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CONGRESSIONAL TESTIMONY

Eastern Europe's Pivotal Moment: Association Agreement and Deep and Comprehensive Free Trade Area (DCFTA) for the European Union and the Eastern Partnership

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My name is Ariel Cohen. I am the Senior Research Fellow in Russian and Eurasian Studies and International Energy Policy at The Heritage Foundation. The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

Thank you for inviting me to testify before you today on the Association Agreement and the Deep and Comprehensive Free Trade Area (DCFTA) between the Eastern Partnership (EaP) members (Ukraine, Moldova, Georgia, Belarus, Armenia, and Azerbaijan).

For centuries, the territory between Germany and Poland and between the Baltic Sea and the Black Sea was a scene of competition, and at times, confrontation, between Western European and Russian influences and interests. The South Caucasus was a battlefield between the Ottoman Empire, the Persian Empire, and the Russian

Empire. Western powers also viewed South Caucasus as a crucial geopolitical nexus between Central Asia, Europe, Russia, Turkey, and Iran. In Eastern Europe and in the Caucasus, indeed geography was the destiny. Today, there may be a chance to break this ancient dynamic by signing the Association Agreement (AA) and DCFTA between the Eastern Partnership members and the EU. The U.S. has national interests in the region, as it supports integration of the EuP members into the greater Euro-Atlantic area. Washington has not provided sufficient support to the Vilnius process and needs to do so in the remaining two weeks. Ukraine is the key country in this process.

Ukraine. Since the implementation of the Partnership and Cooperation Agreement (PCA), the EU has continued to reach out to Ukraine, requesting Ukrainian political and legal reforms in exchange for trade expansion and economic integration with the EU, which would bring distinct benefits for Ukraine. However, mounting Russian pressure threatens to derail the EU's decade-long integration efforts.

At the end of October and on November 9, President Yanukovich met with Russian President Vladimir Putin. Both sides published minimal information about these meetings, but a number of signs suggest that Russia's vehement opposition to Ukraine's AA and DCFTA membership is the key dynamic in the relationships between Kyiv and Moscow, and European capitals and Russia.

The future of the jailed former Prime Minister Yulia Tymoshenko and President Yanukovich's resistance to European pressure to pardon and release her seem to be playing a key role in the drama. First, the Ukrainian authorities launched new proceedings against Tymoshenko, which may lead to a jail term of up to 10 years. Second, a senior representative of the ruling Party of Regions announced in Kyiv that Ukraine may forgo the Association Agreement with the EU. The ruling Party of Regions refused to consider the new legislation allowing prisoners to leave abroad for medical treatment. It also pushed through legislation aimed at blocking world heavyweight champion Vitaly Klichko from running for presidency in 2014. Finally, Tymoshenko's attorney has been detained on criminal charges. All this suggests that Russia's pressure may have worked, and there will be no deal with the EU. Economic factors play a key role.

Currently, Russia is Ukraine's largest market for exports ranging from foodstuffs to metal pipes. Millions of Ukrainian migrant workers are employed in Russia, with families dependent on their revenue. In addition, Ukraine is in debt to its northern neighbor for \$880 million, mostly to the state-owned natural gas supplier Gazprom, which would like to gain control over the Ukrainian gas distribution network Naftohaz Ukrainy. Russia's soft power is dominating Ukraine through pro-Moscow politicians; popular TV channels and other media; and Russian speakers in the east and south of the country, especially in the Crimea.

This situation offers Russia significant leverage.¹ The creation of the Russia-dominated Customs Union, and formation of the Eurasian Union, allow Russia to place intense pressure on Ukraine. This is happening not just since the beginnings of the trade war we witnessed this summer,² but also with the earlier promises of economic and political gains.

Moscow does not demand reforms, including the rule of law and anti-corruption measures, which the EU does. These demands may annoy some Ukrainian elites and high-ranking officials, making domination by Moscow more palatable than European integration in the eyes of a myopic few.³

However, Ukraine's hesitancy to enter the Customs Union with Russia is warranted, as in the long term Moscow envisages subjugation, not cooperation. Its ultimate goals are geopolitical, not just economic. Recent events have made this clear. When negotiating over observer status as part of the Eurasian Economic Commission, Ukraine made several requests, including the right to attend all commission meetings, to have the texts translated into Ukrainian, and other reasonable safeguards of Ukrainian interests. All of Ukraine's requests were summarily rejected.⁴

The implacability of the Russian position and the potential loss of economic and eventually state sovereignty defeated Ukrainian elite's desire, if any existed, to join the Customs Union and the Eurasian Union. Yet, Kyiv is understandably apprehensive: if Moscow imposes high import tariffs (up to 10 percent allowed by WTO) and non-tariff barriers, economic sanctions, as it were, could come into damaging effect immediately; while EU and potentially World Trade Organization (WTO) response would be painfully—and prohibitively—slow.

Additionally, many EU members are hesitant to reach out to Ukraine until actual, measurable reforms are enacted. This, too, is understandable. The EU places political and legal conditions that are key to the signing of the Association Agreement, including the release of imprisoned former Prime Minister Tymoshenko.

Expert recommendations vary greatly in regards to the EU's response. Some argue that "the sooner the EU signs the agreements with Ukraine, Moldova and Georgia, the stronger the insurance will be against the vagaries of the East European political weather."⁵

¹ "West or East?" *The Economist*, October 5, 2013, <http://www.economist.com/news/leaders/21587228-european-union-should-sign-deal-ukraine-but-only-if-yulia-tymoshenko-freed-west-or> (accessed November 4, 2013).

² Nicu Popescu, "The Russia-Ukraine trade spat," European Union Institute for Security Studies, http://www.iss.europa.eu/uploads/media/Alert_Ukraine_trade.pdf (accessed November 4, 2013).

³ "West or East?" *The Economist*.

⁴ James Sherr, "Ukraine and Europe: Final Decision?" Chatham House, http://www.chathamhouse.org/sites/default/files/public/Research/Russia%20and%20Eurasia/0713pp_sherr.pdf (accessed October 4, 2013).

⁵ "Keeping the Eastern Partnership on Track," European Union Institute for Security Studies, http://www.iss.europa.eu/uploads/media/Alert_Armenia-Russia.pdf (accessed October 4, 2013).

Ukraine's signature on an Association Agreement is crucial to EaP goals, as Ukraine is expected to demonstrate the benefits of the EU's association agreements to other EaP countries. However, the signature on an agreement would not immediately resolve the long-standing problems in Ukraine. Whether or not Ukraine signs the Association Agreement in Vilnius, "Ukraine is likely to find itself in uncharted waters after November 2013."⁶ One possible outcome may be that Kyiv remains sitting between the two chairs: neither signing the DCFTA, nor joining the Customs Union. Such an outcome makes the quickly deteriorating economic situation of Ukraine particularly bitter.

Russia has already threatened to respond. Russian presidential adviser Sergei Glazyev publicly stated that numerous articles of the EU-Ukrainian Association Agreement would violate several clauses of the Ukrainian-Russian treaty of friendship and cooperation and "will do serious, irreversible and long-term harm to us."⁷

Russia's economic and political pressure through high tariffs and import delays, the possible implementation of a visa regime, and increased energy costs in the middle of a cold winter are the threats Moscow has held out in trying to prevent Kyiv from signing the agreement with the EU. Moscow experts reiterate that if Ukraine signs the EU Association Agreement, Ukraine would become a truly "foreign" country to Russia, estranged economically and politically. As I warned in a recent Heritage Foundation Backgrounder, Russia is threatening to retaliate, making the EU-driven process as painful as possible.⁸

It is in the U.S. national interest that Ukraine anchors its future in Europe; develops the rule of law and property rights; and becomes a fully democratic country. Unfortunately, the Administration did not view the future of Ukraine with due seriousness. It eschewed senior-level state visits; economic deal-making; and high-impact public diplomacy. Once again, in Eastern Europe and Eurasia, the US punched below its weight.

Instead of benign neglect, the Administration should have encouraged the Ukrainian leadership to sign the Association Agreement and DCFTA at the Vilnius summit in November. The White House should reaffirm the guarantees of Ukrainian sovereignty and independence pledged by the U.S. in 1994, at the highest level, including protection from economic pressure. After all, while Presidents Putin and Yanukovich met many

⁶ Sherr, "Ukraine and Europe: Final Decision?"

⁷ "Glazyev: Ukraine will fail to harmonize regulations with Customs Union if it signs association agreement with EU," Interfax Ukraine, November 4, 2013, <http://www.kyivpost.com/content/politics/russian-presidential-adviser-sergei-glazyev-ukraine-will-fail-to-harmonize-regulations-with-customs-union-if-it-signs-association-agreement-with-eu-331387.html> (accessed November 4, 2013).

⁸ Ariel Cohen, "Why the U.S. Should Support Ukraine's Association and Free Trade Agreements with Europe," Heritage Foundation *Backgrounder* 2849, October 21, 2013, <http://www.heritage.org/research/reports/2013/10/why-the-us-should-support-ukraines-association-and-free-trade-agreements-with-europe>.

times, American officials made their trips to Ukraine scarce, and the level of U.S visitors in the country lower than necessary. Nor was the US willing to coordinate its policies towards Ukraine with the EU in order to link the IMF economic relief package with European integration.

The Obama Administration should have publicly denounced Moscow's illegal economic pressure on Ukraine to force it to join the Customs Union. The US can and should provide technical advice on measures Kyiv can take to oppose such pressure in the WTO and other international frameworks. The U.S. should also promote the release of former Prime Minister Tymoshenko from prison—a step that would further encourage the Europeans to sign the Association Agreement.

Provided Ukraine signs the Association Agreement and DCFTA, Congress and the Obama Administration should expand U.S. and international technical assistance to Ukraine, if requested, including steps Kyiv may take in the WTO to defend its trade from discriminatory Russian trade practices. The U.S. should offer advice to: facilitate Ukraine's economic reforms, combat corruption, increase transparency of government decision making, make the civil service smaller and more efficient, privatize government services where possible, improve law enforcement practices, enhance the work of the courts, assist with the training of judges and prosecutors, deepen legal reform, and improve banking practices. The U.S. may lower tariffs on imports from Ukraine to compensate partially for the imposition of Russian tariffs on Ukrainian goods.

Finally, the Administration should boost public and diplomatic support of Ukraine's Association Agreement and DCFTA with European capitals, signaling high-level U.S. attention to this matter, and dispatch senior American officials to Kyiv to articulate support through talks with the Ukrainian leadership and public appearances.

Other countries are also under pressure not to join the AA and DCFTA. Moldova, too, has been a target of Russian threats.

Moldova was effectively dismembered by Russia, which supported Transnistria, the secessionist Russian-speaking enclave since 1992. Europe's poorest country, Moldova has become the latest victim of Russia's bullying.⁹ Nevertheless, it is planning to initial the Association Agreement in Vilnius and sign it in 2014.

In September 2013, Dmitri Rogozin, Russia's deputy prime minister in charge of the military-industrial complex and special envoy to the breakaway region of Transnistria, visited the country. A senior Moldovan diplomat who requested anonymity disclosed that Rogozin has applied pressure and threats during his talks with Moldovan officials. "He said it would be a serious and costly mistake if we concluded an agreement with the EU," the diplomat stated.¹⁰

⁹ Vladimir Socor, "Russia and the Moldovan Communists' Red October," *Eurasia Daily Monitor*, Vol. 10, Issues 176 and 177, (October 3 and 4, 2013).

¹⁰ Judy Dempsey, "How Russia Bullies the EU's Eastern Neighbors," *Strategic Europe*, September 9, 2013, <http://carnegieeurope.eu/strategieurope/?fa=52903> (accessed November 4, 2013).

Rogozin threatened to cut Moldova's trade with Russia, while Moldova's migrant workers could face restrictions on entering Russia. He also said that by moving closer to Europe, Moldova would have to give up the secessionist Transnistria, which is backed by Russia.

"Moldova's train en route to Europe would lose its rail cars in Transnistria," Rogozin said during a press conference in the capital, Chişinău, effectively threatening to dismember the country. As a parting shot, Rogozin, a former ambassador to NATO, told a closed meeting that European Union integration was linked to integration with NATO, which is entirely untrue. Then he reminded his audience about how Moldova is completely dependent on Russia for its energy. "Energy supplies are important during the run-up to winter," Rogozin said. "I hope you won't freeze."¹¹

Most recently, in September 2013, Russia implemented a ban on Moldovan fruits, vegetables, wines, and spirits, blaming Chişinău for a "lack of quality control at its wineries."¹² This pattern is similar to the earlier economic sanctions against Ukraine. As Moldovan produce, wines, and spirits are very popular in Russia, accounting for over 10 percent of the Russian market, and comprising over 50 percent of Moldovan exports, the Russian import ban has a significant impact on Moldova's economy.¹³ The EU promised to lift quotas on Moldovan wine before the end of 2013.

However, Moldova continues to move ahead with EU integration, although Russia's efforts may still dissuade Chişinău.¹⁴ The dispute with the secessionist Russian-speaking exclave of Transnistria remains unresolved and can be used a foil against the country's sovereignty, while the EU demands that more needs to be accomplished in terms of the rule of law and improvement of the business climate.

South Caucasus Countries

Georgia. Of all the Eastern Partnership countries, Georgia is historically the most firmly set on engaging and integrating with the West. Like Moldova, it is planning to initial the Association Agreement with Europe in Vilnius.

Russia never fully accepted Georgian independence in internationally recognized borders. In 1992, Russia provoked a civil war in Georgia that led to the secession of Abkhazia and

¹¹ "Moldova Says Will Stick to Pro-Europe Course Despite Russian Pressure," *Moscow Times*, September 6, 2013, <http://www.themoscowtimes.com/business/article/moldova-says-will-stick-to-pro-europe-course-despite-russian-pressure/485589.html> (accessed November 4, 2013).

¹² "Russia Vague on Lifting Moldovan Wine Ban," RIA Novosti, September 20, 2013. <http://en.ria.ru/russia/20130920/183619894/Russia-Vague-on-Lifting-Moldovan-Wine-Ban.html> (accessed November 4, 2013).

¹³ Reuters, "Russia, unhappy with Moldova's EU drive, bans its wine and spirits," September 10, 2013, <http://www.reuters.com/article/2013/09/10/us-moldova-russia-wine-idUSBRE98916M20130910> (accessed November 4, 2013).

¹⁴ Socor, "Russia and the Moldovan Communists' Red October."

South Ossetia. The Five Day War in 2008 completed the break-up, leaving over 25 percent of Georgian territory (Abkhazia and South Ossetia) occupied.

The process of subjugating Georgia may have been further advanced in the election cycle of 2012-2013, when Bidzina Ivanishvili, a former Russian billionaire businessman, captured the majority in the Parliament. On October 27, 2013, Georgians elected Giorgi Margvelashvili, Ivanishvili's handpicked presidential candidate, as mostly ceremonial president,¹⁵ and on November 4, 2013, the Parliament elected a close Ivanishvili ally, 31-year-old Irakli Garibashvili, as a powerful Prime Minister.¹⁶

Moscow seeks to undermine Georgia's role as an energy transit hub that links neighboring Azerbaijan to Turkey and Europe, thereby bypassing Russia and its energy monopoly in Eurasia. Almost five years after the Russian invasion of Georgia in August 2008, Russia has recognized the independence of the Georgian provinces of Abkhazia and South Ossetia while approximately 10,000 Russian troops continue to occupy them.¹⁷ The future of Georgian independence, territorial integrity, and sovereignty is severely challenged.

Just as Joseph Stalin, himself a Georgian, drew Georgian borders in order to exploit and exacerbate ethnic differences, Russia's current occupation of South Ossetia and Abkhazia reflects Moscow's desire to divide and conquer Georgia, as it supports Abkhazia's and South Ossetia's resistance to Tbilisi's offer to join Georgia as full autonomies.

Former President Mikheil Saakashvili during his two terms intensified the efforts of his predecessor and former USSR Foreign Minister Eduard Shevardnadze, seeking to counter Russian influence by cooperating militarily with NATO and economically with the U.S. and the EU.

Marlène Laruelle notes that "in Georgia, Moscow has soft power instruments that it could activate"¹⁸, including pro-Russian politicians, economic ties, and the popular Russian TV channels. The Georgian Dream Party of Bidzina Ivanishvili, the Conservative Party of Zviad Dzidzigouri, the Worker's Party of Shalva Natelachvili, the New Right, the Democratic Movement–United Georgia of Nino Burjanadze, and the Georgian Party of Irakli Okruashvili all call for a rapprochement with Russia in one way or another.

¹⁵ David M. Herszenhorn, "Georgia Elects New President, but Real Power Will Rest With Next Premier," *The New York Times*, October 27, 2013, http://www.nytimes.com/2013/10/28/world/europe/georgia-elects-new-president-but-real-power-will-rest-with-next-premier.html?_r=0 (accessed November 8, 2013).

¹⁶ Max Delany and Irakli Metreveli, "Georgia PM names loyalist minister, 31, as successor," *Agence France-Presse*, November 2, 2013, <http://news.yahoo.com/georgia-pm-names-interior-minister-successor-113951447.html> (accessed November 8, 2013).

¹⁷ Luke Coffey, "Georgia and Russia: The Occupation Too Many Have Forgotten," *The Heritage Foundation*, *The Foundry*, May 31, 2012, <http://blog.heritage.org/2012/05/31/georgia-and-russia-the-occupation-too-many-have-forgotten>.

¹⁸ Marlène Laruelle, "When the 'Near Abroad' Looks at Russia: The Eurasian Union Project as Seen from the Southern Republics," *Russian Analytical Digest*, No. 112 (April 20, 2012), <http://www.css.ethz.ch/publications/pdfs/RAD-112-8-11.pdf> (accessed October 28, 2013).

Moscow has been deeply uneasy with Georgia's market reforms, democratic elections, and Western orientation. That being the case, Georgia's strategy has been to move toward the EU and NATO, which will inevitably bring Russian ire on Tbilisi. Georgia's strategic dilemma is that while the relations with Moscow improved only marginally, the relations with Washington chilled down a lot since 2009. The EU was cautious not to anger Russia, its principal gas supplier.

Georgia's dogged campaign for NATO integration also played a key role in developing and affirming the country's desire to join in Western alliance. Apart from its ties with the West, Georgia stands alone, shadowed by Russia's looming threat to its national security and sovereignty.¹⁹ If allied with and protected by the West, Georgia stands a much improved chance of maintaining territorial integrity in the long term.

Trade with Russia represents a significant portion of Georgia's small economy and raises concerns of Georgia potentially falling squarely again under the aegis of Russia. The return to the Russian sphere of influence and economic frameworks would be a step backward for Georgian independence.²⁰

Azerbaijan. Azerbaijan has been caught between Russia and the West for almost 100 years, since its short-lived independence in 1918-1920. Strengthening ties between Azerbaijan and Russia has become a top priority for Putin, who visited Baku in August 2013.²¹ Azerbaijan and Russia signed a protocol in July 2013 for the reconstruction of the existing bridge at their border and to construct a new bridge across the Samur River.²² In June 2013 Azerbaijan agreed to a \$1 billion weapons purchase from Russia, equipping Azerbaijani military with updated tanks and armored vehicles.²³

In addition, SOCAR and Rosneft—Azerbaijan's and Russia's respective leading oil-producing companies—have begun negotiations on increasing energy cooperation. The two companies are considering resuming and expanding oil supplies to Europe via the Baku–Novorossiysk pipeline.²⁴

Yet, Russia's primary interests in the South Caucasus focus on Armenia, its historic ally as discussed above. Moscow wants to dominate the region militarily and strategically and to prevent or control the export of hydrocarbons to the West from the Caspian region

¹⁹ Eastern Partnership Community, "Georgia," <http://www.easternpartnership.org/partner-states/georgia> (accessed November 4, 2013).

²⁰ Ariel Cohen, "Russia's Eurasian Union Could Endanger the Neighborhood and U.S. Interests," Heritage Foundation *Backgrounder* No. 2804, June 24, 2013, <http://www.heritage.org/research/reports/2013/06/russias-eurasian-union-could-endanger-the-neighborhood-and-us-interests>.

²¹ Donald N. Jensen, "Putin Brings Disappointment Back from Baku," Institute of Modern Russia, August 22, 2013, <http://imrussia.org/en/politics/538-putin-brings-disappointment-back-from-baku> (accessed October 28, 2013).

²² Nazrin Gadimova, "Azerbaijan, Russia Ink Protocol on Construction of Bridge Across Samur River," AzerNews, July 24, 2013, <http://www.azernews.az/azerbaijan/57293.html> (accessed October 28, 2013).

²³ "Defense Minister's Press Secretary on Russian Supply of Weapons to Azerbaijan," Lragir.am, <http://www.lragir.am/index/eng/0/politics/21691/30226> (accessed July 28, 2013).

²⁴ Gulgiz Dadashova, "Rosneft, SOCAR Eye Prospects for Co-op under Future Projects," AzerNews, July 5, 2013, http://www.azernews.az/oil_and_gas/56419.html (accessed October 28, 2013).

through the Transcaucasian energy corridor,²⁵ which rests outside of Russian control. Moscow is particularly concerned by the 2012 agreement between Turkey and Azerbaijan to build the Trans-Anatolian Natural Gas Pipeline (TANAP)—and its extensions, the Trans Adriatic Pipeline (TAP), which would connect Turkey, Greece, Albania, and Italy, and Nabucco West, connecting Turkey, Bulgaria, Romania, Hungary, and Austria respectively. This pipeline system would ease Europe's dependence on Russian gas.²⁶

Under the two Azerbaijani presidents, Heydar Aliyev, who died in 2003, and his son Ilham, Azerbaijan has pursued a mostly pro-Western policy to date. The country was instrumental in the transit of U.S. military materiel and personnel through the Northern Distribution Network—a vital railroad and sea-lane link from the Caucasus across the Caspian Sea and Turkmenistan into Afghanistan. Azerbaijan is also a unique example of a secular regime in a state with a majority Shia Moslem population, which treats its Russian Orthodox, Jewish, and Sunni Moslem minorities quite well.

With U.S. support, Azerbaijan fiercely protected its sovereignty. In 2012, Aydin Aliyev—head of the Azerbaijani State Customs Committee—joined the Georgian government in declining to enter the Eurasian Customs Union. Aliyev announced that Azerbaijan is in the process of implementing its own customs code and refused to sign the Treaty on the Free Trade Area, signed in October 2011 by the presidents of eight CIS countries.²⁷

Since President Aliyev has not shown interest in EAU membership, Putin has attempted to create a counterweight to Aliyev's internal political and economic dominance in Azerbaijan. So far, he has failed.

The Union of Azerbaijani Organizations of Russia (UAOR)—also known as the Billionaires' Union—has been cited as a new tool that allows Putin to meddle in Azerbaijan's internal affairs. Georgian ex-president Saakashvili believes the UAOR was created for the purpose of overthrowing the Aliyev government, while Vafa Guluzade, a former senior foreign policy aide to the late President Heydar Aliyev, claims to “see it as one of the forms of pressure against, and intimidation of, the Azerbaijani government, which could be used when Putin needs it.”²⁸ However, the Billionaires' Union failed to launch a viable political alternative to Aliyev, and Putin paid a friendly visit to Baku in August 2013. Yet, there is a strong lobby in Baku, including in the corridors of power, which advocates abandonment of the Western orientation and cozying up to Moscow. Baku is concerned about the refusal of the EU to include language about territorial integrity and occupation in the Associate Membership Agreement. Some in Baku may be also upset over European critique of the levels of democracy, human rights violations,

²⁵“Connecting Caucasus with the World: Railways and Pipelines,” video, The Wilson Center, April 2, 2013, <http://www.wilsoncenter.org/event/connecting-the-caucasus-the-world-railways-pipelines> (accessed October 28, 2013).

²⁶Trans Adriatic Pipeline, <http://www.trans-adriatic-pipeline.com/> (accessed September 9, 2013).

²⁷A. Akhundov, “Azerbaijan Not to Join Eurasian Customs Union,” TREND News Agency, July 16, 2012, <http://en.trend.az/capital/business/2046965.html> (accessed October 28, 2013), and Sultan Akimbekov, “The Eurasian Response,” <http://magazine.asiakz.com/rus/article/1022> (accessed October 28, 2013).

²⁸Shahin Abassov, “Azerbaijan: Is the Kremlin up to Old Tricks?” Eurasianet.org, March 12, 2013, <http://www.eurasianet.org/node/66677> (accessed October 28, 2013).

and high levels of corruption. Over the past years, Azerbaijan has expressed interest in the EaP because of its desire to expand energy exports, including strategic TANAP and TAP gas pipelines to Turkey and Europe respectively, as well as a desire to ally with the West, but on its own terms.

As Azerbaijan is not a World Trade Organization member, it does not meet DCFTA requirements, but an Association Agreement can still be initiated. This would be a positive development that would speak volumes to neighbors north and south. With Azerbaijan's energy resources exported to the European markets, some of Eastern Europe's reliance on Russian energy – and consequent susceptibility to Russian pressure – would be diminished. Thus, Europe has a direct interest in negotiating such an agreement with Baku.

Armenia's recent capitulation to Russia's demands²⁹ illustrates Russia's willingness to threaten severe retaliation against any former Soviet nation's attempted re-orientation towards the West. Armenia needed but a limited push to abandon its European path and join the Custom Union. Eventually, Russia would like to see Georgia follow suit. If that occurs, Azerbaijan would be isolated by Armenia and Iran in the south, and its egress to the Black Sea corked by Georgia.

Erevan recently entered the Russian-led Customs Union, believing that its alliance with the Kremlin best guarantees its security. However, trading sovereignty for security came at a price. In September 2013, European Commissioner for Enlargement and European Neighborhood Policy Stefan Fule stated that it was “difficult to imagine” the initialing by Armenia of the Association Agreement at Vilnius in November . “Based on the information we presently have, the compatibility of obligations to the Customs Union with those under an Association Agreement/DCFTA with the EU looks problematic.”³⁰ EU President and Lithuanian Foreign Minister Linas Linkevicius echoed similar concern: “We respect any choice of countries but they cannot enter both organizations at the same time because of different tariff requirements.”³¹

Many analysts see Armenia's reversal after three years of negotiations and a successful completion of talks with the EU a prime example of Russia's powerful sway over the other four members of the Eastern Partnership.

Armenia was scheduled to sign the formal Association Agreement in November 2013 at the Vilnius conference. However, due to intense Russian pressures, Armenia was forced

²⁹ “Armenia's Dependency on Russia Continues to Deepen,” Caspian Research Institute, <http://caspianresearch.com/2013/10/02/armenias-dependency-on-russia-continues-to-deepen/> (accessed October 4, 2013).

³⁰ “Stefan Fule: Difficult to imagine initialling Association Agreement with Armenia in Vilnius as it had been negotiated,” News.am, September 6, 2013, <http://news.am/eng/news/170092.html> (accessed November 4, 2013).

³¹ “Armenia – EU free trade deal blocked,” Global Post, September 3, 2013, <http://www.globalpost.com/dispatch/news/afp/130903/armenia-eu-free-trade-deal-blocked>. (accessed November 4, 2013).

to abandon EU negotiations and seek entrance in the Russian-led Customs Union, which is likely to lead to membership in the newly formed Eurasian Union.³² Russia's threats to curb security cooperation and arms supply, in addition to "interfering with gas supplies, pressuring Armenian migrants in Russia... or reducing Russian support in Armenia's conflict with Azerbaijan over Nagorno-Karabakh," have led Armenia to shift its position."³³

Though the prospect of Armenia's integration with the EU suffered a large setback, the EU invitations to Armenia and Azerbaijan to participate in the Vilnius summit suggest that Armenia-EU negotiations are by no means closed. Instead, Moscow may force the EU to develop a "two-tier" Eastern Partnership, wherein the countries that are fully integrated receive full benefits, while those that only partially comply receive benefits that are more modest.³⁴

Regardless, such a radical and sudden volte-face in Armenia's position on EU involvement demonstrates the dangers that lie ahead in the EU negotiations with the other member states of the Neighborhood.

U.S. Interests in the Eastern European Neighborhood. Eastern and Central Europe have been a national interest priority area for the United States since World War I. After all, some of Europe's most pro-American countries are located there. The U.S. fought and won the Cold War on their behalf. The region was also a major battleground in both world wars and before.

Since the end of the Cold War the U.S. has actively assisted democratic forces in that part of the world. Democracy triumphed in the Baltic States, Poland, Czech Republic, Slovakia, and elsewhere in the region. There is no reason it will not succeed in the European Neighborhood countries. The U.S. is also interested in developing the East-West ("The New Silk Road") corridor for trade, transportation, energy pipelines, and communications from China to Europe, in keeping the region free from outside domination, and for penetration of the ideas of freedom to a part of the world which had little experience with it.

The U.S.'s overarching interest in expanding participatory government, the rule of law, and free-market economies in Eastern Europe is well demonstrated. However, due to weakened American leadership in the past five years, and because of Russia's expanding meddling into the economic and foreign affairs of the Eastern European states, these post-Soviet countries represent an increasing foreign policy conundrum.

It is wise for the Europeans to take a lead in addressing these challenges. After all, it is their neighborhood, their "near abroad." The U.S. should support efforts to expand the

³² Cohen, "Russia's Eurasian Union Could Endanger the Neighborhood and U.S. Interests."

³³ Caspian Research Institute, "Armenia's Dependency."

³⁴ Nicu Popescu, "Behind – and beyond – Armenia's choice," European Union Institute for Security Studies, October 2013, http://www.iss.europa.eu/uploads/media/Alert_35_Armenia_U-turn.pdf (accessed November 4, 2013).

economic stability, freedom, and sovereignty of our Eastern and South East European friends and allies, continuing the bipartisan policy of the both Bush and Clinton administrations since 1992.

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