisation with the eastern neighbourhood	C+
51 Resolution of the Transnistrian dispute	C-
52 Resolution of the Abkhazia and South Ossetia dispute	C+
53 Resolution of the Nagorno-Karabakh dispute	C

The EU has an ambitious and comprehensive agenda in the Wider Europe – a diverse area that includes the Western Balkans, Turkey and the ex-Soviet republics covered by the Eastern Partnership (EaP). Since the eastern enlargement of the 1990s and the early 2000s, the EU’s goals have been to build stability, encourage democratic transformation, and enhance governance and economic development through the export of the EU’s own model of integration embedded in its political norms and, more specifically, the *acquis communautaire*. For their part, most countries in the Wider Europe want improved access to the EU’s markets, territory, resources and decision-making. These aspirations in the Wider Europe in turn empower the EU to wield its most powerful tool: conditionality, whether tied to accession or other forms of advanced cooperation.

However, while the EU’s objectives have remained consistent, popular support for deeper engagement with the Wider Europe has steadily declined since 2004 and especially with the economic crisis in 2008. The euro crisis has exacerbated tensions between the EU’s centre and periphery and dashed the already-shrinking enthusiasm for expansion. This shift is particularly evident in core countries such as France and Germany. Opposition to Turkish accession is strong, with both centre-

right governments in Paris and Berlin arguing in favour of a “privileged partnership” rather than full membership for the largest and arguably most important country in the Wider Europe. These member states see internal consolidation as the number one priority while others – such as the new member states from central and eastern Europe, Finland, Sweden and the UK – believe that enlargement should not lose momentum, although even enlargement enthusiasts have recently opted for greater caution. These divisions undermine the effectiveness of the EU’s policy towards its “near abroad”, which depends above all on the credibility of the EU’s offers and its “integration capacity”.

In 2010, the EU enjoyed modest success in the Western Balkans. This has to do with both supply and demand factors: there is a general consensus, both within the EU and in the region, that the future of the Western Balkans is European. Local governments keen for membership have shown readiness to comply with conditions set by the EU. To reward compliance with political and economic standards, the European Council declared Montenegro an official candidate and forwarded Serbia’s membership application for assessment to the European Commission. Following the debacle at the International Court of Justice, Serbia supported a UN General Assembly resolution along with all 27 member states and is now open to EU-mediated talks with authorities in Prishtina.

On the other hand, the EU has failed to nudge polarised ethnic groups in Bosnia and Herzegovina (BiH) towards dialogue on governance reforms, to mediate in the conflict between the government and the opposition in Albania, or to persuade Greece to unblock Macedonia’s road to accession negotiations. Yet even in difficult cases, such as BiH and Albania, the EU’s transformative power seems to be having an impact. In December, citizens of the two countries were granted visa-free access to the Schengen Area after the EU judged that they had implemented the relevant policy and institutional reforms.

Unlike in the Western Balkans, where integration is still the only game in town, the EU is losing its appeal in Turkey. The stalemate in accession negotiations continued into 2010: only one new chapter, Food Safety, was opened under the Spanish Presidency in the first half of the year. Ankara declines to allow Greek Cypriot ships and aircraft access to its territory, while Nicosia vetoes a number of chapters and blocks the opening of direct trade contacts between the EU and Northern Cyprus. Reunification talks have faltered and the victory of the hardliner Derviş Eroğlu in the presidential elections in the north removes even further the prospects of a settlement. Meanwhile, Turkey’s increasingly independent policy in the Middle East has clashed with that of the West – for example, in the case of Iran

and Israel/Palestine – raising questions about the country’s strategic orientation. Still, Turkey has continued to co-operate with the EU on critical issues such as BiH, Kosovo and strategic energy infrastructure.

Since inaugurating the EaP back in 2009, the EU has scored few points in dealing with its eastern neighbourhood. The trend in the region is towards retrenchment of authoritarianism and regimes are keen to playoff the EU against Russia in a way reminiscent of former Yugoslav president Josip Broz Tito in the days of the Cold War. Authoritarian consolidation limits EU leverage as it increases the cost of compliance with EU demands. The crackdown in Belarus in the wake of December’s rigged presidential elections showed the limits of the EU’s policy of engagement. Under the leadership of President Victor Yanukovich, Ukraine saw the reinstatement of a presidential regime, the harassment of the opposition, and a deal with Moscow over the continued use of the port of Sevastopol by the Russian fleet. Another botched election in Azerbaijan took place without the EU taking a critical stance. The only significant developments on protracted conflicts were a marginal improvement in relations between Georgia and Russia and a renewed attempt by the EU to assume a more central role in negotiating a settlement in Transnistria.

On the positive side, the EU has continued its efforts towards economic integration. Association Agreement negotiations began with Moldova in January and Georgia, Armenia and Azerbaijan in July. However, talks with Ukraine, which have been ongoing since 2007, have largely stalled because of Kyiv’s reluctance to take on vested interests in key sectors such as steelmaking. Ukraine and Moldova acceded to the Energy Community, but it is yet to be seen whether they will implement in full their obligations to unbundle their electricity and gas sectors in line with the *acquis*. 2010 saw some tentative steps towards a dialogue on visa liberalisation, but the benefits, both for the EU and the eastern neighbours, are some way off.

40 RULE OF LAW AND HUMAN RIGHTS IN THE WESTERN BALKANS

Democratic governance and the rule of law rank high in the EU's policy. The promise of membership is the ultimate resource but impact depends on domestic conditions.

Unity	3/5
Resources	4/5
Outcome	6/10
Total	13/20

B

Membership conditionality is the EU's key tool for promoting democracy, human rights and good governance in the region. Member states act fairly consistently and in unison. For example, they resolved to forward Serbia's membership application for assessment to the European Commission, with the Netherlands lifting its veto. Yet some divisions over the pace of the process continue to undermine overall effectiveness of democratic conditionality. There is a divide between the new member states, the UK, Spain and Sweden, who push for keeping the enlargement momentum, and France and Germany, who would like to slow down the process. Greece, a traditional advocate of expansion into the Western Balkans, continues to veto membership talks with Macedonia.

There were moderate gains in democratic standards in 2010. In December, Montenegro was recognised as a candidate country, which means that, in the EU's judgment, it fulfils the democratic criteria. A membership perspective has bolstered the pro-reform coalition in Serbia and continues to uphold the shaky inter-

ethnic peace in Macedonia. On the good governance front, Albania, Montenegro and Serbia are implementing civil service and judiciary reform, but their efforts are yet to be rewarded by the EU. However, while the EU is the ultimate guarantor, short-term improvements are dependent on domestic dynamics rather than the EU's foreign-policy actions. Even positive developments such as the criminal investigation of Croatia's former prime minister Ivo Sanader or the resignation of Montenegrin Prime Minister Milo Djukanovic have little to do with pressure from Brussels.

On the negative side, the EU has been unable to bridge the gap between the government and the opposition in Albania. In Macedonia, a candidate since 2005, the government clamped down on certain media (e.g. the A1 TV channel). Because of the blocked accession process, the EU's leverage in Macedonia has dramatically declined.

The EU's performance on Kosovo and Bosnia and Herzegovina is covered in components 41 and 42.

41 STABILISATION OF KOSOVO

Despite continuing divisions on the issue of Kosovo's independence, the EU has strengthened its position by getting Belgrade and Prishtina to commit to negotiations.

Unity	3/5
Resources	4/5
Outcome	7/10
Total	14/20

B+

The situation in Kosovo remains stable and there have been some signs of improvement. The landmark advisory opinion delivered by the International Court of Justice (ICJ) on 22 July pushed Serbia to a more cooperative stance, a development favoured by the EU as a whole. Even though five EU member states (Spain, Greece, Cyprus, Slovakia and Romania) continue to oppose independence, the UN General Assembly resolution on 9 September, proposed jointly by the EU and Serbia, builds unity and paves the way to talks between Prishtina and Belgrade on technical issues of common concern – trade, transport, energy interconnections and air controls. British Foreign Secretary William Hague's trip to Belgrade in late August was instrumental for securing Serbia's cooperation, now implicitly linked to progress on the pre-accession track. EULEX, the EU's rule-of-law mission, has taken a softer approach, avoiding a confrontation over the Serb-majority municipalities north of the Ibar River which are largely outside Prishtina's control. EULEX spends €38 million of its budget on political initiatives and

€36 million on programmes designed to reinforce the rule of law.

Overall, the EU did moderately well in 2010, demonstrating unity of purpose and scoring minor success. However, at the end of the year, the EU's impact was tempered. The early elections in Kosovo, held on 12 December – the first time that Kosovo voted for an assembly since the proclamation of independence – were marred by irregularities, necessitating a rerun of the vote in some districts. As a result, it has been difficult to form a governing coalition, which has in turn delayed the talks with Belgrade. The Democratic Party of Kosovo, which won the elections, suffered a further blow in December when the Council of Europe released a report accusing senior figures, including the party's leader, Hashim Thaçi, of harvesting organs from Serb prisoners of war during the 1999 conflict.

Components 34 and 66 also offer judgment on the Kosovo case from different angles.

42 STABILISATION OF BOSNIA AND HERZEGOVINA

Despite unity of purpose, EU has failed to respond credibly to the continuing instability in Bosnia and Herzegovina. The fragility of domestic politics undercuts its conditionality leverage.

Unity	4/5
Resources	2/5
Outcome	2/10
Total	8/20

C

The EU's policy in Bosnia and Herzegovina is in limbo. The EU remains fairly united, with member states pursuing the dual goal of establishing functional statehood and integrating the country. Yet they have failed to produce any fresh thinking as to how to build bridges between the Republika Srpska leadership and Bosnian parties or how to push the Bosnian-Croat entity to rein in its public finances. In 2010, the EU backtracked on its earlier policy geared towards an overhaul of the constitution, via the so-called Butmir process. As a result, the stalemate has continued, at a time when neighbouring Croatia, Serbia and Montenegro are making confident strides towards the EU.

The general elections on 3 October led to a reshuffle in the Bosnian camp, with the moderate Bakir Izetbegović winning a seat in the three-member collective presidency. They also confirmed the multiethnic Social Democratic Party as the strongest force in the Bosnian-Croat entity. This in turn has reinforced hopes for fresh movement on the accession track, in turn strengthening the EU's hand. However, government

formation at the state level has proven difficult. There are pressing issues such as the implementation of the European Court of Human Rights decision on constituent peoples or the registration of state property that exacerbate divisions. The EU dedicated €50 million for political programmes in 2010.

Overall, the EU has lost another year without being able to carry out the transition from the Office of High Representative to an EU Special Representative (EUSR) with a more limited range of powers, an objective that was put forward as far back as 2006. The EU has failed to appoint a new OHR/EUSR to replace Valentin Inzko, although it has repeatedly indicated that it will despatch a heavyweight from within its ranks. The EU's effectiveness is still dependent on the level of cooperation with the US (see component 34) as well as the application of its crisis-management toolbox (see component 65).

43 VISA LIBERALISATION WITH THE WESTERN BALKANS

Visa liberalisation is a clear example of a successful EU policy, which will increase mobility and improve the institutional environment in the Western Balkans.

Unity	4/5
Resources	5/5
Outcome	9/10
Total	18/20

A

The EU's objective is to improve law enforcement and migration controls through a conditional offer of visa-free travel to the Schengen Area. The payoff is greater security linked to the alignment of standards on everything from biometric passports to border crossings. For instance, the introduction of higher-quality personal identification documents helps prevent identity fraud and combat transnational crime, which remains one of the challenges to the region and the EU. Inclusion into the "positive" or "white list" countries whose citizens can travel freely into the Schengen zone without a visa also improves cooperation between the law enforcement authorities in the EU and their Western Balkan counterparts. It provides a clear incentive for governments in the region to upgrade governance standards in various areas to do with the free movement of people and encourages regional cooperation at the Balkan level by creating a single regulatory environment.

The EU made great progress in this area in 2010. The admission of Bosnia and Herzegovina (BiH) and Albania into the

"positive list" was a momentous event for both, as well as for the region as a whole. The EU acted with a high level of unity, despite the misgivings in some member states such as France, Germany (the interior ministry rather than the foreign ministry), Austria and the Netherlands. This is due to the impact of existing legislation at the supranational level, as well as the already well-established procedures and standards for extending visa-free travel to third countries. The accession of Serbia, Montenegro and Macedonia to the "white list" in December 2009 followed the path previously taken by BiH and Albania. The only point of division remains Kosovo: France and Germany have blocked the extension of a roadmap for visa liberalisation, effectively putting Prishtina in a separate basket from the rest of the Western Balkans.

44 BILATERAL RELATIONS WITH TURKEY

Divisions between member states persisted and there was no significant progress in the stalled accession negotiations.

Unity	2/5
Resources	2/5
Outcome	1/10
Total	5/20

D+

Relations with Turkey are a profoundly divisive issue within the EU. Germany and France have been openly opposing accession and arguing instead for a form of “privileged partnership”. Cyprus continues to use its veto to block the negotiations, while France is blocking some specific chapters, with Berlin in tacit support. Greece, meanwhile, has gone from an ardent supporter to a bystander. The pro-accession camp includes the UK, Spain, Finland, Sweden, Italy and most member states in central and eastern Europe, including neighbours Bulgaria and Romania.

These internal divisions have undermined the EU’s leverage. There is a sense that although the EU remains an important pole of attraction, Ankara is diversifying its economic and political relations and seeking to emancipate itself from the EU (see component 47). In June, US Secretary of Defense Robert Gates said the country was “pushed by some in Europe refusing to give Turkey the kind of organic link to the West that Turkey sought.”

The stalemate in membership negotiations continued. The Spanish Presidency declared its ambition to start talks on three new chapters in the first half of the year but only opened one on food safety, veterinary and phytosanitary policy. Turkey refuses to implement the 2004 Additional Protocol to the Ankara Agreement and open its ports and airspace to Greek Cypriot ships and aircraft, unless the EU fulfils the commitment it made in 2004 to end the isolation of Northern Cyprus and trade directly with it. Turkey’s relations with the EU have also deteriorated because of its opposition to a new round of sanctions on Iran. The Turkish government is insisting that it is implementing the *acquis* even without formal negotiations on the relevant chapters, but there is little evidence to that effect, despite Turkey receiving €653.7 million in pre-accession assistance in 2010.

45 RULE OF LAW AND HUMAN RIGHTS IN TURKEY

Member states differ on how to promote democracy, human rights and good governance in Turkey. The EU's impact on domestic politics is waning as the prospect of accession becomes more distant.

Unity	3/5
Resources	2/5
Outcome	2/10
Total	7/20

C-

With the EU divided on the issue of Turkey's membership (see component 44), its leverage on domestic politics has dramatically decreased, especially compared to the period 2002-2006. The EU is still divided on how to handle Turkey's domestic transformation. While all member states support democratisation, they are not all prepared to uphold the membership perspective. The EU continues to monitor democratic performance and human rights in the country, but its voice is heard less and less.

Political elites and media largely ignored the European Commission's regular report on Turkey published in the first week of November, which measures, among other things, the progress of democratic consolidation and the state of human and minority rights inside the country. The EU was not a major point of reference in the constitutional referendum held on 12 September either, although the Commission hailed the outcome and called for the democratic changes ratified by the body politic to be fully implemented. Some voices in the ruling Justice and

Development Party (AKP) and even within the liberal intelligentsia argue that Turkey does not need the European anchor any more. Turkey also often blames the West (essentially big EU members and the US) for encouraging Kurdish separatism.

One positive outcome for the EU was the shift in position by the Republican People's Party (CHP), the main opposition force that represents the secular Kemalist constituencies. Having in the past taken a nationalist and often anti-EU line, its new leadership criticised the government for failing to abide by the "true" democratic standards of the EU. However, although this was a positive development, it had little to do with EU influence. The only way the EU could significantly increase its leverage on domestic developments is through unblocking membership talks and upholding the accession perspective.

46 RELATIONS WITH TURKEY ON THE CYPRUS QUESTION

The EU is superficially united due to the requirements of Community law and solidarity with Cyprus, but its policy is not effective as it cannot act as an honest broker and has lost leverage with Turkey and Turkish Cypriots.

Unity	3/5
Resources	1/5
Outcome	1/10
Total	5/20

D+

The EU's objectives are to get Turkey to implement the 2004 Additional Protocol to the Ankara Agreement and allow Greek Cypriot ships and aircraft to use its ports and airports, and to assist the ongoing reunification negotiations under the auspices of the UN Secretary General. The latter is inherently difficult as Cyprus is now a member state, so the EU has, one way or another, evolved from an external mediator to a party in the conflict. For instance, Cyprus currently blocks negotiation chapters in Turkey's accession talks as well as EU-NATO cooperation to put pressure on Ankara on this issue.

This does not mean that a common EU position is utterly impossible. The principle of *pacta sunt servanda*, the EU's free-movement law and political solidarity with Cyprus all feed into a common position. The tricky issue is whether Turkey should be given additional incentives, but the EU has limited capacity to push for a settlement. While reunification negotiations have continued, the EU will have little leverage with Turkey as long as the blockage of the accession process

continues (see component 44).

Turkey has no face-saving options either, as long as regulation for trade with the Northern Cyprus is blocked in the European Parliament and Council. Reintroduced by the European Commission under the new rules of the Lisbon Treaty, the regulation was defeated thanks to opposition by Cypriot MEPs. This outcome perpetuates the deadlock and deepens divisions between EU institutions and member states over this long-standing conflict.

The election of nationalist Derviş Eroğlu in Northern Cyprus puts the prospect of a settlement involving a joint state in question. With hardliners in power in the north, negotiated partition is increasingly becoming the sole realistic option. The EU faces a growing challenge but has little by way of a response to the situation at hand.

47 RELATIONS WITH TURKEY ON REGIONAL ISSUES

As Turkey drifted away from Europe in 2010, the EU did little to influence its new neighbourhood policy.

Unity	2/5
Resources	3/5
Outcome	2/10
Total	7/20

C-

In 2010, Turkey's neighbourhood policy, especially in the Middle East, drifted apart from the foreign-policy priorities of the EU. The two most striking cases were Turkish opposition to a new round of international sanctions against Iran and the rift with Israel.

At the same time, Turkey has pushed for trade liberalisation and facilitation of free movement of people with Arab neighbours. Turkey concluded a quadripartite free-trade agreement (FTA) with Jordan, Lebanon and Syria and a bilateral FTA with Lebanon. Turkey and Lebanon agreed to abolish visas, following similar agreements with Syria and Jordan. Such deals follow up on the EU's own trade liberalisation initiatives under the EuroMed process which have a multilateral dimension. In addition, Turkey's attractiveness to neighbours is in no small part due to its close economic links with the EU.

Turkey is a potential partner in the Western Balkans, Iraq and, to some degree, in the Southern Caucasus, but the EU has failed to engage it in Common Security and

Defence Policy (CSDP) and the European Neighbourhood Policy (ENP), which Turkey sees as an alternative track to accession. While member states that support Turkish EU membership are exclusively focused on the accession process (see component 44), the obstacles created by some opponents, such as Cyprus and France, inadvertently encourage Ankara to act unilaterally in the Middle East. EU disunity boomeranged in 2010 as Turkey openly challenged the EU on an important foreign-policy issue by opposing new sanctions against Iran.

Meanwhile, energy relations between Turkey and Russia in June improved when their respective prime ministers, Recep Tayyip Erdoğan and Vladimir Putin, unveiled a joint plan to build a nuclear power plant near the city of Mersin. Although Turkey is a key ally in the effort to diversify energy supplies to the EU, especially given strategic projects such as the Nabucco gas pipeline, Cyprus is still blocking the negotiation chapter on energy.

48 RULE OF LAW AND HUMAN RIGHTS IN THE EASTERN NEIGHBOURHOOD

The EU had a difficult year as it the eastern neighbourhood moved towards authoritarian retrenchment and the EaP lost credibility.

Unity	3/5
Resources	2/5
Outcome	2/10
Total	7/20

C-

The EU aims to upgrade the eastern dimension of the so-called European Neighbourhood Policy (ENP) through the Eastern Partnership (EaP), which is based on bilateral action plans containing a shopping list of reform commitments.

In 2010, the EaP lost credibility as the eastern neighbourhood moved towards authoritarian retrenchment. Democracy suffered a setback in Ukraine as the constitutional court in effect brought back the presidential regime of the 1990s. President Yanukovych also harassed the opposition by launching criminal procedures against Yulia Tymoshenko. Presidential elections in Belarus in December were predictably rigged and, to the dismay of the EU, followed by a wholesale clampdown on the opposition protests. This destroyed the momentum towards a cautious rapprochement with President Alyaksandr Lukashenka's regime.

Nor was there progress in the Caucasus. The EU continues to court authoritarian Azerbaijan because of its vast gas and oil

resources. Moldova is currently the only country where democratisation efforts continue. The pro-Western Alliance for European Integration emerged as a tentative winner in the general elections held in November, with 50 percent of the vote. To do better, the EU should present a clear list of demands and benchmarks on democratic performance, and link compliance with direct benefits. It needs to show firmer support to Moldova in order to build it up as a regional model.

Unfortunately, the EU continues to be divided on the EaP: Poland and Sweden originally saw it as a stepping stone to pre-accession; France, Germany and the Netherlands consider it as an altogether different track. This position is gaining traction and, in 2010, the pro-accession group conceded that membership invitations are unlikely to be extended in the next decade. There has been little attention paid on the democratic conditionality benchmarks featuring in the bilateral action plans.

49 RELATIONS WITH THE EASTERN NEIGHBOURHOOD ON TRADE AND ENERGY

The EU is united on trade liberalisation but progress has proved very slow because of a lack of commitment on both sides.

Unity	5/5
Resources	4/5
Outcome	5/10
Total	14/20

B+

Promoting functional integration is a key interest for the EU because of the economic opportunities it creates for both members and partner countries and the potential to strengthen stability across borders. As trade is a core issue, EU institutions such as the European Commission have a very strong mandate to negotiate on behalf of the EU as a whole. Even in energy, where member states' policies diverge, there is a fairly coherent set of demands vis-à-vis eastern neighbours (with the exception of Azerbaijan) to do with liberalisation and harmonisation with the *acquis* that would improve security of supply to EU consumers.

The EU's key resource is access to its vast internal market. In 2010, the EU launched Association Agreement (AA) negotiations with Moldova in January, and Georgia, Armenia and Moldova in July. In addition to trade issues, AAs cover areas such as political dialogue, justice and home affairs, sectoral cooperation, people-to-people contacts. They are considered an intermediate step to the

completion of Deep and Comprehensive Free Trade Agreement (DCFTA).

Yet the EU's impact is still limited. DCFTA talks with Ukraine have stalled because of the imposition of import duties contrary to WTO obligations. President Yanukovych stated publicly that the proposed EU terms are not in Ukraine's interests due to the loss of revenue. Kyiv is said to be reluctant to push with the talks due to oligarch interests.

In 2010, the EU enlarged the Energy Community, a multilateral arrangement geared towards harmonisation with the *acquis*. Moldova acceded in May, followed by Ukraine in September. To meet entry criteria, Ukraine agreed to unbundle Naftogaz (its gas utility company) and its electricity operator by 2012. If implemented, this legislation would mean a significant decrease of government subsidies to the energy-intensive industries in the east of the country (see also components 21 and 22).

50 VISA LIBERALISATION WITH THE EASTERN NEIGHBOURHOOD

While the process of harmonisation with the *acquis* continues, the EU's disunity and cautiousness limit its effectiveness.

Unity	3/5
Resources	2/5
Outcome	5/10
Total	10/20

C+

The EU's objective in the eastern neighbourhood is to link concessions on visas with institutional reforms. New member states such as Poland and Romania have argued for speedy liberalisation, which they see as bringing economic and political benefits. Old member states, such as Germany, Austria and France, which are concerned about immigration or the unsustainably fast pace of enlargement, want to proceed at a slower pace.

Visa facilitation and readmission agreements are already in place with Moldova and Ukraine, where up to 40 percent of visas are now issued free of charge. This serves the EU goal of promoting integration while minimising risks. The next step, following the Western Balkan scenario (see component 43), is to lift visas. In October, the European Council announced that Ukraine would be given an action plan with technical benchmarks that will pave the way to the "possible establishment of a visa-free travel regime" in the long run. The member states also mandated the European Commission to prepare an action plan with Moldova,

which since July is part of a structured visa dialogue with the EU.

Ukraine and Moldova have been encouraged by the success of Western Balkan countries, which in turn has strengthened the EU's hand in the eastern neighbourhood. The proviso is that the fulfilment of benchmarks does not automatically lead to the lifting of visas, which remains a political decision to be taken further down the road. It is hard to judge EU performance at this point as institutional and policy reforms in the EaP countries are still in their nascent stage. Visa liberalisation is a long-term process but it is clearly one of the few trump cards the EU is left with in the region. Taking a bolder approach and asking governments to reform policies and institutions to lift visa restrictions would increase the EU's attractiveness across the region.

51 RESOLUTION OF THE TRANSNISTRIAN DISPUTE

Member states agree in principle that they should take a more active stance, but no new initiatives have emerged.

Unity	3/5
Resources	2/5
Outcome	2/10
Total	7/20

C-

The EU seeks to play a central role in a future settlement and also has a clear goal: a power-sharing framework, along the line of the formulas applied in the Western Balkans. There is now a common understanding that Russia should be engaged rather than confronted. However, nuances continue to matter: member states such as Germany (which sees Transnistria as a critical test case) and now also France, tend to put their relationship with Russia before their relationship with the Wider Europe and offer incentives to Moscow rather than to Chisinau or Tiraspol, the capital of the self-proclaimed Transnistrian Republic. Meanwhile, the Alliance for European Integration, which is in power in Moldova, has been calling for more direct and active EU involvement in the dispute. This line is also supported by Romania and draws plaudits from both the European Parliament and High Representative Catherine Ashton.

Similar ideas were floated at the Deauville Summit attended by Angela Merkel, Nicolas Sarkozy and Dmitry Medvedev in October. Such ambitions to play a more central role have not been fulfilled in 2010, because the EU is still not recognised as a first-rank stakeholder in the ongoing negotiations (see component 20).

However, this is partly the EU's own fault. It has taken few specific steps beyond the allocation of roughly 15 percent (€41 million) of the EU financial assistance to Moldova for the reintegration of the eastern districts and the operation of the assistance mission at the border with Ukraine (EUBAM, which was allocated €12 million for 2010). It has not produced a detailed strategy, let alone a roadmap, for the solution of the crisis despite the demand coming from Chisinau and the experience with similar issues in the former Yugoslavia.

In 2010, Berlin and Moscow pioneered the so-called Meseberg Process for an EU-Russia Security Council, which would address Transnistria among other issues.

52 RESOLUTION OF THE ABKHAZIA AND SOUTH OSSETIA DISPUTE

All member states aim to defuse tensions without recognising Abkhazia and South Ossetia, but talks with Russia produced only modest results.

Unity	3/5
Resources	2/5
Outcome	4/10
Total	9/20

C+

The EU's goal is to defuse tensions between Georgia and the two breakaway provinces of Abkhazia and South Ossetia, and to avoid confrontation between Tbilisi and Moscow, which would spread instability across the South Caucasus. Also at stake is the ongoing rapprochement with Russia. Germany and France's understanding that relations with Moscow have priority is increasingly accepted by Poland, whose late president Lech Kaczyński was a close ally of Georgian President Mikheil Saakashvili inside the EU.

The EU had only limited success in 2010. On the positive side, it kept Georgia and Russia at the negotiating table through talks in Geneva that were co-sponsored by the OSCE and the UN. On the other hand, those talks produced only modest results. Even humanitarian questions concerning displaced people continue to be divisive and not properly addressed, and Abkhaz and South Ossetian representatives threatened several times to boycott the negotiations.

Following the Deauville summit between President Sarkozy, Chancellor Merkel and

President Medvedev in October, Russian troops withdrew from the village of Perevi, located south of the administrative border of South Ossetia. Their presence was a major embarrassment for the EU, as it breached the terms of the ceasefire agreement negotiated by Sarkozy on behalf of the EU following the brief Russo-Georgian war in August 2008. Another positive development was the decision in May to restore the regular flights between Tbilisi and Moscow. Since then, Georgia has attempted to take the initiative, proposing an agreement whereby it and Russia would pledge to refrain from unilateral use of force (see also component 60, which covers some of the operational aspects of the mission deployed in Georgia).

53 RESOLUTION OF THE NAGORNO-KARABAKH DISPUTE

The EU would like to play a more central role in Nagorno-Karabakh but is constrained as its leverage over the main players is limited.

Unity	4/5
Resources	2/5
Outcome	2/10
Total	8/20

C

The EU would like to facilitate a negotiated settlement of the conflict between Azerbaijan and Armenia by assuming a more prominent role in the OSCE Minsk Group that mediates on the issue. Although all member states support the goal, the EU has less leverage in Nagorno-Karabakh than any of the other protracted conflicts in the post-Soviet space, and has largely limited its involvement to issuing statements on the tense situation on the ground. The EU is one of the co-chairs of the Minsk Group (along with Russia and the US) but is permanently represented by France.

Russia remains the principal mediator in the conflict due to its military power and political capital. Still, its writ does not go far: in the latest meeting between Armenian and Azerbaijani presidents in October, the Russian hosts brokered an agreement to exchange prisoners of war as a confidence-building measure, but there is, at present, no basic agreement on the principles of the talks. Armenia is heavily dependent on Russia while Azerbaijan perceives Moscow as favouring Yerevan. That perception

was reinforced by the recent military cooperation agreement concluded between Armenia and Russia.

The EU, meanwhile, is asymmetrically dependent on cooperation with Azerbaijan with respect to energy supplies. Member states have been reluctant to push Baku on issues related to democracy and human rights, even those, such as Poland, that have spoken out on Belarus. The same applies to Armenia, which is largely ignored by top policymakers. In 2010, the EU started negotiations over an Association Agreement with both Azerbaijan and Armenia without making progress on Nagorno-Karabakh a condition. The EU has also failed to meaningfully engage Turkey, another key player. To have a bigger impact, the EU could deploy a monitoring mission along the lines of the one in Georgia and engage both Russia and Turkey.