





# The EU and the Eastern Partnership Countries: How to “lose weight” and incentivise reforms?

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The [GCRF COMPASS project](#) (ES/P010849/1, 2017-21) is an ambitious UK government capacity-building funding initiative, aiming to extend UK research globally, to address the challenges of growth and sustainability in the developing countries. Notably, the COMPASS project at the University of Kent, together with Cambridge University as research partner, seeks to establish ‘the hubs of excellence’ at the top-level HEIs in Belarus, Azerbaijan, Uzbekistan and Tajikistan, to enable them to become the centres for knowledge sharing and transfer for *research integration*, *impact governance*, and *sustainable communities*.

The EUEaPRU project (H2020-MSCA-IF-2016, Grant 746909) concerns regional integration choices of ruling elites from Eastern Partnership (EaP) countries and prospect theory. Under what conditions ruling elites from the EaP region select the EU or Eurasian Economic Union (EaEU) as integration projects? The project tests the explanatory potential of prospect theory to account for these competing integration choices.

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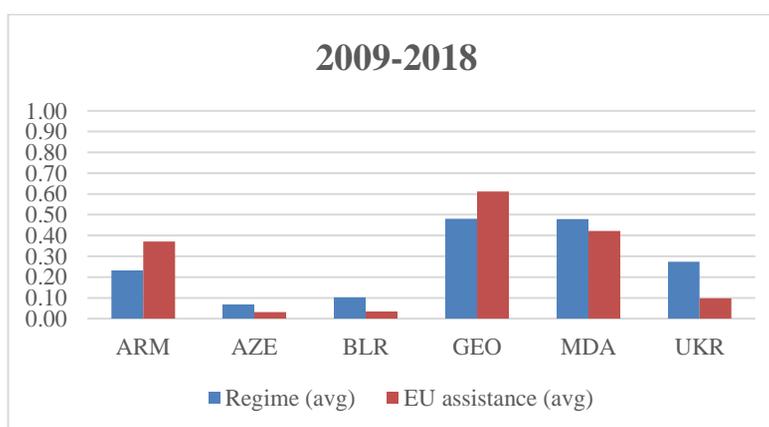
## Introduction

In an op-ed published by the *EUobserver* in 2019, Margot Wallström, Jacek Czaputowicz and Tomas Petricek, Foreign Affairs Ministers of Sweden, Czech Republic and Poland respectively, reaffirmed the validity of the “more for more” principle for the relationship between the EU and the Eastern Partnership (EaP) countries.<sup>1</sup> The heads of Swedish, Czech and Polish diplomacies also concurred that the EU would “respond with less for less when that is called for”, as necessary. Since its articulation with the launch of the EaP in 2009, the “more for more” principle, or its logical “less for less” opposite, has acquired a firm place in the language of European diplomacy. Moreover, the principle enjoys a strong support among many European leaders,<sup>2</sup> who are at the helm of national governments and EU supranational institutions. Notwithstanding this broad political support, the “more for more” principle hides an unresolved tension with serious implications for the future effectiveness of the EaP in the region. Before uncovering this tension and its potential challenges, let us recall briefly what the “more for more” principle stands for.

## “New Wine in Old Wineskins”

The “more for more” principle reflects the EU’s determinacy to provide more support and material benefits to the EaP countries to further incentivise their commitment to implementing democratic and economic reforms. This principle was introduced with the launch of the EaP in 2009 and applied thereafter by the EU across the EaP region.<sup>3</sup> However, as *Figure 1* illustrates, the EU has not been consistent in the realisation of this “more for more” principle post-2009.

*Figure 1: Regimes vs. EU Assistance in EaP Countries*



Source: V-Dem Project, European Commission, authors

<sup>1</sup> Wallström, M., Czaputowicz, J., and Petricek, T. (2019). *Eastern Europe Matters*, <https://euobserver.com/opinion/143990>.

<sup>2</sup> EPP. (2019). *EPP Resolution on the 10th Anniversary of the Eastern Partnership and Its Future*. EPP Congress Zagreb, 20-12 November 2019, <https://www.epp.eu/>.

<sup>3</sup> European Commission. (2008). *Eastern Partnership*. COM(2008) 823 final, <https://ec.europa.eu/transparency/regdoc/rep/1/2008/EN/1-2008-823-EN-F1-1.Pdf>.

Notably, according to the V-Dem Project<sup>4</sup>, which compiles the largest dataset about 202 political regimes from 1789-2019, Georgia and Moldova had on average the same level of democratic development in the period of 2009-2018. However, the former has received more material benefits from the EU on a per capita basis, than the latter. In turn, Armenia, with a political regime that was less democratic than that of Ukraine, enjoyed a 3.7-fold higher level of EU support per capita than Ukraine. One should also recall that the latter has already become an associated member of the EU, and yet, it was seemingly treated less favourably than Armenia in terms of per capita assistance. Furthermore, the EU has provided the highest level of assistance to Armenia in 2015, the year during which the country became a formal member of Eurasian Economic Union (EAEU). Conversely, Azerbaijan and Belarus serve as examples of the “less for less” logic, having received a modicum of financial assistance for their perceivably less satisfactory performance.

Contrary to what it is often assumed, the logic underlying the “more for more” principle for the EaP was not at all new. It was preceded by the logic of differentiation imbedded in the European Neighbourhood Policy (ENP), launched in 2004.<sup>5</sup> The ENP Action Plans signed between the EU and individual partner countries defined the volume of EU support as conditional on the degree of commitment to democratic values and capacity to implement jointly agreed political and economic reforms. This in turn was borrowed from the “big-bang” Eastern enlargement process, whereby the EU introduced a rewarding mechanism to incentivise the reform process across Central and Eastern European Countries (CEEC) in 1990s.

Hence, far from articulating a new logic, the “more for more” principle for the EaP countries seems to be the third iteration of the same foreign policy instrument, whereby the EU sought to promote political reforms in its neighbourhood, using financial means for incentivisation of reform there.

However, the EU was unable to replicate its transformative success in CEEC across the neighbourhood due to the following two key conditions and their interaction: (a) the EU offers fewer material benefits to the neighbouring countries as compared to the CEEC; and (b) the domestic transformation costs in the ENP countries on average turned out much higher than those in CEEC; and, essentially, (c) the benefits did not offset the costs, and the cost-benefit balance has remained largely negative. To the well-known gaps in the EU foreign policy<sup>6</sup>, *the domestic costs–external benefits gap* is a new disconcerting addition. While it is relatively clear what the EU material incentives can be (e.g. financial assistance, trade and visa liberalisation, etc.), the domestic transformation costs warrant further clarification.

## Domestic Transformation Costs

The EaP countries present a spectrum of strong autocratic and hybrid regimes. In particular, Azerbaijan and Belarus have strong autocratic leadership, whereas regimes in Armenia, Georgia, Moldova and Ukraine exhibit a mix basket of democratic and autocratic qualities. Regime types have direct implications for the size of domestic transformation costs, which tend on average to be higher in the case of autocratic regimes than in the hybrid ones. Azerbaijan and Belarus, being more autocratic, are expected to face higher transformation costs than Armenia, Georgia, Moldova and Ukraine, where these costs, though lower, would still represent non-trivial impediments to democratic consolidation.

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<sup>4</sup> Coppedge, M., et al. (2019). *V-Dem Dataset – Version 9*. Varieties of Democracy (V-Dem) Project, <https://www.v-dem.net/en/data/data-version-9/>.

<sup>5</sup> European Commission. (2004). *European Neighbourhood Policy Strategy Paper*. COM(2004) 373 final, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52004DC0373>.

<sup>6</sup> Hill, C. (1993). The Capability–Expectations Gap, or Conceptualizing Europe’s International Role. *Journal of Common Market Studies*, 31(3), 305–328; Stoddard, E. (2015). Between a Rock and a Hard Place? Internal–External Legitimacy Tensions and EU Foreign Policy in the European Periphery. *Journal of European Integration*, 37(5), 553-570.

The EaP countries are dominated by political regimes where informal institutions, such as patronage, nepotism and clientelism, have a central role in the access to and the exercise of power. Informal institutions, having a long evolutionary history, are highly resilient and resistant to change, and tend to prevail over formal institutions in the EaP countries. They manifest political under-development, rather than being a consequence of poor governance.<sup>7</sup>

Patronage is a core informal institution through which corrupt ruling elites maintain power and extract large rents for personal enrichment. The higher the rents extracted by the elites, the higher their material gains. The higher the material gains of the elites, the higher the costs they are expected to bear in the event of political liberalisation and genuine democratic consolidation. The higher the potential costs faced by these elites, the higher is their resistance to any reform process aiming at democratisation.

In the context of different iterations of the foreign policy instrument through which the EU seeks to promote political reforms abroad, the domestic transformation costs are those which threaten directly the hold on power of (semi)autocratic elites. Such costs are expected with regime liberalisation and implied directly by the EU's "democratic conditionality". These costs should not be confused with adjustment costs, which are implied by the EU's "*acquis* conditionality" and expected with regulatory approximation and convergence. It is the former type of costs that render the democratisation process highly difficult and one should recall that these hold on power-threatening costs tend to be higher in strong autocratic regimes, such as Azerbaijan and Belarus.

The tension implied by the "more for more" principle for EaP countries or its logical extension of "less for less" becomes now apparent. This principle presupposes less material incentives for less democratic EaP countries, where the domestic transformation costs tend on average to be higher. The unintended consequence of the "more for more" principle for the EaP region is that it makes virtually impossible to incentivise autocratic Azerbaijan and Belarus without substantially motivating ruling elites in hybrid regimes, such as Armenia, Georgia, Moldova and Ukraine, where the EU's external benefits still do not offset the domestic transformation costs. This tension should become clearer with a more intuitive example.

Let us consider two individuals: *X* and *Y*. Both *X* and *Y* have extra weight, but they are generally content with their physical condition. However, *Y*, compared to *X*, has weight in excess. *X* weighs 110 kg, whereas *Y* has 140 kg. Let us now suppose that a neutral sponsor *EU* offers them the challenge to lose weight down to an optimal weight of, say, 80 kg. Obviously, *Y* will need to incur more costs in order to reach the optimal weight than *X*. The costs of losing weight for *Y* are twice as higher as the corresponding costs for *X*, which would need to lose only 30 kg, compared with 60 kg by *Y*. To be sure, *X* and *Y* are both away from the optimal weight, but *Y* would need to diet and exercise more than *X* in order to reach the target weight of 80 kg.

Let us further suppose that the *EU* offers to reward *X* and *Y* on the basis of the principle of more material incentives for more progress on the way to achieving the target weight of 80 kg. Importantly however, the proposed payoff structure by the *EU* is not expected to offset the costs of losing weight for *both X* and *Y*. How compelled would *Y* be, with twice as higher costs of transformation as those for *X*, to accept the losing weight challenge? The answer is obvious. The "more for more" rewarding mechanism or its "less for less" logical extension is doomed to be highly ineffective in the case of *Y* and partially so in the case of *X*.

This is however the incentivisation formula applied by the EU across the eastern neighbourhood. It offers more incentives for more progress on the path to democratisation, but it does not provide enough incentives to offset the domestic transformation costs in hybrid contexts, and disregards that these costs

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<sup>7</sup> Fukuyama, F. (2015). *Political Order and Political Decay*. London: Profiles Books LTD.

are much higher and even prohibitive in autocratic countries. The democratic transformation of autocratic regimes is more cost-demanding than that of the hybrid ones and ruling elites in autocratic contexts are expected “to stay on diet” more in order to bring their countries in line with democratic standards.

## **What Policy Response?**

The practical policy implications of these findings are straightforward.

The “more for more” rewarding principle makes sense for hybrid regimes in Armenia, Georgia, Moldova and Ukraine, but the EU still needs to find ways to reverse *the domestic costs–external benefits gap* between the size of its material incentives and that of domestic transformation costs. So far, the cost-benefit balance has been largely negative.

The EU also needs “to walk the talk” and to be consistent while delivering its material incentives in return for the proportionate democratic progress. As *Figure 1* illustrates, the EU’s record in this regard has not been consistent across the EaP region.

Finally, the extension of the “less for less” rewarding logic overlooks the fact that autocratic regimes would need, on average, more help to gain “shape” than the hybrid regimes. However, pathways of providing that help need to be thought through carefully, to avoid boosting regimes’ legitimacy at the expense of reforms. The EU would still need to provide a robust assistance package to Azerbaijan and Belarus, which however should bottom-up level stakeholders, instead of providing direct support to national budgets, as in the case of Georgia, Moldova, Ukraine and Armenia. A revised incentivisation formula should become a priority for the post-consultation EaP agenda setting to reinvigorate a new sense of commitment to reform matched by the level of support in resilience-building across the neighbourhood.

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