



Edited by

Gilles Rouet · Gabriela Carmen Pascariu

Resilience and the EU's Eastern Neighbourhood Countries

From Theoretical
Concepts to a
Normative Agenda

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Foreword

Resilience is one of those words, and concepts that has had a meteoric rise in policy and academic debates in recent years. The driving force of that rise was the EU Global Strategy, which identified resilience as a major foreign policy goal of EU foreign policy. The concept itself is mentioned over 30 times in the EU Global Strategy, which is quite extraordinary.

The term is a response to Europe's self-perception of its changing place in global and regional security. And that is not a change for the better. If the EU's Security Strategy of 2003 was fundamentally optimistic about the EU itself, and its ability to have a positive impact on world affairs, the EU Global Strategy of 2016 is not. There is almost a paradox in that. While the title of the guiding document of EU foreign policy in 2003 was a 'security strategy', suggesting a narrow and somewhat defensive concern with security, the 2016 framework document was called a 'global strategy'—something that suggests a much wider geographic and policy scope and ambition. The name itself of the 2016 document suggests that it is less concerned with security and thus more optimistic in outlook. But on substance the opposite is true. Titles aside, the 2003 Security Strategy was more optimistic about EU power, and set a higher bar for the then foreign policy ambitions than the 2016 Global Strategy.

Such change in the EU foreign policy ambitions seems to be a response to how problems outside the EU not only tend to continue their course in defiance of EU actions and desires but also show the extent to which

the EU itself is affected by them. As the EU's impact on the prevention or cessation of wars in its neighbourhood has been modest at best, the resilience agenda suggests a shift in the EU objectives from a desire to drive and shape positive transformations in the world (while preventing, managing or even solving conflicts) to a much less ambitious damage limitation agenda, called 'resilience'. It is not that the other, less ambitious goals are not ritualistically reiterated by the EU and its foreign policy machinery in recent years, but the prominence of resilience as the single most visible of EU foreign policy goals, at the expense of other goals, suggests this shift to a less ambitious and less self-confident EU.

The term 'resilience' is not new. The concept of resilience has been a conceptual tool and a practical goal in other areas of human activity, such as mining and medicine. But in recent years it has been imported first into European foreign policy debates, and then into academic studies on EU foreign policy, thus inserting itself into the wider fields of International Relations and Political Science. However, as is often the case with popular terms, it often means different things to different people. Its exact meaning can vary from one policy conversation to another, and can acquire new meanings over time. So, to a large extent, despite frequent references to it, the concept of resilience is remarkably under-researched in the field of political science.

The process of understanding and thinking through the theoretical and practical implications of the term for academic debates is only at the beginning. And the list of questions about what resilience actually means when applied to various EU policy domains is almost endless. What does it mean for the European Union itself? Should the EU be concerned with its own resilience, or only with resilience of its foreign policy capacity? And how should one analyse and then frame the EU's concern with resilience in various policy domains—from environmental catastrophes to hostile cyber activities or organised crime?

This book is an ambitious attempt to expand our understanding of resilience in the field of European Studies. It is one of the first and most ambitious attempts at a profound, systematic and interdisciplinary level to understand and explain what resilience is for the EU as a Union and

for its foreign policy, in particular. The book does so through a fascinating and enriching combination of theoretical reflections and case studies of foreign and domestic fields of EU policy action, and thus situates itself at the cutting edge of research in this field of study.

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This volume represents the result of research activities conducted by academics and experts from various countries across Europe, such as France, Germany, Poland, Romania, Russia, Slovakia, Ukraine and the UK, who have combined their efforts and competences in elaborating this multidisciplinary insight into the resilience of the Eastern Partnership (EaP) countries, thus covering multiple angles of this complex concept, from regional and labour economics, econometrics, public administration and law, to political sciences, international relations and geography. As such, the authors have brought to light valuable information concerning the realities and challenges faced by the countries of the EaP, providing insights into the multidimensional specificities of these neighbours, and their potential to strengthen democratic systems and generate beneficial economic and institutional changes that support a sustainable development process being evaluated by knowing their resilience capacity. Thus, we would like to thank all the authors for their valuable contributions, as well as for the patience and responsibility with which they have always answered our requirements and reviewers' requests, for editing and improving their chapters. Moreover, we are particularly grateful to all the reviewers for their valuable insights and recommendations, as well as for the professionalism they have proved in evaluating this book's chapters.

Furthermore, we would like to thank the professors and researchers of the Centre for European Studies (CES) of Alexandru Ioan Cuza University

of Iasi, which have as research priority issues related to resilience at the Eastern border of the EU, CES having a significant role in the area as a scientific information pole for both the academic and general public, facilitating and strengthening the educational and research connections between the EU and the EaP. The current volume is based on previous scientific and research cooperation under the framework of the Jean Monnet Network *European Union and its neighbourhood. Network for enhancing EU's actorness in the eastern borderlands* (ENACTED) project coordinated by CES, in the framework of the Erasmus+ 2017–2020 Programme of the European Union.

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Contents

Part I	The EU's Eastern Neighbourhood Context	1
1	Introduction: Resilience and the Eastern Partnership— What Relevance for Policies?	3
	<i>Gabriela Carmen Pascariu and Gilles Rouet</i>	
2	Increasingly Geopolitical: EU's Eastern Neighbourhood in the Age of Multiple Crises	25
	<i>Cristian Nitoiu</i>	
3	Public Administration and Governance in the EU's Eastern Neighbourhood Countries: Comparative Approach and Relevance for the European Neighbourhood Policy Effectiveness	49
	<i>Mihaela Onofrei and Florin Oprea</i>	
4	The Economic Dynamics of the Eastern Partnership Countries: Between Development Gaps and Internal Fragilities	89
	<i>Oana-Ramona Socoliuc and Liviu-George Maha</i>	

Part II	The EU's Actorness and Eastern Neighbourhood Challenges	137
5	(In)securitising the Eastern Neighbourhood. The European Union Eastern Partnership's Normative Dilemma: Resilience Versus Principled Pragmatism <i>Grzegorz Pożarlik</i>	139
6	The EU's Actorness in the Eastern Neighbourhood <i>Teodor Lucian Moga and Lucian-Dumitru Dîrdală</i>	159
7	Resilience of the EU and Leverage of the European Neighbourhood Policy: Good News and Bad News <i>Michael Bolle</i>	193
8	Geostrategic Interests of the EU and Their Implementation on the Example of the Ukrainian Crisis <i>Ivana Slobodnikova, Peter Terem, and Radovan Gura</i>	219
9	Measuring Hierarchy in the European Union and Eastern Partnership Countries <i>Yuval Weber</i>	245
10	Organisations and Resilience: What Relevance for the Eastern Partnership? <i>Gilles Rouet and Thierry Côme</i>	293
Part III	Eastern Neighbourhood Countries' Resilience. Case Studies and Prospects	319
11	Current Methodological Approaches in Economic Resilience Analysis. Empirical Findings in the EaP Countries <i>Carmen Pintilescu and Daniela Viorică</i>	321

12	Borderlines: Economic Resilience on the European Union's Eastern Periphery	349
	<i>Adrian Healy and Gillian Bristow</i>	
13	Resilience at the EU's Eastern Borders: A Comparative Analysis of Post-Soviet Countries Through an Institutional Approach	369
	<i>Ramona Țigănașu and Loredana Maria Simionov</i>	
14	The Eastern Partnership and the Idea of Europeanisation Challenged in the Age of Hybrid Challenges	431
	<i>Sergiy Gerasymchuk</i>	
15	Whose Resilience? Resilience and Regime Strength in EU-Azerbaijan Relations	447
	<i>Eske Van Gils</i>	
16	Migration and Resilience in the Eastern European Neighbourhood: Remittances as a Mechanism for Boosting Recovery After Shocks	475
	<i>Cristian Incaltarau and Gabriela Carmen Pascariu</i>	
17	Adaptation, Marketisation or Resilience? Multiculturalism in Local Practices at the Polish-Ukrainian Borderland	515
	<i>Dariusz Wojciech Wojakowski</i>	
18	General Conclusions	541
	<i>Gilles Rouet and Gabriela Carmen Pascariu</i>	
	Appendix A: Comparative Outlook on the Eastern Partnership Countries	549
	Appendix B: Political and Governance System in the Eastern Partnership Countries	555

Appendix C: Territories that Seceded from Eastern Partnership Countries	559
Appendix D: Country Profiles	561
Index	587

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Abbreviations

AA	Association Agreement
AAs	Association Agreements
AVE	Average Variance Extracted
BIC	Bayesian Information Criterion
BRI	Belt and Road Initiative
BTI	Bertelsmann Stiftung's Transformation Index
CA	Central Asia
CEE	Central and Eastern Europe
CEPA	Comprehensive and Enhanced Partnership Agreement
CFSP	Common Foreign and Security Policy
CIS	Commonwealth of Independent States
CR	Composite Reliability
CSDP	Common Security and Defence Policy
CSF	Eastern Partnership Civil Society Forum
CSOs	Civil Society Organisations
CSTO	Collective Security Treaty Organisation
DCFTA	Deep and Comprehensive Free Trade Agreement
DCFTAs	Deep and Comprehensive Free Trade Areas
DI	Democracy Index
EAEU	Eurasian Economic Union
EaP	Eastern Partnership
EBRD	European Bank for Reconstruction and Development
EC	European Commission

ECB	European Central Bank
EEA	The Agreement on the European Economic Area
EEAS	European External Action Service
EFTA	The European Free Trade Association
ENI	European Neighbourhood Instrument
ENP	European Neighbourhood Policy
EP	European Parliament
ESS	European Security Strategy
EU	European Union
EUGS	European Global Strategy: Shared Vision, Common Action: a Stronger Europe
FA	Factor Analysis
FDI	Foreign Direct Investment
FE	Fixed effects
FHI	Freedom House Index
FTA	Free Trade Agreements
GDP	Gross Domestic Product
GNI	Gross National Income
GONGOs	Government-Organised NGOs
HCI	Human Capital Index
HDI	Human Development Index
HRI	Hierarchy and Resilience Index
ILO	Institute for Labour Organisation
IMF	International Monetary Fund
IMF-WEO	International Monetary Fund–World Economic Outlook Database
IR	International Relations
IRI	Institutional Resilience Index
NATO	North Atlantic Treaty Organisation
NPE	Normative Power Europe
OSCE	Organization for Security and Cooperation in Europe
PCA	Principal Component Analysis
PESCO	Permanent Structured Cooperation
PLS	Partial Least Squares
PRIO	Peace Research Institute Oslo
PWT	Penn World Table
SEM	Structural Equation Modelling
SIPRI	Stockholm International Peace Research Institute

SSI	Social Stability Index
UCDP	Uppsala Conflict Data Program
UN	United Nations
UNDP	United Nations Development Programme
USSR	Union of Soviet Socialist Republics
VAR	Vector Auto-Regression
WB	World Bank
WDI	World Bank World Development Indicators
WEF	World Economic Forum
WTO	World Trade Organization

List of Figures

Fig. 4.1	GDP—current US billions of Dollars (1990–2017) (Source: Own computation after World Bank Database (2019). <i>World Development Indicators database</i>)	97
Fig. 4.2	GDP components for the EaP countries (1990–2017) (Source: Own computation after World Bank Database (2019). <i>World Development Indicators database</i>)	102
Fig. 4.3	GDP per capita—current US Dollars (1990–2017) (Source: Own computation after World Bank Database (2019). <i>World Development Indicators database</i>)	103
Fig. 4.4	Sectorial distribution of GDP in the EaP countries (1990–2017) (Source: Own computation after World Bank Database (2019). <i>World Development Indicators database</i>)	105
Fig. 4.5	Public debt at the level of the EaP countries (% of GDP) (1995–2018) (Source: Own computation after World Bank Database (2019). <i>World Development Indicators database</i>)	108
Fig. 4.6	Country ratings for the EaP countries (1997–2019) (Source: Own computation after Moody’s Rating (2019))	109
Fig. 4.7	HDI in the EaP countries (1990–2017) (Source: Own computation after United Nations Development Programme (2018). <i>Human Development Index</i>)	110
Fig. 4.8	Unemployment rate (% of total labour force) in the EaP countries (1990–2018) (Source: Own computation after World Bank Database (2019). <i>World Development Indicators database</i>)	111

Fig. 4.9	Employment to population ratio 15+, total (%) (1990–2018) (Source: Own computation after World Bank Database (2019). <i>World Development Indicators database</i>)	112
Fig. 4.10	Labour productivity by sector in the EaP countries—current US Dollars (1990–2017) (Source: Own computation after World Bank Database (2019). <i>World Development Indicators database</i>)	115
Fig. 4.11	Gini Index for the EaP countries (1990–2017) (Source: Own computation after World Bank Database (2019). <i>World Development Indicators database</i>)	116
Fig. 4.12	The total exports of the EaP countries—millions of current US Dollars (1990–2017) (Source: Own computation after World Bank Database (2019). <i>World Development Indicators database</i>)	119
Fig. 4.13	The total imports of the EaP countries—millions of current US Dollars (1990–2017) (Source: Own computation after World Bank Database (2019). <i>World Development Indicators database</i>)	120
Fig. 4.14	The exports of the EaP countries to the European Union—millions of current US Dollars (1992–2018) (Source: Own computation after International Monetary Fund (2019a). <i>Direction of Trade Statistics</i>)	120
Fig. 4.15	The exports of the EaP countries to the CIS countries and Russian Federation—millions of current US Dollars (1992–2018) (Source: Own computation after World Bank (2019a). <i>World Integrated Trade Solutions</i>)	122
Fig. 4.16	The imports of the EaP countries from the European Union—millions of current US Dollars (1992–2018) (Source: own computation after International Monetary Fund (2019a). <i>Direction of Trade Statistics</i>)	123
Fig. 4.17	The imports of the EaP countries from the CIS countries and the Russian Federation—millions of current US Dollars (1992–2018) (Source: Own computation after International Monetary Fund (2019a). <i>Direction of Trade Statistics</i>)	124
Fig. 4.18	FDI net inflows (BoP)—millions of current US Dollars (1990–2017) (Source: Own computation after World Bank Database (2019). <i>World Development Indicators database</i>)	125

Fig. 4.19	FDI net outflows (BoP)—millions of current US Dollars (1990–2017) (Source: Own computation after World Bank Database (2019). <i>World Development Indicators database</i>)	126
Fig. 7.1	Public approval for membership in the European Union (Source: Author’s representation)	194
Fig. 7.2	The Negotiation system of the European Union (Source: Author’s representation). <i>IR</i> International Relations, <i>EEAS</i> European External Action Service, <i>Com</i> European Commission, <i>ECJ</i> European Court of Justice, $M_1 \dots M_n$ Other institutions 1 to n , <i>ECB</i> European Central Bank, <i>EC</i> European Council, $n_1 \dots n_j$ Member states 1 to j , $pd_1 \dots pd_j$ Political determinants of member states 1 to j , $ep_1 \dots ep_j$ Economic parameters 1 to j	196
Fig. 7.3	The welfare-repression balance (Source: Salhi). Y_t Provision of Welfare, e_{rt} Political Repression, S_{rt} Regime Stability	200
Fig. 7.4	Social stability index (SSI) (Source: Author’s representation)	202
Fig. 7.5	Societal stability index (Source: Author’s representation)	207
Fig. 7.6	Components of SSI (Source: Author’s representation)	213
Fig. 7.7	Impulse responses for public approval for the EU (Source: Author’s representation)	214
Fig. 7.8	Impulse responses for the social stability index for the European Union (Source: Author’s representation). For the interpretation of Fig. 7.8, mind that the response variable is log-transformed	214
Fig. 9.1	Belt and Road Initiative infrastructure network, 2018 (Source: Eder 2018)	250
Fig. 9.2	U.S. European Command military installations (Source: Heritage Foundation Report <i>Keeping America Safe: Why U.S. Bases in Europe Remain Vital</i> (Coffey 2012))	251
Fig. 9.3	Russian hierarchy, “All Is Important” model, 2003–2017 (Source: Author’s representation)	260
Fig. 9.4	American hierarchy, “All Is Important” model, 2003–2017 (Source: Author’s representation)	261
Fig. 9.5	Chinese hierarchy, “All Is Important” model, 2003–2017 (Source: Author’s representation)	261
Fig. 9.6	American hierarchy, “Security” model, 2003–2017 (Source: Author’s representation)	262
Fig. 9.7	Russia hierarchy, “Security” model, 2003–2017 (Source: Author’s representation)	262

Fig. 9.8	American hierarchy, “Economic” model, 2003–2017 (Source: Author’s representation)	263
Fig. 9.9	Russian hierarchy, “Economic” model, 2003–2017 (Source: Author’s representation)	263
Fig. 9.10	Chinese hierarchy, “Economic” model, 2003–2017 (Source: Author’s representation)	264
Fig. 10.1	The diagram of resilience (Source: Authors, based on Gibson and Tarrant 2010, p. 8)	303
Fig. 10.2	Model Shock-Resilience-Change (Source: Authors, based on Koninckx and Teneau 2010, p. 112)	313
Fig. 12.1	Distribution of regional economic resilience (NUTS 2, employment, peak year to 2011) (Source: Bristow et al. 2014. ESPON Database, ESPON ECR2 Project, Cardiff University, UK. Origin of data: Experian, Cambridge Econometrics, Eurostat. EuroGeographics Association for administrative boundaries)	358
Fig. 13.1	GDP growth rates compared to previous year (Source: Authors’ representation, based on World Bank data, World Development Indicators, 2019)	384
Fig. 13.2	Grouping of countries according to their Institutional Resilience Index (Source: Authors’ representation)	401
Fig. 16.1	The real GDP index (1990 = 1) and the European Bank for Reconstruction and Development (EBRD) transition index, 1990–2017 (average by region) (Source: Own calculations using data from EBRD, World Bank (WB) (2018) and Penn World Table (PWT) 9.0 (Feenstra et al. 2015))	481
Fig. 16.2	Emigration stock and remittance inflows, 1995–2017 (average by region) (Notes: Migration stock refers to the share of population living in a foreign country in that year; remittance inflows are computed as a share to GDP) (Source: United Nations (UN) (2017) and WB (2018))	483
Fig. 16.3	Emigration stock and remittance inflows in EaP countries, 1995–2017 (Notes: Emigration stock refers to the share of population living in a foreign country in that year; remit- tance inflows are computed as a share to GDP) (Source: UN (2017) and WB (2018))	484
Fig. 16.4	The EBRD transition index and real GDP index (1990 = 1) in EaP countries, 1995–2017 (Source: Own calculations	

	using data from EBRD, WB (2018) and PWT 9.0 (Feenstra et al. 2015))	485
Fig. 16.5	Conflicts, natural disasters and economic downturns faced by EaP countries, 1990–2017 (Note: Data for economic downturns are for 1991–2017) (Source: The Emergency Events Database, Centre for Research on the Epidemiology of Disasters (Guha-Sapir et al. 2018); Uppsala Conflict Data Program (UCDP) and the Centre for the Study of Civil War at the Peace Research Institute Oslo (PRIO), Armed Conflict Dataset version 18.1 (Gleditsch et al. 2002; Pettersson and Eck 2018); PWT 9.0 (Feenstra et al. 2015))	486
Fig. 16.6	Conflicts, natural disasters and economic downturns faced by EaP countries, 1997–2014 (Source: The Emergency Events Database, Centre for Research on the Epidemiology of Disasters (Guha-Sapir et al. 2018); Uppsala Conflict Data Program (UCDP) and the Centre for the Study of Civil War at the Peace Research Institute Oslo (PRIO), Armed Conflict Dataset version 18.1 (Gleditsch et al. 2002; Pettersson and Eck 2018); Penn World Table 9.0 (Feenstra et al. 2015))	487
Fig. 1	Armenia: Macroeconomic evolution (Source: See Table 1 for sources and notes)	563
Fig. 2	Armenia: Freedom, good governance and development (Source: See Table 1 for sources and notes)	565
Fig. 3	Azerbaijan: Macroeconomic evolution (Source: See Table 1 for sources and notes)	567
Fig. 4	Azerbaijan: Freedom, good governance and development (Source: See Table 1 for sources and notes)	569
Fig. 5	Belarus: Macroeconomic evolution (Source: See Table 1 for sources and notes)	571
Fig. 6	Belarus: Freedom, good governance and development (Source: See Table 1 for sources and notes)	573
Fig. 7	Georgia: Macroeconomic evolution (Source: See Table 1 for sources and notes)	575
Fig. 8	Georgia: Freedom, good governance and development (Source: See Table 1 for sources and notes)	577
Fig. 9	Moldova: Macroeconomic evolution (Source: See Table 1 for sources and notes)	579

xxxvi **List of Figures**

Fig. 10	Moldova: Freedom, good governance and development (Source: See Table 1 for sources and notes)	581
Fig. 11	Ukraine: Macroeconomic evolution (Source: See Table 1 for sources and notes)	583
Fig. 12	Ukraine: Freedom, good governance and development (Source: See Table 1 for sources and notes)	585

List of Tables

Table 3.1	Ratings and average scores for nations in transit—Belarus (2009–2018)	56
Table 3.2	Local democratic governance ratings for nations in transit (selected countries, 2018)	63
Table 3.3	Local public administration expenditures in Armenia (2010–2016)	67
Table 3.4	Local budget revenues in the Republic of Armenia (2012–2016)	68
Table 8.1	Position of member state towards sanctions on Russia	234
Table 8.2	Voting of member states in the General Assembly of the UN during the 69th session	236
Table 9.1	Categories and indicators of the hierarchy and resilience index	265
Table 9.2	Weighted models	270
Table 9.3	Hierarchy and Resilience Index, Georgia 2003 and 2017	278
Table 9.4	Continental Europe, “All Is Important” model, 2003–2017	280
Table 9.5	Post-Communist Europe, “All Is Important” model, 2003–2017	281
Table 9.6	Post-Soviet Europe, “All Is Important” model, 2003–2017	282
Table 9.7	Eastern partnership, “All Is Important” model, 2003–2017	284
Table 9.8	Eastern partnership, security model, 2003–2017	285
Table 9.9	Eastern partnership, economic model, 2003–2017	286

Table 9.10	Eastern partnership, diplomacy model, 2003–2017	287
Table 9.11	Eastern partnership, informational model, 2003–2017	288
Table 10.1	Changes of type I and II	311
Table 11.1	Factor loadings and the weights w_i	329
Table 11.2	The values of the factors	331
Table 11.3	The weights w_{fi}	331
Table 11.4	Economic resilience capacity index values	331
Table 11.5	The variables that explain the factor formation for Armenia	334
Table 11.6	The variables that explain the factor formation for Azerbaijan	334
Table 11.7	The variables that explain the factor formation for Belarus	335
Table 11.8	The variables that explain the factor formation for Georgia	335
Table 11.9	The variables that explain the factor formation for Moldova	336
Table 11.10	The variables that explain the factor formation for Ukraine	336
Table 11.11	Regression coefficients for the econometric models	337
Table 12.1	Regional resilience categories	356
Table 12.2	Border regions and regional resilience	359
Table 12.3	Regional resilience and mountain and coastal characteristics	360
Table 12.4	Varying circumstance by country	361
Table 12.5	Assessing the relative situation of regions	363
Table 12.6	Comparing the resilience of border regions within countries	363
Table 12.7	The effect of territorial characteristics on national resilience	363
Table 13.1	Status index and governance index of post-Soviet countries	386
Table 13.2	Latent variable correlations	400
Table 16.1	Summary of estimation results of real GDP per capita growth in transition countries (CA, CEE, EaP and Russia), 1997–2014	492
Table 16.2	Two-way fixed effects panel estimation of the impact of remittances, natural disasters and conflicts on real GDP per capita growth in transition countries (CA, CEE, EaP and Russia), 1997–2014	499

Table 16.3	Two-way fixed effects panel estimation of the impact of remittances, natural disasters and conflicts on real GDP per capita growth in transition countries (CA, CEE, EaP and Russia), 1997–2014	500
Table 16.4	Two-way fixed effects panel estimation of the impact of remittances, natural disasters and conflicts on real GDP per capita growth in transition countries (CA, CEE, EaP and Russia), 1997–2014	503
Table 16.5	The values of thresholds and the confidence interval	504
Table 16.6	Results of threshold effect test	505
Table 16.7	Variable description	505
Table 16.8	Summary statistics for the real GDP per capita growth drivers in transition countries (CA, CEE, EaP and Russia), 1997–2014	507
Table 1	Technical notes on country sheets figures	585

List of Annexes

Annex 3.1	EaP Countries Governance Indicators—Percentile (2009–2017)	81
Annex 3.2	EaP Countries Governance Indicators—Ranges (2009–2017)	82
Annex 3.3	Fiscal Decentralization Indicators in Georgia (2004–2016, Units)	83
Annex 3.4	Fiscal Decentralization Indicators in the Republic of Moldova (2004–2016, Units)	84
Annex 7.1	VAR Models	211
Annex 7.2	Data	212
Annex 7.3	Charts	213
Annex 7.4	Data—Descriptive Statistics	215
Annex 7.5	Sketch of Stability conditions for a Negotiation Model	215
Annex 9.1	Methodology for the Hierarchy and Resilience Index	277
Annex 9.2	Eastern Partnership Data	283
Annex 11.1	Dimensions and Variables Used in the Study	340
Annex 11.2	Methodology Used for Building the Economic Resilience Capacity Index	344
Annex 11.3	Regional Resilience Based on Employment Growth Rate	346
Annex 13.1	Description of sub-indexes and variables	407
Annex 13.2	Construct reliability and validity	409
Annex 13.3	Discriminant validity	410
Annex 13.4	Path coefficients and structural models	411

xlii **List of Annexes**

Annex 13.5	Cluster analysis	415
Annex 13.6	Proximity matrix	418
Annex 13.7	The distribution of countries according to IR and Δ GDP	419
Annex 13.8	Euclidean distance between countries based on the variables used in analysis (11 variables)	421
Annex 13.9	Total effects histograms	423

Part I

The EU's Eastern Neighbourhood Context



1

Introduction: Resilience and the Eastern Partnership—What Relevance for Policies?

Gabriela Carmen Pascariu and Gilles Rouet

The year 2019 is an auspicious one, considering that the European Neighbourhood Policy (ENP) celebrates its 15th anniversary, whereas the Eastern Partnership, the multilateral dimension of the ENP towards the European Union (EU's) Eastern Neighbourhood, is approaching its 10th anniversary. With this in mind, it is high time for EU decision-makers to ponder the region's future prospects and to reflect on the key questions and answers regarding some of the most worrying concerns about Europe's security and stability, concerns that also have global significance and impact.

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1 European Union's Eastern Neighbourhood: Geopolitical Context and the Normative Agenda

Launched in 2004, only one year after the European Commission's Communication "Wider Europe—Neighbourhood: A New Framework for Relations with Our Eastern and Southern Neighbours" (European Commission 2003), the European Neighbourhood Policy (ENP's) main goal was to develop "a zone of prosperity and a friendly neighbourhood—a 'ring of friends'—with whom the EU enjoys close, peaceful and cooperative relations" (European Commission 2003, p. 4). In this regard, through its new foreign policy, the European Union (EU) has assumed the role of a regional power, aiming to promote stability and prosperity at its external borders by strengthening cooperation with its closest neighbours and by supporting them in adopting the necessary reforms for establishing democracy and consolidating free market institutions. Moreover, the Commission's Communication even includes the "promise" of a deeper integration through the neighbours' participation in the European Single market, "in return for concrete progress demonstrating shared values and effective implementation of political, economic and institutional reforms, including in aligning legislation with the *acquis*" (European Commission 2003, p. 4), following the model of the European Economic Space.

Initially designed to include Russia, the ENP has also outlined the prospect of a broader pan-European economic integration, following the model of concentric circles, with the Union as the tough nucleus, that promotes at its external borders "shared" values, which were in fact European values, norms, institutions, and development patterns. A simple analysis of this document, which represented the basis of the ENP, leads to three key conclusions, which played a significant role in the evolution of this policy in the eastern neighbourhood of the EU:

1. The ENP was mainly the result of external pressures, of a certain constraint, present on the regional geopolitical environment that has been restructured as a result of the EU's own dynamics; as such, through

successive expansions to the South and East (see also Howorth 2016), the EU aimed “to avoid new dividing lines in Europe”, by reducing the gaps between the regions inside the EU and those situated outside its immediate borders; furthermore, the EU’s Eastern neighbourhood was perceived as a threat to the Union’s security, as these countries (Russia included) did not clearly express a willingness to adopt a clear democratic path and a sustainable development model. Subsequently, the ENP has thus emerged as a reactive policy, its tools and methods being “imported” from its enlargement policy towards Central and Eastern Europe (i.e. Association Agreements, Action Plans, Financing, Market Liberalisation, Positive Conditionality). In this case, the Union sought to encourage and support, at the same time, the new neighbours to adopt the Western model of society and economy, but without offering institutional integration, thus “sharing everything with the Union, but institutions” (Prodi 2002). However, such a limitation has generated two opposite reactions in the neighbourhood: frustration in those countries that had European aspirations (such as Georgia, Moldova, or Ukraine), respectively, the perception of the EU as an oppressive power, with its specific conditionality; this view was particularly expressed by those countries with a more balanced approach towards the EU, that were rather oriented towards Russia (such as Belarus, Armenia and Azerbaijan).

2. When the ENP was launched, the EU was deemed strong and attractive enough for neighbouring countries so that it assumed a clearer external dimension. Moreover, the EU was also inclined to believe that its mechanism of positive conditionality, that had worked so well in the enlargement process, would be just as effective, despite lacking the promise of the EU’s accession itself. At the same time, the lack of a clear integration perspective, of limiting the neighbours’ access to the European common market highlighted the emerging of a certain “fatigue”, following the eastern enlargement of 2004–2007, which also partially indicated that the EU might have reached its geographical limit. In practice, these translated into a raising awareness of the existing vulnerabilities which have compelled the EU not to consider future enlargements, even in the case of those countries that would have opted for such a perspective.

3. By giving its own model a universal value, the EU has built its ENP around the idea that all neighbouring countries, including Russia, will automatically aspire and strive for the European model, so that the Union could assume the role of a transformative power in the region, without facing notable challenges in transferring to these countries its own rules, values, and institutions, in line with the *acquis communautaire*. In return for adopting the required reforms and policies that these countries have agreed to, thus promoting the “Europeanisation” phenomenon, the EU has offered financial support, strengthened cooperation and access to European programmes, security guarantees, as well as it has, overall, facilitated people’s mobility and access to European markets. However, in literature, the EU’s approach is being perceived as “Eurocentric” (Lehne 2014; Howorth 2016), “missionary” (Simionov and Tiganasu 2018, p. 137), or as an “intoxication with its own model” (Krstev and Leonard 2014).

Apart from the specific ENP aspects mentioned earlier, the lack of a common EU foreign and security policy has played a major role in the policy’s implementation dynamics and the results obtained in the region. The resulting limits have been very clearly highlighted in the context of the crisis in Ukraine, when the discordant preferences of the member states towards the neighbours and Russia have led to different positions that have weakened the effects of sanctions against Russia along with the EU’s overall ability to provide security and stability in the region. Moreover, the ENP is rather a common European platform that is not entirely assumed by the individual member states. Furthermore, border states, which should play a key role in implementing the ENP, are not necessarily accountable in this process, thus displaying a very low self-awareness. At individual level, connecting countries to the ENP is mainly achieved through cross-border cooperation within the framework of European Cohesion Policy, without assuming, from a political standpoint, an active role in the region, given that in the EU’s external policy, the key players are the member states, not the Union.

Over the past 15 years, all these limitations have determined the EU to constantly revise the ENP and, thus, to undergo a permanent process of strategic and methodical reconsideration of its relations and approach

towards its neighbours. The first important steps were the adoption of the Union for the Mediterranean in 2008 and the Eastern Partnership (EaP) in 2009, which have added a multilateral dimension to the existing bilateral platform. This major revision was followed by the reforms of 2011 (following the Russo-Georgian War in 2008 and the Arab uprisings in 2011), the 2015 reforms as a direct result of the EaP Summit in Riga (following Ukraine crisis, the annexation of Crimea and the War in Donbass in 2014) and, more recently, in 2017, with the 20 Deliverables for the revised 2020 (European Commission 2017c). Each of these reforms has strengthened the EU's commitment to its Eastern and Southern neighbours in supporting the processes of democratic transformation, promoting free markets and sustainable development, in accordance to ENP's initial goal: that of creating a "ring of friends" with whom the EU enjoys close, peaceful, and cooperative relations (European Commission 2003, p. 4). As such, the EU's actions in the region led to consolidating a more differentiated and tailor-made approach designated at reaching the common objectives of the EaP.

The ENP design in the Eastern neighbourhood is therefore defined now by a revised EaP. Considered a joint initiative of the EU and the six post-Soviet neighbouring countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine), the EaP has set itself major goals after 2015 through constant negotiations between the EU and the post-Soviet countries, focusing on a list of priorities related to democratic transformation and economic and social development: (1) economic development and market opportunities (by stimulating economic diversification, attracting investment, creating new jobs, sustaining macroeconomic stability); (2) strengthening institutions and good governance (by fighting against corruption, supporting the reform of justice and strengthening public administration); (3) connectivity, energy efficiency, environmental and climate change (by facilitating transportation and regional economic integration and people's mobility, reducing external exposure to the risks and increasing the resilience of the EaP countries) and (4) mobility and people-to-people contacts. The four priorities, based on the negotiations which took place at the Riga Summit (2015) have materialised in 20 deliverables agreed through a joint agreement at the EaP Brussels Summit in November 2017 (Council of the European Union 2017). These

deliverables are aimed at providing tangible results to the citizens from the EaP states by 2020, at rebuilding confidence in the EU's capacity to promote peace, stability, and prosperity in the region and at reinforcing the EU's commitment to support the aspirations of these countries in order to have closer relations with the EU.

As it appears, the EaP is based on the assumption that the six Eastern neighbours assume European integration as a strategic political objective, since strengthening democracy, the rule of law, human rights, and fundamental freedoms, as well as principles and norms of international law are at the heart of the EaP (European Commission 2017b). Likewise, on behalf of the EU, the assumption is that the Union is sufficiently strong and genuinely interested in supporting the efforts of the EaP states to seek closer integration with the EU. In earnest, the only possible integration available is a partial one, since the EU has not altered its initial offer, which only entails the prospect of participating in the EU's internal market (European Commission 2003, p. 10). The subsequent EaP summits reaffirmed this political option, which, over time, constituted itself as the bedrock of the EU-EaP relationship.

However, after casting a glance at the EU's latest developments over the past years, at Union's present challenges and limits and at the complex geopolitical context from the wider post-Soviet space, it is fair to observe that the ENP perspectives are currently called into question.

Firstly, although the EU is a major global economic actor (with over 20% of global GDP and 15.6% of global exports in 2017), it experiences now a very problematic period of systemic challenges. The Union has still not managed to recover from the economic crisis and reach the pre-crisis economic levels. As such, economic and social disparities remain high, posing important risks to the functioning of the internal market and the economic and monetary union. Concurrently, the subsequent economic downturn registered after the financial crisis affected people's confidence in the EU and undermined social cohesion and solidarity across the continent. Moreover, Brexit has negatively impacted the economic outlook on the continent and constrained the EU budget. The decision of the UK to leave the EU has also generated political risks and may weaken the EU's position as a global and regional actor. Last but not least, the immigration crisis (with over 1.8 million refugees who have arrived in Europe

since 2014) has led to increased tensions between member states and brought about serious discussions vis-à-vis the real meaning of the principle of subsidiarity, namely what the Union is allowed (or not) to impose on the member states. Against this backdrop, the EU still remains popular across Europe, according to the latest Eurobarometer, although the past years have seen a surge in the Eurosceptic sentiments in many member states.

Secondly, ever since the end of the Cold War, the EU has addressed the challenges existing in the neighbourhood by spreading the European values, norms, and principles with the final aim of strengthening stability, security, and prosperity in the region. Whereas the Central and Eastern European countries (CEECs) have eventually managed to “return to Europe” after becoming members of both the EU and NATO, for the EaP countries the EU sought to reactivate the same rationale. However, unlike the CEECs, the “full-fledged” membership prospect has never been offered to the EaP countries, which questioned the effectiveness of the EaP partnership framework. Considering the limited attractiveness of the EU’s offer to the post-Soviet neighbouring states, the ENP produced modest results in almost all spheres (including economic, social, institutional development).

Last but not least, Russia’s implications in the “shared neighbourhood” have raised additional challenges for the EU’s transformative power. The EU was unable to deploy more effective responses to the regional turmoil sparked by the Ukrainian crisis. For the first time since the EU has actively involved itself in post-Soviet Eastern Europe, the Union has faced an entirely different context marked by the revival of realistic concerns and Cold War geopolitical-type competitions.

Problematic here, it has also been the inefficient communication of the Union’s policies and plans vis-à-vis these countries. For example, only in 2015 has the EU adopted a communication strategy, more than a decade after the launch of the ENP. This has been chiefly sparked off in response to Russia’s disinformation campaign during the Ukrainian crisis, which pushed the Union to establish an internal structure (namely, East StratCom Task) commissioned to debunk and counter Russia’s disinformation practices in the Eastern neighbourhood. As far as Russia is concerned, while in the 2003 Commission communication document Russia

was seen as a partner in the regional cooperation process, just after the crisis in Ukraine, Russia became “the other”, the enemy and a constant threat to the stability of the EaP countries. Little is mentioned about the fact that Russia’s actions can also be seen as a reactive strategy against the gradual rise of the EU’s economic and political influence in the so-called “shared neighbourhood”. Nevertheless, the future of the EaP is obviously linked to the quality of relations between Russia and the EU, which must be rethought in terms of cooperation, mutual respect, and not rivalry and conflict.

In addition, the clear divisions in the EaP countries’ societies, between the pro-European groups and actors, on the one hand, and the pro-Russians, on the other hand—generated by the increased presence of the two major actors in the region—represented a major source of increased internal tensions and political instability. Specifically, the interference of EU and Russian interests and actions in the region can be viewed as the source/cause of instability and “frozen conflicts”, leading to a decline in the EU’s attractiveness for the EaP population, coupled with a decreased confidence in the EU’s ability to be a real provider of security and prosperity in the region. Within this context, it is not by chance that according to the latest survey conducted in 2017, in Georgia (the country with the strongest European orientation), only 59% of the respondents mentioned having a positive image of the EU, whereas in Belarus (the country most strongly oriented towards Russia), the percentage declined to just 35% (Eurobarometer 2019).

Moreover, taking into account that the economic and political situation of the EaP countries (see the General Annexes) and, subsequently, their relations and stages of integration with the EU vary greatly, the EaP proposed and included into its strategy and agenda various multi-speed and multi-level integration elements. As such, the three partner countries that are more advanced in their relations with the EU (Ukraine, Moldova, and Georgia) have signed the Association Agreements (including Deep and Comprehensive Free Trade Areas) in 2014. With Armenia, the EU has signed in 2017 the EU-Armenia Comprehensive and Enhanced Partnership Agreement, as a result of the EaP Summit in Brussels, in November 2017, while Armenia is also a member of the Eurasian Customs Union with Russia, just as Belarus. With Belarus, there was no bilateral

agreement, although relations with the EU have considerably strengthened over the past years. With regard to Azerbaijan, the bilateral relation with the EU is based on the 1999 EU-Azerbaijan Partnership and Cooperation Agreement. At the 2017 EaP Summit, the two partners only began negotiating a new updated agreement. Overall, the most advanced countries in terms of EU integration are Georgia and Moldova, whereas the least integrated remain Azerbaijan and Belarus, according to the index of linkage dimension developed by the Eastern Partnership Civil Society Forum (Eastern Partnership Civil Society Forum 2014–2017).

An analysis of the literature in the field easily reflects that all these limits of the EU's actions in the region, in the framework of its neighbourhood policy, have shown their effects since the early years of implementation. Starting with 2010, academics and experts in international relations but also other connected disciplines have pertinently claimed the need for a radical overhaul of the neighbourhood strategy, in general, and of the EaP, in particular, in order to advance the transformative processes in the neighbouring countries by adapting their economies and societies to European standards (Bechev and Nicolaidis 2010; Börzel 2011; Whitman and Wolff 2010; Korosteleva et al. 2013; Howorth 2016; Lehne 2014; Korosteleva 2017). The same key priority has also been highlighted by European institutions (Council of the European Union 2015; European Commission 2014a, 2014b, 2014c). In effect, the EU's main challenge regarding its Eastern Neighbourhood was to find new approaches and action tools in the region, better suited to the geopolitical context (defined by instability and multiple shocks) and to the specificities of each country (structural fragilities, economic, social, and institutional risks). Nevertheless, since the values, models of governance, or reforms cannot be imposed from the outside, merely searching for optimal formulas at EU level was clearly not enough. The perspective of development in the region is directly dependent on the capacity of EaP countries to assume and implement reforms “in moments of abrupt change and rupture of political and social stability” (European Commission 2014b). This means that in the various stages of ENP's dynamics, the priority was to find common solutions, outside and inside, and to advance better understanding of the EU's partners and of the region as a whole, by integrating a systemic analysis of the internal and external shocks and vulnerabilities.

One of the most recent approaches in literature, which can offer such an understanding, refers to the concept of resilience and its specific theoretical and methodological developments. Representative studies in the field (Shaw and Maythorne 2013; Martin and Sunley 2014; Boschma 2014) explain that resilience can reflect the capacity of a socio-economic system (city, region, country) to be placed on a long-term development path, incorporating a large set of internal and external conditionalities. Consequently, the resilience analysis could outline the vulnerabilities within a system in relation to various types of shocks, which may further explain its capacity to resist, to recover, and to transform by adopting a new growth and development pattern, making it a very appropriate approach for the specific case of the EaP countries. Not by chance, the concept of resilience has increasingly become present in the European Foreign Policy, especially when it comes to the EU's neighbours. Thus, if in the Commission's Communication of 2003 on the "Wider Europe" project, resilience is never mentioned, within the Joint Declaration of Riga (2015) it appears twice, in the Commission's Communication "Wider Europe—Neighbourhood: A New Framework the Concept of Resilience for Relations with Our Eastern and Southern Neighbours" (2017a) seven times, whereas in the "A Global Strategy for the European Union's Foreign and Security Policy" (EUGS) (European Commission 2016), the word "resilience" appears 41 times. Consequently, in the EUGS, resilience of states and societies becomes a "strategic priority across EU's East and South both, in countries that want stronger ties with the EU, addressing the different paths of resilience" (p. 26). The EUGS and the revised ENP (European Commission 2015, 2017a) call for a focus on achieving the overall goal of increasing the stability and resilience of the neighbours.

2 Why Does Resilience Matter?

One of the defining features of worldwide economic dynamics over the past decade has been the accelerated pace of changes that produced asymmetric shocks at international, national, regional, and local levels. In the attempt to understand how economies respond more efficiently

to exogenous systemic impulses and in order to identify measures/solutions for taking advantage of endogenous developments and mitigating opportunities, scholarly literature has developed a new analytical framework, crystallised in the concept of resilience, which is defined as “the ability to resist, recover from, or adapt to the effects of a shock or a change” (Mitchell and Harris 2012, p. 2). The interest in the study of resilience dates back to the 1960s but, only recently, has it reached a critical mass of academic research (Folke et al. 2002; Cutter et al. 2008; Boorman et al. 2013; Martin and Sunley 2014). As a result, the concept of resilience is still a matter of scholarly debate and remains to be fully integrated into models of growth and development.

The global crisis of 2007–2009 and its internationalisation have strengthened the academic interest in examining resilience and its interdependency with economic development. This focus is further underscored by the protracted economic slowdown in Europe and increasing regional and global geopolitical instability. International organisations also increasingly pay a central attention to resilience in their visions of development (see, e.g., The World Bank 2014; UNDP 2014), suggesting that resilience gradually tends to replace sustainability as the ultimate goal of development (Folke et al. 2002). To European economies, especially those belonging to the EaP, resilience gains special importance given the complex dynamics of change brought about by internal structural reforms (economic, social, institutional), by the Europeanisation process triggered by the adoption of EU standards, and by the international and regional dynamics defined by the EU’s and Russia’s roles in the region.

Academic literature proposes two approaches to resilience and its relation to long-term development (regional, local, urban). The first approach (used in environmental and engineering sciences) offers a static vision of resilience: it refers to the economy’s capacity to resist shocks (resistance), thus integrating the changes induced by these shocks within its system and consequently returning to equilibrium. In turn, the equilibrium can either be the initial one or a new one with maintaining the functions, structures, and growth model (adaptability and recoverability). According to this approach, the system may resist, adapt, and return to a functional balance while keeping the pre-shock development model (Davoudi et al. 2013).

The second approach, developed by social sciences over the past ten years, suggests a dynamic vision of resilience: the economies affected by the shock do not just return to the initial balance or move to a new equilibrium but also transform (in terms of structure and functions), affecting the operation of a new growth and development model (Martin and Sunley 2014, p. 4; Bene et al. 2014, p. 602).

In fact, the two approaches reflect the evolution of the resilience concept in parallel to new approaches such as “positive adaptability” or “evolutionary resilience”. These approaches have a high explanatory potential in terms of social systems’ functioning and transformation, as when employed by Martin and Sunley (2014, p. 3) for defining regional economic resilience as “the capacity [...] to withstand or recover from [...] shocks to its developmental growth path, if necessary by undergoing adaptive changes to its economic structures and its social and institutional arrangements, so as to maintain or restore its previous development path, or transit to a new sustainable path”.

Consequently, resilience can be examined as an economy’s adaptation and/or transformation process triggered by exogenous shocks. Based on this premise, the analytical model for the study of resilience comprises the following dimensions: the capacity to resist (the shock does not alter its equilibrium), the capacity to absorb (the shock alters its equilibrium, but the economy can adapt, recovering the initial equilibrium or a new one, by maintaining its model and functions), the capacity to adapt (the shock alters the equilibrium, and the system recovers by adapting, although without any major change in functions and characteristics), and the transformation capacity (the capacity to generate new structures, new functions, new models).

Various organisations, agencies, research institutes (Organisation for Economic Co-operation and Development, World Bank, United Nations Development Programme, Centennial International Group, Network on Building Resilient Regions), and experts in various areas are considering resilience analyses as being the most appropriate alternative to replace other key concepts in designing macroeconomic policies, due to its capacity to accommodate the multitude of factors and conditions that influence long-term growth and development in a systemic approach.

Lately, on the European agenda, the concept of resilience has started to be mentioned more frequently as a key concept in relation to specific areas and fields of strategic importance, such as economic governance; growth and sustainable development; energy, environment and climate action; education and labour market; and foreign affairs. Moreover, faced with the current multiple crisis and challenges (economic crisis, Brexit referendum, the refugees crisis, the terrorist attacks, the Ukrainian episode, etc.), and considering the pitfalls of the overall integration process, the EU itself needs to become not only more intelligent, more inclusive, and more sustainable (EU2020 agenda; EUGS 2016) but also more resilient, more capable of reacting to different internal, and external shocks.

As an analytical concept, resilience can help us understand a region's capacity and ability to generate a shared development model, thus reflecting the specific characteristics and weaknesses of a socio-economic system (fragilities) and the way in which shocks can divert development directions from the established objectives (risks). The way in which the potential for the system's capacity to react, adapt, and transform, both as a whole or by its individual components (developmental potential), can be realised.

Consequently, an analysis framework based on the resilience concept in relation to the EaP dynamics can enable a better understanding and assessment of the opportunity cost of "non-resilience"; it can help identify vulnerabilities in relation to internal and external shocks (typology, level, duration, intensity) and to propose adequate measures in order to increase resilience capacity and speed up EaP economies' convergence process to EU standards. In particular, a resilience-based approach can capture the weaknesses of the systems characterised by instability, insecurity, institutional weaknesses, and structural fragilities, as well as inefficient governance. It can thus offer a scientific basis for the design of public policies.

3 The Book Content

This volume consolidates the understanding of the recent geopolitical challenges in Europe, providing, first, an extensive analysis of the EaP countries from a multi-disciplinary and multi-level policies perspective

and, second, by revisiting the Eastern Partnership agenda, based on the resilience approach, as a new paradigm in the EU's Foreign and Security Policy. The resilience analysis framework encompassed in the current book seeks to outline the vulnerabilities but also the strengths of both the EU and EaP countries, in relation to various types of shocks and stressors, which characterised the international environment and the regional context over the past decade. In this respect, the volume proposes: (a) a critical approach of the ENP and its implications for the EU as a regional actor, starting with the current trends, which focus on using the concept of resilience, almost excessively and lacking a rigorous scientific substantiation; (b) an update of the current state of the art regarding resilience theories, focusing on the four main aspects of resilience (the abilities to resist, absorb, adapt, and transform) in relation to specificities and challenges for the EU's Eastern Neighbourhood; (c) case studies that will provide and foster a better understanding of the new realities at the EU's Eastern borders; and (d) opinions and proposals of a new framework for the resilience capacity analysis and for using the concept of resilience in policy-making development in the EaP Countries, as well as in increasing the efficiency of the ENP. Considering all of the above-mentioned arguments, the book can be considered as the first of its kind to provide an in-depth understanding of the EaP region, based on resilience approach analyses, from a multi-disciplinary perspective. Furthermore, resilience analysis of a system can provide highly normative conclusions for the policy-making process, for both national governments and European structures in the region.

In Chap. 2, Cristian Nitoiu analyses the geopolitical context in Eastern Europe, based on the dynamics of the status-seeking efforts of Russia and the EU over the past two decades. The chapter contends that the Ukraine crisis has moved the relations between the EU and Russia from geopolitical competition to geopolitical conflict, and that this movement has been primarily caused by a breakdown in the post-Cold War pattern of mutual recognition of the status-seeking efforts of Russia and the EU. The chapter also contends that the increased focus in geopolitics has prompted the EU to build its resilience towards external development in the eastern neighbourhood. In the opinion of the author, it is in the EU's interest to increase its sensitivity towards Russia's status claims and efforts and to

resume the dialogue with Russia (possibly by also including the views of the post-Soviet states), as well as to develop clearer strategies and prevention measures for dealing with Kremlin's assertive foreign policy.

Mihaela Onofrei and Florin Oprea propose in Chap. 3 a comparative study of the administrative systems and governance practices in EaP countries, along with their implications for ENP's effectiveness. Considering that, the strongest reform triggers are internal rather than external, and the sustainability of the measures and their effects depend mostly on internal factors, the authors also put forward new guidelines in the ENP implementation, with an emphasis on human capital, institutional and governance performance, as well as civil society involvement.

Chapter 4 focuses on the economic issues of the EaP countries, in order to identify the main vulnerabilities but also the drivers of economic development, which are relevant for enhancing the resilience capacity of those countries. A wide palette of indicators and indexes are used by the authors—Oana-Ramona Socoliuc and Liviu-George Maha, in order to offer an in-depth analysis of the economic dynamics of the EaP countries in relation to the various shocks and crisis that have affected the region over recent years. In this framework, the authors propose specific measures for each analysed county on how to enhance the overall impact of the ENP and to accelerate their economic integration.

Drawing on (in)securitisation theory as developed by the PARIS school, Chap. 5 addresses the central normative dilemma of the EU's EaP—resilience versus principled pragmatism—and offers an alternative conceptual framework. The author—Grzegorz Pożarlik discusses the “neighbourhood fatigue” undermining the EU's international actorness and identity, the necessity to focus the ENP on the societal resilience dimension and the “return to political”.

In Chap. 6, the authors (Teodor-Lucian Moga and Lucian-Dumitru Dîrdală) revisit the concept of the EU's actorness, and explain the factors limiting the EU's actions in its Eastern neighbourhood, pondering on the risk of less commitment and capabilities directed towards EaP countries in the near future. However, the author of Chap. 7—Michael Bolle—demonstrates that the EU has a strong resilience, but it needs to improve its decision-making, in order to build its reputation as a moderator of international conflicts and to engage more in a real construction and

consolidation of European identity. Along the same lines of the analysis of the EU's interest and capacity to act as a provider of security and stability beyond its borders, the authors of Chap. 8 (Ivana Slobodnikova, Peter Terem, and Radovan Gura) explore the EU's involvement in the Ukrainian crisis. Based on a qualitative analysis, the authors provide strong arguments for a deepening integration of the EU so as to increase its resilience capacity and to strengthen its position in the international system.

Yuval Weber's Chap. 9 proposes a new tool of analysis in international relations—Hierarchy and Resilience Index. The author evaluates the hierarchical relations of Russia, the United States, and China along security, economic, diplomatic, and informational categories, and finds that Russia's efforts to bolster its hierarchical bloc in Eastern Europe through new subordinate allies has largely failed to get traction. As regards the EU, its role in the region will depend on buttressing the political, economic, security, and informational hierarchies of the Euro-Atlantic alliance and offer material support and leadership to those states that show an interest in joining or allying with the EU.

Chapter 10 turns to yet another relatively new concept in the theories of resilience: the organisations. The authors, Gilles Rouet and Thierry Côme, bring about an important contribution to the in-depth analysis of resilience, by explaining the role that agents play in the proper functioning of associations, companies, administrations, and people, as well as the way that networks are formed between these agents, respectively, the role and meaning of societal-social resilience. The authors highlight the necessity to involve the societal actors in building resilience; the normative relevance for the ENP being the stringent need to focus more on societies and individual organisations in the EaP countries.

The last section of the volume consists of a wide spectrum of case studies. In Chap. 11, the authors Carmen Pintilescu and Daniela Viorică develop a new framework of the economic resilience analysis and evaluate the resilience capacity of the EaP countries. The chapter contributes to a better understanding of the economic systems of those countries and identifies the main drivers of resilience capacity, thus having a high relevance for policy-makers.

Adrian Healy and Gillian Bristow develop in Chap. 12 an analysis of economic resilience, integrating the role of the geographical positioning of a region. The results indicate that regions with external borders tend to be less resilient to economic crisis than regions with no national borders, or where these borders were internal to the EU. For policies, this means that the EU needs to focus more on the connection between external and internal conditionalities of resilience; the findings suggest that reducing the peripheral nature of internal border regions needs to become a strengthened priority of the EU's cohesion policy, whereas the member states situated at the Union's external borders must assume more important and consistent political objectives in relation to their neighbours by going beyond the European common actions.

In Chap. 13, Ramona Țigănașu and Loredana Maria Simionov focus on another key driver of resilience: the institutions. The authors conduct a cross-country comparison between the Baltic States—Ukraine and Republic of Moldova—aiming to highlight the subtle mechanisms by which resilience and development can be correlated and through which the synergic relationships between the institutional elements included in the current research can be intensified. The results put, first, in evidence that institutions matter for resilience and, second, that there are important differences between countries. The conclusions reinforce the idea of focusing on EaP's actors and society, in order to reduce the Eastern neighbours' vulnerabilities to the uncertainties and instabilities of external environments.

Chapters 14 and 15 turn back to political approaches. In Chap. 14, Sergiy Gerasymchuk focuses on investigating the specific coordinates of the Europeanisation process and its adaptation capacity to the new realities, threats, and challenges that the EaP countries are currently facing; the main findings conclude that in order to regain the support of civil society and population, to be able to counteract Russian influence in the region and to increase the level of resilience, the EU has a home task, which is rethinking the idea of Europeanisation in its initial terms for winning the hearts and minds of the ordinary citizens. In what concerns conditionality as a strategy, the author argues that it can only be effective and efficient with a credible membership perspective as the main reward offered by the EU. In Chap. 15, Eske Van Gils examine the challenges posed to resilience-building in states

with authoritarian regimes, due to the inevitable contradictions between elite interests and interests of society as a whole. Using the case study of Azerbaijan, the chapter argues that the EU will have to be cautious to avoid strengthening the resilience of this regime rather than getting the intended inclusive resilience of the broader society.

The social and cultural dimensions of resilience represent the main subject of analysis in the last two chapters of the book. Subsequently, in Chap. 16, Cristian Incaltarau and Gabriela Carmen Pascariu focus on analysing the role of migration and remittances in supporting resilience in the transition countries. The authors estimate that the effect of natural disasters disappears for remittances ratios above 10% of GDP. While remittances also mitigate the impact of political conflicts, their impact is stronger in countries with less freedom. Policy-makers should design friendlier remittance policies in order to help population cope with shocks and boost recovery. Chapter 17 presents how multiculturalism is used in the local policies of resilience in three towns located at the Polish-Ukrainian borderland. Dariusz Wojciech Wojakowski highlights that in both Poland and Ukraine there is a possibility of maintaining and developing the past multiculturalism as a resource for resilience. In the ENP, multiculturalism should be further supported by specific policies, as an important factor which strengthens societal resilience.

The ENP has evolved significantly since its initial action framework launched in 2004. As such, it became increasingly suited to the current political, economic, institutional, and security context in the region. However, the various strategic interests displayed by the big players in this particular region, correlated with its own vulnerabilities, but especially with the complex and often selfish and conflicting interests of the EaP countries, have considerably limited the effects of the EU's support offered to these countries. Moreover, complementary to the recent lines of action proposed by the European Commission (2017c), which reinforce a more pragmatic approach towards the region, the current volume offers additional major strategic directions as follows: developing a stronger connection between the EU's external action and its internal policies, correlated with enhancing the coherence of the EU and its member states' actions, along with enhancing the role played by border countries; changing the overall perspective from convergence and alignment with EU

norms, to the mutual recognition of diversity in values, norms, and expectations; advancing from hostility and rivalry to cooperation in the relations with Russia, from self-projection on others, to fostering integration that is inclusive and encompasses the vision and interests of others; and from having as main objectives the Europeanisation and integration of the EaP countries (approximation and linkage dimensions), to focusing solely on cooperation, in order to increase stability in the region by strengthening the resilience capacity of both the EU and the EaP countries. Last but not least, where intergovernmentalism fails, markets and individuals can be successful. Thus, the EU needs to invest more in its relation with the agents in the EaP countries, focusing on the people and societal resilience, building an identity and a feeling of belonging to a “shared” system of values and institutions, including the enhancing of the multilateral instruments and a stronger communication strategy.

The book first targets academia’s interest: scholars across the social sciences, researchers, educators, and graduate students in the fields of International Economics, European Economy, Economic Integration, Economic Growth, and Regional Development, as well as International Relations, Political Science, and European Policies. Nevertheless, considering its highly normative nature, the book will also be of great interest for policy-makers, from both the EU and EaP countries, as it tackles specific issues of the region, while it offers solutions and concrete recommendations. Moreover, the book will also be of interest for practitioners and professionals working in EaP and EU regional and local institutions, since these institutions are the main actors in the design and/or implementation of regional policies (i.e. regional development agencies, ministries, NGOs, or public administrations).

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2

Increasingly Geopolitical: EU's Eastern Neighbourhood in the Age of Multiple Crises

Cristian Nitoiu

1 Introduction

The recent decade has marked the increasing emergence of disorder in the neighbourhood of the European Union (EU). South of its borders, the Arab Spring or the migrant crisis has underlined the vulnerabilities of the EU to a whole host of exogenous threats. In the eastern neighbourhood¹, the EU has been forced to deal with the assertive behaviour of Russia, the resistance of the states in the region to modernisation and democratisation, as well as the prevalence of geopolitical pressures. For much of the post-Cold War period, the EU tended to ignore the latter aspect and promote a model of governance that focused on principled behaviour and sidelined geopolitics (Nitoiu and Sus 2019). However, this approach

¹ In this chapter, the concepts eastern neighborhood, shared neighborhood and post-Soviet space are used interchangeably.

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overlooked the fact that most states in the neighbourhood (including Russia) perceive geopolitics as a key driver in world politics. Even more, on the eve of the success of the enlargement towards Central and Eastern Europe (CEE), the EU emphasised through its Security Strategy that the neighbourhood represented a ring of friends, a geographical space that was conducive to EU leadership and the expansion of European integration (Council of the European Union 2003). Conversely, the recent years have marked a sharp change in the EU's approach towards the neighbourhood, which is now seen as a ring of fire, and an important source of (even existential) threats (European Commission 2015). Acknowledging its vulnerability in light of the importance of geopolitics and the threats originating from the neighbourhood, the EU has reframed its ambitious approach. The crisis-mode response of the EU has been to focus on the concept of resilience. This has entailed ensuring its own resilience to both internal and external threats, as well as, in the eastern neighbourhood, providing the tools to the states in the region to enhance their own resilience in order to limit potential threats to the EU.

In this context, the chapter aims to explore the emergence of geopolitics as the most salient factor driving disorder in the eastern neighbourhood, and its consequences on the EU, Russia and the states in the region. Moreover, increasing geopolitical pressures are seen as a key stumbling block for ensuring and enhancing the resilience of the EU and its eastern neighbours. In doing so, this chapter argues that geopolitics has come to play a central role in the eastern neighbourhood, primarily due to the efforts of the EU and Russia to enhance their status in world politics. The chapter proceeds by discussing the way geopolitics has emerged as a key factor in shaping the stability of the eastern neighbourhood and the way it impacts the resilience-building efforts of the EU and the states in the region. In the following sections, the analysis focuses on accounting for the emergence of geopolitics. It first outlines a series of theoretical insights regarding the role of geopolitics and status in world politics. The following two sections then map the way the EU and Russia's foreign policies and approaches towards the post-Soviet space have been shaped by status concerns and sought to act in the geopolitical structure of the region. Section 4 takes the argument forward and focuses on how the EU and Russia perceived each other's status and status-seeking efforts in the

post-Soviet space since Putin started his third term as President in 2012. The chapter finds that both Russia and the EU have been exerting influence over the post-Soviet space as a key prerequisite for enhancing or maintaining their status in world politics, which has moved their relationship from geopolitical competition to geopolitical conflict.

2 The Emergence of Geopolitics in the Eastern Neighbourhood

In this chapter, we apply a rather traditional understanding of geopolitics, whereby it is seen as the projection of power across borders in a specific geographic area. The concept describes both the ability of international actors to project their power in world politics, as well as the structural aspects that underline the way power flows across borders. A key underpinning idea is that the nature of power exchanges across borders and among states shapes questions of cooperation, competition and conflict. Power is also the main currency that influences the status claims of states (Youngs 2017). Hence, acting in a geopolitical manner in terms of being able to both effectively project power across one's borders and manage the various structural pressures is a key marker for higher status in world politics. In its traditional conceptualisation, geopolitics assumes that states at the top of the hierarchy of international relations are able to maintain a sphere of influence in their neighbourhood and have it recognised by equally powerful actors (Nitoiu and Sus 2019).

The recent emergence of geopolitics in the eastern neighbourhood has affected the main aspects that characterise the traditional understanding of the concept. Firstly, power seems to have become a key driving force in structuring relations between international actors in the region (Youngs 2017). Russia and the EU have sought to increase their power by achieving or maintaining influence in the post-Soviet space. While up until the Ukraine crisis, both Russia and the EU highlighted the mutual benefits (for each other and the states in the region) that their power projection promised to bring, following the onset of the conflict, the focus has shifted to the need to promote their own interests together with enhancing resilience. On their part, the post-Soviet states have demanded increased

presence and power projection from the EU and Russia, in order to achieve resilience from external threats (e.g. in the case of Ukraine and Georgia, greater EU influence and power projection are seen to counter Russia's negative actions). Secondly, the salience of geography has increased, as both the EU and Russia have developed mutually exclusive regional integration projects that seek to delineate geographic spaces of inclusion and exclusion (Smith 2016). Pitted against these two contradictory alternatives, the neighbourhood states have had to make a stark choice between one and the other. In practice, for countries like Ukraine or Armenia, this has meant relinquishing their traditional multivector approach that has contributed to stability in the region (Forsberg 2014). To that extent, there is a heated debate in the literature on whether the dichotomous choices given to the neighbourhood states have increased their agency or rather decreased their resilience to deal with external and internal threats (Nitoiu and Sus 2019). The development of the Ukraine crisis (and of the post-Maidan system of governance in Kyiv) highlights that for the short-term, giving up a multivector approach has left the country, at best, in a state of limbo and stagnation.

Thirdly, a more important role for geopolitics in the eastern neighbourhood has seen the rehashing of great power politics and its emphasis on the concept of sphere of influence. This perspective tends to take agency away from the small states in the region and place them at the mercy of the great powers in their neighbourhood (Freedman 2016). Thus, geopolitics underlines the struggle between Russia and the EU in order to assert (and gain recognition for) their spheres of influence in the eastern neighbourhood. States such as Belarus or Georgia are forced by structural geopolitical pressures to accept their status as mere pawns in the sphere of influence of either the EU or Russia. From this perspective, their resilience, and to some extent agency, can be assured by embracing the influence of one of the great powers rather than resisting it. Another strategy that has been used by the post-Soviet states has been to pit great powers against each other, in order to get as many benefits as possible. For example, while Belarus and Armenia are deeply entrenched in Russia's sphere of influence, they have, on various instances, used cooperation with the EU in order to loosen the reins of Moscow (Allison 2013).

Finally, some of the key geopolitical challenges for the EU in the neighbourhood are represented by the range of frozen or protracted conflicts, which involve the states in the region. These conflicts have at their root the dissolution of the Soviet Union and the presence of significant minorities (usually Russian speaking) on the territory of the post-Soviet states. While in the case of the conflicts in Georgia (Abkhazia and Ossetia), Moldova (Transnistria) or Ukraine (the Donbas region), separatism is driven by Russian-speaking minority, in Nagorno Karabach, the Armenian minority has been striving to gain independence from Azerbaijan. In all of these cases, Russia maintains a military presence either through peacekeeping force or through support for local militias (as in the case of the conflict in eastern Ukraine). For the Kremlin, managing these conflicts in such a way that does not lead to their resolution is a key tool for maintaining a grip on the post-Soviet states and managing the geopolitical structure of the region (or maintaining its sphere of influence). However, this poses serious risks for the EU, as the potential for these frozen conflicts to reignite is rather high, with violence flaring up every now and again. Enhancing the EU's resilience in this case would entail greater involvement in the resolution of the frozen conflicts, while also managing any geopolitical tensions that can appear in relations with Russia. To some extent, the 2015 revision of the ENP and the 2016 Global Strategy strike a fine balance, as they highlight the need for the EU to enhance its own resilience and that of the eastern neighbourhood in dealing with frozen conflicts, but they equally do not include clear strategies that would collide even further with Russia's interests.

The recent years have also highlighted a wide range of existing and new structural geopolitical pressures in the region. Arguably the most salient series of geopolitical pressures has been caused by the onset of the Ukraine crisis. This event not only deeply entrenched Ukraine (the EU and the West) in a conflict with Russia but also contributed to revising the post-Cold War security order in the post-Soviet space and on the European continent. Moscow's annexation of Crimea or its actions in Eastern Ukraine have put in doubt the security and sovereignty of the states in the eastern neighbourhood. Moreover, the rather unopposed way in which Russia acted during the Ukraine crisis has strengthened the feeling that geopolitics is a central driver in the post-Soviet space. A focus on

resilience in dealing with geopolitical pressures rather than tackling directly the Kremlin's actions has been the preferred response for both the EU and the neighbourhood states. In the same vein, the pro-European post-Soviet states (like Ukraine or Moldova) are in a vulnerable position, as the EU might in the future decide that enhancing its resilience involves striking a deal with Moscow and leaving the post-Soviet space in Russia's sphere of influence.

The clash of Russian and EU integration projects in the eastern neighbourhood represented a key trigger for the Ukraine crisis. Nevertheless, it is also a more long-term geopolitical pressure that trapped post-Soviet states into a situation, where they need to choose between two mutually exclusive integration projects. Ensuring the resilience of eastern neighbours of the EU in this regard would see the two integration projects becoming more complementary, in order not to create a binary choice. The disintegration of the Soviet Union created a wide range of long-term geopolitical pressures, which still influence the post-Soviet space. For example, the issue of unresolved borders together with the presence of large populations of ethnic Russian-speaking people in the eastern neighbourhood has put the countries in the region in a position of vulnerability in relation to the influence of the Kremlin (Allison 2013).

In the context of the rise of geopolitics, recent years have seen the EU embrace the need to enhance its resilience towards a whole host of challenges. The concept of resilience focuses on the ability of individuals or groups to adapt to and cope with various risk, events or negative developments. This entails developing new strategies and policies, together with predicting, preventing and managing crises or events that can have negative consequences for the EU. The chapter argues that crises such as the migrant crisis, Brexit or the Ukraine crisis can be seen as key triggers for the EU to develop strategies for enhancing its resilience. This has occurred in relation to both internal challenges (such as the rise of populism and Euroscepticism) and potential risks identified in the EU's neighbourhood and the wider international arena. In the eastern neighbourhood particularly, such challenges range from protracted conflicts, migration, political instability, the presence of authoritarian regimes, energy (in)security, the aggressive actions of states such as Russia, cross-border crime or migra-

tion. While during the 2000s the EU applied a rather ambitious and idealistic approach towards the region which emphasised extending European integration, during recent years, the focus on resilience has implied scaling down of ambitions.

The chapter argues that the increasing importance of geopolitics in shaping the order of the eastern neighbourhood compounds the EU's ability to enhance its resilience. For much of the post-Cold War period, the EU designed its foreign policy based on the idea that geopolitics was nothing more than a remnant of the past, which led to the two world wars. Geopolitics entails higher levels of unpredictability in the evolution of the security order in the eastern neighbourhood. In the same vein, it puts at odds the EU and Russia, who under geopolitical constraints have to increase their power and influence in their shared neighbourhood, as a prerequisite for assuring their security and enhancing their resilience. Moreover, the chapter shows that both the EU and Russia have sought to enhance their status in world politics by attaining greater presence in the eastern neighbourhood, which, in turn, has made their relationship to geopolitical competition and conflict. In what follows, the chapter analyses one of the central causes for the emergence of geopolitics in the eastern neighbourhood, that is, the quest for status of Russia and the EU.

3 The Status-Geopolitics Nexus in World Politics

Status is considered in this chapter to encompass the collective beliefs held in the international arena about a state's abilities and characteristics, and the way these translate into rights and responsibilities in international relations. Achieving or maintaining one's status (status-seeking) can be considered one of the main driving forces that influence the behaviour of states in world politics (Beasley 2012). The chapter focuses on the way the status-seeking efforts of Russia and the EU have affected the emergence of geopolitics in the eastern neighbourhood.

The concept of status is ultimately intersubjective, as it is shaped by the interactions between states, and originates from the dynamics of their relationships (Lindemann and Ringmar 2014). Consequently, status is

ultimately conferred through the recognition of other states, which can be both formal (e.g. inclusion in various multilateral arrangements) or informal (e.g. at the level of political elites). Nevertheless, states will assess their own status based on a series of more or less seemingly objective criteria mainly related to the sources of power at the disposal of states. Even though status plays a key role in international relations, it is very much a fluid concept which is shaped by interactions between states, but, more importantly, by their evaluations of themselves and others in international relations. This makes status open to interpretation, particularly by states that are not happy with their current status in world politics (Paul et al. 2014).

Relations between states are structured by status concerns, as states will generally use these links as a vehicle for maintaining or improving their status in international relations. Status can thus lead to both conflict and cooperation among states, as mutual recognition of status generally leads to cooperation, while discrepancies between a state's self-evaluation of its status and that conferred by other states will lead to more conflictual behaviour (Forsberg 2014). China is a good example of a state whose status has been increasingly formally recognised by the West through inclusion in various multilateral frameworks, which has led to Beijing buying into the current Western-led world order. Conversely, Russia has been feeling aggravated since the end of the Cold War due to the perception that the West has not conferred it the status of great power, which has made Moscow increasingly assertive.

States employ various strategies in their status-seeking efforts. The most obvious is posturing, that is, displaying various sources of power at the disposal of the states in a bid to convince other states to grant recognition for a higher status. Even though posturing tends to have a negative connotation in world politics, using international aid or global climate change policy allows states to display sources of power which do not threaten other states and don't create security dilemmas. Status-seeking is even more important when it comes to states for which there is an internal or external expectation of rise or decline. A state on the rise will try to change various aspects of the world order, if those do not allow it to achieve a higher status. Similarly, declining states will either try to maintain the current world order in order to stop their decline or try to revise

it according to the moment they achieved high status (Suzuki 2008). Status-seeking from rising or declining states can, thus, sometimes lead to both disruptive but also opportunistic behaviour. Russia is a very interesting example here, as it currently seems to be both rising and declining. Its assertive and disruptive behaviour in relation to the liberal Western-led world order has arguably elevated it as the main driver for revisionism in world politics (Tsygankov 2016).

The efforts of states to enhance their status often tend to collide and lead to geopolitical competition and even conflict in the international arena. Even though win-win situations that describe mutually beneficial status-seeking efforts can exist, they are impeded by the fact that the quest for status is generally inward looking. To that extent status-seeking is very often a reflection of the endogenous characteristics of states rather than structural aspects of the world order. That means that even though geopolitics might point to the potential emergence of deep competition and conflict, states will primarily look inwards in designing and putting into practice their status-seeking efforts. Moreover, enhancing one's status while overlooking geopolitical pressure in the international arena is a clear path towards aggravating the status claims of other states.

Understanding and managing pressures pertaining to the geopolitical structure of world politics is a key asset that states have to develop and possess in order to have their status recognised by their peers. In the case of the post-Soviet space, acting in disregard of the way geopolitics shapes the region has gradually led to a situation where the EU and Russia have increasingly developed their status-seeking efforts in a mutually exclusive manner. The chapter shows that while Russia has been aware of the salience of geopolitics in world politics and the post-Soviet space, the EU has sought to build its status by ignoring geopolitical pressures and promoting a new type of governance which transcends geopolitics and emphasises the role of universal norms, values and regulations.

4 EU's Status-Seeking Efforts and Geopolitics

Achieving higher status in world politics has been one of the most important forces driving the EU's foreign policy. The roots of this can be traced back to the 1960s to the ambitions of creating a Defence Union as well as a political one, where the member states would act unitedly in foreign and security policy (Allen and Smith 1990; Duchene 1972). One of the more important debates about how the EU could achieve greater status in world politics has been centred around the need to build and develop a foreign policy akin to a nation state or to create a sort of *sui generis* foreign policy—even though the emphasis has not been on geopolitics (Telò and Ponjaert 2013; Toje 2010; Vogler and Bretherton 2006). For the largest part of the post-Cold War period, it seemed that the latter perspective gained more traction among EU policymakers (and academics), with the EU embracing (and being self-seduced by) the normative power Europe (NPE) concept and rhetoric (Manners 2002).

The NPE self-image has thus dominated the way the EU understands the role of geopolitics and status in world politics. Born out of the need to come up with a foreign policy identity that would match the EU's assets and limitations, NPE framed achieving a higher status in world politics as not the main concern for the EU. Rather than focusing on the geopolitical structure of world politics, the EU would concentrate on bettering the life of people around the world, by promoting the range of norms and values that have proven so successful on the European continent in preventing interstate conflict (Manners 2002). In turn, successfully shaping normality in world politics would enhance even further the EU's status and base it on the progressive identity of distinctiveness in world politics (Diez 2005). Only recently, when faced with the increasingly disordered neighbourhood and multiple crises has the EU started to include more geopolitical aspects in its understanding of world politics (Morgherini 2017; Smith 2016). Consequently, the metrics for judging its own status have been expanded to include aspects of hard power, and geopolitics, decreasing the EU's self-evaluation. The EU's recent shift in

foreign policy can be seen as recognition that other states had never forgone the salience of geopolitics (Youngs 2017).

The neighbourhood has been, during the past two decades, a key priority in EU foreign policy. The main rationale behind this is the idea that if the EU is not able to develop a strong presence in the post-Soviet era, it would be difficult to imagine how the Union can play an important role in the international arena (Council of the European Union 2003; European Commission 2003; Prodi 2002). Moreover, in world politics there is an expectation that higher status international actors are able to shape the regional order in their backyard and act in a geopolitical manner (Freedman 2016). Hence, the EU's approach towards the neighbourhood has been to a large extent shaped by the need to prove to itself that its ambitions of having a strong presence in the international arena can be fulfilled. Moreover, the post-Soviet space has been a key region for the EU to test the extent of its influence through normative power. Unlike the case of former Communist states from CEE, the EU has taken off the table the prospect of membership. The post-Soviet states have been asked to adopt wholeheartedly the EU's menu of value norms and regulations based on the power of attraction of the EU rather than on the end goal of membership.

The EU, due to the success of the enlargement, saw itself as already an established important international actor (Council of the European Union 2008; European Commission 2007). This, together with the fact that it now started bordering the post-Soviet space, made the EU set its sights on integrating the eastern neighbourhood (building what Russia perceived as a geopolitical project). The EU formalised this approach through the European Neighbourhood Policy (ENP), which sought to assist the countries in the EU's neighbourhood (both eastern and southern) to adopt the EU's menu of regulations, norms and values. Securing the borders of the EU but also proving that the EU can have a major presence in the neighbourhood (that would lead to a global presence) were the main reason for the EU's push towards the post-Soviet space—the economic benefits of the spreading European integration to the post-Soviet space were indeed part of the decision, but not a prime factor (European Commission 2003; Ferrero-Waldner 2005). Following enlargement and the formulation of its strategy towards the

neighbourhood, the EU started to gradually embrace the idea that it had proved that it can act as a strong international actor. Moreover, the normative power rhetoric originating from academic writings became transposed into EU official documents as a way of posturing that the EU is not only a strong international actor but also a distinctive one, which focuses on the promotion of norms, values and regulations, not particularly in order to further its own interests, but those of peoples around the world (Füle 2010).

The EU interpreted the 2008 Georgian-Russian War as evidence of the fact that Russia would not permit the altering of the security order in the post-Soviet space, but it would not be so concerned with the EU shaping the economic order in the region (Füle 2010). Hence, the EU revamped its approach towards the eastern neighbourhood through the Eastern Partnership (EaP) and the creation of tools such as the Association Agreements (AAs) and Deep and Comprehensive Free Trade Areas (DCFTAs), which were meant to intensify the integration of the eastern neighbours (Council of the European Union 2010). In doing so, it was oblivious of the fact that Russia viewed this move as a geopolitical threat, and it equated economic interests with security ones, as the EaP, the AAs and DCFTAs were seen as part of a traditional liberal strategy of diluting Russia's power in the post-Soviet space.

In order to implement its agenda in the post-Soviet space, the EU has the whole spectrum of tools at its disposal in foreign policy, based on its main metrics of status (e.g. economy, power of attraction or diplomatic relations). These strategies have been framed under the broad goal of persuading through equal dialogue with the post-Soviet states to adopt the EU's values and embark on a series of democratic reforms (European Commission 2015). The EU has focused on supporting liberal elites to power and working with civil society groups that push for European integration, a process that would yield clear benefits for the neighbourhood countries in the medium to long term. In practice, persuasion implied politicisation and conditionality attached to deepening economic cooperation. As various analyses have pointed, in the aftermath of the start of the Ukraine crisis, the EU fooled itself into believing the universality of its norms and values, and ignoring the fact that most of its relations with the post-Soviet states were deeply unilateral, asymmetrical and affected

by geopolitical constraints (House of Lords 2015). Hence, following the Ukraine crisis, and recent illiberal developments in Moldova, the EU has started to acknowledge that without securing short-term benefits for peoples in the post-Soviet space, its power of attraction, influence and resilience in the region are bound to decrease (Morgherini 2017; Youngs 2017).

Status-seeking in the post-Soviet space on the part of the EU has been a more intersubjective affair than in the Union's broader approach to world politics. This can partly be explained by the fact that post-Soviet elites have been quite opportunistic and have developed a habit of telling the EU what it wants to hear (Baltag and Smith 2015). The EU has rarely questioned this commitment and has operated based on the assumption that it was, indeed, influencing the region in a meaningful manner (and thus enhancing its status). However, in practice, the post-Soviet states have made only painful and sometimes contradictory progress in living up to their commitments to the EU. Recognition from Russia has also been a key aspect in the EU's approach towards the post-Soviet space. But as seen in the following sections, the EU acknowledged and to some extent demanded from Russia recognition only from a higher moral ground, ignoring the geopolitical structure of the eastern neighbourhood.

5 Russia's Status-Seeking Efforts and Geopolitics

Much of Russia's foreign policy during the post-Cold War period has been shaped by the desire to recover the status held by the Soviet Union. Following the dissolution of the Soviet Union, Russia experienced, during the 1990s, a period of sharp decline in the background of the implementation of liberal reforms, and what was seen as weak leadership from Yeltsin. Even though, during this time, Moscow seemed to embark on a path towards integration in the liberal world order, many stakeholders in the country still believed that Russia should play an important role in international relations (Webber 2000). The 1990s led to entrenching in the Russian psyche the idea of Western betrayal (Lukin 2016). Once the narrative of Western betrayal became mainstream in Russian society,

Moscow's main foreign policy goal shifted to recapturing the former status of the Soviet Union (Neumann 2008). Putin, in turn, especially since his second term, has banked on this and framed his leadership as the only one capable of returning to Russia its former status and managing the geopolitical structure of the post-Soviet space. Status-seeking has also influenced the development of a strong state in Russia, with the president exercising control on most areas of governance (Sakwa 2007). If during his first two terms as President, Putin frequently stated that Russia should be treated as a great power, starting with his third term (and especially since the Ukraine crisis), there is an implicit assumption in the Russian narrative that the country has already achieved this status (*Rossiyskaya Gazeta* 2013).

Russia, thus, perceives status to be one of the most important aspects of world politics. Unlike the EU, status is seen more in geopolitical terms by Moscow and is linked to the recognition of a series of rights, which only higher status actors (great powers) are privileged to possess (Forsberg 2014). Because in this interpretation of status geopolitical concerns have a central role, concepts such as spheres of influence and buffer zones are one of the key rights allotted to great powers. These notions involve the legitimacy of great powers to shape the regional order in their backyard, for example, influencing the foreign and domestic policies of the countries in the region. The concept of buffer zone delineates the need to have neutral zones between the spheres of interest of various great powers. Having the status of great power also implies that other great powers recognise the legitimacy of other states' spheres of interests and subsequent buffer zones.

Domestically, the quest for status has also fuelled the *besieged castle* rhetoric, which puts the blame on the West for encircling and trying to virtually destroy Russia. This type of discourse has framed in the Russian public sphere status claims as a matter of survival in the context of increasing geopolitical pressure from the West. The high levels of approval regarding Russia's actions in Crimea or eastern Ukraine can be thus attributed to the perception that they have contributed to Russia attaining higher status. Further evidence for this comes from the claim that Russia was able to influence domestic politics in a series of Western countries, most notably the US and the UK.

The preoccupation with status has historical roots in Russia's past, and it is very much ingrained in the way the Russian society perceives itself and relations with the outside world (Neumann 2008). This level of entrenchment of status concerns in the Russian psyche makes both the public sphere and politicians or the army push for Russia to regain the former status of the Soviet Union and effectively manage pressures pertaining to the geopolitical structure of world politics. Ultimately, for Russia, recognition of the great power status and the range of rights and benefits attached to it is something that Moscow deserves from the West (Tsygankov 2016).

The post-Soviet space has been, since the end of the Cold War, a key referent object in Russia's status-seeking efforts, as the main source of geopolitical pressure and constraints. The (voluntary) loss of the region, following the dissolution of the Soviet Union, was seen by many in Russia as a message to the West that Moscow was ready to be integrated as a full and equal member of the liberal world order (Neumann 2008; Webber 2000). From the perspective of status, Moscow's aim would be to gain recognition of its legitimate claims for exerting influence on the post-Soviet space (and the non-intrusion of other powers such as the US or the EU). Managing the geopolitical structure of the region is considered to be testimony to Russia's ability to act as a strong international actor more globally.

The most important source of power that allows Russia to claim and exert influence over the post-Soviet states is undoubtedly the presence of its military and intelligence personnel in the region, which allows it to manage the geopolitical structure (Allison 2013). For example, in Armenia, Moscow commands control due to the fear in Erevan, that in the absence of Russian troops, the country would be extremely vulnerable in relation to its neighbours (Azerbaijan and Turkey). Conversely, in Ukraine or Moldova where Russian troops have been stationed more or less lawfully, the threat of a potential use of those military capabilities acts as a constant constraint for policymakers (Tudoroiu 2012). Due to the asymmetrical military relationships between the post-Soviet states and Russia, most of them fear (and have sought to become resilient) in various degrees a potential Russian intervention coupled with the loss of autonomy in foreign policy.

Russia's status-seeking strategies in the region are characterised by manipulation and coercion rather than persuasion (Sherr 2015). If short-term incentives associated with non-politicised economic cooperation are not effective, Russia is not shy in using more or less direct threats in determining its desired outcome in the region. The Kremlin has indeed used military intervention at times (e.g. Georgia), but it has also been very careful in maintaining a certain level of strategic uncertainty that would allow it to both send a strong message to the states in the region whilst also denying any aggressive moves. What has been termed as hybrid warfare (Renz 2016) is to a large extent the result of Russia's strategic uncertainty approach in managing the geopolitical structure in the region, for example, sending little green man in Crimea and denying the presence of Russian forces, or not acknowledging direct support for rebel groups in eastern Ukraine.

6 The Path to Geopolitical Confrontation: Perceiving the Other's Status and Status-Seeking

The previous sections highlighted how Russia and the EU's own status-seeking efforts influenced their approach towards the post-Soviet space. This section takes the argument forward and emphasises that with Putin's third term as president, the EU's and Russia's status-seeking efforts have gradually moved their bilateral relationship to geopolitical competition and conflict in the eastern neighbourhood. The election of Putin for a third presidential term in 2012 marked the end of Russia's desire to be part of the liberal world order and use this as a strategy for gaining recognition from the West of a higher status. By the end of Medvedev's presidency, it was clear for Putin that the West would not revise the term of the post-Cold war order on the European continent and treat Russia as an equal (Trenin 2014). Russia, thus, needed a new sort of drive and strategy in foreign policy. The promotion of conservative values has formed a key pillar of Putin's domestic politics—with an ever-closer alliance with the Orthodox church—but also of the model and values that

Russia seeks to promote in its external relations. A second component of Russia's new civilisational model placed it at the centre of Eurasian civilisation, with Moscow driving Eurasian integration and the Eurasian Economic Union. The formulation of these two components of Russia's new or revised civilisation model, together with its decisive military actions in Ukraine or Syria, has shifted the Kremlin's discourse to argue that Russia has already acquired the great power status, and that it expects to be treated accordingly by the West.

Nevertheless, in defining what recognition of this status would mean in practice from the West, Russia has tended to apply strategic uncertainty, never really disclosing the extent of its demands, and having an opportunistic approach in trying to get as many benefits as possible with each opportunity. The somewhat radical Russian change of mind regarding the EU and liberal world order can also be attributed to the fact that Moscow started to perceive the EU as a real threat to its influence in the post-Soviet space. Up until the summer of 2013, Russian leaders seemed not to be very concerned with the AA offered by the EU to the three post-Soviet states, thinking that member states friendly to Moscow (e.g. Germany or Italy) or pro-Russian elites in Georgia, Moldova and Ukraine would derail the process. The autumn of 2013 and the Vilnius summit made Russia recognise the fact that the EU was keen to shape the geopolitical structure and order of the post-Soviet space and would mount a serious challenge to Moscow's influence in the region (Rossiyskaya Gazeta 2013). This level of perceived geopolitical threat from the EU in the post-Soviet space has remained salient since the Vilnius summit, regardless of the fact that there is now a perception in Russia that due to the migrant crisis, Brexit or the Eurozone crisis, the EU is bound to disintegrate and fail in the future (Walker 2016).

The EU, especially following the Ukraine crisis, started to realise that the alarm bells raised by some of the CEE member states regarding the need to increase the EU's resilience in relation to Russia's aggressive intentions in the post-Soviet space were, in fact, justified. European policymakers suddenly woke up (also due to the Arab Spring or the migrant crisis) to the realisation that what in 2003 was framed as a ring of friends was now a ring of fire, and source of instability at the Union's borders (European Commission 2015). This has led to the realisation that

Realpolitik and geopolitics still dominate world politics and the mindset or behaviour of other states (e.g. Russia). Regardless of this realisation, the EU still stated its commitment to promoting its norms and values in international relations but also its resilience in the face of multiple crises in its neighbourhood. The revised ENP and Global Strategy (European Commission 2015; Tocci 2016) still see the EU as having some sort of normative power, but now acknowledge the important geopolitical threats that liberal democracy and the eastern neighbourhood are facing from states like Russia, as well as the subsequent need to enhance the EU's resilience to such risks. The EU's perception of Russia has also changed, as it views Russia as an important international actor, even though Moscow's economic power is similar to those of some mid-range member states such as Italy or Spain (Morgherini 2017). Moreover, the EU has recognised Russia's aggressive moves and intentions in the post-Soviet space and that Moscow is a threat to the liberal world order, but it has not really strengthened its geopolitical presence in the post-Soviet space besides developing a new narrative with the concept of resilience as the centrepiece.

7 Conclusions

With the onset of the Ukraine crisis, as well as the other pressing crises experienced by the EU (e.g. the Eurozone crisis, the Arab Spring, the migrant crisis or Brexit), the idea that geopolitics is a driving force in the eastern neighbourhood has taken root in the academic and policy spheres in the region and Europe. Dealing with structural geopolitical pressures has pointed the EU and its eastern neighbours to aim to enhance their resilience. In this context, the aim of the chapter was to analyse the emergence of geopolitics by looking at the way the status-seeking efforts of Russia and the EU have clashed during the past two decades. The chapter argued that effectively managing and responding to the geopolitical pressures pertaining to the post-Soviet space has been for both Moscow and Brussels a key prerequisite for achieving a higher status in international arena. Nevertheless, both actors have employed different tools and strategies in order to shape the post-Soviet space and increase their status.

While Russia has a more geopolitical interpretation of status and relies primarily on its sources of hard power (nuclear weapons or other military capabilities), the EU tends to pursue a more norms-based strategy aimed at persuasion and the promotion of its norms, values and regulations. The chapter also argued that Russia and the EU have indeed paid attention to what they perceived to be the status and status-seeking efforts of the other and, at times, granted each other mutual recognition. Even though during Putin's rule Russia and the EU might have not recognised each other's desired status, their policies towards the post-Soviet space have been deeply influenced by status concerns. Following the Ukraine crisis, the EU and Russia have started to perceive each other as deep existential threats and thus conferring on the other the status of important international actor (if not great power). While this evolution has not been linear, with the atmosphere of EU-Russia relations shifting continuously from geopolitical cooperation to conflict, it is clear that currently both Brussels and Moscow do not equate gaining a higher status in international arena with developing their mutual cooperation.

The shift from geopolitical competition to geopolitical conflict in the eastern neighbourhood poses significant challenges for the EU. The chapter showed that the Ukraine crisis (together with the other crises that have engulfed the EU during the last decade) has caught the EU unprepared. For much of the post-Cold War period, the Union focused on a rather idealistic and normative approach to world politics, placing norms and values above the promotion of material interests and power politics. Consequently, the EU's resilience to geopolitical developments in the eastern neighbourhood proved to be rather limited when the Ukraine crisis erupted. This, in turn, has not only allowed Russia to maintain a state of disorder in eastern Ukraine and the other frozen conflicts in the eastern neighbourhood but has also damaged the EU's ability to promote its integration project. The EU's response has been a process of revision and renewal, which puts the concept of resilience at its core. However, this tends to downgrade its previous ambitious normative goals in the eastern neighbourhood. Moreover, it places to a larger degree the onus on the eastern neighbours, as the Union argues that it provides the tools for the neighbours to increase their resilience, and the EU is itself resilient to the failure of the states to achieve resilience.

The persistence of an EU-centric and inward approach towards the neighbours, that disregards their agency, in turn, will mostly likely not have a positive effect on their ability to build resilience. In reality, one of the key challenges that these states have been facing is the binary choice between two integration projects that the EU and Russia have presented them. Resilience in this regard would imply that the eastern neighbours are afforded greater agency and allowed to opt for complementary modes of governance. As the chapter showed that status-seeking and status concerns are one of the main factors that have led the order in the eastern neighbourhood to slip into geopolitical conflict, enhancing the EU's resilience would entail developing increased sensitivity towards Russia's status claims and efforts. In practice, this would mean the resumption of dialogue with Russia (possibly with the inclusion of the views of the post-Soviet states), as well as developing clear strategies and prevention measures for dealing with the Kremlin's assertive foreign policy.

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3

Public Administration and Governance in the EU's Eastern Neighbourhood Countries: Comparative Approach and Relevance for the European Neighbourhood Policy Effectiveness

Mihaela Onofrei and Florin Oprea

1 Introduction

Nowadays, society's sustainable development and resilience represent important goals of the governance activity, explicitly committed by governments through constitutional and subsequent legislation. Although the commitment to such targets is of an indisputable nature, influential factors like tradition, culture, neighbourhood relations, economic potential, or path dependence fuel two major problems. On the one hand, there still exist often exacerbated interstate and intrastate development discrepancies, which call for the adoption of harmonized public interventions and balanced outcomes. On the other hand, it is obvious that, especially as far as the new entrants or

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non-member states of the European Union (EU) are concerned, the understanding and application of the set of good governance values essential for harmonious development are still far from having a unitary character, and thus require the convergence of government interventions. In such circumstances, the goal of a united, firm, and strong Europe makes the EU institutions commit to consistent efforts to support both the new entrants and its neighbours (within the neighbourhood policy). Thus, special attention is drawn to the states in Eastern Europe through the so-called Eastern Partnership (EaP), concluded in 2009 between the EU and its members, and six post-Soviet states (Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova, and Ukraine). This initiative, which has neither the value of an instrument nor that of a process to join the EU, has been integrated into the European actions both as a dimension specific to its neighbourhood policy (ENP) and as part of the strategic approach to resilience in the EU's external actions (European Commission 2017a, b), which has undergone several content revisions to meet the needs of cooperation with each state, especially during 2015 and 2016 (European Commission 2015; European Commission 2016). By strengthening the relations among partners, the aforementioned initiative aims to create the premises to consolidate democracy, stability, and prosperity, providing the necessary framework of cooperation among members in specific fields for more resilient societies. In other words, the motivations of the EaP set the EU and its members as mainstays of the voluntary transformation rather than donors or security suppliers for the Eastern partner states. Thus, we may argue that the effectiveness of the partnership naturally depend on the quality and intensity of the members' actions and on their openness and receptivity. From this perspective, we analyse hereinafter, ten years after the inauguration of the partnership, and for each of the aforementioned states, the relation between the intended common objectives and the implemented reforms, highlighting the accomplished progress, the positive and negative practices, and formulating recommendations of public policy.

2 Democracy and Public Governance in Eastern Partnership Countries: The General Landscape

In our view, resilience describes the capacity of a system to deal with different risks, disruptions, shocks, and stressors, in order to preserve or maintain its own functions and core performances. Applied to government systems, this capacity is influenced by many factors, including as key parts the existence of real democracy and good governance, the normative framework, the characteristics of institutions, the hierarchical and functional relations between them, and their relationships with other institutions and citizens. In other words, the structure of the public administration system and the actual application of its principles in various countries (e.g. decentralization, subsidiarity, self-government, transparency, accountability, etc.) directly influence the resilience of communities at all levels (local, regional, or national), thus being necessary to enhance the values of public governance. For this reason, our study addresses the particular administrative reforms and their results in the six EaP countries, highlighting the main progresses achieved so far, good practices and barriers, in connection with the European initiatives involved.

The consolidation of a democratic system's values as an essential support to achieve the administrative reform objectives is linked to the processes regarding law giving, norm application, defining and implementation of institutions, and hard constraints, as well as limiting the manifestation of corruption, which may ensure citizens' trust in the governance system. From this point of view, oftentimes with the European partners' support, all the Eastern states involved in the EaP have developed and implemented policies aimed at adopting and stabilizing the values of a real democracy; however, the achieved progress differs with respect to consistency, rate of achievement, and durability. In order to give a general overview of the results following the reforms applied by the EaP states starting with 2009, we use a few governance indicators published by the World Bank (Worldwide Governance Indicators—see Annex 3.1), comparing their situation with other 200+ government entities, so that we may capture the

key stages in the evolution of public interventions: Government Effectiveness, Regulatory Quality, Control of Corruption, and Rule of Law.

To begin with, major discrepancies among the analysed states may be observed, relating to both their ranking and evolution over time. This reality marks a critical aspect that needs to be considered in the policy-making of the ENP and actions specific to the EaP. It suggests that the (historical, administrative, and ideological) particulars of the partner states cause different problems and simultaneously nourish the common obstacles of the administrative and political reforms in different ways, thus requiring different solutions. Hence, it becomes obvious that a common package of measures and objectives that would be applied to the EaP could not answer their needs and support their efforts appropriately; therefore, the customization of the reform path and the actual European assistance (i.e. instruments and impulses) to support the aforementioned states are mandatory.

For instance, Belarus appears to be the only partner state that has registered a constant ascending trend over the time frame of the analysis in terms of government effectiveness, although its collaborative attitude has often been very reserved and pragmatically oriented in its relations with the EU, especially to economic development projects. During this time, the Republic of Moldova has undergone a sinuous period, oftentimes under the sign of government instability; consequently, at the end of the period it ranked lower than at the beginning of the partnership. Georgia is by far the best performer in terms of public governance reforms, with the greatest progress in the control of corruption, while Ukraine, Moldova, and Azerbaijan appear to be the partner states with the weakest results.

Although the data confirms that the EaP initiative has been a factor that favoured public sector reforms in many of the analysed states, the registered results in some areas also substantiate the regress, hence the necessity to focus the efforts on these sticking points (Government Effectiveness in Armenia and Moldova, Rule of Law in Ukraine and Moldova, and Control of Corruption in Moldova). For these areas, the acknowledgement of the organized civil society and individual citizens as equal partners, and their direct involvement in the processes of policymaking, represent essential elements of the reform actions, which need to be included or maintained on the partner states' agenda.

These relative comparisons within a global context become even more relevant if we consider the absolute results obtained by each partner state, thus excluding the influence generated by the evolution of the states outside the partnership, depending on which the aforementioned ranking was achieved (see Annex 3.2).

The interpretation of data in Annex 3.2 allows us to extract important information for the effectiveness of the EaP and the ENP in general. At first, beyond the progress consistency which, in some cases, may be described as insignificant, it is about the rhythm of achieving progress, generally unsatisfying if not extremely low, even as regards the best performer of the group (Georgia). This reality may be interpreted as resulting from the lack of articulation between the consistency and quality of the periodical assessment of the partner states' progress, the expected effectiveness of the designed and implemented measures, and the rhythm of the collaboration between the Eastern partners and the EU, which require both an improved arrangement of the work meetings and a revision of the actual working method. Second, we need to observe that, apart from the relative comparisons, states such as Belarus (with a constant ascending trend in terms of Government Effectiveness) are still under the limit of the positive sign in this hierarchy, or Moldova which still ranks low in terms of Control of Corruption.

Nevertheless, it can be noticed that the manifestation of such discrepant evolutions takes place against a background of an ENP and EaP that are meant to protect and capitalize on the EU founding values regarding non-discrimination and equal opportunity. Therefore, discrepancies may be explained through the influence on the implementation of public administration and government reforms of the internal values and factors specific to each partner state. The revision in 2015 of the ENP reinforced the reform of the public administration systems and local government in the EaP countries (European Commission 2015, p. 6) as a major objective, considering it a key element for obtaining democratic governance and economic development, which needs to involve the consolidation of the democratic independent institutions, of the local and regional authorities, the depoliticization of the civil service, and the increase of transparency and responsibility in public administration. Therewith, the EU continues to take the responsibility of providing the necessary assistance to reinforce the

partner countries' capacity in public policymaking, provision of services, and public finance management. However, beyond these policy lines, the reality in the EaP countries confirms the existence of major differences concerning the accomplished progress and the public needs, development targets aimed at, and level of public commitment, which justifies to a certain extent the need for a "personalized" collaboration between them and the EU. In some cases, a reserved attitude regarding the cooperation in the spirit of the ENP could be noticed, as in the case of Armenia and Belarus. Although the openness of the European partners has been quite remarkable, Armenia has been reserved to cooperation over time, an important moment being, for instance, the unexpected announcement of its joining the Eurasian Economic Union (EAEU), in spite of the advanced stage of its negotiations for an Association Agreement (AA), and a Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU, which was to be signed at the Vilnius summit in November 2013. Even if Armenia made a *U-turn* at that time, it cannot be said for sure that the decision made was of a "no-choice option" type, the explicative factors of its orientation to Russia most probably being the shared history, connections, migration flows, security issues, and, most importantly, economic links. Despite this decision, in the political and official discourses, Armenia has always been considered as an indivisible part of Europe, and the EU as the country's historic and civilizational choice (Terzyan 2017, p. 200). A similar episode took place in Belarus, which, in September 2011, announced its withdrawal from the EaP initiative on grounds of discrimination, then reversing its decision a few days later.

Although a general consensus about the aim of the public administration system reform has been reached relatively fast and publicly accepted in the partner states, the actual process has been a difficult one, and still raises problems. In this context, the main benchmarks of the administrative reforms to which we refer hereafter aim at shaping the public administration systems with regard to the basic components, the division of powers, and the specific hierarchical and functional relations in order to support government interventions. Using the geographical criterion, we grouped for analysis, on one hand, the closest Eastern Neighbours (Belarus, the Republic of Moldova, and Ukraine), and, on the other, the South Caucasus countries (Armenia, Azerbaijan, and Georgia).

3 Public Administration and Governance: The Case of the “Closest” Eastern Neighbours (Belarus, Republic of Moldova, and Ukraine)

Among the states participating in the EaP, **Belarus** appears to be one of the most capricious actors but also pragmatic in pursuing its direct interests, frequently oscillating as to the path to follow, main partners, fundamental values of the administrative system, and governance. The fundamental act adopted in 1994 established the presidential regime (The Constitution of The Republic of Belarus 2004), reinforced through the amendment approved by popular referendum in 1996, which confirms the presence of a consolidated authoritarian political regime, which, by its nature, contradicts the premises of establishing the real democratic governance. Following the amendment, the presidential system was strengthened, and the President was authorized to issue legally binding decrees and make appointments to important public positions, among which heads of the local councils and of the regional administrations in the six *oblasts* of the country, with direct medium and long-term effects on the consolidation of the local self-government system. From this perspective, a strong similarity to the path of democratic reform may be observed in Armenia and Azerbaijan, these states continuing to attach great significance to the central executive authority in the public power system and, concurrently, to limit the decentralization in favour of the deconcentration and control on local decisions made by directly subordinate authorities. In this respect, the decisions of the elected local authorities are subordinate to the state's local executive decisions, the latter overwriting the former (Krivorotko 2015, p. 3). Although the reform path has been similar as to the relative importance of the central executive authority in the government system, the progress accomplished by the named states has been different.

The constitutional context of the presidential regime with authoritarian tendencies, which was reinforced in 2017, slowed down the real reforms and the expected progress in many areas (see Table 3.1), contributing to a certain state of indifference to motivational external factors, directly affecting the effectiveness of the ENP and the EaP. Paradoxically,

Table 3.1 Ratings and average scores for nations in transit—Belarus (2009–2018)

Indicator/Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
National Democratic Governance	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.50	6.75
Electoral process	6.75	6.75	7.00	7.00	7.00	7.00	7.00	6.75	6.75	6.75
Civil Society	6.25	6.00	6.00	6.25	6.50	6.50	6.50	6.25	6.25	6.25
Local Democratic Governance	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75
Corruption	6.00	6.00	6.00	6.25	6.25	6.25	6.25	6.25	6.25	6.00
Democracy Score	6.57	6.50	6.57	6.68	6.71	6.71	6.71	6.64	6.61	6.61

The ratings are based on a scale from 1 to 7 (1—the highest level of democratic progress; 7—the lowest). The Democracy Score is an average of ratings for the categories tracked in a given year

Source: Own representation using data from Freedom House (2019)

the area which appears to be the most stable or the least unaffected directly by the characteristics of the political regime, although ranked very low, is still the local democratic governance, due to the relatively minor significance attached to the local authorities in the administrative system (Mazol 2015, p. 20).

This particular perspective on the mission and status of the decentralized authorities has been supported by both the fundamental act, and the initial regulation of the local self-government, which established the basic rules for the shaping and functioning of the local councils as organized authorities at primary level (villages and towns), basic level (cities and districts), and regional level (*oblasts*). In spite of the amendments made in 2000 and 2010, The Law “On Local Government and Self-government in the Republic of Belarus” cannot be considered effective, its text stipulating that the local authorities implement decisions belonging to high-level government authorities and act in the government’s interest when they are asked to solve local problems. Such a legal provision, extremely different from the values stated in the European Charter of Local Self-Government, which has not been signed or ratified by Belarus, reflects a vision that hardly favours the real strengthening of the local self-government system, resulting from the post-communist states’ bias towards the administrative centralization.

The division of powers is achieved in Belarus in favour of the central authorities and their subordinate entities, so that the local governments' exclusive tasks relate only to the approval of the regional development plans, procedures for using the local public property, and organization of referendums. Financially, although the local authorities have the right to establish own taxes, it is not possible to get enough revenues to cover own expenditures or to obtain marginal revenues by discretionary decisions. The weight of own local revenues is below 10%, being largely used by the sharing of yearly-revised revenues of the central authorities (instead of the option of a fixed formula) and the discretionary budget transfers, although these mechanisms affect the capacity of the local authorities to build consistent and predictable development strategies (Oprea 2013, p. 17). In financial terms, around two-thirds of the local budget revenues are allocated to current expenditures of the corresponding administrations, the real possibilities to support a local proactive self-government system for the local development being rather limited. Under such circumstances, it may be noticed that the evolution of the local budget revenues is not adequately connected to the evolution of the economy and prosperity in the local jurisdiction, depriving the municipal public authorities of the essential incentive to extend and improve the tax base somehow. Even though the fiscal dependency of the local authorities is not as high as in Azerbaijan, it is associated to a strong control of the executive authorities on the local public expenditures (whose weight in the total government expenditures is noteworthy), with obvious negative effects on the effectiveness of self-government and governance quality. Similar to Azerbaijan's system, beyond the shortage of the necessary financial resources, the overlapping of the powers of the municipal authorities and those of the executive authorities in the territory excludes the discretionary local intervention, the potential local preferences being neglected, and the role of the local authorities in good governance diminished (Krivorotko 2007, p. 2). Additionally, the legislation in Belarus does not necessarily include a mechanism for the consultation of local public authorities, their voice and different needs being at the discretion of the executive authorities. Under the given circumstances, it is obvious that an appropriate reform of the local self-government system in Belarus cannot be limited to deepening the decentralization of public expenditures at local level. In order

for these expenditures to be effective, and the production of public goods of local interest to be efficient, it is necessary that the transfer of powers to be accompanied by the transfer of control on resources (base and tax rates), so that the local authorities should benefit of a real incentive both for the development of their own tax base, and for the improvement of the technical and allocative efficiency of their expenditures. In any case, it is essential, first of all, to accept that a public business is not necessarily the government's business, and then to reconsider the approach to the hierarchical organization of the public administration, eliminating the position of the municipal authorities as agents of the central executive power.

The Republic of Moldova may be characterized as one of the partners with oscillating results, concerning the local self-government system reform and consolidation of governance, a positive fact being the more and more clearly expressed attachment to the European values. Moldova signed the European Charter of Local Self-Government, as its neighbour Ukraine, in 1996, in force since 1998. The substantial reforms of the government system were delayed for a long time because of the ideological reminiscences of Soviet influence. The successive reforms of the administrative-territorial organization in 1994, 1998, and 2003 have not set a completely functional division, the latest being considered a regress through its bias towards Soviet values. In particular terms, the experience of the 1998 reform, which tried a replication of the Romanian administrative system, confirms the specialist's opinion that the simple replication of the model, without adequate adjustments, is not always a solution (Onofrei 2013, pp. 30–38).

The local public administration in the Republic of Moldova is organized on two tiers (municipal and *rayon's* authorities). The regulation on the local self-government stipulates that the local administration is based on the principles of local autonomy, decentralization, eligibility of local authorities, and public consultation as concerns local problems of special interest. The local authorities enjoy decision-making; organizational, administrative and financial autonomy, have the right to initiatives regarding the local public administration, and may exercise their power within the limits of the administered territory, according to law (The Constitution of The Republic of Moldova 2016). A positive aspect is the

explicit regulation on the relations among the public administration authorities, in spite of the inherent reserves, a regulatory provision that is necessary in other EaP countries, too. In this respect, the national regulation specifies that the relations between the central public authorities and the local ones are based on the principles of autonomy, legality, transparency, and cooperation to solve common problems, whereas between the central and local authorities, and between first-tier public authorities and second-tier public authorities, there are no relations of subordination, except as otherwise provided by law. As to the hierarchical administrative control, it is limited to ensure the compliance with laws and constitutional principles, while the opportunity control may approve only of the exercise of delegated powers, according to law. It also states that central administrative authorities consult the representative associations of the local authorities on local administration-related issues. Such an entity protecting and capitalizing on the local authorities' interests was founded rather late, in 2010, as the Congress of Local Authorities from Moldova, which, nevertheless, represents a positive useful reflection of good governance specific to the EU member states.

The legislation in the Republic of Moldova shows a bias towards reserve when it comes to regulating the concrete means of exercising the local self-government. For this purpose, the maintenance of local autonomy requires that the local authorities autonomously make, approve, and administer the local budgets, with the right to apply local taxes and establish their rates *according to law*, thus allowing the central authorities to intervene. Although, generally, the formal basic regulation on the local self-government principles in the Republic of Moldova is considerable, the figures on the practice of local self-government do not confirm hitherto a consolidated system, deeply involved in the local communities' life (see Annex 3.4).

The main tasks of the local authorities are *exclusive* (e.g. fire protection, local public roads, public transport, waste, water supply and sewage systems etc.), *shared* with the central authorities (e.g. financing of service provision), and *delegated* (such as administration and maintenance of schools and hospitals), in which case they act as the state's agents. It is, however, criticizable that the corresponding financial resources have not been foreseen once the powers were defined by law so that to substantiate

the natural principle “money follows function”, which has repeatedly generated interruptions in fulfilling the administrative activities.

In view of Moldova’s efforts to join the European values, the delayed adoption (in 2012) of a document with regard to the reinforcement of local self-government, that is, the National Decentralization Strategy, is favourably appreciated. The more consistent application of its principles started only in 2015, the main advantages including *reducing discretion* by eliminating the financial relations between local communities on the two administrative tiers and by introducing a formula to size the inter-administrative transfers, *favouring predictability and transparency* by the legal fixing of ratios to share some fiscal revenues, and *stabilizing the pay system* for some public services or delegated powers by specifying the fields in which special destination transfers may be used.

Although the Republic of Moldova has shown a stronger bias towards European values, the accomplished progress has not been sustainable, and the deficiencies in areas such as the fight against corruption or reinforcement of local self-government and democratization are still prevailing. From this point of view, the cooperation with the EU within the EaP has been an incentive for Moldova’s administrative reforms, all the more so as the entailed circumstances in this partner state have been more favourable compared to those in Azerbaijan or Belarus. Overall, the contrast in the progress achieved by the partner states, as well as the power of their options (e.g. the group made up of Georgia, Moldova, and Ukraine compared to the group which would comprise Armenia, Azerbaijan, and Belarus), suggests that between the reform options of the EaP and the ENP, there should be considered a possible reorientation of the principle or document-based cooperation to the direct contact and cooperation with the civil society and NGOs, which may act both as internal triggers and real reform supporters. The differences among these partner states call for either an individual approach to the partnership with the EU, or the reconsideration of the group-structured cooperation (for instance, as an Extended European Economic Area) in the future.

A similar situation to that of the Republic of Moldova may be discussed in the case of **Ukraine**, a country in which the path of the democratic reforms and governance after 1991 has suffered from multiple internal and external convulsions, but which has recently showed a clear

engagement towards the European values of governance and democratization. Although the process of drafting a new Constitution started shortly after the country gained its independence, the first act was adopted only in 1996, formally establishing a semi-presidential republican system. Nevertheless, as far as this EaP country is concerned, similar to other countries in the group, the increased focus on the effective tasks of the executive authorities confirms a tendency to authority and inertia in the decentralization of the public power, in disagreement with the prescriptive requirements which support the good governance.

A year later, the fundamental act was followed by the adoption of the Presidential Decree on the administrative reform, which set up the objectives for a modernized system of public administration. The fact that in 1998 Ukraine created a unitary document with regard to the administrative reform, thus meeting a rationality requirement relevant to public sector reforms, is favourably appreciated. Although, theoretically, such an approach is a positive one, the way this country decided to implement it is considered to be a less productive one, compared to other reform experiences. As discussed in previous studies (Onofrei and Oprea 2017, p. 262), the design and bottom-up implementation of the reform, which recognize the importance of subnational communities and their differences, as well as their participation in decision-making, contribute to the success of the implementation or consolidation of local self-government. On the contrary, in the case of Ukraine, the process had a top-down approach, without real extended consultation with all interested parties, which later hindered the achievement of the intended progress, and even led to internal conflicts. Thus, the growing discontent aroused by the division of powers and the assignment of financial resources (especially as far as the Eastern *oblasts* are concerned) stands as one of the factors which contributed to the political crisis in 2013–2014. In addition, it can be noted that the attempt to discretionarily transform the entire administrative system at once (institutions, roles and positions, and employees), with very consistent ratified objectives, but without the due attention to consultation, usable means, and timing of efforts, leads to the obstruction of reforms rather than their success. As a matter of fact, such an approach points out not only a questionable perception on the role of public administration in the democratic states but also the expression of

a tendency specific to ex-communist countries to keep the centre of gravity in the decision-making process at central level, together with an often-times excessive control on local decisions in general.

The number of employees in the central administration has increased faster than that of the local administration, which confirms the Ukrainian authorities' bias towards centralization, on a background of a very strong executive power. Additionally, the exercise of the executive power in the territory has been assigned mainly to the deconcentrated authorities (appointed from the central level), and not to the elected ones, the local needs and preferences being disregarded, compared to the will of the central executive public authorities, even after the weakening of the presidential political system in 2004, which was later resumed.

The local administration in Ukraine is exercised at municipal level through representative bodies and executive committees. *Rayon's* councils, which delegate the executive powers to the local administration in their jurisdiction, run at regional level (*oblasts* and *rayons*). The main role of the *rayon's* authorities, which account for their activity before the higher executive authorities, is to supervise the activity of the local administration. The decentralization process started after 2014, when the Cabinet of Ministers adopted the *Concept of local government and territorial organization reform*. The parallel existence of these two different systems of local government is a source of conflict and encumbers the fulfilment of the administrative mission, keeping the local public decision-making circuit under the influence of the central executive power. Although the fundamental act recognizes some exclusive competencies of the local authorities (such as the management of the local public domain, communal services, constructions, etc.), a major problem of the local government system reform in Ukraine relates to the insufficiency of own financial resources at the level of municipalities. They are oftentimes in the position of accepting the de facto administration of the local administrative tasks by the higher administrative tier, which is not responsible before the local community members. Thus, the decision-makers' responsibility with regard to the public decisions lacks one of the most important incentives, with negative implications on the effectiveness of the government interventions. The maintenance of powers on the basic decisions as to the tax system at central level, combined with the

excessive use of shared taxes (until 2000) and of the discretionary annual transfers to the local budgets, have deprived the local authorities of a real incentive to expand or strengthen the local tax base, or improve the collection of budget revenues, with negative evident consequences on the local self-government. Furthermore, although, theoretically, tax-sharing is a useful tax practice (Boadway and Shah 2009, p. 295; Oprea 2011, p. 148), the annual change of rates shared by the central authorities with the local budgets is controversial since it seriously affects the predictability of local authorities' revenues and, implicitly, their own projects, on medium and long term. Although changes in the local tax system and the intergovernmental fiscal relations entered into force in 2015, the results regarding the local financial autonomy cannot be considered satisfactory (OECD 2018, pp. 194–195).

The efforts to address the deficiencies in the administrative organization, arrange the division of powers, and harmonize it with the financial aspects, are implicitly reflected in the quality of the local democratic governance. This indicator (Table 3.2) points to a recent and constant improvement in Ukraine (similar to Georgia and the Republic of Moldova), the progress being also supported by a stronger voice of the civil society, and by the regulation of mechanisms of its integration in the decision-making process (right of petition, hearings and public meetings, local initiative, participatory budgeting, etc.).

The data in Table 3.2 indicate that the recently committed reforms in Ukraine drove the local governance system to stability and effectiveness,

Table 3.2 Local democratic governance ratings for nations in transit (selected countries, 2018)

Country/Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Armenia	5.50	5.50	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75
Azerbaijan	6.25	6.25	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Belarus	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75
Georgia	5.50	5.50	5.50	5.50	5.50	5.50	5.25	5.25	5.25	5.25
Moldova	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.50	5.50	5.50
Ukraine	5.25	5.25	5.50	5.50	5.50	5.50	5.50	5.25	5.00	4.75

The ratings are based on a scale from 1 to 7 (1—the highest level of democratic progress; 7—the lowest).

Source: Own representation using data from Freedom House (2019)

but complementary measures regarding the division of powers, the control on decisions, and the citizens' involvement and accountability at local level are still necessary. From this viewpoint, although the adoption of the *Strategy of Regional Development* for the period 2015–2020, which also includes the option of voluntary unification of municipalities, has produced some positive effects (over 3000 municipalities reunited into approximately 700 *amalgamated communities*), it has also created new confusions concerning the delineation of competencies and financing.

From a global perspective, the local government system in Ukraine still needs to be considered at the beginnings of reforms and consolidation, requiring consistent reconsiderations regarding both the division of powers and their reflection on assigning public resources and expenditures, so that the necessary framework may be objectively created in order to connect the local preferences to the processes of mobilization and use of public financial resources, as well as of the stakeholders' accountability (public authorities and citizens).

4 Public Administration and Governance in South-Caucasus Countries (Armenia, Azerbaijan, and Georgia)

The Republic of Armenia distinguishes from its neighbouring countries by its extremely powerful popular identity of religion-based origins. After 1990, its path has been rather sinuous, the inertia of its government system quite high, and the relevant progress has been accomplished with difficulty. In 1999, the EU-Armenia Partnership and Cooperation Agreement (signed in 1996) entered into force between the two parties, providing for a wide-ranging cooperation in the areas of political dialogue, trade, investment, economy, lawmaking, and culture. Later, starting with 2004, Armenia was included in the ENP and then, in 2009, in the EaP, thus reinforcing the specific relations with the EU as a partner. On 24 November 2017, the EU-Armenia Comprehensive and Enhanced Partnership Agreement (CEPA) was signed and ratified by all parties as the new framework for the strengthening of cooperation.

The shaping of Armenia's democratic administrative system has been formally accomplished starting from the constitutional provisions adopted in 1995 (The Constitution of The Republic of Armenia 1995), which confirmed from the beginning the self-government principle as a fundamental benchmark for the functioning of local administration, reinforced through the Law on local self-government in 1996. Other laws necessary to the effectiveness of the local administration reform have been associated relatively fast to these basic regulations, during the next two years. Nonetheless, reprehensibly, the late organization of the first decentralized local elections triggered the impingement on the effective implementation of the reform needs. This inertia may be explained by the lack of political will, a certain bias towards centralization being specific to the post-communist states. Second, the slow pace of the reforms was favoured by the individuality of the local Armenian identity, consolidated mostly on religious grounds, specific to small-size communities, more easily influenced at high level, in other words "low voice". Third, it is very important to note that Armenia did not opt from the beginning for a rational working method, that is to have designed, publicly debated, and ratified from the start a comprehensive public administration reform strategy (which is still missing), which had long-term negative consequences on the consistency and sustainability of the public action's results.

Furthermore, the actual division of the powers and the relations local authorities and the government entities in the territory have basically generated a high degree of administrative centralization in Armenia, maintained over time. What is more, the considerable differences of the territorial subdivisions, placed on a single administrative level, have been generating major discrepancies regarding real possibilities in the administration of the local public needs. Thus, while some communities need the acknowledgement of new powers that they can assume and exercise, others can only cover little over their current local expenditures, even after the administrative reform in 2015 when the 200 so-called clusters were founded by reuniting the municipalities at a higher level. The authorities of the local government administration (*marzpetarans*), which bear the responsibility of implementing the development plans in the territory, do not benefit of own resources for this purpose. The presence of these deconcentrated public authorities at regional level may be considered a

hindrance to the consolidation of the local self-government and implementation of the necessary reforms, upholding the decision-making centre of gravity higher than the municipal level and in the control of the central authorities. In fact, this system makes municipal authorities enjoy limited involvement in the production and provision of local public goods, despite the recommendations of the European Charter of Local Self-Government, referring to a substantial share of the public affairs, under their own responsibility. Such an approach of the “thinking centrally, acting locally” type, as well as the unwillingness to give it up, can also be found in other former communist states (Onofrei and Oprea 2017), being caused by the endogenous and exogenous influential factors of the administrative systems (Onofrei 2013, pp. 30–38).

The division of powers uses in Armenia three categories of tasks: voluntary (e.g. construction supervision, construction of social housing, organization and maintenance of recreation areas, roads and bridges etc.), mandatory (e.g. protection of citizens’ rights, budget planning and implementation, urban planning and land use, public utilities, local roads, trade licences), and delegated (e.g. administration of passports and electors, public order, social assistance). In their actual administration, a more important role is assigned to the head of the community, often-times the municipal council being less involved due to the lack of motivation resulting from the shortage of financial resources, since more than 90% of the available budget resources are used to cover the current expenditures. Under these circumstances, it may be assumed that local authorities act more like agents of the central authorities rather than on their own, as they should. Moreover, the lack of a concrete and effective regulatory consultation mechanism between the local and central authorities on community-related issues allows for the important decisions to continue to be made at central level and implemented without adjustments at local level.

From the financial perspective, the involvement of local authorities in the administration of public tasks is minimal, the share of local expenditures as percentage of total government expenditures constantly being under 10% (compared to 20–30% in the Central European and Balkan countries), while the weight in GDP under 3% (compared to 7–14% in the above-mentioned countries), as it may be observed in Table 3.3.

Table 3.3 Local public administration expenditures in Armenia (2010–2016)

Item/Year	2010	2011	2012	2013	2014	2015	2016
Local expenditures as percentage of GDP	2.39	2.19	1.94	1.81	1.71	1.64	1.63
Regional (<i>marzpetarans</i>) expenditures as percentage of total government expenditures	5.74	7.26	6.55	5.78	5.49	5.18	4.77
Local expenditures as percentage of total government expenditures	8.46	8.79	9.39	8.8	9.00	8.95	8.75
Current local expenditures (% of total local expenditures)	91.35	90.71	87.74	89.28	89.39	92.96	94.72

Source: Own calculations using data from the World Bank (2019)

The upkeep of the Armenian local authorities' reduced role in the administration of public affairs may be explained by various factors, amongst which the concrete manner of perceiving and implementing the European Charter's values on local self-government at national level, which play a major part in continuing to strengthen the role and effectiveness of the local authorities' action as development agents. Therefore, although the official adherence of the EaP countries to the European Charter's values was achieved by Moldova and Ukraine through ratification in 1997, Armenia and Azerbaijan signed it five years later, and Georgia in 2004. Belarus has not signed or ratified this Charter, because of not being a member of the Council of Europe.

The system of the local public expenditures has encountered successive reconsiderations with a clear intent to reinforce the local financial autonomy, but with doubtful results and obvious discrepancies (the capital's budget revenues exceed by half the accumulated revenues of the other municipalities). Despite the allocation of own local revenues (from taxes, state duties, user charges, public services fees etc.), the local authorities' main revenues are still the transfers from the central budget, maintaining the high financial dependency. According to the data published by the Statistical Committee of the Republic of Armenia, the weight of the local revenues in GDP is under 3%, whereas the fiscal autonomy of the municipal authorities ranks extremely low, as shown in Table 3.4.

Nevertheless, the financial dependency of the Armenian local authorities is not the only disputable facet of the public administration reform.

Table 3.4 Local budget revenues in the Republic of Armenia (2012–2016)

Item/Year	2012	2013	2014	2015	2016
Total revenues of municipal budgets	100.00%	100.00%	100.00%	100.00%	100.00%
Taxes and duties (% of total)	20.98%	19.96%	20.34%	18.55%	19.09%
Other incomes (% of total)	27.93%	28.24%	30.96%	35.09%	37.91%
Transfers (% of total)	51.09%	51.79%	48.70%	46.35%	43.00%

Source: Own calculations using data from the Statistical Committee of the Republic of Armenia (2019)

To this, we may add the fact that the tax rates are fixed by the central authorities, the regulation concerning the size of the transfers has not been completely clarified, thus leaving room to ad hoc and discretionary measures, while the local authorities' access to loans remains a less viable alternative. These facts are amplified by the lack of clarity in the regulations on the authors, and the supervision and control of local authorities, which should reduce their activity to the decisions' lawfulness without engaging in their opportunity, which should stay in the local self-government's capacity.

In this difficult context of the local development, the public sector's governance is still far from the state's real needs, given that principles such as local self-government and administrative decentralization require more consistent efforts, especially with the following aims: to clarify the division of powers, to strengthen the municipal authorities' independence and responsibility, to revise the administrative territorial division, and to transfer adequate revenue sources to local authorities.

As far as **Azerbaijan** is concerned, the rebuilding and modernization processes of the administrative system after the restoration of the independence (in 1991) were met with resistance because of the obvious lack of experience in democratization (Gahramanova 2009, p. 783), against a troublesome geopolitical background. A significant factor affecting this state is that no stable (own) comprehensive system of local government has been known in its history, its governance being exercised at local level by executive bodies and committees representing the central authority (local councils known as *the soviets*). This means that such a "patented" system has been replicated by this state in the post-communist age, while its spirit has been kept functioning. This lack of precedent in the admin-

istrative organization of the local self-government over the years has made the legislative approaches on training an appropriate institutional framework linger in time, the first references being achieved through the Constitution in 1995, which envisioned a two-year time frame for the adoption of regulations concerning the assignment of local authorities and self-government, respectively, for the training of local authorities. In such circumstances, a very strong persistence of the executive power and centralist principles in decision-making have been maintained, while the devolution of the public power has been achieved mostly as the deconcentration of the executive power, with the President of the Republic at the top of the hierarchy. Furthermore, the lack of the political will and capacity to formulate and adopt a coherent and comprehensive decentralization strategy negatively impacts on the development of local government and good governance in this partner state.

The Law on Municipal Elections and the Law on the Status of Municipalities were adopted in 1999, two years after the deadline set by the transitory measures in 1995, invoking the lack of experience and the fact that the population was not ready yet. Nevertheless, the real explanation resides in the authorities' hesitation as to carry out the transfer of administrative responsibilities to newly formed bodies, thus diminishing their control over the public interventions and, implicitly, their influence as a source of the government power, which made the elected local authorities start their activity only in January 2000. From this point of view, we may argue that the fundamental act has not included clear provisions and warranties as regards the organization of the local administration based on the principles of decentralization and local self-government, even though in some cases they may be inferred from the interpretation of the legislation on the municipalities' powers, expenditures, and resources. In fact, because of the lack of clear regulatory principles, numerous local authorities have a limited role, acting as simple agents of the central and local government executive bodies.

In its current form, the fundamental act refers, in its 9th chapter, to the municipalities' self-government capacity, formally stipulating their main activities (Constitution of the Azerbaijan Republic 2016). The fundamental act specifies that the municipalities' activity is supervised by the government, the former being held responsible in front of the citizens of

its own jurisdiction. Therefore, the administration of the local public needs is ensured in Azerbaijan, as in Armenia, both by local bodies of the government administration (deconcentrated agents of the central executive power, whose powers are established by the President of the Republic), and by municipal authorities, which raises ambiguity-related problems in the division of powers. Furthermore, the difficulties in the consolidation of a democratic effective governance system are increased by the fact that, in applying the principle of administrative deconcentration, the executive government authorities in the territory are assigned to receive and transmit the municipal authorities' political requests to central authorities, as well as to coordinate the cooperation among them. Thus, the "local voice" may deal at times with distortions incompatible with the spirit of the local self-government principles. In effect, the system allows the role of local authorities in the administration of public affairs to be reduced to its formal consulting position, without actually generating personalized solutions to differentiated local problems or preferences.

The law regulates the structure and the role of local authorities, placed on a single administrative level, formally stipulating that the government ensures their legal and financial autonomy. As a member of the Council of Europe, Azerbaijan signed in 2001 the European Charter of Local Self-Government, ratified and entered into force in 2002. Despite of this, the source of the executive power is still mainly associated with the President of the Republic, who carries the responsibility of appointing representatives in the territory to whom he grants important executive powers, and who substitute the local decentralized authorities. Although the beliefs of the European Charter infer that problems should be solved by the closest authority where they take place, the law on the municipalities' status in Azerbaijan specifies that local decentralized authorities may act either only together with the government or (discretionarily) only in those areas where the government does not take action, which almost entirely excludes the local freedom of decision-making considering the vertical organization of the ministries. Since 2012, the President of the Republic has opted for expanding the powers of the local executive authorities, thus generating even more overlaps of their powers with the ones of the decentralized authorities. From the perspective of a good governance, this system of division of powers is counterproductive, since

appointed and not elected decision-makers cannot be held responsible in front of the community members they act for.

Overall, it may be assumed that the main problems for the consolidation of the decentralized administrative system in Azerbaijan relate to the lack of power (competences) and of the financial resources at local level (e.g. in 2011 the share of local taxes in government budget revenues was of 0.09%), increased by the lack of consistency of powers division. Thus, although municipalities in Azerbaijan have, according to the Constitution, tasks concerning the establishment of local taxes, the budget's approval and implementation, the administration of the local public domain, and the approval and implementation of local development programmes, their exclusive activity is oftentimes reduced to the ongoing maintenance of facilities (e.g. rural parks or cemeteries). In fulfilling the above-mentioned tasks, the activities are funded predominantly from the central budget by transferring the necessary amounts into the budgets of the local executive authorities (Agayev et al. 2007, p. 3). The discrepancy between the assignment of tasks and allocation of financial resources deprives the local authorities from the capacity to implement voluntary decisions and puts free municipal options in the shadow, although, theoretically, they should be taken into account by the deconcentrated authorities. Thus, the sphere of the discretionary local decisions remains a very confined one, with a negative impact on the strengthening of the self-government system and good governance.

The analysis of the measures taken and progress made by Azerbaijan points out the strong institutional resistance concerning the authorization of the municipalities for the administration of the local public affairs, which is the main negative impact factor that should be counteracted. But since it is an intrinsic feature of the national government system, the solutions need to come from the inside rather than from the European partners, whose mandate is limited to providing the necessary support that has to be associated with a realistic national political will. Consequently, the government should aim its efforts at the division of powers, the limitation of the local executive authorities' role to the supervision of the municipal decisions' legality, the allocation of appropriate revenue sources to the municipal budgets, the creation of an efficient system to collect local revenues, as well as the involvement of the civil society in policymaking. In

its turn, the EU should act stronger and more pragmatically as a partner to support the development and strengthening of the civil society, the dissemination of the European values on public governance, so that the voluntary change, from the inside, might be favoured.

According to the data in Annex 3.1, **Georgia** appears to be the main performer in terms of democratic reforms, strengthening governance and local self-government. The progress made in respect of democratic institutions and good governance allowed the signing with the EU in 2014 of the Association Agreement, which also includes the Comprehensive Free Trade Agreement (in force since 1 July 2016). Georgia has explicitly committed to the priority axis of the public administration reform, with a focus on the quality of public policymaking, professionalization of the civil service, accessibility of services, responsibility, and transparency of public institutions. A reform-oriented approach, which can also be considered good practice, is Georgia's option for a rational strategy, explicitly assuming a roadmap for the public administration reform, thus increasing the chances for effective reforms, although this took place relatively late (in 2015). But even in such circumstances, the progress has not always been as expected in all areas, and some delays could be observed.

Georgia's Constitution (2006) stipulates the legal right of the local community members to self-government, without bringing prejudice to statehood. According to it, local authorities may have both own powers and delegated powers, being allowed to make any decision which is not in the power of another public authority or against the law. Moreover, it is stated that a transfer of powers from the central level can be achieved only if accompanied by the transfer of the adequate material and financial resources to exercise them. Although, theoretically, these regulations are in line with the beliefs of the European Charter of Local Self-Government (ratified by Georgia in 2004), they do not clearly state that local authorities act in agreement with the local community members' interest, which needs to represent the main trigger of the discretionary administrative decisions in the field of local public affairs. In such circumstances, there remains the possibility of the obvious reserve that the "local interests" be defined at a higher level, which can be criticized especially when the local authorities' freedom of making, adopting, and implementing their own rules and procedures is quite reduced, being forced to act "according to

law". Moreover, the text stipulates that many of the municipal authorities' competencies included in the local self-government code may be achieved "according to law", which generates either a competition or an overlap of the roles of the various public authorities.

In financial terms, the issue of the local budgets may also be argued, the local expenditures representing less than 5% of GDP, while the weight of own local revenues around one-third of the total, which indicates the local authorities' very high financial dependency. As shown in Annex 3.3, the fiscal decentralization ranks very low in Georgia, which invalidates the presence of national practices according to the requirements of the European Charter of Local Self-Government. The main source of local revenue is the local property tax, whose legal system is decided by the central authorities and frequently modified discretionarily (e.g. by introducing fee exemptions), which affects both the local authorities' ability to forecast budget revenues or influence marginal incomes, and the process of making or assuming predictable medium or long-term development policies. The situation is more problematical since the transfer of the income tax to the local authorities has produced great imbalance among towns and municipalities, and the administrative transfers used originate mainly from the special destination category. These transfers are adjusted in many cases on a yearly basis and successive rectifications, while the transferred amounts are used, first of all, to exercise the delegated competencies, this affecting the real capacity of self-government at local level. Furthermore, it is known that in general the use of the discretionary transfers, especially in the countries in transition, is often associated to the lack of transparency and decrease of possibilities to control budget flows, favouring the uphold of the administrative centralization (Oprea 2013, pp. 184–185). Another negative side of the financial decentralization in Georgia refers to the practice of very rigorous and strict (inflexible) legal constraints on raising supplementary resources (loans) at local level, the local authorities' access to the capital market being extremely limited, which contradicts the requirements of the European Charter of Local Self-Government.

The reform on the administrative-territorial organization in 2006, which considerably reduced the number of subdivisions, has certified in the following years the fact that an oversized local community faces even

greater difficulties in the administration of the local affairs. Similar to the systems of Azerbaijan and Belarus, the central executive authorities' excessive involvement in the formulation and implementation of local public policies has been an obstacle in the way of administrative reforms, with a negative impact on the real strengthening of the democratic governance. However, unlike the case of Moldova, where the law on the local administrative competencies is fragmented into different regulatory acts, their incorporation into a single code of local self-government in Georgia needs to be appreciated as a positive element.

To conclude, the local self-government and governance reform in Georgia should further focus on the reinforcement of the local civil society and the decision-making role of the authorities in the territory, both by granting exclusive and clearly defined powers and by allocating appropriate revenue sources, consistent with the European values of local self-government.

5 From the EU's Agreements to the Eastern Partnership Countries Perspective

The common document "20 Deliverables for 2020", adopted in 2016 and revised in 2017 for more consistency and a strengthened engagement of the involved parties (European Commission 2017c), defined the deliverables for citizens, thus aiming to increase the effectiveness of the EaP and ENP by designing a work plan and facilitating the progress monitoring. According to this document, the first priority is addressed to economic development and market opportunities, public interventions and support being thus focused on enhancing regulatory environment and SME development, managing gaps in access to finance and financial infrastructure, creating new job opportunities at local and regional level, harmonizing the digital markets, and better support for trade and DCFTA implementation. The second priority is to strengthen institutions and good governance, by supporting rule of law and anti-corruption mechanisms, implementation of key judicial reforms, implementation of public administration reform, and improving security. Next priority

refers to connectivity, energy efficiency, environment and climate change, focused on the extension of the TEN-T core networks, energy supply, energy efficiency, renewable energy and reduction of greenhouse gas emissions, and environment and adaptation to climate change. Priority IV includes aspects related to mobility and people-to-people contacts, as visa liberalization and mobility partnerships, youth, education, skills development and culture, Eastern Partnership European School, or research and innovation. The so-called cross-cutting deliverables refer to structured engagement with civil society, gender equality and non-discrimination, and strategic communication and plurality and independence of media.

The common efforts of the EU and partner states conducted during the next two years to the strengthening of citizens' trust in the EU (more than 60% see it as the most trustful foreign institution), development of trade exchanges (with over 20% in the case of the Republic of Moldova and Ukraine), introduction of electronic declarations (Armenia, Georgia, the Republic of Moldova, and Ukraine), partial depoliticization of public office through new regulations (Armenia, Azerbaijan, Georgia, the Republic of Moldova, and Ukraine), reinforcement of common energy safety (Georgia and Azerbaijan), and some notable improvements in education (the EaP European School launched in Tbilisi, EU4Youth programme, full access for all partner countries to Horizon 2020). Although none of the priorities can be regarded as accomplished, the most remarkable progress has been registered in economy and society development, all in all the EaP proving to be an efficient instrument to support these states' ascending path.

The EaP Index (Eastern Partnership Civil Society Forum 2017) charts the progress made by the six EaP countries towards sustainable democratic development and European integration. The Index measures the steps taken on the path towards good governance, including the observance and protection of democracy and human rights, sustainable development, and integration with the EU. According to this report, EaP countries' achievements are notable in many cases, but still there are some worrisome topics.

In the case of Armenia, the lower level of political and security dialogue with the EU slowed down the progresses, but some improvements

were registered in areas such as transparent budgeting, openness before the public, combatting trafficking in human beings, and joining global initiatives (strategies on climate change, environmental policy, and sustainable development policy). On the other hand, local communities' voice still remains very low and their consultation needs more attention. One of the top challenges in 2019 for Armenia regards the consistent and timely implementation of the CEPA signed with the EU. Azerbaijan registered progresses mainly in business environment, but it needs to enhance the role of civil society organizations, and to ensure the independence of judiciary system and public officials' responsibility. After two years of implementation of "20 Deliverables for 2020", Azerbaijan appeared to be the weakest performer with regard to democratic rights and elections, media independence, and freedom of speech and assembly but also as the frontrunner in the field of sustainable development policy, due to the oil economy's relatively better health and poverty indicators. At its turn, Belarus made some improvements regarding business environment, but still scores very low, mainly because the situation of democracy and human rights. The control of the executive power over the other branches, the restrictions applied to media and to political and civil rights, and the exclusion of civil society from the area of policymaking need to be consistently reconsidered. In addition, Belarus has a lower level of political and security dialogue with the EU, a deeper involvement and openness of the national authorities being strongly required. Georgia needs more focus on institutional reform, by strengthening the public administration system and enforcing international standards in this sector, along with judicial system, which is considered the weakest area of the governance system in this partner country. At the same time, the main achievements reported by the EaP Index include the fruitful co-operation and political dialogue with the EU, strong progress being made in EU integration with the advent of visa-free travel to the Schengen countries, and also in DCFTA alignment with the EU. Despite the official statements on solid progress in implementing democracy and good governance, during 2017 and 2018, the Republic of Moldova registered a tendency of stagnation regarding part of the reforms initiated, and also some small reversals. The EaP Index report mentions positive aspects in the fields of control of corruption, DCFTA alignment, and convergence with the EU energy policy,

but mainly due to the improvement of the normative framework and less related to its effective implementation. The main challenges for present times in the Republic of Moldova include the strengthening of the civil society role in policymaking and implementation, ensuring the credibility of electoral system and process, and depoliticization of public institutions. The main achievements of Ukraine as a partner country include the consolidation of the strategic legislation (e.g. by adopting the Medium-term Governmental Action Plan for the period until 2020), strengthening political dialogue with the EU, reforming public administration, hiring reform specialists, introducing e-services for businesses, implementing open data portal, and promoting gender equality. Despite of these progresses, Ukraine is still facing many challenges, which refer for 2019 mainly to the fight against corruption, compliance with the Action Plan for implementation of the Association Agreement, improving the business environment, or human rights protection.

The complete achievement of EaP's generous objectives depends mostly on the action of at least two fundamental factors. Firstly, it relates to the will and ambition of the Eastern countries involved in this partnership, which need to be very strong. From this perspective, the commitments made by Georgia (the best performer, already attached to the values of the free market economy), Moldova (arguable to some extent after the 2019 elections), and Ukraine are higher compared to the ones exposed and made by Armenia, Azerbaijan, and Belarus, which still display an oscillating behaviour. What is more, some states' initiative to join the Eurasian Economic Union (Armenia and Belarus) may be partially explained also by the much more consistent flexibility of the normativity that derives from this partnership in many branches of activity, compared to the engagements that would result from the commitment to the much more precise/rigid values of the EU. This does not mean at all that the task of adjusting to or favouring progress would belong only to the (central) government authorities in the EaP countries. The central authorities, the local ones, and the civil society (individuals and their organizations) need to be equally aware of the negative effects caused by allowing or fuelling the maintenance of authoritarian or semi-authoritarian political systems on the strengthening of good governance and put efforts into fighting against them. Thus, secondly, it relates to the

above-mentioned actors' capacity, knowledge, and experience to design and implement solutions to improve the national self-government systems and good governance, to which the EU could have a positive contribution through training of trainer programmes in these countries. In such circumstances, it becomes obvious that in order to make the ENP viable and increase its effectiveness, the EU and its members should be able to reconsider and adjust the content and means of implementation so that at least two large dimensions are reached. First of all, it is essential to customize the European support with regard to the concrete needs of each EaP country, so that the roads of adjusting to the European values of public governance should favour the speed of making progress and, more importantly, its sustainability. Then, it needs to be said that real progress can be accomplished only if all interested parties are transparently and equally involved in the design of the reform processes and their implementation, including, beside the central authorities, the local authorities, the partner states' citizens, and their representative organizations. Last but not least, all stakeholders need to be aware that the partner states' commitment to the European values, which have demonstrated their efficiency in the organization of administrative systems and public governance, represents a real opportunity in favour of the sustainable development of the socio-economic systems, and not a simple conjuncture with no more than medium-term consequences.

6 Conclusions and Policy Recommendations

Our analysis indicates that, among the neighbouring countries of the EU involved in the EaP initiative, Georgia is by far the main reformative performer, closest to the European common values, with high chances to consolidate its real good governance. Besides Georgia, Moldova and Ukraine have expressed, more explicitly than Azerbaijan, Belarus, and Armenia, their commitment to the European values, the progress made in these countries in terms of strengthening the administrative systems and governance being quite remarkable in some respects, especially in the lack of a clear prospect for a potential accession to the Union. Nevertheless,

areas such as control of corruption, quality of government, and consolidation of local self-government still require sustained action from the above-mentioned states' governments, which should take advantage of the assistance and support provided by the EU and involved partners.

The experience gathered from the EaP states clearly confirms that the strongest reform triggers are internal rather than external, and the sustainability of the measures depends mostly on internal factors. Therefore, a possible revision of the ENP should take into consideration the adjustment of targets and reform path according to each partner state, as well as the customization of the assistance and support according to their concrete needs. Especially in relation to the partner states more directly marked by the Soviet inheritance, which have not been familiar with a real own local self-government system (as in the case of Azerbaijan), the orientation of the EU's efforts to the training of trainers is essential, so that it may foster the principles of democracy and good governance. To the same extent, the support of the EaP countries' reform efforts by stimulating citizens' involvement, and running programmes of knowledge, encouragement, and consolidation of well-known practices addressed to the civil society organizations, needs to carry on as a constant objective of the ENP.

As regards the directions in which the EaP countries should focus their internal efforts more straightforwardly in order to strengthen the local self-government systems and democratic governance, we emphasize that, except for Georgia, all the other countries need a clear division of powers on government tiers, as well as the revision of assigning public expenditures and revenues, so that the efforts and fiscal means become consistent with the local community members' needs and preferences. However, an important prerequisite for the success of such efforts needs to be the revision of the decision-making and control systems, so as to integrate decentralized authorities' local public decisions in a form of administrative oversight, taking them out of the hierarchical control of the central executive power (which is rather sensitive in Azerbaijan and Belarus). As far as the Republic of Moldova is concerned, the legislative progress accomplished so far on the democratic system of the local government needs to be followed by a real fiscal decentralization, so that the local potential

may be indeed capitalized. Similar efforts are necessary with regard to the depoliticization of public office and service, both in the Republic of Moldova, and in Armenia, Azerbaijan, Belarus, and Ukraine. Additionally, the aim of strengthening these states' administrative capacity needs to take into consideration the solution of professionalization within the public office by building an education system specialized in public administration and public affairs. As far as Armenia is concerned, the design and adoption of a comprehensive reform strategy of public administration is mandatory, the lack of such a document dissipating efforts and leading to obvious negative consequences on the intended progress. This strategic document should be preceded by an institutional analysis meant to emphasize the weaknesses of the government system and the causes of its inefficiency. Moreover, against a background of low transparency of this state's decision-making system, it is possible that the reform directions may not clearly understood by the public, who might react negatively to their implementation. To the same extent, it is recommended that Armenia should have a strategically documented approach to its efforts to fight against corruption, overcome gender inequality, including within the local public administration. As far as Belarus is concerned, a strong focus should be on exploring the experience of the Council of Europe, as well as taking over the benchmarks of the financial-administrative organization based on the European Charter of Local Self-Government in order to capitalize on it.

All in all, the political and civic will of the members and leaders of the EaP countries are fundamental for their definitive commitment to the European pathway and the real capitalization on the opportunities provided by the known cooperation or development policies and instruments, the EU having fully demonstrated its necessary openness, engagement, and commitment. In other words, the main latent risk associated to the running of the EaP initiatives adopted within the ENP is attached to the reversibility of the already implemented political and administrative reforms, a risk which may be eliminated first and foremost by supporting the consolidation of the civil society in these states.

Annex 3.1: EaP Countries Governance Indicators—Percentile^a (2009–2017)

Indicator	Country	2009	2010	2011	2012	2013	2014	2015	2016	2017
Government Effectiveness	Armenia	54.55	48.8	49.29	54.03	57.35	45.67	48.56	49.04	50.00
	Azerbaijan	30.62	22.97	24.17	25.12	37.91	41.83	44.71	48.08	47.12
	Belarus	10.53	11.48	13.74	19.91	20.38	34.62	37.98	36.06	39.42
	Georgia	64.11	65.07	69.19	70.14	69.67	71.63	67.31	70.67	72.12
	Moldova	36.36	29.67	31.28	33.18	41.71	38.94	28.37	29.81	34.13
	Ukraine	21.53	24.40	21.33	32.33	31.28	39.90	34.62	31.73	35.10
Regulatory Quality	Armenia	60.77	60.29	57.82	61.14	59.24	59.62	61.06	62.98	64.42
	Azerbaijan	43.06	39.23	37.91	35.55	36.49	44.23	46.15	43.75	43.27
	Belarus	12.44	12.44	10.43	13.74	14.69	15.38	14.90	16.35	24.52
	Georgia	66.51	70.81	74.41	74.41	74.41	79.33	78.85	81.73	81.73
	Moldova	49.28	49.28	51.18	49.29	49.76	54.33	51.44	50.48	54.33
	Ukraine	32.06	33.97	29.86	29.86	30.33	29.33	29.81	36.06	40.38
Control of Corruption	Armenia	29.67	26.67	28.91	33.65	36.02	36.06	35.10	32.69	32.69
	Azerbaijan	9.57	6.67	9.48	11.85	16.59	14.42	16.83	19.23	17.79
	Belarus	29.19	27.14	27.01	36.49	39.81	48.08	46.63	48.56	47.12
	Georgia	55.50	57.14	61.61	68.72	69.67	76.44	74.52	74.04	77.40
	Moldova	26.79	29.05	31.28	31.75	23.22	20.67	18.27	14.90	21.15
	Ukraine	15.79	16.19	15.64	12.80	11.37	14.90	14.90	20.67	22.12
Rule of Law	Armenia	39.81	37.44	42.25	42.72	44.60	41.35	40.87	50.48	49.52
	Azerbaijan	20.85	20.85	20.19	23.47	28.17	28.85	30.29	32.21	32.21
	Belarus	15.64	14.22	14.08	17.37	20.19	20.67	22.60	26.44	21.63
	Georgia	49.29	47.87	51.17	54.93	53.99	64.90	64.42	64.90	62.98
	Moldova	40.76	43.13	45.54	46.01	43.19	46.63	42.79	33.17	37.50
	Ukraine	27.01	25.12	23.94	26.29	23.94	23.08	22.12	24.52	25.00

^aAs percentile rank among 214 countries and territories (ranges from 0 (lowest) to 100 (highest) rank)

Source: Own representation using data from the World Bank (2018)

Annex 3.2: EaP Countries Governance Indicators—Ranges^a (2009–2017)

Indicator	Country	2009	2010	2011	2012	2013	2014	2015	2016	2017
Government Effectiveness	Armenia	-0.03	-0.18	-0.13	-0.04	0.07	-0.20	-0.16	-0.15	-0.10
	Azerbaijan	-0.66	-0.81	-0.77	-0.78	-0.48	-0.36	-0.26	-0.16	-0.16
	Belarus	-1.13	-1.11	-1.08	-0.90	-0.90	-0.49	-0.46	-0.49	-0.35
	Georgia	0.29	0.31	0.55	0.61	0.59	0.49	0.40	0.51	0.57
	Moldova	-0.56	-0.66	-0.62	-0.57	-0.41	-0.42	-0.65	-0.61	-0.51
Regulatory Quality	Ukraine	-0.83	-0.78	-0.82	-0.58	-0.65	-0.41	-0.52	-0.57	-0.46
	Armenia	0.30	0.31	0.27	0.35	0.25	0.21	0.24	0.25	0.28
	Azerbaijan	-0.31	-0.37	-0.37	-0.46	-0.41	-0.28	-0.25	-0.28	-0.25
	Belarus	-1.12	-1.13	-1.18	-1.07	-1.07	-1.01	-0.99	-0.94	-0.74
	Georgia	0.50	0.59	0.66	0.69	0.76	0.93	0.92	1.01	1.05
Control of Corruption	Moldova	-0.13	-0.10	-0.08	-0.10	-0.07	0.02	-0.07	-0.11	-0.04
	Ukraine	-0.57	-0.52	-0.60	-0.60	-0.62	-0.63	-0.59	-0.43	-0.32
	Armenia	-0.62	-0.70	-0.66	-0.59	-0.53	-0.52	-0.53	-0.57	-0.56
	Azerbaijan	-1.19	-1.24	-1.18	-1.13	-0.97	-1.02	-0.93	-0.84	-0.88
	Belarus	-0.63	-0.69	-0.68	-0.52	-0.47	-0.30	-0.34	-0.26	-0.26
Rule of Law	Georgia	-0.12	0.01	0.12	0.40	0.47	0.79	0.68	0.69	0.74
	Moldova	-0.70	-0.67	-0.62	-0.61	-0.75	-0.85	-0.91	-0.95	-0.80
	Ukraine	-1.04	-1.03	-1.05	-1.08	-1.13	-0.99	-0.98	-0.81	-0.78
	Armenia	-0.48	-0.49	-0.44	-0.42	-0.34	-0.37	-0.39	-0.12	-0.16
	Azerbaijan	-0.88	-0.89	-0.89	-0.83	-0.72	-0.67	-0.67	-0.52	-0.56
	Belarus	-1.03	-1.07	-1.11	-0.94	-0.90	-0.84	-0.81	-0.72	-0.82
	Georgia	-0.20	-0.21	-0.12	-0.01	-0.01	0.19	0.27	0.38	0.33
	Moldova	-0.44	-0.36	-0.33	-0.32	-0.37	-0.25	-0.35	-0.49	-0.41
	Ukraine	-0.76	-0.81	-0.82	-0.78	-0.80	-0.79	-0.81	-0.77	-0.71

^aEstimate of governance (ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance)

Source: Own representation using data from the World Bank (2018)

Annex 3.3: Fiscal Decentralization Indicators in Georgia (2004–2016, Units)

Indicator/Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenue decentralization (ratio of local own revenues to general government revenues)	0.25	0.22	0.14	0.16	0.06	0.07	0.08	0.08	0.07	0.08	0.08	0.09	0.11
Tax revenue decentralization (ratio of local taxes to general government taxes)	0.36	0.29	0.2	0.18	0.04	0.05	0.06	0.05	0.05	0.06	0.05	0.06	0.09
Expenditure decentralization (ratio of local own spending to general government spending)	0.29	0.3	0.21	0.19	0.19	0.18	0.23	0.23	0.23	0.2	0.19	0.21	0.19
Transfer dependency (ratio of net transfers to local own spending)	0.15	0.22	0.29	0.08	0.7	0.73	0.7	0.72	0.67	0.68	0.64	0.61	0.47

Source: Own representation using data from International Monetary Fund (2019)

Annex 3.4: Fiscal Decentralization Indicators in the Republic of Moldova (2004–2016, Units)

Indicator/Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenue decentralization (ratio of local own revenues to general government revenues)	0.18	0.15	0.15	0.14	0.11	0.11	0.11	0.11	0.13	0.13	0.09	0.08	0.08
Tax revenue decentralization (ratio of local taxes to general government taxes)	0.24	0.21	0.21	0.2	0.16	0.18	0.16	0.16	0.2	0.19	0.13	0.1	0.11
Expenditure decentralization (ratio of local own spending to general government spending)	0.26	0.27	0.27	0.25	0.25	0.24	0.26	0.25	0.25	0.24	0.25	0.25	0.23
Transfer dependency (ratio of net transfers to local own spending)	0.3	0.39	0.41	0.47	0.51	0.55	0.62	0.54	0.48	0.45	0.63	0.67	0.74

Source: Own representation using data from International Monetary Fund (2019).

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4

The Economic Dynamics of the Eastern Partnership Countries: Between Development Gaps and Internal Fragilities

Oana-Ramona Socoliuc and Liviu-George Maha

1 Introduction

There is a vast body of literature dedicated to the topic of economic resilience and its main drivers. Generally, economic resilience implies the adaptive capacity of an economic system in front of both long- and short-term shocks, a fact which determines a change of their social, economic, even ecological conditions in order to return to the pre-shock state whilst using “its fair share of ecological resources” (Greenham et al. 2013, p. 6). In a deeper perspective, resilience means the ability of governments, or even local communities, to recover after natural disasters, economic crises, social or political imbalances but also their capacity to anticipate global trends that may affect employment and labour market, industries, economic sectors, the environment and so on (Giacometti et al. 2018, p. 6).

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Economic resilience is based on three phases: (1) *vulnerability to shocks*, (2) *absorption capacity* and (3) *recovery* (G20 Hamburg Action Plan 2017; Brinkmann et al. 2017). Concerning the first phase, the predisposition towards imbalances is highly dependent on the structure of the economy—sectorial structure or specialization, foreign imports, energy security (dependence on energy imports), prudential measures or the share of public debt in GDP. The second phase reflects the capacity of the economy to suppress the immediate effects of the shock as to limit job losses and contraction of the output. Consequently, this phase is strongly connected with the labour market conditions, inflationary pressures or the attitude towards international trade and foreign investments (European Commission 2017). The recovery was linked strictly with the smooth reallocation of existing resources to productive activities; thus, it depends also on the flexibility of the labour market (European Commission 2017, p. 8). Economic resilience illustrates an important pillar for the concept of resilience, in general, due to its numerous contributions in terms of competitiveness, productivity, specialization and labour market conditions, each of these components being able to support the restoring process after an external shock. In this chapter, we are interested in providing an economic overview of the Eastern Partnership (EaP) countries, by highlighting their capacity to contribute to their own as well as to the regional resilience, given their significant importance as Eastern EU partners.

Between the six EaP countries and the EU, there is an interdependence relationship. On the one hand, the EU definitely needs more stable neighbours, in terms of economic, social, political or security dimensions, at Eastern borders to protect itself from outside imbalances. It is a sort of prudential set of measures able to diminish the cushion of any direct impact of an external challenge. On the other hand, the Eastern Partnership (EaP) represents a unique chance for Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine, as former Soviet countries, to boost their economies, following the path of capitalism and freedom. Moreover, these countries could strengthen their good governance, rule of law and democracy, to the benefit of European investments and trade opportunities, to increase the quality and skills of human capital, to address energy security and climate change issues and so on (European

Union External Action 2016a). These countries have not benefitted in the past from a democratic tradition; consequently, their predisposition towards instability definitely raised the awareness in this concern—the need for predictability and equilibrium. For all of them, the EU is a source of aid in this respect. Practically, the ability of these societies to reform themselves in accordance with the principles of democracy, rule of law, human rights and free market mechanism was completely cancelled by the hard legacy of the Soviet era. In such context, where countries remained guided by opportunism, corruption, ineffective governments, severe macroeconomic imbalances, social and political instability, the membership to the Eastern Partnership is a unique chance to benefit from the EU support. This could be translated into multilateral cooperation for stronger economies and governance, and powerful connectivity among the EaP countries, but also between them and the EU (European Union External Action 2016b).

This chapter is focused on providing an in-depth analysis with respect to the economic dynamics of the EaP countries during the transition period and their present disparities in terms of development in the ex post phases of most relevant crises that affected the region. The conclusion section highlights the main sources of internal fragilities that need to be addressed in order to strengthen the capacity of resilience of both: the EaP region and, consequently, the EU's social and state resilience.

2 The Eastern Partnership Countries During the Transition Process: At the Crossroads of New Expectations and Old Roots

The Soviet regime was built on fear and coercion, a fact which took a toll even on the aftermath of the 1991 USSR implosion. Although this moment was perceived with enthusiasm, the lack of prominent leaders able to enhance a real institutional, political, social and economic transformation was evident. After so many decades of forced silence and actions dictated by the central government, forced collectivization, famine and an ideology deeply rooted into the mind and behaviour of the

population, perpetuated from one generation to another, it was hard to believe that a miracle could occur. And it hasn't!

When trying to explain why the transition process was so reluctant and failed in Eastern Europe and Caucasus, it is extremely important to take into consideration the content and virulence of the Soviet rules and practices in the area. According to the 2011–2012 report of World Economic Forum, in order to quantify the results of the two decades of transition, post-Soviet economies were grouped into two separate categories: *factor-driven economies* (first stage of development, based on primarily unskilled labour force and natural resources), where Moldova was nominated, and *transitioning economies from factor to efficiency driven* (between Stage 1 and Stage 2, based on efficient production processes), namely Armenia, Azerbaijan, Georgia and Ukraine (World Economic Forum 2012, p. 11). Belarus was not even included in the analysis, probably because of its slow process of economy opening towards the private sector, as a transition in the real sense of the term did not occur there. The new leader of the country prolonged the Soviet model of governance, controlling in depth the economy through fiscal and monetary policy, banking sector and so on. As the World Bank pointed out, in 2016, after more than 25 years of transition, the share of state-owned enterprises in the GDP was very large, 46.7%, having an equivalent of almost 70% of the industrial output (World Bank 2018, p. 7).

Basically, in comparison with the communist countries belonging to the same communist bloc, these nations seemed to have benefitted from a less favourable basis at the debut of the transition process, as they also had from the position of Soviet republics. The same report of competitiveness placed countries like Romania, Bulgaria, Poland, the Czech Republic, Hungary and even Russia in a much better position after the first two decades following the regime change, from Stage 2 of transition—*efficiency-driven economies* on their way to Stage 3—*innovation-driven economies*, considering the level of GDP per capita and the share of exports of mineral goods in total exports (World Economic Forum 2012, pp. 9–10).

Despite the initial enthusiasm of the countries of Eastern Europe and Caucasus in 1991, in terms of starting the liberalization of prices, the preparation of the background in order to implement the privatization

process, or the so-called policy of “cheap dollar”, these republics were missing some fundamental prerequisites in order to materialize the transition. There were no foundations in order to support the market economy, the rule of law, the institution of private property, the minimum knowledge with respect to labour market, structural reforms, the restructuring of the state-owned enterprises, how to attract foreign direct investment (FDI) and so on. The economies of the six countries were strongly dependent, especially in the case of Armenia, Moldova, Georgia, Belarus or Ukraine, on resources from Russia, such as gas and oil. Furthermore, the absence of skilled labour force, capital or the necessary primary resources in order to sustain internal industrial production, the higher dependence of the economy on only one sector, *agriculture*, for some countries like Moldova, Armenia, Georgia, Ukraine or *industry* for others, like Azerbaijan, Ukraine and Belarus, complemented by a higher level of corruption definitely placed the countries into a vulnerable position during the entire transition process.

Those who got the power after 1991 continued, in most cases, the old ideas and reforms, prolonging, thus, the regime. Belarus, as we have previously pointed out, illustrates the most representative example. The transition process became slow and difficult, lacking effectiveness and concrete measures undertaken in order to boost the economic development, attract FDI, increase the level and effectiveness of the educational system, support the private sector or create good governance. In 1995, for example, the share of the private sector in the GDP of the countries was different from one case to another. Belarus was the most conservative one, in the sense that only 15% of the GDP emphasized the activity of the private ownership. The second reluctant country in promoting private sector was Azerbaijan, with a proportion of 25%, followed by countries like Georgia and Moldova with a share of 30%, Ukraine with 35% of GDP and Armenia as a promoter of the private sector with a share of 45% of its GDP (European Bank for Reconstruction and Development 1995, p. 11).

Having an improper institutional background, severely vitiated by the Soviet “experiments”, the state-owned property remained dominant in the first years of transition in most of the countries. With the exception of Moldova, which, although problematic, managed to privatize the state-owned enterprises in a proportion of approximately 25%, the

remaining countries made few steps in this direction. Thus, in Armenia, Belarus, Georgia and Ukraine, only modest progress was made, while Azerbaijan prolonged the state control in the first years of independence. Concerning the enterprise restructuring, all the nations were defined through a weak enforcement with respect to bankruptcy laws while preserving the dominant position on the internal market of the state-owned companies, all these affecting the liberalization process. For instance, Azerbaijan, Belarus and Georgia made some small steps in terms of liberalizing imports and exports, but the exchange regime was not fully transparent. The situation for Armenia and Ukraine was slightly advanced, meaning that these countries managed to remove most of the existing barriers against the international trade, but more should have been done to promote a free trade in accordance with international practice. From all the nations, Moldova seemed to have accomplished the objectives of removing most significant quantitative and administrative restrictions, with the exception of the agricultural sector, where it remained in force. Moreover, the country succeeded to eradicate all significant tariffs that affected the exports.

Considering this background of “great” changes in order to transpose the market-oriented system into their economies, the failure of the new governments can be quantified into the enormous contraction of purchasing power and GDP. Consequently, comparing the situation from 1994 with the one from 1989, the purchasing power suffered a decline of 56.6% in Armenia, 24.5% in Azerbaijan, 27.6% in Belarus, 55.6% in Georgia, 33% in Moldova and a reduction of 24.6% in Ukraine. In terms of GDP cuts, the situation was worse. After four years of the so-called transition, the gross domestic product of Armenia declined to 64.7%. For Azerbaijan, despite its significant endowment with natural resources, the economy decreased to 59.2%. Georgia suffered the highest decline of all countries, at 82.1%, while Belarus remained the most stable with a GDP reduction of 39.9%. Moldova and Ukraine were placed in relative similar positions, with a decline of 56.3% and 54.9% (European Bank for Reconstruction and Development 1995, p. 182). The fragile macroeconomic environment of the Eastern Europe and Caucasus countries can be explained, in general terms, in the light of their increased dependence on exported goods, political instability, as well as their exchange rate supervision, in order to take inflation under control

(European Bank for Reconstruction and Development 2000, p. 54). Even though the drastic depreciation of their national currencies had a positive impact in terms of import-substitution activities, large external debts were consolidated. In the next section, we focus on highlighting the existing disparities, in terms of development, between the six economies on their way to accomplish transition towards a market economy.

3 Development Gaps Between the Eastern Partnership Countries: A Comparative Approach

In order to frame a more representative picture on the economic dynamics and macroeconomic environment of the six EaP countries, we divided this subchapter into three parts. The first part highlights the general conditions which supported the economic development of the EaP countries—focusing on the endowment with natural resources and the status of human capital. The second part consists of a presentation of the economic path for each country with the impact of the most important shocks (economic, social, political, environmental) that have affected national economies. The third part is dedicated to a short analysis of the labour market, in order to emphasize the existing problems that may increase concerns for the resilience of the EaP countries.

3.1 The Economic Dynamics of the Eastern Partnership Countries

The mix of economic policies and political regimes of the EaP countries illustrates a topic of increased interest for European security in the larger framework of expanding geopolitical rivalry between West and East. Their capacity to consolidate competitive economies and a stable macroeconomic environment will contribute, undoubtedly, to strengthening their capacity for resilience in front of new disequilibria, but, consequently, as Eastern neighbours, will also have a positive impact on the capacity of the EU to manage forthcoming outside shocks.

On the one hand, in order to better visualize the dynamics of each country, it is important to focus on the main internal events with social, political or economic connotations, which directly impacted the economic area. On the other hand, there are some special moments that need to be addressed, given their extended impact for the economies of all the countries from the EaP group, such as the crisis that Russia experienced in 1998, as a consequence of the collapse of the oil price and also the impact of the recent important crisis from 2008.

The process of transition from a centrally planned to a market-oriented economic system was difficult and reluctant in terms of policies for most of the countries belonging today to the EaP group. Despite poor institutional transformations as to create the pillars of a capitalist economy based on privatization and private property, liberalization of prices, the exchange rates and so on., the countries from Eastern Europe and Caucasus experienced harsh periods dominated by war, such as the one from the region Nagorno-Karabakh (1988–1994), which marked the conflict between Armenia and Azerbaijan, with consequences on a long term. The forced occupation of the region by Armenia generated isolation for the country (Karapetyan 2018). The reminiscences of this past conflict definitely affected the integration of Armenia with its neighbours and thus its economic development. On the same wavelength, countries like Georgia or Moldova have also experienced difficult times of internal tensions sustained by Russia, in the first years of transition, in order to detract their attention from building a solid market economy. Georgia, for instance, faced severe problems with secessionist regions Abkhazia and South Ossetia that were supported by Russia, so between 1991 and 1994, the country was implied in numerous conflicts with these regions. The situation reiterated in 2004 (the war with South Ossetia) and in 2008 in a direct confrontation with Russia. As for Moldova, the same scenario occurred with Transnistria, as a secessionist region. Consequently, during 1991–1992, the Transnistrian War took place, and the region was under Russia's influence. Ukraine suffered something similar but, more recently, in 2014, in the area of Donbass and the annexation of Crimea. The war lasted until 2017, with Russia also as main actor. Obviously, all these open conflicts implied enormous economic and social costs, having no contribution to these countries' development. As if experiences of war

were not enough, other major political imbalances occurred, harnessing even more the social and economic areas. Events such as the Rose Revolution from Georgia (November 2003), the Orange revolution from Ukraine (November 2004–January 2005), Jeans Revolutions in Belarus (March 2006), Grape Revolution from Moldova (April 2009) or Velvet Revolution from Armenia (May 2018), all dealing with protests caused by political elections have also highlighted the fragility of these countries on their road to regime changes. While political regimes promote economic policies that allow higher levels of State intervention in the economy, perpetuating, moreover, the higher dependency on Russia's resources and tight economic dependence with it, their ability to strengthen their country's power to resist and overcome external imbalances remains problematic. If we take a look at the nominal gross domestic product (GDP) of the EaP countries for the entire transition time span until present times, we will notice that all the earlier mentioned political and war instability moments directly affected the economy.

As shown in Fig. 4.1, countries like Azerbaijan, Armenia, Moldova, Georgia and Belarus experienced the poorest economic results in the first decade of transition, with GDP levels lower than US\$25 billion, confirming, thus, the negative impact on the economy of wars and political tensions. The most performing countries were Ukraine, with the highest GDP levels of around US\$180 billion in the pre-crisis moments in 2008 and 2013, respectively, followed by Azerbaijan and Belarus, where the

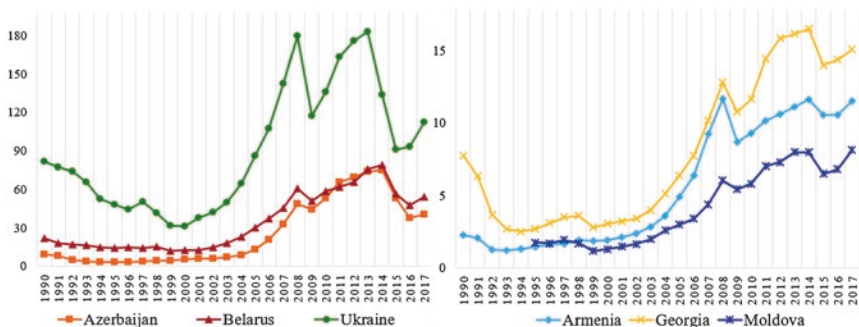


Fig. 4.1 GDP—current US billions of Dollars (1990–2017) (Source: Own computation after World Bank Database (2019). *World Development Indicators database*)

economic dynamics was rather symmetric, having 2008 and 2014 as points of inflection in their economic evolution. We can observe that most of the economies were confronted with important cuts in terms of the GDP after 1998, 2008 and 2013–2014, but the decline was even more pronounced for the case of Azerbaijan, Belarus and Ukraine. The remaining countries—Armenia, Georgia and Moldova—were less developed; so in their case, the downturn existed but at a lower amplitude.

When looking at what happened in 1998 that generated a sharp GDP decline, we must pay attention to Russia's crisis and the enormous importance of Russia for the geometry of economic development of the EaP countries. Their higher economic dependency on Russia determined severe economic imbalances that were able to justify the drops of their GDP. A deeper look provided the evidence of some dangerous practices, such as the depreciation of national currencies and large external debts which fuelled the economic decline. Georgia, Armenia and Azerbaijan were negatively affected because of the sharp decline of exports to Russia and also because of significant losses in terms of their citizens' remittances from Russia. Armenia's GDP fell from US\$1.89 to US\$1.84 billion, while Georgia's GDP diminished from US\$3.61 billion to US\$2.8 billion (World Bank Database 2019). For countries like Moldova, Ukraine and Georgia, where exports to Russia reached more than 50% of their total exports, the crisis affected their agricultural sector, increasing, thus, their trade balance deficits. The GDP of Moldova contracted, thus, from US\$1.7 billion in 1998 to US\$1.17 billion in 1999, while the GDP reduction in Ukraine was severe, standing at US\$10 billion, from US\$41.88 billion to US\$31.58 billion (World Bank Database 2019). The initial economic slowdown had further social consequences, meaning important cuts of wages, pensions, difficulties to access social services and many job losses, nurturing the already widespread poverty (Archives of European Integration 1999, p. 2). In Armenia, for example, the government could not support expenditures with education, social safety and healthcare. The economy of Belarus was so severely damaged that rationing was implemented for basic goods. Georgia was also confronted with a decline of investors' confidence, affecting, thus, the privatization process and FDI inflows, encountering the same problems of budgetary deficits that could not cover salaries and pensions. Ukraine also experienced something similar, having an inflation rate of almost 40%. The case of Ukraine is spe-

cial, given the economic impact of annexation of Crimea in 2014, by the Russian Federation. This moment of dangerous political instability generated severe economic consequences, the economic decline being a harsh one (International Monetary Fund 2019a). As a result, these countries benefitted from a US\$120 million financial support provided by the International Monetary Fund (IMF) and additional support provided by the EU, Japan and Switzerland (Archives of European Integration 1999, pp. 4–8).

After the 1998 decline, the economic recovery of Eastern Europe and Caucasus was difficult and implied higher rates of unemployment with double digits in cases like Ukraine (11.7% of total labour force), Armenia (16.36%) or Georgia (17.87%) (World Bank Database 2019). The quality of life in these nations pushed more people to leave the country, especially the young labour force. Consequently, problems, such as poverty, severe inequalities in terms of revenues, poor educational and healthcare reforms or the unequal development of the private sector in the economy to sustain employment and GDP, remained serious obstacles that needed solutions. Moreover, the situation remained poor until 2003–2004, where new moderate positive evolution could be observed. For Azerbaijan, the implementation of new policies designed to promote and economically exploit its oil resources helped the country to attract investors from abroad and to acquire a stable economic environment. In Belarus, the model of prominent governance in the economy through state-owned enterprises, which controlled the productive activities, protected employment and salaries (World Bank 2003). Even so, the 2008 crisis determined most economies to wander off from their positive trend.

The crisis can be perceived as a test for the soundness of their own economies; consequently, we can observe that most countries were severely affected, while Azerbaijan's economy and that of Belarus have followed a limited downturn. Even though the economy of Azerbaijan is strongly dependent on the price of the oil on international markets, it is not that widely inserted into the world economy, so this position protected the country against aggressive negative outcomes of the crisis. On the same wavelength, we find Belarus. In the opposite position, there is Ukraine, with a GDP decline of almost 34%, from US\$179.82 billion to US\$117.11 billion in 2009 (World Bank Database 2019). For Ukraine, the determinants of the larger GDP contraction can be identified in erroneous policies

which supported the economy in the years that preceded the crisis (Mayhew 2009). The government promoted an expansionary fiscal and income policies coupled with the policy of cheap money. The positive evolution of steel prices, together with the possibility to easily obtain a cheap credit, unnaturally boosted the internal demand. When the crisis hit the economy in the second half of 2008, internal demand suffered the most and investments decreased sharply, while the industrial production was drastically reduced (OECD 2011a, p. 234). If we also take into consideration the higher debts of the population, the background becomes even more explicit for the negative dynamic of GDP in 2009.

For Georgia, Armenia and Moldova, the GDP reduction was important, given their limited economic performances, reaching almost 5%. Georgia and Moldova suffered because their economies were dependent on imports and exports from the Russian Federation (United Nations Development Programme 2009). The government of Armenia neglected the increased poverty, the problem of higher unemployment as well as the brain drain phenomenon, without paying attention to education and health sectors. The economy depended drastically on remittances of the citizens who worked abroad but also on imports, which became more expensive after the crisis (Armenian International Policy Research Group 2005). Another significant problem which completes the background is the informal economy. If in 2000 the taxation level was at 13.9% of GDP, while government revenues were placed at 83.2% of GDP, in 2008, despite a higher level of tax burden, 16.4%, the revenues were lower, of only 76% of GDP (OECD 2011a, p. 40). So, the crisis accentuated some important internal fragilities that required further attention. In general, while the crisis brought major disequilibrium, such as higher debts, most of these countries applied also for financial aid, which was provided by the International Monetary Fund and World Bank. Consequently, it determined an increase of external debt but also problems with employment, investments and inflationary pressure. Georgia, Ukraine, Moldova, Armenia and Belarus needed financial assistance in order to restore their economies, especially after the hard times of war experienced by Georgia in August 2008 with Russia. The total external debt for Armenia in 2010 reached US\$3 billion after the intervention of the IMF, while Ukraine's external debt was US\$17.8 billion (OECD 2011a). Taking into consid-

eration that most of these countries are highly dependent on remittances and have a weak economy with fragile economic sectors, unquantified shares of informal economy in GDP, external financial support was needed in order to compensate with increased government expenditure from the phase that preceded the crisis. Unfortunately, most of the borrowed money was not used to strengthen the private sector, education and health, but to pay pensions and salaries or to cut inflation. Furthermore, the crisis increased the taxation level, a fact which further worsened the situation of the already weakened private sector.

If we take a look at the situation from 2014, when Ukraine was faced with an internal turmoil based on political and institutional reasons and the annexation of Crimea by the Russian Federation, we can observe that such an unexpected conflict damaged the already fragile economy and destroyed an important part of its industrial area. Higher uncertainty concerning the future progression of the military intervention drastically reduced the economic activity, unemployment rose, people began to leave the country and FDI slowed down. Furthermore, to avoid Ukraine, the national currency depreciated, and the economic decline was harsh, at more than 27% decrease of GDP in 2014 (International Monetary Fund 2019b), from US\$183.31 billion to US\$133.5 billion (World Bank Database 2019). The general disturbance in terms of trade, the loss of confidence and the loss of production affected the entire Eastern area, by weakening the business environment and discouraging investments in the zone because of higher volatility.

Perceiving things from the perspective of GDP components, as shown in Fig. 4.2, we can see that countries with positive net exports as a percentage of GDP, namely Azerbaijan, Belarus and Ukraine, were those with better economic dynamics, while Georgia, Moldova and Armenia, which had constant negative net exports as a share in GDP, got the poorest economic results. This can also be explained in the light of natural resources endowment and specialization (Heyne et al. 2003). The latter group of countries are not that rich in resources and specialized mainly in agriculture (OECD 2011b). Their industrial activity is poor and is based mainly on imports of raw materials—an aspect that makes their economic activity so exposed to crisis and external shocks. For the former group of countries, the situation is the reverse, a trait that can also be

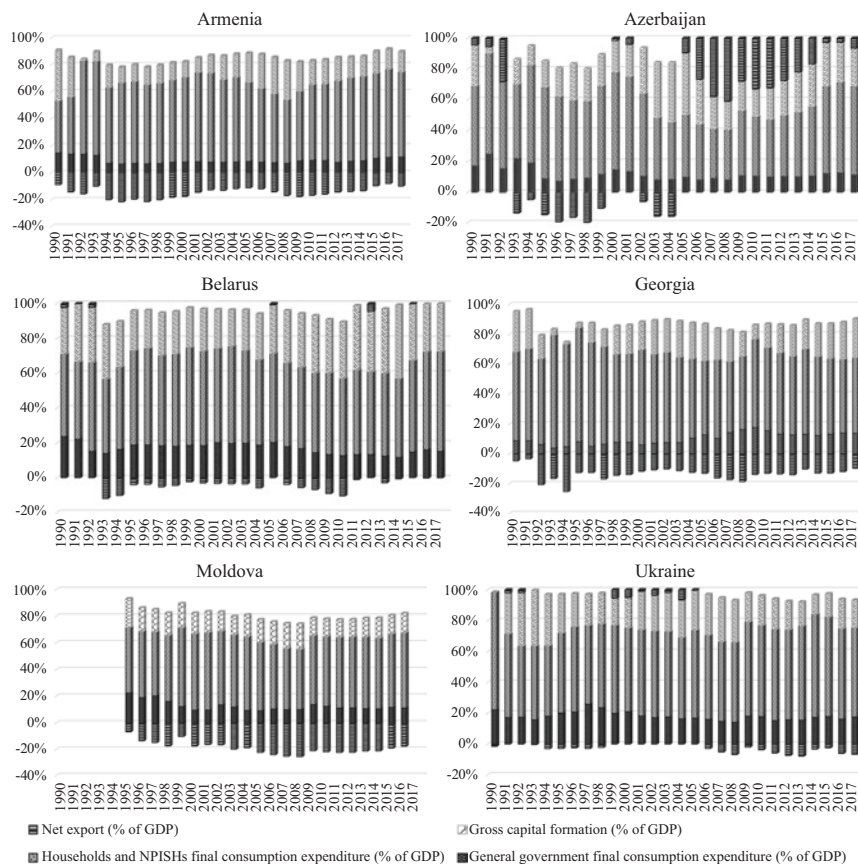


Fig. 4.2 GDP components for the EaP countries (1990–2017) (Source: Own computation after World Bank Database (2019). *World Development Indicators database*)

determined from the structure of their GDP. These countries have higher shares of gross fixed capital formation in GDP than the others, meaning that the net investment in fixed capital was a priority of the governments of Belarus, Azerbaijan and Ukraine. Here the industrial activities are significant, so there was higher spending with industrial plants, machinery, equipment and so on. In the case of Armenia, Georgia and Moldova, industrial activity is rather modest, and investments in fixed capital follow, thus, the same limited trend. Specialization among the EaP coun-

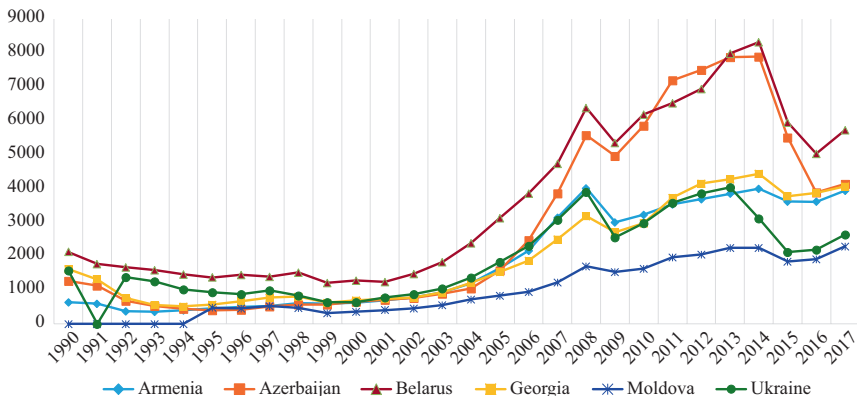


Fig. 4.3 GDP per capita—current US Dollars (1990–2017) (Source: Own computation after World Bank Database (2019). *World Development Indicators database*)

tries follows two separate ways—(1) countries rich in terms of resources that have prolonged the old specialization based on industry, machinery and exports of raw resources and (2) those that are dependent on imported resources (World Atlas 2019); thus, their exports are based on raw materials, food, in general, products with low value added.

When addressing the GDP per capita, as highlighted in Fig. 4.3, the situation changes a little bit. If Azerbaijan appears to be the most performant economy from the entire group, and there are enough reasons previously mentioned to support this reality, Belarus illustrates an example of how a state's massive intervention in the economy through state-owned enterprises, preferential prices for Russia's gas and many other resources and so on succeed to maintain a relatively linear evolution of GDP per capita for the entire period of transition, until 2008. Practically, Belarus was the most performant country in this respect with more than US\$1500 in the first decade after independence, while most of its neighbours suffered severe cuts. On the opposite perspective, Moldova had the poorest levels of GDP per capita, at under US\$500 on the same time span. If the event from 1998 generated some short reductions of this indicator for all the countries, the crisis from 2008 had a greater magnitude. We can also observe the relatively similar evolution for Belarus and Azerbaijan for the entire analysed period. In 2014, the GDP per capita reached a maximum of around US\$8300 in these countries, while the

rest of the economies from the group experienced lower levels of about US\$3500–4000. As a consequence of the War in the Donbass region and the annexation of Crimea by Russia, in 2014, Ukraine suffered not only a significant drop of the nominal GDP but also an important reduction of per capita GDP of 32%, from US\$3104.66 to US\$2124.66 in 2015 (World Bank Database 2019). The drop in the economy from 2015 was also related to the situation in Ukraine; it stabilized in 2016 and 2017, for all countries, Belarus remaining the leading country with the highest GDP per capita in the entire region.

A deeper perspective with respect to the sectorial distribution of the GDP will highlight significant aspects related to specialization and also the appropriate mix of sectors able to provide a higher economic resilience for a country. The group can also be divided into two clusters. On the one hand, we have the most developed and performant economies from the EaP region, namely Azerbaijan, Belarus and Ukraine—those which have experienced highest levels of GDP and GDP per capita from all the six nations. From Fig. 4.4, we can observe that for the former group, the economy is relatively well proportioned, meaning that industry and services have a prominent share in GDP, while agriculture, even though it is not that vastly expanded, still captures a proportion of 10–15% from the economic output of the country. Practically, the old industrial base built under the Soviet experience was kept alive in order to further produce, but on a smaller scale and productivity, considering the significant lack of investments and technological progress in this area. Belarus seemed to be very much similar to Ukraine in terms of sectorial distribution, the only exception being that industry in Belarus had a larger share of GDP (almost 35–40%) than for Ukraine (25–30%). Services gain the second place in their economies, with shares of 35%, followed by agriculture, with an overall constant share of 10–15%.

As highlighted in the graphic, the case of Azerbaijan was different in terms of proportions, the economy being supported mainly by higher shares of industry (40–60% of GDP), while the importance of agricultural sector had constantly decreased since 1990 in favour of services. Azerbaijan is a country abundant in natural resources, like gas and oil, with a solid industrial basis. The country managed to reduce the contribution of agriculture to GDP from 32% in 1991 to almost 5% in the

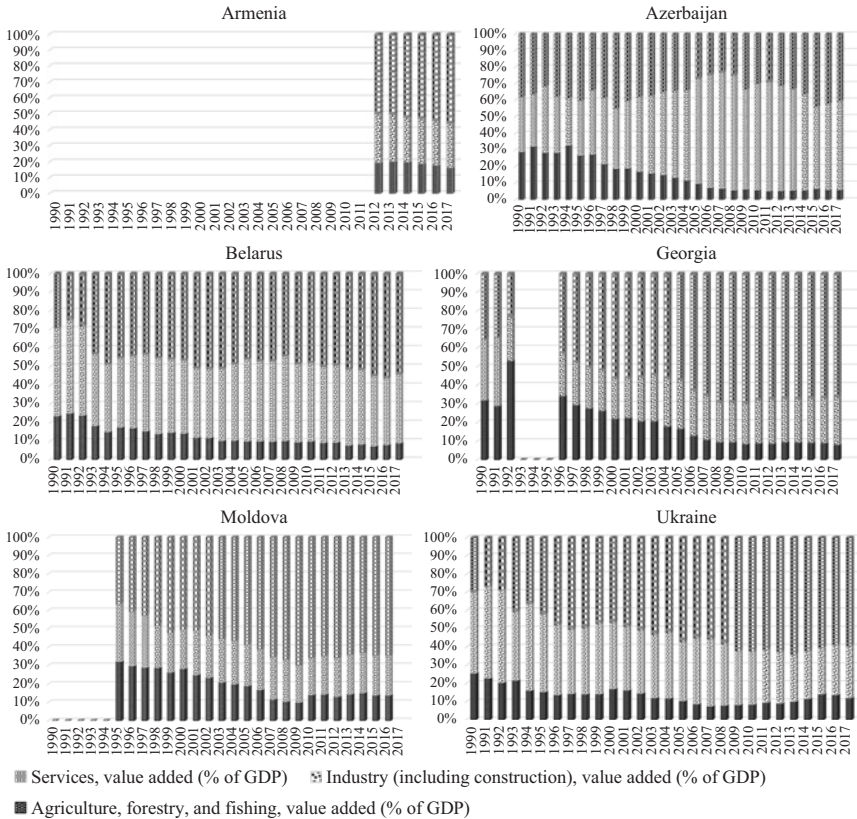


Fig. 4.4 Sectorial distribution of GDP in the EaP countries (1990–2017) (Source: Own computation after World Bank Database (2019). *World Development Indicators database*)

period that followed the recent global crisis, until 2017. In 1996, the government managed to induce a stable macroeconomic environment to further exploit the existing advantage of oil resources endowments and to attract foreign direct investors. Therefore, industry became a core activity of wealth production, especially after 2000 when people started to return to the country as a result of positive economic dynamics.

Belarus and Ukraine are also countries with a past tradition in terms of industry, but with outdated equipment even to this day. Ukraine has a long tradition in industrial production, but it can be observed that

starting with 2000, the share of industry in GDP decreased from 31% to less than 25%. Being a highly integrated country in the world economy, the global turmoil can be considered one factor of such detraction, but the most prominent determinant of this decline is the lack of effective government policies oriented towards modernizing the industrial park. In Belarus, the effect of massive state intervention and the low openness towards enabling private property had a positive effect, the one that the state maintained through providing subsidies to those economic activities, including industrial activities, while also investing in education and the healthcare system. In other words, the government managed to keep alive the old commercial networks, without creating other social costs, like job losses and so on. Until the financial crisis from 2008, the general macroeconomic context of the country improved, while poverty declined, but such positive outcome was also supported by a fertile external climate, such as the membership to Eurasian Economic Union and the facilities provided by the Russian Federation in terms of trade and energy supply. Higher demand from Russia and its neighbours fuelled the expansion of industrial production or exports of agricultural goods. Practically, we can conclude that the economy of these countries was not depending so much on services, but on industry, especially oil production and pipeline infrastructures and the activity of plants.

For the rest of the EaP members, namely Armenia, Moldova and Georgia, these economies do not have intense industrial activity, but mainly services, with increased share in time, so the level of GDP stands at 50%, while the share of agriculture has diminished (10–15% in GDP). In such circumstances, the latter economies are more vulnerable in front of external shocks because the services sector is the first affected in times of a crisis and their small industrial base cannot be supported with internal resources, but with imported resources that will be procured in times of disequilibrium at higher prices with inflation risks. Considering a more recent data, after the 2008 global crisis, from the entire group, only Azerbaijan and Ukraine maintained inflation rates of over 20%, the rest of the countries managing to keep it at around 10–12%. The financial assistance provided by the IMF and the EU had a positive impact in terms of purchasing power stabilization, given the fact that in 2009, only Belarus and Ukraine were facing two-digit inflation of 12.95% and

15.88%, respectively, while the rest of the countries kept it under control with 3.41% in Armenia, 1.46% in Azerbaijan and 1.73% in Georgia. After Ukrainian crisis, only Belarus and Ukraine remained with greater problems of purchasing power reduction, but the situation got under control in 2017, when only Ukraine remained affected by higher uncertainty and political instability.

When addressing the issue of economic resilience and the capacity of a government to cushion throughout its policies any potential imbalances, public debt was an indicator that provided too significant feedback in this respect. Basically, it reveals the responsibility of a government faced with its future obligations, as the payment of external financial borrowings. This aspect was brought to discussion especially because we had previously addressed macroeconomic problems, such as inflation, problems which appeared during hard transition times or as an outcome of crisis. From a general perspective, even though debt is a way of boosting aggregate demand, severely contracted after crises, higher debt creates the crowding-out effect on capital. This reduces the economic output. Countries with higher public debt shares in GDP have a more fragile economy, more exposed to shocks. In other words, their economies are less resilient, and this concerns our analysis.

As pointed out in Fig. 4.5, we can notice that the EaP countries were confronted with higher public debts at the debut of transition process. Moldova experienced the highest rate of public debts in 1998 of more than 150% of its GDP, when the economy was shaken by Russia's crisis. Considering the time span that followed the global turmoil from 2008, all the countries have increased the share of their public debt in GDP, in 2009, as to redress their economies, from smaller shares of 5.29% in the case of Azerbaijan, to larger shares of 9% for Moldova, 10% for Georgia, 13% for Belarus, 15% in the case of Ukraine or almost 20% in the case of Armenia. The crisis of Ukraine from 2014 had similar effects for its neighbours, boosting their public debt.

Perceiving the situation from the perspective of associated level of risk to countries, we can shape the evolution in time of the EaP countries, from the viewpoint provided by the Moody's Investors rating agency. The available data covers 1997–2019, with some missing values in the cases of Moldova, Azerbaijan, Belarus and Georgia for some years, as pointed out

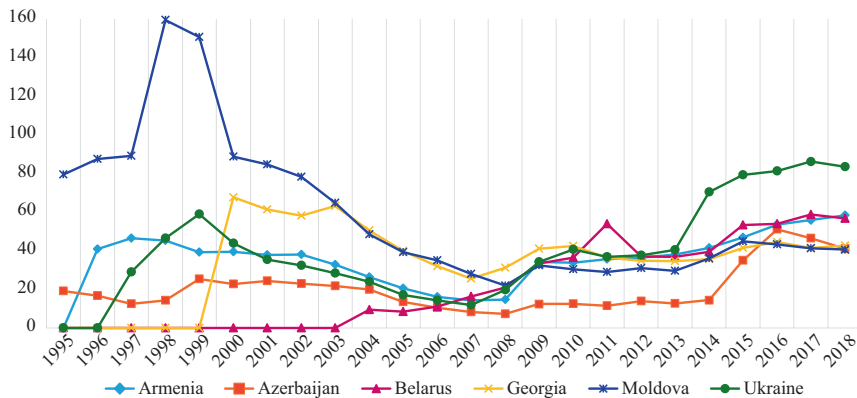


Fig. 4.5 Public debt at the level of the EaP countries (% of GDP) (1995–2018) (Source: Own computation after World Bank Database (2019). *World Development Indicators database*)

in Fig. 4.6. Overall, there are eight levels of risks starting with Aaa meaning prime or zero risk, Aa1(2,3) meaning high grade, A1(2,3) = upper medium grade, Baa1 (2,3) = lower medium grade, Ba1(2,3) = non-investment grade speculative, B1(2,3)= highly speculative, Caa1(2,3) = substantial risk and Ca = extremely speculative (Moody's Rating 2019). The attention focused on the EaP region points out additional evidence concerning the capacity of these countries to anticipate and overcome the impact of shocks, most of it being placed under the mark of risk and significant uncertainty.

As we can see from Fig. 4.6, the evolution of ratings per each country was different from one year to another. Moldova, for instance, had the highest associated risk as extremely speculative, in 2002, because of its large external debt and political risk. The country has experienced another level of higher risk being rated Caa3 in 2016, after the higher political instability, Moldova having more than five prime ministers in one year. Other countries that were severely affected were Ukraine after the crisis and war from 2014, when it was rated as lacking confidence for investors, and Belarus. Between 2015 and 2017, sovereigns of Belarus were affected by oil price movements and Russia spillovers. Other determinants were limited economic growth and fiscal and political concerns. The rating

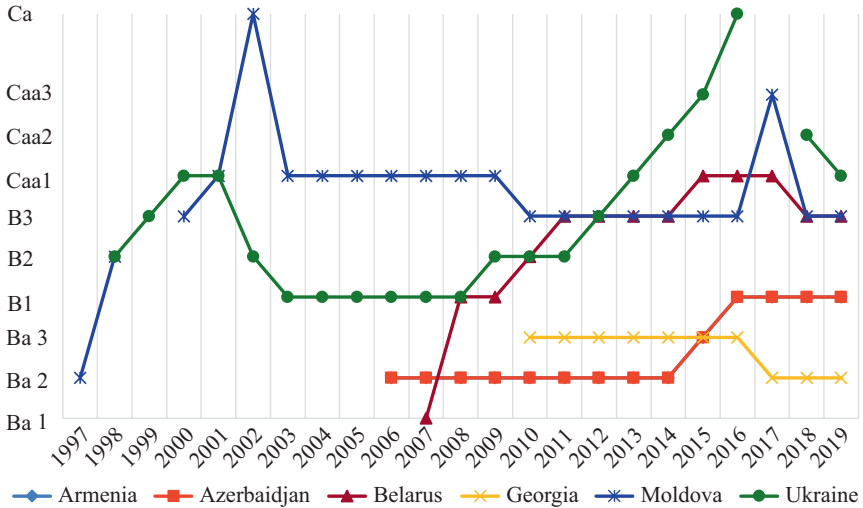


Fig. 4.6 Country ratings for the EaP countries (1997–2019) (Source: Own computation after Moody’s Rating (2019))

attributed to Azerbaijan became more problematic in 2016 because of oil production which became lower, with a decrease on almost one-quarter in the past years. The weak banking system, the risk of reopening the conflict with Armenia and significant problems in terms of corruption or offshore money laundering illustrated additional reasons (Coface 2019). The situation of Georgia with a rating of non-investment trade speculative can be explained as being due to the conflicts between Abkhazia and South Ossetia that worsened the relations with Russia.

3.2 Human Capital and the Labour Market in the Eastern Partnership Region

Human capital is one of the endogenous factors that drives economic development together with investments, macroeconomic conditions or the openness to trade. Its role becomes even more important, in particular, in the case of developing countries, where such resources remained inadequately explored. The recent years highlight that all the six EaP countries

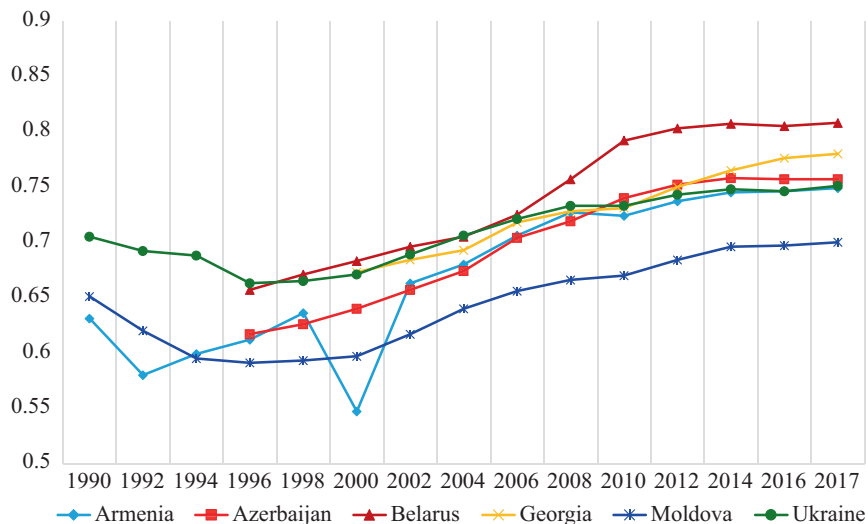


Fig. 4.7 HDI in the EaP countries (1990–2017) (Source: Own computation after United Nations Development Programme (2018). *Human Development Index*)

are placed in good positions from the perspective of Human Development Index (HDI), with a *high level of human development* for Armenia, Azerbaijan, Georgia, Moldova and Ukraine and a *very high level of human development* for Belarus (United Nations Development Programme 2018). Figure 4.7 presents the evolution of HDI concerning EaP countries starting with the unveiling of the transition process up to the present.

As we can see, the graphic points out a general positive trend of the EaP countries towards boosting their achievements in terms of health, education and living standards. Nonetheless, Armenia is not within the line, being confronted with a significant decrease of HDI in 2000 from the level of 0.65 in 1998 to 0.550 in 2000. This situation can be partially attributed to the Russian crisis from 1998. Due to the fact that most of its labour force emigrated from Russia, the Armenian economy was affected because of lower remittances, forcing the government to limit public expenditures. Another cause of the HDI's sharp decline had political roots. The assassination of the prime minister of the country and of many other members of the Parliament in 1999 determined a political and social crisis (United Nations Development Programme 2000, p. 45).

The prospect of education is not that optimistic—most countries are spending around 2–3% of their GDP in this respect. As expected, countries with the highest levels of HDI are the ones that spend the most on education—Belarus and Ukraine, respectively, with a share of more than 5% in the past few years. In 2017, Moldova allocated a share of 6.7% of its GDP to education, but its overall results in terms of human development remain modest. The quality of education and acquired knowledge is reflected in the harmonized test scores with a scale from 300 (minimum attainment) to 625 (maximum attainment). Armenia, Georgia and Moldova received lower values of around 445 point, while Azerbaijan and Ukraine have a better position, with scores of 472 and 490 points, respectively (World Bank 2019b). Obviously, human capital is extremely important, as a separate piece of the entire picture of economic dynamics in relation to the labour market.

The labour market from the EaP region highlights the prominent affinity towards leaving home countries and going to work abroad with the intention to have a better life. Figure 4.8 shows the unemployment dynamics for the EaP countries from 1990 to 2018.

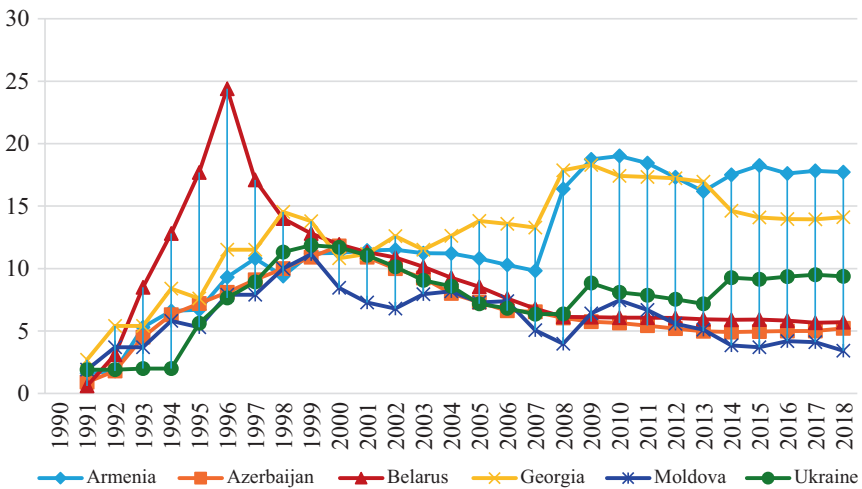


Fig. 4.8 Unemployment rate (% of total labour force) in the EaP countries (1990–2018) (Source: Own computation after World Bank Database (2019). *World Development Indicators database*)

As we can see, on the one hand, unemployment was high at almost 10% in 2014 in Ukraine, 12% in Georgia and 18% in Armenia, where the phenomenon of brain drain was not stopped yet. On the other hand, Azerbaijan, Belarus and Moldova experienced moderate unemployment of around 2–5%. As presented in the graphic, Moldova remained the most exposed economy from the perspective of unemployment, considering the entire time span of the analysis, and this can be explained by the massive emigration of the young generation after 1992. Belarus, conversely, managed to maintain lower levels of unemployment due to the prolongation of the state-owned enterprises, which continued to support local workplaces, despite their lower productivity. Even so, in 1996, unemployment reached a worrying level of 25% because of transition difficulties to adapt the economy to the new requirements and the ageing population. For Georgia and Armenia, mainly, the situation is problematic because of internal conflicts and massive emigration.

When looking at the prospect of employment, overall, we can observe that the employment rate had limited variations at the beginning of the transition process, as highlighted in Fig. 4.9. The country with the highest employment at the dawn of independence was Georgia, with a share

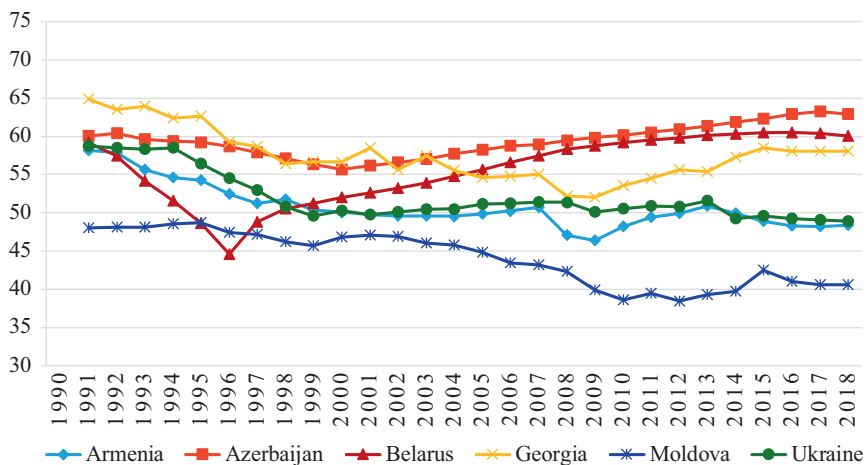


Fig. 4.9 Employment to population ratio 15+, total (%) (1990–2018) (Source: Own computation after World Bank Database (2019). *World Development Indicators database*)

of almost 65% in 1990. On the other side, we find Moldova, with the lowest share of employment at 48% for the same year. Unfortunately, for Moldova the situation grew worse as the years progressed because of migration and the ageing population; consequently, the employment rate in 2018 was lower than the one from 1998. Russia's crisis affected most countries in terms of employment, but they recovered in a short time. After the war in Ukraine, in 2014, there was a decline in employment, as well as in Armenia. This depended on the labour market conditions, policies implemented by the government as well as on the sectorial distribution of economic activities.

In Georgia, more than 55% of the total population employed are from the agricultural sector, followed by the services sector, with an overall share of almost 40% for the entire time span, and industry, with the remaining 10%. On the other side, we have Belarus, with the lowest share of employment in agriculture, at around 10%, but higher share of employment in industry, almost 33% and an increasing share of people employed in services. We encounter a similar trend in the case of Ukraine, having around 20% of people employed in agriculture, but with a 5% decrease following the 2014 crisis, which also affected the industrial sector, where the rate of employment as a share of total employment decreased by 6%. Even so, the crisis raised the level of employment in the services sector from Ukraine, from around 55% to more than 61% in the following years. The employment profile of Azerbaijan represents a mix of around 40% in the agricultural sector, an overall rate of 47% employed in services and a smaller share in the industrial sector, but with a positive trend, rising from 10% in 1990 to 15% in 2018. Boosting the industry on the basis of the relocation of employees from the agricultural sector is a good sign that highlights a more equilibrate economic structure able to generate further stability in front of internal or external imbalances.

Considering the efficient labour force used, the comparison between the six EaP countries offers a background of how active population is distributed among sectorial activity and how much it contributes to the gross domestic product. If we create a nexus between the sectorial profile of each economy and the value added created by the occupied labour force in each sector, we can draw conclusions of great significance with respect to a country's economic health and the manner in which labour

force can be used to absorb potential external shocks. The labour migration from sectors with higher shares in GDP, but low economic productivity, to sectors with high productivity will strengthen the efficient allocation of human resource and will provide a healthier approach of supporting specialization, perceived as a tool for development. When addressing economic productivity, or how much the agricultural, industrial and services sectors are contributing to the output of every country, we have chosen the output per employed person. Therefore, we have determined labour productivity, by dividing the GDP created in every sector by the number of employed persons in that particular sector. The results are presented in Fig. 4.10.

If we take a look at Armenia, there are some missing data, but starting with 2011, we can see that the highest employment productivity came from the services sector, where the trend was positive, from US\$24,000 per year, in 2011, to almost UD\$39,000 in 2017. Labour productivity in the industrial and agricultural sectors remained limited for the entire period, with a modest level of around US\$5000–6000 per year between 2011 and 2017. Even though Azerbaijan has relatively higher rates of employment in agriculture, of almost 40%, the labour productivity in this sector remains very low for the entire time span, with less than US\$700 in 2003–2004 or US\$1400 in 2017. Thus, the contribution of agriculture to GDP is very limited, not being based on products with higher value added. In the second place, in terms of labour productivity, is the work from the services sector, which followed an upward trend until 2014, when it reached US\$12,250, decreasing afterwards to US\$7000 in 2017, as a consequence of the contagion effect of the Ukrainian crisis. The highest labour productivity is found in the industrial sector, where a sharp decline appeared after the 2008 and 2014 crises. The decrease of oil prices on financial markets and also the limited number of investors that remained in the projects of resource extraction after both crises explain such decline.

For the case of Belarus, we see the relatively similar trend of labour productivity, but with a different amplitude. The highest productivity is encountered also in the industrial sector, but because of preserving dictatorship, the productivity value is inferior. For instance, Belarus reached higher labour productivity in the industrial sector in 2014, but

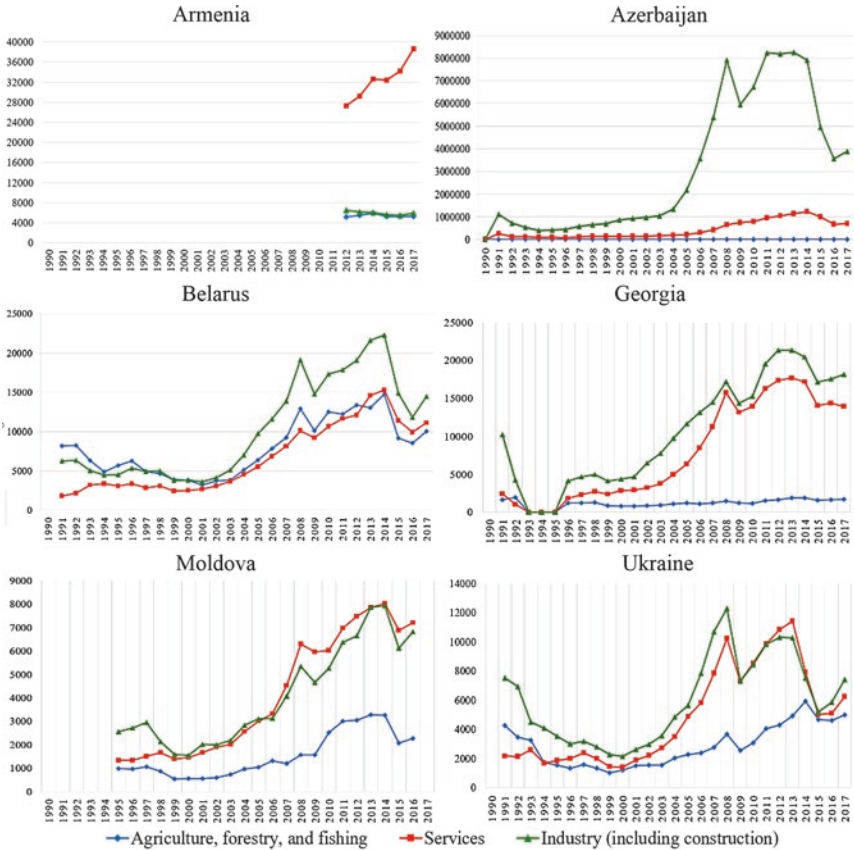


Fig. 4.10 Labour productivity by sector in the EaP countries—current US Dollars (1990–2017) (Source: Own computation after World Bank Database (2019). *World Development Indicators database*)

its value was only US\$23,000. Concerning the other two sectors, the productivity of employed population was lower, reaching a maximum of US\$15,200 in 2014, for services and US\$15,000 for agriculture. Almost in the same position, we find Ukraine. Most people were employed in the services and industrial sectors; consequently, these were also the sectors with the highest productivity levels, despite the drops after 2008 and 2014.

Georgia and Moldova highlight the type of productivity profile that is not sustainable. Most part of the employed people work in the agricultural

and services sectors, while labour productivity appears to be higher in the industrial and services sectors and very low in the agricultural sector. Basically, there is a waste of productive resources here. Furthermore, both economies depend much on services that were affected after the shocks from 2008 and 2014. Countries dependent mainly on the services sector were less resilient in times of crisis in the absence of other developed sectors, able to absorb the unemployed and to use human resources in different productive activities.

From this analysis, we have extracted an important aspect: it is dangerous to employ most of the active population in non-productive activities, while depending more on sectors that are fragile and highly exposed to external imbalances, precisely because they are not based on comparative or competitive advantages. This, to a great extent, ruins the country's capacity for resilience, promoting a contagion effect among the other nations from the group. In order to complete the framework of discrepancies among the EaP countries, the Gini index provides us a different perspective in terms of economic inequalities.

As pointed out in Fig. 4.11, the same limited availability of data makes it impossible to provide a general perspective of income inequalities evo-

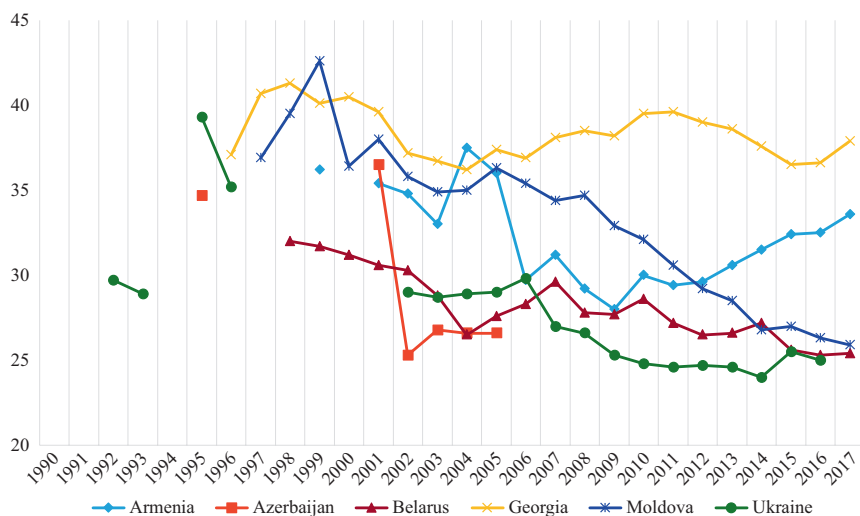


Fig. 4.11 Gini Index for the EaP countries (1990–2017) (Source: Own computation after World Bank Database (2019). *World Development Indicators database*)

lution among the six economies between 1990 and 2017. The higher the value of Gini index is, the greater the income inequalities are for that country. By correlating the development profile previously developed with this indicator, we can observe that the highest levels of income inequalities are in Georgia, and that they have increased after the crisis from 1998 and the one from 2008. In general, we observe that crises and moments of severe economic contractions have the power to widen inequalities. In this case, shadow economy or corruption gets worse. In the next position, we may place Moldova with higher inequalities in 1998, but the index decreased permanently after 2009. The policies of the government oriented towards promoting equity and an inclusive society are not responsible for such a dynamic; it is the intensive migration from the past years that is responsible. For Armenia, we find a higher value of Gini index after 2004 and 2009, meaning that the conflict involving Nagorno-Karabakh, that remained dormant, and the crisis led to increased inequalities. From the entire group, Belarus and Ukraine seem to be the most egalitarian states, with modest dynamics on the whole analysed period.

4 Economic Openness of the Eastern Partnership Countries

The openness to international trade can be a source of both economic development and economic fragility. It depends on the specific context in which the country is becoming part of the global market. If the contribution of trade to the economic progress is already known, trade being a factor of endogenous growth models, we focus more on the opposite perspective, highlighting the manner in which the EaP countries are becoming more exposed to international shocks and external vulnerabilities, precisely because of their international trade flows. For instance, countries have mainly focused on exports because of their higher specialization in one sector and are becoming increasingly dependent on their trading partners. Moreover, export prices may also harm the economy, if we are referring to intense specialization. Azerbaijan is an illustrative example in this case, when the fall of oil prices from 2014–2015 deter-

mined significant output cuts. Another important factor of fragility is, in our perspective, the higher dependence on certain trading partners or the so-called geographic export concentration. For the EaP economies, the dependence on Russia is a source of great instability and risk. Also, the dependence of a country on strategic imports, in order to sustain industrial sector, energy sector and other main activities, is making it more vulnerable and, therefore, less resilient.

4.1 International Trade

The participation in international trade illustrates, on the one hand, a driver of economic development, especially when a country can sell outside its borders those categories of products that it possesses in exceeding quantities, in order to obtain other goods where it has no advantage as to produce it inside the country. On the other hand, too much openness to trade means vulnerability. When the economy has economic sectors highly dependent on imported raw materials, or sectors that depend mainly on exports, in these cases, any external imbalance or crisis will affect the economic output.

When the topic of the EaP countries is addressed, their trading partners emphasize important information about how vulnerable and dependent these economies are on their neighbours, who those neighbours are and which are the long-term prospects with respect to their capacity of improving internal vulnerabilities linked to trade. The economic dependency on exports and, mainly, imports, of goods and services from Russia and the Commonwealth of Independent States (CIS) area remained very high even after more than two decades of transition, as highlighted in Fig. 4.12.

As we can see, the most prominent countries at the world level in term of exports is Ukraine, a country that has a strong foothold in the global market. Even from the very beginning of the transition period, the country has followed an upward trend with exports of more than US\$24,000. The only moments which decoupled Ukraine from its positive evolution were the crisis from 1998, with a lower impact of almost US\$3,000 and those from 2008 and 2014, with wider declines of almost US\$30,000 mil-

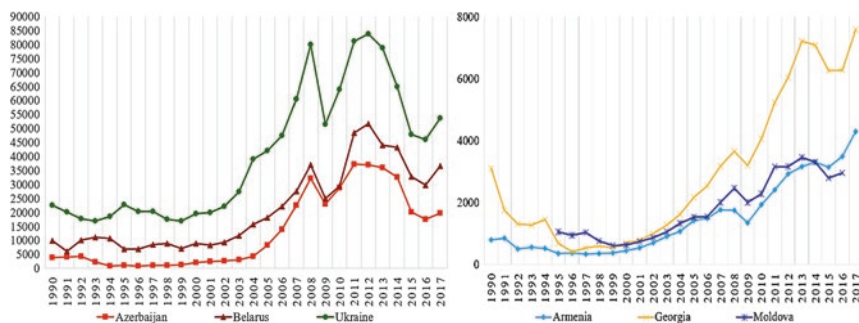


Fig. 4.12 The total exports of the EaP countries—millions of current US Dollars (1990–2017) (Source: Own computation after World Bank Database (2019). *World Development Indicators database*)

lion for 2008 and around US\$35,000 million in 2014. The graphic highlights a situation that is similar to the path of Ukraine for Belarus and Azerbaijan, but at a smaller scale. If, in Belarus, the higher shares of state-owned enterprises sustained the economic activity after 1991 and, thus exports, Azerbaijan was statistically helped by the international enterprises, which gained important contracts with the state in order to extract with their own technologies the existing natural resources. These companies extracted and also exported most of the resources. The same moments of crisis limited export levels of Azerbaijan, in the context of a decreased external demand.

Concerning the remaining three countries from the EaP block, Georgia tends to be more present on the international markets through exports of raw materials and agricultural products, while Armenia and Moldova have a rather modest position, exporting only few agricultural products. Their exports depended too much on Russia's demand. Thus, when Russia started to apply trade restrictions on imports from Georgia and on agricultural products in 2005, or when it totally banned imports of wine and vegetables from Moldova, in 2014, the generated results harnessed the economies of both countries.

Regarding the situation of imports (Fig. 4.13), the path followed by the six countries from the Eastern partnership is rather similar to the one of exports, meaning that Ukraine remains the main trading partner from the entire area, with the highest values of goods and services imported,

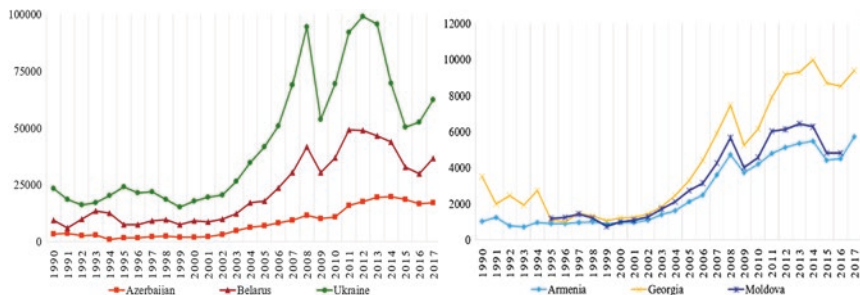


Fig. 4.13 The total imports of the EaP countries—millions of current US Dollars (1990–2017) (Source: Own computation after World Bank Database (2019). *World Development Indicators database*)

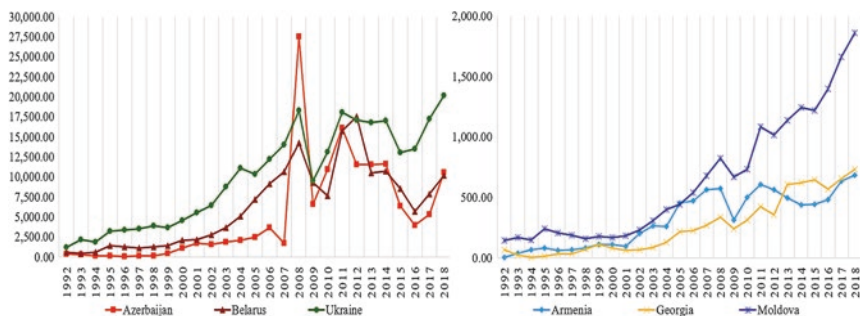


Fig. 4.14 The exports of the EaP countries to the European Union—millions of current US Dollars (1992–2018) (Source: Own computation after International Monetary Fund (2019a). *Direction of Trade Statistics*)

followed by Belarus and Azerbaijan, but with lower level of imports for Azerbaijan. Being a country rich in natural resources, its dependency on external markets is reduced, an aspect that makes the country less vulnerable in moments of crisis. Georgia, Armenia and Moldova keep the same trend in developing countries, less visible in international trade arena, but with higher imports than their export levels, pointing out severe fragility of their economies from the trade openness viewpoint (Fig. 4.14).

The destination of traded goods and services matters mainly as all the six economies have joined the Eastern Partnership. As we can see, Ukraine is the main trading partner for the EU, with a harsh decline in terms of

value of exported goods and services after the 2008 and 2014 crises. Belarus and Azerbaijan remain the other two important partners for the EU in terms of exports. In 2007, Azerbaijan exported significant quantity of mineral fuels to the EU, contributing thus to an increase of exported value of almost \$US27,500 million (International Monetary Fund 2019a). The moments of crisis also affected both economies' exports, while the decrease from 2015–2016 can be explained in the light of effects generated by the crisis from Ukraine on their economies. As usual, Moldova, Armenia and Georgia have modest contributions in terms of exported goods, Moldova being appreciated on the EU market for its exports of vegetables, fruits and, mainly, wines.

Despite the differentiated amplitude of the exports oriented towards the single European market, undoubtedly, the membership to the EaP had a significant contribution in terms of reorienting the trade flows to the benefit of positive economic results and, furthermore, of a higher capacity to cushion fragilities and risks from external area by being present on multiple markets.

Concerning the trade flows oriented towards the old economic partners inherited from the times of the USSR block, we can observe that in a very short period of time, the EU captured significant flows attained in the past by the CIS countries and Russia, especially, as pointed out in Fig. 4.15.

As we can see from the graphic, the situation is very similar, Russia being the most significant partner from the entire CIS partner countries. Belarus and Ukraine are the most active countries in terms of exports with almost the same evolution of the trade flows. As can be observed, Russia's crisis affected all the EaP economies, but the case of Ukraine and Belarus was more visible, suffering a reduction of exports oriented towards CIS and Russia of approximately 50%. The 2008 crisis and the one from Ukraine affected the trade flows for both exporting countries. Ukraine was more severely harmed than Belarus, given its stronger connection with the world economy. Azerbaijan has modest exports oriented towards CIS economies, and also to Russia. In 2011, it reached the highest value of exports of almost US\$3500 million (International Monetary Fund 2019a). Russia is not such an important trading partner for Azerbaijan because the country has its own resources and does not depend on gas or

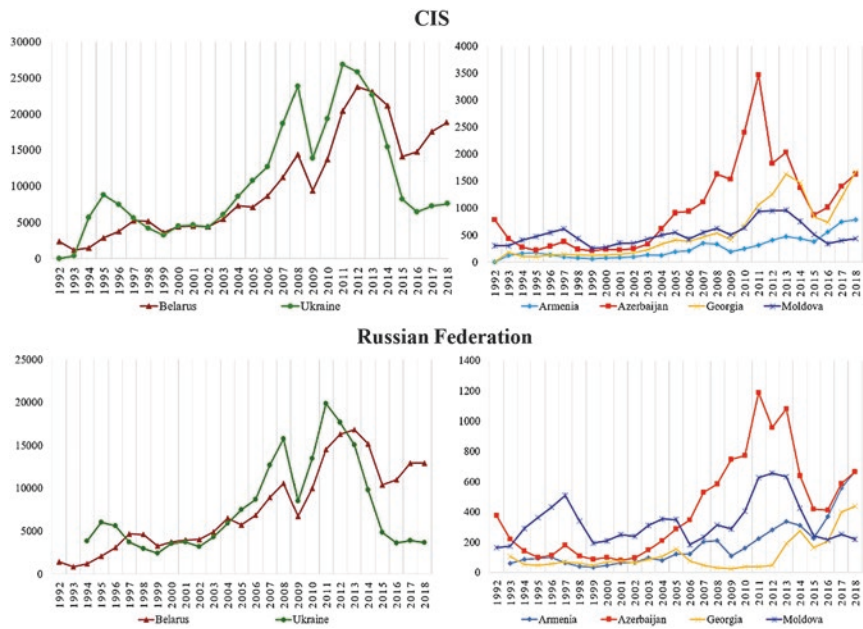


Fig. 4.15 The exports of the EaP countries to the CIS countries and Russian Federation—millions of current US Dollars (1992–2018) (Source: Own computation after World Bank (2019a). *World Integrated Trade Solutions*)

oil imports from Russia. As usual, the situation for Armenia, Georgia and Moldova remains the same—poor and highlighting a higher dependency on Russia’s imports of raw material and agricultural products.

Perceiving things in terms of imports, Fig. 4.16 provides us a general picture with respect to their evolution after the independence of each country, until present.

As expected, Ukraine and Belarus remained the most active countries from the entire group also in terms of the value of imported goods and services from the EU market. Ukraine shows once more that it is strongly connected to the world economy, having a positive trend on imported goods until 2007, when their level reached almost US\$30,000 million. After the crisis, the imports contracted with almost 50% to US\$15,000 million. The crisis from 2014 determined a decrease of imports with UD\$10,000 million (International Monetary Fund 2019a). For Belarus,

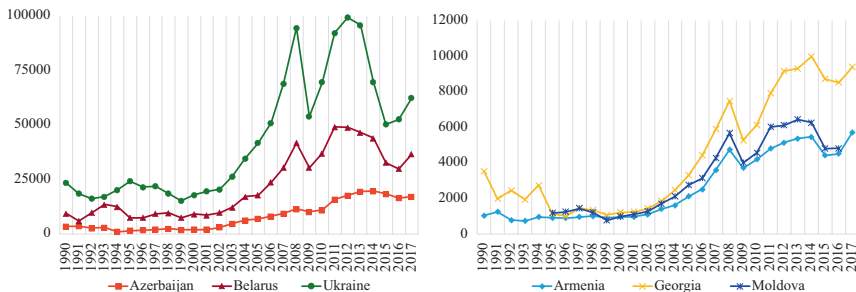


Fig. 4.16 The imports of the EaP countries from the European Union—millions of current US Dollars (1992–2018) (Source: own computation after International Monetary Fund (2019a). *Direction of Trade Statistics*)

the trend was rather similar but with a lower amplitude because the political regime of the country was not encouraging trade openness. Even so, the effects of both crises were felt, imports being cut with US\$2500 million in 2009 and more than US\$5000 million in 2015. In the next positions, we have Azerbaijan, Georgia and Moldova, Armenia having a weaker foothold in the international trade area. Here, the moments of shock did not badly affect the value of imports because their level was already low—less than US\$3000 million. When changing trade partners, we can observe a more active Belarus, as pointed out in Fig. 4.17.

As in the case of exports, we can notice two similarities. Firstly, Ukraine and Belarus remained the most important partners for both CIS and Russia in terms of imported goods and services. Secondly, the trend of imports for all countries, but mainly for the most dependent ones, is rather similar, when imports from CIS countries are compared with those from Russia, an aspect that highlights once more the massive influence of Russia on the economies from the Eastern Partnership block. The influence is even higher than that of the EU, given the higher imports from the Russian Federation during the entire time span. The same moments of crisis from 1998, 2008 and 2014 had detached imports from their growth path for Ukraine and Belarus, while the evolution of imports in the rest of economies shows that Azerbaijan is more dependent on imports of the CIS community than on those of Russia, but Georgia and Moldova remain linked with Russian imports.

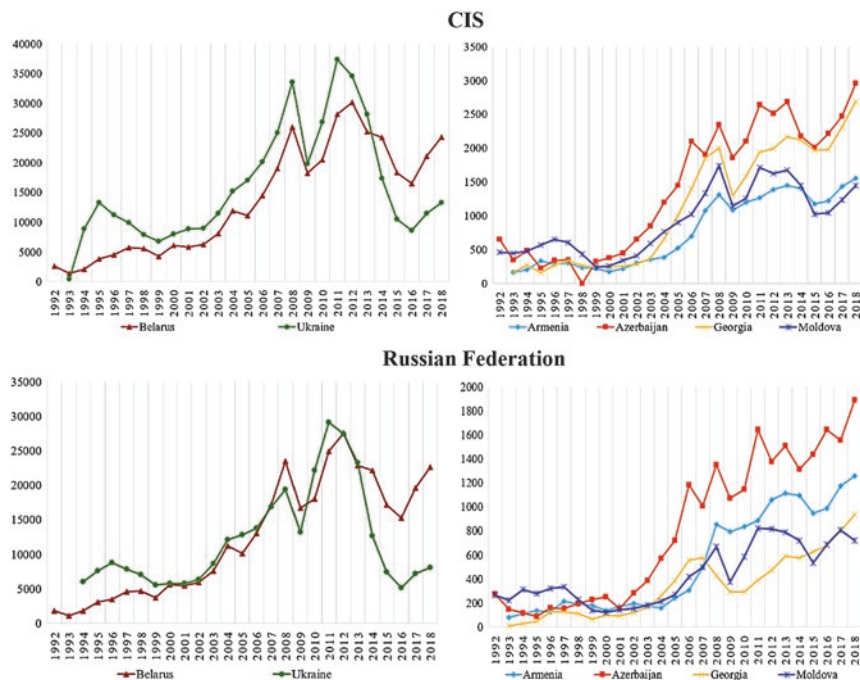


Fig. 4.17 The imports of the EaP countries from the CIS countries and the Russian Federation—millions of current US Dollars (1992–2018) (Source: Own computation after International Monetary Fund (2019a). *Direction of Trade Statistics*)

4.2 Foreign Direct Investments

FDIs illustrate another determinant of growth and development for the host country, given their main contribution in terms of increasing capital resources, know-how, the creation of new working places or the expansion of internal production with direct impact on the trade balance improvement. Furthermore, they also provide additional money for the public administration by tax payments and help the development of the local human capital through training and education and so on. Considering the situation of the EaP countries, we are expecting to discover that countries abundant in resources were perceived as the most attractive for foreign investors, but without neglecting their internal fragilities, political risks or conflict that may determine investors to stay apart. In Fig. 4.18, we can find the evolution of FDI inflows.

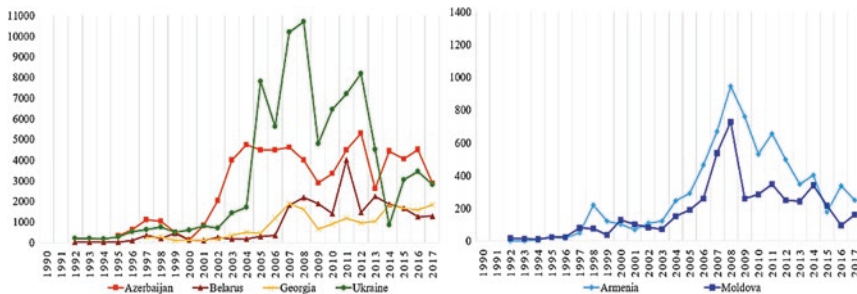


Fig. 4.18 FDI net inflows (BoP)—millions of current US Dollars (1990–2017) (Source: Own computation after World Bank Database (2019). *World Development Indicators database*)

As data from the graphic points out, at the initiation of the transition process, the inflows were rather modest, but after 1995 and until 2000, Azerbaijan was the most attractive country for foreign investors, especially because of its large reserves of oil and gas, and it was followed by countries like Armenia, Georgia and Moldova, where investments remained modest (United Nations Conference on Trade and Development 2010). Belarus, because of its limited openness towards market economy, and Ukraine, a country dominated by higher uncertainty, made investors to be reluctant when deciding their further capital placements. Obviously, the crisis from 1998 affected the inflows of FDI attracted by Azerbaijan because that was the moment when oil prices fell significantly, and main investments were directed to that particular sector. But after Russia's crisis and until the next global crisis from 2008, the attracted FDI began to rise again, Azerbaijan and Ukraine being targeted by investors from abroad. The Ukrainian political crisis from 2006 affected investment flows severely, with a significant decline of almost US\$2000 million. After this moment, the global crisis and the Ukrainian crisis from 2014 have also generated major losses, but even so, Ukraine remained attractive in the eyes of foreign investors, given the short recoveries for attracting new money.

Azerbaijan, Belarus and Georgia have also benefitted from flows of FDI, Russia being the main investor, especially for Belarus and Georgia, while countries like Armenia and Moldova had benefitted from limited inflows of FDI, lower than US\$600, the 2008 and 2014 crises affecting them also from this perspective. Considering the opposite perspective of

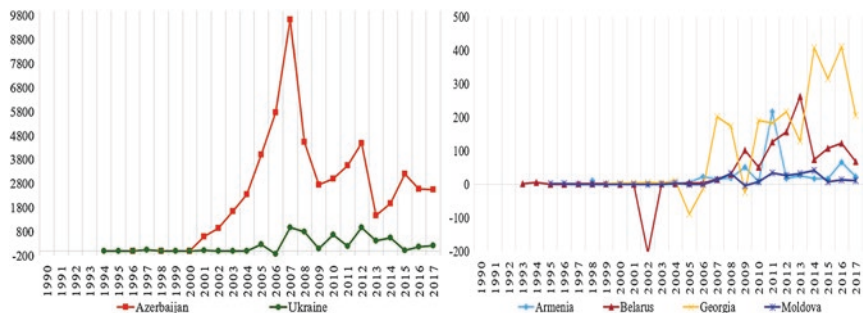


Fig. 4.19 FDI net outflows (BoP)—millions of current US Dollars (1990–2017) (Source: Own computation after World Bank Database (2019). *World Development Indicators database*)

investing abroad, Fig. 4.19 highlights a totally different situation, as pointed out later. Direct investments represent cross-border investments associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. Ownership of 10% or more of the ordinary shares of voting stock is the criterion for determining the existence of a direct investment relationship. This series shows net outflows of investment from the reporting economy to the rest of the world (World Bank Database 2019).

Azerbaijan remains the privileged economy, with significant investment outflows of US\$9800 in 2007 and US\$2800 million after the crisis, in 2009. Even the Ukrainian crisis was not able to limit its investing capacity abroad. Ukraine, on the contrary, is a modest investor in the EaP area, but the political crisis from 2006, the global crisis from 2008 as well as internal crisis from 2014 retracted the country from this position. Considering the rest of the EaP countries, their condition as donors of foreign investments remains very limited, mainly because of their low economic development. Belarus and Georgia have experienced negative FDI outflows in 2002 and 2005, respectively, on the basis of their internal economic fragilities and limited results in terms of transition performances.

Taking into consideration all the existing fragilities and macroeconomic disorders that hardly could be set under control by their governments, the repetitive internal crises affecting local currencies, boosting trade deficits and empowering unemployment, together with higher lev-

els of institutional fragility that lack predictability and security in the area, the capacity of these countries to attract foreign investors that can benefit their capital and expertise in order to further expand their economic potential remains unsatisfactory.

5 Conclusion and Recommendations

When addressing the economic dynamics of the countries belonging to the Eastern Partnership of the European Union, and mainly their capacity to contribute to the process of strengthening resilience in the area, we can observe that several aspects deserve our attention. All these countries which belonged to the USSR in the past inherited and prolonged the old Soviet values and mentality, in their own version, after the implosion of the Soviet Block. Consequently, their willingness to transform the social, political and economic areas varies from one country to another. Azerbaijan and Belarus illustrate two examples of countries which managed to create a certain prosperity, following two different transition paths and methods in order to stabilize their macroeconomic area, the former being more interested to promote a more market-oriented approach, while the latter preserved the massive intervention of the government in the economy and the activity of the state-owned enterprises.

The evolution within more than two decades of social, economic and political transformations embraced the national path and was different for some countries. Their capacity to transform the endowment with natural resources into a strength as to employ productive activities and to better cushion the external shocks remained limited.

From an overall perspective, some important fragilities must be pointed out. The most important vulnerability that must be addressed is the *weak market institutions and the poor governance* in order to improve the effectiveness of implemented policies, as well as the trust of both: its own citizens in the economy and the trust of foreign investors or partners (North 2010); Georgia, for example, made significant progress in this respect and managed to support the investment climate. Belarus illustrates a challenge from this point of view, while Ukraine, Moldova and Armenia need more effective results and less political fragility in order to become more resilient.

Another vulnerability that needs to be addressed is the *poor privatization initiatives in some countries* like Belarus, Moldova and Armenia, which sets boundaries for economic development, limiting thus the access of foreign investors to these countries. *Limited transparency in terms of business regulation* decreases predictability of the economic environment for the case of all six economies. On the same wavelength with the previous idea, there is the problem of *insufficient development of the private sector*, as well as *limited reinforcement of the existing private owners* in the local economies. This could be done by taking advantage of the assistance and financial aid provided by the EU through the channels of European Neighbourhood Instrument (ENI) because countries have limited possibilities to solve these issues on their own, by not having a tradition in this respect.

Despite the endowment with natural resources like oil, gas, coal and forests in the case of some economies like Ukraine, Belarus and Azerbaijan, there is a *higher dependency on energy provided by Russia* (oil and gas). Azerbaijan is the only economy, which has gained a sort of independence in front of Russia because of its natural endowment with resources, but the rest of the EaP nations, despite their own reserves are still depending too much on Russia. Consequently, such dependence was already pointed out during our analysis on many internal conflicts with secessionist regions supported by Russia; the threat of stopping gas delivery for Ukraine, Georgia or Moldova; and significant political disequilibrium supported also by Russia, in order to destabilize the European trajectory of these countries, in the case of Ukraine it was the use of force and armed conflicts. Furthermore, such dependence means higher uncertainty, especially if we take into consideration the bans of Russian imports from Moldova, Armenia and Georgia based on artificially created reasons. All these aspects raise the awareness with respect to an enormous vulnerability of those economies in front of any manoeuvre made by Russia. Basically, their capacity to resist such shocks is almost zero. From this point of view, the European Neighbourhood Policy (ENP) specifies precise directions in terms of increasing energy efficiency on the basis of using own renewable energy sources to limit higher expenditures from this area and also in terms of expanding local economies to support the consumption on the basis of internal production.

Another vulnerability that diminishes resilience of the EaP economies is reflected by the *higher dependence on imports and limited attention paid to the expansion of local production*, especially of those industries or activities with a high potential of sustainable economic growth. Most of these countries remained attached to the agricultural and industrial sectors, but no serious investments were made in order to endow them with new technologies, as to raise their productivity. As we have already pointed out in the cases of Ukraine and Azerbaijan, countries rich in resources depend on the extraction activity of foreign companies, becoming more fragile in front of their opportunism and hidden intentions of depleting resources, while gaining profits. Here, the so-called resource curse may happen and corruption, bureaucracy and the monopolistic positions of those foreign large companies may severely harm not only the industrial sector but also the economy on the long run, by cancelling the attention paid by the governments to education and the quality of human capital, to the development of the other sectors, like agriculture or manufacturing. The effects can be perverse and damaging.

The lack of investments (public or private ones) oriented towards modernizing the existing industries and agriculture. The exports of the EaP countries are mainly based on raw materials or low added-value products, consequently, *their permanent trade deficits* can be justified in terms of *poor competitiveness and limited economic diversification*. If we aren't referring to the case of countries endowed with resources, but on the contrary, to those like Armenia, Moldova or Georgia, here, the "resource curse" cannot be invoked in order to explain the situation. The measures undertaken by the governments of these countries should be focused less on expanding the services sector, and more on expanding the economic activity in agriculture and industry, while also paying attention to labour productivity from these areas. Therefore, investing in technologies and better preparation of human capital are ways to improve the situation.

Because we have reached the labour market issue of limited productivity in some sectors, another important idea must be brought into light: the problem of migration and the *increased importance of remittances*, for most of those economies (Armenia, Georgia, Moldova), while neglecting economic diversification as to be able to retain the young labour force inside the country. Being so strongly dependent on the money gained

outside the borders of the country, the economies of these countries are faced with higher risks associated to any external imbalance that may occur in the countries which adopted their citizens. On the one hand, the native country loses in the long term; the phenomenon of ageing population is already a problem for most of the EaP countries. Those who decided to leave the country for a better life are, in general, trained and educated people; consequently, the remaining human capital is not able to support further development. Additionally, a new fragility arises, one that depends on money sent from abroad. The capacity of those economies to resist shock is extremely limited; they are too fragile, so this vulnerability definitely needed to be addressed by the government policies in order to strengthen the labour market, to make it more solid and more attractive for its own citizens.

The higher dependence of some economies of only one economic sector, such as oil, for the case of Azerbaijan, or agriculture, for Moldova is a sign of fragility. If exports are strictly dependent on only one category of goods, in case of a crisis, for example the one from 1998 when the price of oil declined sharply, the entire economy will suffer. Therefore, diversification is needed and required in order to reach economic stability. Another source of fragility is, in our viewpoint, *the lack of public investments in education, health and infrastructure*. The lower levels of attracted FDI can also be explained in light of these prominent problems that define EaP countries. Limited attention paid to health and education illustrate a main determinant of the brain drain phenomenon, specific for most of the cases, with the exception of Belarus. According to the human development indices, all the six economies must pay more attention to education and health of its citizens in order to address the existing limitations in this respect.

Changing the register and focusing more on the economic perspective, some serious concerns and economic fragilities can also be pointed out. From this perspective, the EaP countries should consolidate their internal reserves when promoting tight macroeconomic policies. As pointed out in the subchapter where the country ratings were approached, according to Moody's Investors, all the EaP economies were placed in the red zone with higher vulnerability and uncertainty associated. *Severe macroeconomic disorder meaning easiness in taking credits, large government expenditures oriented towards boosting consumption and not for investments that*

have the role to boost internal demand and to generate inflationary pressure, contributing thus to the decrease of the associated ratings. In order to promote more stable and sustainable sound macroeconomic policies, the governments should renounce at the practice of devaluating their own currencies in order to gain competitiveness for exports.

In general terms, we conclude that the countries from the Eastern European Partnership present a lot of internal, as well as regional fragilities, but their ability to redress all the existing issues remains limited. On such a basis, the membership to the EaP is the only way to further evolve on the path of stability, growth and prosperity by detaching themselves as much as possible on the harming influence and dependence on Russia, in all its multiple hypostases: energy supplier, consumer country that buys goods and services, investor in their economies and so on. As we have already pointed out, since the partnership was launched, the EU started to gain a more pronounced role in the area becoming a significant partner in terms of trade and investments.

From our perspective, the process of strengthening resilience at the country and regional level is not impossible to achieve but must be focused mainly on promoting and expanding even more those sectors where there is an advantage in terms of resources endowment. Additionally, there must be a higher attention paid to democracy, rule of law and anti-corruption reforms (North 2010). Perceiving things from the perspective provided by the Eastern Partnership Index from 2017, Ukraine took important steps in terms of democracy and EU integration and convergence, but there is much to be done in terms of sustainable development (EaP 2017). Concerning Moldova, here the vulnerabilities are higher on multiple levels, meaning a decrease in terms of deep and sustainable democracy because of presidential elections and problems with sustainable development as well as with international security, political dialogue and co-operation. For this country, EU must strengthen the conditions to provide financial assistance in accordance with its effective results. The case of Georgia is much worse, having fragilities and issues with democracy, sustainable development, EU integration and also co-operation and political dialogue. Georgia must focus first on improving its judicial system and eradicating corruption. For Armenia, there are problems with sustainable development and EU integration, lacking also the sectoral

co-operation and trade flows—this latter problem and higher corruption being also specific to Azerbaijan. As expected, Belarus, should pay more attention, first, to building a sustainable democracy and afterwards to enhancing a more stable political dialogue and co-operation with the EU if it wants to fully benefit from the membership to the EaP. Countries need time and assistance to correct their most important vulnerabilities, but their will and efforts will dictate the rhythm and pace of the changing process and their capacity to better respond, individually, as well as from a concerted perspective, to any external imbalances.

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Part II

The EU's Actorness and Eastern Neighbourhood Challenges



5

(In)securitising the Eastern Neighbourhood. The European Union Eastern Partnership's Normative Dilemma: Resilience Versus Principled Pragmatism

Grzegorz Pożarlik

1 Introduction

The European Union's (EU's) Eastern Partnership (EaP) is marked by dissonance between declaratory consensus among the member states on normative resilience on the one hand, and the principled pragmatism that characterises the EU's approach towards the neighbourhood on the other. This dilemma illustrates the persistence of the normative credibility deficit, which has affected the EU's international role and identity since the very establishment of the EU Neighbourhood Policy (ENP). More specifically, the EU's normative agenda towards the EaP seems a mission impossible, especially in the light of current (in)securitisation of the EU's eastern neighbourhood policy, expressed in the 'security-first' approach implied by 'principled pragmatism', which also places resilience as *modus operandi* of the EU Global Strategy. The origin and the trans-

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formation of the EaP has been a particular case of the EU international identity twist. Being caught in between the high hopes of acting as a global, ethical force for good (Aggestam 2008) and the constrained capacity of an intergovernmental soft power actor (Hill 1993, 1997; Toje 2008), the EU's EaP project has been in constant deadlock caused by the policy without politics syndrome (Korosteleva 2017; Simão and Amaro Dias 2016). This syndrome appears clearly in the very construction of the EaP in particular, and the ENP in general.

In what follows, the ongoing (in)securitisation of the EaP is explained through conceptual lens of sociological approach to securitisation theory as developed by the Political Anthropological Research for International Sociology (PARIS) school. This approach holds a particularly relevant explanatory power when examining the transformation of the EU's eastern neighbourhood policy from normative messianism to a security-first approach.

2 Farewell Ethical Power Europe. Welcome Pragmatic Empire Europe: Finding the EU's Eastern Partnership *raison d'être* After Euro-Maidan and Annexation of Crimea

In scholarly debate, the EU's international role and identity has been conceptualised in many contradictory ways (Hoffmann and Niemann, 2017). The recent conceptual debate on the EU's international identity was focused on the question of whether it is legitimate to apply the very term of a *sui generis* international actor to the essence and substance of the EU's presence within the international system. However, the concept of normative power or ethical force for good truly prevails in scholarly debate on the EU's actorness on the international stage. Clearly, Europe as a hegemonic, imperial type of international actor constitutes the boundary of an otherwise polyphonic debate on conceptualising the EU's international role and identity (Duchêne 1973; Galtung 1973; Bull 1977; Manners 2002; Sjursen 2006; Zielonka 2006, 2008; Beck and Grande 2007; Haukkala 2008; Aggestam 2008).

The debate was framed by Ian Manners' conceptualisation of the EU as a normative power by the virtue of its post-Westphalian ontological structure. In his conceptual manifesto *Normative Power Europe: A Contradiction in Terms?* (2002), Ian Manners justifies the need to transform Duchêne's historical leitmotiv of the European Community as civilian power into the EU as a normative power. As explained by Manners:

the EU as a normative power has an ontological quality to it—that the EU can be conceptualised as a changer of norms in the international system; a positivist quantity to it—that the EU acts to change norms in the international system; and a normative quality to it—that the EU should act to extend its norms into the international system. (Manners 2002, p. 252)

Norm diffusion constitutes *genus proximus et differentiam specificam* of Mannersian normative power Europe (Manners 2002). Normative power Europe is determined by 'contagion, informational diffusion, procedural diffusion, transference, overt diffusion and the cultural filter' (Manners 2002, pp. 244–245). It diffuses its norms using non-violent means and that is why 'the most important factor shaping the international role of the EU is not what it does or what it says, but what it is' (Manners 2002, p. 252).

As already argued, there has been a great deal of scepticism among scholars, who questioned the consistency of the EU's postmodern, cosmopolitan essence and its normative policy-making substance. Hyde-Price has been particularly outspoken in challenging the ontology of the concept of the EU as a single foreign-policy actor and, more specifically, of the consistency of the ENP policymaking as such (Hyde-Price 2008; Hyde-Price 2017). Seen from the realist perspective of the nature of international politics, the EU as a foreign policy actor is a 'tragic actor' (Hyde-Price 2008). As Hyde-Price claims:

in a world of rival states with competing visions of the *summum bonum* ('the good life'), the pursuit of an 'ethical' foreign and security policy risks two tragic outcomes: either the EU will be left as a weak and ineffective actor unable to further the shared interests of its member states, or it will indulge in quixotic moral crusades—with the attendant risk of hubris leading to nemesis. (Hyde-Price 2008, p. 29)

In his most recent realist account on the ENP, Hyde-Price emphasises the primacy of collective, interest-driven approach of the EU member states to its neighbourhood, which prevails over normative concerns. Moreover, ‘as a collective instrument for pursuing the common interests of its member states in its neighbourhood, the EU’s Neighbourhood Policy serves three major roles: security maximisation; milieu-shaping and the pursuit of second order normative concerns’ (Hyde-Price 2017, p. 60). From yet another analytical angle, we find Sjusren, who questioned the empirical validity of the term (Sjusren 2006). The conceptual elusiveness of normative power Europe or an ethical force for good is about deficit of theoretical and methodological coherence in identifying factors, variables and assessment criteria, which would allow for the empirically grounded study of the EU as single, non-state foreign policy actor: ‘existing conceptions of the EU as a “civilian”/ “normative”/“civilizing” power lack sufficient precision [...] implying that the EU is a “force for goodness” they lack the necessary criteria and assessment standards to qualify or substantiate such conclusions’ (Sjusren 2006, p. 1).

In order to ensure conceptual soundness and empirical verifiability of the normative/ethical power Europe as a single foreign policy actor, one would have to assume that ‘the core feature of a putative normative or civilizing power would be that it acts in order to transform the parameters of power politics through a focus on strengthening the international legal system’ (Sjusren 2006). At the core of Hyde-Price’s and Sjusren’s approach to the EU’s elusive actorness and identity, there is a structural tension between interests and ethical values, which cannot be convincingly reconciled in the form of a clear and coherent conceptualisation of the EU’s role in the international system. The ‘interests over ethical values’ approach contributes to the EU’s credibility deficit in terms of an ethical force for good in the neighbourhood and explains ‘security first’ of the ENP as exemplified in the EaP’s resilience in policymaking.

Going beyond the Mannersian orthodoxy of normative power Europe and its realist critique by Hyde-Price, we come across an alternative, a third way of conceptualising the EU as a cosmopolitan empire (Beck and Grande 2007) and a neo-mediaeval empire (Zielonka 2006, 2008). Normative

power Europe is a power of expansion, which brings this conceptualisation directly within the realm of the empire power Europe discourse as evidenced in Beck's and Zielonka's contributions. Beck's cosmopolitan empire Europe is a masterpiece of sociological reasoning in an otherwise political science-dominated discourse on the EU's identity on international arena. Beck's (Beck 2007, p. 114) epistemological credo, as expressed in *Re-Inventing Europe: A Cosmopolitan Vision*, was that 'Reality is becoming cosmopolitan. The Other whom borders can no longer keep out is everywhere'. It needs to be noted that Beck transplanted his vision of a cosmopolitan empire Europe onto the body of a wider normative power Europe discourse, in this instance, however, emphasising a substantially different source of Europe's power.

At the time when George W. Bush cherished 'unilateral' unilateralism, Beck advocated the idea of cosmopolitan realism and its embodiment of a 'cosmopolitan empire Europe' as an antidote to the US's neoconservative indispensable nation doctrine. The idea of cosmopolitan empire Europe was also meant to explain how the ENP's normative *idée fixe* was made possible

The cosmopolitan empire of Europe is notable for its open and cooperative character at home and abroad and therein clearly contrasts with the imperial predominance of the United States. Europe's undeniably real power is not decipherable in terms of nation-states. It lies instead in its character as a model of how Europe succeeded at transforming a belligerent past into a cooperative future, how the European miracle of enemies becoming neighbours could come about. It is this special form of soft world power that is developing a special radiance and attraction that is often as underestimated in the nation-state mould of thinking about Europe as it is in the projections of power claimed by American neoconservatives. (Beck 2007, p. 115)

Beck's vision of cosmopolitan empire Europe was a revolutionary one in the sense that it reoriented the European integration *finalité* paradigm towards cosmopolitan integration, based on the accommodation of diversity as an advantage and a stimulus for deeper societal and political integration. As Beck claimed:

Europe's further integration must not be oriented to the traditional notions of uniformity inherent in a European "federal state". Integration must instead take Europe's irrevocable diversity as its starting point. That is the only way for Europeanisation to link two demands that at first glance seem mutually exclusive: the call for the recognition of difference and the call for the integration of divergences. (Beck 2007, p. 116)

In a similar vein, we find Zielonka (2008), who came up with another alternative vision of the EU's international imperial actorness. Consistent with Beck's concept of the EU as a cosmopolitan imperial power, Zielonka (2008) went on arguing that after 2004, the

Union increasingly resembles an empire and this has profound implications for understanding its internal and external politics. However, the Union is not an empire like contemporary America or nineteenth century Britain. Its polycentric governance, fuzzy borders and soft forms of external power projection resemble the system we knew in the Middle Ages, before the rise of nation-states, democracy, and capitalism. (Zielonka 2008, p. 2)

Interestingly, Beck (2007) rejects any neo-mediaeval analogies with his concept of cosmopolitan empire Europe. 'For all the similarities with the complex confederation or empire that emerged from the Middle Ages, the European empire of the early 21st century is built upon the existing nation-states. To that extent, the analogy with the Middle Ages does not hold' (Beck 2007, p. 115). Zielonka went beyond Beck's line of thought on the distinctive character of cosmopolitan empire Europe. Unlike Beck, who denied the legitimate character to any analogy between contemporary cosmopolitan empire Europe and mediaeval empire, Zielonka (2008) establishes a clear *unctim* between the two. 'The new Europe may well be neo-medieval, but is it also imperial' (Zielonka 2008, p. 3), considering that:

enlargement with its comprehensive and strict policy of conditionality suggests the Union's external policy is truly imperial. Through enlargement the Union was able to assert its control over unstable and poor neighbours. True, the post-communist countries were not "conquered" but invited to join the EU, and they did so quite eagerly. Moreover, at the end of the accession process they were offered access to the EU's decision-making instruments and resources. (Zielonka 2008)

Scholarly debate about the EU's presence and actorness in its eastern neighbourhood changed its tone and conceptual vocabulary after the war in Georgia in 2008 and, more profoundly, after Euro-Maidan and the start of the Ukrainian crisis in 2014. The ENP's normative presence in the 'shared neighbourhood' gave way to 'security-first' pragmatism (Koenig 2016). In this regard, Blockmans (2017) had been particularly outspoken in diagnosing this transformation:

By putting security first, the EU is trying to balance its interests and principles. But this pragmatic approach raises questions about the perceived demotion of fundamental rights in the external action of a Union that appears ill-equipped in matters of security. Moreover, the policy framework of the ENP does not offer the scope to seek concrete solutions to the daunting security challenges emanating from the EU's outer periphery. (Blockmans 2017, p. 9)

Originally, the Polish-Swedish diplomatic joint venture, promoted by Radosław Sikorski and Carl Bildt, envisaged the EU's EaP as a project meant to both normatively contain Russia's aggressive policy on Georgia and other post-USSR countries aspiring to the EU membership, as well as to encourage these countries to enter the path of deeper Europeanisation, which would become a vehicle to fulfil their European aspirations. The hope was to boost economic and social modernisation as well as democratisation, in order to gear these countries towards Europe and, by the same token, to help them to emancipate from Kremlin's sphere of influence. The Sikorski-Bildt plan took the form of a Joint Declaration of the Eastern Partnership Summit in Prague, 7 May 2009 (Council of the European Union 2009, 8435/09, Joint Declaration of the Eastern Partnership Summit in Prague). It heralded a 'more ambitious partnership between the EU and the partner countries' as compared with the initial ENP agenda of 2004 (Council of the European Union 2009, 8435/09, Joint Declaration of the Eastern Partnership Summit in Prague). The Prague Declaration assumed among others that:

the Eastern Partnership will be based on commitments to the principles of international law and fundamental values, including democracy, the rule of law and the respect for human rights and fundamental freedoms, as well as to, market economy, sustainable development and good governance' and that [the] main goal of the Eastern Partnership is to create the necessary

conditions to accelerate political association and further economic integration between the European Union and interested partner countries. (Council of the European Union 2009 8435/09, Joint Declaration of the Eastern Partnership Summit in Prague, pp. 5–6)

The key difference and a major incentive of the EaP, as compared with the ENP 2004 agenda, was a *positive conditionality modus operandi*. The *More for more* policy was meant to inspire especially those eastern neighbours who have been the most determined in their efforts to democratise and modernise themselves along the European normative model. As the years went by, however, predominantly technocratic *positive conditionality policy* was not followed by *politics of debate*. This explains, to a large extent, a limited success of the policy of Europeanisation in the eastern neighbourhood (Korosteleva 2017).

3 Towards an Ever Greater (In) securitisation of the European Union Eastern Partnership. Understanding Resilience Through Principled Pragmatism

Security is central again. This holds true for post-9/11 international security discourse in general, but also for the War in Donbass and annexation of Crimea in particular. This made EU decision-makers fixated on security in the EU's eastern neighbourhood. EU norms diffusion through *positive conditionality* gave way to the *security-first* approach in the EaP policy-making. Subsequently, Russia is central again, as well. Kremlin's *Machtpolitik* fundamentally changed the EaP agenda. As Simão and Amaro Dias (2016) admit:

Russian foreign policy towards this common neighbourhood has reinforced the need for the on-going securitisation of the EU's vicinity [...] There are several security issues on the common agenda, including political stability, energy security and conflict resolution, particularly in Eastern Europe and the South Caucasus—and towards which Russia has developed its own neighbourhood policies. (Simão and Amaro Dias 2016, p. 97)

Sociological incarnation of the securitisation theory (Balzacq et al. 2015, p. 494) as applied to the EU's eastern neighbourhood policymaking seems both an underestimated and promising explanatory perspective. Its major advantage and 'the distinctiveness lies in its capacity to articulate a specific approach to security—influenced by the speech act—with an “analytics of government”, which emphasises practices and processes' (Balzacq et al. 2015). More specifically, I refer here to the PARIS theory of (in)securitisation and its explanatory power as applied to an ongoing (in)securitisation of the EU's eastern borderlands (Bigo and McCluskey 2018):

conceptualising the relation between security and insecurity as a mobius strip; a metaphor which demonstrates how one can never be certain what constitutes the content of security and not insecurity. A PARIS approach [thus] calls for the study of everyday (in)securitization processes and practices. (Bigo and McCluskey 2018, p. 1)

The credo of the PARIS school is grounded in the Copenhagen school's security-identity nexus orthodoxy (Buzan et al. 1998), which transcends the conceptual boundaries of 'viewing security solely as an answer to threats and insecurity, as if the world of security agencies was just reacting to external events and was not constructing the boundaries between security and insecurity' (Bigo and McCluskey 2018, p. 2). The alternative is to 'explain the conditions under which the social and political construction that enacts a process of securitization occurs' (Bigo and McCluskey 2018).

Explaining the political construction of the EaP's resilience to securitisation requires an insight into the content and dynamics of the agenda-setting policy. Of crucial importance in this context are questions regarding the ontological status of the EU Global Strategy. The very idea of this strategy represents a clinical example of an ambiguous and elusive character of security-insecurity conceptual relationship. Unlike Solana's *European Security Strategy* (ESS): *A Secure Europe in a Better World* (Council of the European Union 2003), Mogherini's *EU Global Strategy Shared Vision, Common Action: a Stronger Europe* (European External Action Service, EUGS) does not explicitly refer to the term of 'security strategy'. However, both strategies

emphasise the EU's moral imperative to deliver security, globally and internally. The blurring of the nature of security-insecurity nexus of both strategies is clearly noticeable in the definition of the referent object. Whereas Solana's strategy calls for a 'Europe (which) should be ready to share in the responsibility for global security and in building a better world' (Council of the European Union, ESS, p. 2), Mogherini's strategy focuses on 'making Europe stronger: an even more united and influential actor on the world stage that keeps citizens safe, preserves our interests, and upholds our values' (European External Action Service, EUGS 2016, p. 1). The foreign and security policy agenda setting has been redirected; effective multilateralism has been counterbalanced with internal and external resilience-building.

In 2003, it was George W. Bush's 'unilateral' unilateralism that constituted a major point of reference for constructing the EU's international role and identity in terms of a global promoter of effective multilateralism. As the ESS concludes, 'the end of the Cold War has left the United States in a dominant position as a military actor. However, no single country is able to tackle today's complex problems on its own' (Council of the European Union, ESS, p. 1). The interplay of domestic and external risks and threats in 2016 has determined the EU security agenda setting to orient towards the lines of resilience-building. The EUGS was expected to help 'make our Union more effective in confronting energy security, migration, climate change, violent extremism, and hybrid warfare' (European External Action Service, EUGS 2016, p. 1).

Nathalie Tocci, the EUGS's lead penholder, explains the EU's security strategy paradigm change in terms of the profound transformation of the EU's security environment that took place since 2003 (Tocci 2017, pp. 488–489). Preventing the unpredictable and to cope effectively with permanent uncertainty affecting both the internal and external EU policymaking became the challenge that the new security strategy was meant to find a convincing remedy or at least a sense of direction (Tocci 2017). The increasing mood of 'our house [being] put on fire' affected the EUGS' conceptual focus on complex resilience-building (Tocci 2017).

Enhancing resilience in a turbulent and violent neighbourhood illustrates a wider tendency of (in)securitisation of the EU's neighbourhood agenda setting. This is particularly evident in the case of the EUGS' eastern neighbourhood agenda. The EU's belief in its 'enduring power of attraction' is expected to 'spur transformation' in the neighbouring coun-

tries' (European External Action Service, EUGS 2016, p. 9). The blurring of the distinction between security and insecurity of the EUGS is exemplified in mutual interdependence between state and societal resilience. Resilience-building is a key operational strategy to transform the 'ring of fire' back into a 'ring of friends', in the light of a resurrection of Russia's imperial policy and its implications for the EU's eastern neighbours. In doing so, 'the EU will support different paths to resilience, targeting the most acute cases of governmental, economic, societal and climate/energy fragility, as well as develop more effective migration policies for Europe and its partners' (European External Action Service, EUGS 2016). The EUGS makes it clear that effective resilience-building is impossible without the Union's credibility as a security provider. Here, we find, however, an overemphasis given to the EU's collective defence at the expense of virtually non-reference of the EU's normative credibility in its neighbourhood. As expressed explicitly in the EUGS:

A stronger Union also requires investing in all dimensions of foreign policy. In particular, investment in security and defence is a matter of urgency. Full spectrum defence European Union Global Strategy capabilities are necessary to respond to external crises, build our partners' capacities, and to guarantee Europe's safety. (European External Action Service, EUGS 2016, pp. 10–11)

Consequently, as it may seem, principled pragmatism is heralded as an implementation mechanism of the otherwise normatively defined *raison d'être* of the EU's external action. Getting the balance right is about 'charting the way between the Scylla of isolationism and the Charybdis of rash interventionism (thus) the EU will engage the world manifesting responsibility towards others and sensitivity to contingency. Principled pragmatism will guide our external action in the years ahead' (European External Action Service, EUGS 2016, p. 16).

The normative imperative of 'responsibility towards others' is accentuated by a call for 'co-responsibility as [the EU's] guiding principle in advancing a rules-based global order' (European External Action Service, EUGS 2016, p. 18). The normative credibility deficit in the form of the *policy without politics* approach seems evident in the overall ambition of the EU to 'invest in the resilience of states and societies to the east stretching into Central Asia, and south down to Central Africa' (European External Action Service, EUGS 2016, p. 23), to be achieved through a

promise that ‘together (emphasis added) with its partners, the EU will (therefore) promote resilience in its surrounding regions’ (European External Action Service, EUGS 2016).

Declaratory normative rhetoric of resilience-building takes the form of selective partnerships with those who are willing and capable to do *more for more*. As reassured in the EUGS:

We will partner selectively with players whose cooperation is necessary to deliver global public goods and address common challenges. We will deepen our partnerships with civil society and the private sector as key actors in a networked world. We will do so through dialogue and support, but also through more innovative forms of engagement. (European External Action Service, EUGS 2016, p. 18)

The normative credibility deficit surrounding the EaP in light of the EUGS’ resilience-building conceptualisation is, thus, present in the patchwork of the EU’s eastern neighbourhood policy surrounding the very definition of the referent object of resilience-building (Gstöhl and Schunz 2017; Schimmelfennig and Sedelmeier 2017). More precisely, as Lavrelashvili (2018, pp. 1–2), Prior and Hagmann (2015, pp. 281–98) put it adequately, we need to be able to answer the questions of ‘resilience to what?’ and ‘resilience of whom?’ (Manoli 2017, pp. 124–140), as:

Some analysts have expressed doubt as to whether resilience as conceptualised in the EU’s Global Strategy can serve as a guiding principle—that is, whether it is operationalisable in the political context of the European Neighbourhood Policy (ENP) as a way to add value to the existing approach that promotes stability, prosperity and democracy. (Lavrelashvili 2018, p. 2)

Most recent empirical illustration of an ongoing (in)securitisation of the EU’s eastern neighbourhood resilience-building is to be found in the Joint Declaration of the Eastern Partnership Summit of 24 November 2017. Resilience-building is expected to be achieved through interlocking cooperation between civil society and state, aiming at ‘strengthening resilience and reducing societal vulnerabilities’ (European Commission 2017, Joint Declaration of the Eastern Partnership Summit of 24th of November 2017, p. 6). Thus, good governance is a critical

condition to societal resilience. The EU commits itself to foster both 'human security' and 'security sector reform' in the neighbourhood. The implementation strategy assumes among others: 'development of effective, accountable, transparent and democratic institutions' as well as the 'implementation of integrated border management, disrupting organised crime, human trafficking and smuggling, addressing irregular migration, tackling hybrid threats, countering terrorism and violent extremism, including through inter-religious and intercultural dialogue, preventing radicalisation, enhancing cybersecurity and fighting cybercrime, strengthening disaster prevention, response and crisis management' (European Commission 2017, Joint Declaration of the Eastern Partnership Summit of 24 November 2017).

To operationalise such security cooperation agenda, a tool-box of '20 deliverables for 2020' was created. (In)securitisation is implicitly and explicitly present here in 'supporting the partners to be better prepared to respond to crises and disasters' (European Commission 2017, Joint Declaration of the Eastern Partnership Summit of 24 November 2017, Annex to Annex I – 20 Deliverables for 2020, p. 16). More specifically, enhancing security capacity building will make the EaP countries 'more resilient to hybrid threats, including cyber security and mitigation of Chemical, Biological, Radiological and Nuclear risks or of criminal, accidental or natural origin'. To complete the picture, an external dimension of the (in)securitisation of the EU's working tool-box is: 'strengthening of security dialogue and practical CSDP cooperation, including enhancement of training opportunities and capacity building in the Common Security and Defence Policy/Common Foreign and Security Policy (CSDP/CFSP) area will support contributions by the partner countries to the European civilian and military missions and operations' (European Commission 2017, Joint Declaration of the Eastern Partnership Summit of 24th of November 2017).

Based on the above, it seems pretty obvious that the evolution of the EU's operational strategy towards societal resilience-building drives the eastern neighbourhood's agenda-setting. Consequently, European society is itself in the realm of world risk society, according to Beck's terminology. Since managing daily risks through resilience-building in the neighbourhood becomes a key concern in the general EU security strategy, it

seems fair to argue that contemporary European society bears all crucial features of Beck's world risk society; moreover, this type of society is one of daily catastrophes. Reflexive modernity as a key feature of second modernity is manifested in daily manufacturing of risks. This, in turn, leads to the emergence of a society within which non-standard situations become standard ones (2008). When risk becomes a threat, the risk society becomes a security society:

Risk and security, [therefore], feed from one another in the sense that keeping up the demand for security requires maintaining a heightened sense of risk. Attraction of such circularity has led to the recasting of many social and environmental problems as security measures. Furthermore, security is not just a means to an end (i.e. protection from risk), but is an end in itself. (i.e. a positive good) (Davoudi 2015, p. 465)

As risk and security are socially manufactured, it is essential to define the causality between the two: 'whereas risk threatens, security promises' (Zedner 2003, p. 176 cited in: Davoudi 2015). This, in turn, justifies a reference to PARIS' (in)securitisation research paradigm as promising, although still vanguard, and offering an explanatory perspective in the EU's neighbourhood studies.

4 In Lieu of a Conclusion: No Eastern Partnership Summit this Year

The year 2019 is one of commemorations, which include looking back and recalling the 1989 *annus mirabilis*, NATO's enlargement of 1999 or the EU's enlargement of 2004. All these key events have changed the lives of millions of Europeans beyond recognition, over the past 30 years. Relatively less attention is centred towards commemorating the EU's Eastern Partnership, a project that was meant to expand the normative power of the EU eastwards in the light of Russia's rising neo-imperialism in the post-Soviet space. As such, it has been ten years since the launch of the EaP, during the European Council Summit, in Prague. Unlike the commemoration of 1989 *annus mirabilis* or the 1999 NATO enlarge-

ment, as well as the 2004 EU enlargement, the tenth anniversary of the establishment of the EaP seems somehow overshadowed and underestimated. The question is why? Part of the answer resides in the (in)securing deadlock caused by the asymmetry of capacities and expectations expressed by the EU's member states and their eastern neighbours. More importantly, it is the 'Russia first' approach which seems to frame the current EU agenda towards the EaP, as it is explicitly expressed by EaP's founding fathers:

A little of five years ago both of us [...] stressed that the Eastern Partnership should be seen as part of a policy for a "continent without dividing lines". This was certainly how we saw it then. But in the summer 2013 Kremlin had altered its policy [...] This shift indicated that Putin was prepared to do whatever it took to bring the member states of the Eastern Partnership back into Russia's fold. (Bildt and Sikorski 2019, p. 8)

On the one hand, the EU's preoccupation with societal resilience in the form of policy without politics cannot result in nothing more than a 'security promise'. On the other hand, Europeanisation of governance does not seem to attract the eastern neighbours enough to break through confines of oligarchic state organisation; additionally, it does not contribute significantly to the reinvigoration of civil society, either.

The neighbourhood *fatigue* clearly undermines the EU's international actorness and identity in the sense that it can no longer claim to be an ethical force for good or a normative power setting the rules of 'normal' conduct for others to follow. It is quite difficult to expect others would be following a power that undergoes major normative twists back at home. Democratic backsliding in some of the EU member states, the migration policy crisis, terrorist threats and Brexit have eroded belief in the EU as an everlasting 'pole of attraction'. The consequences add up to a growing feeling of the EaP's obsolescence. Furthermore, the tenth anniversary of the EaP takes place in an overwhelming *fatigue* and *malaise* ambience, to the extent that there is no EaP summit this year.

As such, the future of the EaP seems pretty uncertain. The dominant mood when projecting the future of the EU-EaP relationship is that of a dead-end, that of an impossibility to safely go through the juncture of

resilience, security and, ultimately, a membership perspective. Similar to the Western Balkans Europeanisation dilemma (Lavrelashvili 2018; Kmezić and Bieber 2017, pp. 2–10), we could get some consistent insight whether acknowledging the possibility of membership prospects for the EaP states could increase their resilience? The answer is not clear; such a move could both strengthen the motivation for reform and also trigger more aggressive actions on the part of Russia. The experience of the Western Balkans shows that even an explicitly offered prospect of EU membership can yield somewhat mixed results. At the same time, automatically assuming that the same would happen to the three EaP countries is not fully justified, since these states have followed a fundamentally different development path and are experiencing different geopolitical pressures. To conclude, it goes beyond doubt that just as the EU itself needs a new opening, a kind of Schuman Plan 2.0, same goes for the EaP, which needs 'bringing the political back in' (Korosteleva 2017).

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6

The EU's Actorness in the Eastern Neighbourhood

Teodor Lucian Moga and Lucian-Dumitru Dîrdală

1 Introduction

The European Union (EU) has always sought to enhance its regional clout by establishing strong political and economic ties with its immediate neighbours. In Central Eastern Europe, the enlargement policy has proved to be the EU's finest tool. However, with the notable exception of the Baltic countries, in post-Soviet Eastern Europe the enlargement process could not be advanced. This has left the EU in the position to deal with an “unfinished business” scenario, where most of the ex-Soviet republics remained outside the EU project.

Thus, in order to reconcile the pressing need to accommodate the enlargement calls from post-Soviet Eastern Europe and the pragmatic stance against the EU widening taken by some of the EU old member states, the Union heralded the European Neighbourhood Policy (ENP), an innovative new form of relations with the neighbours described as

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“sharing everything with the Union but institutions” (European Commission 2002). Despite carrying lesser transformative impact than enlargement (i.e. the full-fledged EU membership promise is missing from the ENP), this partnership between the EU and the neighbours was underpinned by both the commitment to a similar set of values that are part of the European community’s identity (democracy, respect for the rule of law and human rights, etc.) and also by the “joint ownership” of the neighbourhood process, which means that negotiating the bilateral agreements is conducted together with each ENP country. The “joint ownership” has been incorporated into the ENP approach in order to overcome the idea of a Union that is merely transposing its own vision to the partners. Yet, it is generally recognised that the EU has had an asymmetric and unilateral approach towards the neighbourhood, since the Union premised the access to various benefits of European integration by the adoption of its menu of rules, regulations and norms, without really taking into account the needs and interests of the neighbourhood states (Juncos and Whitman 2015; Gnedina 2015; Nițoiu 2017).

Almost one year after the Russian-Georgian War in August 2008, the Eastern Partnership (EaP) emerged to show down the increasing the EU’s concerns vis-à-vis the region. Although placing even more emphasis on the “shared ownership” (Council of the EU 2009, p. 5), the new initiative has not managed to muster enough added value. Instead, it simply offered an overhaul of the ENP’s original package of procedural measures in post-Soviet Eastern Europe by also including a multilateral approach. Despite growing dialogue, several initiatives and institutional collaboration, reform in the EaP region has been limited, whilst political freedom and civil liberties in the six countries do not score high (Korosteleva 2012; Moga 2017a). This has questioned the EU’s ability to wield enough transformative power in the Eastern neighbourhood, where the Union’s influence is supposed to be strong, owing to geographic proximity reasons.

Furthermore, the pressing security concerns from the EaP region having the ongoing Ukrainian crisis as centrepiece are still unsettled, which point to the increasing salience of traditional geopolitical considerations. The conflict over Ukraine brought the relations between the Euro-Atlantic community and Russia to a historical nadir. Against this background, the EU’s capacity to sustain itself as a meaningful entity in the

Eastern neighbourhood appears very much determined by the political development of the EU-Russia relations. This is not a facile approach on behalf of the EU, since *vis-à-vis* Russia the Union constantly needs to balance between constructive engagement (namely, diplomatic dialogue) and credible deterrence (by means of sanctions).

This chapter argues that the EU's actorness has not succeeded to wield enough transformative power in the Eastern neighbourhood, owing to both internal and external limitations. Domestically, the post-Soviet space appears to have gradually lost its appeal among the EU member states, while the European institutions seem now much more focused on solving systemic challenges (such as Brexit). Externally, Russia's counteractions to block the aspirations of the former Soviet states to further integrate into the EU cooperation frameworks have thwarted the Union's policy agenda towards its neighbours and pushed it, in turn, to act cautiously in the region. This has contributed to the crawling image of the EaP witnessed in the past years. Moreover, the EU member states look increasingly less united in their stance to Russia. In spite of the existing sanctions imposed by the EU on Russia, some EU countries seem much more inclined to chart bilateral diplomatic relations with Russia. For instance, Italy has enhanced its economic ties with the Russian Federation, while Germany allowed the construction of North Stream 2, to the disillusionment of the Central European countries and the European Commission (European Political Strategy Centre 2017). Most obvious, there is a notable absence of the EU from the conflict resolution in Ukraine's Donbass region, the so-called Minsk peace process, where France and Germany through the Normandy format, have taken leading roles in brokering the negotiations between Ukraine and Russia.

This chapter is structured as follows: the first section briefly examines the latest developments at the level of the ENP-EaP, focusing on the institutional innovations following the 2015 ENP Review and the 2016 European Union Global Strategy (EUGS), such as the concept of resilience and "principled pragmatism". The second part of this chapter looks at the main tenets, studying the EU's actorness and identifies which constitutive elements undergird the EU's role internationally. The third section brings to the fore some of the internal and external constraints that bound the EU from exerting a much more influential role in the

post-Soviet Eastern European space and concludes with a discussion about the current challenges the EU's actorness is facing in the Eastern neighbourhood.

2 Overhauling the Neighbourhood Instruments: Continuity and Change in the EU's External Relations

The ENP was launched in 2004 and, since then, has enjoyed a special role in the context of the EU's Common Foreign and Security Policy (CFSP). The EU has constantly been concerned about the stability of its immediate proximity, thus the ENP builds on the enlargement experience and aims to enhance existing political and economic ties with the neighbouring countries. However, almost a decade and a half of ENP has only produced mixed results for the partner countries, which are still lagging far behind the EU members in terms of democratic standards, liberalisation and reforms. The most worrisome trend has been security-wise, since the "ring of friends" the EU originally aimed for has gradually turned into a "ring of fire". The past years have seen the rise of an arch of instability, stretching from the Eastern borders to the Mediterranean South, which has negatively affected the security of the neighbourhood and, ultimately, questioned the efficiency of the ENP in times of conflict and geopolitical upheavals. Thus, in 2015, the EU acknowledged "the need for a new approach, a reprioritisation and an introduction of new ways of working" (European Commission 2015) and launched a public consultation and reviewed the policy to adjust it to the challenges and crises that have hit the neighbourhood in the past years. The revised ENP aimed at reinvigorating the relations between the EU and its neighbours, with a greater focus on stabilisation, security and resilience (European Commission 2017a). In particular, the EU has been preoccupied with the vulnerability and fragility of its neighbours, where structural challenges, such as weak governance and flawed democracy, could undermine the stability of the countries and disrupt the societal peace and territorial cohesion. Thus, building resil-

ience against these challenges in the neighbouring countries appears, according to the 2015 ENP review, as a preventive measure undertaken by the EU to cushion the growing political volatility and deteriorating security situation. Resilience has lately been a hallmark of the EU's external actorness, since the term was employed—together with its adjectival form “resilient”—no less than 50 times (nine entries in the 2015 ENP review and 41 entries in the EUGS) (Moga 2017b). Whilst the ENP review was one of the first documents to introduce resilience-building as an EU central foreign policy goal, resilience was later defined in the EUGS as “the ability of states and societies to reform, thus withstanding and recovering from internal and external crises” (EEAS 2016, p. 23). Likewise, the EUGS puts particular emphasis on “building state and societal resilience to our East and South” and places this action among the five top priorities for the EU's external action in the years ahead.

Resilience-building chimes well with the EU's new rationale in international affairs branded “principled pragmatism”, a sort of mixture of realist and normative objectives in foreign policy (Juncos 2017, p. 2; EEAS 2016, p. 8). Such novel approach signals a move away from the proactive stance the EU has held in the neighbourhood, premised on the idea that the liberalisation and democratisation processes in the region are both inevitable and irreversible, and that attaining the EU standards by the ENP members is just a matter of time. Concurrently, the past years have shown that the ENP states cannot merely be altered from the outside, and change should be determined from within. Such understanding persuaded the EU to pursue a new operating principle when exerting its actorness, one which embraces a “pragmatic philosophy”. According to Tocci (2017, p. 64), the EU should “pragmatically look at the world as it is, and not as it would like to see it”. This means that from now on, the EU will no longer prioritise values over interests but rather maintain a much more balanced and prudent approach when engaging internationally.

The pragmatic approach has been most obvious in the case of the EaP, which has also undergone serious reshuffling. In fact, the 2013 EaP Vilnius Summit and the unexpected decision of the then Ukrainian President Yanukovych not to sign the Association

Agreement (AA) between the EU and Ukraine was a critical turning point for the future of the Eastern neighbourhood. The “domino effect” sparked off by Yanukovich’s decision commenced with the Euromaidan protests, followed immediately afterwards by the Russian annexation of Crimea and the conflict in the Donbass region. This chain of causal events the EU witnessed in the post-Soviet Eastern European space is regarded as one of the main triggers for the 2015 ENP review and for revamping the European Security Strategy as a whole (currently rebranded EUGS) (Hahn 2015). Likewise, the aftermath of the 2013 Vilnius Summit represented a moment of rethinking and reassessing the EaP’s effectiveness in times of regional challenges. The subsequent summits (in Riga, in 2015 and in Brussels, in 2017) reinforced cooperation between the EU and the six post-Soviet states, while the EU reaffirmed its commitment to the territorial integrity, independence and sovereignty of all the countries. Moreover, the Union “acknowledged the European aspirations and European choice of partners who signed AA with the EU, namely Georgia, the Republic of Moldova and Ukraine” (Council of the EU 2017). Strengthening the resilience of the EaP partner states remains a recurring concern of the EU, since the term emerges twice in the Joint Declaration of the EaP 2105 Riga Summit, whilst the number of entries in the Joint Declaration of the EaP 2017 Brussels Summit is no less than ten. The fivefold increase from 2015 to 2017 has been determined by the EU’s growing preoccupation with boosting resilience against new challenges, such as disinformation and hybrid warfare. Moreover, the EU is currently working on new framework, entitled “20 deliverables for 2020”, aimed at enhancing the ties with the EaP states by focusing particularly on their civil societies (European Commission 2017b).

The EaP entered this year into its tenth year of existence. The EU looks set to invest even more resources beyond 2020, which makes the partnership one of the most relevant foreign policy instruments at the Union’s disposal in the post-Soviet space.

3 Theorising the EU's Actorness

The European Union's actorness in the international arena has been a "developing" concept, closely connected with the evolution of European integration and with the various perspectives in the field of International Relations (IR). Moreover, it is characterised by a peculiar combination of analytic and normative concerns, most of them originating in the EU's unique status and experience. This section adopts the "EU actorness and power" perspective: actorness refers to its capacity to define and pursue policies, while power refers to the EU's ability to use its resources to influence international political processes (Peters 2016, p. 4).

There have been numerous attempts to define and operationalise the EU's actorness. One of the earliest came from Sjöstedt, for whom the EU's actorness meant the ability "to behave actively and deliberatively in relation to other actors in international system" (Sjöstedt 1977, p. 16) and was reflected in the degree of internal cohesion to design and implement policies, as well as in the EU's level of autonomy in foreign affairs decision-making. For Hill, actorness requires a clear identity, a self-contained decision-making system and the practical capabilities to affect policy, which amounts to a system of three interconnected dimensions: presence, procedure and capability (Hill 1993, p. 308; Toje 2008, p. 203). The "capabilities-expectations" gap (Hill 1993) and, in the light of the subsequent developments in the field of EU security and defence policy, the "consensus-expectations" gap (Toje 2008, pp. 207–208) have been influential in conceptualising the EU's failure to play a more significant part in world affairs.

Bridging rationalist and constructivist research on the EU, Jupille and Caporaso (1998) identified four essential criteria underpinning actorness for any entity that operates internationally: cohesion (its ability to articulate internally consistent policy preferences); authority (the legal sanctioning of its activities); autonomy (a distinctive identity and interests that are independent of other actors); and recognition (other actors recognise, accept and interact with the entity). Recognition and autonomy have been particularly salient for the EU: recognition is primarily interpreted in the traditional legal sense and points to the influence of the

external system over the purported actor; autonomy highlights the need for an institutional apparatus that remains distinctive, even if it may intermingle with member-states governmental structures (Jupille and Caporaso 1998, p. 217).

For their part, Bretherton and Vogler (2006) advance a constructivist framework based on three factors related both to the EU's internal features and to its external environment: opportunity (namely, the EU's behaviour in the international arena hinges on the political context in which it acts); presence (the EU's capacity to project power and wield influence externally so as to alter the behaviours of others according to its own will); and capability (basic resources needed to perform well internationally). They identify four capability-related elements for strong actor-ness which could fill the EU's capability-expectations 'gap': common values to be diffused externally, domestic legitimization of the foreign policy actions, ability to formulate policy decisions in a coherent and consistent manner and a capacity to efficiently exploit the instruments at the EU's disposal, such as trade and economic tools (Bretherton and Vogler 2006, p. 30).

In the aftermath of the Eurozone crisis, Bretherton and Vogler (2013) shared a pessimistic view on the EU's actorness. Their doubts relate to the effects of the economic and financial crisis on the EU's single market, the main driver of the EU's presence abroad. As far as opportunity is concerned, the policy space available to the EU has diminished considerably across several issue areas, mainly—but not solely—following the emergence of China and other economic powers, their growing assertiveness and lack of commitment to the established norms of diplomacy. However, in terms of capability, the adoption of the Lisbon Treaty can bring about positive change, mainly due to the improvements in the vertical coherence of EU international action: member-states' foreign policies display consistency with one another and complement, rather than contradict, the EU's conduct in foreign affairs (Bretherton and Vogler 2013, p. 386).

In the same vein, Niemann and Bretherton (2013) recommend an increased focus on the effectiveness of EU action, while da Conceição-Heldt and Meunier (2014) explore the complex relationship between EU internal cohesiveness and foreign policy effectiveness, concluding that, in certain issue areas, a high degree of internal cohesiveness may prevent the

EU from extracting more concessions by confronting the negotiating partner(s) with a credible risk of no deal.

Assessing the EU's inter-regional relations with bodies like Association of Southeast Asian Nations (ASEAN) and *Mercado Común del Sur* (MERCOSUR), Mattheis and Wunderlich (2017) have recently proposed a broad conceptualisation of actorness in the case of international organisations, based on three dimensions: institutions, recognition and identity. The latter is “a social category informed by constitutive norms, social purposes, relational comparisons (defining group identity by what it is not, i.e. against the “other”) and cognitive models (background worldviews and common understanding of political and material conditions)” (Mattheis and Wunderlich 2017, p. 3). Engaging with other regional organisations has not only strengthened the EU's recognition but also contributed to its identity-building, as the EU promoted its norms and interests within inter-regional negotiations and relations (Mattheis and Wunderlich 2017, p. 10).

Recognition is a key issue in conceptualising the EU's actorness in international institutions. Gehring et al. (2013) argue that EU formal membership in such institutions, alongside its member-states, is less important in obtaining recognition as a relevant actor, expressed by EU participation in the process of negotiation and implementation of international agreements. Recognition is granted when the EU is capable to contribute, separately from its member-states, to cooperation in the issue areas covered by the institution. Gehring et al. (2013, pp. 860–861) connect capability and recognition, two of the widely acknowledged dimensions of the EU's actorness, and conclude that enhancing the latter would require the EU to gain control over more governance resources in a particular issue area, meaning more EU-level integration.

Similarly, Niemann and Bretherton (2013) have recommended moving away from the conceptualisation of the EU as a *sui generis* actor, highly influential in the field of European Studies (Drieskens 2017, pp. 1536–1537), and using IR tools for a better understanding of the EU's actorness. In fact, the recent security challenges in the southern Mediterranean and in the Eastern neighbourhood have already inspired a new strand of literature (Schumacher 2015; Noutcheva 2015; Hyde-

Price 2018; Nitoiu and Sus 2019), dealing with the increasing need for the EU to engage with Realist theory and traditional geopolitical analysis. The transition to an interest-laden approach in international affairs announced with the launch of the 2016 EUGS seems, nevertheless, hard to implement in practice. The EU's strategic culture has framed itself as a peace project with a distinct nature whose original goal was to desecuritize and transcend Realist ideas such as the balance of power (Buzan et al. 1998; Wæver 1998). Thus, exerting actorness guided by pragmatic cost-benefit assessments risks delegitimising the EU's mantra and could lead to a credibility deficit in the European neighbourhood (Smith 2016a). Moreover, it would challenge the conceptualisation of the EU as "Normative Power Europe (NPE)" (Manners 2002, 2006, 2008, 2010; Manners and Diez 2007).

The concept of normative power, associated with the EU, has questioned the efforts to explore the EU's actorness starting from more or less implicit analogies with the traditional nation-state. The historical context of the EU's development, its hybrid character and its political-legal constitution contributed to the emergence of a unique identity (Manners 2002, p. 240), pointing to a change of political culture, away from the Westphalian framework and towards "EU cosmopolitics". The EU's prominence in the international arena derives from its efforts to shape the conceptions of the "normal" in international politics by promoting norms: sustainable peace, freedom, democracy, human rights, rule of law, equality, social solidarity, sustainable development and good governance (Manners 2008, p. 66; Manners and Diez 2007, p. 175).

The NPE approach has generated intense debates (Sjursen 2006; Diez 2013; Diez and Pace 2011; Hyde-Price 2007, 2008; Pace 2007; Youngs 2004), covering a variety of topics: the EU's failure to live up to its own standards in the field of external action; claims that behind the normative discourse, the EU advances its own strategic interests, insights about the power of NPE as a discursive device, the salience of concepts such as normative hegemony or normative empire or—from a Realist perspective—the weakness of an "ethical foreign policy" and the dangers of moralism (Hyde-Price 2008, pp. 34–35).

For Hyde-Price, the EU is neither as a unified actor, nor a neutral space of interaction, but rather a complex institutional field whose structures strategically select among the various actors that strive to advance their own interests and strategies (Hyde-Price 2007, p. 53). It is an instrument used by member-states for advancing their interests in the international economy, for collectively shaping the regional milieu, as well as a repository for their second-order normative concerns (Hyde-Price 2008, p. 31). The low organisational ability and lack of collective will prevents Europe from becoming a great power, despite the fact that its population, resources, technology and military capabilities would qualify it for such a status (Waltz 2000, p. 31).

The European Union has been highly dependent on actors and relationships situated outside the EU institutional landscape, such as the member-states themselves and the trans-Atlantic connection. For many structural realists, this connection is vulnerable, and the intended development of the CSDP might lead to a revised partnership and to a split between two (friendly) competing blocks within NATO. The EU member-states might also want to develop instruments for managing security issues at the European periphery.

Toje (2008, p. 210) argues that the EU (understood as distinct from its member-states) has been acting as a small power in the international arena, as its limited capacity to project hard power has influenced its strategic actorness, generating a propensity for constructive engagement and normative positions and a dependent strategic behaviour, relying on US political leadership and military support.

Most if not all of the major efforts to conceptualise the EU's actorness have taken into account its variations across territories and issue areas. The next section brings a more circumscribed approach, focusing on the Eastern neighbourhood and on the issues that are prominent in the EU's relations with the region. The ENP and the EaP make up a suitable framework for discussion.

3.1 The EU's Actorness in the Eastern Neighbourhood

The EU developed the ENP and the EaP as an effort to institutionalise its relations with some of the post-Soviet countries, laying the ground for a flexible pattern of cooperation. The ENP is a composite policy, combining an international dimension with a cross-border extension of EU sectoral policies. Consequently, as noted in several studies that assess the relevant literature in the field, most of the theoretical approaches take into account both territories and issues and use inputs from IR theory, the study of EU external relations and foreign and domestic policy analysis (Gstöhl 2017; Schunz 2017; Bicchi and Lavenex 2015; Hoffmann and Niemann 2018; Bechev 2011).

For instance, Hoffmann and Niemann (2018) discuss the Eastern neighbourhood actorness within the wider framework of EU external affairs, pointing to the need to connect it with effectiveness. The focus on performance is also adopted by Papadimitriou et al. (2017), who explore the relation between outcome-driven and process-driven performance and argue that EU performance in the region can be assessed, alternatively, starting from its own stated priorities, the partners' expectations and the constraining factors on the ground.

For his part, Bechev (2011) argues that most of the concerns with the EU's actorness in the region are present in the literature that highlights domestic responses to external impulses and much less so in the research focusing on the longer-term institutional aspects of the relationship. Starting from the insight that the relations between the EU and its Eastern neighbours are characterised by asymmetric interdependence, he conceptualises two roles for the EU: gatekeeper and proactive agent (Bechev 2011, p. 424).

Bicchi and Lavenex (2015) note that the literature on Europeanisation and external governance adopts a decentred and fragmented view of the EU's actorness, as it concentrates on the roles of various EU agencies in extending sectoral regimes to partner countries. The scholarship on external democracy promotion by the EU in the neighbourhood has also shown the limits of the EU's actorness in the region, in contrast with the

literature on EU enlargement. As for the body of literature dealing with the EU as a foreign policy actor in the Eastern neighbourhood, the discussion should go beyond the various conceptualisation of actorness, towards notions such as hegemony and empire (Bicchi and Lavenex 2015).

Indeed, the focus on hegemony or empire naturally follows from the NPE approach. Manners (2010) explicitly advanced NPE as a powerful tool for studying the ENP, since it could inspire a critical assessment of the principles that lay at the foundation of the policy, the means of their enactment and the impact of normative power. In his view, the EU should strive to enhance the legitimacy of its principles, the persuasiveness of its actions and the impact of its use of norms as instruments of socialisation in the region (Manners 2010).

Haukkala's (2008) conceptualisation of the EU as a normative hegemon in the Eastern neighbourhood departs from Manners' approach mainly by laying the accent on "power", rather than on "normative", and by focusing on the way the EU acts, rather than on the way it should act. The EU has been a much more assertive norm entrepreneur, as illustrated by the process of enlargement. The ENP "would seem to reveal the uglier face of the Union's normative power as one based on domination.... By denying its neighbours' calls for belonging and demanding that they nevertheless conform to its norms and values, the Union can be seen as acting precisely in this way" (Haukkala 2008, pp. 1612–1613).

The EU's drive for regulatory convergence in its periphery has led Del Sarto (2016) to call it a "normative empire", building on Zielonka's (2006) well-known conceptualisation of the EU as empire. The range of arguments includes size, the diversity of its constituent elements, the variable geometry of its functional borders as well as the mechanism by which the export of practices towards the periphery perpetuates imperial rule. The EU behaves in this manner "because of what it is", proving its capacity to reconcile utility-maximising strategies and norm-based behaviour" (Del Sarto 2016, p. 227). Using a similar approach, Pänke (2015) identifies an imperial-type "civilising mission" in the advancement of EU normative agenda: it is the very foundation of the EU's actorness. The failure of normative imperialism in the Eastern neighbourhood can be explained primarily by a weak EU "gravitational pull" towards political elites interested in remaining in power.

This type of literature brings into the forefront the conceptualisation of the “other” in the theoretical approaches to the region. The “neighbourhood” can be seen as a label that emerged out of the struggles between various EU institutional agents, without too much consideration for the domestic situation, and was connected to a “threat discourse” that fosters securitisation (Jeandesboz 2007). The ENP is implicitly built on the contrast between the European heartland and a potentially threatening “east and/or south” (Tonra 2011). It has helped the EU take hold of “Europe” (Balzacq 2007) and build a new type of frontier. The ENP can also be framed as an interface between the EU and a group of inferior and dependent states (Bengtsson 2008). The narrative of “EU good neighbourliness” sustains the claim that EU norms must have precedence over the culture and values of the neighbourhood countries (Nițoiu 2013). The substance of “good neighbourliness”, projecting the Eastern neighbourhood as a well-ordered community, runs against the utility-based use of conditionality and differentiation by the EU, generating a dilemma in terms of external input legitimacy (Jansson 2018).

For most of the proponents of Realism in IR theory, the ENP is a collective instrument for advancing the interests of member-states in the Eastern neighbourhood through “security maximisation, milieu-shaping and the pursuit of second-order normative concerns” (Hyde-Price 2018). Realists generally believe that the ENP is a flawed instrument, for several reasons. Firstly, it is inspired by conflicting goals, as illustrated by the fact that promoting democratisation abroad can destabilise a non-democracy. Besides, democratising countries may be prone to international conflicts due to the (re-)emergence of domestic tensions suppressed by the former authoritarian regime (Mansfield and Snyder 1995). Secondly, Realists deplore the neglect of geopolitics in the EU’s drive to create the Eastern side of its “ring of friends”. For instance, Mearsheimer (2014, 2018) concludes that the US and its European allies are to blame for the outbreak of the Ukrainian crisis, as their efforts to integrate Ukraine into the Western “security community” prompted the Russian response.

Smith (2016b) uses a neoclassical Realist framework in order to assess the EU’s Deep and Comprehensive Free Trade Agreement (DCFTA) offer to Ukraine, before the 2013 Vilnius EaP summit. As the EU has exclusive competencies and the Commission enjoys extensive powers in

international trade, the field of international trade is one in which the EU approximates, to a certain extent, the Realist state-based view of international actorness. The economic power advantage for the EU in its relationship with Ukraine created the opportunity to act, but its action was constrained and the final decision was weakened, and the Yanukovich Administration eventually turned down the DCFTA offer. One of the intervening variables that affected the translation of systemic factors into EU policy decisions was the EU's normative-actor role identity, which shapes its interests and acts as one of the transmission belts between the international system and the policy decision (Smith 2014, 2016b, p. 15).

The issue of the EU's actorness in the Eastern neighbourhood has also been relevant for the literature on EU state-building, as illustrated by Maass (2019) in an article on Ukraine. The connection consists in a system of benchmarks for assessing the EU's state-building efforts in the region—generation of legitimacy, coherence, regulation of violence/ability of enforcement (Bouris 2014)—which mirrors the opportunity-presence-capability framework used by Bretherton and Vogler (2006). Maass (2019) concludes that neither before nor after the Russian annexation of Crimea did the EU simultaneously possess all the three facets of actorness. In the same vein, Dobrescu and Schumacher (2018) argue that, in dealing with Georgia and the breakaway republics of Abkhazia and South Ossetia, the EU has shown a high degree of flexibility across issue areas, leading to divergent patterns of presence and capabilities and, consequently, to a fractured record of actorness. As expected, conflict management has been the most difficult area, as the policy of non-recognition has prevented the EU from using its capabilities in order to engage the separatist regimes, and undermined its presence in the breakaway republics. This is an issue area where the authorities in Sukhumi and Tskhinvali show an increased sensitivity, given their claims to sovereignty, and where Russian actorness is considerable. Similar considerations constrained the EU's actorness in the fields of migration and mobility, and trade, as the Abkhazian and South Ossetian authorities refused to accept any provision that would have undermined their territorial control. Contrary to optimistic expectations, neither visa-free movement in the EU nor inclusion in the DCFTA proved sufficiently attractive, in this respect (Dobrescu and Schumacher 2018, p. 17).

Finally, the incorporation of resilience into the official EU discourse on the Eastern Partnership should help policymakers circumvent the stability versus democracy dilemma (Ülgen 2016). Indeed, “the accent moves from a transformative narrative mainly centred on democracy promotion to creating the conditions and capacity for sustainable, endogenous political processes and economic development” (Grevi 2016, p. 7). The EU would promote a more differentiated approach towards its partners, responding to one of the most frequent line of criticism against the ENP-EaP framework, and would play the part of a sponsor and facilitator, providing knowledge and financial transfers, while abandoning the top-down approach of large-scale state-building (Juncos 2017, p. 9; Eickhoff and Stollenwerk 2018, p. 4). It remains to be seen whether this conceptual innovation will open new ways to deal with the persistent problem of the incentives for reform in the Eastern neighbourhood, in the absence of a credible prospect of EU accession.

4 Domestic and External Limitations to the EU’s Actorness in the Eastern Neighbourhood

The theoretical literature and the policy-oriented efforts to assess the EU’s approach in the Eastern neighbourhood have identified several impediments to the EU’s actorness and effectiveness in the region. This section provides brief discussions centred on four important topics, each of them connecting the neighbourhood policies with broader issues of EU foreign policy and European integration. The first is rather paradoxical: the use of enlargement-inspired instruments has been widely viewed as inadequate for countries that lack the formal prospects of accession. However, three of the EaP states (Ukraine, Moldova and Georgia) explicitly target EU membership as an endpoint to their integration efforts, which raises the question whether, in the long run, they would be satisfied with the more modest approach currently adopted by the EU. The second topic of interest is the inadequacy of the EU neighbourhood instruments: so far, the EU has been rather unsuccessful in finding the proper balance

between principles and interests and in pursuing differentiation against the background of multiple domestic obstacles to its transformative ambitions. Another outstanding issue is the Russian presence and actorness in the region, which points to the renewed salience of geopolitics in EU action and highlights the difficulty of promoting domestic reforms in the face of an assertive and often aggressive Russian presence, and without the security guarantees the candidate countries of the late 1990s and early 2000s had enjoyed, as EU and NATO accession practically overlapped. Finally, if the EU's efforts to promote its norm-based order in the Eastern neighbourhood are to succeed, the EU must uphold not only its internal coherence but also its attractiveness as a model of democratic governance.

4.1 In the Shadow of the Enlargement Process

In spite of being developed as an alternative to enlargement, the neighbourhood frameworks have been in fact conceptualised almost in the same vein as the enlargement strategy. The successful experience with the last accession waves into the EU has left an enduring impression on the EU policymakers and strengthened the EU's belief that it developed a unique capacity to determine domestic transformations of the partner states. Two sets of observations show strong elements of path dependency in the design of the neighbourhood instruments in post-Soviet Eastern Europe (Moga 2017a, pp. 111–113).

First, conceptually, the diffusion of NPE within the neighbourhood project has had a similar goal to the enlargement process: the internalisation of the community values by outsider states (Simão 2011; Fischer 2012, p. 33; Schimmelfennig 2012). Yet, this objective turned difficult to achieve. Whereas the enlargement process has provided incentives for strong community effects (i.e. states subject to the enlargement have been offered a *finalité politique*—the membership perspective), within the neighbourhood project these prerequisites have been loose and lacked substance to stimulate the partner countries to undertake serious reforms (Edwards 2008). Faced with increasing demands from its Eastern partners for continuing the accession process, but pressed from the inside by

the member states to halt the enlargement, the Union has not been able to offer a concrete accession perspective to the EaP states, opting instead for an “more for more” approach (i.e. in order to obtain benefits from the EU, the EaP states need first to undertake substantive reforms).

Second, functionally, the EU enlargement blueprint has also been heavily employed in the Eastern neighbourhood. As Kelley argues the ENP “is a fascinating case study in organizational management theory of how the Commission strategically adapted enlargement policies to expand its foreign policy domain” (Kelley 2006, p. 29). In earnest, the wide range of instruments applied by the EU in the post-Soviet space (namely, Action Plans, Country Reports, Association Agreements and Deep and Comprehensive Free Trade Agreements, etc.) are all tools borrowed from the Union’s enlargement strategy (Tulmets 2011; Korosteleva et al. 2013). Yet, the rigorous application of conditionality used in the enlargement process could not have been demanded to the ENP states, since the ENP lacked momentum and persuasiveness. Thus, the transfer of the whole traditional normative package, including institutional and legislative approximation, was applied selectively at best and partially failed to attain the desired effects. For instance, the legal approximation required by the Association Agreements signed with Moldova, Ukraine and Georgia has proved much more difficult than initially thought as the evidence from Moldova, Ukraine and Georgia has shown (Delcour and Wolczuk 2013).

4.2 In...Adequate/Consistent/Coherent Neighbourhood Instruments

The EU has often been criticised for its capacity to offer only a vague concept of convergence with partner countries. According to Valiyeva (2016, p. 11), the EU’s ambivalent actorness in the Eastern neighbourhood, which has been shaped both by value-based and interest-based considerations, while lacking strategic coherence, represents one of the main reasons for the ENP’s modest results.

Likewise, Simão (2017, p. 346) points out the ambiguous nature of the ENP, which intended from the very beginning to apply a

“one-size-fits-all” formula for partnership to a diverse array of countries and, instead, affected policy-making and identity-building processes in the neighbourhood. As such, the EaP was envisaged to overcome the limited impact of the ENP, and for this purpose, it sought to engage the post-Soviet space countries not only at the state level but also directly cooperating with non-state actors, such as NGOs and civil society. Yet, according to Korosteleva (2011), the EU's capacity to exercise actorness could not be sufficiently boosted by the EaP, since this new neighbourhood instrument did not manage to substantially depart from ENP's initial formulation.

Although the emphasis on differentiation and joint partnership has been salient, the ENP-EaP dyad has often appeared as a rather technocratic “top-down” (Eurocentric) exercise undertaken by the EU (Grant 2011, p. 1; Korosteleva 2016; Zielonka 2018), which overlooked some “resilient” features of the partner countries, such as weak statehood, unconsolidated sovereignty, pervasive corruption, modest democratic record and geopolitical interests at stake (Moga 2017a, p. 106). Their relatively short history of post-Cold War independence makes their institutional background still fragile and in much need of external support. However, the “soft” conditionality envisaged by the EU has so far not been able to produce similar transformative effects as in the case of the Central and Eastern European countries, subject to the enlargement process. Moreover, the democracy promotion included in the ENP-EaP has been insufficiently backed up by concrete funding, since only 30% of the ENP budget has been directed to serve this goal (Shapovalova and Youngs 2012, p. 3). Respect for human rights has been selectively enforced throughout the Eastern neighbourhood; while the EaP front runners, namely Moldova, Ukraine and Georgia, tend to abide by the EU acquis, countries such as Belarus and Azerbaijan are being labelled as “authoritarian regimes” and, thus, often criticised for human rights violations and its persecution of non-governmental organisations, independent journalists and opposition politicians. On top of that, the growing “geopoliticisation” of the Eastern neighbourhood, following the current EU-Russia stalemate over the Ukrainian crisis, has increasingly hindered the EU's efforts to “Europeanise” its post-Soviet proximity and deemed the neighbourhood instruments no longer adequate and consistent. All these

factors generated legitimacy and effectiveness challenges for the EU in the eyes of the partners and, ultimately, contested its ability to exercise actorhood.

Against this background, the EU's increasingly pragmatic approach to conducting foreign policy appears more evident than before. Most recently, the EU has lifted some of the sanctions against Belarus and invited President Lukashenko to the 2017 EaP Brussels summit, after the EU declined a similar invitation in 2015. In the same year, Brussels accepted to sign a Comprehensive and Enhanced Partnership Agreement with Armenia, in spite of the country's participation in the Russian-led Eurasian Economic Union, and it is currently negotiating a special agreement with Azerbaijan, although the Caspian country has a controversial track record in terms of political freedoms (Crombois 2019, p. 5).

4.3 Russian Influence as a Limit to the EU's Regional Actorhood

The EU's Eastern neighbourhood is Russia's Western neighbourhood or "near abroad", a uniquely important area for Russian great-power identity. After the collapse of the Soviet Union, the EU has acted cautiously towards the new independent republics, as its main priority was reaching a solid partnership with Russia. As the 2004 round of EU enlargement was approaching its final stages, the EU included most of the post-Soviet republics into its ENP framework, without much Russian opposition. However, after the 2004 NATO enlargement, the intensification of the geopolitical competition led to a change in Russian perceptions of the EU, so that the ENP and the subsequent EaP have been seen as attempts to challenge Russian influence in a highly sensitive region.

Especially since the Russian annexation of Crimea and outbreak of crisis in Eastern Ukraine, geopolitics is a major component in most theoretical accounts, aiming to assess Russia's influence over the EU's actorhood in the region (Hyde-Price 2018; Nitoiu and Sus 2019). The EU lacked the capability to coerce Russia to change its course, including the implementation of the initial Minsk Agreement. This opens the discussion whether EU hard power capabilities would really have coerced Russia

to step back: perhaps one should not expect too much of the EU, in terms of exerting influence over Russia on issues that are central to its claims of sovereignty or identity (Forsberg 2013, p. 37).

An important line of research has focused on the type of power exerted by the EU in the EaP countries, as compared to Russia's attempts. Normative power (Manners 2010), normative hegemony (Haukkala 2008), normative imperialism (Pänke 2015) or a combination of institutional, structural and productive power creates a framework in which Russia sees its interests threatened. Consequently, it turns to traditional "compulsory" power (Casier 2018), using force in Ukraine. The EaP versus Eurasian Union dilemma is a reflection of the EU-Russia structural power competition, as both sides try to institutionally define the region. This approach has the merit of illustrating an important limit to the EU's regional actorness: structural power cannot be easily converted into a short-term foreign policy tool (Cadier 2014).

The regional competition also affects the evolution of political regimes, turning into a legitimacy contest between the EU and Russia, in which both sides use soft influence to persuade major domestic political actors and legitimise their actions (Noutcheva 2018a, b). From this perspective, Russia acts as an obstacle to the EU's actorness in the field of democracy promotion.

Russia's presence is also one of the main obstacles to the EU's actorness in "contested statehood" areas. Noutcheva's (2018a, b) research on the Abkhazia-Georgia issue, following the Russian intervention (2008), concluded that the EU's actorness was affected by internal divisions among member-states (mainly as a result of their attitudes towards Russia), as well as by a lack of significant influence in Abkhazia, although the EU was able to maintain a degree of presence in the separatist region. Strong actorness by the EU in such situations is unlikely in the face of open Russian opposition in "contested statehood" areas (Noutcheva 2018a, b).

4.4 European Union Internal Dynamics: Cohesiveness and Democratic Legitimacy

The EU's attempts to pursue its transformative action in the Eastern neighbourhood have raised the issue of member-state cohesiveness and

that of the legitimacy of the ENP. They are distinct, but interrelated: both are connected to the EU internal decision-making process and to its ambition to project democratic legitimacy abroad.

In the earlier stages of the ENP, goal inconsistency rather than internal cohesiveness was the major issue (Börzel and van Hüllen 2014), failing to confirm initial fears that the Eastern enlargement would negatively affect foreign policy cohesiveness (Ekengren and Engelbrekt 2006). As the need for a more region-focused approach emerged, harmonising French and German geographic priorities was essential in policy development for the Mediterranean and for the Eastern neighbourhood (Lippert 2008). The growing tensions in the EU-Russia relations, culminating with the Ukraine crisis, have raised concerns over the behaviour of those governments that seemed most sensitive to Russian arguments or pressures.

The “Trojan horses” (Cyprus and Greece), the “strategic partners” (Germany, France, Italy and Spain) and the “friendly pragmatists” (a larger group including Hungary and Austria) identified by Popescu and Leonard (2007, p. 2) were the categories that included those member-states that were deemed to be, at least in principle, most likely to advocate a softer reaction to Russia’s annexation of Crimea and support for separatists in Eastern Ukraine. Nevertheless, Germany, took charge of the process of formulating a response, together with France and the UK, and countered Russian attempts to cultivate the four “Trojan horses” of the day: Cyprus and Greece but also Hungary and Italy (Orenstein and Kelemen 2016, p.10). The Russian use of geopolitical power projection in Ukraine has set in motion centripetal forces in the EU, harming Russia’s earlier and rather successful strategy of creating divisions through geoeconomic instruments of power projection (Wigell and Vihma 2016). Nevertheless, the “Trojan horse” behaviour remains an issue, as the CFSP mechanisms cannot prevent the EU member-states from pursuing independent foreign policies (Orenstein and Kelemen 2016).

Another limit to the EU’s actorness in the Eastern neighbourhood can arise from a decline in its internal legitimacy. Most of the various conceptualisations of the EU’s actorness include more or less direct references to

legitimacy (Čmakalová and Rolenc 2012). For its part, the wider IR literature dealing with actors, including state actors, has connected foreign policy behaviour with the domestic legitimacy of the polity and of its government. As a *sui generis* polity, the EU does not claim the type of legitimacy associated with sovereign nation-states, but it shares with its member-states the principle that a legitimate government must be democratic. Democracy is among the main sources of the NPE identity embraced by the EU.

As the EU has engaged in democracy promotion, the issue of its legitimacy is central to the ENP framework. Čmakalová and Rolenc (2012) connect the literature on actorness with the debates about the “democratic deficit” of the EU, arguing that, as a *sui generis* polity, the latter should not be held to account using the standards developed in the case of nation-states.

The EU strives to be a model for its neighbours (Harris 2017), which makes the ENP-EaP framework vulnerable to its internal crises. During the past 12 years, the EU experienced the Eurozone, migration and Brexit crises, while the rise of illiberal democracies within its ranks has emerged as another serious challenge (Meunier and Vachudova 2018).

The rise of Euroscepticism has also raised doubts over the EU's capacity to pursue its policies in the Eastern neighbourhood. This concept has emerged primarily as a reaction to the “deepening” dimension of European integration, but later penetrated the “widening” dimension, as well. Besides, the much commented “enlargement fatigue” could eventually evolve into a “Partnership fatigue”, as illustrated by the result of the Dutch referendum on the ratification of the EU-Ukraine Association Agreement, in April 2016 (Dîrdală 2016). While no other similar cases have emerged, the debates and controversies that led to the referendum have illustrated that the EU's cooperation with the Eastern neighbourhood can be affected, in principle, by Eurosceptic political action. This leads to a number of concerns regarding the technocratic character of the ENP and the support it enjoys among the European voters. A “return to politics” (van Middelaar 2016) that would bring ENP-EaP issues on the political agenda of the European citizen is a distant possibility, but a possibility nevertheless.

5 Conclusions

The EU's actorness has always been a much-debated concept when studying the Union's quest to assert itself in international affairs. Various theoretical approaches have significantly advanced our knowledge about the EU's actorness. Thus, one should not strive for clarity at the expense of diversity.

This theoretical interaction has been most obvious in the Eastern neighbourhood, where the EU seemed to have had limited means to develop suitable external instruments capable of answering the growing challenges from the region. Several factors ranging from complex intra-EU dynamics, to the enduring experience of the enlargement policy to the geopolitical confrontation with Russia have affected the EU's capacity of exercising actorness in the post-Soviet Eastern Europe. In the Eastern neighbourhood, the EU found itself in need of formulating policy answers, which has seriously tested the Union's actorness. Conceptually, the EU understood it had to alter its predominantly normative foreign policy this time by uploading power-based considerations, which had not been the predominant thinking during enlargement. The increasingly pragmatic move on behalf of the EU has, in turn, taken its toll over elements which constitute, in fact, the essence of the Union's actorness.

The EU could no longer seize the "opportunity" to wield influence and exercise power in the Eastern neighbourhood, since the EaP was from the outset in a precarious (geo)political, economic and societal situation, considerably different from the bulk of the Central and Eastern European countries. In fact, the EU's foreign policy instruments employed in the EaP region appeared reactive rather than proactive. Brussels' permanent preoccupation to keep all stakeholders involved in the bargaining process over the ENP—namely, EU member states, EU institutions and neighbouring countries—reasonably satisfied could offer a pertinent explanation for the modest ENP-EaP frameworks, which appeared as the lowest common denominator acceptable on the EU's future relations with the neighbouring states. In the absence of a proper environment where the EU could smoothly conduct its external actions, the Union's 'presence' has also been limited. Critical voices both from within and outside the

EU (particularly from the post-Soviet proximity) have often pointed out the lack of appeal and persuasiveness of the EU's neighbourhood design. Finally, the EU appeared unwilling to invest more "capabilities" in its external efforts, as the EU is currently "consumed" by internal convulsions (such as Brexit or growing illiberal Eurosceptic trends) and rising external threats. In addition, the lack of shared understanding between the EU and Russia over the future of the EaP region, together with the increasing "geopoliticisation" of the West-Russia relations, seemed to run counter to the EU's transformative ambitions.

Thus, there is an increasing perception that the EU will become hostage to policy inertia, which could mean less commitment and capabilities directed towards the Eastern partners. Even the EU's preoccupation with "resilience-building" in the EaP region looks merely as a defensive response and marks a radical scale-back at the level of its actorness operations, since now the EU appears to choose instead a much more prudent ("pragmatic") approach internationally. After the policy alterations put in place by the 2015 ENP Review and the 2016 EUGS, it remains to be seen if the ENP-EaP dyad could still advance the EU as a legitimate foreign policy actor. The question is whether the new focus on resilience would suffice to save or reinforce NPE, or it would ultimately succumb under the pressure of the geopolitical and systemic transformations which take place in the present global affairs.

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7

Resilience of the EU and Leverage of the European Neighbourhood Policy: Good News and Bad News

Michael Bolle

1 Introduction

The discussion about a potential Brexit has catalysed scientific work on the European Union (EU). The EURINT 2016 Conference that took place at the end of May 2016—just a month before the British Referendum in June 2016—revealed that a majority of voters were in favour of Britain leaving the EU. Almost no one at EURINT had guessed this outcome. The overwhelming majority of academia and political decision-makers took it as another major proof of the crises of the EU. The notion of a Union unshaken by crisis (crises, what crisis?) was and is unpopular—especially with those branches of the media that seek marketable stories.

Since its very beginning, the EU has been subject to various challenges. Many of these challenges were termed crises, such as the Empty Chair Crisis, both Oil Crises, the British Rebate Crisis, the Mad Cow Crisis, the Euro Crisis, the Ukraine Crisis or the latest Refugee Crisis. Some of these chal-

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lenges were homemade, such as those concerning the common currency or the regions striving for independence. Others were exogenous to the system of the EU as in the case of the failed association agreement with Ukraine in 2013 or the latest inflow of refugees into the Schengen Area since 2015. Bolle and Fläschner (2014) have argued that from the standpoint of system theory, denominating these challenges as crises for the EU is misleading, as the purpose that distinguishes the system (Luhmann 1995) is its sense. In the case of the EU that is allowing for peaceful multilateral policy and polity solutions for political conflicts. This sense of the system has been consistently fulfilled. That is to say that the EU has proven its resilience.

This impression is encouraged by data on public approval for the EU. As descriptive statistics show, public approval climaxed in 1991 and had its minimum in 2011 (see Annex 7.4). The first observations about the resilience of the EU can already be derived from the lack of a clear downward trend. After the fall in the approval values after the spike in the early 1990s, the local maxima of the time series appear to have increased. A second *prima facie* observation about resilience is that the EU seems to be endowed with a high bounce-back-ability as even steep declines in the approval are immediately followed by quick recoveries (Fig. 7.1).

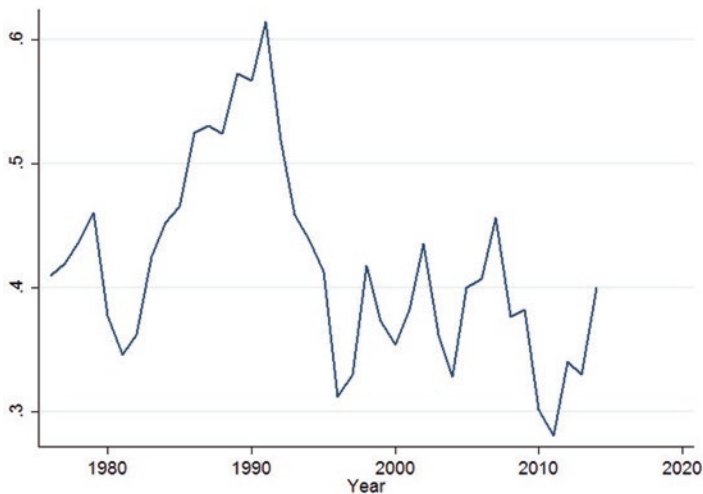


Fig. 7.1 Public approval for membership in the European Union (Source: Author's representation)

In an article from 2013, the European Commission has asked whether the European Economic and Financial Crisis was the worst crisis in European Public Opinion (European Commission 2013). Pointing out that the minimum values for public approval for the EU were reached in spring 1997, the article concludes that this is not the case. This conclusion is also visualised in the graphic above and is further discussed on the basis of the impulse response statistics presented later.

2 Public Approval and Politics

Public approval is important for political decision-makers but does not in itself constitute politics. The well-known Arrow-Impossibility Theorem points to the problem of aggregating individual preferences into a logically consistent societal will on which politics could rely. The problem is aggravated by the fact that the EU is neither a nation nor a state. Its constituency does not exist and an EU government cannot be voted for. Instead, 28 national constituencies—up to now; let's wait and see—vote for 28 governments. On the grounds of some Treaties—the latest being the Treaty of Lisbon—these governments together decide according to the prevailing rules on supranational institutions, politically relevant decisions of the EU and, if applicable, on the member states of the Union. And, indeed, with widening and deepening, the EU has experienced quite some changes over the years in a process of differentiated integration (see Schimmelfennig 2016). It is this peaceful bargaining which allows the mitigation of different interests of nations on the grounds of a system of negotiations which lies at the heart of the EU's stability, instead of frequent military conflicts among European nations. The mechanics of the EU's system of negotiation are easy to grasp and are summarised in Fig. 7.2 presented below.

Figure 7.2 points to the importance of negotiations among nations which wish to cooperate and the systemic environment in which it takes place. At the EU level, negotiations take place in a specific institutional setting that is by itself the outcome of past negotiations. This institutional setting defines, one may say, the rules of the game such as agreements and procedures prescribed by the treaties or the more specific outputs of the

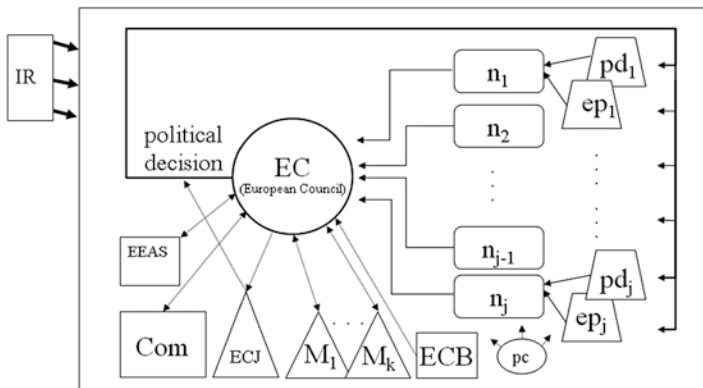


Fig. 7.2 The Negotiation system of the European Union (Source: Author's representation). *IR* International Relations, *EEAS* European External Action Service, *Com* European Commission, *ECJ* European Court of Justice, $M_1 \dots M_n$ Other institutions 1 to n , *ECB* European Central Bank, *EC* European Council, $n_1 \dots n_j$ Member states 1 to j , $pd_1 \dots pd_j$ Political determinants of member states 1 to j , $ep_1 \dots ep_j$ Economic parameters 1 to j

political system of the EU. It is shaped by different voting procedures in the Council and input from a range of actors such as the Commission, the European Central Bank (ECB) or the European Parliament. Continuous negotiations allow for cooperative equilibria. In specific strategic situations, otherwise unlikely cooperation can be obtained by trading concessions even across time. These well-thought-out strategies are highly successful but risky ones due to the risk of defection and may come with considerable economic costs. They are time-consuming and, alas, subject to uncertainty not only in times of crises. Annex 7.5 shows formal conditions of a model of EU negotiations which satisfy for stability of a limited cycle. It should be noted, however, that chaotic behaviour due to non-linearity is possible.

The EU adopted stabilising strategies with a triple course to fight shocks, following similar patterns. First, immediate financial relief is provided for. Second, transitional institutions (facilities) are set up which, third, allow for necessary domestic and European reforms which can be economically and politically painful.

2.1 Actors and Institutions: The Interplay

Institutions matter, but so do actors. After all, the EU is not ‘just’ about negotiations. To understand the implications for resilience properly, one needs to grasp the decision of relevant actors involved and their respective priorities.

Supranational and intergovernmental bodies are at work in the European decision-making process. Supranational actors at the European level, like the European Commission and even the newly established European External Action Service (EEAS), can be interpreted as agents of the member states, which constitute the principals (Pollack 1997) and call for looking at the ability and incentives of agents to engage in ‘independent action by an agent that is undesired by the principal’ (Hawkins et al. 2011, p. 8). This is, however, not to say that European-level actors do not matter at all. They may inform, attempt to influence, comment on or propose blueprints for changes. However, major institutional reforms of the EU have been initiated and are determined by negotiations in which member states play the key role, and EU supranational organisations are marginalised to agenda setting and implementation. Recent patterns like the significance of Summits allow for an understanding that this relevance-gaining institution may possibly grow into a silent federalist. It points to a view put on the research agenda by Wessels et al. (Summit 2016) that states’ governments act like primary actors in the current process of institutional reform.

With a look at governmental action, Putnam (1988) characterised international bargaining processes as two-level games. This is an excellent starting point for analysing the institutional dynamics that were highlighted in Fig. 7.2 and can also currently be observed in the EU. Governments are involved in strategic games that take place on two interlinked levels. They are involved in a game at the international level where they negotiate the agreement with other governments, while paying close attention to the domestic game in which they try to obtain a ratification of the agreement. Political acceptance is, thus, crucial: after all, the voters are at home, and it is risky for democratic governments, keen to stay in office, to assent to international agreements that are wildly unpopular at the domestic level.

Thus, national politics is at the heart of the problem. It is quite a task, however, to model national political decision-making processes for one nation, let alone 28, and to assess its implication for the EU and its resilience. A promising approach is offered by those parts of public choice theory which are used to study the stability of autocratic regimes, democracies and mixed political systems. Despite the differences in political outcomes, the rationales of governmental decisions are somewhat similar. The rationale is based on ensuring and increasing acceptance and legitimacy of incumbent bodies, whether royals, dictators or elected governments. Staying in power is a goal of both democratic and autocratic leaders. In democracies, politicians rely on public support that determines whether they stay in office or are voted out. Even though autocrats are only to a lesser extent directly accountable to their citizens, they also have to consider how their decisions might affect their legitimacy.

Both democrats and autocrats can react to opposition either by improving the economic well-being of their supporting constituency or by restricting individual freedom rights of challenger, that is to say repression. To be sure, as a tool for policymaking, repression is available rather to autocratic than to democratic leaders. But still, in case of threats to the regime or to the government, both instruments to secure political power are available. On the one hand, providing economic benefits will buy off the support of constituencies (like lowering taxes or increasing transfer payments to people and subsidies to companies), a line of argument also championed by, for instance, Bueno de Mesquita et al. (2003). On the other hand, curtailing political liberties or active political repression increase collective action costs for challengers and contain political opposition. Democratic leaders face pressures from the political marketplace, channelled through elections, authoritarian leaders can be confronted with coups or revolutions carried out by a dissatisfied elite or citizens. Of course, the EU is made up of democracies, but even democracies of the EU experience shifts in their level of political freedom as the standard deviation of the political repression measure used in this chapter suggests (see Annex 7.4).

3 The Stability of Regimes

Economic and political rationale interact and shape the decisions of policymakers regarding the usage of economic wealth which is generated in the economy. Conventional approaches to analyse regime stability are mostly based on this economic rationale. Political scientists, on the other hand, focus on the political dimension of problems. Contrary to conventional wisdom, the approach presented here grasps the interactions of economic and political variables such as political support and economic welfare. Their interactions can be studied based on models of autocratic regimes similar to former contributions by Bar-El (2008) and Salhi (2010). In their models, the autocrat is concerned with the survival of the regime. He has to choose between allocating resources to increase the general population's consumption or to invest in expenditures for repression to keep in check potential challengers. These arguments are taken to study features of various societal settings in the range of autocracies, democracies and hybrid systems. In the case of a challenge to a regime by, for instance, a powerful opposition, collective action or angry voters, the incumbent—a ruling government—can either increase repression or react with the provision of welfare, which will increase popularity and therefore raise the costs of insurrection. The higher the economic welfare of the population, the less the level of repression a regime needs to exert to stay in power. If the level of repression is higher than the amount necessary according to the welfare-repression balance, then the population views it as unjustified intervention. If the level of repression is too low, government is considered to be weak. It aims to maximise utility, which is described as a function of the probability of regime survival.

$$S_t \equiv \frac{e_{r,t}}{e_{r,t} + e_{o,t}}$$

where $e_{r,t}$ denotes repression and $e_{o,t}$ is the insurgents' effort level.

The effort level of an insurgent—as said, political opposition, lobby groups or domestic terrorism—is determined by the opinion of the public and the capacity to organise collective action against government.

Thus, connecting several loose ends in the public choice literature, the approach sketched here suggests that the stability of a political regime is endogenous to the level of welfare and the level of repression in a given political system. Following the logic of the model, regime stability can no longer be considered the linear result of a combination of variables. Instead, patterns are revealed that presumably better fit real-world ‘peculiarities’. Political decisions are made with regard to their impact on the stability of a political regime, which in turn is endogenous to the level of welfare and the level of repression. Details of the dynamics of this welfare-repression balance have recently been analysed by Salhi (2010) and are visualised in the following graphic as calculated by his algorithm (Fig. 7.3).

Similar to well-established production functions in economics, the approach defines a ‘social stability function’. A simplified work-horse model is used here as the log-transformed ratio between the GDP per capita and the political terror scale.

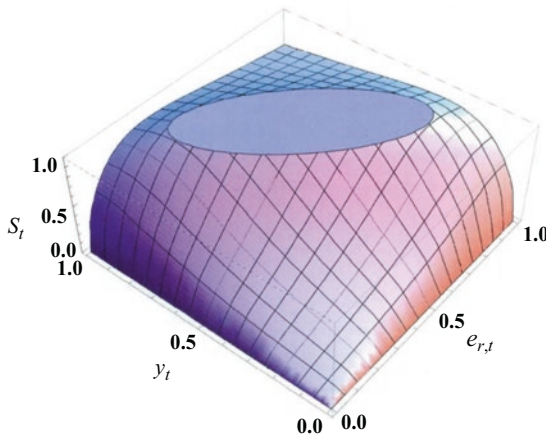


Fig. 7.3 The welfare-repression balance (Source: Salhi). y_t Provision of Welfare, $e_{r,t}$ Political Repression, $S_{r,t}$ Regime Stability

$$S = \ln(\text{welfare} / \text{political repression})$$

where s denotes social stability as caused by economic welfare and political repression. Social stability increases with higher welfare and decreases with higher repression. Furthermore, laws of decreasing marginal returns apply.

4 Calibrating the Real World: the European Union for Example

Turning to the EU again and calibrating to the real world, the welfare-repression balance underlying the social stability function allows us to interpret empirical phenomena. With regard to the economic component of social stability, welfare is measured by the standard indicator in economics, the GDP per capita (see Annex 7.2 for details on data and calculation). The political component, the degree of repression as defined as legal restrictions to individual action, is measured by what is known as the political terror scale (see Annex 7.2 for details on data and calculation). Fortunately, the degree of repression is low in Europe as signalled by this indicator. It varies in the range of small scores only.

On the firm grounds of the above-mentioned analytics, the stability function defines causes (repression, wealth) of societal stability. It may also be used as social stability indicator—in the following simply referred to as SSI. SSI measures social stability with high scores as the result of considerable economic wealth and low legal restriction to individual action. This in turn induces a high degree of acceptability of the fundamentals of the society by its constituency. Voters and interest groups support governmental action. Low scores of the indicator SSI suggest a high degree of discontent because of considerable repression and low economic income, inducing social unrest and a rather fragile regime or social system.

As regards the EU, the social stability index—SSI—points to satisfaction of people with the performance of their social system, indicating support and social stability in case of the EU. The upward trend shows growing stability, the cyclical characteristics point to resilience and the

bounce-back ability of the EU when external shocks strike. Until shortly after 2000, plunges in the social stability index are only short term. Afterwards, the level of the social stability index seems to remain comparatively low until about 2010. However, the time series overall maintains a positive trend and seems to even slightly increase in its slope after 2010. This is surprising given that the time period coincides with the aftermath of the Euro Crisis (Fig. 7.4).

The social stability shows a steep decline after 2000. This was due to an increase in political repression at the onset of the new millennium (for individual components of the index see Fig. 7.6), correlated and probably co-caused with the war on terror after 2001. However, political repression in the member states of the EU sharply declined shortly after the onset of the financial crisis 2007–2008. Interestingly, the decline in political repression was parallel to the decline in the GDP per capita, which may not have been a deliberate attempt to keep the welfare-repression balance in the EU but is theoretically likely to have contributed to the stability in the crisis.

Calculating impulse responses, a statistic that shows the dynamic impact of an increase in one-time series variable on another, for different

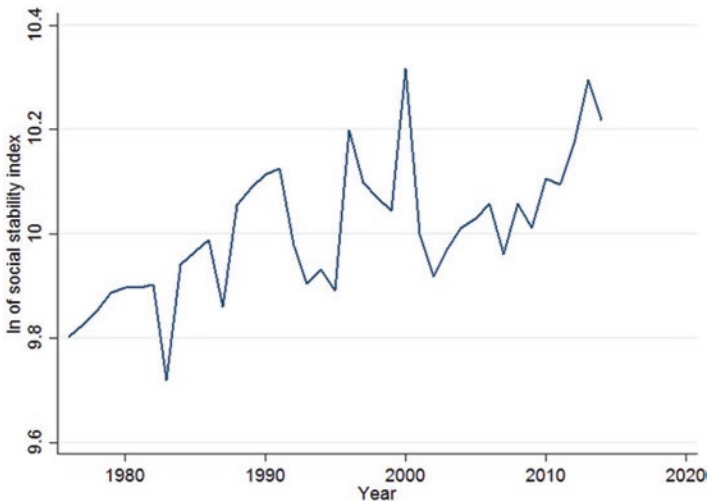


Fig. 7.4 Social stability index (SSI) (Source: Author’s representation)

crises dummies also point to robustness of the system (for results, see Figs. 7.7 and 7.8). The graphs presented in the Appendices show point estimators, which are surrounded by a confidence band that corresponds to the 15% significance level, respectively, the 85% level of confidence. Setting the level of confidence comparatively low adds epistemic value to the advocated point here, namely that the EU has mastered its 'crises' without significant losses in its capacity to master shocks, whether home-made or externally caused. In case that the confidence interval spans the value zero at a given point of time, the point estimator is not significantly different from zero at the given level of confidence. In this case, the crisis in question at the specified point of time (note: the Y-axis in the graphs refers to the year after the simulated exogenous shock) is not correlated with an impact that is significant, considering the standard deviation exhibited in the time series. In a chronological order, the calculated impulse responses presented in Figs. 7.7 and 7.8 can be summarised as follows:

British Rebate 1984: The British Rebate crisis did not seem to have affected public approval of the EU in a negative way. In contrast, the point estimator only assumes positive values. After four years, the positive response is briefly statistically significant, as well as after four years, lasting for four years. Though also the dummy for the Southern Enlargement of 1987 discussed later triggered positive responses after three years which renders it contentious to which of the two events the development in the public approval is associated. The social stability of the EU was unaffected until the fifth year after the British Rebate crisis. However, considering the proximity between the lower confidence limit and the x-axis suggests that the positive result is not very significant either. However, the impulse responses clearly indicate that the British Rebate crisis was not associated with negative responses in either the social stability of the EU or the public opinion about it.

Southern Enlargement of 1987: As discussed earlier, the Southern Enlargement is associated with a positive response in the net-public approval time series. The social stability of the EU seems to have been unaffected.

Kosovo War 1999: According to the impulse responses, the Kosovo War was associated with an immediate but brief decrease of the public

net approval for the EU. The decrease was immediate and lasted for two years. After that, there are no statistically significant responses. Furthermore, the dummy is associated with a statistically significant and positive impact on the social stability index of the EU. However, this response is not immediate. It briefly occurs in the first year after the shock. Moreover, the impulse responses show a negative response in year 3 after the Kosovo War dummy, which, however, only shows marginal statistical significance.

Eastern Enlargement of 2004 and Constitution Failure of 2005: Due to their proximity in time, both events show similar impulse responses. Neither of the events shows clearly significant responses in either of the two response variables. Two years after the constitutional failures a marginally significant positive response in public approval is registered. Three years after the eastern enlargement a marginally significant negative response is shown. However, as said, both responses are only marginally significant and do not occur immediately. Hence, the statistics could have captured the influence of other events, such as the Financial Crisis of 2007–2008.

Euro Crisis of 2010: As expected, the impulse responses for the Euro Crisis dummy show negative impacts of the crises on the net public approval. This result holds for the year of onset, 2010, as well as the first post-shock year, 2011. Interestingly, however, three years after the onset, a positive response on the social stability index is calculated for the dummy.

The results of the impulse response functions reveal several interesting points about the resilience of the EU. First, none of the analysed challenges seem to have had a tangible effect on the stability of the EU as no negative effects of any of the dummies on the social stability index were found. In the introduction, when reviewing the argument of Bolle and Fläschner (2014), it was argued that the EU has remained stable from a standpoint of scientific system theory. Empirical results, based on the firm grounds of logical consistent theory building, underpin this finding.

Second, even though challenges such as the Euro Crisis or the Kosovo War have had a negative impact on the public opinion of European citizens, it was not able to decrease the social stability of the EU in the mid- or long term. On the contrary, a positive effect for the system stability was found. This justifies the educated guess that polity and institution

building in the framework outlined when discussing the negotiation system of the EU leads to politico-economically pareto-improvements. In the case of the Euro Crisis, time will have to show whether this improvement can translate into an increase in public approval.

Third, even the negative impacts on public opinions that the two above-mentioned crises had were short in nature. This ties in with the observation made in the section on data, that net public approval seems to bounce back after even steep, short-term declines. This dynamic may be another empirical indicator for the above-formulated educated guess about the qualities of the negotiated solutions found in the negotiation process engendered by the EU.

All in all, the findings support the earlier formulated resilience hypothesis about the EU. Research presented here suggests that, indeed, the EU has remained resilient, being able to negotiate efficient solutions to challenges without engendering the stability of the already created system of negotiation. When havoc strikes, the EU is well prepared to react in the way that was sketched earlier: providing for immediate financial help to buy time, setting up preliminary new institutional settings (facilities) according to fast political feasibility and negotiating lasting institutional reforms. In short, the architecture of the EU provides for a high likelihood of Nash-equilibria with or without Pareto-optimal characteristics and tit-for-tat bargaining.¹

5 Some Bad News: the EU and its Neighbours

All this is good news. Unfortunately, there is also bad news. As regards foreign policies, the EU is rather weak and has a rather low leverage. Considering that leverage is defined as ‘the power to influence a person or

¹ The author cannot resist temptation to add a few words on Brexit. Work on this chapter was finished by 10 February 2019, the process of a possible Brexit in full swing. I have been pleased by watching negotiations over the past two years. The interplay of intergovernmental (EU) and domestic (British) politics shaped a process to the effect of a high likelihood for a Nash-equilibrium, most probably with a second referendum and, given the learning curves of British voters a yes-we’ll-stay outcome.

situation' (Oxford English Dictionary), the EU's foreign policy has a low impact in terms of influencing the performance of other nations to achieve the goals the EU is striving for. Shared values of the EU like peace, respect of freedom, human rights and tolerance have been badly hurt by, say, the Bosnian and Kosovo war, the Ukraine policy of Russia, the Syrian conflict and Arab politics during the Arab Spring. As far as the European Neighbourhood Policy (ENP) is concerned, the aim of creating a ring of friends has been missed by far, leading to the current ring of fire.

The ENP was designed as an instrument to strengthen stability, security and well-being by promoting good governance and strengthening the civil society in neighbouring countries, by means of financial help and capacity building. Data of the Human Development Index (HDI), the Democracy Index (DI) and the Freedom House Index (FHI) show that the situation has hardly changed from 2005 to 2014 in most of the countries concerned by ENP. The ENP has not been a success in terms of foreign affairs, either. The reasons are pretty much those which underlie the foreign policies of the EU as it is. First, and with only a few limited exceptions concerning the environment and free trade, there still is no EU mandate in foreign affairs. Foreign policy is the domain of member states, and they are not willing to give up sovereignty rights in this rather delicate field of national security. EEAS is an administering office with no power to decide on the scale and scope of foreign policy for the European nations of the EU. Referring to the famous question of former US Secretary of State Kissinger about a phone number of the EU, one may assess EEAS as the answering machine of the EU. Its answering message could be 'We'll call you back after the 28 of us came to grips with national views'. In the meantime, the EU runs a soft power approach with low enforcement also because of the lack of military power and conflicting strategies due to the logic of political decision-making. It was shown earlier that social stability depends on the balance between economic wealth and repression. In times of threats to the regime, incumbents may react by delivering more economic goods to their constituency or by increasing repression on their people. Perhaps they do both. In any case, the old equilibrium, the former wealth-repression balance, will be changed. There is a high likelihood that repression will be increased in case of a threat to incumbents, especially in autocratic regimes challenged by

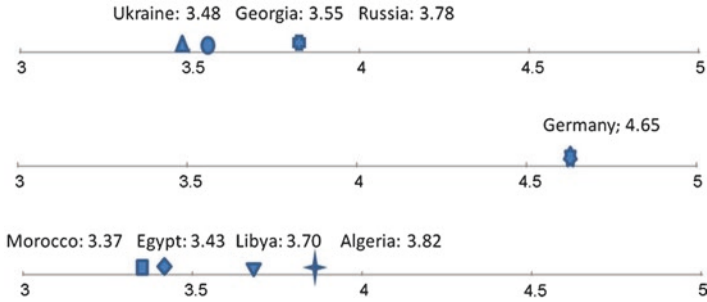


Fig. 7.5 Societal stability index (Source: Author's representation)

political instability. Empirical indicators show that some neighbouring countries of the EU are suffering from a high degree of political instability. Data on political stability by indicators measure the likelihood for governments being overthrown by unconstitutional or violent means (Governance Indicators; see the Internet). Neighbouring countries of the EU have prominently been on stage like Armenia, Azerbaijan, Ukraine, Egypt, Morocco and other well-known candidates since long. This is also reflected in the social stability index as presented here, based on the wealth-repression-balance and indicating the well-being of people. As discussed earlier, the higher the indicator, the better for people (Fig. 7.5).²

The soft power approach of the EU to support civil society by, say, the European Instrument for Democracy and Human Rights or financial aid provided for by ENI can be praised as a splendid way to enhance democratic features in societies which, according to the SSI indicator, lack good governance in that respect. In a rather unstable political environment, these efforts may, however, be seen as threats by the ruling regime because of their impact on education, on the perception of European values and norms, possibly shaping and strengthening collective action of challengers to incumbents. They will react as sketched earlier—the welfare-repression-balance will be changed. This in turn may encourage opposition in favour of regime change, posing a stronger threat to the old

²The difference in magnitude between the time series and this empirical snapshot is due to the fact that for the former, GDP in constant dollar prices of 2010 were used to avoid distortion due to inflation.

regime, a somewhat common foreign affairs paradox. Despite having attempted to do good, the EU finds herself having contributed to even more repression, political instability or even nightmarish patterns.

Evidently, there is no easy way out. The analysis, as presented here, advocates a thoughtful policy which is aware of the wealth-repression-balance in the short run, concentrates on supporting sustainable growth (also by opening European markets) and encourages the acceptance of European values in the long run.

A European mandate for foreign policy not in sight, Brexit may also be subject to a more reasonable appraisal. The UK has always been a powerful advocate for foreign policies, which have been supportive for the continent. There is no reason to think that she will change their course. On the contrary, freed of constraints of foreign affairs interests of 27 European nations Britain may engage in advocating European security issues more self-confident face to international developments. And the EU of 27 will do what the EU always has done since her very first day. She will start negotiations to cope with a new challenge—successfully considering her strong resilience. As a result, institutional changes will most likely result in an even stronger EU-27 plus or Britain remaining part of the family.

6 Conclusions

Beyond anecdotal narratives, the notion of resilience of societal regimes can be tested seriously on the grounds of the model sketched earlier. Applied to the EU, analytical reasoning and empirical evidence point to a high degree of resilience of the EU to external and internal shocks. Over its lifetime, the EU has been subject to quite some serious shocks. The EU has mastered them nicely by adapting its decision-making system through widening (enlargement) and deepening (institution building). The EU has been able to overcome challenges by changing scope and scale without losing its very meaning—to settle conflicts peacefully through tit-for-tat negotiations. Not unexpectedly, negotiations have been time-consuming, bearing high political and economic costs. Continuous bargaining took place on the grounds of monetary or political side-payments and inter-temporal issue bargaining which helped to

solve unfortunate national allocation of costs and benefits. Given increasing exit costs and even higher rates of return of cooperation, no nation defected. As a result, Nash-equilibria were achieved with or without Pareto-optimal characteristics. On the grounds of self-interests, nations delivered what was requested for stability.

The ability of the EU to adapt to external and internal challenges stems from the interplay between intergovernmental and domestic policies. If a national government finds itself deadlocked in the European Council even in cases of intergovernmental bargaining, the shaping and framing of preferences of the national constituency contributed to achieve a consensual vote in the Council. This process has worked because it has been based on confidence and trust of the constituencies—citizens of nations of the EU. As long as people experience the capacity of their social contract to ensure increased economic wealth and political freedom, the process will last. The EU has proved able to deliver, indeed. Often enough, the confidence and trust of the constituencies were shaken by challenges. Power-seeking political competition has always shaped and framed preferences of voters putting blame on the EU and call for reforms of the architecture. Radical parties will continue to do so. However, preferences of voters soon switched back to confidence in the core significance of the EU.

Obviously there always have been considerable risks of failure and collapse. An impressive empirical example has recently been keeping track of the design and development of the Eurozone's Greek tragedy. Despite the ruckus, both sides delivered (Bolle and Kanthak 2013). Over the lifetime of the EU plenty of evidence exists which corresponds to this observation. It fits perfectly to the above-mentioned model. Currently, risks are linked to the rise of radical, mostly right-wing parties which try to put doubt in the virtues of the EU for evident reasons of office-seeking. They will fail destroying confidence regarding the core significance of the EU. However, stability of liberty and democracy in nations of the EU cannot be taken for granted. It remains a task continuously to be performed.

External patterns are much harder to cope with. Taking neighbourhood policies as empirical examples, the EU has only little leverage to foreign policies. Currently, the political architecture of the world undergoes some major changes. If superpowers consider the EU as a weak com-

petitor, the EU will be seriously troubled. But there are chances, too. Referring to systems theory again, one may argue that threats of outsiders will strengthen a club by closing the ranks. The architecture of the EU allows it to proceed with the differentiated integration process and to campaign for her value system.

Quite a few policy conclusions can be drawn, but only a few shall be mentioned here. They may look like wishful thinking but are grounded in the analytics presented. (a) The EU could get rid of the national veto to improve decision-making. Strengthening the principle of qualified majority will increase efficiency of the bargaining process. (b) With regard to foreign policy, the EU has to strengthen its defence capacity together with a more honest role as *an ehrlicher Makler* to build on its reputation as a candid moderator of international conflicts. (c) And, most importantly, nations have to engage in educational efforts on Europeanness in order to create a conscious pride of being a European. Nations actively shape people's preferences, and much more can be done to build a notion of Europeanness among national citizens in favour of the Union.

There are no reasons to believe that the capacity of the EU to react sensibly to challenges will change in the foreseeable future due to its core meaning: resilience in advocating human rights, freedom and democracy and to successfully engage in political and economic competition, the principle of subsidiarity and the free movement of people, goods, services and capital, thereby delivering prosperous growth of wealth. The EU has always been compelled to engage in the risky, cumbrous and time-consuming political process of building and reforming national, supranational and intergovernmental institutions. As a negotiated system of further negotiations, it is blessed—not cursed like even some scholars believe—by forever becoming and never being. (Time horizon unknown!)

Acknowledgements This chapter has been written at the occasion of the EURINT 2016 conference. It has been edited again in January 2019. Even with Brexit still looming there has been no need to change the major message. The author would like to thank O. Flaeschner for his most excellent way of dealing with empirics on VAR. Splendid work on editing by Dr. Chen and J. Penlington is highly appreciated too. As junior research fellows at the JMC/FU Berlin, Ms Zhang Cheng and Ms Shahrzad Shahmohammadi (MA) have been immensely supportive to this research project.

Annex 7.1: VAR Models

As the data are compiled in time series format, this chapter draws on time series econometrics. The impact of the above listed crises will be evaluated based on the responses they cause in the two time series. This is accomplished by calculating the impulse response functions for 12 vector auto-regression models (VAR) of which each corresponds to one crisis and one of the two above-mentioned variables. The crises are represented by dummy variables, which take the value 1 in the year of the onset of the crisis and 0 otherwise. The impulse response functions allow tracing the dynamic impact of the crisis impulse on the respective time series.

The vector auto-regressions methodology has found broad application in macroeconomics. Even though this methodology has found some application in the field of politics (e.g. Enders and Sandler 1993), it is comparatively uncommon yet immensely useful (compare, Freeman et al. 1989). In contrast to mere eyeballing, this method of time series econometrics allows to distinguish between statistically significant and statistically insignificant responses, factoring in the standard deviation in the time series in question.

The following formula represents a basic, bivariate VAR model in any of the data points of a time series that is potentially affected by the values of itself or the other time series from up to six time periods ago.

Hence, for instance, the time series of the social stability index or the net public approval time series will be explained on the basis of their own weighed lags as well as the weighed crisis dummies, that is:

$$y_{1,t} = c_{1,t} + \varphi_{1,1}^1 * y_{1,t-1} + \varphi_{1,2}^1 * y_{2,t-1} + \dots + \varphi_{1,1}^p * y_{1,t-p} + \varphi_{1,2}^p * y_{2,t-p} \\ + \dots + \varphi_{1,1}^6 * y_{1,t-6} + \varphi_{1,2}^6 * y_{2,t-6} + e_{1,t}$$

The impulse responses were calculated on the basis of recursive VARs in differences, in which the dummy time series is ordered before the respective response time series. A model in differences uses the first differences of the time series in question to account for non-stationarity exhibited in the time series. For a detailed mathematical treatment of VARs and impulse response functions, refer to Stock and Watson (2001) and Hamilton (1994).

Annex 7.2: Data

Public Approval

The presented values for public approval and public disapproval are taken from the since 1973 published Eurobarometer. Public approval is defined as the ratio of people answering the following question ‘Generally speaking, do you think that (OUR COUNTRY)’s membership of the European Union is...?’ with ‘A good thing’. On the contrary, public disapproval is defined by the ratio of those who answer the same question with ‘A bad thing’. The values until 2011 could be taken from the public opinion webpage of the European Commission (2016), subsequent values were taken from two publications from the European Parliament (2013, 2015a, b). Until 2011, the Eurobarometer reports half-yearly values and yearly values thereafter. The time series was collapsed to yearly data points. Missing data points were dealt with by means of averaging of the data point before and after it. On the basis of these values for public approval and disapproval, the net approval rates were calculated by subtracting the disapproval time series from the approval time series. The resulting time series is shown hereafter.

The presented values for public approval and public disapproval are taken from the Eurobarometer (published since 1973). Public approval is defined as the ratio of people answering the following question ‘Generally speaking, do you think that (OUR COUNTRY)’s membership of the European Union is...?’ with ‘A good thing’. On the contrary, public disapproval is defined by the ratio of those who answer the same question with ‘A bad thing’. The values until 2011 could be taken from the public opinion webpage of the European Commission (2016), subsequent values were taken from two publications from the European Parliament (2013, 2015a, b). Until 2011, the Eurobarometer reports half-yearly values and yearly values thereafter. The time series was collapsed to yearly data points. Missing data points were dealt with by means of averaging of the data point before and after it. On the basis of these values for public approval and disapproval, the net approval rates were calculated by subtracting the disapproval time series from the approval time series. The resulting time series is shown hereafter.

Construction of the Social Stability Index

The Social Stability Index (SSI = $\ln(\text{GDP per capita}/\text{political terror scale})$) used in the time series on which the models are based is constructed on the basis of the real GDP capita value measured in constant US dollars of 2010 as reported by the World Bank (2016). For every year, the real GDP per capita and political terror scale values are the averages of the values for the countries with EU membership, that is, 6 in the beginning and 28 in the end. Every enlargement is accounted for by including the respective countries into the arithmetic mean. The political terror scale links up to the values reported by the US state department and available as download from the webpage of the project The Political Terror Scale (2016).

Annex 7.3: Charts

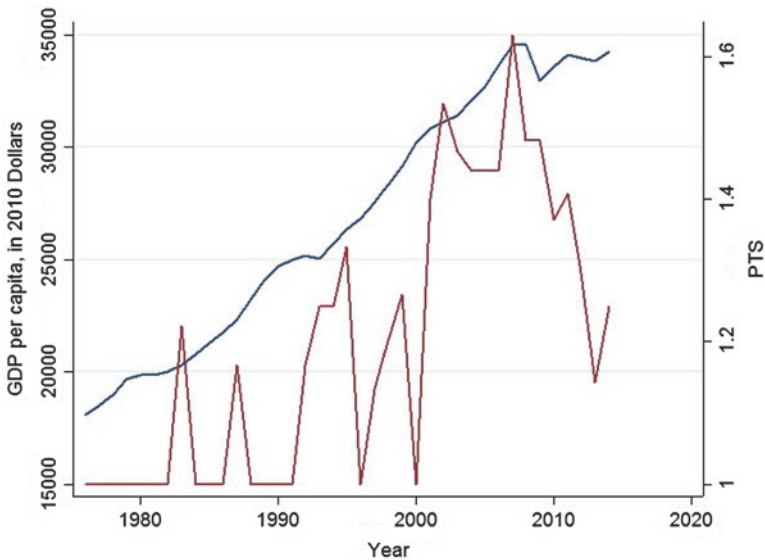


Fig. 7.6 Components of SSI (Source: Author's representation)

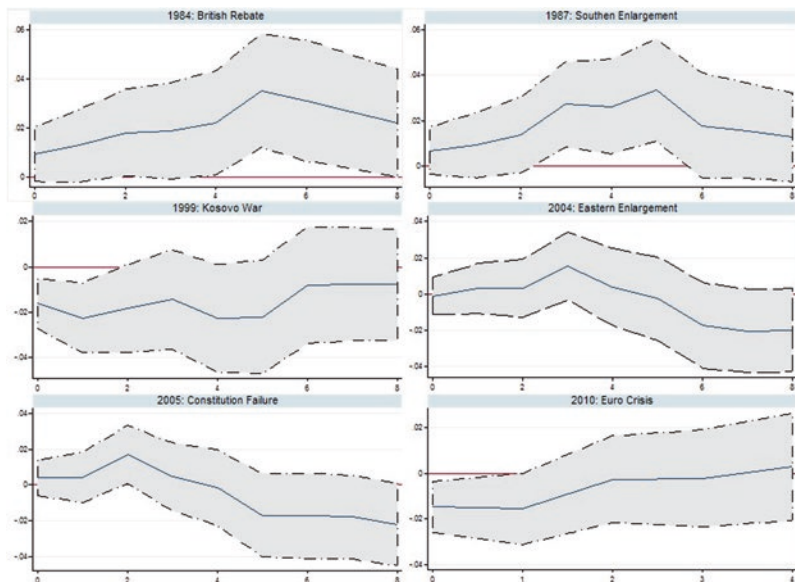


Fig. 7.7 Impulse responses for public approval for the EU (Source: Author's representation)

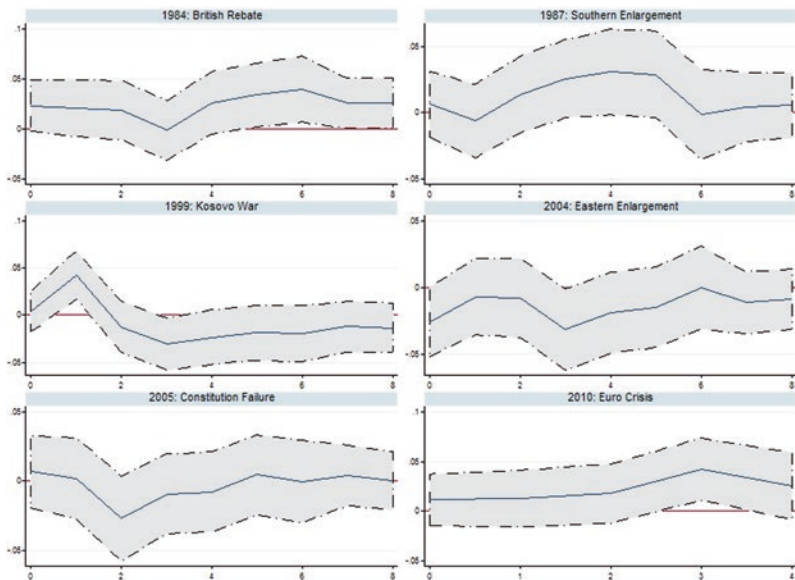


Fig. 7.8 Impulse responses for the social stability index for the European Union (Source: Author's representation). For the interpretation of Fig. 7.8, mind that the response variable is log-transformed

Annex 7.4: Data—Descriptive Statistics

Variable	Min. Year	Max. Year	Min.	Max.	Average	Std. Dev.
Social stability index	1983	2000	9.719225	10.3164	10.00716	0.1317246
Political terror scale	multiple	2007	1	1.62963	1.19919	0.1986472
GDP/capita (2010 \$)	1976	2008	18076.04	34601.46	26841.73	5592.251
Public approval	2011	1991	0.4658	0.68495	0.5489961	0.0538752
Public disapproval	1991	2011	0.0704	0.185	0.1312479	0.0276633
Net approval	2011	1991	0.2808	0.6146	0.4177526	0.0790581

Time Series Data is available on demand

Source: Author's representation

Annex 7.5: Sketch of Stability conditions for a Negotiation Model

A stability analysis of such a process hints at formal mathematical implications for resilience. With

\bar{x} : benchmark equilibrium of the system (*EU*)

x_t : state of the system (*EU*)

b_t : negotiating efforts

$\alpha, \beta > 0$

denoting variables and parameters of a potential model, interaction between nations can be described by a set of differential equations:

$$b_{t+1} = \alpha(x_t - \bar{x})^2 \quad (\text{Eq. 7.1})$$

and

$$x_{t+1} = -\beta b_t (x_t - \bar{x}) + x_t \quad (\text{Eq. 7.2})$$

where t denotes (points in) time.

Once the state of the system deviates from its equilibrium due to a symmetric shock, governmental negotiations start (Eq. 7.1). On the grounds of institutional settings and vis-a-vis tit-for-tat rules of the game political reforms (Eq. 7.2) will be implemented.

Local stability around the steady state (Jacobi-Matrix) would reveal Eigenvalues between 1 and 0 which denote Grenzstabilität, a stable cycle. Chaos seems possible face to global (large) deviations because of non-linearities involved.

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8

Geostrategic Interests of the EU and Their Implementation on the Example of the Ukrainian Crisis

Ivana Slobodnikova, Peter Terem, and Radovan Gura

1 Introduction

The European Union (EU) is facing increasing instability on its eastern and Mediterranean borders. The security situation in recent years has been significantly affected by the Ukrainian crisis, as well as the Russian disrespect towards international law, the migration crisis and the terrorist issue. Europe has not been forced to face a singular specific threat or enemy since the Cold War. This is the reason why this chapter focuses on a case study dealing with the EU approach to the development in Ukraine: the formation of the EU foreign policy through the EU member states' interests and attitudes towards the Ukrainian crisis. The objective of the text is the partial contribution to the intragovernmental issue of EU foreign policy.

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The first objective is the theoretical summary of the current institutional structure of EU foreign policy, while identifying the processes taking place in foreign policy formation. The institutional framework of foreign policy integration groupings has been founded on specific processes. Theories examining integration groupings as such are not suitable for a specific category such as foreign policy. The increasing activity of member states, as well as the EU institutions, make the formation process much clearer. At present, there are two theoretical approaches dealing with this category—the process of Europeanization and the new inter-governmental approach.

The second objective is the identification of national and European interests in the context of the current conflict in Ukraine. By examining and subsequently comparing the attitudes of individual member states and the attitudes of the EU, the authors of the study have attempted to identify the models of member states' behaviour within the EU common foreign policy. There are several questions stated within the second objective scope: what were the attitudes of the individual member states during the 2014–2015 period in terms of the ongoing Ukrainian crisis? What shared attitudes were formed in this period in context of the crisis in Ukraine? In which areas were these common positions formed and in which areas was a consensus impossible? Which member states participated in the active formation of foreign policy?

2 Cooperation as the Precondition for the Rise in EU Importance

The EU is a force based on its economic potential and legislative coordination in terms of supranational structures. Transferring a part of the autonomy to the supranational institutions, that is, supranational concept in practice, is the most significant particularity of the European integration process.

The real development of the integration process has not confirmed the assumptions of a dynamic process respecting linear development. These facts have encouraged theorists to explore the integration process more

broadly. It became gradually clearer that the integration process does not bring only positive aspects to relations between states, but it can also be a source of tension. One of the reasons for the tension is the continuous transfer of competences from national states to the supranational centre. Transfer of competences leads to discussions and disputes, both within and between the states.

The EU initiates, supports and implements various modifications of strategic cooperation with and towards neighbouring countries, without any short-term or even mid-term objective of proposing full EU membership, although it may be officially pro-integrational in nature. In some cases, membership is not mentioned at all. Sometimes, however, it may already concern a lower-level integration compared to that which exists among member states of the already existing integration group. These forms of international economic integration, which aim for cooperation with the higher-level integration group, can be referred to as flexible exogenous integration modes (they seek to establish at least a free trade area). This may be the case when discrepancies in the economic, legislative and social fields of partners make the full participation in the integration process impossible.

The “Wider Europe” programme was contracted (similar to strategic relations with Russia) on the basis of the Partnership and Cooperation Agreements signed in 1997–1999 (Ukraine, Moldova, Azerbaijan, Georgia, Armenia). A new form of strategic cooperation—the Common European Economic Space with Russia project—was introduced in 2003. The occupation of Crimea¹ and military support for the separatist forces in eastern Ukraine by Russia in 2014 led to the introduction of economic sanctions against Russia and the weakening of the level of cooperation thus far achieved. The primary sanctions introduced after the outbreak of the Ukrainian-Russian conflict concerned specific companies as well as individuals, their foreign assets and restrictions on business activities. The next round of sanctions was oriented to the Russian banking, energy and military sectors. Russia reacted by introducing restrictions on selected commodities from the EU and other countries (the US, Canada, Australia, Norway). The way in which the Russian Federation pursues its

¹ Considered illegal by a large part of the international community.

opportunistic foreign policy will determine the potential of mutually beneficial reciprocal trade. In 2014, Russia was the third most important trading partner for the EU, in terms of import (after China and the US) and the fourth (after the US, China and Switzerland) for export (Šikulová 2014).

In the context of closer external cooperation of the EU, there is an initiative to strengthen the cooperation and enhance the multilateral platform for countries east of the new EU borders after the enlargements in 2004 and 2007, named the Eastern Partnership (EaP). New forms of multilateral cooperation should be complementary to existing EU bilateral relations with individual countries, respecting the principles of conditionality. The initiative has created a space for exogenous integration with the Deep and Comprehensive Free Trade Area (DCFTA) signature as part of the new trade liberalization association agreements. Stronger ties between countries together with implementing political and economic reforms that encourage a more intensive application of the experience of transforming the new EU member states provides the necessary perspective for the individual countries of the Eastern Partnership. The Association Agreements/Deep and Comprehensive Free Trade Areas (AA/DCFTA) signature of Georgia and Moldova demonstrates their pro-European tendencies. Due to the Russian initiative to integrate a wider post-Soviet area in the form of a customs union (Russia, Belarus, Kazakhstan), some countries have to decide on their orientation, as they cannot be involved in both projects at the same time due to the incompatibility of their regulatory frameworks. The EU faces intense action by the Russian Federation in the wider region, causing internal instability and geopolitical tension (Terem 2016).

This is most prominent in the dramatic development of events in Ukraine. Enhancing the Eastern Partnership potential can bring a stronger focus on the EU's identification of individual interactions in the region. Following the EaP Summit in Riga, in May 2015, the AA/DCFTA concept remains the main element of the development of cooperation in relation to the EU combined with the "more-for-more" principle and the strengthened communication strategy (Čiderová 2015).

3 Strategic and Institutional Challenges in the EU's External Action

The processes of globalization and integration affect the transformation of existing power centres, including the EU, and this will have specific impact on member states as well. If we are unable to analyse and understand these processes in order to create a broad social and political consensus, the discussions and defence of EU interests will be sorely limited in the individual world regions, as well as on a global scale. The dynamic nature of changes generates the necessary relevant responses in those actors responsible. The increased dynamics of change also shows us that we have left the linear evolutionary trajectory and that we are witnessing a growing non-linearity with an increasingly smaller and more precarious predictability of future developments. This implies the need to better understand the specifics of the environment in which the very process of creating and shaping the EU's geostrategic interests is taking place.

Changes in two key areas are required in order to ensure greater responsibility for managing regional global threats. Strategic perspectives represent the first problem area. European politics is often defined only in relation to the activities of the US without any definition of external geographic boundaries and so on. The second problem is the institutional area represented by, for example, Europe's hard-to-start foreign policy, particularly because of the sharp increase in diversity (Ahtisaari et al. 2007).

The enlargement to 28 member states and the deepening of integration have intensified internal tensions regarding border issues, membership costs, supranational structure competences and national sovereignty. Political disagreements are intensifying, particularly in the areas of economic strategies, energy, refugee influx and the policy towards Russia. Debates on the stability of the euro area in relation to solving financial and economic problems in Greece have deeply divided European countries in terms of the future of the EU. At the same time, an increasing disagreement in the UK with the EU's current development has led the country to a referendum in which the British have expressed their willingness to leave the EU.

The EU is facing a continuous loss of self-confidence, especially in terms of its role and potential. The Eurozone recession as well as the developments in Ukraine and the refugee crisis reveal weaknesses in the EU. There are no medium- and long-term strategies, plans or objectives set in any of these problems. In spite of the positive efforts associated with the creation of the President's position and the position of the High Representative for Foreign and Security Policy, the factual integration of foreign security and defence policy is severely limited. It is related to the structure of the EU's foreign policy agenda, the individual layers of which represent the foreign policies of the individual member states, the joint activities of the member states within the Common Foreign and Security Policy (CFSP) as well as the external relations of the EU institutions.

Establishing the post of EU High Representative for Foreign and Security Policy and his designation as Vice-President of the European Commission (EC), in order to improve coordination between the institutions, has not always proved successful. The result is insufficient coordination of European External Action Service (EEAS) and EC policies. The EEAS works for the High Representative serving the Union in external relations. This role also belongs to the President of the EC, the permanent President of the EU Council and to the Prime Minister of the member state holding the Council presidency.

It is within the competence of the EC to promote the EU's external interests in the fields of common market, neighbourhood policy, development aid and enlargement agenda. The EU Council is responsible for CFSP decisions. The Presidency of the Council can also represent the EU externally in relation to third countries and international organizations. Member states' foreign policies are another significant part of the structure mentioned. These facts give rise to a number of questions and concern not only representations but also the formulation of interests, sovereignty and the diminishing of differences between domestic and foreign policies. Conceptualizing the EU as an international actor is thus facing major problems and collisions with existing approaches (e.g. state-centric ontology). Despite the organizational and structural establishment of the CFSP, the real challenge remained its actual execution in the external environment. One of the biggest challenges which the EU had to face was the conflict in Ukraine in 2013–2015. The crisis threatened core values of the EU right at its external border, forcing member states to try and put aside national interest.

4 The Influence of the European Union on the Conflict in Ukraine in 2013–2015

The troubled situation in the country in terms of politics and economy has raised a sentiment of dissatisfaction among the people of Ukraine. The failure to sign the Association Agreement subsequently became a turning point and triggered a wave of demonstrations. President V. Yanukovych misjudged the situation; he awarded no importance to the protest and thought that the underdeveloped civil society could not produce protests over a longer term. Later, he used special units of the interior ministry—Berkut—against the protestors. An increase in protesters' activity was the response to the violent suppression—more than half a million protesters appeared in Kiev square on the second day. Parliament subsequently responded with even greater repression and restrictions on basic human rights and freedoms. It passed a law that restricted freedom of speech, of the press and the right to gather. The persecution of the nongovernmental sector was approved. The crisis subsequently escalated in February when more than a hundred people died after a street battle between protesters and the security forces (Therr 2016).

Foreign ministers of Germany, Poland and France entered into the political riots between the protesters and the opposition as mediators and helped to reach consensus² between the opposition officials and President Yanukovych. The compromise was not accepted by the public; however, with the protestors still demanding that the president be punished. President Yanukovych left the country and fled to Russia. Subsequently, the Parliament suspended Yanukovych from his position. Oleksandr Turchynov was designated the Acting President and Arseniy Yatsenyuk became the Prime Minister. The situation escalated during this period because of the poor economic situation and the armed conflict in the eastern part of Ukraine. The overall political and economic instability not

²The agreement between opposition parties and President Yanukovych included the request for restitution of the 2004 Constitution, creation of a new government coalition within ten days, holding of new presidential elections, reforming the constitution with a focus on balancing the powers of the various constituencies and investigating the violence carried out in protests.

only prompted protests in the west of Ukraine but also activated pro-Russian separatists in the Crimea³ and eastern parts of the country (Szepticky 2014; Therr 2016).

The situation escalated mainly on the Crimean Peninsula, where pro-Russian demonstrations took place. The biggest protest took place in Sevastopol with more than 50,000 demonstrators (Lauren and Ludenius 2016). A few days later, a referendum was held on 16 March 2014, which offered two possibilities: the annexation of Crimea to Russia or the possibility of a draft to the 1992 constitution⁴. According to the President of the Referendum Commission, 83.1% of eligible voters took part, of which 96.77% expressed a positive response to the first question. The Crimean Peninsula thus became *de facto* a part of Russia, but *de jure* remained the territory of Ukraine (Useinov 2014).

Russia has become more active in promoting its interests in the eastern part of Ukraine, where protests have moved after the referendum in Crimea. The pro-Russian separatists financially and materially supported by Russia demanded independence from Ukraine in the Donetsk and Luhansk regions. The Ukrainian government's official response was to launch an anti-terrorist operation. During this period, according to Ukrainian Interior Minister, Anton Herashchenko, there were more than 4000 volunteers from Russia (Beskid 2014; Marzalik 2015).

The EU entered this situation since the protests in Ukraine after the refusal to sign the Association Agreement started. Since the start of the protests in Ukraine, the EU has used mainly diplomatic tools to have a say in the situation. The Commissioner for Enlargement Štefan Füle, in his first official position, welcomed protests as a space where residents can freely collect and express their views on issues that will be very important to the country's future (Euronews 2013). Subsequently, on 26 November 2013, Members of the Parliament warned representatives of the Ukrainian government against the use of violence against European protesters (European Parliament 2013). As mentioned earlier, the Ukrainian government has used violent means against protesters at the Maidan Square in Kiev. Štefan Füle and a High Representative of the European Union

³The Russian Unity party leader Sergey Aksyonov (Useinov 2014) led pro-Russian activities.

⁴The Crimean Peninsula would gain the status of an independent area that way.

for Foreign Affairs and Security Policy, Catherine Ashton, issued a joint opinion condemning the use of force against demonstrators (European Union External Action 2013).

The situation in Ukraine escalated further, especially in the Crimean Peninsula. On 1 March 2014, the High Representative criticized Russia's decision to use armed forces in Ukraine, talking about unjustified tension escalation. Her stance also expressed the need to reduce tensions between actors through a dialogue based on respect for international law (European External Action Service 2014a). The following day after the referendum on the future of Crimea, the High Representative strongly condemned the referendum and stated the EU's options to stabilize the situation in Ukraine. The EU was ready to mediate dialogue between the parties to the conflict; to support the rapid deployment of the Special Monitoring Mission of the Organization for Security and Cooperation in Europe; to sign the political provisions of the Association Agreement with Ukraine; and to strongly support the stabilization of the country (European External Action Service 2014a). In the middle of April, the High Representative for the first time issued an opinion expressing concern about the separatist movement in eastern Ukraine and calling for the support of the Organization for Security and Cooperation in Europe Mission. However, on 29 April 2014, she addressed the deterioration of the security situation and condemned the escalating violence, specifically concerning the detention of military observers of the Organization for Security and Cooperation in Europe. The High Representative also talked about extending the list of sanctioned individuals (European External Action Service 2014b).

On the 70th anniversary of the Normandy landing, French President Francois Hollande met with German Chancellor Angela Merkel, the Ukrainian President Peter Poroshenko and the Russian President Vladimir Putin at an informal meeting on 6 June 2014. Representatives of these countries have subsequently created the Normandy Four, whose main objective was to mediate the dialogue between Ukraine and Russia in resolving the conflict in the eastern part of Ukraine (Škvrnda 2016).

One of the complex EU approaches to this conflict was to support long-term transformation. An essential example of this approach was the signing of an ambitious Association Agreement on 27 June 2014; by

temporarily applying Articles III, V, VI and VII to the extent that entities/matters are covered by the competence of the European Union; transitional application of Article IV (1 January 2016). The Deep and Comprehensive Free Trade Agreement between Ukraine and the European Union on 1 July 2016 also entered into force (Rabinovych 2017).

Before the Group of 7 (G7) meeting, the EU promoted the “Support to conflict-affected areas”⁵ initiative which sponsored 17 projects targeting people who had to leave their homes due to the conflict (EuroAid 2018).

Another round of negotiations took place at the beginning of September, linking in with the negotiations at the end of August. This meeting resulted in the signing of the Minsk Protocol, also called Minsk I. The participants agreed on the following: to ensure a ceasefire, monitored by the Organization for Security and Cooperation in Europe; to accept the special status of the Donetsk and Luhansk regions and decentralize power at regional and local levels; to monitor the border between Ukraine and Russia under the auspices of the Organization for Security and Cooperation in Europe; the release of hostages; to draw up and adopt a law preventing the prosecution and punishment of persons in connection with the events that have taken place in some areas of Donetsk and Luhansk regions; free and democratic elections in these regions; and economic and humanitarian reconstruction of affected regions in eastern Ukraine (OSCE 2014a).

The Minsk Protocol was also welcomed by the G7⁶ Foreign Ministers’ statement: “... as an important step towards a sustainable, mutual, and welcome ceasefire.” A memorandum in which the parties agreed to create a buffer zone subsequently supplemented the Minsk Protocol⁷. *The Memorandum also included an extension of the OSCE competence, an absolute ban on offensive actions and overflights of military aircraft or drones in the safety zone*⁸, and the obligation to remove mines and other obstacles in the buffer zone (OSCE 2014b).

⁵The budget allocated was €17 million (Rabinovych 2017).

⁶Office of the Spokesman, US Department of State (2014). Group of 7 (G7) Foreign Ministers Joint Statement on Ukraine. US Department of State.

⁷The buffer zone should be 30 kilometres wide.

⁸The aircraft monitoring the situation on behalf of the Organization of Security and Co-operation in Europe (OSCE) was the only exception within the overflight ban.

An important step in reaching a ceasefire was the French-German plan, initiated by French President Francois Holland as the so-called last chance to resolve the conflict—the possibility of discussing a new agreement, with Russia being invited as one of the actors (BBC News 2015). Representatives of Ukraine, Russia, France, Germany and the self-proclaimed republics—the Donetsk and Luhansk People’s Republic—adopted a new international agreement known as “Minsk II” on 12 February 2015. The deal was very ambitious as it spoke of an immediate and full ceasefire and the removal of all heavy weapons on both sides. President Francois Hollande and Chancellor Angela Merkel were very careful because they feared its possible violation. The Minsk II Agreement also included a number of Ukraine’s commitments to internal structural reforms and the related steps needed to ensure peace and democracy in the country. One of them was to be the constitutional reform aimed at decentralizing power and organizing democratic local elections in October 2015, European External Action Service (2014c). The implementation of these measures has been promoted by the EU through the structural capacity building of peace and has become part of many of the EU’s official approaches to the Minsk II (European External Action Service 2014d, e).

5 Sanctions as an Instrument of EU Foreign Policy

The international arena, in the absence of central government, has developed a system of sanctions that were used. The general prohibition on the use of force in international relations influenced the tools used for peaceful conflict resolution. One of the tools used in foreign policy are sanctions—a decision taken by a state to ensure national security interest. There are different types of sanctions including the economic sanction—ban on trade which can be targeted on certain sectors, products or persons (Klucka 2011).

The adoption of restrictive measures was the most striking step in European foreign policy towards the current conflict in Ukraine. The

extraordinary meeting of Heads of State and Prime Ministers of the EU member states with the Government of Ukraine led to individual restrictive measures (asset freezes and visa bans) against those engaged in activities threatening the territorial integrity of the EU. On 17 March 2014, the EU adopted the first restrictive measures for 21 leaders, delimiting their travel to the EU and freezing their assets (Foreign Affairs Council 2014). Following the annexation of Crimea and Sevastopol to Russia, another 12 names of Russian and Crimean officials were added to the existing list, and the list kept expanding in the following period (Council of the European Union 2014).

The sanctions were aimed at sectoral cooperation and exchange with Russia. EU citizens and companies could not buy or sell new liabilities, equities or similar financial instruments with a maturity of more than 30 days issued by five major state-owned Russian banks, three major Russian energy companies, three major Russian defence companies and all their branches abroad. Any assistance in this area was also prohibited, and no loans with a maturity over 30 days could be provided to these entities. Another measure was the embargo on the import and export of arms and similar material and military technology to/from Russia. The restrictions also concerned the energy sector when the export of some tools and technologies to Russia had to be subject to authorization by the competent authorities of the member state (European Union Newsroom 2018).

In January 2015, the Council extended the duration of the sanction until September 2015 (Council of the European Union 2015a). Unsuccessful efforts to close the ceasefire via the Minsk Protocol have not changed the EU's policy, which continued to strengthen sanctions. On 19 March 2015, EU officials decided to harmonize the sanctions with the Minsk Protocol. In practice, this meant that sanctions would remain in effect until the end of 2015, when the last point of the peace plan was to be implemented⁹. The meeting also highlighted the need to intervene in the Russian disinformation campaign on the conflict in Ukraine. The European Council called on the High Representative to prepare a Strategic Communication Action Plan (Council of the European Union

⁹Ukraine was to regain control of the eastern border of the country.

2015b). In September 2015, the Council extended sanctions until 15 March 2016, which already included 149 persons and 37 entities (Council of the European Union 2015c). In December 2015, the sanctions were extended until 31 July 2016 (Council of the European Union 2015c). Sanctions are in force until now and the list of persons was extended during 2016–2018 to include further entities subject to sanctions.

We can assert that the EU is mainly using diplomatic instruments. In this case, however, it has also used economic constraint (prohibition to travel to the EU, freezing of business assets for 149 persons and 38 entities). Furthermore, it uses restrictions on economic exchange with the Crimea and Sevastopol territories and specific sectoral economic cooperation with Russia.

6 Identifying the Foreign Policy Approaches of EU Member States

Due to the uniqueness of European integration, it is difficult to define the key processes that influence foreign policy formation. The question remains whether there is one European interest, which serves as a common interest of the integration group of member states. The fact that the EU's foreign policy exists through designated instruments is an irrefutable fact. The intergovernmental principle, on which it is based, greatly limits its effectiveness. For this reason, we have chosen a case study of the current conflict in Ukraine. It is an armed conflict in a state in the direct neighbourhood of the EU. Although this conflict is the result of a long-term political, economic and social crisis in Ukraine, the EU, through diplomatic and economic instruments, is trying to be an actor in its solution. Among other things, this conflict has, after a long time, brought the EU's common position in the form of sanctions imposed on separatists in Ukraine and targeted sanctions on Russia.

Using dependent and independent variables, we examine the interest of individual states. The interests of the member states of the EU represent a dependent variable. In the context of the current conflict in

Ukraine, we look at the positions of the EU member states regarding the sanctions adopted in 2014. These are based on the official positions presented by the leaders of the member states. As positions can evolve over time, due to various internal and external factors, the focus is on the member states' positions after the adoption of economic sanctions. Although the consensus of all member states was needed to adopt sanctions, in practice, this meant that not all member states had to explicitly agree to adopt sanctions, but they simply joined the common position. The role of the categorization of member countries also plays a role, as different authors use different factors. Member states are categorized into three groups: countries that agree to sanctions; countries that advocate their abolition; and the third group is made up of countries that would welcome a dialogue rather than a more specific position.

The largest group is formed by the member states that support sanctions. This group includes Belgium, Croatia, Denmark, Estonia, France, Germany, Lithuania, Latvia, Luxembourg, Poland, Romania, Sweden and the UK. For example, France and Germany played an important role in addressing the current conflict in Ukraine. Both countries support sanctions imposed on Russia. France agrees with the sanctions, and it was the first to support the creation of the Normandy Four when addressing the conflict. Additionally, Germany was the strongest supporter of the imposition of sanctions on Russia, and German Chancellor Angela Merkel considered them irreversible (Kafsack 2014). Similarly, the UK has supported sanctions: *In terms of sanctions, I'm very clear, having spoken to Angela Merkel and François Hollande, that the EU will be ready for further steps in terms of other areas ... Russia needs to know that action will follow if there isn't a radical change in the way they behave* (The Guardian 2014, July 21).

Croatia has also supported sanctions and has generally supported the EU's policy towards Russia. The Croatian Embassy in Moscow has declared that Croatia shares the same principles as the EU and does not recognize the Crimea annexation: *Until the European Union holds a position on the Crimea, Croatia will share it as a Member State* (Šabič et al. 2018). All Baltic countries have also supported the imposition of economic sanctions on Russia. This is mainly due to the complicated relationship with this country. Lithuania is one of the states that very actively

supports closer relations between the EU and Ukraine. This Baltic country is strategically located between Russia and the Kaliningrad region, so Lithuania's concerns have only increased after the Crimea annexation (The Baltic Times 2017). It can be concluded that there are several factors affecting the countries in agreement on sanctions. In most cases, these are already deteriorating relations with the country, resulting from historical, economic or political aspects. Indeed, most countries consider the benevolent behaviour of Russia a threat to international order.

Countries that disagree with sanctions against Russia are mainly member states that have strong economic/energy ties or a positive view of the country. This category of countries includes Bulgaria, Cyprus, the Czech Republic, Greece, Hungary, Slovakia, Slovenia and Italy. The intensity of negative attitudes varies, with some states in this group refusing to adopt sanctions, but still supporting the EU's common position. The biggest opponents of sanctions against Russia include Cyprus, Greece and Hungary. The reasons for rejecting sanctions vary in these countries. Hungary is almost 80% dependent on gas supplies from Russia. At the same time as the EU wanting to impose sanctions, Hungary concluded an agreement with Moscow worth €10 billion for Rosatom to expand the Hungarian nuclear power plant. Russia is Hungary's largest trading partner outside the EU—export being at €2.55 billion in 2013. The Hungarian Prime Minister Viktor Orbán said *Economic sanctions are already in the third round and it would be appropriate for us not to use them anymore because it is not in the interest of Europe nor Hungary* (BBC News 2014). The same rhetoric is witnessed by representatives from Greece and Cyprus.

Italy also has strong economic ties similar to those of Cyprus, Greece and Hungary. Italy's negative attitude towards sanctions can be monitored at different levels of the political system. Italian Foreign Minister Paolo Gentiloni did not see sanctions as a solution to the current situation and preferred dialogue at different levels. Likewise, Italian politician Franco Frattini, a former Minister of Commerce, claimed that sanctions affect the EU's economic growth and its capacity to create jobs (Frolova 2015).

The Czech and Slovak political scene is not unanimous in terms of sanctions. If we look at the official positions of senior officials, these

countries are against sanctions being in place. The main motivation is strong economic ties and energy dependence from Russia. Both countries have a high share of dependence on gas supplies from this country—Slovakia 63% and Czech Republic 80% (Dempsey 2014). Bulgaria and Slovenia also have the same reasons, especially economic and energy dependence. The Bulgarian Prime Minister noted that their economy would be heavily affected by sanctions, as 2.7% of Bulgarian exports in 2013 were directed to Russia (Croft 2014).

The largest group of states entails the member states of the EU, which are not unambiguous supporters of sanctions. Countries have relatively strong economic ties and energy dependence on Russia, but at the same time, supporting the EU's common position is their prerogative. Their pragmatic approach leads them to seek alternative solutions to this situation. These include Finland, the Netherlands, Austria and Spain and others (Table 8.1).

A completely unambiguous categorization of the EU member states would require much deeper research that takes into account other factors at different levels. Even in the group which supports sanctions against Russia, categorization is not absolute. Some member state officials have

Table 8.1 Position of member state towards sanctions on Russia

Member states of the European Union that support sanctions	Member states of the European Union with a negative attitude towards sanctions	Member states of the European Union that would welcome dialogue or do not have a clear opinion
Belgium	Bulgaria	Finland
Croatia	Cyprus	The Netherlands
Denmark	Czech Republic	Ireland
Estonia	Greece	Malta
France	Hungary	Portuguese
Germany	Slovakia	Austria
Lithuania	Slovenia	Spain
Latvia	Italy	
Luxembourg		
Poland		
Romania		
Sweden		
United Kingdom		

Source: Authors' representation

promoted economic sanctions at the level of European integration. However, the domestic debate pointed to not entirely unambiguous support. In some cases, the rhetoric of top officials varied at national and supranational levels. Common factors that created this situation were the economic ties and the energy dependence of the member states. Many member states realized that Russia had violated international law by annexing Crimea, but its own economic interests made the decision not entirely clear. Ultimately, however, economic sanctions were adopted by consensus.

Development of foreign policy is also analysed through an independent variable of political compliance. The analysis takes into account the 69th session of the UN General Assembly, which took place from September 2014 to September 2015. It is important to note that most resolutions are adopted without voting taking place in the General Assembly. In the event of a vote, there are two options for documenting votes: (1) documented voting where the voting of each state can be monitored; (2) a summary vote where only the result of the vote is published (General Assembly Voting 2018). During this period, 327 resolutions were adopted, of which 236 concerned foreign policy issues. In view of the above-mentioned ways of adopting resolutions, only 77 cases can be monitored.¹⁰ There is a high degree of coordination between member states of the EU in the UN, with as many as 71.19% of the resolutions adopted unanimously by countries. This was mostly the adoption of resolutions on the issue of stability in the Middle East, human rights, protection of democracy, international order and peace, as well as disarmament and arms control issues.

Cases where member states have not voted uniformly provide us with a look at national state's behaviour. In the UN General Assembly vote, there are member states that have participated in all resolutions and have always joined the majority view. This group includes Bulgaria, Denmark, Estonia, Latvia, Romania and Slovakia. The second most numerous group is countries that voted differently than the majority in only one case—Finland, Germany, Greece, Netherlands, Hungary, Lithuania, Italy and Sweden. Belgium, Malta and the UK disagreed with the largest

¹⁰ On 2 December 2014, the vote was recorded only in the summary vote.

number of resolutions adopted by the General Assembly during this period (Table 8.2).

Based on the results of the vote in the UN General Assembly, the coordination of the positions of the member states of the EU can be monitored. Since König-Archibugi's research, the percentage has increased by almost 10%. It is important to note that at the time of this research, the EU had only 15 members. The coordination of the current positions of the 28 member states is therefore much more difficult. Member states are therefore more willing to hold a common European interest in the international organization on foreign policy issues. By comparing member states' voting in the General Assembly and the results of examining the dependent variable of interests, it is noted that the member states voted very similarly. However, we find the difference to be especially in those countries with strong economic and energy links to Russia (e.g. Slovakia

Table 8.2 Voting of member states in the General Assembly of the UN during the 69th session

Member states of the European Union who have agreed to all resolutions adopted by the UN General Assembly in the period under review	Member states of the European Union who have agreed to all but 1–3 resolutions adopted by the UN General Assembly in the period under review	Member states of the European Union who have disagreed with several resolutions adopted by the UN General Assembly in the period under review
Bulgaria	Czech Republic	Belgium
Denmark	Finland	Cyprus
Estonia	Croatia	France
Latvia	Greece	Ireland
Romania	The Netherlands	Malta
Slovakia	Lithuania	Austria
	Luxembourg	United Kingdom
	Hungary	
	Germany	
	Poland	
	Portuguese	
	Slovenia	
	Italy	
	Spain	
	Sweden	

Source: Authors' representation

and Bulgaria). It is therefore clear that national interests of member states still play a very important role in shaping EU's foreign policy. The same is true for the UK, which, by contrast, has the largest share of divergent votes compared to other member states.

European values are another independent variable that play an important role in shaping the EU's foreign policy. This independent variable is closely related to political consistency. The fifth part of the Treaty of Lisbon focuses on external action: *The European Union's activities on the international stage will be dominated by [...] democracy, the rule of law, the universality and indivisibility of human rights and fundamental freedoms, respect for human dignity, principles of equality and solidarity and respect for the principles of the UN Charter and international law* (2009, p. 29). This article confirms that the above-mentioned values are close to all member states and seeks to actively promote them in relation to the international environment. For example, economic sanctions in Russia have been the response to the violation of international law by the annexation of Crimea. Political compliance can also be pursued in those areas—especially in the protection of human rights and respect for democracy and international law. Another factor that enters into the formation of foreign policy is the independent variable of Europeanized values. We assume that in a democratic society, public opinion also corresponds to the composition of political elites. Decisions taken at national level and the views expressed by local politicians should be in line with public opinion in the country.

The 2014 Eurobarometer can be used to analyse this independent variable, with the specific question of when respondents should express, agree or oppose EU's common foreign policy. On a theoretical level, member states whose citizens are supportive of a common foreign policy should have greater political coherence and participate in promoting sanctions against Russia. Denmark, the UK and Sweden were in a group of countries that supported sanctions (Radio Sweden 2014, July 17), even though its citizens do not agree on a common foreign policy. Likewise, the states that have the strongest support for the common foreign policy did not agree with sanctions. Greece is one of the countries where the refusal of sanctions was most pronounced. The independent political compliance variable also does not completely copy the results of the barometer. Malta

and the UK are among the countries with the lowest political consistency and the lowest support for a common foreign policy among citizens. This group also includes Belgium, which already has higher support for the common foreign policy among citizens (68%). Although we do not always see the logic of Europeanized identities in some member states, in most cases, the interests of member states in applying economic sanctions correspond to that of the citizens of the EU. However, it is clear that another factor has played a key role in member states' attitudes to economic sanctions and therefore the results are not entirely clear.

The security situation in the EU since 2016 has shown that this is an area where member states are more willing to integrate than in foreign policy. According to the result of Eurobarometer, the individual member states' positive score on strengthening defence and security policy integration is much higher than that of foreign policy issues. The European average on the issue is also higher (72%) than on the issue of strengthening foreign policy integration (62%). However, the argument remains very similar to that of foreign policy. Obviously, not all states whose citizens support defence and security policy integration have automatically backed sanctions against Russia.

7 Conclusions

The EU supports, initiates and implements various modifications to strategic cooperation. Such cooperation may not be based on a presumption of membership in the short or medium term. Sometimes there is no mention of membership. However, sometimes it may also involve lower-level integration than the existing integration cluster. In particular, such situations may arise in cases where major differences in the economic level, legislation and social standards of partner countries prevent full participation in the integration process.

The main objective of the European Neighbourhood Policy is to avoid creating new dividing lines between the enlarged Union and its neighbours; to establish special relations in order to spread political and economic stability. The EU offers its neighbours privileged trade relations as well as higher forms of integration, including access to the EU internal

market, provided that the country commits itself to democracy and reform. Conditionality is a key element that allows the benefits of cooperation with the EU to be reduced in the event of violations of the values that the EU professes. The Union offers Free Trade Agreements, bilateral energy agreements and is interested in introducing privileged visa procedures for its neighbours, thus strengthening legal immigration at the expense of illegal and providing financial assistance for governance reforms.

In 2003, a new form of strategic cooperation was presented—the project of the Common European Economic Area with Russia. Today, the EU faces intense offensive operations by the Russian Federation in the wider region, which threatens internal stability in the EU member states and triggers geopolitical tensions. The most striking is the dramatic development of events in Ukraine. Russia's annexation of Crimea and military support for separatist forces in eastern Ukraine in 2014 led to the introduction of economic sanctions against Russia and a weakening of the level of cooperation achieved. The way in which the Russian Federation pursues its foreign policy will influence the potential of reciprocally beneficial mutual trade.

As mentioned earlier, the Ukrainian crisis has proved to be challenging to the foreign policy of the EU, bringing an armed conflict to its border. Adopting sanctions against Russia, in spite of member state's national interests provided a baseline for further cooperation. To support this argument, on the basis of critical analysis of the information available, we can say that the national interest of the member states does not play a single and key role in shaping the EU's foreign policy positions. Although, since the entry into force of the Treaty of Lisbon, the adoption of common positions remains in the hands of member states, and it is possible to follow the rise of supranational institutions that influence the formation of the EU's foreign policy positions. In particular, it is the more specific defining and strengthening of the position of the High Representative of the European Union for Foreign Affairs and Security Policy and the creation of an institution of the European External Action Service. Member states show much higher political coherence in the process of Europeanization and efforts to strengthen the EU's position. Member states' national interest does not play a single role in shaping the

EU's foreign policy stance, as the process of Europeanization and strengthening supranational institutions are entering the process.

Over the past two decades, the political consistency of EU member states has increased by 10% over the reporting period. Member states are able to reach consensus on foreign policy issues. But the need for coordination has increased due to the increase from 15 member states to 28. Based on the analysis of resolutions adopted by the UN General Assembly during the 69th session, a high degree of coordination between the member states of the EU is apparent, with up to 71.19% of all resolutions adopted with the consent of all the countries of the EU. The political coherence of member states is reflected in common foreign policy positions in areas related to fundamental European values, the threat to the European security environment and the current conflict in Ukraine.

If the EU is interested in strengthening its position in the international system in the future, it will have to expand and deepen integration. Economic strength only can guarantee its weight, strength and attractiveness. The current intergovernmental foreign policy model will always depend on the member states' willingness to participate in a common position. Deepening integration in this area and shifting competences to a supranational level will be a way to achieve genuine common EU attitudes towards the external environment. If integration progresses as it is today and the process of Europeanization continues to have an active influence at both levels, a genuine common policy can also be achieved in the foreign policy area.

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9

Measuring Hierarchy in the European Union and Eastern Partnership Countries

Yuval Weber

1 Introduction

After nearly two decades of relative absence from European and international headlines, Russia has returned to the top tier of European concerns. Since long-time leader Vladimir Putin's striking denunciation of the US-led international order at the Munich Security Conference in 2007 (Putin 2007), Russian policymakers have demonstrated repeatedly that they are dissatisfied with their place in international affairs and are willing to revise that order to bring about an increase in their power and status (Weber 2016; Krickovic and Weber 2017, 2018). To bolster its claim that, as a great power, it should be entitled to prerogatives such as a sphere of influence, consultation on continental and international security issues, and the cessation of external pressure on internal affairs such as the state of its democracy and the openness of its economy (Karaganov 2015;

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Suslov 2016), Russia has directly and indirectly challenged the post-Cold War distribution of power internationally, in Europe, and, most forcefully, in the states of the former Soviet Union that have pursued alternative security, political, and economic institutional partners, primarily with the European Union, NATO, and the United States.

This chapter sets out to theoretically define and empirically measure Russia's purpose and success in re-establishing hierarchy in areas it previously governed directly or controlled indirectly as the Soviet Union during the period following the end of World War II through the dissolution of the Soviet state in 1991 with particular reference to the European Union's Eastern Partnership programme. While I do not adjudicate the moral appropriateness or legitimacy of Russia's claims to hierarchical control or influence over former Soviet or communist states, I do take Russia's pursuit of a sphere of influence seriously, especially regarding the six states of the Eastern Partnership that Russian leaders have often referred to as their "redline": Belarus, Moldova, Ukraine, Armenia, Azerbaijan, and Ukraine (Zagorski 2011; Cadier 2014; Keil and Michelot 2017). In turn, this chapter evaluates whether Russian leaders have succeeded in their self-appointed task of returning Russia to great power status in Europe via a hierarchical bloc of states, more commonly referred to as a sphere of influence, both generally and in their immediate neighbourhood.

No scholar or observer would seriously claim that Russia is as weak today in terms of power projection as it was in the 1990s during the years of post-Soviet poverty and disorganisation. Any analysis of Russian power today could point to any number of actions that have reshaped international security, including, but not limited to, intervening on behalf of Abkhazia and South Ossetia in the war against Georgia, granting asylum to wanted American contractor Edward Snowden, supporting Bashar Assad in Syria's violent civil war, annexing Crimea from Ukraine, overseeing a civil insurrection in Ukraine against the Kiev central government, and involvement in electoral interference and assassinations in the United States and Europe.

However, the data show that the Russian campaign under Putin to reshape the political, diplomatic, security, and economic decision-making of previously Soviet and communist states into a coherent and consistent bloc has largely failed. There are two important considerations that

temper the definitiveness of this claim. First, this is not to claim that Russia is weak or alone in the world, but, instead, that its set of allies in 2019 remains approximately the same, or even smaller, compared to when Putin came to power in late 1999. Second, the clarity and consistency of Russian foreign policy means that the chief danger to states seeking to move away from Russian hierarchical claims is declining political, diplomatic, security, and economic leadership from the United States and the European Union. When formerly Soviet and formerly communist states wish to reorient themselves towards the Euro-Atlantic bloc, insufficient direction and support from the Euro-Atlantic bloc leave these states in a dangerous position—having left one house, but unable to enter another.

The chapter proceeds in three sections. First, I articulate Russian foreign policy as a concerted effort to reconstruct a sphere of influence amongst formerly Soviet and communist states. Defining this more explicitly as a hierarchical bloc, in which a dominant state (Russia) provides a political or economic order of value to subordinate states (post-communist and post-Soviet countries) who then grant legitimacy and comply with the behavioural restraints necessary for the production of that order, the threat to Russia from Euro-Atlantic states and multilateral institutions becomes exceedingly clear: they provide a competing hierarchical order for states to join and keep Russia in a subordinate international position relative to the United States.

Second, I provide a novel quantitative index of hierarchy and resilience along Russia's borders, featuring an original data set of security, diplomatic, economic, and informational indicators. As hierarchy is the existence of unequal political relations between states contra to the common theoretical assumption of anarchy, it should be observed through the deliberate process of shaping the economic, political, social, and security decisions of other states to bring them into one state's alliance and unavailable for others. Instead of focusing solely on dramatic but infrequent superpower confrontation, this index focuses on the alliance maintenance that comprises most of international politics. The Hierarchy and Resilience Index (HRI) measures the extent to which states in Europe and Eurasia are resilient to the hierarchical orders of Russia, China, and the United States in four categories: security, diplomacy, economy, and

information. The HRI shows that in Central Asia, Chinese economic domination has shifted the region, in the Caucasus, Russia has few tools outside of security domination to shape political realities on the ground, and in Central and Eastern Europe, Russia's influence is limited to the pressure it exerts on Belarus.

Finally, I evaluate the shape of international politics with a focus on the Eastern Partnership. If great power competition was solely great power confrontation, Putin's skilful diplomacy has raised Russia back into the highest realms of international politics. Bringing in alliance expansion and management, however, shows that Putin's diplomacy has won the battle, but lost the war when it comes to the Eastern Partnership. The European Union's plans to extend itself across the rest of Eastern Europe and the Caucasus has been successfully blocked by splitting Armenia, Azerbaijan, and Belarus from Georgia, Moldova, and Ukraine. However, the last three states have exited Russian hierarchy so dramatically, they are effectively European and American outposts. The main challenges to European stability and the Eastern Partnership countries have less to do with Russian pressure, as that is now a structural feature in regional politics, but more to do with (1) Chinese economic power limiting the sovereignty of states in and around the European Union and (2) disinterest from an inconsistent United States.

2 Theorising Hierarchy and Russian Dissatisfaction

The hierarchical battle between Russia, the United States, and China for influence and allies in Europe and Eurasia encompasses much of contemporary international politics, and specifically on the formerly Soviet states in the Eastern Partnership. Although this chapter focuses on Russia, the presence and ambitions of China and the United States, alongside the sovereign aspirations of states in Russia's purported sphere of influence, limit and reduce Russia's own presence and ambitions. For China, one of the chief components of its grand strategy is its Belt and Road Initiative (BRI). Eder and Mardell (2018) pithily summarised just how far the project has come along:

When China's party and state leader Xi Jinping first announced his plan for a "Silk Road Economic Belt" and "21st Century Maritime Silk Road" in the fall of 2013, the concept sounded vague and its content was difficult to interpret. While Western observers are still trying to make sense of the initiative, which is now called Belt and Road Initiative (BRI), China is creating new realities on the ground. Five years down the road, China has invested more than 70 billion USD into BRI-related infrastructure projects, not counting projects still under construction or in the planning phase, which involve much larger investment volumes. It is clear by now that BRI is about much more than securing China's trade routes and energy supplies as well as exporting its industrial overcapacities to far-away construction projects. The initiative is a key part of Xi Jinping's grand foreign policy design to increase China's influence in its regional neighborhood and beyond.

As Fig. 9.1 demonstrates, the BRI is a long-term, global development, tying China to Europe over land and sea, and which will incorporate security components as China will look to secure and defend its forward operating bases and projects.

The experience of the World Wars and the Cold War has defined the United States' security needs over the past seven decades. The alliance network it has built since 1945 has resulted in the largest economic space and the strongest military alliance in modern history. Figure 9.2 depicts the reach of the US military in Europe.

For the United States and China, the creation of international power and regional hierarchy alongside what appears to be the blueprint for future build-up of international power and regional hierarchy over the next several decades has suggested that international politics will return to bipolarity instead of multipolarity (Burgess 2016; Maher 2018; Mearsheimer 2019).¹ Where does all of this leave Russia, a state dissatisfied with the existing international order? I argue here that even as Russia cannot match the economic capabilities of its rivals, it has followed a logic of hierarchy. First, to ameliorate its sense of dissatisfaction with the current distribution of power in the world and, second, to try and regain

¹ For a strong counterargument that the world is moving towards multipolarity with a weak Russia bandwagoning alternately between the United States or China, see Mearsheimer (2019).

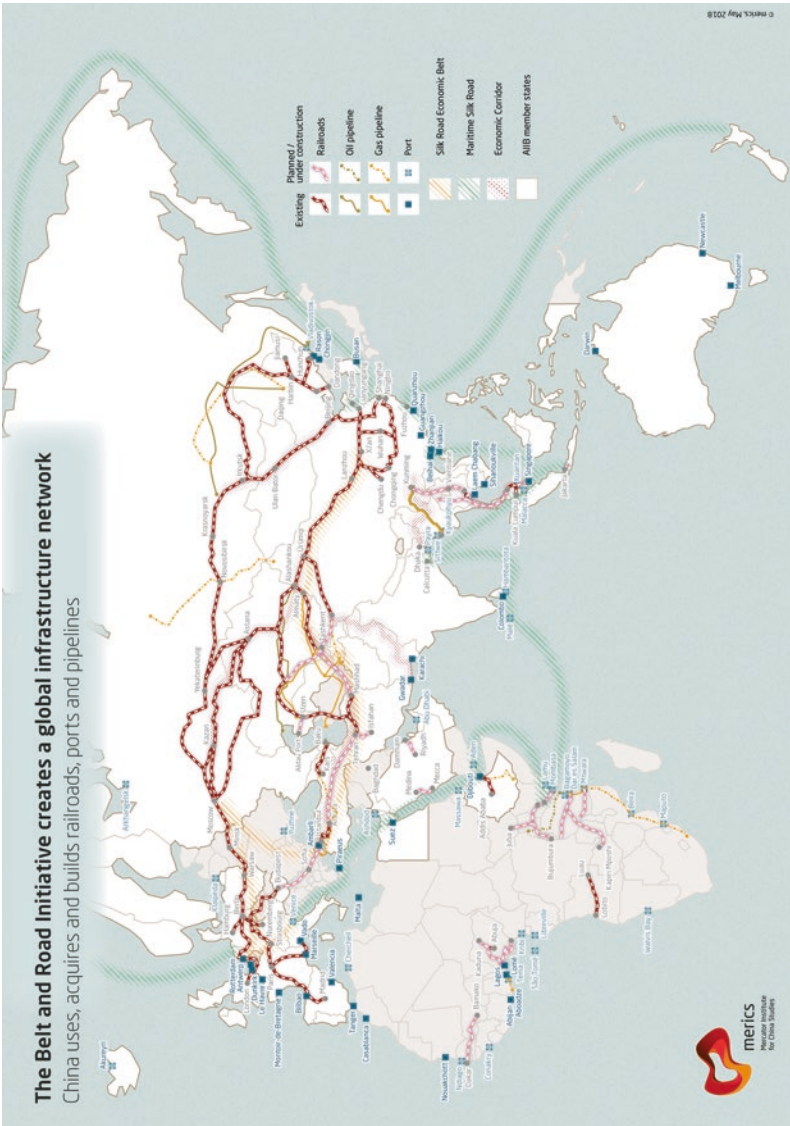


Fig. 9.1 Belt and Road Initiative infrastructure network, 2018 (Source: Eder 2018)

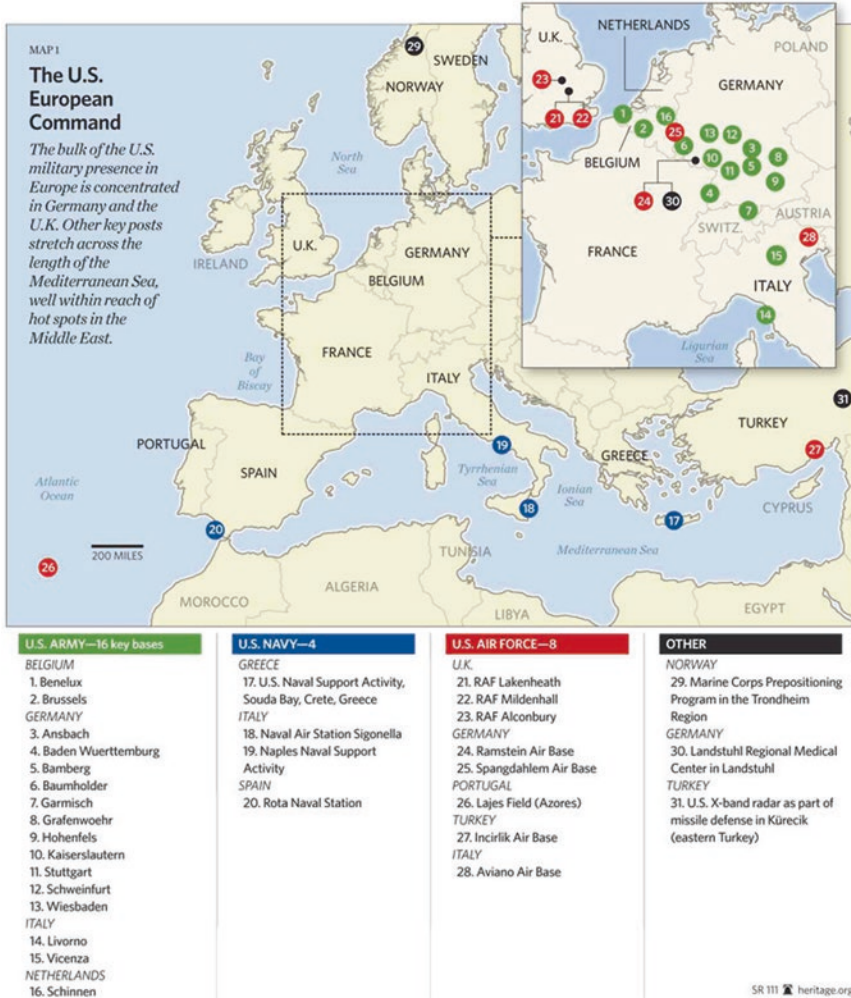


Fig. 9.2 U.S. European Command military installations (Source: Heritage Foundation Report *Keeping America Safe: Why U.S. Bases in Europe Remain Vital* (Coffey 2012))

great power status as acknowledged and respected by the United States and China, the two most powerful single states in the international system.

The rest of this section oversees the origins and consequences of the gap in power and status that defines contemporary Russian strategic-political

culture (Larson and Shevchenko 2010), and the subsequent “revisionist” challenge to the Western international order. It begins with theoretical examination of the origins and consequences of international political order and hierarchy to define who is a great power and why Russia has not been universally recognised as such. Employing international hierarchy as a theoretical concept to guide inquiry is to identify structural sources of Russian dissatisfaction. While this may miss specific complaints or tactics, which might be more easily identified through paradigmatic or levels-of-analysis interpretations of Russian foreign policy, hierarchy as a concept captures the whole thrust of a country’s grand strategy. Additionally, considering Russia’s foreign policy in light of hierarchy concerns illuminates the political path that any Russian leader would need to follow to gain the informal power necessary to build and sustain a power vertical (Keenan 1986). The policies pursued by Putin over his nearly two decades in office is not about any particular political genius, but identification of a clear, broad goal—make Russia into a recognised great power able, and permitted by other great powers, to set the rules of international political and economic interaction—and recognition that limiting political competition at home and in the region was probably the only way to get a chance to achieve it (Hill 2016; Gunitsky 2018).

This chapter elides Russia’s direct confrontation and coordination with the United States and China, as well as the general course of Russian domestic politics in the past two decades. Moreover, it is beyond the scope of this chapter to describe the numerous levers pursued by Russia during Putin’s time in office to rebuild a sphere of influence, such as natural gas diplomacy (Nygren 2008; Barkanov 2018; Holland 2017), the Russian Orthodox Church (Davis 2018), bilateral outreach across Europe (Forsberg and Haukkala 2018; Smith 2018), East Asia (Kuhrt 2018; Lukin 2018), the Shanghai Cooperation Organization (Freire 2018), the Collective Security Treaty Organization (Deyermond 2018), the Eurasian Economic Union (Molchanov 2018), and others. However, what Russia did during Putin’s time in office was a concerted effort to rebuild a hierarchical order through rules, opportunities, and institutions to bind neighbouring states to Russia so that it could compete at the great power level with states it considered its peer competitors, chiefly the United States, China, and Europe more broadly. The following section evaluates that broader effort.

2.1 International Hierarchy

Recent scholarship on the American-led international order has set out to identify when an international order begins, who comprises its leading (or great) powers, what the rules by which the order operates are, and how leading and non-leading states relate to each other.² The enduring work in this field, John Ikenberry's *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order after Major Wars*, argues that the origin of any particular international order begins from the conclusion of the previous great power war, such as the Napoleonic Wars, World War I, World War II, and the Cold War (Ikenberry 2019). The settlement of that war commences the next cycle of international politics by defining the great powers of the international system, their power relative to each other, and the rules that govern their interactions. Great powers are identified as those states that are able to impose foreign policy decisions upon others and to resist the impositions of others; they are "makers" of the international order with other states being "takers" of international order (Mastanduno 2009).

What distinguishes international *order* from mere power politics in Ikenberry's and others' conceptions is the thicket of security, political, and economic institutions put in place by the winners of the previous conflict that incorporate the losing states of that conflict into the international order. When winners generate institutions that restrain themselves, they reduce the consequences of defeat and ensure buy-in from the losers. Conversely, when winners generate institutions that do not constrain themselves, they increase the consequences of defeat and incentivise resistance from the losers.

The notion that war settlement extends into peacetime to determine how winners and losers, the strong and the weak, relate to each other in durable ways challenges one of the core elements of modern International Relations research since Kenneth Waltz's watershed contribution in *Theory of International Politics*: the assumption of anarchy defining the international structure (Lake 2007, 2009). Waltz (1979) distinguished the anarchical ordering principle of the international structure from the

²For very broad review articles, see Nye (2017) and Ikenberry (2018).

hierarchical ordering principle of domestic politics through a stylised reinterpretation of state sovereignty in a post-Treaty of Westphalia universe. He argued that all politics have some sort of domestic government, a hierarchical ordering principle that eventually culminates in a leader. In contrast, the international sphere has no such world government, and, without one, all states face the same imperative of survival and reproduction, with only varying power capabilities determining how to provide the security necessary to achieve those goals. The fear of war emerging from the lack of a single overarching power can generate numerous strategies for mitigating the effects of anarchy.

Waltz explicitly distinguished between international and domestic spheres, but a relatively underappreciated strategy, now coming into sharper focus, is for most states simply to accept hierarchical orders (beyond crisis-driven choices of balancing or bandwagoning) and leaving anarchy to the great powers. For those states that are willing to take foreign policy orders from others, choosing subordination instead of isolation is the acceptance of hierarchy in the international sphere. The existence of “hierarchy” does not imply a pejorative relationship between states, but, instead, acknowledges that juridically equal states do not exercise sovereignty equally. They instead form, as David Lake has argued, “hierarchical relations between the hegemon/hierarchy and subordinate that] are best seen as bargained relationships in which the dominant state provides ‘services’”—such as order, security, and governance—to subordinate states in return for compliance. What distinguishes the various forms of hierarchy, from colonialism to modern alliances, is the amount of sovereignty ceded to the leading state. Thus, Lake relies on two premises to challenge international anarchy and identify the basis of hierarchy: first, that hierarchy and subordinate develop a relational social contract and, second, that rights, obligations, and even sovereignty itself are manifold, distinguishable, and divisible (Lake 2009).

The ambiguous distinction between the end of the Cold War in 1989 and the end of the Soviet state in 1991 has upset Russian policymakers to the present day, and motivated its attempt to reconstitute a sphere of influence as a hierarchical bloc. The end of the Cold War allowed the post-Communist states to adopt the thicket of Euro-Atlantic security, political, and economic institutions previously denied to them vis-à-vis membership in the Warsaw Pact and Council of Mutual Economic

Assistance. The end of the Soviet state afforded Russia the same choice, in effect: the opportunity to choose hierarchical subordination within the Euro-Atlantic bloc, or isolation as a former superpower. By denying Russia the great power condominium its leaders sought with the United States to jointly govern international relations, and by offering Russia the same deal as the states the Soviet Union used to dominate, the Euro-Atlantic bloc reduced the consequences to hierarchy from all states *but* Russia, and increased the resistance *from* Russia.

The source of Russian dissatisfaction with the international order, and the motivation to regain a sphere of influence, is that American-led unipolarity defined the international system and the US-led liberal international order grew even stronger with the collapse of the Soviet Union. In his June 18, 1992, speech to the US Congress, Boris Yeltsin (1992) pleaded with the representatives:

Now that the period of global confrontation is behind us, I call upon you to take a fresh look at the current policy of the United States towards Russia and also to take a fresh look at the longer-term prospects of our relations. Russia is a different country today... Let us together, therefore, master the art of reconciling differences on the basis of partnership which is the most efficient and democratic way. This would come naturally both for the Russians and the Americans. If this is done, many of the problems which are now impeding mutual, advantageous cooperation between Russia and the United States would become irrelevant.

Yeltsin, and his predecessor Mikhail Gorbachev, wanted the United States to treat Russia as a special ally so they could leverage that revision of the international order (after 1989 and after 1991) to compensate for the sudden lack of allies abroad (having given up on the external empire in Eastern Europe and elsewhere) and the internal tumult over the late 1980s and early 1990s. They both wanted American help to alleviate the pressures exerted upon them from changes to internal affairs, regional hierarchies, and the international order. Gorbachev and Yeltsin did not want merely money or status from the United States, for which Realist or Constructivist frameworks would be sufficient, but American assistance in redefining how Russia would be run and how Russia would interact with its neighbours and in the international system broadly. They wanted

to revise the international order to be a partner of the United States, not a subordinate, while simultaneously receiving distributional gains to smooth reforms and alleviate internal privation.

This combination of seeking money *and* status makes other frameworks insufficient for understanding the origins of Russian dissatisfaction because Russia considered itself different from other European states who were willing to trade off money for status. The post-*Soviet* political, economic, and security institutions allowed Russia a pathway to the West so long as it abdicated everything it held dear as a perennial great power and recent superpower, an unacceptable trade-off. As the memorable phrase by Stephen Sestanovich (2000) put it, the Russians were “lousy joiners” who were insufficiently attracted to membership in institutions they had not designed:

Participation (by Russia) was expected to give them a stake in a more regularised, consensual, rules-based international order. The prestige of membership would confirm that they had not been permanently relegated to second-class status by decades of communism. For Russia, it would show that defeat in the Cold War was not a setback but a new opportunity. Most important, the practical benefits of drawing steadily closer to Western institutions would create continuing incentives for governments and societies to reshape themselves—their economies, their military establishments, their international conduct, their way of thinking.

It is not a stretch to consider how this offer left both sides disappointed and worse off—Russians were unenthusiastic to be treated the same as those they used to rule or control, and Americans were disappointed by Russian lack of enthusiasm for prestige by proxy. For Yeltsin and any subsequent leader, to accept Western terms would be acceptance of indefinite second-tier status, a disappointing structural result, only two-plus years out from the promises of great power cooperation at Malta (Goldgeier and McFaul 1992; Trenin 2006; Mead 2014). Moreover, acceptance of those terms would violate the basic sense that Russians themselves had ended both the Cold War and the communist system of governance, for which they were unjustly receiving no reward (English 2000).³

³ Suslov (2016: pp. 2–3) describes Russian political culture’s position about 1989 in a tone balanced between wistful and sarcastic: “The paradigm of Russian policy in late 1980s, early 1990s was that we contribute to unification of Germany, allow for the dissolution of the Warsaw Pact, withdraw the Soviet

Newly independent states in Europe sought security through joining pre-existing institutional arrangements such as the European Union and NATO, or through mirroring successful practices of the leading states (Marten 2018). Russia neither was a good “joiner” nor could it revise the international order, so it existed awkwardly on the sides of international politics, joining in on specific issues but not defining the security agenda of Europe or the world. It lost previously subordinate states to the Euro-Atlantic hierarchy and made few new allies, while the lack of world government and anarchy permitted the creation of a much bigger rival hierarchy. Nearly all post-socialist states willingly gave up autonomy and took on significant restrictions to legal-formal sovereignty, but Russia neither accepted the invitation nor could do much about it. The result for Russia was that if it did not want to turn into just another member of the Euro-Atlantic hierarchy and give up all great power pretensions, nor challenge the distribution of power internationally in an era of American unipolarity, it would have to create (or recreate) a sphere of influence of its own subordinate states as the only way to “enjoy” the state of anarchy as an undisputed great power.

3 Measuring Hierarchy and Resilience

The origins of Russia’s dissatisfaction have shaped its motivations to construct a hierarchical bloc of states, commonly known as a sphere of influence. After more than a decade of open revision of the international and regional orders from Russia, countless scholarly, popular, and think tank publications have been released in the past decade on the subject, but none provide a holistic and thorough measurement. Although measures of aggregate material power exist, such as the Composite Indicator of National Capabilities from the Correlates of War project,⁴ International Futures from RAND Corporation (Treverton and Jones 2005), Geometric

3 troops from the CEE not because we do it in order to obtain more—leading seat at the decision-making table, position of country No. 2 after the US, vice-president in the Global Earth Corporation. We dismantle the former Soviet empire, in order to rule the world together with the US.”

⁴See Correlates of War Project. 2017. National Material Capabilities V5.0. (available at <http://www.correlatesofwar.org/>).

Indicator of National Capabilities (Kadera and Sorokin 2004), these say little about *political* relationships between states on a dyadic basis and, in particular, ignore the ability or agency of subordinate states to shape the hierarchical relationship. While other measures capture notions of soft power, such as the Soft Power 30 from the University of Southern California's School of Public Diplomacy (McClory 2018) and Irene Wu's Soft Power Rubric (Wu 2018), those rely heavily on perceptions and aspirations worldwide towards specific countries without clarifying how soft power could limit or expand the dyadic relationship between any two specific states.

To bridge this gap between the measurement of hard and soft power, and specifically its application to the measurement of hierarchical relationships between specific countries, I develop a novel Hierarchy and Resilience Index (HRI) that is based on an original data set. An index such as the HRI can illuminate both trends as well as the state of hierarchy, influence, and resilience in a single dyadic relationship in a single year. The importance of providing objective data is to have a sense of how great powers try to shape the decisions of others and where influence actually lies, instead of drawing upon anecdotes or outlying data points.

The HRI measures, on a dyadic basis, the hierarchical relationships of Russia, China, and the United States to nearly all of the states of Europe and Eurasia across several indicators grouped into four categories, namely (1) security, (2) economics, (3) diplomacy, and (4) information and weighted equally within the categories.⁵ The four categories were selected because they represent the basic levers of power and influence associated with international interactions.⁶ Policymakers, therefore, can evaluate which of the four categories drive the relationship between Russia, China, the United States, and any one of the states of Europe and Eurasia, while scholars can analyse the effect of specific policy decisions or significant events. In the Annexes (in the Methodology for the hierarchy and resilience index section), I provide a country-year example to demonstrate

⁵ Several states are missing data, primarily Andorra, Switzerland, and Kosovo.

⁶ Further research will include more, and more nuanced, indicators of hierarchical relations, but the existing data set provides a suitable first cut at exploring the patterns of hierarchy between states in Europe and Eurasia.

how the HRI is calculated, and I explain later the rationale and data sources for these categories and indicators.

The HRI evaluates how Russia, China, and the United States compete against each other in collecting allies and shaping their decisions by focusing, counterintuitively, on how able subordinate states are to resist hierarchical power and influence. China and the United States are included because “sphere of influence” implies competition by great powers for smaller states to enter into clear hierarch-subordinate relationships, and Russia is primarily concerned with increasing its influence and power in Europe and Eurasia in competition with China and the United States.⁷

By identifying when and how smaller states lack resilience to the security, diplomatic, economic, and informational pressure of a larger power, the HRI identifies the presence of hierarchy by the absence of resilience. The spectrum from full resilience to full hierarchy comports with the difference between the “makers” of international affairs and the “takers”: great powers with independent foreign policies make decisions independent of others and are resilient to the actions of others, but subordinate states take the decisions of others. What the HRI measures, therefore, is where any dyadic relationship falls along that spectrum.

The data of the HRI are collected into five distinct pathways by which hierarchy between a great power and a subordinate state can be constructed. Those five pathways include an “All Is Equal” model in which each of the four categories are weighted equally to account for a possibility that security, diplomacy, economics, and information are equally important to the establishment and sustainability of hierarchy. The other four pathways weight one of the categories (security, diplomacy, economics, and information) as half of the total model, weighting the other three as one-sixth of the total model. This generates a realist-inspired security model of hierarchy and resilience; a diplomatic model that stresses international political interaction; an informational model that stresses resilience (or not) to disinformation; and an economic model inspired by

⁷Russia’s interventions in Venezuela and Syria indicate desire to become a global player, and future iterations of this research project will evaluate Russia as a hierarchical player in Latin America and the Middle East.

Cordell Hull, the United States Secretary of State during World War II. Hull noted that, “[it] is a fact that war did not break out between the United States and any country with which we had been able to negotiate a trade agreement. It is also a fact that, with very few exceptions, the countries with which we signed trade agreements joined together in resisting the Axis. The political line-up followed the economic line-up” (Frieden 1988).

Figures 9.3, 9.4, and 9.5 present the results for the “All is Equal” model for Russia, China, and the United States over the time period 2003–2017. Figures 9.6, 9.7, 9.8, 9.9, and 9.10 show the Security and Economic models. The data are reported in the Annexes (in the “All is important” model data and Eastern Partnership data sections—Tables 9.7, 9.8, 9.9, 9.10, and 9.11). The HRI broadly shows that China’s “rise” is to the detriment of Russia, the consolidation of the post-Communist states in the Euro-Atlantic alliance, and Russia’s diminishing sphere of influence compared to the beginning years of Putin’s tenure. (The following section on the Eastern Partnership demonstrates the last point very well: Ukraine, Georgia, and Moldova have left Russia’s sphere of influence, while Belarus has maintained balance between several great powers, and Armenia and Azerbaijan are even more firmly in Russia’s orbit.)

The balance of the results demonstrates that the period between 2008 and 2014 defines the extent of Russia’s regional sphere of influence.

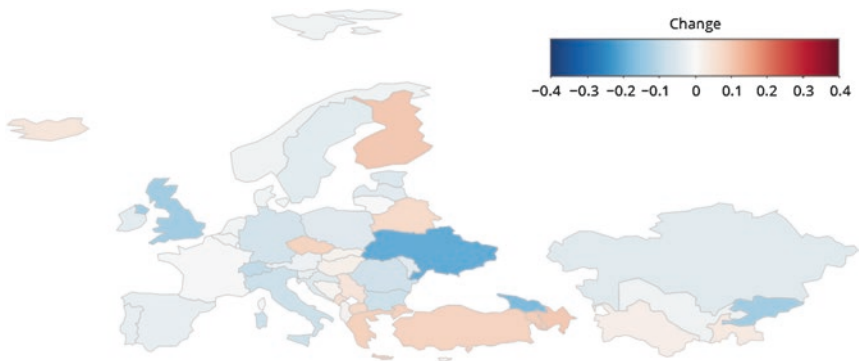


Fig. 9.3 Russian hierarchy, “All Is Important” model, 2003–2017 (Source: Author’s representation)

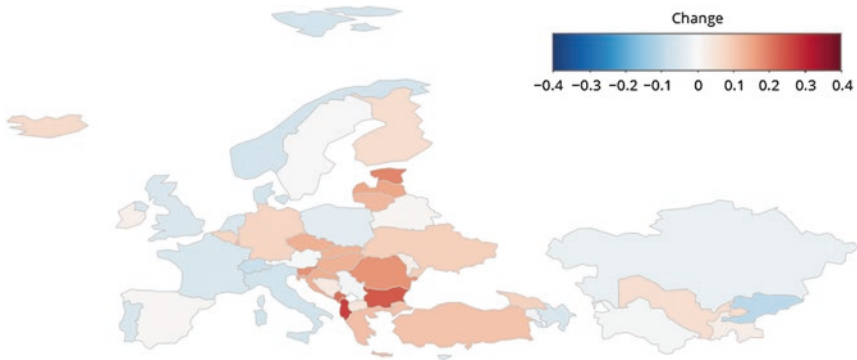


Fig. 9.4 American hierarchy, “All Is Important” model, 2003–2017 (Source: Author’s representation)

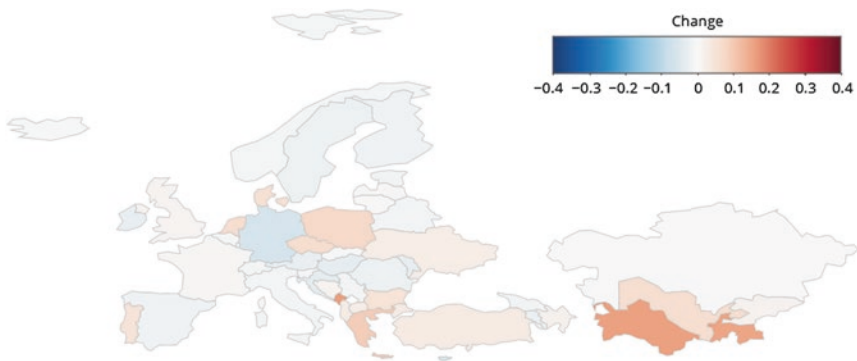


Fig. 9.5 Chinese hierarchy, “All Is Important” model, 2003–2017 (Source: Author’s representation)

The 2008 financial crisis served as a critical juncture transitioning Central Asia from “post-Soviet” to “pre-China,” and that process roughly concluded in the aftermath of the 2014 recession and global isolation of Russia when Russian policymakers concentrated their financial resources on stabilising the Russian economy ahead of subordinate partners. The Eurasian Economic Union, the vehicle by which Russia wished to use as the vehicle to expand its great power hierarchy, likely peaked during this time as it failed to incorporate Ukraine, and the financial consequences of sanctions greatly limited Russia’s ability to export capital to its intended

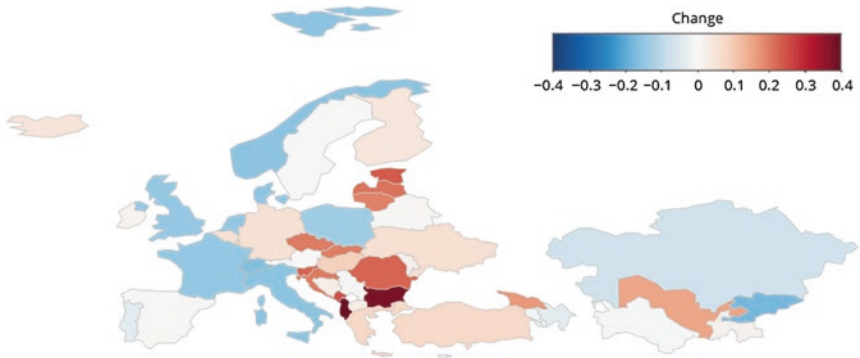


Fig. 9.6 American hierarchy, "Security" model, 2003–2017 (Source: Author's representation)

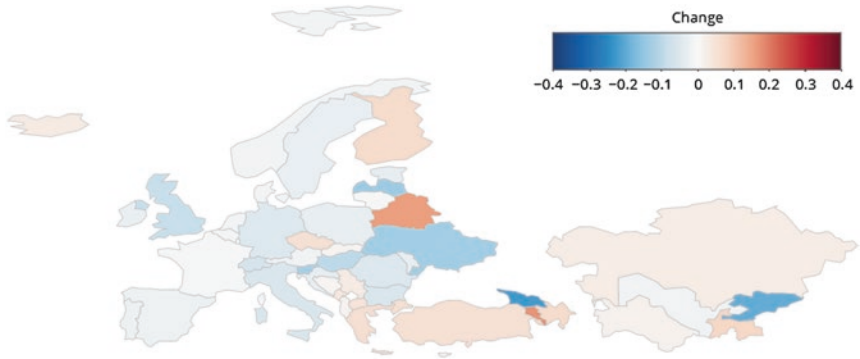


Fig. 9.7 Russia hierarchy, "Security" model, 2003–2017 (Source: Author's representation)

sphere of influence. Russia's success in extending hierarchy into Europe also failed to get much traction, but the informational pressure from Russia into Central and Eastern Europe from information operations shows that the challenge for European states, particularly the newer post-Communist members, is the inconsistency of great power leadership from the United States. This inability of the United States to convince others of its leadership manifests in the weakening ability to enforce voting discipline in the United Nations General Assembly. In general, the HRI also demonstrates that social media will continue to challenge infor-

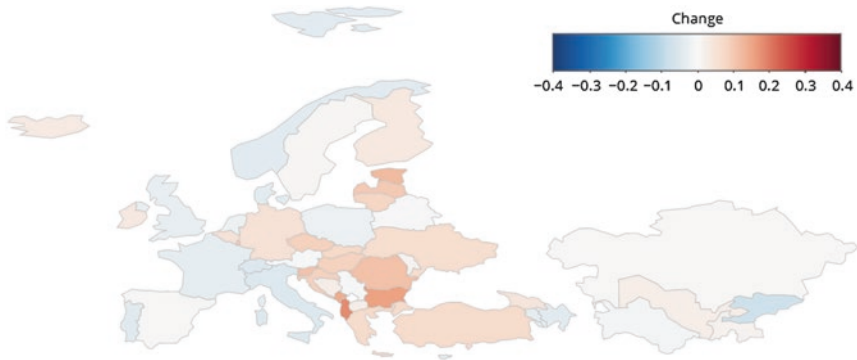


Fig. 9.8 American hierarchy, "Economic" model, 2003–2017 (Source: Author's representation)

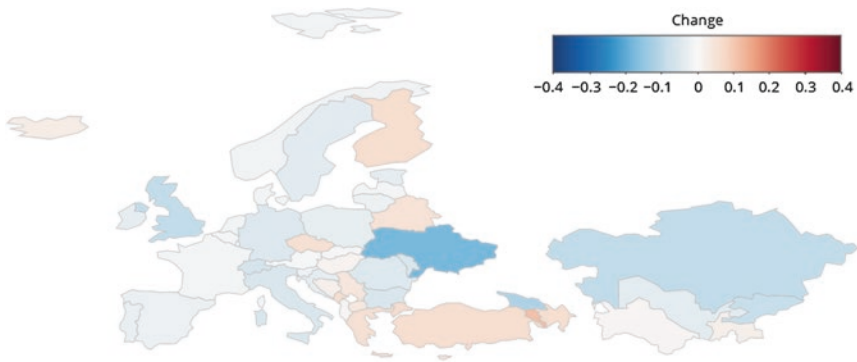


Fig. 9.9 Russian hierarchy, "Economic" model, 2003–2017 (Source: Author's representation)

mational hierarchy as more people across the world shift away from television, newspapers, and radio as sources of information towards social media, a largely unregulated space where people choose their own information from like-minded individuals instead of legally accountable sources of authority and expertise. Additionally, although rarer, security and diplomatic changes are bigger and more dramatic, and the shifts of Ukraine, Georgia, and new entrants into NATO exclusively limit Russia's security hierarchy.

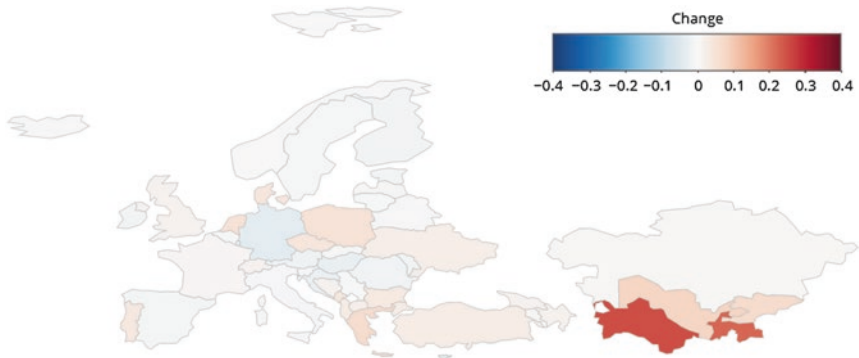


Fig. 9.10 Chinese hierarchy, “Economic” model, 2003–2017 (Source: Author’s representation)

3.1 Composition of the Hierarchy and Resilience Index

The HRI comprises various indicators grouped into four categories that individually measure an aspect of hierarchy and resilience (i.e. security, diplomacy, economics, and informational). Table 9.1 identifies the categories, their indicators and the types of variables they are, how they are bounded, and their sources. Each of the indicators forms an equal weight within the category itself. A full example of how a score is produced is provided in the Annexes (in the Methodology for the hierarchy and resilience index section).

4 Evaluation of the Hierarchy and Resilience Index

The data used to comprise each of the categories reflect different potential pathways towards hierarchy and resilience and are reflected in the following differently weighted models, displayed in Table 9.2.

As described above, the first model assumes that international military, political, economic, and (dis)information are equally important in comprising hierarchical relations between two states. This means that to

Table 9.1 Categories and indicators of the hierarchy and resilience index

Category	Indicator	Explanation	Source
Security		Military alliances prohibit members from taking membership in other alliances, leading to path dependence of military planning and training, arms sales and transfers, and acceptance of foreign military installations on one's own territory	
	Arms sales	Concentration of arms suppliers (none from the United States, Russia, or China; multiple; or one of the hierarchs); potential scores are 0, 0.5, and 1	SIPRI ^a
	Defence pacts	Binary indicator of formal defence treaty between hierarch and subordinate; potential score is 0 or 1	NATO ^b ; CSTO ^c
	Military bases	Binary indicator of subordinate's acceptance of hierarch's military base on own territory; potential score is 0 or 1	Georgian Foundation for Strategic and International Studies ^d ; US Department of Defence ^e
Economic		Deep economic relations lead states which trade with each other to be more fearful of losing that trade through conflict or rivalry. This is measured through how much a hierarch provides of a subordinate state's imports and foreign direct investment and consumes of a subordinate state's exports, as a percentage of all of the subordinate's imports, foreign direct investment, and exports	

(continued)

Table 9.1 (continued)

Category	Indicator	Explanation	Source
	Export dependence	Concentration of exports from subordinate to hierarch within all of the subordinate's exports. Inspired by the Hirschman-Herfindahl Index and normalised to a score between 0 (the subordinate exports nothing to the hierarch) and 1 (the subordinate exports only to the hierarch)	Eurostat ^a ; Observatory of Economic Complexity ^a
	Import dependence	Concentration of imports from hierarch to subordinate within all of the subordinate's imports. Inspired by the Hirschman-Herfindahl Index and normalised to a score between 0 (the subordinate imports nothing from the hierarch) and 1 (subordinate imports only from the hierarch).	Eurostat; Observatory of Economic Complexity
	Foreign direct investment dependence	Concentration of foreign direct investment (FDI) in subordinate's economy from hierarch within the subordinate's total FDI. Inspired by the Hirschman-Herfindahl Index and normalised to a score between 0 (the subordinate receives no FDI from the hierarch) and 1 (the subordinate receives FDI only from the hierarch)	IMF Coordinated Direct Investment Survey ^b
Informational		Two aspects of "information wars" between states are its general digital resilience capabilities and the state of its press freedom. The former evaluates the resilience of a country's online environment regarding its digital media freedom, state Internet regulation capacity and approach, and online media polarisation. The latter is used to assess how far apart two states are in their press freedom rankings	

Press freedom index score	Difference in places in the annual Press Freedom Index ranking divided by total number of countries. Compiled and published by Reporters Without Borders based upon the organisation's "own assessment of the countries' <i>press freedom</i> records in the previous year." Similar scores indicate similar environments for press freedom, while significant divergence indicate freer or less free press environments. Scores range from 0 (complete divergence) to 1 (same score)	Reporters Without Borders World Press Freedom Index ⁱ
Digital society project scores	Expert assessments on digital resilience from the Digital Society Project, an imprint of the Varieties of Democracy project. Scores range from 0 (complete lack of digital resilience) to 4 (complete resilience) This category captures two of the most critical aspects of international hierarchy, voting at the United Nations General Assembly (UNGA) and meetings between heads of state. UNGA voting is a critical measure of hierarchy because the non-binding nature of the votes means that states are free to express sincere foreign policy preferences, including signalling adherence to the foreign policy positions of the hierarch. Additionally, this category captures head of state meetings, a key mechanism by which states reward or punish others by granting audiences.	Digital Society Project ⁱ
Diplomatic		

(continued)

Table 9.1 (continued)

Category	Indicator	Explanation	Source
	United Nations General Assembly voting	Percentage of agreement between a subordinate state and a hierarchy in voting at the United Nations General Assembly. Scores range from 0 (no convergence between votes, meaning that subordinate state votes the opposite of the hierarchy on every single vote) to 1 (complete convergence between votes, meaning that subordinate state votes with the hierarchy on every single vote)	Voeten, Erik; Strezhnev, Anton; Bailey, Michael, "United Nations General Assembly Voting Data" ^k
	Head of state meetings	Measurement of meetings between subordinate and hierarchy heads of state on an annual basis; potential scores are 0 (no meetings), 1 (single meeting), and 2 (multiple meetings)	US Office of the Historian; Presidential Executive Office of the Russian Federation, News ^m ; Carnegie Endowment for International Peace—China Vitae ⁿ

Source: author's representation

^aStockholm International Peace Research Institute. SIPRI arms transfers database (available at <https://www.sipri.org/databases/armstransfers>)

^bNorth Atlantic Treaty Organisation. "Member Countries." (available at https://www.nato.int/cps/ie/natohq/topics_52044.htm)

^cOrganizacija Dogovora o kolektivnoj bezopasnosti [Collective Security Treaty Organisation. "Sovet Kollektivnoj Bezopasnosti" [Collective Security Council] (available at https://odkb-csto.org/authorized_organisations/collective_security_council/)

^dGeorgian Foundation for Strategic and International Studies—"Russian Military Forces: Interactive Map" (available at <https://www.gfsis.org/maps/russian-military-forces>)

^eUnited States Department of Defence—"Military Installations." (available at <https://installations.militaryonesource.mil/view-all>)

^fStatistical Office of the European Commission—"Eurostat Database" (available at <https://ec.europa.eu/eurostat/data/database>)

- ⁹Simoes, A. J. G., & Hidalgo, C. A. (2011, August)—The economic complexity observatory: An analytical tool for understanding the dynamics of economic development. In Workshops at the twenty-fifth AAAI conference on artificial intelligence (available at <https://atlas.media.mit.edu/en/>)
- ¹⁰International Monetary Fund—“Coordinated Direct Investment Survey Database” (available at <https://data.imf.org/cdis>)
- ¹¹Reporters Without Borders—“2019 Press Freedom Index” (available at <https://rsf.org/en/ranking>)
- ¹²Mechkova, V., Pemsetin, D., Seim, B., & Wilson, S. (2019) “DSP Dataset v9” Digital Society Project (DSP, available at <http://digitalsocietyproject.org/data>). See also Coppedge, M., Gerring, J., Knutsen, C. H., Lindberg, S. I., Skaaning, S. E., Teorell, J., Marquardt, K. L., Medzihorsky, J., Pemstein, D., Peres, J., von Römer, J., Stepanova, N., Tzelgov, E., Wang, Y., & Wilson, S. (2019). “V-Dem Methodology v9” Varieties of Democracy (V-Dem) Project (available at <https://www.v-dem.net/en/reference/version-9-apr-2019/>)
- ¹³See Bailey et al. (2017) and Voeten et al. (2015)
- ¹⁴United States Department of State, Bureau of Public Affairs, Office of the Historian.—“Travels Abroad of the President” and “Visits by Foreign Leaders” (available at <https://history.state.gov/departmenthistory/travels/president> and <https://history.state.gov/departmenthistory/visits>)
- ¹⁵President of Russia—“Events” (available at <http://en.kremlin.ru/events/president/trips>)
- ¹⁶Carnegie Endowment for International Peace—“China Vitae” (available at <http://www.chinavitae.com/>)

Table 9.2 Weighted models

Model name	Security	Diplomacy	Economic	Information
“All Is Important”	25%	25%	25%	25%
Realist Security model	50%	16.67%	16.67%	16.67%
International Diplomacy model	16.67%	50%	16.67%	16.67%
Cordell Hull Economic model	16.67%	16.67%	50%	16.67%
Information model	16.67%	16.67%	16.67%	50%

Source: author’s representation

induct and maintain a subordinate state in one’s own sphere of influence, a hierarch employs various tools of statecraft, such as arms sales, defence pacts, military bases, buying imports, selling exports, providing foreign direct investment, ensuring similar press freedom and digital resilience environments, arranging similar votes in the United Nations General Assembly, and granting head of state visits, without any particular emphasis on any particular tool. The other models assume that security, diplomacy, economics, and information play leading roles in the establishment of hierarchical relations between two states. Although reference is made to the other models, space restrictions preclude full breakdown of the results, and the HRI results for the “All Is Important” model are the only general ones reported. The following section, on the Eastern Partnership, provides a more detailed exploration of results by examining the security and economic models, which show that the resilience of the Eastern Partnership is under greatest threat from US-Russia security competition from the West and China-Russia economic competition from the east.

4.1 Results for Russian, Chinese, and American Hierarchical Orders in Europe and Eurasia, 2003–2017⁸

For ease of interpretation, Europe and Eurasia are roughly divided by geographical or historical congruence into three categories: post-communist countries of Central and Southeastern Europe plus the three Baltic countries, Georgia, and Ukraine; the rest of the post-Soviet states;

⁸ Due to incomplete data, results for Andorra, Macedonia, and Switzerland are not reported.

and the rest of the European continent. The choice to include Georgia and Ukraine in the post-Communist category instead of in the post-Soviet category reflects the extreme political shift towards the Euro-Atlantic order as a result of rivalry and war with Russia. Although this decision would appear to be prejudicial to the results, or “selecting on the dependent variable,” (King et al. 1994) the intent of the HRI is to evaluate resilience of subordinate states to specific hierarchs, which should be reflected in how subordinate states themselves choose to resist or accept specific hierarchical orders.⁹

4.2 “All Is Important”

For the equally weighted “All Is Important” model, Figs. 9.3, 9.4, and 9.5 display graphically the shifts in hierarchical orders across the European and Eurasian continental space. European states traditionally part of the Euro-Atlantic alliance demonstrate an appreciable decline in Russian hierarchy from 2003 to 2017, driven largely by the deterioration in economic relations with Russia in the post-Crimea sanctions era and the accompanying diplomatic isolation of Russia. The expulsion of Russia from the G-8 has limited the number of international meetings with leading European states Putin is able to attend, in addition to bilateral head of state meetings with European counterparts, except for Germany and France, who play a mediating role between the European Union and Russia. For the United States, the increase in NATO membership has consolidated Europe’s security relationships within the Euro-Atlantic hierarchy, but overall hierarchy has increased only modestly. This is driven primarily by general European divergence in United Nations General Assembly voting from the United States and the decline of the military activities of America’s strongest supporters in light of the Iraq War winding down. Chinese hierarchy in Europe also demonstrates decline, driven primarily by differences in diplomatic interactions, and informational openness between Europe and China.

⁹In fact, should Ukraine and Georgia be included in the post-Soviet states, the data show that Russia has even less control over its purported sphere of influence. The Russian bloc without Ukraine and Georgia is smaller, but purer.

In Figs. 9.3, 9.4, and 9.5, red indicates an increase in hierarchical relations and blue indicates a decrease in hierarchy, or, alternatively, an increase in resilience. The results are the differences in hierarchy scores between 2003 and 2017, which captures the height of American hierarchy as the Iraq War began, the aftermath of the Ukraine war and annexation of Crimea for Russia, and the beginning stages of the Belt and Road Initiative reaching Central Asia and Chinese investment reaching Europe. They broadly show that the United States continues to maintain strong hierarchical relations across Europe, Russia holds some sway in the former Soviet Union, and that China is increasing its presence from east to west. The underlying data are presented in the Annexes (in the “All is important” model data section).

The following section focuses on the resilience of the European Union and the Eastern Partnership to external powers, showing that security competition between Russia and the United States defines the borderlands of Europe, and economic competition from China is bringing the borders of Eurasia closer to Europe.

Figure 9.3 depicts the greatest declines in Russian hierarchy to be in Ukraine, Georgia, the UK, and Kyrgyz Republic. The first two states engaged in armed conflict against Russia, the UK experienced several poisonings on its territory, and Kyrgyz Republic studiously pursued multi-vector diplomacy, following the Tulip Revolution of 2003. Russia increased its hierarchical presence in four groups of states: Belarus, Armenia, and Azerbaijan, where imposed security considerations from the Collective Security Treaty Organisation (CSTO) have grown; Greece and Turkey, which have sought alternative partners due to economic and political troubles with the Euro-Atlantic alliance; Iceland and Finland, which have acted as diplomatic go-betweens for the Euro-Atlantic alliance and Russia outside of the major visits by the leaders of France and Germany; and Cyprus, Malta, and Czech Republic, which provide numerous, and often dubious, financial services for Russian individuals and firms (Ledyaeva et al. 2013; Cooley et al. 2018).

Whereas Russia experienced declines across much of Europe, especially Eastern Europe, the opposite can be said for the United States. Figure 9.4 depicts declines concentrated largely in Western Europe, driven primarily by the diplomatic divergence caused by the Iraq War.

The rest of Europe reflects the expansion of NATO and the importance of the United States as an offshore balancer to Russia.

Figure 9.5 shows the beginning stages of Chinese entry into Europe and Eurasia on the basis of economic expansion. While the strongest increases of Chinese hierarchy are in Central Asia, where the Belt and Road Initiative has already started to reshape the trade and infrastructure patterns of the region, other increases follow no fixed geographical pattern, showing instead the general increase of Chinese investment and trade.

5 Eastern Partnership and the Shape of International Relations

The states of the Eastern Partnership are hemmed in between US-Russia security competition from the West, and China-Russia economic competition from the east. Figures 9.6–9.10 showing the Security and Economic models for the broader region illustrate the challenges for the European Union and the Eastern Partnership very clearly: (1) Western Europe losing enthusiasm for American leadership causes debate within the United States over the value of NATO as a defensive security alliance, posing a looming threat for abandonment of the newer European Union states and Eastern Partnership states, which itself would impose likely unattainable security requirements for the European Union; (2) the economic absence of the United States from Central Asia alongside Russia's declining clout in the region is shifting the region towards China, which will inhibit European Union efforts to export and establish its more transparent and sustainable rules of engagement and investment. The HRI shows that the resilience of the Eastern Partnership, not least the European Union itself, is dependent on the European Union, recognising the competitive nature of contemporary international politics and actively bolstering its regional foreign policy efforts, either towards supporting the United States more aggressively or generating independent security capabilities. Russia has been able to stop the development of the Eastern

Partnership through security means, and China has been able to provide a plausible alternative to it through economic means.

The following graphical representations of the Security and Economic models show the result of Russia's ability to impose security outcomes in Ukraine (war and annexation), Georgia (war and secessionist territories), and Moldova (frozen conflict), and China's economic might. They show that both the European Union's attempts to create a new wave of expansion and Russia's attempt to recreate a previously existing sphere of influence have failed. The data for Figs. 9.6, 9.7, 9.8, 9.9, and 9.10 are included in the Annexes (in the Eastern Partnership data section).

Figures 9.6 and 9.7 present the security competition between the United States and Russia in Europe and Eurasia. Figure 9.6, depicting American security hierarchy, is the story of NATO expansion into Central, Eastern, and Southeastern Europe, as well as influence in those states seeking alternative security outcomes in the Caucasus (Georgia) and Central Asia (Uzbekistan). Figure 9.7, depicting Russian hierarchy, shows more declines generally and deepening mostly in Belarus and Armenia.

The key lesson for the European Union in general and particularly with regard to the Eastern Partnership is that Russian security policy is based around being recognised as a great power, especially by the United States. Figures 9.6 and 9.7 show the challenge for Russia to succeed on its own terms; the Eastern Partnership thus serves as metaphor for Russia's place in the world. The zero-sum view of great power competition that pushes Russian policymakers to view states as won or lost by how subordinate they are to Russian leadership has resulted in more American security presence in its region than ever before.

The second key lesson for what international politics poses for the European Union and its Eastern Partnership programme is that Chinese economic power is making its way closer. Figures 9.8, 9.9, and 9.10 present the American, Russian, and Chinese economic hierarchy models, and the visual results confirm anecdotal observations: Russia is receding as an economic power, the United States has little presence in Central Asia, and China is advancing westwards. Failure to redouble efforts in the Eastern Partnership will leave those states balancing between China and

Russia as economic versus security powers with relatively less European influence.

In an economically competitive international arena, China's economic strategy has been to go slowly but surely, perhaps in line with Cordell Hull's admonition to develop economic relationships as a prelude to political, and then security, ties. For the economically less developed states along the Belt and Road Initiative, it would appear that the easy foreign direct investment and attractive sovereign debt purchases have led to reshaping of import and export trade ties (Hurley et al. 2018). The studious "sustainability" approach of the European Union and European Bank of Reconstruction and Development may not appear as attractive in practice.¹⁰

6 Conclusions

This chapter evaluated the existence and development of hierarchy in Europe and Eurasia and found that of the three basic regions—the post-Soviet states that have hewn closely to Russia, the post-communist states that have migrated into the Euro-Atlantic hierarchy, and the traditional allies of the United States—Russia's efforts to bolster its hierarchical bloc through new subordinate allies have largely failed to get traction. In Central Asia, China has turned that region into a Western outpost of its powerful economy, while in Eastern and Central Europe, most states have sought closer and deeper relations with the United States and the European Union.

The Eastern Partnership, however, was the move that prompted Russia to push back as stridently as possible against foreign power and influence in its neighbouring states (Bechev 2015). Russia distinguished the Baltic republics of Estonia, Latvia, and Lithuania from the six states of the Eastern Partnership—Armenia, Azerbaijan, Belarus, Georgia, Moldova,

¹⁰ see European Commission—"EU Approach to Sustainable Development" (available at https://ec.europa.eu/info/strategy/international-strategies/sustainable-development-goals/eu-approach-sustainable-development_en) and European Bank for Reconstruction and Development—"Our Sustainability Approach" (available at https://eas.europa.eu/diplomatic-network/eastern-partnership_en?page=1).

and Ukraine—because of different historical relationships (Larson and Shevchenko 2014; Nielsen and Vilson 2014). If Russia were to remake a sphere of influence in its direct bordering lands to compete as a great power in international affairs, it would have had to be through the states the Euro-Atlantic alliance was also interested in shaping. In the competition for the states of Eastern Europe and the Caucasus over the period from 2003 to 2017, Russia lost Georgia and Ukraine completely as potential subordinate allies, has effectively lost Moldova, yet has increased its control over Armenia, Azerbaijan, and Belarus. The existence of territorial disputes, ongoing conflict, and frozen conflicts in Georgia, Moldova, and Ukraine are the mechanisms by which Russia continues to extend influence into those states, so resolution of those conflicts would likely see Russian influence diminish even further and thus unlikely for the foreseeable future.

Finally, the chief lesson for policymakers in the European Union is that competition has returned to define international politics of Europe and its borderlands. The ability, and success, of the European Union to maintain its own institutions and collective sovereignty will depend upon buttressing the political, economic, security, and informational hierarchies of the Euro-Atlantic alliance and offering material support and leadership to those states that show an interest in joining or allying with the European Union. Failure to do so will be considered in those states, and by external powers, that the European Union is not willing to backup lofty rhetoric with concrete substance.

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Annex 1: Methodology for the Hierarchy and Resilience Index

To explain how the Hierarchy and Resilience Index is generated between all of the states of Europe and Eurasia and the three external powers, Russia, China, and the United States, this section of the Annexes explains the scoring for Georgia in 2003 and 2017.

The categories, indicators, and data sources for a country's HRI score relative to an external power are explained in great detail in Table 9.1. Each indicator is weighted equally within the category.

For the security category, the three indicators are arms sales, defence pacts, and military bases of the external power.

Arms sales are coded 0 (none from the three hierarchs), 0.5 (multiple suppliers), or 1 (one of the hierarchs). Georgia in 2003 had no arms imports from Russia, China, or the United States and is coded as zero. Georgia in 2017 had arms imports from the United States only and is coded as 1 (Table 9.3).

Defence pacts are a binary indicator of formal defence treaty between hierarch and subordinate, and although Georgia had been a member of the CSTO from 1994–1999; in both 2003 and 2017, the country was a member of no pact and is coded as zero for both.

Military bases are a binary indicator of subordinate's acceptance of hierarch's military base on own territory. In 2003, Georgia is coded as 1 for Russia in 2003 because Russian military bases were in Abkhazia and South Ossetia. Following the war between Georgia and Russia in 2008, Georgia lost sovereignty over those territories and is coded as zero for Russia in 2017.

For the economy category, the three indicators are export, import, and foreign direct investment dependence between a state and a hierarch, which is normalised to a score between 0 and 1 for each indicator to denote complete resilience to complete subordination to a hierarch.

Table 9.3 Hierarchy and Resilience Index, Georgia 2003 and 2017

	Russia		China		United States	
	2003	2017	2003	2017	2003	2017
Arms sales	0	0	0	0	0	1
Defense pacts	0	0	0	0	0	0
Military bases	1	0	0	0	0	0
Security hierarchy score	0.33	0	0	0	0	0.33
Export dependence	0.09	0.1257	0.01	0.066	0.0438	0.0449
Import dependence	0.1	0.0974	0.02	0.0937	0.0883	0.0263
FDI dependence	n/a	0.0311	n/a	0.0583	n/a	0.0199
Economic hierarchy score	0.1	0.0848	0.01	0.0724	0.0661	0.0304
PFI score	0.58	0.5307	0.51	0.3743	0.7654	0.8827
Digital-informational score	0.35	0.3215	0.35	0.3215	0.3466	0.3215
Informational hierarchy score	0.46	0.4757	0.43	0.3479	0.5560	0.6021
UNGA voting	0.64	0.4434	0.51	0.4690	0.3095	0.3739
Head of State meetings	0.5	0	0	0	0	0
Diplomacy hierarchy score	0.57	0.2217	0.26	0.2345	0.1548	0.1870
All Is Equal Score	0.37	0.1956	0.17	0.1637	0.1711	0.2566

Source: author's representation

For the informational category, the two indicators are (1) difference in places in the annual Press Freedom Index (PFI) ranking divided by total number of countries and (2) expert evaluations of a country's general digital-informational resilience. Scores for media freedom range from 0 (complete divergence) to 1 (same score) for a state relative to a hierarchy. Scores for digital-informational resilience is not relative to a hierarchy but is dynamic over time, and resilience is scored from 0 (complete lack of digital resilience) to 4 (complete resilience).

For the diplomatic category, the two indicators are how often a subordinate vote with or against the hierarchy in the United Nations General Assembly and how often the head of state (or government if the head of state is ceremonial) from the subordinate meets with his or her counterpart from the hierarchy. Scores for the United Nations General Assembly

range from 0 (no convergence between votes, meaning that subordinate state votes the opposite of the hierarchy on every single vote) to 1 (complete convergence between votes, meaning that subordinate state votes with the hierarchy on every single vote). Scores for the head of state meetings are 0 (no meetings), 1 (single meeting), and 2 (multiple meetings).

“All Is Important” Model Data

Although the Figures in the chapter graphically portrayed shifts in the international affairs over the previous 15 years, Tables 9.4, 9.5, and 9.6 provide the granular data. For ease of interpretation, Europe and Eurasia are divided into three geographical and historically rooted regions: Continental Europe, Post-Communist Europe, and Post-Soviet Europe and Eurasia.

In Table 9.4, the data show, with relatively few exceptions, the most significant declines occurred in Russian hierarchy, weaker declines in Chinese hierarchy, and modest increases in American hierarchy.

Table 9.5 provides the data for the post-Communist countries of Central and Southeastern Europe plus the three Baltic states, Ukraine, and Georgia. They show a much heavier decline in Russian hierarchy, a weak increase in Chinese hierarchy, and a dramatic increase in American hierarchy. As noted above, including Georgia and Ukraine in the post-Communist category instead of in the post-Soviet category reflects the extreme political shift of these states towards the Euro-Atlantic order as a result of rivalry and war with Russia. Ukraine and Georgia, perhaps followed by Moldova in the near future, have replicated the experience of other states in the region, and demonstrate that states can leave the Russian sphere of influence, albeit at great cost.

Table 9.6 provides the data for the remaining post-Soviet states. They show decline in American hierarchy; weak increase Russian hierarchy; and, critically for the future, stronger increase in Chinese hierarchy. Russia is concerned about its great power confrontation with the United States and has acted to reinforce its prerogatives in the states that have not

Table 9.4 Continental Europe, "All Is Important" model, 2003–2017

	RUS, % Diff,			USA, % Diff,			CHI, % Diff,		
	RUS 2003	RUS 2017	2003 to 2017	USA 2003	USA 2017	2003 to 2017	CHI 2003	CHI 2017	2003 to 2017
Austria	0.1482	0.1278	-16.02%	0.1118	0.1106	-1.09%	0.1285	0.1028	-24.97%
Belgium	0.1355	0.1254	-8.07%	0.2764	0.3556	22.28%	0.1113	0.1069	-4.05%
Cyprus	0.2051	0.2262	9.36%	0.1686	0.1274	-32.29%	0.1862	0.1231	-51.27%
Denmark	0.1266	0.1129	-12.14%	0.3210	0.2589	-24.00%	0.1032	0.1589	35.03%
Finland	0.1361	0.2394	43.12%	0.1047	0.1701	38.42%	0.1722	0.1576	-9.25%
France	0.2912	0.2844	-2.38%	0.4277	0.3731	-14.62%	0.1224	0.1282	4.59%
Germany	0.2623	0.1943	-35.00%	0.3558	0.4385	18.86%	0.1775	0.1167	-52.16%
Greece	0.1600	0.2479	35.44%	0.4390	0.5541	20.77%	0.1336	0.2277	41.32%
Iceland	0.1398	0.1848	24.38%	0.2903	0.3527	17.69%	0.1135	0.1049	-8.19%
Ireland	0.1608	0.1270	-26.60%	0.2147	0.2338	8.20%	0.1396	0.1144	-22.02%
Italy	0.3030	0.2232	-35.73%	0.5247	0.4575	-14.69%	0.1561	0.1475	-5.79%
Luxembourg	0.1204	0.1199	-0.47%	0.1741	0.2831	38.50%	0.1174	0.1009	-16.35%
Malta	0.1581	0.1537	-2.84%	0.1399	0.1449	3.50%	0.2102	0.1389	-51.29%
Netherlands	0.1339	0.1211	-10.56%	0.4204	0.3667	-14.63%	0.1135	0.1753	35.24%
Norway	0.1353	0.1176	-14.98%	0.4206	0.3673	-14.52%	0.1114	0.0970	-14.81%
Portugal	0.1551	0.1282	-20.98%	0.4057	0.3505	-15.75%	0.1218	0.1701	28.36%
Spain	0.1605	0.1334	-20.30%	0.4156	0.4219	1.48%	0.1296	0.1151	-12.57%
Sweden	0.1449	0.1078	-34.44%	0.1007	0.1021	1.41%	0.1166	0.0972	-19.91%
Turkey	0.3069	0.3872	20.74%	0.4522	0.5596	19.18%	0.2279	0.2508	9.12%
U.K.	0.2803	0.1535	-82.66%	0.5375	0.4845	-10.92%	0.1862	0.1968	5.40%
Average	0.1832	0.1758	-9.51%	0.3151	0.3257	2.39%	0.1439	0.1415	-6.68%
Median	0.1566	0.1434	-11.35%	0.3384	0.3542	1.44%	0.1290	0.1257	-8.72%

Source: Author's representation

Table 9.5 Post-Communist Europe, "All Is Important" model, 2003–2017

	RUS 2003		RUS 2017		RUS, % Diff, 2003 to 2017		USA 2003		USA 2017		USA, % Diff, 2003 to 2017		CHI 2003		CHI 2017		CHI, % Diff, 2003 to 2017				
Albania	0.1727	0.1874	0.1749	0.1857	0.1389	0.1307	0.4088	0.1634	0.1458	0.1509	0.1396	0.1895	0.1458	0.1509	0.1396	0.1895	0.1458	0.1509	11.14%		
Bosnia & Herzegovina	0.2067	0.1617	0.2073	0.2918	0.0997	0.2892	0.2892	0.2892	0.1098	0.0993	0.1098	0.0993	0.1098	0.0993	0.1098	0.0993	0.1098	0.0993	0.1098	3.35%	
Bulgaria	0.3006	0.2215	0.2883	0.2477	0.1907	0.1863	0.4295	0.3210	0.1396	0.1895	0.1396	0.1895	0.1396	0.1895	0.1396	0.1895	0.1396	0.1895	26.33%		
Croatia	0.2073	0.2918	0.2073	0.2918	0.2608	0.3949	0.3949	0.3949	0.1207	0.1835	0.1207	0.1835	0.1207	0.1835	0.1207	0.1835	0.1207	0.1835	19.29%		
Czech Rep.	0.2067	0.1617	0.2067	0.1617	0.0997	0.2892	0.2892	0.2892	0.1098	0.0993	0.1098	0.0993	0.1098	0.0993	0.1098	0.0993	0.1098	0.0993	0.1098	34.23%	
Estonia	0.3660	0.1956	0.3033	0.3226	0.1711	0.2566	0.2566	0.2566	0.1741	0.1637	0.1741	0.1637	0.1741	0.1637	0.1741	0.1637	0.1741	0.1637	0.1741	-10.51%	
Georgia	0.2389	0.2009	0.2389	0.2009	0.2009	0.3346	0.3346	0.3346	0.1937	0.1635	0.1937	0.1635	0.1937	0.1635	0.1937	0.1635	0.1937	0.1635	0.1937	-6.34%	
Hungary	0.1849	0.1869	0.1849	0.1869	0.1729	0.3203	0.3203	0.3203	0.1208	0.1238	0.1208	0.1238	0.1208	0.1238	0.1208	0.1238	0.1208	0.1238	0.1208	0.1238	-18.49%
Latvia	0.2258	0.1832	0.2258	0.1832	0.1792	0.3037	0.3037	0.3037	0.1230	0.1234	0.1230	0.1234	0.1230	0.1234	0.1230	0.1234	0.1230	0.1234	0.1230	0.1234	2.40%
Lithuania	0.2453	0.1736	0.2453	0.1736	0.4188	0.3855	0.3855	0.3855	0.1359	0.2096	0.1359	0.2096	0.1359	0.2096	0.1359	0.2096	0.1359	0.2096	0.1359	0.2096	0.36%
Poland	0.1577	0.1757	0.1577	0.1757	0.2062	0.3785	0.3785	0.3785	0.1593	0.1395	0.1593	0.1395	0.1593	0.1395	0.1593	0.1395	0.1593	0.1395	0.1593	0.1395	35.18%
Romania	0.2425	0.2197	0.2425	0.2197	0.1834	0.3141	0.3141	0.3141	0.1233	0.1224	0.1233	0.1224	0.1233	0.1224	0.1233	0.1224	0.1233	0.1224	0.1233	0.1224	-14.19%
Slovakia	0.4345	0.2389	0.4345	0.2389	0.1171	0.2904	0.2904	0.2904	0.1310	0.1329	0.1310	0.1329	0.1310	0.1329	0.1310	0.1329	0.1310	0.1329	0.1310	0.1329	-0.73%
Slovenia	0.2499	0.2129	0.2499	0.2129	0.1894	0.2805	0.2805	0.2805	0.2388	0.2654	0.2388	0.2654	0.2388	0.2654	0.2388	0.2654	0.2388	0.2654	0.2388	0.2654	1.42%
Ukraine	0.2389	0.1956	0.2389	0.1956	0.1898	0.3247	0.3247	0.3247	0.1506	0.1599	0.1506	0.1599	0.1506	0.1599	0.1506	0.1599	0.1506	0.1599	0.1506	0.1599	10.03%
Average	0.2389	0.1956	0.2389	0.1956	0.1834	0.3203	0.3203	0.3203	0.1396	0.1613	0.1396	0.1613	0.1396	0.1613	0.1396	0.1613	0.1396	0.1613	0.1396	0.1613	3.66%
Median	0.2389	0.1956	0.2389	0.1956	0.1834	0.3203	0.3203	0.3203	0.1396	0.1613	0.1396	0.1613	0.1396	0.1613	0.1396	0.1613	0.1396	0.1613	0.1396	0.1613	1.42%

Source: Author's representation

Table 9.6 Post-Soviet Europe, "All Is Important" model, 2003–2017

	RUS 2003		RUS 2017		RUS, % Diff, 2003 to 2017		USA 2003		USA 2017		USA, % Diff, 2003 to 2017		CHI 2003		CHI 2017		CHI, % Diff, 2003 to 2017		
Armenia	0.5542	0.6465	0.1761	0.1624	14.28%	0.1761	0.1624	-8.41%	0.2129	0.1919	-10.96%	0.2129	0.1919	-10.96%	0.2129	0.1919	-10.96%	0.2129	0.1919
Azerbaijan	0.3777	0.4791	0.2617	0.2089	21.17%	0.2617	0.2089	-25.29%	0.2794	0.2953	5.37%	0.2794	0.2953	5.37%	0.2794	0.2953	5.37%	0.2794	0.2953
Belarus	0.6854	0.7602	0.1854	0.1945	9.85%	0.1854	0.1945	4.65%	0.2635	0.2540	-3.71%	0.2635	0.2540	-3.71%	0.2635	0.2540	-3.71%	0.2635	0.2540
Kazakhstan	0.6912	0.6505	0.2569	0.2336	-6.25%	0.2569	0.2336	-9.96%	0.2987	0.2978	-0.29%	0.2987	0.2978	-0.29%	0.2987	0.2978	-0.29%	0.2987	0.2978
Kyrgyzstan	0.6821	0.5550	0.2637	0.1641	-22.90%	0.2637	0.1641	-60.72%	0.2764	0.2903	4.79%	0.2764	0.2903	4.79%	0.2764	0.2903	4.79%	0.2764	0.2903
Moldova	0.3908	0.3513	0.1657	0.1896	-11.25%	0.1657	0.1896	12.60%	0.1905	0.1627	-17.08%	0.1905	0.1627	-17.08%	0.1905	0.1627	-17.08%	0.1905	0.1627
Tajikistan	0.6244	0.6578	0.2114	0.2362	5.07%	0.2114	0.2362	10.48%	0.2747	0.4273	35.72%	0.2747	0.4273	35.72%	0.2747	0.4273	35.72%	0.2747	0.4273
Turkmenistan	0.3710	0.3964	0.2103	0.2047	6.40%	0.2103	0.2047	-2.72%	0.3179	0.4768	33.33%	0.3179	0.4768	33.33%	0.3179	0.4768	33.33%	0.3179	0.4768
Uzbekistan	0.4500	0.4311	0.2338	0.2953	-4.37%	0.2338	0.2953	20.83%	0.2752	0.3375	18.44%	0.2752	0.3375	18.44%	0.2752	0.3375	18.44%	0.2752	0.3375
Average	0.5363	0.5475	0.2183	0.2099	1.33%	0.2183	0.2099	-6.50%	0.2655	0.3037	7.29%	0.2655	0.3037	7.29%	0.2655	0.3037	7.29%	0.2655	0.3037
Median	0.5542	0.5550	0.2114	0.2047	5.07%	0.2114	0.2047	-2.72%	0.2752	0.2953	4.79%	0.2752	0.2953	4.79%	0.2752	0.2953	4.79%	0.2752	0.2953

Source: author's representation

explicitly abandoned it, but the future trend in the post-Soviet region is Russia failing to compete economically with China. The future of Russia in its own self-declared sphere of influence is deciding which of Chinese economic competition and American security competition is the more proximate political threat.

Annex 2: Eastern Partnership Data

Every single model shows that Armenia, Azerbaijan, and Belarus have deepened subordination to Russia, while Georgia, Moldova, and Ukraine have increased resilience to Russia. Only Belarus' studious attempts at multi-vector foreign policy prevents the same set of states taking the opposite position on American hierarchy (Leshchenko 2008; Gnedina 2015).

Table 9.7 Eastern partnership, "All Is Important" model, 2003–2017

	RUS 2003		RUS 2017		RUS, % Diff, 2003 to 2017		USA 2003		USA 2017		USA, % Diff, 2003 to 2017		CHI 2003		CHI 2017		CHI, % Diff, 2003 to 2017	
Armenia	0.5542	0.6465	0.6465	0.1761	0.1761	14.28%	0.1624	0.1761	0.1624	0.1624	-8.41%	0.2129	0.1919	0.2129	0.1919	0.1919	0.1919	-10.96%
Azerbaijan	0.3777	0.4791	0.4791	0.2617	0.2617	21.17%	0.2089	0.2617	0.2089	0.2089	-25.29%	0.2794	0.2953	0.2794	0.2953	0.2953	0.2953	5.37%
Belarus	0.6854	0.7602	0.7602	0.1854	0.1854	9.85%	0.1945	0.1854	0.1945	0.1945	4.65%	0.2635	0.2540	0.2635	0.2540	0.2540	0.2540	-3.71%
Georgia	0.3660	0.1956	0.1956	0.1711	0.1711	-87.18%	0.2566	0.1711	0.2566	0.2566	33.30%	0.1741	0.1637	0.1741	0.1637	0.1637	0.1637	-6.34%
Moldova	0.3908	0.3513	0.3513	0.1657	0.1657	-11.25%	0.1896	0.1657	0.1896	0.1896	12.60%	0.1905	0.1627	0.1905	0.1627	0.1627	0.1627	-17.08%
Ukraine	0.4345	0.2389	0.2389	0.1894	0.1894	-81.87%	0.2805	0.1894	0.2805	0.2805	32.47%	0.2388	0.2654	0.2388	0.2654	0.2654	0.2654	10.03%
Average	0.4681	0.4453	0.4453	0.1916	0.1916	-22.50%	0.2154	0.1916	0.2154	0.2154	8.22%	0.2265	0.2222	0.2265	0.2222	0.2222	0.2222	-3.78%
Median	0.4127	0.4152	0.4152	0.1807	0.1807	-0.70%	0.2017	0.1807	0.2017	0.2017	8.63%	0.2258	0.2230	0.2258	0.2230	0.2230	0.2230	-5.03%

Source: Author's representation

Table 9.8 Eastern partnership, security model, 2003–2017

	RUS 2003		RUS 2017		RUS, % Diff, 2003–2017		USA 2003		USA 2017		USA, % Diff, 2003–2017		CHI 2003		CHI 2017		CHI, % Diff, 2003 to 2017	
	Sec'y	Sec'y	Sec'y	Sec'y	%	%	Sec'y	Sec'y	Sec'y	Sec'y	%	%	Sec'y	Sec'y	Sec'y	Sec'y	%	%
Armenia	0.5917	0.7644	0.1174	0.1083	22.59%	0.1745	0.1393	0.1419	0.1279	-8.41%	0.1863	0.1969	0.1863	0.1969	0.1279	0.1279	-10.96%	-10.96%
Azerbaijan	0.3629	0.4305	0.1745	0.1393	15.71%	0.1236	0.1296	0.1863	0.1969	-25.29%	0.1757	0.1694	0.1757	0.1694	0.1694	0.1694	-3.71%	5.37%
Belarus	0.6791	0.8402	0.1236	0.1296	19.17%	0.1141	0.2822	0.1757	0.1694	4.65%	0.1160	0.1091	0.1160	0.1091	0.1091	0.1091	-6.34%	-6.34%
Georgia	0.3551	0.1304	0.1141	0.2822	-172.40%	0.1105	0.1264	0.1270	0.1085	59.57%	0.1270	0.1085	0.1270	0.1085	0.1085	0.1085	-17.08%	-17.08%
Moldova	0.2605	0.2342	0.1105	0.1264	-11.25%	0.1263	0.1870	0.1592	0.1769	12.60%	0.1592	0.1769	0.1592	0.1769	0.1769	0.1769	10.03%	10.03%
Ukraine	0.2897	0.1593	0.1263	0.1870	-81.87%	0.1277	0.1621	0.1510	0.1481	-34.68%	0.1510	0.1481	0.1510	0.1481	0.1481	0.1481	-3.78%	-3.78%
Average	0.4232	0.4265	0.1277	0.1621	-34.68%	0.1205	0.1345	0.1505	0.1486	2.23%	0.1505	0.1486	0.1505	0.1486	0.1486	0.1486	-5.03%	-5.03%
Median	0.3590	0.3323	0.1205	0.1345	2.23%													

Source: Author's representation

Table 9.9 Eastern partnership, economic model, 2003–2017

	RUS 2003 Econ	RUS 2017 Econ	RUS, % Diff, 2003–2017	US 2003 Econ	US 2017 Econ	USA, % Diff, 2003–2017	CHI 2003 Econ	CHI 2017 Econ	CHI, % Diff, 2003–2017
Armenia	0.4158	0.5286	21.35%	0.1491	0.1183	-26.07%	0.1442	0.1468	1.74%
Azerbaijan	0.2821	0.3433	17.81%	0.1873	0.1485	-26.08%	0.1979	0.2123	6.78%
Belarus	0.6279	0.6789	7.51%	0.1304	0.1328	1.76%	0.1801	0.1818	0.91%
Georgia	0.2759	0.1586	-73.93%	0.1361	0.1812	24.88%	0.1203	0.1332	9.73%
Moldova	0.3323	0.2783	-19.42%	0.1209	0.1313	7.90%	0.1306	0.1210	-7.99%
Ukraine	0.3736	0.1969	-89.68%	0.1343	0.1969	31.77%	0.1710	0.1939	11.80%
Average	0.3846	0.3641	-22.73%	0.1430	0.1515	2.36%	0.1574	0.1648	3.83%
Median	0.3529	0.3108	-5.95%	0.1352	0.1406	4.83%	0.1576	0.1643	4.26%

Source: Author's representation

Table 9.10 Eastern partnership, diplomacy model, 2003–2017

	RUS 2003 Diplo'y	RUS 2017 Diplo'y	RUS, % Diff, 2003–2017	US 2003 Diplo'y	US 2017 Diplo'y	USA, % Diff, 2003–2017	CHI 2003 Diplo'y	CHI 2017 Diplo'y	CHI, % Diff, 2003–2017
Armenia	0.6698	0.6966	3.84%	0.1503	0.1492	-0.75%	0.2655	0.2342	-13.36%
Azerbaijan	0.3859	0.5923	34.85%	0.2827	0.1776	-59.18%	0.3314	0.3260	-1.65%
Belarus	0.7628	0.7917	3.66%	0.1493	0.1624	8.10%	0.3142	0.2940	-6.88%
Georgia	0.4345	0.2043	-112.69%	0.1657	0.2334	29.01%	0.2014	0.1873	-7.54%
Moldova	0.5420	0.4765	-13.75%	0.1530	0.1922	20.38%	0.2217	0.1883	-17.77%
Ukraine	0.5782	0.2426	-138.33%	0.1639	0.3537	53.65%	0.2709	0.3450	21.47%
Average	0.5622	0.5007	-37.07%	0.1775	0.2114	8.53%	0.2675	0.2625	-4.29%
Median	0.5601	0.5344	-5.05%	0.1585	0.1849	14.24%	0.2682	0.2641	-7.21%

Source: Author's representation

Table 9.11 Eastern partnership, informational model, 2003–2017

	RUS 2003 Info	RUS 2017 Info	RUS, % Diff, 2003–2017	US 2003 Info	US 2017 Info	USA, % Diff, 2003–2017	CHI 2003 Info	CHI 2017 Info	CHI, % Diff, 2003–2017
Armenia	0.5395	0.5966	9.56%	0.2874	0.2738	-4.97%	0.2999	0.2585	-16.00%
Azerbaijan	0.4797	0.5503	12.82%	0.4025	0.3702	-8.72%	0.4022	0.4460	9.84%
Belarus	0.6717	0.7302	8.02%	0.3384	0.3531	4.15%	0.3839	0.3710	-3.47%
Georgia	0.3986	0.2889	-37.95%	0.2687	0.3296	18.49%	0.2585	0.2251	-14.86%
Moldova	0.4284	0.4162	-2.93%	0.2783	0.3084	9.76%	0.2828	0.2332	-21.24%
Ukraine	0.4966	0.3568	-39.17%	0.3332	0.3845	13.36%	0.3540	0.3457	-2.38%
Average	0.5024	0.4898	-8.27%	0.3181	0.3366	5.35%	0.3302	0.3133	-8.02%
Median	0.4881	0.4833	2.55%	0.3103	0.3413	6.95%	0.3269	0.3021	-9.16%

Source: Author's representation

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10

Organisations and Resilience: What Relevance for the Eastern Partnership?

Gilles Rouet and Thierry Côme

1 Introduction

The concept of “resilience” is now very popular and is generally used to highlight some individual or collective characteristics. This concept or paradigm is both explanatory and prospective in nature and is used in various fields, from political science or management, to policymaking. As such, this concept is of high importance for companies and governments alike, both of which seek to build or use a “culture of resilience”, so that institutions/organisations could better implement strategies, as quickly as possible, as well as to ensure continuity and to avoid those ruptures leading to chaos, or even to a system’s disappearance. A resilient system implies

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that those dysfunctions induced mainly by external factors, but also by internal ones, could often be avoided, the risks controlled, and, even in case of major stressors, the organisations could still find their equilibrium, thus returning to an efficient and effective structure once more.

In *The End of History and the Last Man* published in 1992, Fukuyama stresses the ideological victory of liberal democracy and its undeniable supremacy over all other political or economic ideologies. He does not exclude the possibility of conflicts, but he affirms the capacity of liberal democracy to always being able to recover from crises and to maintain its ideological domination. This idea, even if it has been contested, notably by historians (Jeanneney 2001), has largely influenced the minds of American or European policymakers. Thus, spreading liberal democracy became a standard practice for the US and EU in developing their international relations, particularly with respect to the countries of the Eastern Bloc. The current understanding of the concept of resilience and its assertion as a goal of European policy comes from the internalisation of this norm by Brussels decision makers. However, the certainty of a world that is automatically overcoming shocks and crises of external or internal origin and always straightening like a roly-poly by the sole force of the principles of the market economy and liberal democracy has been undermined by the volatility of financial markets, the emergence of new ideologies (radical Islamism) and the migratory tensions.

This certainty also suffers from a recent wave of questioning the very foundations of an economic model of development that is no longer ideological, but ecological in nature. Climate change, the decline in biodiversity and the greenhouse effects call for other approaches than implementing the principles of liberalism alone. As such, European policymakers have now realised that resilience is not self-evident. Resilience must be maintained, supported and developed whether it is preventive (*ex ante*) or curative (*ex post*). Consequently, it became a matter of further examining the role of organisations, institutions, conventions, standards and culture in order to contribute to building resilience of this new system put in place by Europeans in their relations with the countries of the former Soviet bloc.

Within this context, the European Neighbourhood Policy (ENP) was revised in November 2015, in order to bring into line the cooperation

practices with the context of increased fragility of most EU partners. In particular, crises appear to be more sustainable, be they economic, political, social or ecological, the democracies seem to have a less solid foundation, and the mass media seems less and less independent, whereas civil society and non-governmental organisations appear more and more controlled, through new high-tech tools (Schumacher 2015; Blockmans 2017). The previous ENP was based on the idea that it was possible, in Eastern Europe, to promote through structural reforms, the creation of proper conditions to foster a functioning democracy that could allow the establishment of an open market economy, in line with the rules of major global institutions (IMF, WTO, World Bank). These institutions often advocated the opposite, respectively the necessity to establish a market economy prior to ensuring a functioning democracy. The meaning given by the European Commission and the aforementioned institutions to the notion of “good governance” particularly illustrates this major difference in their approaches. While for the European Commission, good governance is rather political, as it is allowing stakeholders to express themselves and to be taken into account in all sorts of organisations, for financial institutions, “good governance” is primarily economic, allowing private players and generally the business sector to control the way in which their input and contributions are being used within the system.

In the frame of the ENP, the political and social democratisation is being articulated at the same pace with economic development. In reality, the two processes are not unfolding at the same pace; democracy is being turned into hybrid systems where the only resilience that remains is that of the authoritarian practices of the Soviet bloc, or, in some extreme cases, into rising nationalism and xenophobia. Moreover, the envisioned economic development of the EaP partners, in a context of the financial crisis and international tensions, has not occurred. Within this context, the European Commission has clearly understood the limits of the EaP. The fragility of these young democracies, their insufficient rooting within their tenuous societies and organisations, does not allow them to be resilient. Moreover, the European *inertia*, particularly in the framework of Brexit or the necessary rescheduling of debts (the case of Greece), no longer allows the EU to propose, in response to shocks and crises appropriate global actions, but measures that would only be temporarily

curative, and financially too expensive to be effective *ex-post*. The EU has therefore embarked on a new partnership policy advocating a differentiated approach, taking into account the specificities of each state but with a proposal of a win-win strategy. Subsequently, EU's actions in the eastern neighbourhood take into account the aspirations of the EaP countries, the needs of the partners and the interests of the EU. While the objectives of the new ENP remain largely identical and rather political in nature—good governance, democracy, the rule of law, and human rights—the novelty is the promotion of sustainable economic development, a path favoured by the EU to strengthen the resilience of its partners. As such, the focus is on structural reforms, in order to improve the business environment, to boost trade and to increase competitiveness; even the adaptation of education to the needs of the real economy, which remains a strong point of this policy, shows that the support for the resilience of the EaP countries fits well into a liberal perspective. Consequently, the EU's Global Strategy now focuses on the strategic concept of resilience, understood as “a capacity to resist and regenerate”, so as to be able to become “crisis-proof” (European Council 2017).

The current EU Global Strategy builds on the resilience of member states and neighbouring states that includes the ability to defend against attacks, as well as to repair the damage done. This resilience also makes it possible to set up preventive structures against these attacks. The concept of resilience in this strategy relates to internal and external security and concerns all individuals and the whole society, and therefore all organisations as well. Thus, a resilient society is supposed to operate democratically, based on institutional trust and sustainable development. It is therefore necessary to promote an integrated approach that includes all stakeholders. For some, this strategic evolution based on the concept of resilience devotes a conservative foreign and security policy that can reduce the possibilities of transformation (Biscop 2017). However, it is important for the EU to promote both stability and democracy through its external actions in neighbouring countries, which may seem contradictory, at times (Bendiek 2017, p. 14), by developing or strengthening its capacity to avoid external hazards and stabilise neighbouring states. For this, it becomes important to try to transform the environment of the EU, but how? In this regard, it is needed to define the involved actors. It

is therefore necessary to go further and try to define who should be resilient, and in what context and with what resources. A sound EU strategy of enhancing its resilience and that of its neighbours should focus on both the external dimensions (strengthening security, resistance to attacks or external crises) and the internal one (mainly to ensure that organisations are able to develop their capacities for resilience as part of their strategies but also their participation in society as a whole). As such, resilience of organisations should be regarded as an important quality, or even a considerable advantage of the overall “culture of resilience”; however, fostering it could also limit resistance to more or less radical changes and thus contribute to the legitimisation of those actors who induced them, and ultimately could avoid disruptions within the system. Consequently, resilience is an overall objective for organisations which could, by improving themselves and becoming “resilient”, put in place appropriate mechanisms, capabilities and special skills, thus leading to managerial innovations (Côme and Rouet 2015).

This chapter outlines the specificities of organisations’ resilience in relation to their management through an analytical approach. In this regard, it is useful to link this concept to specific approaches, by taking into consideration, generally, the overall context of social and economic changes of institutions and societies, within or outside the EU, and particularly, the framework of the EaP with its political, societal and democratic developments.

2 Organisations and Resilience

Individually, an organisation, an institution, a convention or even a legal or social norm cannot play a decisive role in cushioning shocks and supporting resilience on their own. Similarly, none of the constituent agents of an organisation is capable of it either. Additionally, entrepreneurial culture and creativity, which are not concepts of resilience but individual attitudes necessary to overcome shocks, are required, so that organisations could express themselves, and foster collective adhesion, shared values, social recognition and political support.

2.1 From the Individual to the Group and from State to Project

At the psychological level, resilience is an individual capacity, whereas at the level of society, it could be a collective competence. As such, resilience capacity is based on the ability of individuals to define collective goals and to give themselves the means to act coherently; this idea is best captured by Amartya Sen's concept of "agency" (1982). A policy of support for resilience must spread this "agency" and transform it into a "collective agency". Subsequently, all these social forms that Arrow calls "invisible institutions" (1974, p. 28), such as conventions, norms, rules, ethical principles, relationships of trust or loyalty between individuals, have, like organisations or institutions, an essential role in establishing and maintaining a *market economy* and a *society of trust* (Peyrefitte 1995). Whereas the former contributes to raising the awareness of agents regarding the limits of societies and the risks they incur, the second concept, *society of trust*, refers to envisioning society as an essential place for confronting different points of view, as well as learning and promoting democracy. Such a model of society is also a place to create team spirit, develop common values and build a collective approach. Subsequently, an active EU policy of strengthening the resilience of Central and Eastern European (CEE) societies, therefore, emphasises the need for European decision makers, to have the support of these social forms. This should lead to the development of a collective project, leading to a general partnership with CEE countries, but with the specific objective of establishing a favourable environment for organisations. Clauses promoting good institutional governance (respect for democracy, minorities, the prevalence of rule of law, the fight against corruption) or rules that are supposed to guarantee a minimal respect of social and environmental standards are then adapted to the specific conditions of each country, of its organisations and of its national culture.

As it has been previously mentioned, resilience is a concept used in many scientific fields, from physics to psychology but also in sociology or in management sciences. Although the objects of study are different, the overall approach is based on close understanding and, sometimes, on

similar approaches. Overall, “resistance” is an essential characteristic of “resilience” for which time is a critical variable, for individuals, for organisations and for the inert matter. Moreover, a system’s resilience is also dependent on the magnitude of the disturbance, which is usually directly proportional to the recovery time. In psychology and in psychopathology, the concept of resilience emerged when the relevant studies in the field highlighted the importance of “coping”, apprehension, emotion and adaptation mechanisms to stressors by individuals; at the same time, it has also become popular the concept of “invulnerability”, as that specific characteristic that allows individuals to resist external aggression (Koupernik and Anthony 1970). However, this approach is at the opposite spectrum of resilience, which, according to Cyrulnik (2001) is acquired and therefore is not in itself an innate or genetic characteristic.

However, no matter the approach or the field of study, for both individuals and for groups, resilience is never absolute/definitive, but it varies depending on the environment and shock duration (Fonagy et al. 1994; Cowen et al. 1996; Masten and Coatsworth 1998). According to Cyrulnik, resilience is the *ability to successfully live and develop in an acceptable manner in spite of stress or adversity that normally has the serious risk of a negative outcome*¹ (Cyrulnik 2002, p. 10). Later, this definition evolved into the *ability of a person or group to project into the future despite destabilizing events, difficult living conditions, sometimes severe trauma*² (Manciaux et al. 2001, p. 17). Thus, resilience could be considered that specific capacity of a group, an organisation, an institution or a company to join and maintain a project’s logic—which is a core characteristic of organisations at large—despite the emergence of disruptive events. By adopting a collective approach, passing from individuals to groups, the paradigm is now focused on the project and not on a condition, a state or a situation. In this regard, resilience can be seen as a process, a set of

¹“Capacité à réussir à vivre et à se développer de manière acceptable en dépit du stress ou d’une adversité qui comporte normalement le risque grave d’une issue négative”.

²“Capacité d’une personne ou d’un groupe à se projeter dans l’avenir en dépit d’événements déstabilisants, de conditions de vie difficiles, de traumatismes parfois sévères”.

provisions, of mechanisms, made possible by skills and that needs special conditions to be set up.

As such, a resilient organisation should have the ability to anticipate the disruptions in order to be able to resist them and to further adapt its structures and mechanisms so that it can ultimately find a state closer to the initial one and to continue its project. Moreover, continuity, as a main quality or characteristic of an organisation, is closely linked to resilience, a multifaceted concept that could be divided into corporate or enterprise resilience, business resilience, organisational resilience, technical resilience and individual resilience, as follows:

- Corporate resilience ensures the sustainability of the organisation; the stakeholders can find the meaning of the organisation, as part of a trans-generational logic and accept the evolution of the organisation with major changes, in various situations and environments (i.e. the markets for companies); the changes and the evolution in management methods do not affect durability.
- Business resilience concerns the business activity, its maintenance and its development in difficult conditions, sometimes, at all levels. Obviously, the Business Resilience helps Corporate Resilience, but in a strategic logic, which induces competencies and skills related to analysis and strategic planning, business transfers, etc.
- Organisational resilience is related to different aspects of the organisation and enables teams and stakeholders to overcome crises; thus, it is necessary to master different approaches and specialties to be able to consider fostering and enhancing this type of resilience, as it is needed to analyse and evaluate various aspects of an organisation.
- Technical resilience is the ability of technical systems (including what the stakeholders create, implement, support and give up) to overcome the incidents to a certain level of seriousness.
- Individual resilience, as defined earlier, is the ability of each individual to cope with and overcome critical incidents/events affecting the course of their lives. Individual resilience also refers to professional lives of individuals, as they can indeed be affected by special circumstances when incidents occur within an organisation. Furthermore, we can define pre-incident resilience as the ability to prevent incidents

whenever possible, and after-incident resilience (usually a phase of post-traumatic stress) as the ability to recover from the incident and to rebuild a positive development of an individual's life. As critical incidents can be traumatic events (related to a natural or legal death), they can be experienced as episodes of high-intensity stress. The level of corporate and organisational resilience, in particular, can be crucial for the acquisition by the concerned individuals of an individual resilient capacity.

To sum up, resilience of organisations is a highly complex and multi-dimensional concept comprising various elements and whose logic and intensity depend solely on the organisations' structures and their contexts. We must note that resilience is not necessarily a positive concept, should the organisation display resistance to positive changes or to adapting to a better environment.

2.2 Environment and Organisations

The concept of resilience of organisations establishes a central link between the environment (context) and the specific organisation (Centre Risques et Performance 2009) and is part of a paradigm integrating concepts of: the system, the disturbance (or failure) and the adaptive capacity, and ultimately the management methods that must be changed or transformed (Côme and Rouet 2015). Internally, it is important to take into account the processes, technologies, functions, structures and stakeholders with their strategies, not only individually but also in interaction with each other. The dynamic and the relationships between these internal components and the environment can cause blockages or endogenous shocks, such as changes of strategy, redundancies after market developments and so on. The analysis of incidents that result in significant breaks in organisations allows us to better understand the negative elements, as well as to try to establish processes necessary to increase organisational resilience (Perrow 1984). However, it is important to combine external and internal nature of shocks, since the crises can, of course, have as main cause an external disruptive element but also be the consequence of the

system's malfunction due to an internal problem, hence the importance of considering all the various forms of resilience outlined above.

Overall, the organisation tries to prevent any disruptions and seeks to prepare itself for it, mainly by strengthening its resistance and adaptation capabilities, which can help prevent crises; however, this does not prevent the implementation of a crisis management system. In this regard, an analogy with democratic transitions could be particularly relevant, especially in relation to EU's aid and support programmes offered to public administration structures in the EaP countries that are aimed, precisely, to increase the "administrative capacity". The main question that arises from this analogy would be whether among the involved capacities, is it usual to consider resilience? Obviously, in the case of transitions, the political project is more global, and the "transition" concerns the entire country with its institutions and organisations; however, the general logic is similar and, more importantly, the programmes directly concern some administration bodies and institutions. Furthermore, these programmes must be supported by an active policy, and be legitimised within and outside of organisations. Moreover, it is essential to take into account all the systems, processes and structures of organisations, and, from an analysis in terms of resilience capability, to analyse in detail the operations to assess the risks of dysfunctions.

Within this framework, a "resilience plan" can be proposed through an approach that mixes proactivity and reactivity, as follows:

- *Proactive*, because it is important to highlight the proactive elements against the possible risks, assumed or anticipated; it is therefore necessary to change the processes and the control procedures in order to limit the risk sensitivity. The security policies but also the evaluation systems are core elements of this development.
- *Reactive*, to be able to implement also a forward-looking management of the impacts of disturbances. Some external threats cannot be controlled by the organisation, while some crises are difficult to avoid, making it necessary to anticipate their treatment and an appropriate action plan.

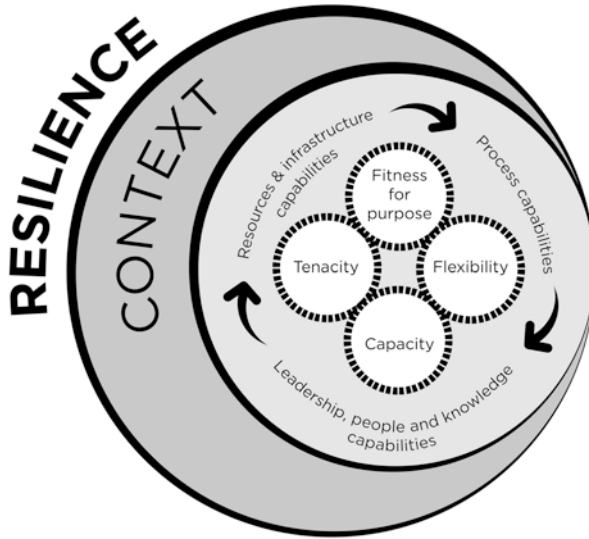


Fig. 10.1 The diagram of resilience (Source: Authors, based on Gibson and Tarrant 2010, p. 8)

The diagram in Fig. 10.1 could be applicable to any organisation of any size or to any company, country or administration. A combination of knowledge, capabilities of the implementation of process, skills, capacity to use resources and infrastructure, is part of a general context, which in part is articulated and determined by employable, flexible, tenacious stakeholders that have certain skills (a priori in relation to the collective project).

Consequently, it is not a matter of seeking to organise a collective survival or to assimilate the resilience only to a level of resistance to a turbulent and unstable environment, but to contribute to the evolution of organisations, with the awareness of all the actors. For them, continuity is necessary and is articulated with the changes or disruptions, through interactions with the environment. As such, continuity is essential for organisations to recognise and highlight a “shape memory”, determined by their cultures, memories and stories. However, it is not a question, after a crisis, to regain the previous form, but rather to recompose the

organisation based on this memory, in an identity continuity in particular.

The continuity, as objective or as characteristic of an organisation, comes with resilience. It is necessary to reconsider the issues of reorganising the system and to discuss future developments, often essential, that are no longer radical disruptions with dramatic effects for the stakeholders, but are part of a logic of continuity. The resilience is then mobilised to manage the crisis because it is then possible to adapt structures and systems in case of major disruptions.

2.3 Resilience and Identity

The stakeholders and the organisations may be subject to disturbances, which challenge their identities, to the point of an “identity crisis”; such crises are manifested particularly in periods of rapid evolution in a context difficult to understand or during a “transition” period. Under such circumstances, it can become difficult for everyone to keep a sense (feeling) of belonging, of reference. This identity problem obviously relates to each stakeholder (particularly physical) but also to the organisation itself. The organisational identity, which may be in crisis, is also an element of a personal identity process of each actor involved. The withdrawal, the mystification of an event, for example, are reactions to major disturbances. However, it is also possible to rely on the collective resilience to face these crises.

Engagement in a project links the individual to the organisation and has been analysed, particularly in the context of studies on “motivation”. The identity is built, more or less steady, gradually, in relation to perceptions of time, space and continuity; for the case of organisations, identity could be understood as a set of perceptions belonging to the members of the organisation. The structure of the organisation but also the management methods, project (strategy), rituals, symbols or stories are all identification elements, leading to a sense of belonging. Subsequently, the identity of an organisation could be defined as those stable, specific, fundamental characteristics (Albert and Whetten 1985; Whetten 2006),

constituted by individuals in interaction, their goals, their scopes and their explicit and implicit rules.

The organisational crises in the case of sustained, rapid and successive reforms (i.e. the loss of “meaning” for the actors of the French University, for example, the integration of competitive elements in the case of public services, the rapid and not legitimised application of the New Public Management tools in some administrations, the change of structure after a merger/acquisition process, etc.) can both lead to a deconstruction of meaning and a questioning about identity: the changes are then experienced as ruptures because an element is considered as destroyed, sometimes irreversibly. Indeed, the organisational identity produces meaning, induced by the links between the members of the organisation and the structure, management methods and strategy. The organisation is a form of socialisation so that the individual identity crises, consisting of the loss of landmarks, or of the feelings of belonging are both causes and consequences, in a circular interaction, of certain problems within the organisations. In particular, inflexible organisations have difficulties to withstand identity crises that can lead to organisational conflicts (Weick 1995).

The restructuring of organisations can also provoke certain radical calling into question in relation to professional identities, compared to “professions” in reconstruction because it is necessary to integrate the logic of the network, the role of customers/users and the evolution of occupations within the service relationships. Under these circumstances, the references to professions remain, but in an evolutionary logic, in the context of different social relations and according to individual and collective levels of resilience.

3 The “After 1989” and the Resilience of Organisations

The concept of “resilience of organisations” can be called upon for an exploration of societal situations related to the European integration process (rapprochement process, pre-accession and accession of countries,

evolution of administrative and regulations systems) and to the setting up of partnerships in particular in the framework of the ENP, respectively, the EaP.

3.1 An Outlook within the Changes and the Political and Social Crises

Research dedicated to organisations can connect the above-mentioned macro-processes to the daily working relationships, paying specific attention to the identitary aspects, such as the developments of functions, jobs and relationships. It is interesting to comprehend how political, economic and systemic developments are relayed and finally legitimised inside organisations (companies, NGOs, administrative bodies, etc.); moreover, these organisations build a collective political project of which is necessary to assess the relevance to the overall development, on the one hand, and the role, precisely in societal evolution, on the other.

In this regard, a possible way to link the analysis with the main dynamics and interactions in organisations, could be the model proposed by Hackman and Oldham (1980) (respectively, relating to the roles and to the structuration of work), and the characteristics of institutional and social developments (ruptures) induced by the mechanisms of European integration or by the development of partnerships with the EU. However, one should not consider that organisations are only subject to additional constraints, without taking into account the evolution of their projects (policies) and their ability to evolve, and enhance their resilience. Miner's model is easy to be employed as it considers those specific characteristics of the environment in analysing the roles of individuals and organisational structures. The model allows analysing the distance between desired role and the role requested by the organisation in the context of changes and evolution. The individual motivation, related to situations, is at the centre of the model, particularly with respect to representations of professional roles of everyone within organisations. In the case of political integration processes or partnerships, the motivation of actors can contribute to increasing the resilience of organisations and thus to avoiding organisational failures.

The model of Hackman and Oldham (1980) is also based, partly, on work motivation, which can be analysed with their main characteristics that allow building a sense of action: the variety of tasks and skills, the identification of results and the social value of work. The model allows assessing the implications for the stakeholders of a changing pattern of work. As such, this model is useful to analyse the contexts of work, taking into account the levels of autonomy, of information about work, of empowerment and of knowledge of the results but also of commitment and satisfaction. The various characteristics may have different influences, depending on the stakeholders, the organisations and the circumstances, thus making it particularly interesting, to test these differences, by researching inside the organisations, those processes specific to the economic, social and policy evolution related to European integration of the EaP. Such research direction could focus on the sources and factors that have helped shape the meaning of work for the involved stakeholders and could link this construction to the eventual approximation, as well as to legitimising political projects, especially by considering the levels of individual and collective resilience inside organisations.

Of course, it is not possible to base an analysis solely on these developments/evolution/ruptures, so as to consider only the motivation at work, but these models could be used to connect the concerns of citizens/stakeholders with the peculiarities of the culture of organisations in particular contexts. Furthermore, organisations are faced with constant changes and to achieve their evolution, they should engage more pragmatism; these rapid and successive transformations in the case of societies that are integrated in a high-paced and global process of evolution must be legitimised by those actors who need references to individual and group projects, organisational cultures, shared values, etc. Regarding motivation, it is appropriate not to favour its contents to its process: in particular, the work motivation is both a source of resilience and a result of organisational changes. The mentioned models (among others) can contribute to an analysis of organisations through the lenses of resilience, providing important information on the specific elements that are more likely to help the organisations to mobilise actors in the case of rapid changes or crisis.

3.2 Crisis and Organisations

The etymological meaning of the word “crisis” (from Greek “κρίσις”) is “judgement” and “decision”; in Latin, the word “crisis” means a phase of a disease when a rapid change happens. As such, etymologically speaking, we could define the crisis as a “crucial moment where the disease reaches completion, to its end, for better or for worse”³ (Bolzinger 1982, p. 475). Furthermore, starting with the nineteenth century, crisis took on a negative connotation and is generally related to different spheres: political, economic, social, spiritual and so on. It is more recently that crises have become objects of study within organisations (Herman 1963), although with different uses of the term: indeed, the crisis may also designate a set of characteristics, certain causes for a difficult situation or consequences of a rupture or an unusual event. The crises, or rather the “situations of crisis” can be chronic or occasional, particular or general, even global, for a given organisation.

Generally speaking, a crisis can be considered as the origin of particular individual behaviours, of questioning of “values” or of deviation from the desired goals (Lagadec and Guilhou 2002). Thus, from 1972, Milburn described the “crisis” both in defining and in delimiting the effects, especially the causes or the consequences of threats to fundamental values identified by those responsible. Similarly, emergencies that require short reaction times or that are not within the known frames, may, by themselves, constitute crises or cause crisis. Some organisations may face them, others may not; some can innovate to solve unanticipated problems in the existing processes or/and structures, some may not (Côme and Rouet 2015); some react to information overload, others cannot. In the same approach, internal conflicts can also cause the crisis, but can also help overcome it.

The crisis is difficult to predict, precisely because organisations do not necessarily have the same options to react to rapid and radical changes in their environment or within their structures. The crises, as the “crucial moment”, are frequent and often beneficial for some organisations, but

³ “Instant crucial où la maladie touche à son terme, à sa résolution, pour le meilleur ou pour le pire”.

destructive for others. The study of such situations, consecutive, a priori, to a rapid and radical change within the political or economic environment (as in the case of democratic “transitions”), allows to assess the level of resilience of organisations, particularly in relation to flexibility, but not only, as well as the level of resilience of the key actors.

In an unstable and turbulent environment, organisations are trying to maintain integrity for teams to “cope” and to perform new tasks, sometimes to learn together, in order to change the vertical organisations (bureaucratic hierarchies), inherited (otherwise legitimised) and to integrate the markets horizontality. In this regard, it is possible to consider a change within a network organisation, capable of both transversal and intense collaboration. However, this theoretical option needs to be verified in practice. Indeed, the political, economic and social “crises” of the post-1989 era have induced a significant destabilisation of organisations, and thus emerged the stringent need for emergency measures for a wide palette of challenges and multiple difficulties, having disorderly functioning structures, opposing organisational choices and considerable differences in values. In some countries, the “crisis” has been both sudden and violent, whereas in others, more progressive. It is interesting to consider the level of understanding and of explanation of these situations by the actors themselves, and particularly in relation to their activities and choices inside organisations.

The crises after 1989 were not generally considered as fortuitous events, or as a set of circumstances which resulted in a rupture *de facto*, but as a major event. The collapse of the USSR and of the satellite countries was certainly a surprise for many actors involved, having an unprecedented high speed and magnitude of changes, both at individual and at collective levels; it was not about an expected and more or less measured risk, but about an unprecedented shock, that came along with a loss of all references. In terms of uncertainty, the analysis is not highly relevant in this case, particularly for organisations. Although the end of the regime was “expected”, it was not the case for the shock wave and the element of surprise was very important, with consequences difficult to predict, in all cases and for all actors and organisations concerned.

However, if some “crisis” is aggravated by the loss of meaning, in the case of post-1989 period, on the contrary, the workers have often rebuilt

a common meaning, be it in the framework of a national renaissance (in Russia), by participating in the European integration process (especially during 2004 and 2007 for some CEE countries) or in the logic of strengthening partnerships with the EU. The “return to Europe” (Chevallier 1999, p. 334), legitimised by an important part of the population in the recently integrated countries (from 2004 and 2007 enlargement waves), has certainly prevented an escalation of the crises to insurmountable lengths. The situation in Ukraine, for example, is certainly different. Indeed, the crises and the induced loss of meaning that came along disrupted the local actors from seeking to understand and to better consider their future. If an end to the crisis can be brought to light, then the shock can stimulate actors to react, if not, the loss of meaning can result into identity disturbance (Russia for years 1990–1993), ruptures and loss of references.

In such destabilising situations, organisations can adopt specific behaviours or can radically change in order to avoid collapse. For example, a “resistance” of actors can manifest in a multiplication of processes which can only make sense in relation to a recognised past, compared to a present without legitimacy, or as part of an attempt to maintain a professional identity. In the first case, it is possible that this collectivised resistance to result into a collective collapse, whereas in the second scenario, it is important to avoid destabilisation and to better try to rebuild than to maintain professional identities so that organisations can regain their foothold in the altered context.

Organisations can also try to adjust their resources in order to try to maintain an operating balance (principle of homeostasis, see Bateson 1984). This process is similar to the type 1 of change (Le Moigne 1994, p. 213), while a type 2 change would consist of finding a balance point, different than the initial situation (Table 10.1).

It is common in literature when analysing resilience of organisations (in particular of organisational resilience) to make references or analogies to this typology of changes. Thus, a type 1 resilience would make a change of type 1 but not of type 2, whereas a type 2 resilience would make a change of type 1 as of type 2 (Koninckx and Teneau 2010, p. 98).

Table 10.1 Changes of type I and II

Equilibration methods		Change described by the process	
		Accommodation (Reaction to the context) (Retention of structure)	Assimilation (Action on the context)
Change described by the result	Type I change (synchronic perspective)	<i>Homoeostasis</i> Ability of an organisation to maintain a constant level of some internal characteristics (regulation)	<i>Homeogenesis</i> Adaptation of the organisation by re-encoding. The equilibration by structurally invariant reproduction without affecting projects
	Type II change (diachronic perspective)	<i>Homeorhesis</i> Trend of organisations that develop or change, to continue this development or changes to a given state, even if it interferes with the development	<i>Morphogenesis</i> Development process of structures of an organisation during its evolution (structural changes)

Source: Authors, based on Le Moigne 1994, p. 214

3.3 Trajectories of Resilience of Organisations

Organisations in the countries of the former Soviet bloc, in the context of the post-1989 period, have been disrupted by ruptures, turbulence, imbalances, crises and shocks, loss of sense and references which have deeply affected the society, as well as the economic and the political systems.

Bankruptcies, restructurings, mergers, redeployment, relocations and closures have severely tested the professional identities, and workers have developed resistance scenarios and/or adaptation scenarios which proved to be more or less effective. Overall, uncertainties have taken the place of guarantees on the market; furthermore, the paradigm of change is obviously radical and questions the values, beliefs and even the meaning of organisations. One may wonder whether in the context of an organisation,

the individuals-stakeholders change faster than the ensemble, and whether an organisation can continue to maintain its strategy/structure dyad even if the meaning, the sense has been destroyed.

Within this context, the main uncertainty revolves around identifying the step when the organisation could realise the necessary changes; in this regard, the assumption of a two-step process could be tested. At first, the first step could consist of a reorganisation, a change in leadership, a downsizing, with the maintenance of the old structures and even of previous strategies. In some contexts, this first level of change is enough to restore the performance.

Yet, when the external context is more difficult and/or the loss of meaning is deeper, then these changes are not enough, and we must review the structure and the strategy of the organisation. Thus, it becomes necessary to rebuild the professional identities and the overall identity of the organisation itself in the new context, in order to achieve the reconstruction of a new organisational identity, which concerns all stakeholders, especially managers, employees and shareholders, and also customers or users. In the context of ruptures and crises, the actors have indeed rebuilt their scope, with new representations, and new references. In some cases, a charismatic legitimised person, can be taken as a model and can gain the support of stakeholders for building a new structure/strategy. The reconstruction of meaning can also operate collectively.

The model Shock-Resilience-Change proposed by Koninckx and Teneau (2010) puts into perspective the shocks and the induced ruptures, the organisation and the actors. In the diagram (Fig. 10.2), the crisis does not necessarily have the same peak at the level of the organisation than it can have for stakeholders. For the authors, there is a time delay between the observation made by the organisation and that made by the stakeholders. Consequently, strong signals are sent when the curve is at its maximum and low signal when it is at its minimum.

When the organisational curve is falling, then a new identity emerges and settles down (change), provided that the actors do not settle into a negative dynamic, in which case the organisation may not survive. It is therefore necessary, so that the organisation does not disappear, for the resilience conditions to allow a “rebound” (Type 1) or a change (Type 2).

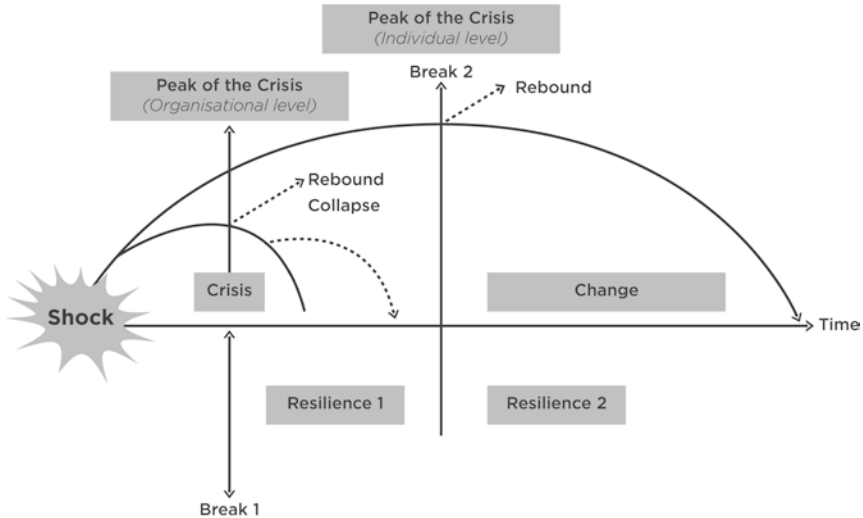


Fig. 10.2 Model Shock-Resilience-Change (Source: Authors, based on Koninckx and Teneau 2010, p. 112)

3.4 Establishing Appropriate Conditions for Resilience

If the levels of resilience can enable organisations to bounce back and avoid destruction, the question of how to implement these levels remains open and is apparently circular. Indeed, it is conceivable that the establishment of resilience requirements can be done by setting up a new type of management, new strategies, by changing structures and processes. However, for this to be possible, we need a certain level of resilience, at least initially. Moreover, this type of transformation leads to an evolution of the identity of the organisation. Therefore, it is before the crisis that it is necessary for an organisation to have a sufficient level of resilience in order to be able to face the crisis and the post-crisis situation. In this regard, it should try to continuously improve its structures, work on the logic of motivation, commitment and involvement of stakeholders at all times, ensure, in times of crisis, a sufficient level of resilience to face its various consequences. Consequently, it is necessary to articulate clearly,

within organisations, the core values, meaning, professional identities and shares in a collective, recognised and legitimised logic.

One of the interesting questions that remains for the organisations that have suffered the consecutive crises after 1989 is precisely whether their level of resilience was due to the level of individual resilience of actors, which formed in the preceding period, with an obvious relativisation depending on local contexts. From these developments, it seems worthwhile the assessment of resilience of organisations in the context of European integration and of EaP partners after 1989 (for example, using the methodology of Robert et al. 2010). As such, further research is needed, country by country, and perhaps also inside each country, in order to be able to consider, capture and better explain the positive or negative consequences (developments but also rigidities and barriers to change). Currently, no inventory of how organisations were impacted by European integration or by the EaP in these different countries seems to be available. The main question that remains is which organisations have disappeared, which have not and why? Nevertheless, even if it is possible to link the analysis of the resilience of organisations, to the individual level, as well as to each EaP country, individually, to their cultural, economic, historical and political contexts, the challenging issue that remains is to include the human factor in the decision-making process.

4 Conclusions

It is quite rare in the academic literature to find links between the resilience of organisations and the resilience assessed at societal or state level. However, organisational resilience can only be understood in an inter-organisational framework, and therefore within networks that are constituents of societies. It is therefore possible to put organisational resilience in perspective with societal resilience, which could lead to a clarification of the concept that is not always specified in current studies and analyses, particularly at EU level. By employing the term “resilience” within the definition of its global strategy in relation to its neighbourhood (even if it is contested at times from a conceptual point of view), the EU may seem to underline and put into perspective a proactive approach of

participating in the democratisation of societies in this background, and an intention to prioritise the internal security and the external stability. However, deepening resilience at the level of the organisations in particular, induces a direct involvement of the stakeholders, of the citizens themselves, with their formal and informal relationships, as well as encourages a process of self-evaluation by each group about their ability to react; subsequently, the participation of everyone is therefore essential in this project, which is ultimately societal. It remains to be seen whether this may or may not be an essential determinant of the democratisation of the concerned EaP states.

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Part III

Eastern Neighbourhood Countries' Resilience. Case Studies and Prospects



11

Current Methodological Approaches in Economic Resilience Analysis. Empirical Findings in the EaP Countries

Carmen Pintilescu and Daniela Viorică

1 Introduction

In the past decades, the concept of resilience has become a constant in academic studies and in political and public debates, at all levels of governance. The importance given to this concept was enhanced by the current global challenges generated by the uncertainty and the insecurity that govern many societies, and by the necessity of building a resilient economy at the national, regional and local scale. The notion of resilience, used for some time in ecology and psychology, describes the property of a system to successfully cope with changes generated by sudden shocks and stressors, but it has become a moving target that is constantly being redefined (Bene et al. 2014). Resilient economies and societies are not only those that are resistant to change and able to conserve their existing structures (Folke 2006) but those that have the ability to build and increase the capacity to *adapt* to changes, to external drivers and

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internal processes and, when necessary, to *transform* by creating a new system (Berkes et al. 2003) when the existing system is “untenable” (Walker et al. 2004).

The complexity of resilience, determined by the necessity to analyse the resilience as a systemic and multidimensional concept generated a literature that includes various approaches to measuring and studying resilience. The methodological approaches developed in the academic studies combine the quantitative methods with the qualitative ones (Martin and Sunley 2015). The quantitative methods are mainly used to develop resilience indices (singular or composite) or to measure the impact of shocks and the speed of regional recovery. The qualitative methods are used to understand in depth the national and regional context by conducting a case studies’ perspective (interviews with key actors, interrogation of policies, etc). Despite the fact that there is not yet a generally accepted methodology for how the concept of resilience should be operationalised and measured empirically, this chapter uses quantitative methods to develop an approach for measuring and analysing the national resilience capacity, which takes into consideration the specificity of each country by measuring resilience from a multidimensional perspective, based on the institutional dimension and the economic and labour market dimensions. The regional specificity is taken into account by identifying the specific characteristics and the specific factors that affect the economic resilience of the countries in the EaP region.

The process of building economic resilience in the EaP region is slow. The difficulties are given by the specificity and the background of the region, namely the Soviet heritage, lack of commitment to democracy, the military conflicts, the political instability, the institutional problems—especially corruption. The analysis of the economic resilience for these countries is important in the context of the geostrategic component of the EU’s enlargement methodology (Marciacq and Flessenkemper 2018). Moreover, building the resilience capacity for the EaP countries is crucial in their process of achieving cohesion with the EU’s common framework.

The chapter is structured as follows: the following section provides the main methodology approaches to measuring resilience presented in the literature. The third section presents the data and the description of the

methodology that is applied in the empirical study. The fourth section presents the building and the results obtained for the Economic Resilience Capacity Index and the identification of the key determinant factors of influence on economic resilience capacity, for each of the six countries in the EaP region. The chapter ends with conclusions and recommendations that can be useful to policymakers.

2 Approaches for Building a Multidimensional Economic Resilience Index

There is an abundant literature on measuring and analysing resilience, with approaches that include quantitative and qualitative methods for data analysis. Quantitative methods are clearly dominant in the academic studies on resilience assessment. The literature was initially centred on ecological resilience, the area for which this concept was developed in the first place. Given the extension of this concept in many other fields, measuring resilience became a topic of interest in other areas, such as economics, engineering, transportation, geography and so on.

In regional economics, resilience is the ability of an economic system to maintain or return to an equilibrium state in the presence of different types of exogenous shock. In the literature, the measure in which a regional or national economy can return to its previous level of output, employment or population after an external shock has been analysed (Feyrer et al. 2007; Blanchard and Katz 1992), and building systems that can adapt to shocks has become a major concern.

The factors that shape regional resilience to economic shocks could be identified as the size of the market, access to a larger external market, the endowments in natural resources and in physical and human capital (Huggins et al. 2010). The sectoral structure of regions can affect the vulnerability of one region to external economic shocks, negatively for regions that specialise in a narrow range of sectors (Huggins et al. 2010) or positively for regions with a more diverse economic structure, which is deemed to enhance robustness (Martin 2012).

Regional resilience can be measured by focusing on the region's ability to resist but also on its ability to recover from a shock, to reconfigure, to adapt its structure. In this respect, resilience is a dynamic process, and resilience analysis is conducted using statistical time series models in order to assess how long it takes for the impact of the shock to dissipate (Blanchard and Katz 1992; Martin 2010). A deep understanding of the regional context requires also combining quantitative methods with qualitative methods in resilience analysis (Bristow and Healy 2013). This approach could be used to identify the regional key actors, their role in impacting regional resilience but also its risks, its historical context and future trends.

The indicators by which resilience can be measured are thus specific to these fields and are analysed in a regional development context, by a multidimensional approach. The literature presents the main dimensions that affect a region's ability to be resilient. According to Martin (2012), these dimensions refer to the dynamic growth of the region, the structure of the economy, the export orientation and specialisation of the region, the human capital, the innovation rate, the business and corporate culture and the institutional environment. Foster (2006) emphasises the importance of the regional economic capacity, the socio-demographic capacity of the region and the regional community's capacity. Briguglio et al. (2009) advance four dimensions for measuring resilience: macroeconomic stability, microeconomic market efficiency, good governance and social development. Based on these sets of dimensions, Döpke et al. (2017) focused on the well-being dimension, while Staničková and Melecký (2018) linked the concept of resilience with competitiveness and identified the factors that determine territorial economic attractiveness. Starting from defining the dimensions by which resilience can be assessed and from the set of indicators that can be used to measure the determinants of resilience, the literature presents different composite indexes to measure resilience (Briguglio et al. 2009; Annoni and Kozovska 2010; Annoni and Dijkstra 2013; Döpke et al. 2017; Staničková and Melecký 2018).

The composite indexes are very much used in economic literature, mainly for evaluating regional competitiveness, innovation, sustainable development and well-being. The development of a composite index

requires a relevant way to set the weights for each dimension of resilience. More weighting and aggregation systems have been developed in the literature (OECD 2008; Munda and Nardo 2005). To select the most relevant factors, certain authors apply multivariate methods, such as *Principal Component Analysis* (PCA) and *Factor Analysis* (FA), and use the results to build composite weighted indexes (Döpke et al. 2017; Staničková and Melecký 2018). *Principal Component Analysis* (PCA) and *Factor Analysis* (FA) are statistical methods by which one can identify the main components or factors that contain the observed variables, capturing as much as possible of the original variation in the data. The extraction of a smaller number of principal components or factors is based on Kaiser's criteria and corresponds to eigenvalues greater than 1 and explain the most important variance of the factors. Defining the principal components is made on the most relevant variables with the highest factor loadings.

3 Data and Methodology

For assessing economic resilience from a multidimensional perspective, a static and a dynamic analysis have been conducted. The dimensions considered in the empirical study are the institutional, the economic and labour market dimensions. The sample of countries considered are the members of the *Eastern Partnership* (EaP) region: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. The sources for the data used in the analysis are the World Bank, the Organisation for Economic Co-operation and Development (OECD), the International Labor Office, the International Monetary Fund (IMF) and the Institute for Health Metrics and Evaluation. The time period covers the years 1996–2017.

There are two parts of the empirical study. In the first part, a composite index of economic resilience for the countries in the EaP region was built, in order to measure the capacity of resilience of each country in the region, and to compare their respective resilience levels. In the second part, regression models were estimated to assess the impact that each factor has on the economic resilience capacity, measured by the employment growth rate compared to the regional average.

3.1 Variables Used for Building the Resilience Index

There are three dimensions considered in estimating resilience levels and resilience capacity of the countries in the EaP region: the institutional, the economic and labour market dimensions.

The inclusion of variables defining the institutional component is necessary in a study that aims to measure the resilience capacity of a country, because, over time, empirical analyses have highlighted obvious correlations between powerful and adaptable institutions and economic development (Acemoglu et al. 2004; Rodrik et al. 2004; Eicher and Rohn 2007). As a general rule, institutional fragility is associated with low levels of growth, while coherent institutional arrangements, whether formal or informal, are linked with high rates of prosperity. Formal institutions are largely represented by laws and regulations applied to ensure the proper functioning of the market, legal systems and property rights, while informal institutions are not explicitly written and include norms, conventions, codes, trust, political choices, corruption, preferences, individual behaviours and so on. Building institutions seen as rules according to which the society operates is of vital importance to EaP countries, especially as some of them have aspirations to join the EU, a process involving, among other things, compatibility with the *acquis communautaire*. However, it should be underlined that the adoption of EU norms and rules in these states does not automatically guarantee institutional convergence because each country has to adapt its economic and institutional structures to the national specificity. Depending on the results obtained following the application of multivariate analysis of data, it can be said whether within a state the government supports the rule of law, the enforcement of contractual obligations, if there exists an unrestricted control over the properties of individuals, ways to limit corruption and abuses and, essentially, a favourable social and economic framework of markets (Țigănașu et al. 2014).

The economic and labour market dimensions are taken into consideration by using a set of indicators selected in such a manner as to describe the main issues that can assess the economic resilience capacity for the EaP countries: *economic stability* to evaluate the imbalances on an economy, such as inflation or unemployment; *economic growth and economic*

development to assess the global performances at macroeconomic level of a country, such as gross domestic product (GDP) growth, GDP/capita or labour productivity; *economic openness* to evaluate the globalisation and trade liberalisation of an economy, such as exports and imports of goods and services, or foreign direct investments; and *labour market* to measure some features, such as employment or age dependency rates. The relevant variables for each dimension and their definitions are presented in Annex 11.1.

According to the methodology presented by OECD (2008), several steps were followed in order to build the Resilience Index: the use of Principal Components Analysis (PCA), the significant variables for each factor were selected and based on the factor loadings given by PCA, the weights for each variable and, subsequently, for each factor were calculated. The economic resilience capacity index was built by linearly aggregating these weighted factors. The methodology for building the economic resilience index is extensively presented in Annex 11.1.

3.2 Methodological Steps to Identify the Key Determinant Factors for Eastern Partnership Countries

To measure the importance of the three dimensions over the economic resilience, six econometric models were estimated, one for each EaP country. The data set has the same relevant variables that define the three dimensions, presented earlier, for the period 1996–2017, according to data availability. In the first stage of the analysis, PCA was applied to select the most relevant factors. The factor scores obtained were then used as independent variables in the econometric models.

A quantitative measure of resilience that focused on labour market aspects (Di Caro 2015; Fingleton et al. 2012; Kitsos and Bishop 2018) was taken as the dependent variable. The rationale for focusing on labour markets is related to practical and theoretical considerations as presented by Kitsos and Bishop (2018). The impact of a crisis first manifests itself on the labour market, so that in order to reduce the costs, the companies will adjust their labour force (Fingleton et al. 2012). Under these condi-

tions, the analysis of the employment conditions will support the understanding of a crisis impact, at the national level. As in several other recent studies, the employment rate was used for the labour market, due to the fact that unemployment data presented two problems: it excluded those who retire early in response to a shock and is based on survey data with large sample errors at the local level (Simmie and Martin 2010; Hill et al. 2010; Fingleton et al. 2012, Kitsos and Bishop 2018).

For measuring the employment conditions, we applied the methodology proposed in the literature, taking into consideration the deviations from the regional average (Martin 2012; Kitsos and Bishop 2018). Thus, we calculated the average employment rate for the period 1996–2017, taking into account all the EaP countries. The difference between the employment growth rate and this average was then estimated for each country, as an indicator that can assess the resilience capacity of the countries in this region. The values of the dependent variables are presented in Annex 11.3.

4 Assessing the Economic Resilience Capacity for Eastern Partnership Countries

To assess the economic resilience capacity for EaP countries, we build an economic resilience capacity index taking into consideration the specificity of each country and to identify the key determinant factors.

4.1 Economic Resilience Capacity Index

To calculate the value of the index, using the data from 2017, in a first step, the PCA method was applied to identify the factors and select which variables contribute to the formation of each factor. The factor loadings for each variable, for all the factors, and the calculated weights of the variables (w_i) are presented in Table 11.1. In this case, three factors are formed that explain more than 70% of the total variance in the data set.

Table 11.1 Factor loadings and the weights w_i

Variables	Factor loadings			Proportion of squared factor loadings (w_i) ^a		
	F ₁	F ₂	F ₃	F ₁	F ₂	F ₃
GDP growth (annual %)	0.452	0.185	0.815	0.029	0.006	0.180
Unemployment, total (% of total labour force)	0.121	0.399	0.866	0.002	0.030	0.203
Inflation, consumer prices (annual %)	-0.123	-0.122	-0.638	0.002	0.003	0.110
GDP per capita (current US\$)	-0.703	0.049	-0.03	0.069	0.000	0.000
GDP per person employed (constant 2011 PPP \$)	-0.939	-0.134	-0.214	0.124	0.003	0.012
Exports of goods and services (% of GDP)	-0.292	-0.186	-0.58	0.012	0.007	0.091
Imports of goods and services (% of GDP)	0.713	-0.162	-0.281	0.071	0.005	0.021
Foreign direct investment, net inflows (% of GDP)	-0.137	0.948	-0.28	0.003	0.169	0.021
Agriculture, forestry, and fishing, value added (% of GDP)	0.443	-0.373	-0.786	0.028	0.026	0.167
Services, value added (% of GDP)	0.87	0.291	0.259	0.106	0.016	0.018
Industry (including construction), value added (% of GDP)	-0.907	-0.02	-0.331	0.116	0.000	0.030
Voice and accountability	0.824	0.317	0.19	0.095	0.019	0.010
Political stability and absence of violence/terrorism	-0.057	0.109	-0.167	0.000	0.002	0.008
Government effectiveness	-0.117	0.957	0.124	0.002	0.172	0.004
Regulatory quality	0.311	0.895	0.301	0.014	0.151	0.025
Rule of law	0.262	0.887	0.319	0.010	0.148	0.028
Control of corruption	0.13	0.768	-0.007	0.002	0.111	0.000
Personal remittances, received (% of GDP)	0.872	0.073	0.312	0.107	0.001	0.026
Population weighted education per capita (age 25 plus, mean number of years)	-0.247	0.266	-0.175	0.009	0.013	0.008
Employment rate pop. Over 25 years	-0.801	0.412	-0.306	0.090	0.032	0.025
Age dependency ratio, old (% of working-age population)	0.433	0.052	0.097	0.026	0.001	0.003
Age dependency ratio, young (% of working-age population)	-0.758	0.578	0.141	0.081	0.063	0.005
Population, total	0.106	-0.335	-0.135	0.002	0.021	0.005

Source: Authors' representation

^aIn bold are highlighted the weights for the factors with an important contribution to the factor and relevant to the dimension

The data set presents three intermediate composites, given by the three factors selected through PCA. Given the nature of the variables that contribute to the formation of each factor, the first intermediate composite is the economic development and labour market factor, the second is the institutional factor and the third is the economic stability factor.

On the second step, the following equations for the three factors are estimated and are presented.

For the first factor (F_1), the economic development and labour market component:

$$F_1 = 0.069 \cdot gdp_cap + 0.124 \cdot w + 0.071 \cdot imp + 0.106 \cdot serv + 0.116 \cdot ind \\ + 0.095 \cdot voice + 0.107 \cdot remit + 0.090 \cdot employm + 0.081 \cdot dep_y$$

For the second factor, the institutional one, the equation is:

$$F_2 = 0.169 \cdot fdi + 0.172 \cdot gov_eff + 0.151 \cdot regul + 0.148 \cdot law + 0.111 \cdot corrup$$

For the third factor, economic stability, the equation is:

$$F_3 = 0.180 \cdot gdp + 0.203 \cdot unemploy + 0.110 \cdot infl + 0.091 \cdot exp + 0.167 \cdot agr$$

In Table 11.2, the values of each factor for all the countries in the EaP region are presented. The values were calculated considering the standardised values of the variables.

In order to calculate the value of the Economic Resilience Capacity Index for the countries in the EaP region, in Table 11.3, the weights w_{fi} used to aggregate the three factors in the composite index are presented.

The values of the factors and the index for each country are presented in Table 11.4.

The Economic Resilience Capacity Index is measured in units of a standard normal distribution, ranging from approximately -2.5 to 2.5 . High positive values for the index suggest high resilience capacity of a country, while high negative values show low resilience capacity.

The Economic Resilience Capacity Index values show the highest value for Georgia, followed by Armenia, both with positive values of the resil-

Table 11.2 The values of the factors

Country	F ₁	F ₂	F ₃
Armenia	-0.026	0.051	0.591
Azerbaijan	0.073	-0.104	-0.447
Belarus	0.108	-0.478	-0.295
Georgia	0.266	1.348	0.033
Moldova	-0.171	-0.345	-0.015
Ukraine	-0.248	-0.471	0.134

Source: Authors' calculations

Table 11.3 The weights w_{fi}

	F ₁	F ₂	F ₃
Explained variance of each factor	7.112	5.313	3.697
Weights w_{fi} (Explained variance/Total variance)	0.441	0.329	0.229

Source: Authors' calculations

Table 11.4 Economic resilience capacity index values

Country	F ₁ ^a	F ₂ ^b	F ₃ ^c	Economic resilience capacity index
Armenia	-0.026	0.051	0.591	0.140
Azerbaijan	0.073	-0.104	-0.447	-0.104
Belarus	0.108	-0.478	-0.295	-0.177
Georgia	0.266	1.348	0.033	0.568
Moldova	-0.171	-0.345	-0.015	-0.192
Ukraine	-0.248	-0.471	0.134	-0.234

Source: Authors' calculations

^aEconomic development and labour market factor^bInstitutional factor^cEconomic stability factor

ience index. The other four countries have negative values for the index and are ranked as follows: Azerbaijan, Belarus, Moldova and, at the bottom, Ukraine. By far, out of the six EaP countries, *Georgia* ranks first in terms of economic resilience capacity, with positive values for all three factors. The reputation of “star reformer”, as it was named by the World Bank, has been earned by extensive reforms in the economic management and governance areas. As opposed to the other countries in the region, Georgia has ranked high on the ease-of-doing-business index supported by the rules and regulations introduced to uplift the investment

climate, and it promotes a relatively free and transparent environment. Of the six countries in the EaP, Georgia has the greatest potential for integrating in the regional and global economies.

Armenia, situated in the second position, has made some efforts to improve its business environment, to reduce corruption and to diversify its economy, and these efforts were seen in terms of reduced poverty and unemployment. But Armenia's economic vulnerabilities, such as the monopolies in the important business sectors, the very narrow export base and trade partners and the influence of Russia over its economy and regional security, have made the progress very slow and uncertain.

Azerbaijan, the first country in the region to have a negative index score, has difficulties in achieving stability in its economic development, mainly because of the political instability in the country. The conflict with Armenia and the levels of corruption are slowing down the economy, despite the fact that the oil and natural gas sectors of the economy are thriving. The government's plans are to invest in infrastructure and to join the World Trade Organization, and to diversify its economy, but the regulatory barriers are currently an impediment for foreign or domestic investors, making future economic growth unpredictable.

The next position is held by *Belarus*. Belarus has one of the poorest human rights in Europe. The Russian influence in Belarus' economy and government is extensive, and the industry and the agriculture are not competitive. With the main financial support coming from Russia and its reluctance to structural reform necessary in order to obtain IMF loans, the economic development and integration to EU framework remain far from attainable. Moldova and Ukraine are the lowest ranked countries by the Economic Resilience Capacity Index. In theory, *Moldova's* economy should be stable and prosperous, since it has a favourable climate and agricultural potential. In reality, the economy is dependent on remittances and is one of the weakest economies in Europe. The bureaucracy, lack of structural reforms, corruption and the Russian pressure and ban on Moldova's agricultural imports make Moldova's economy vulnerable and unstable. *Ukraine* has an oligarch-dominated economy, is facing major financing needs and has experienced acute political, security and economic problems over the recent years. After a long period of stagnation, the government started a series of fiscal and judicial reforms that can lead

Ukraine to develop capital markets, to the privatisation of the state-owned enterprises and to the implementation of criminal penalties for corruption acts. The economy has shown improvement in 2018, but Ukraine has a long way to go in terms of democratic and transparent governance.

The values for the three aggregated factors that compose the Economic Resilience Capacity Index can provide an assessment of EaP countries' vulnerabilities. The economic development and labour market factors are identified as a vulnerability for Armenia, Moldova and Ukraine. The institutional component is a weakness for Belarus, Ukraine, Moldova and Azerbaijan. The economic stability is a vulnerability for Azerbaijan, Belarus and Moldova, in building an economically resilient country.

4.2 The Key Determinant Factors of Influence on Economic Resilience

To estimate the importance of the dimensions on economic resilience, in the first stage of the analysis, PCA was applied, and the variables that better explain the building of the principal components were selected. In the second stage, the econometric models were estimated, with the employment growth rate as the dependent variable. The employment growth rate was calculated as presented in the methodology, considering the deviations from the regional average.

The Main Factors of Influence on Economic Resilience Capacity

After applying PCA, the relevant factors for each country, factors that account for the most part of the explained variance of the data set (at least 70% of the total variation) were selected. The variables that explain the forming of these factors, selected according to their factor loadings, are presented, for each country, as follows. Based on the grouping of the variables, each factor can be named according to the variables that explain its formation.

The grouping of the variables shows that the formed factors can reflect: the labour market (F_1), the economic openness (F_2), the governance (F_3) and the economic growth factor (F_4) (Table 11.5).

Table 11.5 The variables that explain the factor formation for Armenia

F ₁	F ₂	F ₃	F ₄
Unemployment	Exports of	Inflation	GDP growth
GDP per capita	goods and	Voice and	Age dependency
GDP per person employed	services	accountability	ratio, old
Imports of goods and	FDI	Political stability	
services	Control of	Rule of law	
Voice and accountability	corruption		
Political stability			
Government effectiveness			
Regulatory quality			
Personal remittances			
Population weighted			
education per capita			
Age dependency ratio, old			
Age dependency ratio,			
young			
Population			

Source: Authors' representation

Table 11.6 The variables that explain the factor formation for Azerbaijan

F ₁	F ₂	F ₃
Unemployment	GDP per capita	GDP growth
GDP per capita	GDP per person	Personal remittances
GDP per person employed	employed	Exports of goods and
Voice and accountability	FDI	services
Government effectiveness	Imports of goods	
Regulatory quality	and services	
Rule of law	Political stability	
Control of corruption	Age dependency	
Population weighted education	ratio, old	
per capita		
Age dependency ratio, young		
Population		

Source: Authors' representation

The factors formed for Azerbaijan are labour market (F₁), economic development (F₂) and economic growth and openness (F₃) (Table 11.6).

For Belarus, the factors are: labour market (F₁), government quality and economic stability (F₂), international trade (F₃) and economic and financial uncertainty (F₄) (Table 11.7).

For Georgia, the factors are: economic development and institutional efficiency (F_1), macroeconomic stability (F_2) and economic growth (F_3) (Table 11.8).

Table 11.7 The variables that explain the factor formation for Belarus

F_1	F_2	F_3	F_4
Unemployment	GDP growth	Exports of goods	Inflation
Inflation	Unemployment	and services	FDI
GDP per capita	Voice and	Imports of	Political stability
GDP per person	accountability	goods and	Age dependency
employed	Government	services	ratio, old
FDI	effectiveness		
Voice and accountability	Rule of law		
Regulatory quality	Control of		
Personal remittances	corruption		
Population weighted	Personal		
education per capita	remittances		
Age dependency ratio,			
young			
Population			

Source: Authors' representation

Table 11.8 The variables that explain the factor formation for Georgia

F_1	F_2	F_3
GDP per capita	Unemployment	GDP growth
GDP per person employed	Inflation	FDI
Exports of goods and services		
Imports of goods and services		
Voice and accountability		
Regulatory quality		
Political stability		
Government effectiveness		
Regulatory quality		
Rule of law		
Control of corruption		
Personal remittances		
Population weighted education per capita		
Age dependency ratio, old		
Age dependency ratio, young		
Population		

Source: Authors' representation

For Moldova, the factors are: economic development and labour market (F_1), external economic dependency (F_2), governance performance (F_3) and economic growth (F_4) (Table 11.9).

The factors for Ukraine are human capital (F_1), economic development (F_2), economic growth (F_3) and economic and financial uncertainty (F_4) (Table 11.10).

Table 11.9 The variables that explain the factor formation for Moldova

F_1	F_2	F_3	F_4
<ul style="list-style-type: none"> • Unemployment • Inflation • GDP per capita • GDP per person employed • Exports of goods and services • Regulatory quality • Personal remittances • Population weighted Education per capita • Age dependency ratio, old • Age dependency ratio, young • Population 	<ul style="list-style-type: none"> • Imports of goods and services • FDI • Government effectiveness • Personal remittances 	<ul style="list-style-type: none"> • Political stability • Rule of law • Control of corruption 	<ul style="list-style-type: none"> • GDP growth • Voice and accountability • Control of corruption

Source: Authors' representation

Table 11.10 The variables that explain the factor formation for Ukraine

F_1	F_2	F_3	F_4
GDP per person employed	Unemployment	GDP growth	Inflation
Imports of goods and services	GDP per capita	Exports of goods and services	Regulatory quality
Political stability	GDP per person employed	Voice and accountability	Age dependency ratio, young
Government effectiveness	FDI		
Personal remittances	Regulatory quality		
Population weighted Education per capita	Rule of law		
Age dependency ratio, old	Control of corruption		
Population	Age dependency ratio, old		
	Age dependency ratio, young		

Source: Authors' representation

Impact of Determinant Factors on Economic Resilience Capacity

The regression coefficients, the standardised regression coefficients and the *t*-statistic for each factor of the econometric models are presented in Table 11.11. The use of standardised coefficients is important, since it provides an important result: it ranks the factors according to their importance in explaining the employment rate. The bigger the absolute value of the coefficient, the biggest the impact of the factor on the resilience measure (employment rate).

None of the four factors significantly impacts the employment rate for *Armenia*. However, the closest to a significant impact on building resilience is the labour market factor. The impact is positive, meaning that the higher the performance of labour market, the higher the resilience capacity could be. For *Azerbaijan*, the second and third factors are significant.

Table 11.11 Regression coefficients for the econometric models

		F ₁	F ₂	F ₃	F ₄
Armenia	Regr. coeff.	0.009	-0.007	0.001	-0.003
	Std. coeff.	0.339	-0.272	0.042	-0.097
	<i>t</i> -Statistic	(1.561)	(-1.253)	(0.192)	(-0.449)
Azerbaijan	Regr. coeff.	-0.003	0.008**	0.010***	
	Std. coeff.	-0.171	0.421	0.536	
	<i>t</i> -Statistic	(-1.022)	(2.513)	(3.201)	
Belarus	Regr. coeff.	0.0004	-0.004***	0.002***	0.0004
	Std. coeff.	-0.066	-0.715	0.403	-0.070
	<i>t</i> -Statistic	(-0.485)	(-5.239)	(2.95)	(-0.511)
Georgia	Regr. coeff.	0.009	-0.012*	-0.007	
	Std. coeff.	0.277	-0.359	-0.212	
	<i>t</i> -Statistic	(1.357)	(-1.758)	(-1.041)	
Moldova	Regr. coeff.	0.004	0.008	0.008	-0.001
	Std. coeff.	0.097	0.193	0.201	-0.029
	<i>t</i> -Statistic	(0.418)	(0.834)	(0.867)	(-0.123)
Ukraine	Regr. coeff.	0.003	0.010*	0.013**	-0.008
	Std. coeff.	0.119	0.338	0.432	-0.287
	<i>t</i> -Statistic	(0.632)	(1.798)	(2.294)	(-1.524)

Source: Authors' calculations

* $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

The most important factor in explaining the economic resilience is the economic growth, followed closely by economic development factor. For *Belarus*, government quality and economic stability, and international trade are the factors that have a significant impact in influencing the economic resilience. The factor with the greatest impact on resilience is the government quality and economic stability. *Georgia* has one significant factor—the macroeconomic stability—that has a significant impact on economic resilience. The negative sign of the coefficient suggests that the lower the values of indicators in the economic stability factor, unemployment and inflation, the higher the capacity of economic resilience. For *Moldova*, none of the factors are significant. A noticeable fact about Moldova is the consistent contribution of personal remittances in the formation of the factors, suggesting the high economic dependency on the financial support given by the residents that are employed outside the country's borders. For *Ukraine*, economic growth and economic development are significant in determining the economic resilience of the country, with positive influence.

The results shown by the regression models are consistent with the results given by the economic resilience index. The factors that are found to significantly impact the economic resilience capacity of a country are, in fact, the weaknesses that have been identified by the economic resilience index, for that country. This finding validates the internal consistency of the data set used.

5 Conclusions

This chapter presents an economic resilience analysis, from both a static and a dynamic perspective, for the EaP countries. The multidimensional approach on economic resilience was achieved, considering three dimensions by means of which economic resilience capacity can be analysed: the institutional, the economic and labour market dimensions. For each dimension, the most relevant variables were selected, according to the literature and the specificity of the countries in this region. For a dynamic perspective, the values of those indicators for each country were considered, for the 1996–2017 interval.

In the first part of the empirical study, the Economic Resilience Capacity Index for each EaP country was calculated, using data from 2017 for the variables that measure the considered dimensions. Using the factor loadings from the PCA (*Principal Component Analysis*), the weights which were used to aggregate the variables linearly were calculated and then used to obtain the values of the Economic Resilience Capacity Index, one for each country in the region. The results obtained allow for a comparative analysis between countries.

The values of the Economic Resilience Capacity Index show the highest value for Georgia, followed by Armenia, both with positive values of the resilience index. Due to these results, these two countries can be considered as having the highest economic resilience capacity in the region. The other four countries have negative values for the index and are ranked as follows: Azerbaijan, Belarus, Moldova and Ukraine. The political changes in Moldova in 2016 affected mainly the institutional component, with negative effects on the democratic status of the country in particular, and the economic situation in general. Ukraine, which is the biggest country in the EaP region, is characterised by political instability, and the 2014 crisis continues to affect the country. These two countries can be considered to have the weakest economic resilience capacity in the EaP region.

In the second part of the empirical study, we approached a dynamic perspective of economic resilience, by considering a data set from 1996 to 2017, for all the variables that describe the three dimensions. After selecting the factors that explain most of the general variance of the data set by applying PCA, econometric models were estimated for each country, in order to measure the influence of those factors on economic resilience. We used, as a dependent variable, a quantitative measure of resilience that focused on labour market aspects and, within the labour market, we used, as in several recent studies, the employment growth rate.

The results obtained by the estimated econometric models are in compliance with the results from the Economic Resilience Capacity Index. The vulnerabilities identified by observing the lowest scores of the factors that compose the index for each country are found to be significant factors in explaining the measure of resilience capacity. These findings show the direction in which the countries should improve their performance in order to build a resilient economy.

Annexes

Annex 11.1 Dimensions and Variables Used in the Study

Dimensions	Variables used for each dimension, their abbreviation and description
Economic	<p>GDP growth (annual %)—gdp</p> <p>Annual percentage growth rate of GDP at market prices based on constant local currency</p> <p>Inflation, consumer prices (annual %)—infl</p> <p>Inflation as measured by the annual growth rate of the GDP implicit deflator shows the rate of price change in the economy as a whole. The GDP implicit deflator is the ratio of GDP in current local currency to GDP in constant local currency</p> <p>GDP per capita (current US\$)—gdp_cap</p> <p>Gross domestic product divided by mid-year population</p> <p>GDP per person employed (constant 2011 PPP \$)—w</p> <p>Gross domestic product (GDP) divided by total employment in the economy</p> <p>Exports of goods and services (% of GDP)—exp</p> <p>The value of all goods and other market services provided to the rest of the world. They exclude compensation of employees and investment income and transfer payments</p> <p>Imports of goods and services (% of GDP)—imp</p> <p>Imports of goods and services represent the value of all goods and other market services received from the rest of the world. They include the value of merchandise, freight, insurance, transport, travel, royalties, license fees and other services, such as communication, construction, financial, information, business, personal and government services. They exclude compensation of employees and investment income (formerly called factor services) and transfer payments</p>

Foreign direct investment, net inflows (% of GDP)—fdi	The net inflows of investment to acquire a lasting management interest (10% or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital and short-term capital as shown in the balance of payments
Agriculture, forestry and fishing, value added (% of GDP)—agr	Agriculture includes forestry, hunting and fishing, as well as cultivation of crops and livestock production. Value added is the net output of a sector after adding up all outputs and subtracting intermediate inputs
Services, value added (% of GDP)—serv	Services include value added in wholesale and retail trade (including hotels and restaurants), transport, government, financial, professional and personal services such as education, healthcare and real estate
Industry (including construction), value added (% of GDP)—ind	Services. Also included are imputed bank service charges, import duties and any statistical discrepancies noted by national compilers as well as discrepancies arising from rescaling
Industry includes manufacturing, value added (% of GDP)—ind	Industry (including construction), value added (% of GDP)—ind
separate subgroup), construction, electricity, water and gas	separate subgroup), construction, electricity, water and gas
Personal remittances, received (% of GDP)—remit	Personal remittances, received (% of GDP)—remit
Personal remittances comprise personal transfers and compensation of employees. Personal transfers consist of all current transfers in cash or in kind made or received by resident households to or from non-resident households	Personal remittances comprise personal transfers and compensation of employees. Personal transfers consist of all current transfers in cash or in kind made or received by resident households to or from non-resident households
Institutional	Voice and accountability—voice
Voice and accountability captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association and a free media.	Voice and accountability captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association and a free media.
Estimate gives the country's score on the aggregate indicator, in units of a standard normal distribution, i.e. ranging from approximately -2.5 to 2.5	Estimate gives the country's score on the aggregate indicator, in units of a standard normal distribution, i.e. ranging from approximately -2.5 to 2.5
Political stability and Absence of violence/Terrorism—pol_stab	Political stability and absence of violence/terrorism measures perceptions of the likelihood of political instability and/or politically motivated violence, including terrorism. Estimate gives the country's score on the aggregate indicator, in units of a standard normal distribution, that is, ranging from approximately -2.5 to 2.5
	(continued)

(continued)

Dimensions	Variables used for each dimension, their abbreviation and description
	Government effectiveness—Percentile rank—gov_eff
	Government effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. Percentile rank indicates the country's rank among all countries covered by the aggregate indicator, with 0 corresponding to lowest rank, and 100 to highest rank. Percentile ranks have been adjusted to correct for changes over time in the composition of the countries covered by the WGI
	Regulatory Quality—regul
	Regulatory quality captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. Estimate gives the country's score on the aggregate indicator, in units of a standard normal distribution, that is, ranging from approximately -2.5 to 2.5
	Rule of law—law
	The Rule of Law Index assesses the extent which countries/territories adhere to the rule of law in practice by examining eight factors, namely constraints on government powers, absence of corruption, open government, fundamental rights, order and security, regulatory enforcement, civil justice and criminal justice. It is measured from 0 to 1, with 1 being the best performance
	Control of Corruption—corrup
	Control of corruption captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. Estimate gives the country's score on the aggregate indicator, in units of a standard normal distribution, that is, ranging from approximately -2.5 to 2.5

Labour market	<p>Employment rate pop. over 25 years—employ_m</p> <p>The employment rate for the population over 25 years old is measured as the number of employed people of 25+ years old as a percentage of the total number of people in that same age group</p> <p>Age dependency ratio, young (% of working-age population)—dep_y</p> <p>Age dependency ratio, young, is the ratio of younger dependents—people younger than 15—to the working-age population—those ages 15–64. Data are shown as the proportion of dependents per 100 working-age population</p> <p>Age dependency ratio, old (% of working-age population)—dep_o</p> <p>Age dependency ratio, old, is the ratio of older dependents—people older than 64—to the working-age population—those ages 15–64. Data are shown as the proportion of dependents per 100 working-age population</p> <p>Population weighted education per capita (age 25 plus, mean number of years)—educ</p> <p>Population weighted average years of education per capita (population 25+; population-weighted averages)</p> <p>Unemployment rate population over 25 years—unemploy</p> <p>The unemployment rate is the number of persons who are unemployed as a percentage of the total number of employed and unemployed persons (i.e. the labour force)</p> <p>Population—pop</p> <p>Population (million persons)</p>
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Source: data.worldbank.org; www.ilo.org; data.imf.org; data.oecd.org; www.healthdata.org

Annex 11.2 Methodology Used for Building the Economic Resilience Capacity Index

The following steps were employed in order to build the Economic Resilience Capacity Index:

1. The selection of the dimensions that will constitute the components of the index, that is, the institutional dimension, the economic and labour market dimensions.
2. For each dimension, the relevant variables that best describe its specificity were selected.
3. Using a multivariate analysis method, specifically the *Principal Components Analysis* (PCA), the variables that have the highest factor loadings (greater than 0.5) with the principal components, called also factorial axes, were selected. The principal components are linear combinations of variables: the first principal component accounts the maximum variance extracted from the variables and each succeeding component accounts for as much of the remaining variability as possible. The factor loadings, also called component loadings in PCA, are the correlation coefficients between the variables and the principal components. A successful grouping of the variables will prove that the structure of the composite indicator is well defined by the three dimensions, and that the selected variables for each dimension are appropriated in describing resilience. The grouping is successful if the variables correlated with one factorial axis are from the same dimension, form a distinct group and don't mix with variables from another dimension.
4. Weighting and aggregation

After selecting the variables ($X_i, i=1,p$) for each factorial axis, the weights (w_i) were assigned to each of them. A linear combination of the weighted variables will give the equation for each factorial axis. For example, the linear equation for the first factorial axis (F_1) has the form:

$$F_1 = w_1X_1 + w_2X_2 + \dots w_pX_p$$

After constructing the linear equations for all the factorial axes, the factors were aggregated into one index. For each axis, a weight was calculated. The final form of the index is:

$$\text{Resilience Index} = w_{f1} * F_1 + w_{f2} * F_2 + \dots + w_{fk} * F_k.$$

Calculating the weights for the variables that correlate with a factorial axis (w_i)

The main element in calculating the weights w_i are the factor loadings of each variable introduced in the analysis. The squared factor loading is the percentage of variance in that variable explained by the factor, similarly to the Pearson correlation coefficient. The steps taken to construct the weights w_i are:

1. the calculation of the proportion of each factor loading in the total variance explained by the factor. The total variance of a factor is determined as the sum of all the squared factor loadings;
2. the calculation of the square of each proportion determined at step 1; and
3. the calculation of the proportion of each squared value determined at step 2 in the total sum. These values are the weights w_i .

The linear equation for each factor is built using only those variables that are strongly correlated with the factor.

Calculating the weights for the factorial axes (w_{fi})

The two steps used to calculate the weights w_{fi} are:

1. the calculation of the total variance of each factor;
2. the calculation of the weights for the factorial axes (w_{fi}) as the proportion of the explained variance of a factor in the total variance of the data set. The total variance is the sum of all the explained variances of all factors.

Annex 11.3 Regional Resilience Based on Employment Growth Rate

Years	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine
1996	-1.0456	-1.0435	-1.0054	-1.0569	-1.0243	-1.0495
1997	-1.0279	-1.0027	-1.0000	-1.0181	-1.0062	-1.0430
1998	-0.9801	-1.0000	-0.9973	-1.0026	-0.9875	-1.0619
1999	-1.0339	-1.0000	-0.9945	-1.0106	-0.9937	-1.0339
2000	-1.0172	-0.9787	-0.9864	-1.0000	-0.9690	-0.9688
2001	-1.0172	-0.9688	-0.9893	-0.9372	-0.9910	-1.0182
2002	-1.0174	-0.9718	-0.9893	-1.0556	-1.0030	-0.9908
2003	-1.0146	-0.9749	-0.9894	-0.9661	-1.0270	-0.9939
2004	-1.0118	-0.9678	-0.9895	-1.0205	-1.0092	-1.0213
2005	-1.0149	-0.9756	-0.9869	-1.0363	-1.0339	-0.9784
2006	-1.0121	-0.9783	-0.9922	-1.0000	-1.0567	-1.0000
2007	-1.0122	-0.9952	-0.9922	-0.9947	-1.0196	-1.0000
2008	-1.0093	-0.9833	-0.9922	-1.0616	-1.0466	-1.0031
2009	-0.9906	-0.9928	-0.9921	-1.0056	-1.1004	-1.0437
2010	-0.9533	-0.9953	-0.9974	-0.9776	-1.0622	-0.9808
2011	-0.9730	-1.0047	-0.9871	-0.9616	-0.9925	-0.9969
2012	-1.0000	-1.0000	-0.9949	-0.9785	-1.0451	-1.0063
2013	-0.9794	-1.0070	-0.9949	-1.0000	-0.9770	-0.9688
2014	-1.0527	-1.0071	-0.9975	-0.9628	-0.9886	-1.0741
2015	-1.0692	-1.0095	-0.9975	-0.9741	-0.9057	-0.9871
2016	-0.9842	-1.0048	-1.0025	-1.0154	-1.0612	-1.0096
2017	-1.0031	-1.0097	-1.0077	-1.0000	-1.0263	-1.0130

Source: Authors' calculations

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12

Borderlines: Economic Resilience on the European Union's Eastern Periphery

Adrian Healy and Gillian Bristow

1 Introduction

The economic costs of political borders are now an accepted part of the economic literature. With the accession of new member states to the European Union (EU) in 2004 and 2007, the EU's external border shifted eastwards, with the movement of goods and labour eased within the newly expanded EU. The long land border that was now established with Belarus, Russia, Moldova and Ukraine was also characterised by unstable relationships in political, economic and security spheres, which had manifestations in border relations. Whilst the risk of borders propagating economic shocks is reasonably well discussed, whether the presence of a hard border has an impact on the ability of a region to respond to an economic shock has been less considered to date.

In principle, the potential for an adverse effect could be realised through restricted trade opportunities or less mobile resources across

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borders. This might be anticipated to limit the options for an economy seeking to respond to an economic shock. However, the presence of a border might equally open up alternative opportunities that are not present to regions that rely on trade within a single market or economy.

The economic crisis of 2007–2008 heralded the most severe and protracted economic downturn in the history of the European Union. Studies have demonstrated the complex role played by socio-spatial relations in the formation of the crisis and the contagion effects that reverberated across the world (French et al. 2009; Aalbers 2009). EU regions and member states were particularly adversely affected, although the effects have varied widely (Hadjimichalis and Hudson 2014; Hendrikse and Sidaway 2014).

Economic geographers have increasingly turned to the concept of economic resilience as a means to understand differences in the observed response of regions to economic shocks and their ability to adapt to new economic circumstances. Here, we understand regional economic resilience as an evolutionary concept, namely as the capacity of a regional or local economy to withstand, recover from and regroup in the face of market, competitive and environmental shocks to its developmental growth path (Martin and Sunley 2015; Bristow and Healy 2014a).

Quantitative studies of the economic resilience of European regions to the post-2007 crisis have yielded some valuable insights into the scale and nature of spatial differences in resilience outcomes and some of the factors influencing these outcomes (e.g. Davies et al. 2010; Groot et al. 2011; Psycharis et al. 2014; Capello et al. 2015; Sensier et al. 2016). However, these have tended to treat all regions as similarly located. The positionality of a region, in terms of its location or geographical features, has not been considered. This chapter seeks to address that gap and asks whether the presence of an external border has an effect on a region's resilience and compares this to other territorial features, such as the presence of mountains, coasts or island status. We illustrate this with reference to the EU's eastern border.

2 Border Regions on the Periphery

Promoting economic and social cohesion has been a long-standing ambition for the EU. This has underpinned the EU's various formulations of its regional policies (now known as Cohesion Policy) since, at least, the 1980s (Bachtler and Mendez 2013; McCann 2015). These policies have had a strong geographical dimension as most of the EU's least prosperous regions are to be found on the periphery of the EU, with their development lagging behind a more affluent core.

This core-periphery representation of the territorial economy of the EU owes much to the seminal work of Krugman (1991). Here, Krugman argued that regions could organise into a prosperous industrial core and poorer agricultural periphery through the forces of endogenous growth and the desire of firms to reap scale economies and minimise distance to market. This places border regions, located at the edge of a common economy, at a potential disadvantage in securing levels of economic growth that are comparable to the core. With the development of the EU into a single market with significant economic core-periphery disparities, the challenge for border regions has become more marked, particularly where transport connections are less strong (Schürmann and Talaat 2000).

The academic literature also identifies how a 'border effect' can reduce the level of trade below that which might have been expected if there was no border present (McCallum 1995). Although the scale of this effect is debated (Yi 2003), there is a wide-ranging agreement to its presence. In addition to distance to market, factors underlying the observed border effect include home market effects, whereby consumers prefer to purchase domestically produced products, the presence of barriers to trade and the lesser movement of, or access to, ideas, labour and capital between places separated by a political border. First identified in the case of the North America-Canada border, a region with, as McCallum puts it, 'a relatively innocuous' border (p. 622), it is suggested that in regions with more substantive borders, the effects will be more marked. The desire to reduce such border effects partly underpins the single market ethos of the EU and also influences the EU's approach to neighbouring regions which lie outside of its territory.

The eastern periphery of the EU forms the Union's longest land border, with eight EU member states bordering four neighbouring countries.¹ In 2004, the EU launched the European Neighbourhood Policy (ENP) as a means of promoting its relations with states that are located close to the borders of the EU (CEC 2004). Initially, EU actions in this area were, broadly, regarded as a 'force for good' albeit with a 'predisposition to ethical action' (Barbé and Johansson-Nogués 2008, p. 81). However, more recently, observers argue that the neighbouring countries have become increasingly unstable, and economic transition has slowed down, leading to suggestions that it might be time to reset the relationship (Lehne 2014).

Whilst the eastern borders of the EU constitute just a small part of the ENP, they do highlight the range of tensions and economic shocks that can beset border economies. This includes susceptibility to particular shocks such as the closure of markets through economic sanctions, political turmoil in neighbouring countries, first destination of mass migration and the closure of borders. Each of these can have ramifications that are often accentuated in border regions that tend to be more dependent on cross-border trade than their counterparts elsewhere in a country or the EU as a whole. This highlights the interest in promoting more resilient economies in border regions. In an unusual development, we also see some cases of very particular shocks that border regions can be subject to (though not uniquely so). In 2007, cyberattacks swamped websites of Estonian organisations, including banks, ministries, media publishers and broadcasters, and the Estonian parliament. Whilst the source of the attacks has never been proven, it has been ascribed to political tensions between Estonia and neighbouring Russia. This development of modes of, what are commonly termed, hybrid warfare has led North Atlantic Treaty Organization (NATO) commentators to now describe resilience as 'a core element of collective defence' (Shea 2016).

¹ Finland, Estonia, Latvia, Lithuania, Poland, Slovakia, Hungary and Romania border Russia, Belarus, Ukraine and Moldova.

3 **Economic Shocks and Resilience**

Resilience is a complex and multidimensional concept. Typically, the resilience of a system is described in terms of its ability to resist shocks or the speed by which it is able to return or 'bounceback' to a pre-shock state or equilibrium (Pendall et al. 2010). This has been used by economic geographers to assert that a resilient region is one that demonstrates the capacity to resist a shock in the first place or to recover quickly from its disruptive effects (Martin 2012). Evolutionary economic geographers extend the resilience concept further by arguing that regional resilience should also be conceived as the ability of a regional economy to adapt and re-orient or renew itself over time (Martin 2012; Bristow and Healy 2014a). As regional economies are constantly evolving adaptive systems, this ability to transform themselves is an essential feature to either avoid becoming locked into a suboptimal development path or to transition to a 'better' one (Hill et al. 2008; Martin 2012; Isaksen and Trippl 2014; Bristow and Healy 2014b).

Typically, existing assessments of regional economic resilience to the post-2007 economic crisis across Europe have focused primarily on the ability of regional economies to withstand the crisis in the first place or suffer limited short-term disruption to their overall economic performance. This is partly a reflection of the limited time that has passed since the crisis for data to be available against which to make such an assessment. Davies (2011), for example, examines how the resilience of regional economies varied across European countries in the immediate aftermath of the crisis, in the years 2009 and 2010. Here, the analysis of resilience is measured in terms of percentage changes in the regional unemployment rate for a relatively small cross-section of ten European countries (Austria, France, Germany, Hungary, Italy, Poland, Romania, Spain, Sweden and the UK). Groot et al. (2011) similarly examine cross-country and cross-regional variations in the short-term impact of the crisis but this time using gross domestic product (GDP) growth data for 2009 for nine EU countries. As their data are limited to national data sets, they have only a limited assessment of the regional dimension to the crisis.

In perhaps the most comprehensive assessment of the resilience of European regions to the crisis, Sensier et al. (2016) construct a method for assessing regional economic resilience based on the date at which each region individually experienced the onset of the crisis and the extent to which it had recovered by the end of 2011. Using data for total employment and for GDP, they apply this to each region in the EU, alongside Iceland, Liechtenstein, Norway and Switzerland. Their employment analysis identifies that more than a tenth (12%) of regions weathered the crisis and did not experience any fall in numbers employed, whilst almost a quarter (23%) experienced a fall in employment but, by 2011, had recovered to their pre-crisis peak. In contrast, two-thirds of regions were still to recover by 2011, divided evenly between those that had passed the trough of their downturn and those that were still to register the end of their decline in employment. An analysis of resilience based upon GDP data gave similar results (Sensier et al. 2016).

Assessments of the factors that shape regional economic resilience tend to focus on those innate characteristics that underpin the structural features of regional economies (Rose 2004). Inter alia, these include the strengths and weaknesses of regions as they enter a crisis (Davies et al. 2010). They report that the size of the available market and access to a larger external market, as well as endowments in natural resources and in physical and human capital, all play an important role in shaping variable impacts of shocks across regions. The important role of a qualified labour pool is of significance here (Bristow et al. 2014). Other factors that can be influential include the sectoral structure of regions, with strong correlations reported between economic diversity and greater levels of resilience (Davies et al. 2010; Bristow et al. 2014). This provides further support for theories that highlight evolutionary conceptions of resilience and the value of 'species diversity' for regional economies (Bristow 2010).

Much of the evidence available points to the important role that the industrial legacy of a region can play in shaping its resilience to economic shocks. This highlights the path-dependent nature of regional resilience and the scope for re-orientating skills, resources and technologies inherited from that legacy (Boschma and Martin 2010). In a similar vein, regions with higher levels of innovation activity appear to be able to respond to economic shocks more positively than those where innovation

capabilities are lower (Bristow et al. 2014). Whether this is due to the value of the innovation activity itself or owes more to the propensity to innovate, acting as a signifier of ability to respond and adapt to changing circumstances remains uncertain.

Increasingly, academic research is also beginning to recognise the important role that governance and agency can play in shaping the resilience of regions and regional economic development (see Bristow and Healy 2014a). This relates to the quality of governance (Charron et al. 2014) and also the importance of recognising the territorial context for policymaking (Barca 2009; Bristow and Healy 2014b). However, resilience studies have, to date, paid less attention to the question as to whether territorial characteristics might, in themselves, impact upon the resilience of place.

4 Assessing the Economic Resilience of Border Regions

To assess whether the presence of an external border has an influence on the resilience of a region to an economic shock requires us, first, to analyse which regions were resilient to a given shock and which were not. Using the economic crisis of 2007–2008 as a test case is a valuable opportunity, as it is one of the few shocks that can be said to have been experienced by all regions of the EU. For the purposes of this study, we adopt a business cycle approach whereby we construct the individual business cycle for each of the 31 national economies in the study and the 281 NUTS 2 regions and 1322 NUTS 3 territories within this geography (for details of the methodology, see Sensier et al. 2016). This approach has the distinct advantage of accommodating the different time frames for when different regions were affected by the economic shock rather than assuming that all regions are affected simultaneously. The use of NUTS 3 data allows a smaller scale of analysis than is typically adopted in studies of economic resilience (which tend to focus on NUTS 2). This finer-grained analysis enables the effect of territorial characteristics to be more readily identifiable than might be the case using NUTS 2 data. Owing to data

limitations, analysis at the NUTS 3 level is restricted to 28 countries (Norway and all EU member states with the exception of Croatia).

Taking the definition of resilience as the ability of an economy to maintain existing levels of economic activity in the face of an economic shock, or to recover to the pre-shock peak within a given time period, we then identify the point at which each region enters into economic downturn and the point at which it recovers to its pre-crisis peak of economic activity. We have chosen to use the level of employment in a region as a more meaningful measure of resilience than other alternatives, particularly GDP. This is partly because it is less prone to revision than GDP data, partly due to its greater robustness at the NUTS 3 level, and also because of the social value associated with being in work. There is a tendency in the minds of the public and politicians regarding the possession of a job as a strong indication of the well-being of an economy.

We measure the absolute resilience of the economy to an economic shock, rather than its resilience relative to other economies (Martin 2012), as we are interested in the extent to which territorial characteristics influence the resilience of a region rather than the relative resilience of a border economy to all others. We have also followed a convention that to be considered resilient, an economy should have recovered to its peak employment levels within three years of experiencing an economic downturn (Sensier et al. 2016). On the basis of their experience since the crisis, each economy is judged to be in one of four states, which are

Table 12.1 Regional resilience categories

Status	Category	Abbr.	Description
Resilient	Resistant	RS	Resisted an economic downturn, that is, no fall in numbers employed
	Recovered	RC	Recovered to pre-crisis activity levels (within three years of the original downturn)
Non-resilient	Not recovered: upturn	NR1	Activity levels now rising but not achieved pre-crisis levels within three years of the original downturn
	Not recovered: No upturn	NR2	Activity levels continuing to decline three years after the original downturn

Source: Authors' representation

mutually exclusive: *Resistant*, *Recovered*, *Not recovered: Upturn* and *Not Recovered: No Upturn*.

Resilient regions (Table 12.1) are those that did not experience a downturn in economic activity, following the economic crisis (*Resistant*) or those that experienced a downturn in economic activity but recovered to pre-shock peak levels by 2011 (*Recovered*). Regions that were not resilient to the crisis are those that have not recovered to pre-shock peak levels by 2011. This category is subdivided into two further categories: those that have registered an upturn in activity levels but had not recovered to their pre-shock peak by 2011 (*Not Recovered: Upturn*) and those that were still to record an upturn in activity by 2011 (*Not Recovered: No Upturn*).

Each NUTS 3 region was then assigned to one of five territorial types, which are not mutually exclusive: a mountain region, a coastal region, an island region, a region with an external border or a region with none of these features. The classification was based on that produced by the European spatial research programme (ESPON 2014).

For each region, we examine the extent to which it is more or less likely to be resilient than would be anticipated, given the average propensity to resilience to the economic crisis. Where a territorial type is associated more strongly with a particular resilience state than might be expected, given the average distribution of resilience then a value greater than 1.00 will be recorded. The higher the value, the greater the extent to which that resilience state is over-represented. In contrast, values of less than 1.00 signal where a territorial type is less associated with a particular resilience trajectory than would be expected, given the overall distribution. Values close to or equal to 1.00 suggest that a particular trajectory is neither more nor less likely to have influenced the distribution of resilience states.

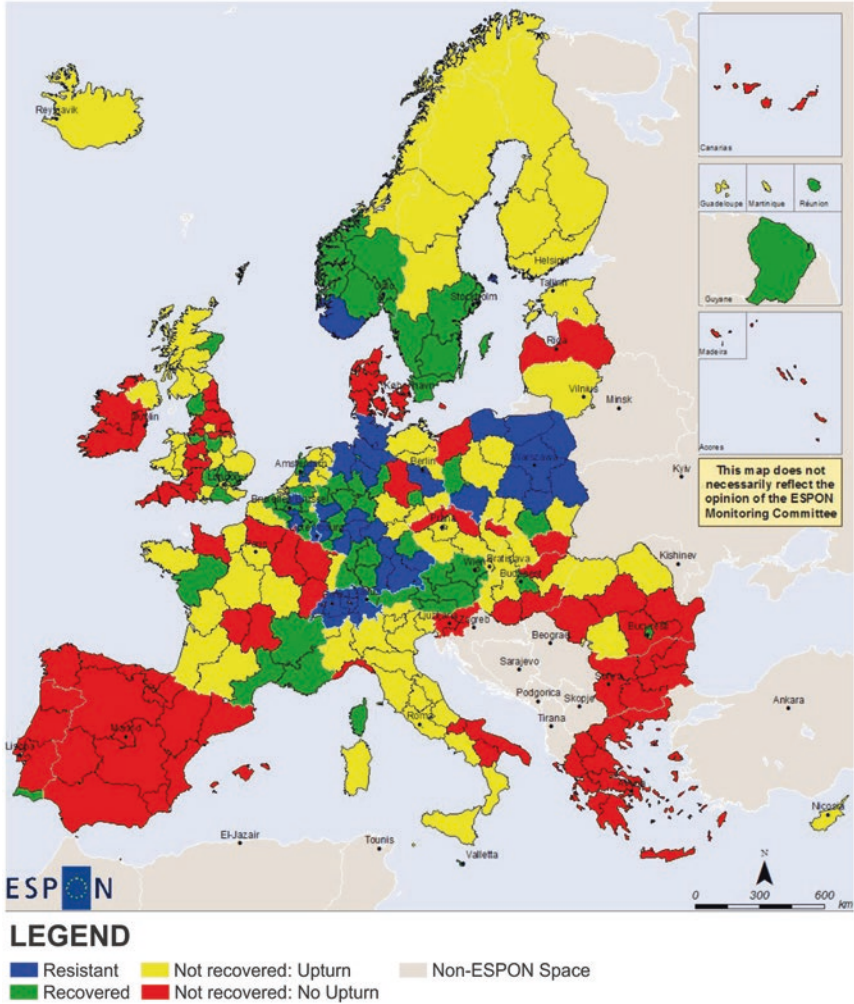


Fig. 12.1 Distribution of regional economic resilience (NUTS 2, employment, peak year to 2011) (Source: Bristow et al. 2014. ESPON Database, ESPON ECR2 Project, Cardiff University, UK. Origin of data: Experian, Cambridge Econometrics, Eurostat. EuroGeographics Association for administrative boundaries)

Table 12.2 Border regions and regional resilience

	Resistant	Recovered	Not recovered: upturn	Not recovered: no upturn
Regions with no national borders	1.21	1.07	0.92	0.91
Regions with internal EU borders	0.81	1.12	1.05	0.97
Regions with external borders	0.30	0.20	1.33	1.66
Regions with external and internal borders	0.46	0.19	1.34	1.58

Source: Authors' representation

5 The Economic Resilience of Border Regions

In their analysis of the distribution of regional economic resilience, Bristow et al. (2014) identify a strong geography of resilience, clearly influenced by national patterns (Fig. 12.1). However, important pockets of recovery and non-recovery are also apparent within this overall geography. This is particularly apparent on the eastern border of the EU, where Polish regions proved to be able to resist the crisis. Elsewhere along the border, regions proved not to be resilient, either continuing to experience a decline in economic activity or having begun the path to recovery, but still to achieve pre-crisis employment levels by 2011.

To what extent though, does the presence of a border influence the observed resilience of regions to the crisis? In Table 12.2, we estimate the extent to which regions with different border characteristics were more or less likely to be found in one of the four resilience categories. Non-border regions have the strongest propensity for resilience and are more likely to have resisted the effects of the economic crisis. Territories with internal borders exhibit a stronger propensity to have recovered from the effects of the crisis. Those territories that have external borders exhibit the weakest levels of resilience. They have a much stronger representation amongst regions that have not recovered than might otherwise be expected, strongly suggesting the presence of a 'border effect'.

Table 12.3 Regional resilience and mountain and coastal characteristics

	Resistant	Recovered	Not recovered: upturn	Not recovered: no upturn
Non-mountainous regions	1.24	1.05	1.03	0.82
Regions with more than 50% of population living in mountain areas	4.03	1.46	0.00	0.00
Regions with more than 50% of surface area covered by mountains	0.26	0.77	1.04	1.50
Regions with more than 50% of population living in mountain areas and with more than 50% of surface area covered by mountains	0.25	0.92	0.83	1.57
Non-coastal regions	1.26	1.15	0.88	0.87
Coastal regions with low share of coastal population	0.21	0.52	1.27	1.51
Coastal regions with medium share of coastal population	0.54	0.60	1.53	1.08
Coastal regions with high share of coastal population	0.57	0.67	1.40	1.12
Coastal regions with very high share of coastal population	0.37	0.73	1.14	1.39

Source: Authors' representation

A similar analysis for regions with mountainous and coastal characteristics also demonstrates that such regions tend to have proven less resilient to the economic crisis (Table 12.3). Mountainous regions form a higher proportion of regions that have not yet recovered from the economic crisis and areas with low, medium, high or very high coastal populations also make up a disproportionate share of regions that had still not recovered their peak employment levels in 2011. In contrast, regions that resisted the crisis, or have since recovered, are more likely to be non-mountainous or to be found in non-coastal areas.

However, this simple correlation of territorial type with resilience outcomes does not take into account the possibility that territories with particular characteristics appear to have weaker levels of resilience outcomes simply because they are disproportionately located in countries where

Table 12.4 Varying circumstance by country

	Regions by resilience category				
	RS	RC	NR1	NR2	Total
<i>Finland (NR1)</i>					
All regions	0	1	16	3	20
Mtn regions	0	0	0	0	0
Coast regions	0	1	8	2	11
Island regions	0	0	1	0	1
Ext. border regions	0	0	4	3	7
<i>Poland (RS)</i>					
All regions	26	10	7	23	66
Mtn regions	1	0	0	3	4
Coast regions	1	1	2	3	8
Island regions	0	0	0	0	0
Ext. border regions	7	2	1	5	15

Source: Authors' representation

overall levels of resilience are already weaker. When the national context is controlled for, a more complex picture emerges. Overall, it appears that in around a third of countries (10/28), the territorial characteristics of regions may have some influence on the observed level of resilience. However, there is no consistent pattern to this, as in each case there are examples of where the same characteristics are associated with different resilience outcomes. For example, in some countries, border regions have proved more resilient than the national average, whilst, in others, they have proved less resilient. We illustrate this with two examples from countries on the EU's eastern border: Finland and Poland (Table 12.4).

In the case of Finland, of the 20 NUTS 3 regions, 11 are classified as coastal (coast), 1 as island (island), 7 as external borders (ext. border) and none as mountainous (mtn). In Poland, of the 66 NUTS 3 regions, 4 are classified as mountainous, 8 as coastal, none as island and 15 as external borders. In Finland, no region with an external border was resilient to the crisis, whereas in Poland almost half of the external border regions resisted the crisis, and 9 of the 15 proved to be resilient.

One interpretation of the data could also be that territories of a particular type appear to have weaker levels of resilience outcomes simply because they are disproportionately located in member states where overall levels of resilience are already weaker. In order to control for this, we

consider the extent to which regions under- (or over) perform against the measured resilience of the national economy.

From our initial analysis in Table 12.4, it is a simple step to determine the proportion of regions in each Resilience category. This provides a means to assess whether regions of particular territorial types are over or under-represented in each Resilience category, and so to identify where territorial characteristics might be associated with higher or lower levels of resilience outcomes than could be expected. This is illustrated for the cases of Finland and Poland in Table 12.5.

Here, we see that in the case of Finland, regions with external borders are over-represented as a proportion amongst those regions that were still experiencing a decline in levels of employment in 2011. In contrast, the opposite was true in Poland, where regions with external borders were slightly more likely to have resisted the crisis than the average. Undertaking this analysis for each of the countries on the EU's eastern border (including Norway) (Table 12.6) suggests that in four of the nine countries, regions with external borders proved to be less resilient to the crisis than might have been otherwise expected (particularly so in Finland and Hungary). In Poland, the presence of an external border appears to be positively related to a stronger level of resilience to the crisis, and in Romania, the picture is mixed. In three countries, the presence of an external border does not appear to have a significant influence on the propensity of a region to be resilient.

In an extension of this analysis, we can also ask whether the presence of challenging geographic features, such as an external border, might affect the overall resilience of the national economy itself. This might account for the weaker resilience outcomes identified earlier, and it may help to explain why regions with external borders (or other challenging territorial characteristics) are more likely to be found in countries with lower resilience outcomes. In Table 12.7, we summarise the results of a similar analysis to that undertaken earlier. Overall, a more favourable territorial composition does appear to be important for states that resisted the crisis, with low proportions of regions in all territorial categories, although this finding is based only on three states. Similarly, the presence

Table 12.5 Assessing the relative situation of regions

	Proportion of regions			
	RS	RC	NR1	NR2
<i>Finland (NR1)</i>				
All regions	0.0	5.0	80.0	15.0
Mtn regions				
Coast regions	0.0	9.1	72.7	18.2
Island regions	0.0	0.0	100.0	0.0
Ext. border regions	0.0	0.0	57.1	42.9
<i>Poland (RS)</i>				
All regions	39.4	15.2	10.6	34.8
Mtn regions	25.0	0.0	0.0	75.0
Coast regions	12.5	12.5	25.0	37.5
Island regions				
Ext. border regions	46.7	13.3	6.7	33.3

Source: Authors' representation

Table 12.6 Comparing the resilience of border regions within countries

	RS	RC	NR1	NR2
Estonia			=	
Finland		-	-	++
Hungary		-	++	-
Latvia				=
Lithuania			-	+
Norway			=	
Poland	+	-	-	=
Romania	+	-	+	-
Slovakia		-	+	

Source: Authors' representation

- a lower proportion of regions than the national average

= the same proportion of regions as the national average

+ a higher proportion of regions than the national average

Table 12.7 The effect of territorial characteristics on national resilience

Observed national resilience	Percentage of regions in countries concerned				Total number of countries
	Mountain	Coastal	Island	External border	
RS	6.0	6.4	0.0	7.6	3
RC	30.0	54.4	21.0	4.1	5
NR1	17.4	40.0	12.1	12.1	11
NR2	39.9	51.7	16.3	21.6	9

Source: Authors' representation

of more regions with external borders appears to affect the overall resilience of the member state concerned. However, a higher prevalence of mountain, coastal or island regions does not appear to be a significant factor affecting the ability of states to recover, following the onset of an economic downturn.

6 Conclusions

The reverberations of the post-2007 economic crisis have had significant impacts across the EU. The fact that all EU economies were exposed to this same shock has provided an opportunity to develop our understanding of various influences on the economic resilience of regions. In this chapter, we have considered the role that territorial characteristics play in shaping the observed resilience of regions. We have focused on the role of external borders, with particular reference to the eastern periphery of the EU. To set these results in context, we have considered the role of other territorial characteristics, such as mountains, islands and coastal areas.

Our results demonstrate that regions with external borders tended to be less resilient to the economic crisis than were regions with no national borders, or where these borders were internal to the EU. Mountainous regions also tended to be less resilient to the crisis than non-mountainous regions. The picture for coastal regions is more mixed. However, further analysis suggests that this effect is a feature of these regions being more likely to be located in member states where overall levels of resilience were low. Thus, it is likely that at least part of the effect is the result of the national economic context rather than the nature of the territory itself.

In the case of the eastern periphery of the EU, we find that in just under half of the countries concerned, the presence of an external border is associated with worse resilience outcomes during the crisis, and in one case, the presence of an external border is associated with improved outcomes. In the other four cases, the presence of an external border did not appear to affect the outcomes experienced or the effect was mixed.

A critical finding of the study is that the presence of an external border can have an adverse impact on the resilience of the national economy. Thus, the effect is felt not just at the regional level but also at the national level. There was no comparable national effect for the presence of mountain, coastal or island regions.

The results of our analysis indicate that there is an external border effect that can adversely affect resilience outcomes. However, the effect is not uniform, suggesting that it is one factor amongst a number of others that can affect the resilience of a region. Wider policies are also likely to affect the magnitude of any border effect and could act to create a positive effect, as well as mitigating negative effects. This serves to emphasise the importance of considering the policy dimension in resilience studies, as much as the structural characteristics of regions.

Our work also indicates that studies of resilience would benefit from a stronger reflection of geopolitical considerations. The rising significance attached by bodies such as NATO to the theme of resilience highlights the relevance of this matter. It is also a theme that appears to be growing in significance as economic and political tensions in neighbouring regions raise questions as to the future of the European Neighbourhood Policy and the Eastern Partnership. However, our knowledge of how geopolitical attributes affect the resilience of regions is at a very early stage, suggesting room for further research, which takes into account the particularities of individual places as well as the broader context.

Finally, and perhaps most telling, is the complex and recursive relationship suggested between observed regional resilience outcomes and resilience at the national level. It appears that the presence of external borders is associated with non-resilient outcomes in the national economy, which, in turn, then reduce the likelihood of border regions proving resilient to an economic shock. Understanding the complexities of this relationship will provide a fruitful avenue for further research.

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13

Resilience at the EU's Eastern Borders: A Comparative Analysis of Post-Soviet Countries Through an Institutional Approach

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1 Introduction

This chapter contends that there is a two-way relationship of mutual reinforcement between institutions and development: the developed countries become more robust because development generates and fosters institutional efficacy, whereas poor countries are stuck in the “poverty” trap due to the fragility of their formal institutions. Subsequently, institutions can induce order in economic and social life, by generating good or bad governance (Acemoglu and Robinson 2012) and by forming the environment that can positively or negatively influence business. Institutions are deemed to be strong “if they support the voluntary exchange underpinning an effective market mechanism”, and they are considered weak “if they fail to ensure effective markets or even under-

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mine markets” (Meyer et al. 2009). Based on these considerations, our research integrates an institutional approach into assessing the post-Soviet countries’ capacity to develop and consolidate democratic systems, by focusing on the strength of formal and persistence of informal institutional structures and arrangements. The analytical model for the study of resilience comprises the capacity to resist, to absorb, to adapt and to transform. We argue that it does not only imply elasticity and the returning to the initial conditions but, rather, resilience means the ability of a system to continue to meet its established goals even when shocks occur.

Resilience in the case of the post-Soviet countries needs to be understood as a nexus comprising of complex internal institutional elements on the one hand, and of the constraints arising from uncertainty associated with their geostrategic position between the core centres of external powers and influence, on the other: the European Union (EU) and Russia. The key premise is that, today, there is a notable diversity in the range and quality of resilience mechanisms and adaptive capabilities across these countries. Moreover, they face different degrees of exposure to geostrategic risks in the post-Soviet space. Therefore, the EU’s actions and policies in the Eastern neighbourhood should take into account the heterogeneity of socio-political, economic and security contexts, as well as the endogenous evolutionary processes in the Eastern Partnership (EaP) countries. These states share a common geostrategic position that defined and shaped their long-term political choices and priorities. Being dependent on Russian energy resources, markets and cultural ties, and displaying ambiguous prospects of EU accession, the long-term policy choices of these countries have been constrained and ill-defined, which has often compromised their relationship with the EU as an external actor, both regionally and bilaterally. The post-Soviet transformation has given rise to a qualitative variety of outcomes in the EaP region (Hedlund 2005). Increasingly, this heterogeneity affects the value systems and the prospects for security, stability and prosperity. These, essentially, depend on the economic capacity of these countries to perform and to ensure a solid basis for growth in order to enhance their welfare, as well as for strengthening their democratic systems. In fact, the resilience capacity of a system as a whole is strongly linked to the way that various economic

components interact with each other, as well as to how they adapt and develop under the impact of the external environment, as well as of the domestic political, social and institutional conditionality. The ability to manage resilience lies in the system's actors, social networks and institutions which, through their (flexible or reflexive) way of governing and through their openness to challenges, should be able to adapt to changes occurring in the economy. Although countries share some common elements, the unique features of each country could be understood only by comparing them to others. Many regional communities have shown flexibility, inventiveness and innovation in confronting, adapting to and preventing the impact of the problems they were facing by developing their own institutional arrangements, even in the absence of governmental support. Resilience must capture both individual behaviour and interaction with other actors in the system (at micro level), as well as the impact they generate at the level of the whole system (the macro level). Within a state, depending on the priority given by governments, policies could be more or less resilient. In this context, it is crucial to determine which policy is resilient or fragile based on the major deviations from the expectation (Castañeda and Guerrero 2018). A policy is transformative when it is designed to generate a change in a certain issue in order to reach a specific goal. For instance, should we consider the goal to reduce corruption by 30% in post-Soviet countries, a transformative public policy would consist of establishing effective control structures that should act mainly at the level of public sector, where significant corruption acts have been detected. Conversely, non-transformative policy would amount to governmental expenditure designated to maintain the current inefficient control bodies.

The multitude of ongoing changes faced by states, especially in the context of the Fourth Industrial Revolution (Schwab 2017), at the core of which prevail technological expansion, artificial intelligence, big data, social networks and information obtained in real time, compel them to develop complex adaptive systems, characterised by three interconnected elements: innovation, talent and resilience (WEF 2018). All this implies the existence of a strong governance model and that is why, in the Five Presidents' Report, Juncker et al. (2015) call for a "convergence process

towards more resilient economic structures”, which is measured by a broad set of institutional variables meant to capture the way in which different markets work (labour markets, credit markets, business markets), how the framework conditions are set (the quality of regulations, the effectiveness of the legal system) and how the government interacts with the economy (government integrity, public sector efficiency, tax levels) (Sondermann 2017). In relation to the EaP, the concept of resilience was explicitly mentioned in the European Council Summit in Vilnius (November 29, 2013) and Riga (May 22, 2015), outlining a much needed focus on “cooperation projects aiming at enforcing state building and rule of law and helping partner countries to strengthen institutions and their resilience to external challenges”.

Considering these aspects, the main purpose of this chapter is to find answers to questions, such as the following: to what extent governance in post-Soviet countries is dependent on informal institutions and how this influences their resilience capacity? How can states respond adequately to various types of shocks (*ex ante* resilience vs. *ex post* resilience) and what makes them different in their ability to absorb shocks and to minimise losses? How could decision-makers act to stimulate formal institutions that reinforce the resilience capacity of a country? In order to capture all these elements, in the following sections, the focus is on issues related to institutional flexibility in mitigating shocks, the importance of respecting formal institutions (contract, property rights) to strengthen resilience capacity, the institutional path of post-Soviet countries and the main shocks they faced during the period 2000–2016. At the same time, we also conducted an empirical analysis emphasising the position of the Baltic states, and, respectively, Ukraine and the Republic of Moldova, in relation to the other EU member states, concerning their institutional resilience. The chapter’s conclusions outline some of the possible actions that decision-makers could take in order to boost resilience. The inclusion of some measures able to contribute to the improved governance of the EU’s eastern border countries could stimulate their economic integration, development and convergence, as well as it could reduce their marginality, reinforce cross-border cooperation, foster and strengthen stability and security at the EU’s borders (i.e. post-Soviet transformation).

2 Institutional Flexibility: What Kind of Relation with Resilience?

First and foremost, the analysis of the resilience capacity from an institutional perspective implies the identification of specific elements that endure against internal and external shocks or which adjust relatively rapidly to disturbing circumstances. Furthermore, according to the type of economy (a developed vs. a transition one; a capitalist system vs. a post-Soviet one), the natural question that comes up is how to develop proper institutions for generating growth. The answer to this question draws on changes in a certain direction in the institutional framework of a country that would efficiently combine institutions to foresee low transaction costs meant to encourage entrepreneurship, voluntary exchange, the rule of law, innovation, creativity and to simultaneously reduce insecurity, information asymmetry and conflicts. Depending on the importance that the former Soviet states particularly give to enhancing institutional quality, their chances to overcome shocks can be assessed in relation to how the formal rules in society are respected; this also holds true for the consolidation and modernisation of socio-economic and political structures in terms of leaving behind the periphery status and getting in line with the EU's developed centre. Hence, on the road towards development, it is necessary to promote *inclusive institutions*, which ensure the functioning of the rule of law at optimal parameters, thus providing a high level of public services, and stimulating cooperation between people and their involvement in economic activities; on the contrary, should the focus be leaning towards *extractive institutions*, they will direct the revenue and wealth from one side of the society for the benefit of another (Acemoglu and Robinson 2012). The deficit in cooperation between decisional actors and among individuals would rather produce incentives to redistribute than to produce, each creating its own channels to obtain access to resources, thus eliminating competition (Miroiu 2016).

Before assessing reforms, it is necessary to know the status quo of the register from which the incentives of inter-human exchanges draw on or, on the contrary, the sources that block their evolution. A reduced resilience capacity may help us determine the extent to which reforms from

former Soviet countries are dependent on the path. This dependency may explain not only the economic-social systems' evolution from the inside but also their relation to the global world. Given the fact that human thought and action are structured by the rules formed in society through a selection process of all the experiences gained through generations, the evolution of institutions naturally implies a certain inertial format and path dependency (by the prior defining rules). As a result, the transition process is conditioned by the inheritance of a set of institutions that shape people's expectancies and constrain the development of new stimulant structures based on the market; essentially, history matters for the results of transition (Raiser 1997). To reduce the development gap between the post-Soviet space and the West implies significant economic, political, cultural, social and communication costs that do not generate identical effects on all society members. Social inequity produces various effects that either increase or decrease according to the starting point and to what we call *path dependence*. With degrees that vary from one country to the other, this theory emphasises the importance of tradition and valuing previous resources, warning that the focal point of change does not have to be missed; should a country enter a state of economic blockade and continue to draw on the past institutional framework, thus missing adequate responses to current crisis situations, it will consistently limit its perspectives for future development. The phenomenon of *path dependence* may manifest itself in many ways based on the possible results that a dynamic process generates in relation to initial conditions (Liebowitz and Margolis 2000, p. 985): *first-degree path dependence* (the result may not cause damage due to the sensibility of initial actions, but it does not guarantee efficiency in the later stages). When information is imperfect, a second possibility occurs. In this situation, the inferiority of a path is unknown at the time of the choice, yet another alternative would have determined a greater richness. In such a situation, which describes the *second-degree path dependence*, the results are overwhelming, given the individuals' limited rationality. *Third-degree path dependence* implies sensible initial conditions that lead to inefficient, yet remediable results. From a theoretical and empirical perspective, path dependence is also considered the most appropriate method to deal with the dynamic nature of post-Soviet Europe's change process. Institutional changes in this space

have been and remain different not only in speed and depth but also in their orientation according to the preconditions of each country that faces a transition process (Cornia and Popov 1997; Kaminski and Strzalkowski 1993). These states display common (structural) features, yet also major discrepancies that may be connected to various pre-Communist legacies and variants of centralised planning in terms of relaxations of direct control and option for economic strategies. Different histories account for the extremely varied incomes per capita, and this is the reason why market institutions in the countries from the eastern border of the EU are distinguished from those economically developed, macro- and micro-level distortions being so high in 1989. The overall regress in the former Soviet Union owed to the collapse of state and non-state institutions, which rose at the beginning of the 1980s and 1990s, led to a chaotic transformation, instead of an organised and manageable transition. Following the inevitable collapse of the Soviet system, Russia has failed in implementing one of the two sets of transition policies (shock therapy or the gradual approach); in exchange, it has applied an inconsistent shock therapy (Cornia and Popov 2001), and it still claims that the economic hardship from peripheral European countries was provoked and continues to be fuelled by export policies adopted by governments in the more developed economies in Europe; for instance, Germany, which, due to the salary costs kept at an acceptable level, has boosted its competitive advantage in relation to peripheral European countries, thus obtaining greater surplus to their balance of payments.

Moreover, the post-Cold War period has proven that resistance to various shocks that may occur is shaped by the way in which states choose to build their institutional structures as follows: according to *liberal visions*, the mechanisms of the market need to develop the institution of property rights; *Hobbes's vision* brings into play an external actor, usually the state, which applies types of sanctions and incentives in society; *the local vision* through which small groups of people interact and make institutional arrangements, which stimulate cooperation (Ostrom 2005). As a result, the extent to which attention is paid to the major role of rules in society is also the one to determine a country's degree of resilience. Usually, high institutional quality is associated with a capacity to absorb shocks more

easily, whereas institutional frailty is correlated to a low resistance against vulnerabilities. To act in the direction of building efficient institutional arrangements, time, cooperation and costs are required. The implementation of institutional changes is more difficult and time-consuming than the one pertaining to macroeconomic changes, such as stabilisation, liberalisation or inflation lowering: “If the changes of institutions occur based on the same economic and social organisation principles, they subscribe to the limits of reforms. If changes are much deeper, if they transcend the existing organisational principles of economy and society, adaptations are called transformations and grow as big as a revolution of the economic system bases” (Iancu 2000, p. 9). The institutional matrix creates a mixture of incentives: some productive, others pervert. Productive incentives are those that lead to economic development and growth, whereas the pervert ones are simply redistributed, thus destroying existent richness (Eggertsson 1990). It is clear that this distinction needs to be dynamic and contextual because what was productive in a certain context in the past may be perverted in another (also valid for resilience, as what might be resilient in the moment T_0 could prove non-resilient in moment T_1). Moreover, the demarcation between the two types of incentives may provide normative orientation in the direction that institutional changes aim at. Institutions should ensure that pervert incentives are limited in a credible manner, and productive ones are encouraged. In case it is considered that certain incentives encourage the pervert strategies of various actors, they need to be subject to a norm that results from political, legal or legislative actions. The more efficient the markets in determining the nature of various incentives, the higher the productivity and the pace of economic development (Page and Bednar 2006). If the government intervenes in economy by applying excessive taxation to some (be they individuals or companies), for the purpose of transferring to others, based on unproductive principles, then their freedom to save a part of their earnings is reduced; hence, the disappearance of the motivation towards bringing added value. Furthermore, when within a country there is mainly a tendency to resort to unsustainable governmental resources around groups of interests, and the allocation of resources is made without control in terms of efficiency, institutional

frailty may be brought into play. However, policies should create an institutional framework able to make possible the access to productive incentives through measures that reduce transaction costs, obtain profitability for all actors involved and sanction the perverse ones.

In highlighting institutional quality, it is important to show the determinants of good governance; however, of much more interest, within a state, should be the identification of paths through which efficient institutional arrangements may be reached, on the one hand, and the capacity to develop new, more coherent and stronger institutions, adapted to the macroeconomic context (*institutional flexibility*), on the other. If, in the case of an increased institutional quality, the high transaction costs were reduced, there would be a higher rate of economic growth, at least in the short term; in the case of increased institutional flexibility, economic growth is a long-term goal (Davis 2010). Still, how can we develop new efficient institutions, to replace the old inefficient ones? The literature claims that the basic sources of institutional change reside in the modifications that may occur in preferences and relative prices (North 1997). The former may come from new values, attitudes, ideas and perceptions on how the world is and how it should be, while the others result from the relation between production prices and factors; this is due, for example, to changes in relation of the labour with capital, from information and technology costs. Relative prices and costs reflect a crisis of resources that determines a continuous competition between economic and political actors (individuals and organisations) which is truly the key to institutional change (North 1993). Institutional change has been analysed from different perspectives within social sciences, many authors (Sjöstedt 2015; Kasper and Streit 1998) treating it as a process in which institutions are subject to a collective choice process whereby actors bargain or compete in order to try to implement institutional changes beneficial to their immediate interests. Each actor weighs the expected costs associated with this change against the benefits. If a minimum coalition necessary to effect change agrees to it, then institutional change can occur (Mahoney and Thelen 2010; Ostrom 2005). Others (Williamson 2000) conceptualize institutional change as an evolutionary process occurring spontaneously through an uncoordinated selection process, involving many

different agents. Self-organisation, emergence, path dependence and lock-in are the processes through which complex systems continue to exist by altering structure and function. However, the first two processes play a more prominent role, as they produce structural and functional changes (Martin and Sunley 2014). Instead, path dependence and lock-in are process types by which systems tend to maintain their initial structure and functionality. The interaction between these processes determines the resilience or vulnerability of the system to shocks, whether internal or external. More specifically, the relationships established between these processes dictate the evolution trajectories of a complex adaptive system. All of these processes work on the basis of the information received, based on feedback from various components or subsystems (positive feedback vs. negative feedback) (McDermott and Nadolski 2016).

In order to understand how social, political, economic and organisational factors interact in the formation, support and developmental changes of all institutional arrangements, Aoki (2007) draws on *Schumpeter's innovation*, which may bring into play new elements by destroying the old inefficient legacies of the past (*creative destruction*). Schumpeter's idea driven towards innovation needs to take place in the middle of institutions and leave its mark on persistent social norms. Past and future institutions are related in a complex way, thus contributing to human cooperation, building faith in individuals on the ways in which "economy's game" is to be applied. Endogenously generated institutions, in a certain period, become exogenous constraints or facilitators in further institutional dynamics on their fields, as in others. There are spiral movements for newcomer institutions through which they may become role models and, on whose base, allows ad infinitum shaping of other institutional developments. No other theory can escape the matter of infinite regression ("history matters" and "so do institutions"). Subsequently, the direction and speed of institutional change is influenced by various factors (path dependence, technological progress, complexity and interdependences within the institutional system, entrepreneurial behaviour, quality of regulations, good governance, etc.), and as a result, it is difficult for them to come into being in a relatively short period of time.

3 The Role of Formal Institutions in Enhancing Resilience

Formal institutions are a barometer for measuring good governance within a state, and if these are well defined, applied and respected, then they will play a major role in strengthening the resilience capacity. For instance, the respect of the contract represents an important factor of institutional quality, and as a result, market institutions should be interested in proposing resolutions for the problems caused by asymmetric information, offering various types of contracts, despite the uncertainties and differences between participants; they may lead to conflicts should one of the parties not meet the other's expectations. Social rules and relations of trust help overcoming problems such as moral hazard, asymmetric information and adverse selection (Akerlof 1970).

The inherent difficulty to anticipate all possible events that could occur in an insecure world and to specify the adequate measures, should they be taken, given the existence of a certain amount of risks. Any contract depends on other variables than on sole rational calculation; any contract has factors that go beyond intentions or agreements between people with executive positions, not to mention the regulations for the respective contracts (Aboal et al. 2014). These factors represent rules and norms that are necessarily included in legislation. Contractual parties need to draw on rules and standard models of institutional behaviour that cannot be set or confirmed through detailed negotiations, from practical reasons. Durkheim argues that naturally "each person considers a series of rules and norms to be self-implied and makes the same assumptions for the other party" (Durkheim 1984, p. 158). Moreover, contracts are vulnerable to the non-performance of obligations by parties when new circumstances, perceptions or information occur. The expenses that need incurring are not substantial enough to cope with these unpredictable events. Williamson (1983) rightfully underlined that many contractual disputes are resolved without appealing to courts. However, this does not mean that legal institutions do not hold their place in the daily performance of a contract. The efficiency of institutions in sanctioning contractual breaches is sometimes as appreciated as the armies' role in peacekeeping according to how little

they need to be used. Where the law norm prevails and the disputes are resolved successfully, they are enough to be credible and serve as example for transactions (Greif et al. 1994). Out of the ones outlined earlier, we should keep in mind that because of a great number of players on the market, it is more difficult for individuals to set reciprocal arrangements to ensure compliance to the contract. In a world of incomplete and imperfect information with high transaction costs, with agents that hold limited knowledge, strong institutions are necessary to apply property rights. Moreover, contract law should be structured in such a way as to reduce transaction costs to the minimum.

One of the general lessons on property rights is that they will incur high costs. The efforts made for the granting of safer property rights will imply a variety of costs reflected in their clear definition, implementation, support, protection, monitoring and so on. Along the costs incurred by the creation of property rights, the breaching of social norms for the use of property may be higher in cost as well. The more rights for the better holder, the higher the costs incurred for the use of the respective good which means that social costs are internalised. Coase (1960, p. 14) defined this as follows: “individuals who are only interested in the boosting of their own revenues are not concerned with social costs and they will engage in an activity only if the value of the product for the factors involved is higher than their private costs”. As a certain resource becomes rarer, hence more valuable, the more legitimate the expenses to create property rights. The existence of strong private property norms also means a limitation of political authority (Prosterman and Hanstad 2003). The extent to which a society favours private decisions to public ones determines the increase of the degree of arbitrary seizing or destruction by the political forces of property. In a nation in which public authorities are willing and capable to foster these individual decisions, property holders fear expropriation or blackmail less. Thus, private property is a defending mechanism against abuse.

The more a country focuses on ensuring a high level of quality in regulations (be they the ones referring to labour market, credit or business markets), the more respected the property rights, the higher the trust and implicitly, the better the governance; all these have a positive impact on the stimulation of the resilience capacity. Good governance is associated

with the rule of law and property rights, as well as the provision of efficient public services through an authority that uses mechanisms, processes and institutions to manage state problems (Briguglio et al. 2008; Pejovich 1999). In case of good governance, shocks would be better absorbed or counteracted due to legislative and political credibility and predictability. In exchange, in the lack of good governance, shocks have a higher probability to create social and economic panic and multiply their negative effects.

Thus, economies undergo continuous change, generated by global pressure and challenges which show their effects more and more strongly; furthermore, within this unstable global context, the higher the competition, the higher the need to find answers quickly to various situations which occur spontaneously. Within this context, actors that take part in the macroeconomic circuit, be they individuals or companies, producers or consumers, state or international players, may be affected by a shock and negative consequences could be resented even for a long period of time if there is no clear vision for action to trace pathways meant to improve the ability to recover and adjust to shocks. The policies that support resilience need to rise from long-term agendas shared by all the actors rather than finding solutions at the level of the public sector. Such a context requires measures to be applied and mainly to be driven towards eliminating the immoral activities from society (corruption, bribery, favouritism, contract breaching, violation of property rights, useless waste of resources, tax evasion and abstraction from other fiscal obligations, etc.).

4 A (Brief) Overview of the Institutional Path in Post-Soviet Countries: Shocks and Achievements

Generally, the analysis of a state's resilience capacity has to put in relation to the historical past, the internal and external events that have traced their development trajectories, the degree of involvement of institutions in resolving crisis situations, the coherence of reforms if disturbing factors

occur and, last but not least, the desire of people to produce beneficial changes in society. In 1940, when the so-called *sovietisation of Baltic states* (Estonia, Latvia, Lithuania) took place, they were forced to be part of the Soviet Union and only in 1991 become de facto independent. Throughout this period, the European continent has had to cope with many challenges/shocks. Beginning with the 1990s, most Eastern European countries saw the EU as an important supporting element and the European integration process as a great chance for economic recovery. More precisely, a high level of welfare was hoped to be attained in order to alleviate burdens, be it public or private, and which would ultimately facilitate social adjustment (Andreev 2006). As the literature in the economic field highlights, economic transition at the national level has not been a simple challenge, as it implied complex processes to pass from a command economy to an economy based on the market's coordinates; the transition was to a much more complex economy in whose framework the constitution of certain essential institutions, that would efficiently respond to mechanisms to attain states of dynamic equilibrium at micro- or macroeconomic level, became a necessity. The experience of countries in Eastern Europe is distinct. As it is well known, at the end of 1989, these states had specific institutional and economic characteristics, revolving around the excessive state property, which led to a variety of negative effects and consequences, such as extreme bureaucracy, lack of motivation, the unsuitable mix of products, the lack of innovation and competition, and the expense of considerable sums for the survival of inefficient companies, which led to "zero incentives"; moreover, the idea of profit was not exploited, and taxes in the economy were quite frequently unjustified. Additionally, there are various distinct features and patterns that Eastern European countries shared during their transition periods, as follows: too much emphasis was laid on the development of the industry, while services and traditional sectors were neglected; the allocation of resources was not determined by the market's signals, but it was directed by the government, and private enterprises were not allowed to function; the financial system was underdeveloped and the Central Bank was totally dependent on the State; prices were controlled by the government and, consequently, they could not provide correct signals to the companies; inflation was caused by monetary oscillations and by the specific features

of the financial system; and trade with developed states was almost non-existent (Andreev 2003; Nelson et al. 1998). Subsequently, the overall structure of the economy was not in equilibrium (Durlauf 2006; Sedelmeir 2005). All these translate into generating major influences at the level of formal and informal institutions that can substantially change the way in which development strategies are drawn up and implemented. The long period of incorporation of EaP countries and Baltic states within the Soviet bloc has given rise to divergent institutional environments, centred (to varying degrees) on the formal institutions of power and governance (autocratic regimes, procedural democracy, judicial system and ownership structures) and on informal mechanisms of economic development, societal resilience and governance (corruption, informal economy, kinship networks, human mobility) (Viorică et al. 2011; Lane 2011; Way 2005; Robinson 2004). As a reflection of such heterogeneity, while defined as a compact group by the EU and as Russia's geostrategic periphery, today, the EaP countries have quite different structural and institutional capacities to resist, absorb, adapt and transform their economic and socio-political realities by adopting EU standards (Korosteleva et al. 2014). The EU's policy and approaches to these countries, at both the regional and bilateral levels, should therefore reflect, adapt to and, where possible, capitalise on this heterogeneity. "In any complex adaptive system, the key to resilience is the maintenance of heterogeneity" (Levin 1998, p. 435). Institutional frameworks were ambiguous and controversial, especially in Eastern European countries, being modelled by the informal institutions, social norms and path dependence.

When it comes to the most notable shocks that have deeply tested the resilience capacity, the first major shock called *the fall of the Soviet regime* has had a strong impact on the analysed countries, which underwent a process of adaptation and transformation of their social and economic structures and, implicitly, of their institutions. At the level of the 1990s, these states were either too weak to act as a warrant of the rule of law, or they were much too rapacious in terms of the requirements of free-market mechanisms (Mendelski 2016). Another shock, of a different nature, intervened in 2004, *when some former Soviet states (the Baltic countries) joined the European Union*. To reach this point, the countries have achieved the required convergence criteria and, therefore, a complex

institutional restructuring that took shape to mitigate the uncertainty of social interactions, so that transactions would not be too costly, and thus this would bring out gains in large-scale productivity. These structures comprise of property rights, well-defined and efficiently applied contracts and formal guarantees, bankruptcy laws and corporate organisations, all meant to confine problems that have to do with what Williamson called *opportunism ex post* (Williamson 1983). After 2009, *the financial crisis*, and then, in 2014, the *Ukrainian conflict*, represented other types of shocks that have highly affected these countries' systems; in East European countries, there was a rapid increase in the budgetary deficit and in public debt, which generated a high instability that translated into migration flows, under-occupation, low specialisation of economic activities, changes at business environment level, social inequality, low productivity and low levels of qualification of the active population, along with a pronounced political instability (Grabbe 2006).

The different transformations that the states have experienced over time have generated oscillations in terms of gross domestic product (GDP) growth rates, and the shock caused by the economic crisis in 2008–2009 was the most consistent for both developed EU countries and those outside the Union (Fig. 13.1).

As the graph suggests, the Baltic states have registered the lowest GDP growth rates in 2008 compared to 2009 (Estonia = -14.72%;

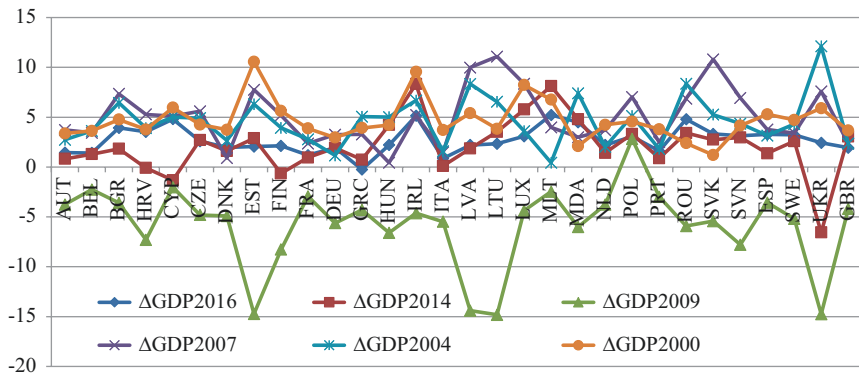


Fig. 13.1 GDP growth rates compared to previous year (Source: Authors' representation, based on World Bank data, World Development Indicators, 2019)

Latvia = -14.40%; Lithuania = -14.81%), alongside Ukraine (-14.76%) and the Republic of Moldova (-6.00%). If in the case of Ukraine, there is a significant reduction in GDP in 2008–2009, followed by another drop in 2014, as a result of the Ukrainian crisis (a decrease of -6.55% compared to the previous year, when the GDP growth rate was 2.44%), in the case of the Baltic countries, we find a spectacular return, which indicates that the reforms were taken in accordance with the requirements of the market so as to absorb as quickly and as efficiently as possible the shocks and stresses that have arisen. Therefore, geopolitical instability is an inhibiting factor of resilience, and the states in which conflicts are mitigated by proper economic and diplomatic measures will have a greater resilience capacity. Analysing the data in Fig. 13.1, it is noticed that Ukraine has not reached any higher GDP growth rates than those registered in 2004.

The economic and political transformation of the analysed states is grasped by Bertelsmann Stiftung's Transformation Index (BTI) via *Status index*. This contains variables pertaining to *political transformation* (political participation, rule of law, stability of democratic institutions, political and social integration), on the one hand, and to *economic transformation* (level of socio-economic development, private property, organisation of the market and competition, welfare regime, economic performance, sustainability), on the other hand. Moreover, BTI analyses the *governance index* which evaluates the quality of political leadership and which contains the level of difficulty in implementing necessary reforms, steering capability, consensus-building, resource efficiency and international cooperation. The evaluation scale ranges between 0 and 10, where 10 refers to the existence of an efficient market economy and a very good governance (Table 13.1).

We may notice that within the analysed time frame (2006–2018), the extreme disparity, both at status index level and at governance index, is between Estonia and Belarus, the former managing to reach values above 9, whereas the latter recorded values under 5, the highest peak in terms of governance being recorded in 2006 (2.75), then, in 2014 (2.80) only to get to a slight improvement of governance in Belarus (3.52) in 2018. These statistics are not surprising at all, given the events that occurred

Table 13.1 Status index and governance index of post-Soviet countries

	Status index	Democracy status	Trend democracy	Market economy status	Trend market economy	Governance index	Governance performance			
2018	Estonia	9.52 HA 9.75	DC	0.05	→ 9.29	D	0.00	→ 7.44	9.12	VG
	Latvia	8.68 HA 8.75	DC	0.00	→ 8.61	D	0.11	→ 7.00	8.43	VG
	Lithuania	9.24 HA 9.45	DC	0.15	→ 9.04	D	0.04	→ 7.18	8.88	VG
	Moldova	5.96 L 6.20	DD	-0.50	→ 5.71	FF	-0.07	→ 5.15	5.75	M
	Ukraine	6.54 L 6.90	DD	0.15	→ 6.18	FF	0.82	→ 5.41	6.03	M
	Belarus	4.72 VL 4.33	MA	0.40	→ 5.11	FF	0.50	→ 3.52	4.05	W
2016	Estonia	9.49 HA 9.70	DC	0.00	→ 9.29	D	0.14	→ 7.40	9.07	VG
	Latvia	8.63 HA 8.75	DC	0.00	→ 8.50	D	0.43	→ 6.97	8.43	G
	Lithuania	9.15 HA 9.30	DC	0.05	→ 9.00	D	0.29	→ 7.19	8.88	VG
	Moldova	6.24 L 6.70	DD	-0.45	→ 5.79	FF	0.29	→ 5.31	5.92	M
	Ukraine	6.05 L 6.75	DD	0.65	→ 5.36	FF	-0.32	→ 5.02	5.60	M
	Belarus	4.27 VL 3.93	HLA	0.00	→ 4.61	PF	-0.07	→ 3.02	3.45	W
2014	Estonia	9.42 HA 9.70	DC	0.15	→ 9.14	D	0.14	→ 7.26	8.90	VG
	Latvia	8.41 A 8.75	DC	-0.05	→ 8.07	D	0.25	→ 6.82	8.22	G
	Lithuania	8.98 HA 9.25	DC	-0.10	→ 8.71	D	0.00	→ 7.08	8.67	VG
	Moldova	6.33 L 7.15	DD	0.10	→ 5.50	FF	0.07	→ 5.50	6.12	M
	Ukraine	5.89 L 6.10	DD	0.00	→ 5.68	FF	-0.14	→ 4.26	4.92	W
	Belarus	4.31 VL 3.93	HLA	0.00	→ 4.68	PF	-0.11	→ 2.80	3.18	F
2012	Estonia	9.28 HA 9.55	DC	-0.05	→ 9.00	D	-0.07	→ 7.41	9.03	VG
	Latvia	8.31 A 8.80	DC	-0.05	→ 7.82	F	-0.36	→ 6.81	8.25	G
	Lithuania	9.03 HA 9.35	DC	0.05	→ 8.71	D	-0.07	→ 7.15	8.80	VG
	Moldova	6.24 L 7.05	DD	0.40	→ 5.43	FF	0.50	→ 5.39	5.95	M
	Ukraine	5.96 L 6.10	DD	-0.90	→ 5.82	FF	-0.29	→ 4.64	5.33	M
	Belarus	4.36 VL 3.93	HLA	-0.15	→ 4.79	PF	-0.18	→ 2.81	3.18	F
2010	Estonia	9.34 HA 9.60	DC	0.05	→ 9.07	D	-0.21	→ 7.33	8.98	VG
	Latvia	8.51 HA 8.85	DC	0.15	→ 8.18	D	-0.32	→ 6.71	8.08	G

2010	Lithuania	9.04	HA	9.30	DC	-0.05	→ 8.79	D	-0.18	→ 6.94	8.50	G
	Moldova	5.79	L	6.65	DD	-0.20	→ 4.93	PF	-0.07	→ 4.49	4.97	M
	Ukraine	6.55	L	7.00	DD	-0.35	→ 6.11	FF	-0.39	→ 4.94	5.68	M
	Belarus	4.52	VL	4.08	MA	0.15	→ 4.96	PF	-0.04	→ 3.29	3.75	W
	Estonia	9.42	HA	9.55	DC	0.15	→ 9.29	D	0.11	→ 7.37	8.98	VG
	Latvia	8.60	HA	8.70	DC	0.40	→ 8.50	D	0.39	→ 6.92	8.30	G
2008	Lithuania	9.16	HA	9.35	DC	0.10	→ 8.96	D	0.18	→ 6.76	8.25	G
	Moldova	5.93	L	6.85	DD	1.45	↑ 5.00	FF	0.29	→ 4.46	4.93	M
	Ukraine	6.93	L	7.35	DD	0.25	→ 6.50	FF	-0.32	→ 5.25	6.00	M
	Belarus	4.47	VL	3.93	HLA	-0.03	→ 5.00	FF	0.04	→ 2.90	3.28	F
	Estonia	9.29	HA	9.40	DC	-	9.18	D	-	7.35	8.88	VG
	Latvia	8.20	A	8.30	DC	-	8.11	D	-	6.81	8.13	G
2006	Lithuania	9.02	HA	9.25	DC	-	8.79	D	-	7.04	8.54	VG
	Moldova	5.06	VL	5.40	HDD	-	4.71	PF	-	3.50	3.83	W
	Ukraine	6.96		7.10	DD	-	6.82	FF	-	4.70	5.42	M
	Belarus	4.47	VL	3.97	HLA	-	4.96	PF	-	2.75	3.13	F

Source: Authors' representation based on BTI data, 2019

Highly advanced = HA; Advanced = A; Limited = L; Very limited = VL; Failed = F

Democracies in consolidation = DC; Defective democracies = DD; Highly defective democracies = HDD; Moderate autocracies = MA; Hard-line autocracies = HLA

Developed = D; Functioning = F; Functional flaws = FF; Poorly functioning = PF; Rudimentary = R

Very good = VG; Good = G; Moderate = M; Weak = W; Failed = F

over this period. Here, we bring into play the shock caused by the crisis in Ukraine at the beginning of 2014 when Euromaidan demonstrations led to the fall of Viktor Yanukovich's regime, and numerous defensive and repressive measures were initiated, especially guided by the Moscow model; consequently, serious tensions between Russia and the West escalated.

Some post-Soviet states from the EU's eastern border have manifested more thoroughly their pro-European option (Republic of Moldova and Ukraine), whereas, in the case of Belarus, the alignment of an important part from the political elite to the values promoted by Russia is well known. Macroeconomic statistics clearly highlight the fact that the entire region was affected by this crisis, and almost all countries benefited from growth rates under the previous ones for 2014. Thus, it seems that adaptation policies to the new context were not well shaped and the countries did not have the necessary resources and means to manage this kind of situations, thus being unable to avoid unease and panic spread in the area; the actors' actions were incoherent and driven by specific pride, drawing on the historical past. Therefore, path dependence significantly bears its mark on post-Soviet states; the test of time proves that it is very difficult to overcome the historical past, the informal institutions that prevent progress, the detachment of Russian influence which still exerts a decisive influence on the economic destiny of its neighbours, despite the existing pressure coming from the civil society and the international community (Haukkala 2011).

Estonia's positioning in the higher rank of good governance is explained by the fact that the administrative capacity considerably increased since its independence, in 1990; the foreign investors are attracted by Estonia even after the onset of the 2008–2009 crisis, due to the openness towards innovation, the respect of the rule of law, the quality of services (here, there is a wide range of services of electronic governance that considerably diminished corruption). Moreover, public debt is one of the lowest in the EU, economic policies are in agreement with liberal market principles and, during its development, there were essential moments such as 2010 when Estonia was the first of the post-Soviet countries to join the Organisation for Economic Co-operation and Development (OECD) and the Euro Zone, in 2011. *Lithuania* has known slower growth rates

after the crisis as compared to Estonia, especially due to the commercial embargo from Russia and a temporary contraction of investments. Productivity levels did not come back to the ones before the crisis, which points out structural problems in public policies. As far as *Latvia* is concerned, the country showed its independence from EU funds for economic growth. Austerity measures taken after the beginning of the crisis were mainly translated into tax increases and a considerable reduction of public expenses.

In the case of the *Republic of Moldova*, the pro-European vision has strongly emerged at the level of 2009; however, the commercial Russian embargo imposed as a response to the 2013 initiation and 2014 signing of the EU Association Agreement made its presence felt at the GDP level which, in 2015, had suffered the greatest fall from its independence, decreasing by 18% since 2014 (BTI 2019). The economy of the Republic of Moldova has an increased dependence towards Russian resources of energy, with remittances falling by a third, and the loss of government credibility among Western partners led to the cancellation of an important part of foreign financial assistance (despite all these, in 2016, the Republic of Moldova managed to sign a new agreement with International Monetary Fund). The institutions in this country are extremely corrupt, and there are many interest groups and abuse of power.

Regarding *Ukraine*, present political elites still come from the old system, but under the constant pressure coming from the civil society and international actors, the newcomers in the government aim to revise the entire system of governance; there is a special emphasis in Ukraine's official discourse on pleading for the establishment of independent institutions to fight against corruption. However, the resistance of the old system's partisans is still strong, thus explaining the much too slow pace of change and the failure of reforms. Moreover, in the context of the conflict with Russia, since 2014, when the country lost control of approximately 12% of its territory by annexing Crimea and the so-called and self-proclaimed Popular Republic Donetsk and Popular Republic Luhansk, Ukraine went through a stressed deterioration of its status index (5.89) and governance index (4.26) in 2014.

In *Belarus*, although institutional reforms were carried out slowly, in time, a part of the population remained nostalgic towards the Soviet

Union which became visible, especially during the Russian-Ukraine conflict when two sides rose (one to support a stronger integration with Russia and another which perceives Russia as a potential threat). Belarus made significant efforts to contribute to the solving of the Ukrainian crisis, providing all necessary conditions for the periodic development of the trilateral contact group encounter of the Organization for Security and Co-operation in Europe. All these efforts contributed to a certain consolidation of the international position of Minsk and a mindset change of the country within the international arena. At status index level, during 2006–2018, progress was slow (from 4.47 to 4.72) and in terms of governance index, the leap was notable, from 2.75 to 3.52 (BTI 2019).

To summarise, we can easily consider that in the period analysed (2006–2018), at the level of post-Soviet states, the reforms of public policies led to relatively slow increases of pro-market, pro-democracy, pro-good governance indicators; this is particularly the case for the non-EU member states that have suffered significant destabilisations as a result of the shocks induced by the Ukrainian crisis. Considering that successfully implemented strategies in one country can fail in another, each EU member state has the duty to seek optimal development formulas depending on their economic specificity. As such, their development perspective is directly dependent on the capacity to assume and implement fair and comprehensive reforms, especially in times of crisis.

5 Methodology

The degree of resilience of regions/countries varies from one situation to another. There are no intervals in literature to define *low*, *medium* or *high resilience* (this appreciation is of a qualitative and not a quantitative nature). For instance, the ability to adapt to shocks on the free-market affects countries developed endogenously in a different manner than those developed with exogenous flows. Large parts of social sciences are still guided by a linear, scale-free and static worldview (Duit and Galaz 2008); there are also important exceptions, especially within the branch of institutional theory called historical institutionalism. Path dependence

is thus not about traditional linear sequences of causally connected events, or about simplistic and static arguments such as “history matters” or “the past influences the future”, but instead, it emphasises how contingent events set into motion institutional patterns or event chains in which outcomes are related stochastically to initial conditions (Mahoney 2000). The paradigm of non-linearity contests mathematical modelling, through which everything can be predicted based on deterministic laws (in any community, there are some irreversible things, some changes happen suddenly and the equilibrium is only apparent, and there are several stages of it). This paradigm considers instability, uncertainty, imbalance and asymmetry, as critical elements in the dynamics of systems, regardless of their nature. Resilience can therefore be viewed as an emerging property of the entire system, being generated as a result of the relationships between higher vulnerability components and those with higher adaptability.

The methodology for calculating resilience from a multidimensional and multilevel perspective, as well as the incorporation of results obtained in regional growth and development models, is still being debated by researchers. Although there are composite indexes (Birkmann 2013; Sherrieb et al. 2010), which aim at measuring the resilience capacity of both developed and emerging countries, some indexes do not include variables of high relevance for Eastern European countries (e.g. indicators on economic freedom, democracy, human security and energy security).

In literature (Ezcurra and Rios 2019; Kaasa 2016; Charron et al. 2014; Rodríguez-Pose and Cataldo 2014; Bartlett et al. 2013; Tabellini 2010), the measurement of institutional resilience was done mainly in terms of governance indicators of the World Bank (voice and accountability, political stability, rule of law, regulatory quality, control of corruption) and although it would be preferable for the analysis to include variables that refer to informal institutions, values and social norms (social capital, trust, cultural stereotypes, religion, traditions, discrimination, morality, responsibility, tolerance, saving, perseverance, etc.), although such variables, as perceptions, are very difficult to measure (not with enough precision), if not almost impossible.

In the first step, measuring institutional resilience means to identify the main forces that are susceptible to contribute to differences in adaptation, management and transformation of shocks that can occur within

economies. In the second step, these drivers will be correlated with the GDP growth rate. The analysis will be mainly longitudinal and transversal-comparative in the sense of focusing on institutional drivers in the period between 2000 and 2016 (given that institutions evolve and change in time, and resilience capacity of a country can change from period to period). Cross-country comparisons will highlight the positioning of post-Soviet countries on the development path (three Baltic states, EU members—Estonia, Latvia and Lithuania—and two from the EU border, non-EU members—Republic of Moldova and Ukraine). The focus was towards the two eastern border states of the EU because their vision was rather pro-European, and it is well known the support of the Union in terms of recovering the development gaps through neighbourhood instruments that had the support of the Union. For assuring greater comparability, the analysis included the other EU countries as well (usually, in measuring resilience, the aim is to answer the question: resilience of what, compared to what?). Our initial intention was to include Belarus too in the group of former Soviet countries, which are not members of the EU, but which border with it. The lack of data regarding the governance component and institutional aspects has led us to eliminate it from the empirical analysis. A resilience-based approach can capture the weaknesses of the countries characterised by instability, institutional weaknesses and structural fragilities, as well as inefficient governance. In order to establish the correlation between resilience and institutional/governance components, we considered institutional resilience as a latent variable so that the main aim of the research is to find proper proxies for the assessment of resilience. We considered the following shocks: the integration moment of the Baltic states Estonia, Latvia and Lithuania (year 2004); economic crisis from 2008–2009; and the Ukraine crisis (year 2014). The analysis of resilience capacity implies the existence of large time series, and although it would have been interesting to relate to the period before 1990, when the Soviet regime collapsed, or to a closer time frame, a limit to the research emerged because the data on the integrity of the legal system and compliance with the rule of law, especially in the eastern-most part of Europe, are almost non-existent for that period of time.

Hypotheses

- H1: The post-Soviet states are significantly influenced in their evolution/Europeanisation path by the first-degree, second-degree or third-degree path dependence;
- H2: The Baltic states, which are currently EU members and former Soviet countries, have the capacity to resist better to shocks or mitigate some turbulences than the post-Soviet countries which are non-EU members from an institutional point of view;
- H3: Post-Soviet non-EU members have/do not have the ability to integrate elements of institutional reaction and adaptability into their development models in order to diminish the risks and to allocate resources efficiently;
- H4: Good governance (respected rules, better regulations, low involvement of government in the economy) generates the proper ways for creating incentives to support resilience.

To test the hypotheses, we took into account three sub-indexes (exogenous latent constructs). The variables that constituted the sub-index 1 (GOV_INVOLV) refer to government integrity (*gov_integr*), tax burden (*tax_burd*) and government spending (*gov_spend*), and these were chosen to highlight *the government's involvement in the economy* (GOV_INVOLV) by setting and applying taxes at companies' level, as well as individually, by governmental spending towards various destinations, generating more or less added value. High fiscal burden has repercussions on the economy as a whole, as it changes consumer behaviour, preferences related to investments, the people's and the business' environment being directly affected. In addition, if government spending targets non-priority areas and programmes, then governmental inefficiency occurs. Therefore, we have also preferred to include in this sub-index, the government integrity variable, which is evaluated depending on issues concerning the irregular payments and bribes, transparency of government policymaking, perceptions of corruption, public trust in politicians and governmental and civil service transparency. The second sub-index—institutional quality (INSTIT_QUAL)—refers to institutions seen as rules in society, and its

measurement was made based on the variables as protection of property rights (*prop_rights*), legal enforcement of contracts (*legal_contr*), impartial courts (*imp_crts*), judicial independence (*jud_indep*) and integrity of the legal system (*integr_leg_sys*). Sub-index 3—regulations (REG)—incorporates different types of regulations (from the credit, labour and business markets—*cm_reg*, *lm_reg*, *b_reg*). All sub-indexes and variables are described in Annex 13.1.

The components of sub-indexes were aggregated, being placed on a scale from 0 (worst) to 10 (best), in order to obtain an Institutional Resilience Index (IRI), calculated as the arithmetic mean of the three sub-indexes. The only exception (an inverse relation), in terms of interpretation, is the case of government spending (*gov_spend*) and tax burden (*tax_burd*): the more a country records higher values of these indicators, the more the distribution of expenditures is inefficient, and the taxes charged at both individual and corporate levels are more burdensome. Institutional resilience is an endogenous latent variable. The multiple regression equation, which captures temporal dimensions and causal relationships between variable, is of the form:

$$IR_{i,t} = \alpha_0 + \alpha_1 GOV_INVOLV_{i,t} + \alpha_2 INSTIT_QUAL_{i,t} + \alpha_3 REG_{i,t} + \varepsilon_{i,t}$$

where i represents the country, t represents time and ε represents stochastic error.

The data were collected from different sources such as Fraser Institute, Freedom House, Heritage Foundation, International Country Risk Guide, the Global Competitiveness Report and the World Bank and was processed via uni- and multivariate statistical methods (structural equation modelling based on partial least squares method, confirmatory factor analysis, multiple regression, path analysis, cluster analysis) in Stata and SmartPLS (v. 3.2.7) software (Ringle et al. 2015).

After measuring institutional resilience, the countries were divided into three groups—with strong resilience capacity, with medium resilience capacity and with low resilience capacity. The analysis was performed for the years 2000, 2004, 2009, 2014 and 2016, by capturing the moments in which the above-mentioned shocks occurred. The 2016

analysis allowed us to determine which states have had the appropriate tools to absorb shocks in order to be positioned in the group of states with strong resilience capacity and what is the Euclidean distance between them.

6 Results and Discussion

To test the deterministic relationship between resilience and the three sub-indexes, with the related components, we have applied *structural equation modelling* (SEM) based on *partial least squares method* (PLS). SEM allows many associations between variables, incorporating both latent (unobserved) and observed ones and, at the same time, the relationships between various constructs are estimated through path analysis. In our research, the PLS path model is designed to establish correlations between the constructs (sub-indexes) and their variables. In order to check if the model produces stable and consistent results and has an internal consistency reliability (inter-construct correlations), in Annex 13.2, the estimates of *Cronbach's Alpha test* are presented. Ensuring validity of the constructs provides support for the suitability of their inclusion in the path model. Usually, values greater than 0.6 for Cronbach's Alpha means that the model is acceptable. Convergent validity (the degree of confidence that a sub-index is well measured by its indicators) is expressed by *composite reliability* (CR) and *Average Variance Extracted* (AVE) and supports the model if CR has values greater than 0.7 and AVE greater than 0.5. According to the obtained results, the highest internal consistency between the variables is found at the sub-index INSTIT_QUAL (institutional quality) level, Cronbach's Alpha = 0.865 in 2000, rising to 0.918 in 2014 and then, in 2016, slightly decreasing (0.915), whereas composite reliability is 0.919 in 2000 and 0.947 in 2016, which highlights the fact that the constituents converge on the same construct. In contrast, we note that in the case of the sub-index GOV_INVOLV, Cronbach's Alpha is negative and the composite reliability has the smallest value of all constructs used (0.403 in 2000, with a maximum value in 2007 = 0.561); this does not necessarily mean that the correlations between the variables that come into its component are weak, but rather

that this sub-index consists of indicators that are worded in opposite directions: for example, the government integrity variable (*gov_integr*) is inversely related to the variables on government spending (*gov_spend*) and tax burden (*tax_burd*), as shown in path analysis. The validity of using these constructs within the model is reflected by AVE, which in the case of GOV_INVOLV is 0.718, thus reaching the maximum value in 2009 (0.799), then declining against the background of the shock caused by the 2008–2009 financial crisis level (0.753). Resilience, as latent variable, has Cronbach's Alpha values and composite reliability over 0.7, which means that the model as a whole is considered valid. Moreover, according to the results in Annex 13.3, the discriminant validity Fornell-Larcker criterion confirms that sub-indexes are not divergent and support the validity of the model.

The structural model was tested by path coefficients, which, during the year 2000, emphasise that both INSTIT-QUAL and REG have a positive effect on resilience (0.642 and 0.286) (Annex 13.4). It can also be noticed that in the case of GOV_INVOLV, among the three factors included in this sub-index, *gov_integr* contributes most to the generation of resilience (89.1%), thus reinforcing the fact that within a country where there are consistent levels of transparency of government policymaking, public trust in politicians and lack of corruption, the more resilient the country will be. Instead, excessive taxes (*tax_burd*) and irrational resource allocation (*gov_spend*) are inhibitory drivers of resilience and implicitly establish a negative relationship with it (−0.882 for *tax_burd* and −0.764 for *gov_spend*). This is why Cronbach's Alpha is negative for this sub-index (opposite directions of the sub-index variables). Among the indicators which are part of the sub-index INSTIT_QUAL, impartial courts (*imp_crts*) and judicial independence (*jud_indep*) have causality values above 0.9, followed by protection of property rights (*prop_rights*), having a determinism of 0.889. Throughout the analysed period, the INSTIT_QUAL sub-index has the highest weight in the resilience internal model (values above 0.6), noting that there have been some improvements in the rule of law issues in the countries under review. However, with respect to the GOV_INVOLV and REG constructs, they have known changes in their structure, their share of the pattern of resilience decreasing over time. This can be explained by the fact that, especially against the back-

drop of the shock represented by 2008–2009 crisis, governments faced structural deficits, balance of payments deficits, external borrowings have increased and, in most cases, money has been directed to current spending (public sector wages, pensions), which led to an increase in the tax burden for both individuals and corporates (*tax_burd* variable reaching the negative peak in = -0.945). The loadings of the variables on government spending (*gov_spend*) and tax burden (*tax_burd*) are negative, which means they reduce the resilience capacity of a state. Some governments have been forced to resort to measures that have produced dissatisfaction among the population, and for this reason, the perception of government integrity (*gov_integr*) has begun to decline after the installing of crises (2009 and 2014). Regarding the third sub-index, REG, a special situation is encountered in relation to the labour market regulations (*lm_reg*), meaning that it only met positive values (0.101 and 0.300) in the years of 2004 and 2016. One possible explanation could be that, with the integration of the ten Central and Eastern European countries into the EU, they have benefited from the rights conferred on the internal market on employment, working time and salary levels. After 2015, when the EU has experienced an unprecedented influx of refugees and migrants, the situation started to stabilise on the labour market, causing positive scores at this indicator level. Given that our analysis has included Ukraine and the Republic of Moldova, we mention the EU's decision to liberalise the visa regime for Moldovan citizens starting from April 28, 2014, and the Ukrainian citizens starting from June 11, 2017, has influenced the weight of *lm_reg* variable. Regulations play an important role in determining economic structures, as it prevents failure on different markets, anti-competitive practices, corruption and so on. However, excessive regulation creates perverse incentives for firms, investors and employees, in the sense of growing the informal economy, characterised by low productivity levels, underemployment, low accumulation of welfare, slow or even a lack of responses to adverse shocks or the absence of well-defined property rights (De Soto 1989; Rodrik 1999). Labour market regulations have the role of protecting employees, supporting them through training and the development of skills required by the society, creating an efficient allocation of production factors (labour, capital) between firms and

sectors of activity, generating new jobs, higher employment, wages and productivity, and ensuring a certain degree of social protection.

The largest contribution to the sub-index REG is the business regulation variable (*b_reg*), with values above 0.9, while the loadings of the indicator credit market regulations (*cm_reg*) decrease significantly after 2009, due to the continuous adjustments of interest rates, credit conditions, bank requirements and so on. Business regulations are primarily aimed at creating more favourable conditions for entrepreneurs, reducing the tax burden and diminishing administrative obstacles, so that they can generate increasing scale effects; moreover, credit market regulations should protect both creditors and borrowers through reducing information asymmetries, facilitate access to credit for small firms and lead to a better borrower discipline, the existence of credit information systems for supervising banks and for monitoring credit risk and credit trends.

For the entire analysed period, the combination of GOV_INVOLV, INSTIT_QUAL and REG had the ability to explain the resilience in proportion of 99.7% and 99.8%, respectively; this meant that the institutional dimension, both in terms of governmental actions and in terms of rules, is crucial for boosting resilience capacity. This fact was also reinforced by *p*-values (the probability of rejecting the null hypothesis if it was less than 0.05). In the case of INSTIT_QUAL and REG, *p*-values < 0.001, which meant that *the working hypotheses were statistically highly significant*, and in the case of GOV_INVOLV, there was a near-marginal significance, given by the above-mentioned reasons.

The importance of each variable used in our analysis, as well as of the three sub-indices, in strengthening the resilience capacity of states was reflected by the cluster analysis (Annex 13.5). According to this, for the whole analysed period, countries were grouped into two samples based on indicators that evaluated GOV_INVOLV, INSTIT_QUAL, and REG. The variables that had the greatest predictive significance in differentiating countries in the two clusters were impartial courts (*imp_crts*), business regulations (*b_reg*), government integrity (*gov_integr*), judicial independence (*jud_indep*) and protection of property rights (*prop_rights*). The countries in the first cluster were characterised by moderate resilience because they had lower average values of the indicators included in the analysis (in this category, over time, more countries were included compared to Cluster 2), while the states in the second cluster were defined

by higher resilience, showing higher average values of the analysed indicators, except for the tax burden (*tax_burd*) and government expenditures (*gov_spend*), which had lower values compared to Cluster 1. This meant that government involvement in the economy was rational, only when it was imposed in order to correct major imbalances, the distribution of expenditures being in line with the needs of the economy and with the principle of ensuring financial sustainability. Moreover, the tax burden was not as pressing as in the case of Cluster 1, which included countries with lower resilience. Given that Cluster 1 comprised more states with weaker resilience, it explained why the sub-index GOV_INVOLV had a lower weight in generating resilience. More flexible and lower taxes, which particularly stimulated small and medium-sized enterprises, as well as distributed government spending towards sectors that generated high added value, thus being factors that could help strengthen resilience. In 2016, the main indicators with significance in the resilience process referred to impartial courts (*imp_crts*), protection of property rights (*prop_rights*), judicial independence (*jud_indep*), business regulations (*b_reg*) and government integrity (*gov_integr*). According to Annex 13.6, the largest gap between GDP fluctuations was recorded in 2009 (financial crisis), compared to 2007 and 2004 (integration of Central and Eastern European states), the distance being 1.000 and 0.945, respectively, where 1 represents the greatest distance. Another significant fluctuation was recorded in 2014 (Ukrainian conflict) compared to 2004 (distance of 0.742). In terms of institutional resilience (IR), the most significant distances are recorded in 2009 and 2014 compared to 2000 (1.000 vs. 0.975), then in 2016 compared to 2000 (0.799) and in 2009 compared to 2004 (0.554). What is noteworthy is that although the intervention of these shocks has created severe disturbances in the analysed countries, the distance in terms of GDP has diminished over time, which emphasises a shock-absorption capacity through measures appropriate to the context. Annexure 13.7 captures the distribution of countries according to institutional resilience and GDP change, and Annexes 13.8 and 13.9 show the Euclidean distance between countries in terms of the 11 variables used in the analysis, as well as the loadings of each sub-index to generating resilience (total effects histograms). The data in Table 13.2 strengthens the assertions, thus observing the significant contribution of INSTIT_QUAL to the strengthening of the resilience capacity.

Table 13.2 Latent variable correlations

Year 2000	(1)	(2)	(3)	(4)	Year 2009	(1)	(2)	(3)	(4)
GOV_ INVOLV (1)	1.000				GOV_ INVOLV (1)	1.000			
INSTIT_ QUAL (2)	0.748	1.000			INSTIT_ QUAL (2)	0.813	1.000		
REG (3)	0.698	0.882	1.000		REG (3)	0.593	0.751	1.000	
RESILIENCE (4)	0.800	0.985	0.937	1.000	RESILIENCE (4)	0.859	0.989	0.812	1.000
Year 2004	(1)	(2)	(3)	(4)	Year 2014	(1)	(2)	(3)	(4)
GOV_ INVOLV (1)	1.000				GOV_ INVOLV (1)	1.000			
INSTIT_ QUAL (2)	0.800	1.000			INSTIT_ QUAL (2)	0.824	1.000		
REG (3)	0.577	0.680	1.000		REG (3)	0.666	0.900	1.000	
RESILIENCE (4)	0.848	0.979	0.795	1.000	RESILIENCE (4)	0.858	0.995	0.912	1.000
Year 2007	(1)	(2)	(3)	(4)	Year 2016	(1)	(2)	(3)	(4)
GOV_ INVOLV (1)	1.000				GOV_ INVOLV (1)	1.000			
INSTIT_ QUAL (2)	0.817	1.000			INSTIT_ QUAL (2)	0.825	1.000		
REG (3)	0.540	0.745	1.000		REG (3)	0.660	0.889	1.000	
RESILIENCE (4)	0.849	0.987	0.814	1.000	RESILIENCE (4)	0.862	0.995	0.897	1.000

Source: Authors' estimates

Starting from the three sub-indexes used in our analysis, we have elaborated an *institutional resilience index*, and based on the results, the countries were grouped into three categories: countries with strong resilience (evaluation scale between 6.67–10.00), countries with medium resilience (3.34–6.66) and countries with low resilience (0–3.33) (Fig. 13.2).

It can be noted that Estonia is part of the group of countries with strong resilience, alongside states with advanced capitalism (Great Britain, Ireland, Netherlands, Luxemburg, Finland, Germany). The reasons have already been presented earlier, but it should be stressed that Estonia can serve as an example of good practice in terms of governance and internal management. In less developed countries, it is in the interest of citizens to have institutions that would facilitate the distribution of resources while, in economically advanced states, the interest lies in developing institutions

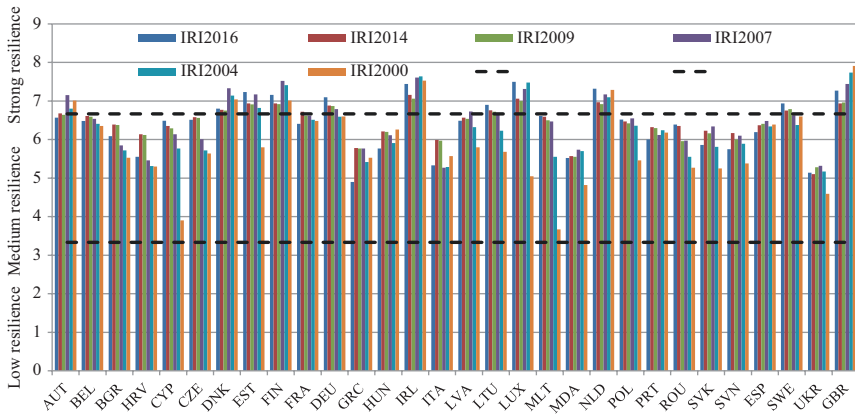


Fig. 13.2 Grouping of countries according to their Institutional Resilience Index (Source: Authors' representation)

that would protect property rights. Countries that are currently resilient, both former post-Soviet countries and others, are those which give importance to institutions. In the literature, the main institutions that determine resilience are property rights, legal enforcement of contracts, free markets, all which are regulated by a legal-judicial framework which supposes minimal transaction costs and efficient governance structures. Contrarily, weak institutions undermine resilience. As far as Europe is concerned, at the beginning of 2010, the crisis turned from a financial one into a sovereign debt, which has further generated higher interest rates; hence the deepening of economic crisis for some European regions (for instance, until 2010, governmental debt reached 85% of the GDP in the Euro Zone), and many other regions and countries proved to be weak from a structural viewpoint, having a strong dependency on the public sector (Overbeek 2012; Ali 2012; ECB 2016). The search for countercyclical policies adapted to local specificity may provide the framework through which countries could strengthen their capacity to answer to shocks, whereas pro-cyclical policies may stress the implications of their occurrence. This also holds true for the post-Soviet states which need to make serious efforts to change and avoid economic slowdown via a *bottom-up approach*. This implies maximum attention to the local context and a thorough knowledge of the system that required intervention. The

experience of past crises, such as the one during the 1990s, when Communist regimes collapsed, highlights the fact that the average duration of recovery may be up to seven years, and for some regions, more than ten years are needed to reach the levels before the crisis in terms of employment rate; furthermore, a fifth of the regions did not succeed in reaching pre-crisis levels despite the economic boom from the first part of the millennium. In exchange, the recovery rate of regions was more rapid after the 2008–2009 crisis set in (Bristow and Healy 2014, 2018).

The in-depth analysis of paths through which an economy may become resilient emphasises the fact that there is not a valid model worldwide and the countries need to adapt to various shocks according to their national specificity. The factors that are most often associated with resilience draw on institutional quality, human capital, innovation, activities based on export and services, social networks and the degree of involvement of key actors. Although the concept of resilience has become as employed in scientific literature as the one of sustainable development, the mechanisms through which a country becomes resilient need further investigation and research.

7 Conclusions

The analysis of the post-Soviet countries' resilience capacity has highlighted that although they have started with similar institutional frameworks when the Soviet Union collapsed, thereafter their trajectories and evolutions have shown different patterns and dynamics, thus reaching different levels of development. The main explanation for such a trend resides in the fact that strong institutional arrangements, correlated with good governance and the ability to adapt to emerging circumstances, can reposition countries that display high levels of path dependence within the hierarchy of economic development. The analysis clearly emphasises the major differences in development and resilience capacity between EU and non-EU states: the Baltic states and the two Eastern neighbours. Estonia, Latvia and Lithuania share the same past as former Soviet Socialist republics with Ukraine and the Republic of Moldova. However, thus far, only the Baltic states have managed to become established democracies and full members of the EU and North Atlantic Treaty Organization (NATO). Their experience is particularly valuable to their Eastern neighbours as

they represent a good example that have managed successfully to transform centrally planned economies into free-market economies, as well as how to adapt their legal and political systems and meet other EU and NATO demands in order to become eligible for membership. Their European integration process has greatly contributed to economic development and to the strengthening of resilience capacity. For instance, out of all the analysed post-Soviet countries, Estonia is a leader in e-governance, which has helped to eliminate corruption among civil servants, reducing transaction costs, thus being included in the category of states with strong resilience (according to the institutional resilience index obtained), along with states with an advanced capitalism. While the Baltic states have proved consistent in their European path, the Eastern neighbours have been trying to combine accession to existing political and economic organisations (like NATO, WTO, closer relations with the EU, etc.) with searches for different interstate institutional arrangements on the post-Soviet space (both political and economic ones). In this context, the analysis of Ukraine's and Republic of Moldova's resilience capacity encompasses particular valences, as it has captured the potential of these states to undergo the process of Europeanisation and to adapt to changing situations. Furthermore, the conducted analyses could provide a better understanding, at European level, of the EU's eastern borderlands and their specific problems. Thus, the EU will be able to offer a better response by harmonising its internal and external policy instruments.

Comparing post-Soviet countries (namely the Baltic states, Ukraine and Republic of Moldova) to the other EU member states has determined that by taking stock of the differences and similarities of their resilience capacity, it becomes possible to further generate proposals, action plans and directions that are in line with the main European policies (regional, cohesion). The analysed period (2000–2016) has allowed us to highlight the various degrees of these countries' adaptability to various shocks specific to the region, such as the integration process (for the Baltic states), the economic crisis of 2007–2009 and the Ukraine conflict in 2014; essentially, these shocks reflect the extent to which we can speak of institutional flexibility, whereby of what is *old* and barren of results could be replaced by more coherent rules and norms, adapted to the type of shock that occurs in the economy (creative destruction). However, creative destruction can only be achieved through an appropriate under-

standing of local specificity, based on an active and responsible involvement of all actors, which, in turn, can provide objectivity to the measures taken. The continuous need for adaptability to market dynamics, as well as to the multitude of global challenges, accompanied by the existence of institutional coherence, are the elements that dictate the path to strengthening resilience capacity. Against the backdrop of various types of shocks continuously emerging (whether internal or external), the major challenge refers to governance and to the way institutions act in taking the proper measures and putting them into practice in an effective manner.

Measuring institutional resilience is a challenging task, especially for non-EU countries, since data on the effectiveness of governance are not generous enough and, as a rule, these are available only after the year 2000; however, this is explicable, given the fact that after the break-up of the Soviet Union, the transition decade was characterised by institutional chaos, economic fragmentation, debussed civil society and lack of concrete levers of action. In these countries, *third-degree path dependence* is predominant, informal institutions contributing significantly to this reality. Thus, in order to empirically test resilience, it is necessary to identify, in a first stage, the sources of shocks and, in a second stage, to compare the reaction of different countries to the same shocks (assessment of shock impact and establishing of recovery time—*ex ante* resilience vs. *ex post* resilience, T_0 moment in relation with T_1 moment). The shock that affected analysed countries the most was the 2008–2009 crisis, when a pronounced decline in GDP was recorded. Resilience of states was lower in 2009, but gradually, through appropriate measures, some countries managed to reach or even overcome the pre-crisis levels. Countries with institutional problems and fragile economic structures are more affected by adverse shocks than states where institutions work well and where there are sound regulations (Acemoglu et al. 2004; Rodrik 1999). The development of informal economy is a response to excessive regulations, which have adverse effects on GDP growth, diminishing the resilience *ex post*, that is, after a shock has occurred (Canavo et al. 2012; Duval and Vogel 2008).

Overall, the analysis indicates very different trajectories and development paths for the post-Soviet countries situated at the EU's eastern borderlands, following the collapse of the Soviet Unions. The clear development gaps between the Baltic states and the two Eastern neighbours are mainly due to the different paths that these countries took over the past two decades. The

gradual integration of the Baltic states within European structures has accelerated the reforms process, has consolidated the institutional framework and has quickened the transition to a market economy, compared to the Republic of Moldova and Ukraine that have faced a harsher transition, characterised by high political instability and social unrest. As such, it could be clearly noted that the Baltic countries, especially Estonia, detached themselves from Ukraine and the Republic of Moldova in terms of institutional resilience (analysed through the three sub-indices reflecting the government's involvement in the economy and the institutional quality, as well as the quality of regulations concerning labour, credit and business markets).

Looking into the general dynamics of the conducted analysis, we can state that the non-EU states (Ukraine and the Republic of Moldova) do not yet have the capacity to integrate in their development models those specific elements of institutional response to reduce the risks and the efficient allocation of resources. In order to increase their resilience capacity, there is a need for a wider awareness concerning the importance of institutions and their vital role in strengthening norms and rules for the well-functioning of society (rule of law, contract compliance, rational allocation of resources, quality of regulation, promotion of democratic values, transparency of public decisions, etc.).

In order to ensure shock-absorption capacity, policymakers should provide a balance between a certain degree of regulation and avoiding excessive interventions in the economy (e.g. in case of structural changes caused by globalisation, changes can be brought about gradually, while in case of severe shocks, a more abrupt action, adapted to the context, is required—the existence of flexible/adaptive institutions). There is an obvious correlation between the existence of strong and flexible institutions and the ability to resist adverse shocks; in the presence of a common shock, a country with weaker economic structures can, on average, suffer up to twice the output loss in a given year compared to a country with sound institutional parameters (Sondermann 2017). Other studies (Knudsen 1996; Sjöstedt 2015; Beunen et al. 2017) highlight the fact that the probability of installing a severe economic crisis in a state is significantly diminished if it has more flexible and adaptable institutions. Decision-makers who want to increase the resilience of their country need to develop the following strategic approach (Holling and Gunderson 2002): increase the shock-absorption capacity, manage the processes that act trans-scalar

within the system and develop the sources that offer novelty. The complexity of transformations occurring in the Eastern European area cannot be captured via standard theories alone. Against the background of various shocks, the major challenge is represented by governance, by taking fair measures and enforcing the formal institutions in a proper way. Institutions' efficiency is closely correlated with the countries' levels of prosperity. This is why the governments' focus on development policies, especially in countries that are economically and spatially more peripheral, is vital.

After having ensured their long-term security and prosperity, the Baltic states are now well placed to position themselves as a "good example" and to possibly make a difference in countries outside the EU's eastern borders, such as Ukraine and Republic of Moldova. They have the expertise that new Eastern neighbours of Europe could use to pursue democratic transformation. Further leaning towards the EU and the values it promotes may, in the future, lead the analysed non-EU states to strengthen their resilience capability, following the model of the Baltic states. Considering the differences in development between the two groups of post-Soviet countries, the EU should pay specific attention to fostering and developing joint efforts by all actors involved (academia, business environment, civil society, policymakers, experts in risks, experts in systems, etc.), building links with society, not just with governments in order to contribute to a new model of development in the EU's Eastern neighbourhood. Moreover, the EU should seek strengthening cooperation with Ukraine and the Republic of Moldova by encouraging more investment and business links, investing in better education by promoting academic exchanges and supporting energy efficiency. These actions could help decrease these countries' vulnerability towards Russia in the longer term while, at the same time, enhancing the EU's presence—and thus influence—in the region. Identifying strengths and weaknesses and creating the necessary conditions to increase institutional resilience through a better knowledge of the reality can lead to better fostering and supporting, exactly what the Eastern Partnership proposed after Riga: rethink, reforms and resilience (towards a more differentiated partnership).

Future research will focus on capturing the population's perceptions of the resilience of EaP states from the perspective of informal institutions (social capital, customs, traditions, culture, religion, etc.), giving more attention to bottom-up approach.

Annexes

Annex 13.1 Description of sub-indexes and variables

Sub-index 1: Government involvement in economy (GOV_INVOLV)

Abbreviations	Sub-index 1 Components description	Data sources
gov_integr	Government integrity = public trust in politicians, irregular payments and bribes, transparency of government policymaking, absence of corruption, perceptions of corruption and governmental and civil service transparency	The Heritage Foundation, Index of Economic Freedom ^a
tax_burd	Tax burden = the top marginal tax rate on individual income, the top marginal tax rate on corporate income and the total tax burden as a percentage of GDP	The Heritage Foundation, Index of Economic Freedom
gov_spend	Government spending = captures the burden imposed by government expenditures, which includes consumption by the state and all transfer payments related to various entitlement programmes	The Heritage Foundation, Index of Economic Freedom

Sub-index 2: Institutional quality (INSTIT_QUAL)

Abbreviation	Sub-index 1 Components description	Data source
jud_indep	Judicial independence	Fraser Institute, Economic Freedom of the World ^b
imp_crts	Impartial courts	Fraser Institute, Economic Freedom of the World
prop_rights	Protection of property rights	Fraser Institute, Economic Freedom of the World
integr_leg_syst	Integrity of the legal system	Fraser Institute, Economic Freedom of the World
legal_contr	Legal enforcement of contracts	Fraser Institute, Economic Freedom of the World

(continued)

Annex 13.1 (continued)

Sub-index 3: Regulations (REG)

Abbreviation	Sub-index 3 Components description	Data source
cm_reg	Credit market regulations = ownership of banks; private sector credit; and interest rate controls/negative real interest rates	Fraser Institute, Economic Freedom of the World
lm_reg	Labour market regulations = hiring regulations and minimum wage; hiring and firing regulations; centralised collective bargaining; hours regulations; mandated cost of workers' dismissal; and conscription	Fraser Institute, Economic Freedom of the World
b_reg	Business regulations = administrative requirements; bureaucracy costs; starting a business; extra payments/bribes/favouritism; licensing restrictions; and cost of tax compliance	Fraser Institute, Economic Freedom of the World
Other variables		
GDP	GDP growth rate	World Bank, World Development Indicators ^c

Source: Authors' representation

^aData retrieved from <https://www.heritage.org/index/explore>

^bData retrieved from <https://www.fraserinstitute.org/economic>

^cData retrieved from <http://datatopics.worldbank.org/world-development-indicators/themes/economy.html>

Annex 13.2 Construct reliability and validity

	Cronbach's Alpha	rho_A	Composite reliability	Average variance extracted
Year 2000				
GOV_INVOLV	-0.771	0.880	0.403	0.718
INSTIT_QUAL	0.865	0.919	0.908	0.676
REG	0.399	0.787	0.683	0.545
RESILIENCE	0.805	0.938	0.895	0.639
Year 2004				
GOV_INVOLV	-0.588	0.911	0.487	0.755
INSTIT_QUAL	0.882	0.947	0.922	0.719
REG	0.425	0.779	0.691	0.502
RESILIENCE	0.779	0.933	0.871	0.593
Year 2007				
GOV_INVOLV	-0.686	0.948	0.561	0.799
INSTIT_QUAL	0.893	0.948	0.928	0.734
REG	0.365	0.555	0.526	0.428
RESILIENCE	0.771	0.939	0.871	0.603
Year 2009				
GOV_INVOLV	-0.541	0.953	0.454	0.753
INSTIT_QUAL	0.898	0.953	0.932	0.745
REG	0.313	0.602	0.485	0.388
RESILIENCE	0.749	0.945	0.866	0.610
Year 2014				
GOV_INVOLV	-0.666	0.932	0.529	0.781
INSTIT_QUAL	0.918	0.948	0.943	0.772
REG	0.165	-0.571	0.336	0.333
RESILIENCE	0.770	0.953	0.878	0.635
Year 2016				
GOV_INVOLV	-0.224	0.913	0.376	0.698
INSTIT_QUAL	0.915	0.947	0.941	0.765
REG	0.185	1.014	0.439	0.357
RESILIENCE	0.759	0.953	0.873	0.631

Source: Authors' representation

Annex 13.3 Discriminant validity

Fornell-Larcker criterion				
	GOV_INVOLV	INSTIT_QUAL	REG	RESILIENCE
Year 2000				
GOV_INVOLV	0.848			
INSTIT_QUAL	0.748	0.822		
REG	0.698	0.882	0.738	
RESILIENCE	0.800	0.985	0.937	0.799
Year 2004				
GOV_INVOLV	0.869			
INSTIT_QUAL	0.800	0.848		
REG	0.577	0.680	0.708	
RESILIENCE	0.848	0.979	0.795	0.770
Year 2007				
GOV_INVOLV	0.894			
INSTIT_QUAL	0.817	0.857		
REG	0.540	0.745	0.654	
RESILIENCE	0.849	0.987	0.814	0.776
Year 2009				
GOV_INVOLV	0.868			
INSTIT_QUAL	0.813	0.863		
REG	0.593	0.751	0.623	
RESILIENCE	0.859	0.989	0.812	0.781
Year 2014				
GOV_INVOLV	0.884			
INSTIT_QUAL	0.824	0.879		
REG	0.666	0.900	0.577	
RESILIENCE	0.858	0.995	0.912	0.797
Year 2016				
GOV_INVOLV	0.835			
INSTIT_QUAL	0.825	0.875		
REG	0.660	0.889	0.598	
RESILIENCE	0.862	0.995	0.897	0.794

Source: Authors' representation

Annex 13.4 Path coefficients and structural models

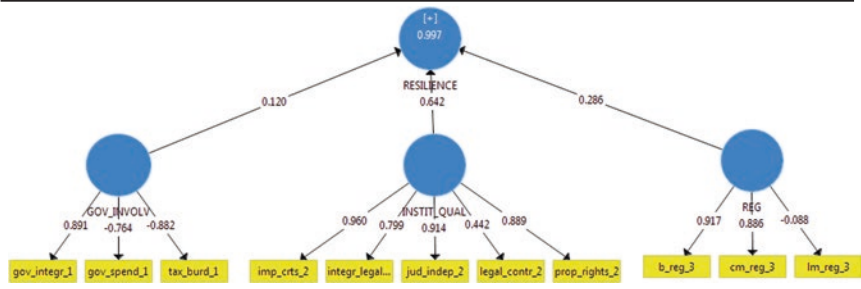
Path coefficients 2000

Mean. STDEV. *T*-values. *P*-values

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	<i>T</i> -statistics (O/STDEV)	<i>P</i> -values
GOV_INVOLV → RESILIENCE	0.120	0.016	0.125	0.958	0.338
INSTIT_QUAL → RESILIENCE	0.642	0.648	0.044	14.475	0.000
REG → RESILIENCE	0.286	0.274	0.043	6.721	0.000

Source: Authors' representation

Structural model for 2000



Source: Author's representation

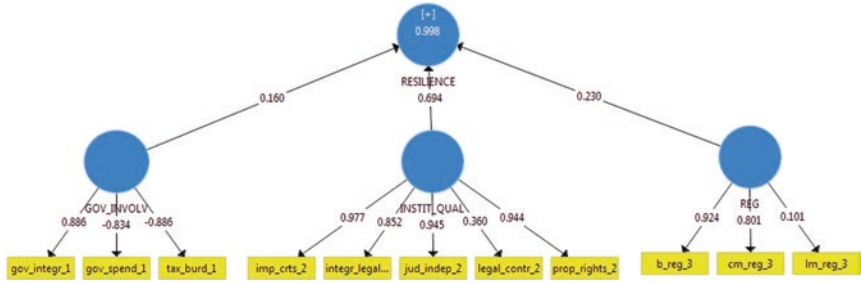
Path coefficients 2004

Mean. STDEV. *T*-values. *P*-values

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	<i>T</i> -statistics (O/STDEV)	<i>P</i> -values
GOV_INVOLV → RESILIENCE	0.160	0.078	0.147	1.084	0.279
INSTIT_QUAL → RESILIENCE	0.694	0.688	0.033	21.030	0.000
REG → RESILIENCE	0.230	0.223	0.027	8.569	0.000

Source: Authors' representation

Structural model for 2004



Source: Authors' representation

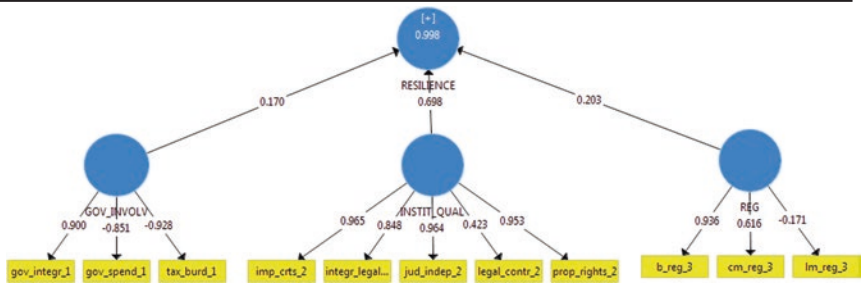
Path coefficients 2007

Mean. STDEV. *T*-values. *P*-values

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	<i>T</i> -statistics (O/STDEV)	<i>P</i> -values
GOV_INVOLV → RESILIENCE	0.170	0.059	0.152	1.114	0.266
INSTIT_QUAL → RESILIENCE	0.698	0.708	0.048	14.547	0.000
REG → RESILIENCE	0.203	0.194	0.038	5.402	0.000

Source: Authors' representation

Structural model for 2007



Source: Authors' representation

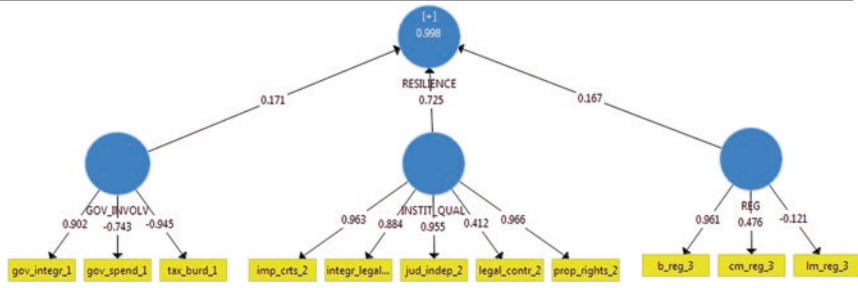
Path coefficients 2009

Mean. STDEV. *T*-values. *P*-values

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	<i>T</i> -statistics (O/STDEV)	<i>P</i> -values
GOV_INVOLV → RESILIENCE	0.171	0.089	0.140	1.218	0.224
INSTIT_QUAL → RESILIENCE	0.725	0.726	0.041	17.791	0.000
REG → RESILIENCE	0.167	0.166	0.035	4.786	0.000

Source: Authors' representation

Structural model for 2009



Source: Authors' representation

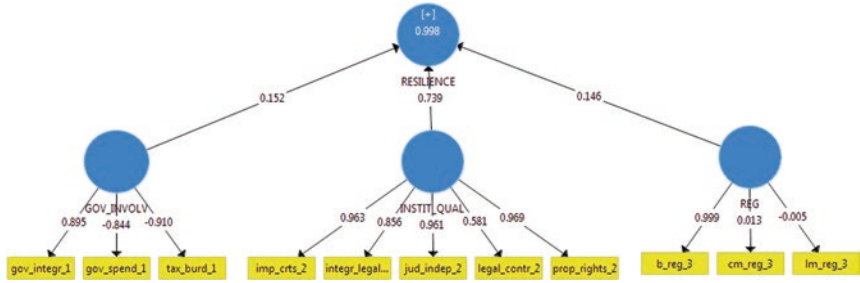
Path coefficients 2014

Mean. STDEV. *T*-values. *P*-values

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	<i>T</i> -statistics (O/STDEV)	<i>P</i> -values
GOV_INVOLV → RESILIENCE	0.152	0.056	0.137	1.112	0.267
INSTIT_QUAL → RESILIENCE	0.739	0.748	0.044	16.634	0.000
REG → RESILIENCE	0.146	0.143	0.034	4.230	0.000

Source: Authors' representation

Structural model for 2014



Source: Authors' representation

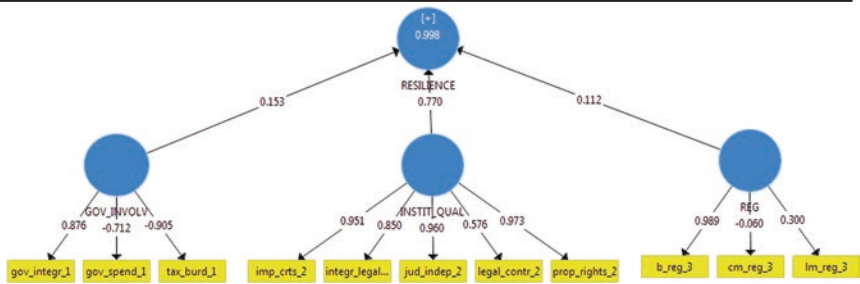
Path coefficients 2016

Mean. STDEV. *T*-values. *P*-values

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	<i>T</i> -statistics (O/STDEV)	<i>P</i> -values
GOV_INVOLV → RESILIENCE	0.153	0.112	0.098	1.568	0.118
INSTIT_QUAL → RESILIENCE	0.770	0.776	0.043	17.772	0.000
REG → RESILIENCE	0.112	0.110	0.034	3.262	0.001

Source: Authors' representation

Structural model for 2016



Source: Authors' representation

Annex 13.5 Cluster analysis

Year 2000

Clusters

Input (Predictor) Importance



Cluster	1	2
Label		
Size	50.0% (10)	50.0% (10)
Inputs	imp_crts_2 5,56 b_reg_3 6,52 gov_integr_1 4,61 jud_indep_2 5,59 prop_rights_2 5,24 integr_legal_sys_2 7,17 cm_reg_3 7,93 tax_burd_1 5,69 legal_contr_2 4,76 gov_spend_1 4,09 lm_reg_3 4,92	imp_crts_2 8,88 b_reg_3 8,43 gov_integr_1 8,25 jud_indep_2 8,70 prop_rights_2 8,48 integr_legal_sys_2 9,50 cm_reg_3 9,69 tax_burd_1 4,13 legal_contr_2 6,07 gov_spend_1 2,25 lm_reg_3 5,11
Evaluation Fields	Sub_index_1 (GOV_INVOLV) 4,80 Sub_index_2 (INSTIT_QUAL) 5,67 Sub_index_3 (REG) 6,46 GDP_growth 4,16	Sub_index_1 (GOV_INVOLV) 4,88 Sub_index_2 (INSTIT_QUAL) 8,33 Sub_index_3 (REG) 7,74 GDP_growth 4,54

Year 2004

Clusters

Input (Predictor) Importance



Cluster	1	2
Label	Cluster 1	Cluster 2
Size	63.0% (17)	37.0% (10)
Inputs	imp_crts_2 4,05 prop_rights_2 4,51 gov_integr_1 4,36 jud_indep_2 4,23 integr_legal_sys_2 7,17 b_reg_3 6,32 tax_burd_1 6,82 gov_spend_1 5,03 cm_reg_3 8,91 legal_contr_2 5,29 lm_reg_3 5,84	imp_crts_2 7,68 prop_rights_2 7,94 gov_integr_1 8,16 jud_indep_2 7,88 integr_legal_sys_2 9,46 b_reg_3 7,71 tax_burd_1 4,89 gov_spend_1 2,70 cm_reg_3 9,54 legal_contr_2 6,09 lm_reg_3 6,14
Evaluation Fields	Sub_index_1 (GOV_INVOLV) 5,40 Sub_index_2 (INSTIT_QUAL) 5,05 Sub_index_3 (REG) 7,02 GDP_growth 5,63	Sub_index_1 (GOV_INVOLV) 5,25 Sub_index_2 (INSTIT_QUAL) 7,81 Sub_index_3 (REG) 7,80 GDP_growth 3,23

(continued)

Annex 13.5 (continued)

Year 2007 Clusters			Year 2009 Clusters		
Input (Predictor) Importance			Input (Predictor) Importance		
■ 1,0 ■ 0,8 ■ 0,6 ■ 0,4 ■ 0,2 ■ 0,0			■ 1,0 ■ 0,8 ■ 0,6 ■ 0,4 ■ 0,2 ■ 0,0		
Cluster	1	2	Cluster	1	2
Label	Cluster 1	Cluster 2	Label		
Size	62,1% (18)	37,9% (11)	Size	62,1% (18)	37,9% (11)
Inputs	imp_crts_2 4,07	imp_crts_2 7,74	Inputs	imp_crts_2 3,55	imp_crts_2 6,92
	gov_integr_1 4,61	gov_integr_1 8,47		gov_integr_1 4,89	gov_integr_1 8,34
	jud_indep_2 4,84	jud_indep_2 8,60		jud_indep_2 4,50	jud_indep_2 8,34
	prop_rights_2 6,28	prop_rights_2 8,61		prop_rights_2 5,54	prop_rights_2 8,33
	integr_legal_sys_2 7,31	integr_legal_sys_2 9,47		integr_legal_sys_2 7,22	integr_legal_sys_2 9,47
	b_reg_3 5,88	b_reg_3 7,09		b_reg_3 5,91	b_reg_3 7,12
	tax_burd_1 7,37	tax_burd_1 5,28		tax_burd_1 7,45	tax_burd_1 5,30
	gov_spend_1 4,92	gov_spend_1 2,96		legal_contr_2 5,10	legal_contr_2 6,06
	legal_contr_2 5,23	legal_contr_2 6,19		gov_spend_1 4,70	gov_spend_1 3,27
	cm_reg_3 9,08	cm_reg_3 9,33		cm_reg_3 9,08	cm_reg_3 9,26
	lm_reg_3 6,17	lm_reg_3 6,13		lm_reg_3 6,47	lm_reg_3 6,49
Evaluation Fields	Sub_index_1 (GOV_INVOLV) 5,63	Sub_index_1 (GOV_INVOLV) 5,57	Evaluation Fields	Sub_index_1 (GOV_INVOLV) 5,68	Sub_index_1 (GOV_INVOLV) 5,64
	Sub_index_2 (INSTIT_QUAL) 5,55	Sub_index_2 (INSTIT_QUAL) 8,16		Sub_index_2 (INSTIT_QUAL) 5,18	Sub_index_2 (INSTIT_QUAL) 7,83
	Sub_index_3_(REG) 7,04	Sub_index_3_(REG) 7,52		Sub_index_3_(REG) 7,15	Sub_index_3_(REG) 7,62
	GDP_growth 5,88	GDP_growth 3,81		GDP_growth -6,76	GDP_growth -4,53

(continued)

Annex 13.5 (continued)

Year 2014 Clusters			Year 2016 Clusters		
Input (Predictor) Importance			Input (Predictor) Importance		
■ 1,0 ■ 0,8 ■ 0,6 ■ 0,4 ■ 0,2 ■ 0,0			■ 1,0 ■ 0,8 ■ 0,6 ■ 0,4 ■ 0,2 ■ 0,0		
Cluster	1	2	Cluster	1	2
Label			Label		
Size	63,3% (19)	36,7% (11)	Size	60,0% (18)	40,0% (12)
Inputs	imp_crts_2 3,49	imp_crts_2 6,84	Inputs	imp_crts_2 2,96	imp_crts_2 6,39
	prop_rights_2 5,25	prop_rights_2 8,24		prop_rights_2 5,18	prop_rights_2 8,22
	gov_integr_1 4,68	gov_integr_1 8,20		jud_indep_2 4,39	jud_indep_2 8,34
	jud_indep_2 4,58	jud_indep_2 8,28		b_reg_3 6,55	b_reg_3 7,96
	b_reg_3 6,60	b_reg_3 7,86		gov_integr_1 5,05	gov_integr_1 7,92
	integr_legal_sys_2 7,19	integr_legal_sys_2 9,39		integr_legal_sys_2 7,27	integr_legal_sys_2 9,17
	tax_burd_1 7,51	tax_burd_1 5,43		tax_burd_1 7,48	tax_burd_1 5,74
	gov_spend_1 4,29	gov_spend_1 2,24		legal_contr_2 4,66	legal_contr_2 5,57
	legal_contr_2 4,81	legal_contr_2 5,87		gov_spend_1 4,00	gov_spend_1 2,64
	cm_reg_3 9,20	cm_reg_3 9,12		lm_reg_3 6,58	lm_reg_3 6,81
	lm_reg_3 6,66	lm_reg_3 6,61		cm_reg_3 9,23	cm_reg_3 9,29
Evaluation Fields	Sub_index_1 (GOV_INVOLV) 5,49	Sub_index_1 (GOV_INVOLV) 5,29	Evaluation Fields	Sub_index_1 (GOV_INVOLV) 5,51	Sub_index_1 (GOV_INVOLV) 5,43
	Sub_index_2 (INSTIT_QUAL) 5,06	Sub_index_2 (INSTIT_QUAL) 7,72		Sub_index_2 (INSTIT_QUAL) 4,89	Sub_index_2 (INSTIT_QUAL) 7,54
	Sub_index_3 (REG) 7,49	Sub_index_3 (REG) 7,87		Sub_index_3 (REG) 7,45	Sub_index_3 (REG) 8,02
	GDP_growth 1,98	GDP_growth 2,47		GDP_growth 2,98	GDP_growth 2,31

Source: Authors' representation

Annex 13.6 Proximity matrix

Rescaled Euclidean distance						
	Δ GDP, year 2016	Δ GDP, year 2014	Δ GDP, year 2009	Δ GDP, year 2007	Δ GDP, year 2004	Δ GDP, year 2000
Δ GDP, year 2016	0.000	0.007	0.430	0.399	0.463	0.300
Δ GDP, year 2014	0.007	0.000	0.196	0.546	0.742	0.222
Δ GDP, year 2009	0.430	0.196	0.000	1.000	0.945	0.568
Δ GDP, year 2007	0.399	0.546	1.000	0.000	0.000	0.283
Δ GDP, year 2004	0.463	0.742	0.945	0.000	0.000	0.188
Δ GDP, year 2000	0.300	0.222	0.568	0.283	0.188	0.000

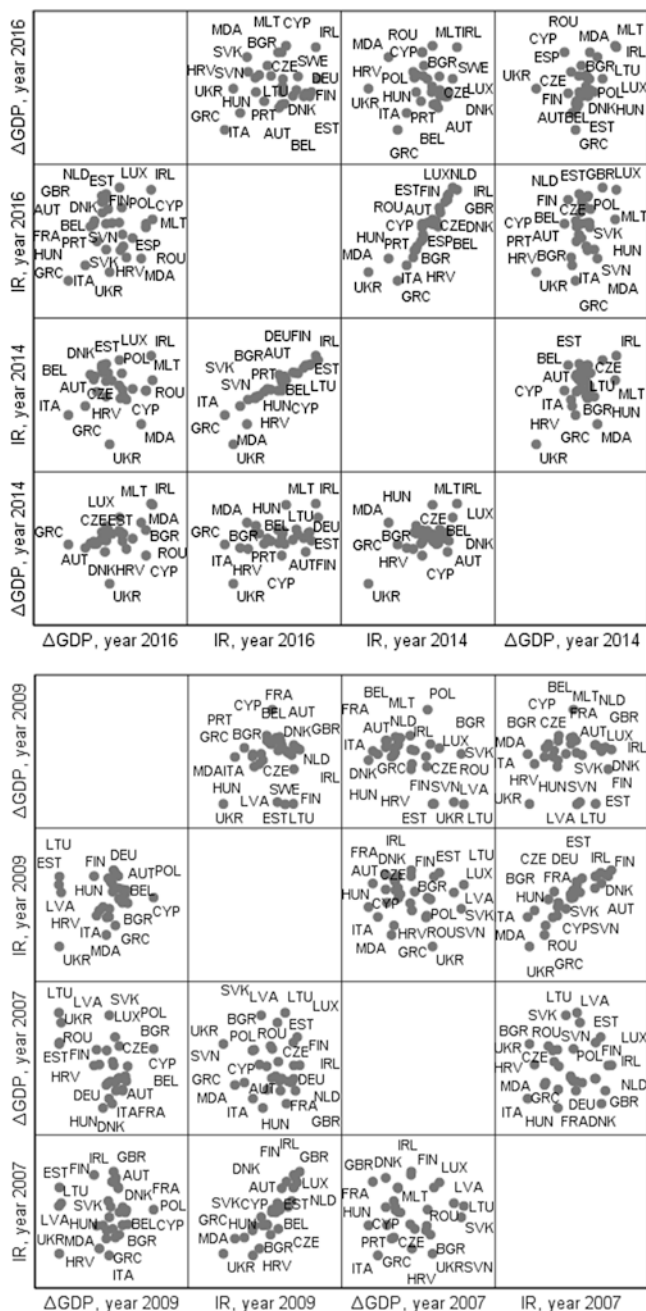
Rescaled Euclidean distance						
	IR, year 2016	IR, year 2014	IR, year 2009	IR, year 2007	IR, year 2004	IR, year 2000
IR, year 2016	0.000	0.282	0.317	0.161	0.301	0.799
IR, year 2014	0.282	0.000	0.000	0.306	0.527	0.975
IR, year 2009	0.317	0.000	0.000	0.334	0.554	1.000
IR, year 2007	0.161	0.306	0.334	0.000	0.198	0.716
IR, year 2004	0.301	0.527	0.554	0.198	0.000	0.515
IR, year 2000	0.799	0.975	1.000	0.716	0.515	0.000

Source: Authors' representation

This is a dissimilarity matrix

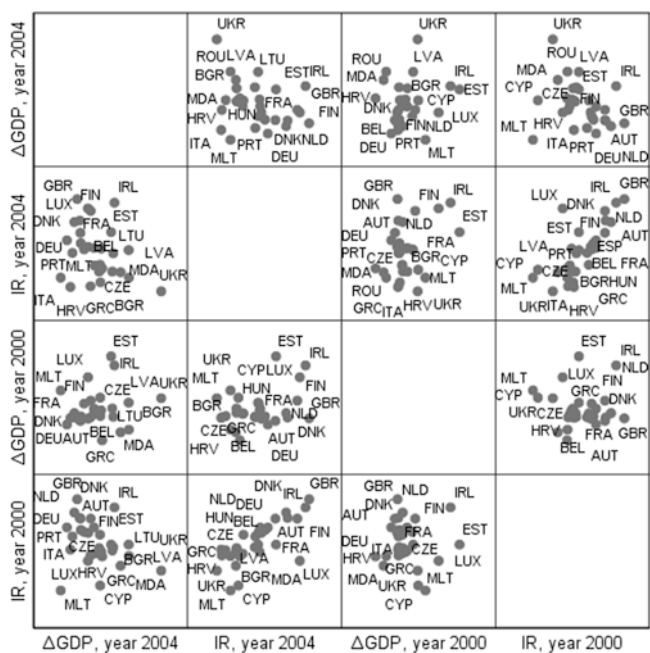
Scale: 0 to 1, where 1 = the greatest distance

Annex 13.7 The distribution of countries according to IR and Δ GDP



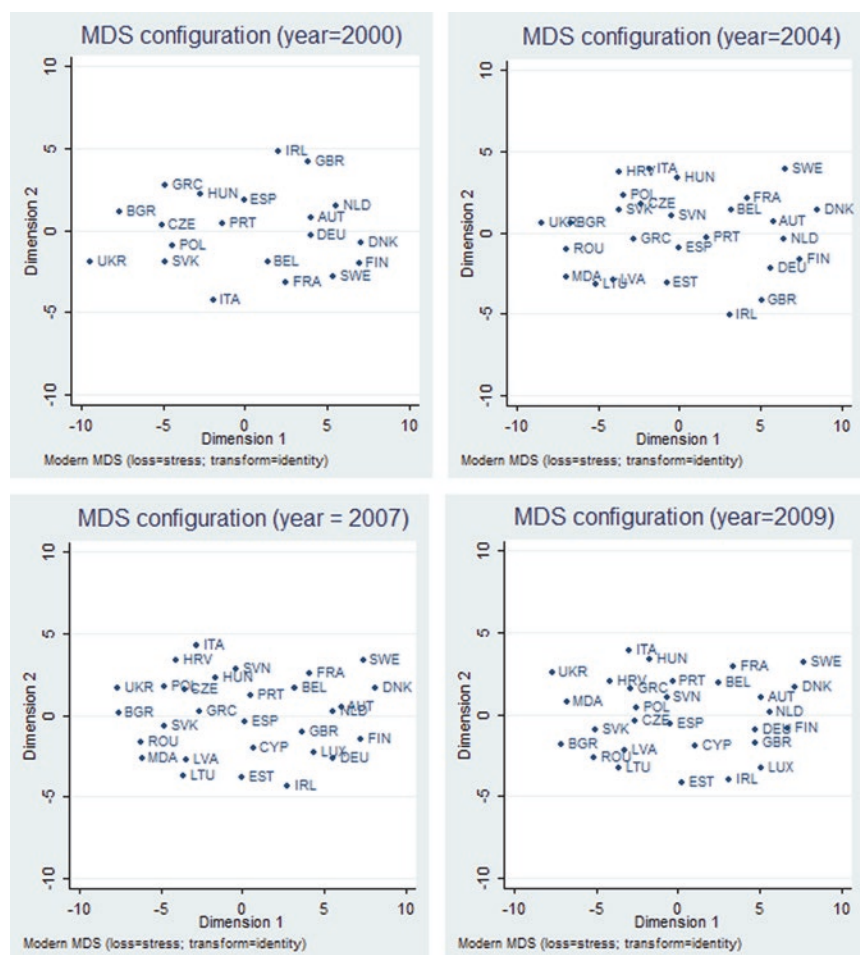
(continued)

Annex 13.7 (continued)



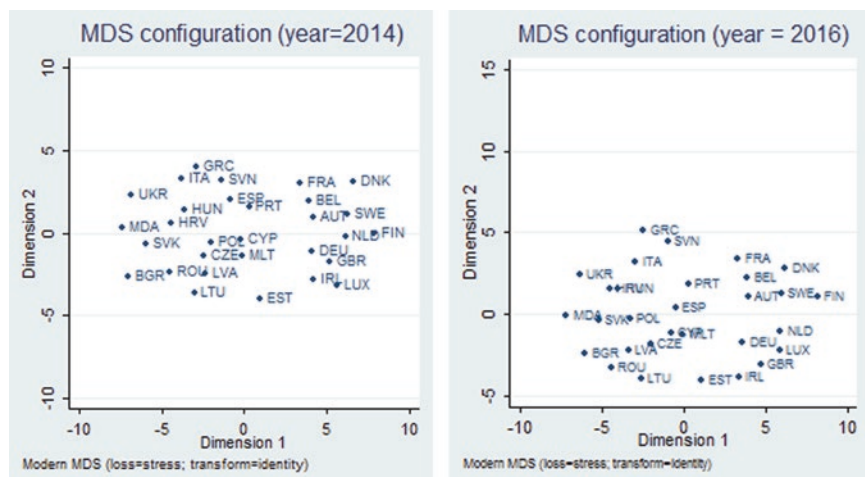
Source: Authors' representation

Annex 13.8 Euclidean distance between countries based on the variables used in analysis (11 variables)



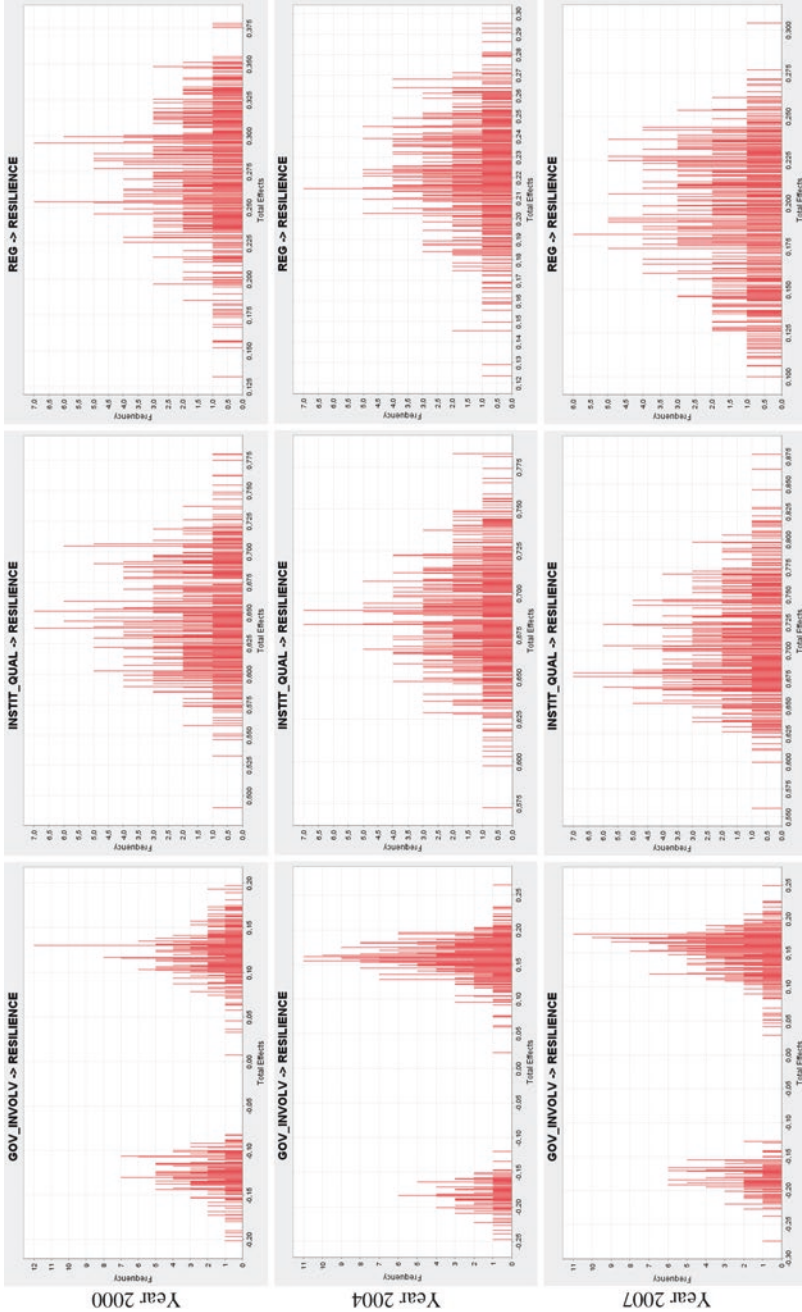
(continued)

Annex 13.8 (continued)



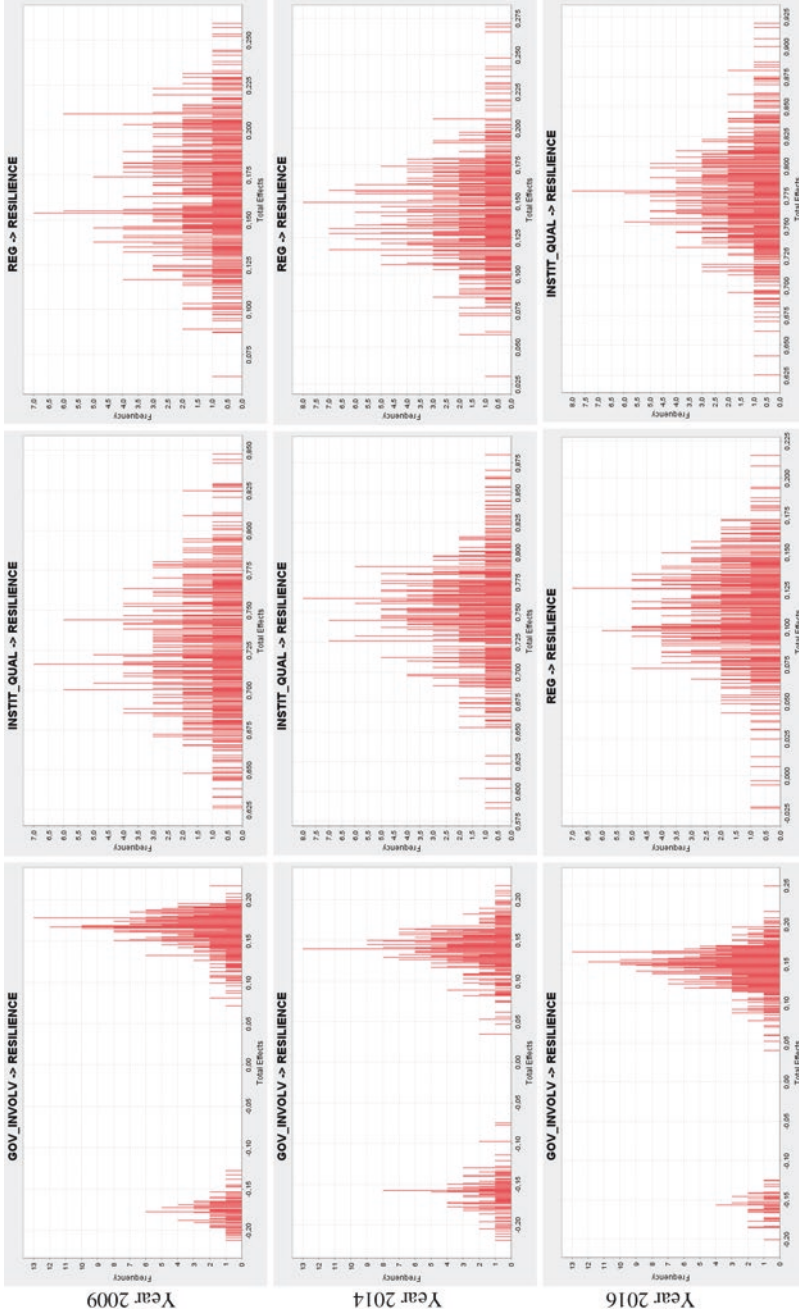
Source: Authors' representation

Annex 13.9 Total effects histograms



(continued)

Annex 13.9 (continued)



Source: Authors' representation

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14

The Eastern Partnership and the Idea of Europeanisation Challenged in the Age of Hybrid Challenges

Sergiy Gerasymchuk

1 Introduction

Understanding the Europeanisation concept is impossible without the overview of its evolution and adaptation to the realities of Central European and Eastern European states. In Central Europe, Europeanisation played a crucial role in the European Union (EU) accession of the countries in the region, and it has also contributed to enhancing their security and prosperity. Nowadays, Europeanisation is challenged by hybrid threats caused by Russian assertiveness in the region and supplemented by the EU's attempts to ensure resilience of the region.

The initial success of the Europeanisation process in Central and Eastern Europe was caused by a combination of important factors: consensus of the Western elites regarding the necessity to integrate into the EU the countries of the former Warsaw Pact, consensus of the Central and Eastern European emerging elites regarding pro-European vector of

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development and readiness to implement reforms necessary for European integration, cooperation of the political elites and civil society and shared approach towards Europeanisation, support of the population towards pro-EU political parties and Russia's consent on wider sphere of European influence in Russian direct neighbourhood.

However, over the years of Europeanisation, the circumstances have changed: the EU is less willing to continue with the enlargement policy; its absorbing capacities are limited; the national elites in the EU neighbourhood are also less motivated to implement often costly reforms without clear and credible membership perspective; EU neighbourhood countries' citizens are subjects to growing geopolitical competition between the EU and Russia; and the process of Europeanisation is adapting to the new realities, threats and challenges.

The attempts to strengthen resilience (well described in the recent publications of the Chatham House (Boulègue et al. 2018; Ash et al. 2017), mentioned in the EU Global Strategy and highlighted as a central aim of EU external assistance) currently applied by the EU and its Eastern neighbours are rather a reaction to Russia's increased assertiveness; as such, these attempts lack a proper vision of the future relations of the EU with the neighbouring Eastern countries, exclude integration and accession options and, respectively, endanger the success of further Europeanisation. The problem is rooted in the transformation of the idea of Europeanisation under the pressure of the EU's internal developments and external pressure. Its solving now depends on the readiness and willingness of the EU and the Eastern neighbourhood's elites and societies to rethink the idea of Europeanisation.

2 The Europeanisation Pattern in Central and Eastern European States and the Eastern Partnership Countries

The collapse of the Soviet model of development and following the dismantling of the Soviet Union and the Warsaw Pact organisation compelled the newly emerged democracies to choose a new model of development. In this regard, Europeanisation was among the options on

the table; subsequently, the Europeanisation process was one of the key mechanisms to accelerate the modernisation and reformation of the Central and Eastern European (CEE) countries after the collapse of the Soviet bloc. In general lines, there was a consensus between the countries of Western Europe that the newly formed independent states had to transform into full-scale democracies and should they manage to achieve tangible results of the transformation, they deserved a reward—a full-scale membership in the EU.

The societies of the Central and Eastern European states had either to support the political parties rooted in the Communist past or to choose the pro-European alternatives which have emerged with the support of dissident movements and have promoted Europeanisation and European integration. In most cases, voters have supported the latter. The respective processes alongside with the preparations for the EU accession had a significant impact on the CEE countries. The EU's political conditionality positively affected democratic consolidation in these fragile democracies and accelerated the installation of liberal-democratic regimes in the countries of the region. Once liberal political parties assumed power, the EU's conditionality combined with a credible accession perspective in most cases pushed candidate countries to a liberal political trajectory and invigorated domestic consensus on integration, which was not questioned even despite the high costs spent on adopting the rules and norms imposed by Brussels. In other words, the consensus regarding the necessity to accept new member states fuelled by the European enlargement policy was accompanied by the national consensus regarding the necessity to apply efforts for gaining full membership and to support the pro-European political forces able and willing to be the driving force of the Europeanisation process. In this regard, no matter the reward, Europeanisation and democratisation were utilised by the pro-European politicians and thus became important factors for accelerating reforms.

Moreover, although the EU did not directly influence voters' choices, it was influencing the nature of the elites that won power. Besides, the EU had a strong and systematic impact on reforming state institutions of CEE countries, including executives, legislatures and judiciaries. Moreover, national civil society actors and coalitions were strengthened through transnational networks in the context of EU conditionality. The

joint efforts and shared goals of the political elites and civil society were also crucial. They were effective for shaping public agenda and strengthening public support for Europeanisation and EU integration.

It's worth emphasising that most studies related to Europeanisation and Eastern enlargement highlight that the EU's policy impact depended on a credible membership incentive (Sedelmeier 2011). Before the EU imposed its conditionality, the candidate countries adopted EU rules in some policy areas, but such changes were fragile and non-irreversible. However, once the EU explicitly voiced accession perspective and launched regular monitoring of the approximation of candidate countries, adjustment increased considerably, while accession negotiations with a candidate country served as a proof of the EU's membership perspective credibility.

By a lucky coincidence, at the same period of time, in Russia, the process of shaping foreign policy was arguably dominated by the international institutionalists, known as the 'mutual security' school. The representatives of this school perceived Russia as a Western country and a great power, one of many. The main method of maintaining internal stability was international cooperation on economic and security issues, whereas in domestic affairs, the attempts to develop political democracy and market economy were observed (Tsygankov 1997). Although Russia did not express its willingness to join the EU explicitly, it did not deny belonging to the Western world and was interested in applying European norms and values.

Therefore, Russia's attitude towards its former Soviet Republics and the Warsaw block satellites was not threatening; moreover, its attitude towards the West was friendly overall, whereas the Russian leadership favoured cooperation with West and did not cause any obstacles to the EU's eastern enlargement. Such circumstances opened windows of opportunity for the CEE countries that used it for joining the EU. The situation has changed after the Eastern wave of enlargement (2004) when the EU's absorption capacities were almost exhausted. Within this context, the EU had to modify its foreign policy. Since further enlargement costs were high, the main focus of the foreign policy became establishing relations with neighbouring countries. Interestingly, the consensus among the EU member states in this regard was weaker. The new EU

members were still supportive of preserving the enlargement option, whereas the core of the EU consisting of the main donors of the European Union was a bit more sceptical towards the enlargement option. Since the approach of the EU's core countries was prevailing, the EU's objectives in its external relations were broadly divided into promoting democracy and human rights, based on either realist top-down or idealist bottom-up approaches, as well as ensuring soft security based on a realist understanding of international relations (Bosse 2009). The elites of the Eastern countries also had to adapt to the new realities, to find new messages appealing to the electorate but simultaneously lacking EU accession perspectives.

3 The European Neighbourhood Policy's Pros and Cons

While focusing on neighbourhood policy, the EU was investing its political and economic resources into creating a security belt in the EU neighbourhood. For this purpose, the EU was launching initiatives and programmes aimed at enhancing the promotion of democracy in the neighbouring countries as well as at the establishment of effective governance based on European values. It was expected that technical cooperation will serve the purpose of promoting democratisation indirectly, through the 'back door' of joint problem-solving (Freyburg et al. 2009). However, such a model was lacking the enlargement perspective as the main reward for the efficient reforms in the neighbouring countries; even candidate status was beyond reach for the countries of the Eastern neighbourhood. Under such circumstances, the reward for the efforts aimed at democratisation and Europeanisation was less appealing to the national elites and the wider population. For those representatives of the pro-European political elites and for civil society representatives dedicated to the idea of Europeanisation who had accession aspirations, the shift of the EU policy was a challenge and the demand for a tailored approach towards Eastern neighbourhood was high.

The transformation of EU's foreign policy and exclusion of the enlargement option was formalised in the European Neighbourhood Policy (ENP) launched in 2004. It was offered to 16 of the EU's closest neighbours—Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Occupied Palestinian Territories, Syria, Tunisia and Ukraine. The launching of the ENP was mainly aimed at stabilising the European peripheries and laying the foundations of an EU foreign policy beyond enlargement. The EU has tried to apply the successful experience of Central Europe's transformation through the enlargement process, although because of the 'enlargement fatigue' the accession incentive—the main reward of the Europeanisation process—was not on the agenda anymore. Therefore, the most potent instrument of guided transformations of a third country was weakened. The option of imposing the transformation at the EU level was not accessible to third countries. Moreover, the national political actors lost the option of using credible accession argument in communication with their potential electorate.

Regrettably, this EU approach to the neighbourhood, which was elaborated in a spirit of sustainable development and good governance, also did not take into account the fact that the Eastern neighbouring countries were facing the burden of the Soviet legacy, and the change in the Russian foreign policy priorities was almost overlooked by the West. At the same time, in Russia the realists or the representatives of the 'balance-of-power' school (separated into defensive and aggressive realists) came into power and thus have emerged strong beliefs that the countries of the former Soviet Union belong within the sphere of Russian exclusive interests. Moreover, the competition between the pro-European political forces and their pro-Russian rivals was high in the Eastern neighbourhood countries, not to mention the context of the Russian efforts to impose anti-European narratives and sentiments in the respective countries. Russia started perceiving itself as a mixture of East and West, a great power which was temporarily in crisis. The method of maintaining internal stability has arguably changed, and instead of consolidating its leadership in organising and developing the Commonwealth of Independent States (CIS) space, it became vital for Russia so that the imagined

geopolitical borders moved to the near abroad borders of the former Soviet Union.

The combination of the aforementioned circumstances led to weakening of the domestic consensus on integration and of the reforming process of state institutions of Eastern European countries (executives, legislatures and judiciaries); subsequently, the reforms were slow and often inefficient, whereas pro-European political actors were considerably weakened. At the same time, the Russian assertiveness in the region has significantly increased.

During the 2007 Munich conference, the Russian President Vladimir Putin expressed his views on the international political system, thus criticising the unipolar system, and hinting at furthering Russia's activities and incentives in the international arena (Putin 2007). It became clear that Russia would try to correct the situation according to the Russian vision of the future, which anticipates a restoration of Russia's status as a superpower (in either a bipolar or multipolar system), and would make the necessary efforts to re-establish Russia's influence in the world.

When the Eastern Partnership (EaP) format was launched in 2009, it was designed to overcome the shortcomings of the ENP and to further elaborate tailor-made approaches towards the Eastern neighbourhood. The initial idea was to find interim solutions for the EaP countries that have explicitly declared their accession aspirations. In this regard, the EaP initiative was a compromise solution. The strongest suit of the EaP was the prospect of bilateral Association Agreements which has offered some important advantages to the EaP countries; moreover, the Association Agreements represent a stepping stone for EU-EaP framework of cooperation, considering that they are not applicable in accession negotiations and were not offered to the European Free Trade Association (EFTA) countries in the context of the Agreement on the European Economic Area (EEA). The Association Agreements as an integral part of the EaP envisaged real differentiation between the countries (each country could decide the extent and pace of integration with the EU). The EU has also demonstrated a willingness to differentiate and to consider supporting specific countries beyond the EaP multilateral dimension, for instance, in the area of energy. With a certain level of simplification, it was the launching of 'more for more' principle that has made a real difference. Finally,

the EaP's 'carrot' included cooperation on foreign and security policy, which is a clear indication of EU's willingness to address the region's strategic issues and specific security concerns (Michalski 2009). Besides, in contrast to traditional notions of democratisation that focus on changes in state institutions, EaP was based on governance approach, which concentrates on changes in rules and practices within individual policy sectors (Freyburg et al. 2009). In other words, the EU has attempted to enhance stability, security and prosperity in the region by projecting its own norms and demanding the acceptance of the EU's 'acquis communautaire'. In return for implementing reform agenda, the EU has offered assistance. The prospects of EU assistance and gaining 'more for more' was also the chance for the national elites to elaborate new messages and narratives appealing for the national voters and therefore helping them to remain in power. However, uncertainty regarding the EU membership perspective has diminished in partner countries the enthusiasm for deeper and costly reforms. If in the case of enlargement there was a mutual consensus that the process itself has added value for the West and the reforms in the accession countries will be rewarded by membership, in the case of EaP, there was neither consensus between the EU countries regarding the final goal of the partnership nor any consensus among the neighbourhood countries' elites and population if the costly reforms and Europeanisation process were worth the efforts without a clear, credible accession reward.

Moreover, in response to the EU's policy in the region, Moscow tended to think far less in terms of democratic development and soft security and more in terms of post-Cold War syndromes and tough geopolitical competition and rivalry with the United States and the EU. Furthermore, the Russian foreign policy started to be shaped by the representatives of the Revolutionary Expansionism school of thought. The main attributes of this school consist of those perceptions of Russia as a Eurasian anti-American country, constantly expanding its geopolitical borders far beyond its own. Permanent geopolitical expansion is a method of maintaining internal stability, additionally, the main approach towards former Soviet Republics is threatening them until they are reintegrated into the Russian sphere of influence.

Consequently, the implementation of the newly designed EU objectives came up against obstacles of a post-Cold War nature, while the soft security approaches were undermined by hard power challenges, and the democratic governments in the EU faced Russian autocratic regime. Russia took advantage of the slowdown of the Europeanisation process. Although lacking a competitive positive agenda, Moscow was using intimidation as an argument. On the one hand, the EaP countries were facing a lack of consistent driving force for Europeanisation, and on the other hand, the explicit Russian threat was emerging. When the EU was making proposals which sometimes were difficult to understand, Russia was making it explicitly clear that following uncertain European patterns will be costly.

In addition, Moscow was aware of the new opportunities presented by electronic media. The Russian language was ranked as the tenth most used language on the Internet and dominated the region. Many people in the region still have access to Russian telecommunication networks and prefer them to those of the West, partly because of their knowledge of the language, and partly because of the already established historic ties (Tsygankov 2006).

4 Russia's Strategic Response to the European Incentives

As Nicu Popescu and Andrew Wilson point out, the turning point came with the Orange Revolution in Ukraine in 2004, when Russia's pro-Yanukovych tactics of interference backfired, triggering a serious Russian tactical and strategic rethink. Russia began developing a rival 'counter-revolutionary' ideology, supporting 'its' non-governmental organisations (NGOs), using 'its' web technologies and exporting its own brands of political and economic influence (Popescu and Wilson 2009). Furthermore, Russia was explicitly investing its support into pro-Russian political projects in the EaP countries, such as its support for Ex-President Viktor Yanukovych in Ukraine or for the current President of the Republic of Moldova, Igor Dodon.

The EU was trying to avoid/prevent open confrontation with Russia. Official EU documents have stated as much by pledging that the EaP 'will be pursued in parallel with the EU's strategic partnership with Russia' (European Commission 2003), while the Prague summit declaration reiterated that the EaP 'will be developed in parallel with the bilateral cooperation between the EU and third states'. The summit's declaration has failed to mention Russia by name, and it was an indication of the signatories' wish to recognise other third countries, such as Turkey. Such states could also have a stake in the development of the EaP, may be out of concern to avoid the impression that Russia would be given sway over the future direction of the partnership (Michalski 2009). Moscow, however, was strongly reasserting itself in its sphere of influence by trying to regain exclusive weight and to push back against Western attempts to expand North Atlantic Treaty Organization (NATO) and EU influence into the former territory of the Soviet Union. Although Russia was proposing the alternative model of development, centred on authoritarianism and oligarchic economic structures, it was simultaneously reinforcing the public's anxiety about the perils of European integration and was challenging national consensus regarding the Europeanisation path.

One of the focal points of the EU-Russia rivalry was 2013 Vilnius Eastern Partnership summit where the Association Agreement was to be signed. Before the summit the European Parliament and State Duma of Russian Federation exchanged declarations that indicated tensions and geopolitical competition over the region. In its resolution on the pressure exerted by Russia on Eastern Partnership countries (2013/2826(RSP)), dated September 12, 2013, the European Parliament emphasised:

whereas the Russian pressure most recently faced by Eastern Partnership countries progressing on the road to Association Agreements, including targeted sanctions against Ukraine's exports, allusions to the possibility of stepping up pressure on Moldova through an export ban on its wine industry, additional obstacles impeding progress towards resolution of the Transnistrian conflict, and security-related threats with respect to Armenia, which are aimed at forcing the Eastern Partnership countries not to sign or initial the Association Agreements or Deep and Comprehensive Free Trade Agreement (DCFTAs), but instead, to intensify their cooperation with the Russian-led Customs Union (which Russia intends to transform into a

Eurasian Union); this has put them into a precarious position as a result of geopolitical constraints to which they should not be subjected to. (European Parliament Resolution 2013)

Russian State Duma reacted promptly and, in its statement, dated September 20, 2013, it has noted that the 'European Parliament wrongly accused Russia of putting pressure on a number of states that participate in the European Union's Eastern Partnership programme, in particular, on Ukraine in connection with the plans of these countries to join the European free trade area by concluding Association Agreements with the European Union'. The Russian lawmakers emphasised 'the desire to undermine the relations of the peoples living in Russia and Ukraine, as well as in other post-Soviet countries, and to include these states in the EU exclusive zone of interests' is behind the resolution of the European Parliament. Russian lawmakers also blamed the EU, as follows: 'We absolutely cannot agree with this approach, which savours of neo-imperial ambitions' (Duma 2013).

Russia, alongside the EU, was trying to shape the economic, administrative and, to some extent, political structures of the states situated in their common neighbourhood. Additionally, Moscow was benefitting from weak common institutions established between the EU and the EaP countries (e.g. Association Council, Association Committee, etc.). Moreover, Putin's frequent references to the 'historic unity of people' in the region and the establishment of a special department for Interregional and Cultural Relations with Foreign Countries at the Kremlin indicated that Russian authorities were getting more and more assertive.

In comparison to the EaP initiative, the Russian neighbourhood policy is informal, but it has more substance. The EU has a strategy, but it often lacks tactics. Moreover, the lack of a credible membership incentive weakens European strategic approach in the region. Simultaneously, Russia may have less strategic appeal as a long-term model of society, but it is tactically more agile. Russian assertive and aggressive policies and activities, including its relative military and economic might, its neglect of international norms and its powerful propaganda represent key external challenges for all EaP countries. Limiting the sovereignty of its neighbours is central to its geopolitical thinking and approach in the region (Ash et al. 2017). Russia has explicitly demonstrated that it would not

tolerate the EU's policies in the region and it will seek to punish those countries that follow European patterns. Overall, the prospects of a reward for undergoing Europeanisation are uncertain and costly, whereas Russian threats and aggressive moves make the price of Europeanisation even higher.

5 Is the 'Resilience Concept' a Proper Response?

The growing confrontation between the United States and the EU on the one hand and Russia on the other hand, the Russian aggression in Georgia in 2008 and the ongoing war with Ukraine has brought about on the surface a need for a new European approach towards its Eastern neighbours. Since 2014, when Russia illegally annexed Crimea (and subsequently interfered in Eastern Ukraine) and applied the so-called Gerasimov Doctrine, which was focused on hybrid warfare (Monaghan 2016) (described by Valery Gerasimov, chief of the General Staff of the Russian Federation Armed Forces, in his article 'The Value of Science Is in the Foresight' (Gerasimov 2016)), the need for the Western response became vital.

In this regard, NATO was first to react. In a NATO Review video posted on July 3, 2014, NATO had publicly declared this new form of warfare to be a 'hybrid war'. Shortly thereafter, in August, the *Washington Post* also used the term more than once, in the context of a 'hybrid warfare', and as a well-elaborated, comprehensive term, it was brought about during NATO's Wales Summit in late September of that year. The Wales Summit declaration described 'hybrid warfare' as 'a wide range of overt and covert military, paramilitary, and civilian measures ... employed in a highly integrated design' (Racz 2015).

Since there was no membership perspective as a reward for Europeanisation through democratisation and approximation to the European norms, and having Russia increasing the price for Europeanisation by pressing the countries that signed Association Agreement, the EU has come up with the resilience concept as a main response. The revised ENP

was one of the first documents to introduce resilience-building as a foreign policy goal of the EU. Building societal and institutional resilience to Russia's negative influence in the Eastern Partnership and particularly in the three countries that have signed Association Agreements with the EU was perceived as a potentially viable strategy for a more secure and less damaging cohabitation with the current Russian regime (Boulègue et al. 2018). The EU and the Eastern Partnership countries have also agreed to deliver tangible benefits to the daily lives of their citizens by focusing on achieving 20 Deliverables for 2020. The respective objectives are building the economic resilience of EaP partner countries, scaling up efforts in the area of strengthening institutions and good governance, improving transport links and infrastructure, boosting energy resilience through strengthening energy interconnections, energy efficiency and the use of renewable energy to reduce greenhouse gas emissions and ensuring mobility and people-to-people contacts by investing in young people's skills, entrepreneurship and employability, including by developing education policies and systems which contribute to building stronger societies, increasing youth employment and innovation.

However, it should be considered that the capacity of the EU to influence the security-related resilience of the EaP countries under the new circumstances (when Russia is combining soft power and hard power toolkits) is rather limited; there is no common EU approach towards the engagement in the EaP security-related initiatives, and there is also a lack of the EU's own hard power.

Ensuring resilience in the field of security requires a substantial enhancement of cooperation between the states, active citizens, think tanks and NGOs. Only by joint efforts, state agencies and NGO representatives can elaborate effective approaches to information security, media literacy and soft security challenges, as well as to suggest alternative policies helpful for tailored policy responses. Besides, the EU needs a strategic vision for ensuring its own resilience in the region. However, the EU's efforts aimed at supporting state and civil society resilience in the countries of Eastern Partnership should be a combination of general, shared by all European member states', approaches and region-tailored tactics that do not exclude or substitute Europeanisation and integration options.

6 Conclusions

The EaP ministerial meeting on May 13, 2019, and the following high-level event on May 14, 2019 (which marked the tenth anniversary of the EaP), arguably demonstrated the ability of the EU to adapt to the new realities, to elaborate the vision of Europeanisation and European integration, to find the ways to contain Russia and to deliver the messages appealing to the Eastern Partnership countries' population. '20 deliverables for 2020' is an important tool in this regard. However, bearing in mind the lack of membership and even accession negotiations' perspective alongside with the Russian pressure in the region, some new ideas and rethinking of the idea of Europeanisation per se are clearly needed.

After reaching 20 deliverables in 2020, the next symbolic benchmark should be set to 2028. The period of 2020–2028 should be enough for learning the lessons of implementation of Association Agreements by Georgia, Moldova and Ukraine and elaborating new ambitious frameworks of cooperation, for example, opening Schengen zone for the Association Agreement countries. The implementation of reforms in the sectors of governance, anti-corruption and the judiciary should be supplemented by explicit and formidable efforts aimed at demotivating Russia from making any security-related threats against the Eastern Partnership states. In this regard, closer cooperation with the EU in the security field should be developed. The emerging Permanent Structured Cooperation format should be open to mutually beneficial cooperation with the interested Eastern Partnership countries experienced in counteracting cyberattacks and deterring information warfare.

The effective instruments for coordination, cooperation and synergy building are to be suggested. Regional cooperation formats, inter-parliamentary assemblies and civil society forums can be of added value as well and have to contain a clear security component. The EU in cooperation with its Eastern neighbours has to find the balance between stability and security and further democratisation, anti-corruption efforts, strengthening the rule of law and Europeanisation. Intergovernmental

security platform can be of added value, whereas Political Association Action Plan may be an interim substitute to the accession perspective.

Besides, conditionality as a strategy can be only effective and efficient with a credible membership perspective as the main reward offered by the EU. Otherwise, governments may either agree on Russian-rooted alternatives of foreign policies and domestic reforms agendas or utilise geopolitical arguments about the need to counter Russian influence within their societies, in order to justify their reluctance to implement reforms. Overall, the lack of a distinct security component and of an accession perspective can considerably slow down the pace of Europeanisation, put under the question its efficiency (as it is already the case in Moldova and, arguably, in Georgia and Ukraine, threatened by corruption and uneven results of the presidential and parliamentary elections).

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15

Whose Resilience? Resilience and Regime Strength in EU-Azerbaijan Relations

Eske Van Gils

1 Introduction

This edited volume refers to the importance of resilience in the Eastern Partnership (EaP) countries regarding fragilities, risks, and developmental potential. Indeed, having the right capacity to deal with these aspects seems highly beneficial for these states. However, this chapter argues that in states with an authoritarian regime, such as Azerbaijan, the interests and resilience of the government are not necessarily equal to the resilience and needs of society as a whole. In fact, strengthening the resilience of authoritarian states may lead to adverse effects and increase regime legitimacy, thereby undermining the potential of other parts of society to be resilient in terms of social, economic, and political well-being.

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The chapter therefore argues that ‘resilience’ as a policy concept can only meet its goal if the European Union (EU) cooperates with all the local actors that have a role in building up a country’s resilience. In partner states with restricted options for cooperation, such as authoritarian states, there is a risk that resilience is enhanced in a skewed way, in favour of governments. There are opposing interests in states with authoritarian regimes, reflected in regime resilience on the one hand, and social, political, and economic resilience on the other. The value of resilience as an overall concept in the EU’s external relations may thus be limited, as it cannot be applied universally without regard for regime type or other factors that distinguish the different partner states from one another. The chapter’s conclusion therefore echoes this volume’s call for a more differentiated approach towards the Eastern Partnership.

This chapter first assesses the intentions the EU has had with the concept of resilience and assesses the limits and contradictions of the notion in relations with authoritarian states. It then applies these ideas to the empirical case study of EU relations with Azerbaijan and, subsequently, shows why cooperation with civil society and other local actors would be crucial to foster society-wide resilience. Lastly, the concluding section reflects on the benefits and disadvantages of the EU’s approach towards authoritarian regimes in the Eastern neighbourhood in light of ‘resilience’ and addresses some considerations about the way forward.

2 Resilience in EU External Relations and in Regard to Authoritarian Regimes

The European Neighbourhood Review of 2015 states that the EU’s measures aim to “strengthen the resilience of the EU’s partners in the face of external pressures and their ability to make their own sovereign choices” (EC 2015, p. 4). This, of course, raises the question: whose choices? Who is ‘the state’? The different policy strategies do not seem to differentiate between regime types, nor take into account other aspects that make the countries in the neighbourhood fundamentally different from one another. This has important implications for the application of the concept because conflicting interests between different actors may hinder the strengthening of resilience as the EU envisaged it.

It would be useful to start with an inventory of the EU's general definition and objectives of resilience. The EU institutions have defined resilience as "the ability of an individual, a household, a community, a country or a region to withstand, to adapt, and to quickly recover from stresses and shocks" (EC 2013, p. 3). What is important is that this is not only aimed at the state level but particularly underlines the importance of resilience at "the individual level" too, which would be in line with the EU's "people-centred approaches" (EC 2013, p. 3). When looking at the objectives, then, the idea of resilience seems very much in line with older notions of capacity-building, stability in the neighbourhood, and poverty reduction. Indeed, in 2017, the EU held an open consultation to discuss the concept of resilience in its external relations (EC 2017b). There has been criticism that the concept is "essentially meaningless" and not innovative, and that it is therefore "necessary to put forward a common interpretation of the concept" (EC 2017b, p. 5). In response, the EU stressed that resilience is indeed not a new objective but that the concept does aim to lead to a review of cooperation methods and resources (EC 2017b, p. 5). One question that arises concerning the review of cooperation methods is whom the EU should cooperate with to enhance resilience—and indeed, whose resilience? The objectives mentioned in the different policy documents and strategies on resilience show that there can be various interests at play at a domestic level: some objectives need to be addressed at the state level and others clearly target the society at large, instead.

One of the key components of the EU's vision of resilience is economic growth and stability. Resilience in terms of the macroeconomy can be approached through cooperation at a state level. This is furthermore linked to the environment and energy security (DG NEAR 2018, p. 10; EC 2013, p. 3; 2015, p. 11). Certain aspects of the resilience strategy also target non-governmental societal actors, instead, such as the objectives of poverty reduction, a democratic society, and good governance, arguing that "local governments, communities and civil society stakeholders" should be more involved in the EU's efforts (EC 2017c, pp. 3–5). The 2017 consultation highlighted that "People should always be at the heart of all policies, even where the aim is to strengthen the resilience of states" (EC 2017b, p. 5). It should also be done in line with the United Nations'

development goals and be based on European standards on human rights and democracy (EC 2017b, p. 5). The EU acknowledges especially the role of civil society in building up states' resistance (e.g. EC 2013, p. 3). Additionally, the 2017 Consultation stressed that civil society organisations (CSOs) should even be involved in the design of policies (EC 2017b, p. 6). What is probably envisaged with this is that the individual level, emphasised in the EU's strategies, can be reached indirectly, through cooperation with local governments and CSOs. While this is, of course, a valid ambition, it is not necessarily realistic in a country like Azerbaijan, where these stakeholders are hindered to cooperate with the international community by the government. There is also a fundamental barrier to international cooperation in countries where the government has different interests than other groups in society, and where these local actors do not have access to policymaking or the implementation of international strategies.

2.1 Resilience in Authoritarian Regimes

What the earlier section has shown is that the EU's definition of resilience reaches beyond the state level and that cooperation with non-government actors will be necessary if countries are to be made resilient to a wider extent. If cooperation is limited or predominantly focused on the government, this will enhance the authorities' resilience but not that of the rest of society. Building on the literature on regime resilience, it can be understood that in authoritarian states this is problematic not only because of the lack of resilience of non-government segments. It is also problematic because enhancing a regime's resilience reinforces the ability of the government to suppress political opposition, to keep civil society in check, and to keep economic revenues in control of the close circle of elites. This goes against many of the objectives set out in the EU's resilience strategy. Especially if resilience in the Eastern Partnership would indeed be about increasing and speeding up the process of meeting European standards, as argued in the introduction to this volume, then facilitating the workings of authoritarian regimes cannot be the desired outcome. Indeed, there is a paradox between the aims of the resilience approach (as argued

in this book: to bring to light the weaknesses of these states' infrastructure and workings to allow to address these problems better) and—part of—the actual outcome that directly clashes with this objective. After all, making the government resilient makes it less likely to open up the power structures and to improve the governance system of a state.

This raises several questions: whom will the EU cooperate with to enhance resilience? How will the EU deal with hindrances to inclusive cooperation? And how will the EU solve the issue of conflicting interests within partner states?

The European Commission only explicitly referred to resilience in cooperation with authoritarian regimes once, in the joint communication from 2017:

The ENP works towards long-term social, economic, and political transformation which requires the building up of institutional capacities, working at different levels of civil society and with local and regional authorities as well as central government, tackling the entrenched interests of authoritarian elites and sectarian narratives and implementing security sector reform. (EC 2017c, p. 14)

This fragment subscribes the dichotomy between interests of elites and civilians. The EU's external resilience promotion strategy does emphasise the importance of democracy, good governance, and the combat against corruption, for resilience-building to be successful. Moreover, the EU fully understands how these aspects underlie any other dimensions of development (EC 2017c, p. 4). It also reiterates that all resilience-promotion efforts should be made taking into account democracy and human rights objectives. The intentions are thus certainly there—but, as with similar policies in the past, the real problem comes with the implementation of the policy. The case study on Azerbaijan later on in this chapter shows that implementing resilience-building linked to these values is very difficult in states with authoritarian regimes. The EU's efforts should be seen in light of its quest to promote a move towards 'good governance', with a clear purpose that is hard to criticise. However, it appears that the obstacles on the way, namely the governments of some partner states themselves, may have been overlooked. For instance, one

concrete way to implement the policy would be through cooperation with local governments and civil society (EC 2017c, p. 5). In Azerbaijan and other undemocratic states, cooperation with civil society is hindered, and local authorities are unlikely to support the proposed actions that include “strengthen[ing] the rule of law, broad-based inclusive growth (...), participatory decision-making and public access to information” (EC 2017c, p. 5).

Applying the idea of resilience-building to authoritarian states is thus highly problematic. The inherent paradox puts into question the relevance of the concept: it simultaneously aims to strengthen the state, but that very state might hinder resilience of the society and economy more broadly. To overcome this issue, and to assess to what extent resilience might be useful, we need to identify the clashes in interests between the different actors involved. There are clashing interests at two levels: first, between the regime and citizens, mostly in the areas of politics (democracy and human rights) and welfare provision; second, between citizens, the regime, and international actors, especially concerning economic reform and investments.

The clash of political interests between the regime and (many) citizens is evident: an increased resilience of society as a whole would imply a serious threat to non-democratic regimes. Democracy would mean that power would need to be shared and that the political system would become more inclusive. Respect for human rights would mean that the government could no longer oppress citizens who criticise the system. The EU’s objectives regarding democracy and human rights would therefore be undermined, rather than fostered, by increased regime resilience. Some of the policy documents do underline the importance of promoting these values and to work with society as a whole. However, this appears to be rather naive when looking at relations with Azerbaijan and other non-democratic states. The EU strategy has not clarified how such more inclusive approach could be materialised.

Regarding economic resilience, we also generally see a non-alignment of interests between authoritarian governments and many citizens, and between certain international actors and national interests as such. The authoritarian nature of regimes often results in a less equal distribution of wealth (Acemoğlu and Robinson 2006). The literature on the so-called

resource curse shows that particularly in states whose economy is largely based on natural resources, elites may end up enriching themselves, whereas large segments of society live in detrimental circumstances (Ross 2015; Petkov 2018, p. 38). As is shown in the following analysis, this indeed appears to be the case in Azerbaijan, too.

3 Applying Resilience to EU-Azerbaijan Relations

The earlier objectives for resilience promotion are coherent and aspirational on paper, but in practice, they are thus likely to face a number of challenges, in particular, in states with non-democratic governments. This section focuses on one case study, namely that of the EU's relations with Azerbaijan. Azerbaijan has been ruled by the regime of President Ilham Aliyev since 2003, and by his father, the late Heydar Aliyev, between 1993 and 2003. The Aliyev regime is generally classified as an authoritarian one (Bedford 2014; Hughes and Marriott 2015; Altstadt 2017), with the government relying largely on oil revenues and the narrative of stability and national independence, to maintain legitimacy (Bölükbaşı 2011; Guliyev 2013; see also Van Gils 2018). The EU has therefore engaged in democracy and human rights promotion ever since relations began in 1991—although many would argue that the values in promotion efforts have remained limited due to Brussels' own strategic interests in the country (Stewart 2009; Wetzel 2011).

In relations with Azerbaijan (official) cooperation is restricted to the government level. The case study shows the risks that the concept of resilience brings in terms of unintended consequences. The 2013 Resilience Action Plan speaks of “multi-actor partnerships and engagement”, highlighting the role of civil society and local authorities (EC 2013, p. 2). But if the aim is to strengthen the resilience of society as a whole, then the EU's (necessarily) selective cooperation with the regime cannot be helpful. This section unpacks some of the contradictions that exist between the EU's comprehension of ‘resilience’ in external relations and the actual implication in states such as Azerbaijan. This case study assesses the areas of political, societal, and economic resilience.

The three areas of political, societal, and economic resilience have been chosen because they correspond to the areas where non-governmental actors can have a degree of actorness to defend their interests. Weiss clarifies that there can be an overlap between the civil society, political society, and economic society (2017, p. 377), which means it may be somewhat artificial to distinguish between these three areas so clearly in this analysis, but it seems to be the best attempt at identifying what interests other than those of the government exist in Azerbaijan, and how the EU can tailor its resilience-building policies accordingly. The EU also refers to civil society actors, the political opposition, and economic actors, in their own policy documents—which means that the recommendations following from the analysis below fit within the typology used by the EU itself.

Social, political, and economic resilience are, here, therefore, seen as contrasting with regime resilience—which is used here to refer to the ability of the incumbent authoritarian regime to stay in power and to defend its interests, which are not necessarily in line with the interests of citizens and society as a whole. Of course, this dichotomy is not absolute: there could well be alignment and overlap between regime resilience and resilience of the political, societal, and economic society. However, in terms of broad power dynamics in Azerbaijan and the contrast between EU objectives and the current political reality in Azerbaijan, the resilience of these three domains is distinguished from overall regime resilience in this analysis. Actors in Azerbaijan who could contribute to the country's resilience in these three areas include civil society organisations, the political opposition, and non-governmental economic actors.

This analysis builds on policy documents, interview data, and secondary literature, to see how resilience applies in the three areas, for EU-Azerbaijan relations. Policy documents were assessed in two stages: first, using the online archives of the different EU institutions, documents were selected on the basis of their initial relevance (referring to Azerbaijan, resilience, or both), and in the second stage, these documents were scrutinised for their discussion of resilience or related concepts such as capacity-building or the specific three fields unpacked here. Interviews were conducted in different rounds of fieldwork in both Baku and

Brussels between 2014 and 2018. For reasons of confidentiality, all references to interviews have been anonymised.¹

Based on the information collected through these various sources, an assessment was made about resilience and interests of the different actors inside Azerbaijan: can contradictions and parallels in interests be identified? In case of contradictions, the aim was to unpack what these differing interests were and what the implications are for resilience-building.²

3.1 Societal Resilience: A Genuine, Unrestrained Civil Society

The first aspect contrasting regime resilience is societal resilience. Societal resilience is considered so important because it is the foundation for citizens' well-being and is also linked to the economic and political dimensions. For the EU, the main actors in bringing about societal resilience is civil society. EU policy documents on the neighbourhood seem to suggest two different roles for civil society organisations in resilience-building: CSOs as a means and as an end for resilience-building. The first role, as a means to resilience, is indirect: providing support to CSOs who themselves work on the strengthening of societal resilience, for instance, organisations that focus on resilience of citizens regarding security and natural disasters (EC 2018b, p. 61). In Azerbaijan, such CSOs could be for instance the civil society organisations that try to foster people-to-people contacts in the Nagorno-Karabakh conflict, and that try to build up trust between the Azerbaijani and Armenian citizens. The question is, of course, how CSOs that are under pressure themselves could do this: these organisations are themselves very vulnerable due to government oppression. As an example, in 2014, well-known civil society representatives Leyla and Arif Yunus were arrested and imprisoned on charges of 'treason' because

¹ Interviewees are referred to as either being affiliated with European (EU or other) institutions; the Azerbaijani opposition; the Azerbaijani authorities; or as independent experts who are not affiliated with either the EU, the Azerbaijani authorities, or the Azerbaijani political opposition.

² The analysis as such is thus mostly based on the interpretation of the author. Triangulation of arguments has been attempted to the greatest extent possible, but there were restraints due to the fact that 'resilience' is a relatively novel concept in the EU's policy towards the Eastern Partnership states, and not much has been published to date in relation to Azerbaijan.

of cooperating with Armenian civil society (RFE/RL 2014; see also interview with Azerbaijani political opposition affiliate 2, 2018). Their case immediately shows how the country cannot be made more resilient if the actors, who could achieve such resilience, are not resilient themselves due to being undermined by the Azerbaijani government.

What therefore seems so crucial is that civil society itself becomes more resilient, in the face of government oppression. The second role of CSOs in resilience-building as seen by the EU is thus a direct one. The staff working document accompanying the 2017 resilience in external action strategy emphasises that “A vibrant civil society and public debate are essential to build up consent for socio-economic and political reform and to build up trust in governmental institutions and their ability to manage crises” (EC 2017d, p. 10). This reference concerns the EU’s partners in general—without specifying what this means for civil society in countries where active suppression by the government takes place. The 2014–2020 framework again prioritises working with CSOs (EC 2017a, p. 13). In Azerbaijan, there is not much the EU can do to directly promote resilience of civil society and the role of civil society as anticipated in the EU’s strategies since 2013 cannot be implemented due to the nature of the regime.

Civil society is especially important in regard to good governance and the reduction of corruption (rather than democracy per se), which are crucial for a state’s resilience (Aliyev 2015b, pp. 2–13). At the same time, there needs to be some caution in relations with CSOs, due to the particular context of civil society in Azerbaijan and the post-Soviet region more broadly, which differs significantly from that of their West-European counterparts. There are three key critical notes to be made when assessing the potential of the EU’s cooperation with civil society to enhance societal resilience, related to restrictions and functioning of organisations, appeal to the wider society, and the values advocated by organisations.

First, independent and critical CSOs have been restricted in their workings by the government, and increasingly so in recent years (Aliyev 2015a, p. 320; Gahramanova 2009), including severe difficulties with the registration of organisations, and a near-ban on them receiving international financial support (Aliyev 2015a, p. 320). In 2018, the EU was the only international actor who still managed to direct some financial support to

CSOs in Azerbaijan (interview with European affiliate 2, 2018). There is, nevertheless, a large number of non-governmental organisations (NGOs) in Azerbaijan, as in other former Soviet states, but not all of these are genuinely independent organisations. Aliyev describes how many of these “may only exist on paper” and others may be closer to the government than the name suggests—the so-called government-organised NGOs (GONGOs) (Aliyev 2015b, p. 86). In 2008, the government started its own funding of NGOs, essentially creating a large network of GONGOs (Aliyev 2015a, p. 230; see also Lutsevych 2013)—be it because they are directly related to the government or because due to financial needs they effectively become reliant on the regime (Aliyev 2015a, p. 325). This seriously reduces civil society’s resilience and the issue is difficult to counter since international funding is made near-impossible by the government. Additionally, for civil society as a whole, the system of corruption means that the majority of organisations has to engage with informal networks with the government (Aliyev 2015a, p. 322).

Second, there is a certain distrust of CSOs in the region, due to the socialist past (Paturyan and Gevorgyan 2014, p. 239), which implies that there is only limited participation of citizens in civil society organisations. As Aliyev argues, this is amplified through the continuous importance of ‘kinship institutions’, “making participation in civil society unattractive” (Aliyev 2014, p. 263). There are thus government restrictions but also self-restrictions when it comes to engagement in civil society. Lutsevych (2013) speaks of the formation of an “NGO-crazy” with a disconnect between NGOs and “the public at large”. Such a disconnect would prevent an expansion of “the democratic responsibility of citizens” (Lutsevych 2013). There would be a higher trust of CSOs among younger citizens (Paturyan and Gevorgyan 2014, p. 257), and indeed, engagement of international actors with youth movements and informal networks would increase the chances for a strengthened civil society (Lutsevych 2013). This is in line with the EU’s approach towards engaging with youngsters inside Azerbaijan (EC 2018a, p. 10).

Third, another issue with CSOs in Azerbaijan and other states in the Eastern Partnership is that not all organisations necessarily adhere to the same values as those which the EU is trying to promote and beliefs should be part of a resilient society. Scholars have described a rise in ‘uncivil

society’, referring to CSOs that promote an illiberal agenda with socially conservative values (Hug 2018, p. 1). Especially minorities and LGBTI citizens would be disadvantaged this way (Hug 2018, p. 1), which does not seem to benefit either an inclusive approach to cooperation or resilience of society as a whole. Since the EU is limited in its immediate promotion of values that could be seen as provocative or controversial by the Azerbaijani government (interview with European affiliate 2, 2018), it can only promote such values indirectly through, for example, cultural events. Naturally, its impact is less strong compared to a more direct approach.

Indeed, the issue with civil society in authoritarian regimes is that the state has the power to “set the contours of what is not the state”, in other words, to “define what is civil society” (Weiss 2017, p. 377). Civil society even risks to enhance regime resilience in authoritarian states, if these authoritarian regimes can apply several strategies to use civil society for its own legitimacy (Lorch and Bunk 2017). Maintaining a level of civil society can work in favour of the regime. First, civil society can be used as a façade for democracy (Lorch and Bunk 2017, p. 990)—which indeed may be partially the case in relations between Azerbaijan and the EU, for instance, in regard to the Eastern Partnership Civil Society Forum (CSF) that brings together selected CSOs from the Eastern Partnership states in Annual Conferences and through working groups. The CSF suggests that there can be input from non-governmental actors; but not all Azerbaijani CSOs can freely participate in this initiative, and generally there is an issue with GONGOs, while many genuinely independent NGOs and CSOs more broadly are hindered in their operation (interview with European affiliates 1, 2014). Moreover, those independent CSOs that are represented in the EaP CSF have complained that they are, in fact, not being heard by the EU (interview with independent expert 1, 2014).

Second, CSOs that do manage to go through the lengthy bureaucratic processes for registration are in a way forced to acknowledge the state structures by doing so; likewise, operating within the limits set by the state acknowledges the existence of these boundaries (Lorch and Bunk 2017, p. 990). CSOs are also a simple way for authoritarian regimes to channel and de-politicise “societal discontent” with the regime (Lorch and Bunk 2017, p. 990) and could potentially even be used to help

emphasise the regime's discourse (Lorch and Bunk 2017, p. 991). As shown by Bilgiç in the case study on Turkey (2018), the government can boost its resilience if it can 'produce consent' at the civil society level, especially if it can help to spread narratives about the 'national will' and can create the discourse that the government has the interests of society at heart (Bilgiç 2018, p. 264, 274). In the case of Azerbaijan, this is the discourse on national independence and national identity. This can explain the strategy of the Azerbaijani government to support GONGOs and to provide funding; to keep their support and to reduce influence of the EU by curbing the EU's funding for civil society organisations (interview with European affiliates 1, 2014).

Perhaps the most important consideration for the EU to make when designing its resilience strategy in relations with authoritarian regimes is that CSOs can help contribute to state outputs, particularly in the areas of welfare (Lorch and Bunk 2017, p. 991). This clearly links back to the first role that the EU has identified for CSOs, namely the instrumental one, whereby the EU wants to support CSOs that themselves aim to increase countries' resilience. If these CSOs indeed help achieve the government's outputs, it will enhance the regime's legitimacy based on performance.³ This suggests that the EU needs to be careful with 'indirect' resilience-building. Instead, it should consider to only support the strengthening of resilience of CSOs themselves—especially those organisations that belong to the genuine, non-government affiliated civil society.

So, for any of the eventual objectives regarding resilience to be achieved, it seems that a necessary condition is lacking at the moment, namely the resilience of actors who can bring about change and transformation inside states. Inclusivity implies incorporation of diverse views, across the manifold cleavages that exist inside Azerbaijan. Civil society could form the key to this but cooperation and support, in general, remain a delicate issue, with many civil society activists imprisoned. This will jeopardise any further steps and addressing some other dimensions of resilience,

³ Regime performance is one of the elements that can enhance regimes' legitimacy (Von Soest and Grauvogel 2017, p. 291).

including the political and economic ones, seems ineffective if the actors who could carry this change are left vulnerable and exposed themselves.

The EU should, therefore, re-assess its support to civil society. It should make sure that all of the CSOs participating in the Eastern Partnership Civil Society Forum are genuine and not GONGOs, and it should consider upping the competition with the government over funding, and ensure that the funding from Brussels is more appealing. Tolerating elements of disingenuous civil society could actually enhance the regime's resilience but without necessarily fostering societal resilience in a sustainable way—in the worst case, it could even undermine it.

All this suggests that the EU would need to have a wider scope to reach out to society. Cooperation with political movements, including youth movements and the political opposition, could be one way to achieve this.

3.2 Political Resilience: Values and Good Governance

The second aspect of resilience addressed in this analysis is political resilience. The political dimension in terms of resilience will be viewed here as the non-governmental part of the political domain (i.e. the political opposition) as well as the currently non-existent political aspects that the EU aspires to in light of its resilience strategy: democracy, good governance, and respect for human rights. Since the latter would imply that the current regime would be overthrown, this aspect of political resilience again refers to interests of the opposition rather than the government.

According to Weiss, the “political space” includes the political society and the civil society (Weiss 2017, p. 384). Civil society and the political opposition can both be seen as non-governmental actors, and in Azerbaijan, there is a significant overlap between the interests of much of the political opposition and the genuine civil society. However, Weiss argues for a “de-coupling” of activism from civil society (Weiss 2017, p. 378) which brings to light the different roles that these two groups can play in building up the country's resilience. Indeed, civil society organisations appear to be the link to society more broadly and are not part of the state, whereas the political movements and parties opposing the Aliyev

regime are the main contesters of the current power structures and want to become part of the state after a potential transition of power. Moreover, CSOs in Azerbaijan largely deal with non-controversial topics due to the government oppression (Aliyev 2015a, p. 320; Paturyan and Gevorgyan 2014, p. 258), which means this is a task left for the political opposition.

The EU's Single Support Framework for Azerbaijan mentions that the "overall objective" of the programme dimension looking at good governance and the strengthening of institutions is to "promote good governance, democracy, the rule of law, human rights, to enhance resilience to security threats, and to decrease the level of corruption" (EC 2018a, p. 10). Of course, many of these objectives will not be achieved with the current regime in place. There are therefore serious problems with the achievability of the EU's broader interpretation of resilience, with its references to democracy and good governance, in states like Azerbaijan. Cooperation with the political opposition could theoretically make society more resilient against the power of the Aliyev regime, but this is difficult in practice: the problem in Azerbaijan is that the political opposition has no representation in Parliament at all, which means that officially they are not opposition parties as such (interview with Azerbaijani opposition affiliate 1, 2018). This also rules out official cooperation with the European Union: naturally, for the EU to work with the opposition would directly clash with the interests of the government. The EU does consult the opposition but can only do so on an informal basis. As a result, while there can be informal input into the EU decision-making process, there are no mechanisms in place to ensure that the views of the political opposition are reflected in the EU's policies towards Azerbaijan (interview with Azerbaijani opposition affiliate 1, 2018). International cooperation also seems important to make the Azerbaijani political opposition a full-fledged actor. No financial support is possible because of the restrictions imposed by the government (interview with European affiliate 2, 2018). One aspect that EU cooperation could bring though is experience. Members of the opposition cannot obtain any formal experience in office because they are excluded from the political process. This also adds further issues in terms of forming a coherent, stable opposition that could form a genuine alternative to the current regime (interview with European affiliate 3, 2018; interview with Azerbaijani opposition affiliate 1, 2018).

This exclusion from the decision-making process highlights the problem that the government has a considerable degree of control over both civil and political society. Civil society activities are restrained by the administrative limits on CSOs; political society is restricted through arrests and harassment of political activists and journalists who are critical of the regime. Indeed, in Azerbaijan, the political opposition has been marginalised by the government over the past decades, and the high level of oppression means that there is very little space for action left (interview with Azerbaijani political opposition affiliate 2, 2018). Since civil society has a broad reach, whereas the political opposition has a narrower scope, the mobilisation of civil society can be much more effective in toppling authoritarian regimes (Weiss 2017, p. 391). This simultaneously explains why the control of civil society is so important: for authoritarian regimes, it is beneficial to reduce civil society's threat for political change; while at the same time securing regime legitimacy if CSOs can be instrumentalised to advocate in favour of the government. This makes it a worthwhile investment to tolerate a degree of civil society presence, and to even financially support government-friendly organisations. The political opposition, however, is nearly completely suppressed in Azerbaijan. One could conclude from this reasoning that perhaps the EU should indeed try to not over-rely on civil society and instead reconsider the political opposition as a serious partner if it wants Azerbaijan to become more resilient in the way it envisaged it.

Terrorism and radicalisation form another political aspect of the resilience approach (EC 2015, p. 12). Indeed, the government says it tries to tackle religious extremism, in line with broader European aims. Azerbaijan has both a Shi'a and Sunni population, with influence coming from Iran, Turkey, and the North Caucasus. The country is secular and Azerbaijan's Soviet past means that Islam is predominantly perceived a cultural, rather than an actual religious, dimension (Bedford 2009, p. 196). However, there are several movements operating within a religious context, challenging the Aliyev regime, such as the Muslim Unity Movement led by Taleh Bagirzade (RFE/RL 2017). The secular government says it maintains stability despite the presence of these different religious communities, by being tolerant towards all religions—the Shi'a and Sunni communities, as well as other religions practised in Azerbaijan. The EU and the

international community more broadly appear to be very supportive of the government's discourse on religious tolerance (see e.g. EU 2017e, p. 3).

Yet there are questions about the sincerity of this 'tolerance' as there are restrictions to religious practicing (Norwegian Helsinki Committee 2015), and it is accompanied with the persecution of religious activists (Working Group on Unified List of Political Prisoners in Azerbaijan 2019). Some have argued that the suppression of religious threats has also been politicised and that the government's narratives may also partially serve to legitimise its own power and to justify the arrest of religious opposition figures (interview with independent expert 2; see also Working Group on Unified List of Political Prisoners in Azerbaijan 2019). This again implies that the interests of the authorities do not necessarily align with the interests of society or even the resilience of the state as a whole and that it is a delicate balancing act to ensure that the strengthening of state resilience does not backfire. At the same time, it is possible that the role of religion in the state's resilience may change in nearby future, if religious movements come to play a more active part. The EU would need to consider which aspects of resilience-building to prioritise when there is competition between different dimensions of resilience: freedom and human rights, thus condemning the persecution of religious activists, or stability, thereby leaving more space for the government to intervene and curb actors that may pose a challenge to the regime.

As is the case with civil society, some have argued that the political opposition could also unintentionally contribute to regime resilience, when they are co-opted to facilitate easier control by the government (Albrecht 2005). The mechanisms through which the government could instrumentalise the political opposition are similar as for civil society. Tolerating a degree of opposition can present a democratic façade to the outside world, thereby securing international cooperation and funding. Domestically, it also allows to spread a democratic discourse, and allowing opponents to mobilise themselves through oppositional movements creates a form of channelling, which makes it easier to control social dissent and potential dissent among the elites (Albrecht 2005, pp. 391–392).

In Azerbaijan, this is so far not yet the case; however, the political opposition has no representation in Parliament whatsoever, and it does not have any formal role either within the domestic political system or in rela-

tions with international actors. This argument does have implications for the EU's future actions; however, the political opposition has requested the EU to facilitate such limited cooperation, through a formal dialogue with the government (interviews with Azerbaijani political opposition affiliates 1 and 2, 2018). Albrecht's analysis suggests that this could backfire, so as with the other aspects of the EU's resilience strategy, there would need to be careful consideration for the consequences and potential unintended outcomes of establishing any formal contacts between the political opposition and the government. Again, this suggests that the way to strengthen the political resilience best is not through facilitating any cooption but by strengthening the political opposition in its own right.

Lastly, despite the problems with democracy and human rights in Azerbaijan, the EU has chosen to be pragmatic and to engage with the government. It says to prefer engagement over non-engagement, even when this means a form of legitimisation of the government and a weakening of the political opposition. Regarding the aspect of good governance, a distinction should be made between three forms of state capacity that could be enhanced through the EU's resilience approach: administrative, extractive (resources for public goods), and coercive (the security apparatus) (Hanson 2018, pp. 20, 24). It seems beneficial for political and societal resilience if the state capacity could indeed be increased, among others with EU support—but the EU should be cautious about which elements of the state capacity are increased through cooperation, because regime capacity may be translated into regime stability (Hanson 2018, p. 30). Likewise, elections can paradoxically contribute to the strengthening of regime resilience (Croissant and Hellmann 2018, p. 9), which implies that the EU should reconsider some elements of its election observation activities that have been criticised, including installing longer-term observation missions and expressing more outspoken criticism on election flaws.

3.3 Economic Resilience: Stability, Sustainability, and a Fair Redistribution of Wealth

The third dimension covered here is economic resilience. The European Neighbourhood Review sets out that economic resilience can be strengthened through the enhancement of 'economic governance' and 'fiscal sta-

bility', support to "structural reforms for improved competitiveness and inclusive growth and social development" (EC 2015, p. 7). This logic may work out well in states with an inclusive political system but may be problematic in a country where the governing actors have different priorities. For instance, the EU's 2013 Action Plan for resilience in crisis-prone countries views resilience mostly in terms of security and natural disaster, as do most documents until 2016, but it acknowledges that resilience to these aspects is related to "the multiple, interlinked causes of poverty, fragility and vulnerability" (EC 2013, p. 1). Poverty in Azerbaijan, however, cannot be seen separately from the self-enriching Aliyev regime.

According to the EU, economic resilience in Azerbaijan could also be achieved through economic diversification (EC 2017c, pp. 5–6), and in recent years, the EU has emphasised that this is a priority for Azerbaijan (EC 2016, p. 8). Diversification allows for a reduced reliance on energy revenues, which is particularly important in light of fluctuating oil prices. It could simultaneously enhance the country's competitiveness in other areas such as agriculture and transport—in line with the EU's objectives of liberal economic reform in the Eastern Partnership states. The government in Baku has been slow to adjust to this advice from international financial institutions, however. Only after the economic downturn of 2015 did the government start substantial efforts to diversify the economy (interview with independent expert 3, 2018). While according to the neoliberal economic logic it is obvious that Azerbaijan's economic resilience can be increased through such reforms, there are several contradictions in place between economic diversification and regime interests. First, there has been very little investment in education (Guliyev 2018), while both the domestic political opposition and international actors point out that this would be a necessary element to strengthen the economy (interview with independent expert 3, 2018; Bölükbaşı 2011, p. 219). The EU recognises that economic development is being held back by a "mismatch between the skills supplied by the education system and those demanded by the economy" (EC 2018a, p. 6). But with little investments in this sector, there is no coherent and sustainable strategy of the government that could facilitate such resilience.

Second, investments in health care and general welfare have remained low too, resulting in social insecurity and making citizens vulnerable,

while inequality has stayed high in the past decade and the elites close to the government have enriched themselves (Hughes and Marriott 2015, p. 33; EC 2014, p. 12; UNDP 2018).

Third, arguably, there are clashing interests between some international economic actors and the state as a whole. Azerbaijan has been under substantial international pressure to reform the economy to a liberal market economy and to enter the World Trade Organization. There has been some resistance to this by the government itself, arguing that the country should be protected from international competition until its economy has grown stronger. Comparisons with other post-Soviet states that did open up their markets have been made, to show how rapid integration in the global market could be detrimental to Azerbaijan's economy. Opportunities for investment might mostly benefit international investors rather than national economic actors that could carry long-term sustainable economic development. But even at a domestic level, the only national actors who may have sufficient resources for investments and to benefit from an opening up of the economy would be the regime and the close circle of elites around it, rather than society as a whole. The EU stresses the role of small and medium-sized enterprises (SMEs) in the build-up of the economy, but key infrastructure in Azerbaijan is owned and controlled by either the state (public) (World Bank 2017) or individuals in and close to the regime (private) or otherwise by international companies, particularly the oil sector. This is a very different economic reality than the EU knows back at home. Again, this means that economic resilience through a liberalisation of the economy and through the workings of SMEs could only be achieved if the main political structures and related structures of ownership are changed, first.

Economic diversification will also necessitate a reform of the tax system. Authoritarian regimes tend to have lower taxes, operating like 'rentier states', because the provision of welfare and other goods are often not seen as a priority (Gilley 2017, p. 453)—certainly not in Azerbaijan. In a country that has seen considerable income from oil revenues in the past decade, tax income is only 12% of the GDP (EC 2013, p. 15) and economic inequality is to a great extent the result of political decisions. Moreover, in countries where energy resource extraction is largely in the hands of the state, taxation tends to be of lesser importance since the

energy revenues can provide the funds for public goods (Gilley 2017). The drop in oil prices leading to the economic downturn after 2015 affected the Azerbaijani government's ability to provide public goods—which can pose a threat to the regime since regime performance is an important source for regime legitimacy (Chang and Wu 2016). This implies that along with supporting a diversification of the economy as such, the EU and other international actors should prioritise a revision of the Azerbaijani tax system. This way the strengthening of the economy overall does not lead to a reduced economic resilience of citizens through the further diminishing of public goods. Indeed, several EU documents emphasise the need for a tax system reform and increased transparency (e.g. EC 2013, 2016, 2017e), but without specifying how this could be concretely implemented and how it could be ensured that the reforms would benefit society as a whole.

The problem with the redistribution of wealth in energy-based economies becomes particularly apparent when looking at recent economic investment, and the large infrastructure projects that the Azerbaijani government has undertaken with the aim of becoming a regional transport hub. The developments of these 'links' in the Belt and Road Initiative are supported by the EU (e.g. EC 2017b, p. 15; 2018a, p. 5) and could potentially make a significant contribution to Azerbaijan's economy through the creation of jobs in the construction sector and the collection of transit taxes once completed. However, in Azerbaijan, the jobs in large infrastructure projects are as a rule insecure and are not coupled to any form of social protection (interview with Azerbaijani political opposition affiliate 1, 2018). Furthermore, subcontracting to companies owned by people close to the Aliyev regime and money laundering mean that there is another missed opportunity for sustainable economic development that would benefit the society as a whole. Overall, this suggests that the elites will receive economic benefits from these projects; but that the trickle-down effect will be minimal and that this will only reinforce the economic disparities that exist in Azerbaijan, rather than building up the country's economic resilience.

Particularly economic resilience is thus a very complex concept that could benefit citizens but that could simultaneously enhance the regime's legitimacy, which in turn, could be argued, is not necessarily in

the citizens' interest. Economic diversification could potentially lead to two different types of resilience: societal resilience, if a larger share of the population can obtain an income with a more secure character, less reliant on energy revenues; and also regime resilience, since more sustainable jobs would reduce the threat of social unrest. The EU supports economic diversification in Azerbaijan as well as the country's ambitions for becoming a regional transport hub but if any additional tax revenues from these initiatives would not be redistributed fairly, and would be controlled by the government circles, it is doubtful that there will be benefits for the broader society.

4 Conclusion

Based on this brief analysis of EU-Azerbaijan relations, it could be argued that resilience has potential to help the EU achieve certain objectives in the Eastern Partnership states. The case study underlined the importance ascribed by the EU to good governance, as it showed how a lack of good governance can hinder the development of different dimensions of resilience. However, there are several potential pitfalls that Brussels needs to be cautious of, one of them being the danger of unintentionally strengthening authoritarian regimes in the neighbourhood. The main question that this chapter has tried to address is, therefore, whose resilience will be built up with the EU's current approach?

If resilience is seen as a way to enhance stability in the neighbourhood, with the objective of also guaranteeing the EU's own security (EC 2017c, p. 2), then the current application of the concept seems sufficient. It allows for the EU to cooperate with governments to continue the objectives of previous policy concepts, such as capacity-building, stability, and poverty reduction. If the aim of resilience reaches beyond the state level, however, and genuinely wants to reach society as a whole (EC 2017b, p. 6), then a problem occurs in some of the neighbouring states: this approach necessarily requires inclusive cooperation, but in a non-inclusive governance system such as that of Azerbaijan, this is not attainable. This chapter has, indeed, shown that when cooperation is necessarily restricted to working with governmental actors, as is often the case in states with

authoritarian regimes, that resilience-building can become skewed in favour of these governments, thereby overlooking and possibly even undermining other actors in society. If anything, increased resilience of authoritarian regimes may lead to enhanced regime legitimacy and strengthened capacities to oppress domestic resistance against the authorities.

The complexity of the implementation and consequences of resilience-building are caused by the inevitable clash of interests between authoritarian regimes and other actors within such states; as well as possible contrasting interests between international and domestic actors. The EU's response to the 2017 Consultation, stating that resilience is indeed not a new notion but that it would allow for a review of modes of cooperation (EC 2017b), is promising, if it results in an actual review of how to make cooperation more inclusive of all societal actors, including those that may have opposing views to partner governments.

The inherent contradictions of resilience-building in authoritarian regimes fit within the broader context that was mentioned in the introduction to this volume: the differentiated approach to the Eastern Partnership needs to be revised, based on "specific challenges for each country". There cannot be one resilience strategy for the EU's external action; or even for the Eastern Partnership, because regime type must be taken into account in order to avoid any adverse effects of the concept. A critical assessment of the 'audience' of such review and policy framework is needed: democratic and non-democratic regimes in the Eastern Partnership cannot be viewed in the same way and cannot be subjected to the same policies, if the objectives really are to transform these states in line with European standards. The aim of good governance is certainly applicable to all external relations; however, the implementation phase requires much more adjustments. The EU has acknowledged this need for "tailor-made approaches" in its own policy strategy and stresses that it is up to "practitioners and local actors to develop context-specific working definitions" (EC 2017c, p. 23). It also suggests that different EU institutions and Member States can address the issue "as an integral part of its political dialogue" (EC 2017c, p. 23). Again, however, while this recognition seems very reasonable on paper, there is no specification about how concretely this could be brought into practice if there is resis-

tance from local authorities against the workings of local actors and little constructive engagement in political dialogues with the EU.

A few concrete recommendations that could perhaps be made on the basis of this case study of EU-Azerbaijan relations are the following. First, in regard to societal resilience, the EU should mainly focus on direct resilience-building of civil society, less so on indirect support to CSOs who in turn aim to enhance other aspects of resilience. In countries with authoritarian regimes, the latter could undermine civil society's efforts and may even provide an opportunity for authoritarian governments to instrumentalise CSOs for their own gain, especially if those governments create a network of GONGOs.

Concerning the dimension of political resilience, careful attention should be paid to the role of political opposition movements and the EU should try to find a way to work more intensively with the political opposition including youth movements. If the EU cannot provide financial support to the opposition, because of government restrictions, then at least it can try to formalise the mechanisms for their input in the policy-making process, and by facilitating opposition members to gain political experience. The EU's external resilience promotion strategy explicitly states that multiple levels should be involved, including civil society (EC 2017c, p. 23). It would be beneficial if political opposition movements could be involved in similar ways, for example through a mechanism mirroring the Eastern Partnership Civil Society Forum. This would allow some form of formalised input into the decision-making process.

Lastly, for the aspect of economic resilience, the EU should continue to try working with SMEs and adopt a more critical stance regarding corruption and money laundering. The European Parliament already does this (see e.g. EP 2018) but the message could be more influential if it would come from the European Commission and the European External Action Service (EEAS) as well. Of course, the EU's space for manoeuvre is limited since this is a mostly internal affair of Azerbaijan, and taking a more critical stance may affect the EU's economic and other strategic interests. The plea for a differentiated approach to resilience therefore also leads back to a much broader dilemma of the EU: principles or pragmatism? The introduction of new concepts does not seem to overcome this dilemma but only creates yet another situation in which the dilemma is

manifested. In the states with authoritarian or semi-authoritarian regimes, the actors who are supposed to carry the resilience-building, notably civil society, the political opposition, and non-governmental economic actors, need to be made more resilient themselves, first. Although the EU says it wants to be pragmatic and choose engagement over disengagement with regimes, more options also need to be identified to enable parallel cooperation with both the government and civil society and the political opposition. If not, only the objectives targeting the state level can be implemented, not those aimed at citizens and society as a whole.

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16

Migration and Resilience in the Eastern European Neighbourhood: Remittances as a Mechanism for Boosting Recovery After Shocks

Cristian Incaltarau and Gabriela Carmen Pascariu

1 Introduction

Resilience has become a prominent concept in academic, political and public discourse. Given that the resilience concept generally refers to the ability of a system to cope with shocks and disturbances (Béné et al. 2014; Martin and Sunley 2015), it was rapidly included in the agenda of many governments and development agencies (Hallegatte et al. 2016). The rise and spread of resilience talk may be a consequence of the recent shocks faced by both poor and rich countries. On the one hand, the fre-

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quency of natural disasters considerably increased in the 1990s and beginning of 2000s (Cavallo and Noy 2010). On the other hand, the financial crisis during the late 2000s has rapidly spread across the countries turning into a worldwide depression (Mishkin 2011). The heterogenous impact in terms of amplitude and duration of the Great Recession has raised even more interest on resilience capacity to boost recovery (Sensier et al. 2016).

Resilience has also found its way into the European Union's (EU's) policy discourse, including the one relating to the European Neighbourhood Policy (ENP). The revised ENP (2015) introduces resilience-building as one of the key objectives in the EU neighbourhood states (EC and HRUFASP 2015). Whereas the ENP aims at preserving stability in the neighbouring regions of the EU, further studies regarding their reaction to shocks are required, in order to learn how EU can help that group of countries to become more resilient. Given its tight connections with both the EU and Russia, the Eastern Partnership (EaP) seems to be even more susceptible to different shocks for several reasons. First, the collapse of communism coincided with the start of the transition to market economy, which brought major transformations in both political and economic terms. On average, the EaP countries' economies experienced the most severe slumps among the transition countries. During the mid-1990s, these countries' economies dropped to just 46% of their size in 1990. Second, these countries were also weakened by unresolved "frozen conflicts", with distrustful effects on their economies. Harmed by instability and armed conflicts, the ENP was claimed to become a "ring of fire" rather than "a ring of friends" (Korosteleva 2017). Third, plenty of natural hazards marred the EaP region. Given that the economic evolution in developing countries was shown to be more sensitive to natural disasters than in developed ones (Loayza et al. 2012), the EaP countries are increasingly vulnerable to this kind of shocks. On average, natural disasters affected over 1% of their population per year during the post-communist period, which is ten times higher than the value registered by EU countries in Central and Eastern Europe.

Amid adverse economic and political conditions, large migration flows emerged mainly towards Russia and the EU. Russia became one of the leading destinations before the demise of the Soviet Union, when these were registered as internal flows (Brubaker 1995). Moreover, the cultural similarities, family ties and the favourable visa regime kept Russia as one of the leading migration destinations during the post-communist period.

Along with Russia, the EU has also attempted to become an attractive destination. After the ENP, the Eastern Partnership was created in 2009 aiming at tightening cooperation with the post-Soviet states of Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. This also translated into increased flows towards the EU. Whereas the average emigration stock has slightly increased among the EaP countries between 2000 and 2017, from 19.3% to 20.6% of their population, a significant change occurred in its structure. If, in 2000, 8.9% of the EaP emigrants were living in an EU destination, in 2017 this rose to 20.6%. Unlike migration to the EU, the average emigration stock to Russia declined from 55.7% to 50% over the same period, despite remaining the leading destination.

The large migration stock also brings EaP countries large money transfers. In 2017 remittance inflows, on average, amounted to 10% of their gross domestic product (GDP), with shares varying from 2.3% for Belarus to 20.2% of GDP for Moldova. Evidence shows that remittance inflows are among the growth-supporting mechanisms of migration in origin countries (Giuliano and Ruiz-Arranz 2009; Kumar et al. 2018; Lartey 2013). Evidence also confirms that remittances might act as a factor that helps economies to stabilize and dampen the effects of different shocks (Chami et al. 2012; Ebeke and Combes 2013). However, remittances' stabilizing influence largely depends on other factors, such as *ex ante* and *ex post* remittances variation to different shocks or their magnitude (Bettin and Zazzaro 2017; Ebeke and Combes 2013).

The EaP region represents a fertile ground for analysing the role of remittances on economic growth in the aftermath of shocks both because the region is more susceptible to shocks and they receive large amounts of remittances. Additionally, despite their rapid economic growth over the 2000s, research about the EaP region is very sparse. Therefore, our study fills this gap by aiming to shed light on the role of remittances in mitigating the effects of two kinds of macroeconomic shocks affecting migrants' countries of origin at EU eastern border, namely natural hazards and political conflicts. Our methodological approach builds upon a panel data analysis accounting for regional heterogeneity and unobserved time shocks over a sample of 19 transition economies between 1997 and 2014. In order to allow for different effects of shocks on economic growth in low-remittance and high-remittance regimes, we rely on the threshold regression by Hansen (1999). Furthermore, our study checks if the

impact of remittances differs on the level of institutional quality, given that they were shown to be particularly important for promoting long-term growth in origin countries of emigrants (Catrinescu et al. 2009).

The remainder of this chapter is organized as follows: the second section provides a brief literature review regarding the role of remittances in the aftermath of different kind of shocks. The third section presents an overview of migration and remittance patterns in the EaP region and scrutinizes the shocks faced by the region over the post-communist period. The fourth section outlines the results of the estimations and discusses the main results, whilst the last section summarizes our findings.

2 Literature Review

Migration theories, such as The Push-Pull Model or The New Economics of Migration, point out to migration as a pivot strategy to act against different risks. Besides the experience gained abroad by migrants, remittances represent the main mechanism behind migration to help households cope with market failures and self-insure themselves against different risks relating to their incomes (Taylor 1999). Different micro- and macrostudies provided evidence about the role of remittances as a source of resilience in affected areas by natural shocks, by helping household prepare against different kind of shocks and support their reconstruction afterwards.

The first fringe of literature has explored the reaction of remittance inflows to different kind of shocks. More studies found evidence of an altruistic reason behind remittance inflows. Yang (2008) showed that remittance flows are considerably increasing in the wake of hurricanes in poorer countries, unlike other private capital flows, in a panel of more developing countries across Africa, Asia and Latin America between 1970 and 2002. In a study including 129 countries for the period 1970–2006, Mohapatra et al. (2012) also confirmed that the response of remittance inflows to natural events is stronger in countries that have a larger number of migrants abroad. David Antonio (2011) also corroborates the compensatory nature of remittances in the aftermath of both climatic and geological disasters. Using a sample of 78 developing countries over the period between 1975 and 2005, he showed that, unlike remittances, foreign aid was shown to positively respond solely to geological disaster

shocks and only in low-income countries. Besides the role of remittances in the reconstruction following different shocks, these were also shown to play an important role in preparing against future risks in countries more susceptible to shocks based on their past experience. Considering a panel of 98 countries over the period 1990–2010, Bettin and Zazzaro (2017) confirmed the significant impact of both the *ex ante* and *ex post* impact of natural disasters on remittance inflows. The role of remittances was shown to be however less important in countries with an efficient banking sector.

Like the impact of a natural hazard, the remittance response to the outbreak of other types of shocks was also analysed. In the case of sub-Saharan African countries, remittance inflows were shown to be unresponsive to political conflicts and systemic financial crises over the 1980–2007 period (Naudé and Bezuidenhout 2014). Other studies found a negative impact of economic crises on remittances (Danzer and Ivaschenko 2010; Green and Winters 2012). Several reasons can stand behind such an evolution, such as that crises are likely to reduce migrants' incomes if destination regions are also affected. Moreover, as migrants were shown to be more adversely affected during recession than natives, they increase precautionary savings and thus reduce their transfers to origin countries.

A second fringe of literature has focused on the extent to which remittance flows can help receiving regions to buffer losses they face during different shocks. The capacity of remittances to hedge against different risks largely depend on their magnitude. Ebeke and Combes (2013) found that a threshold above 8% is required to dampen the effects of natural disasters using a panel of 113 countries over the 1980–2007 period. Additionally, they found that the impact turns negative if they point out that the impact of remittances may turn negative if these exceed 17% of their GDP. A similar result was also evidenced by Chami et al. (2012), who confirmed the contribution of remittances to output growth volatility based on a sample of 70 remittance recipient countries during the 1970–2004 period.

Other studies have also pointed out that remittances can also have a risk-sharing role. Balli and Rana (2015), for instance, estimate that between 1990 and 2010, remittances induced about 4–6% of income smoothing in a panel of 86 developing countries. However, the size of inflows and the diversification of migrants stock abroad were among key determinants of income smoothing potential due to remittances. Combes et al. (2014) showed that remittances are more efficient than foreign aid

in damping the negative effects of food price shocks and food price instability by observing a large sample of developing countries between 1980 and 2009. They estimated that it would require a remittance to GDP ratio between 5% and 10% to fully absorb the negative effects of food price instability on consumption volatility.

Microeconomic evidences also highlight the key role of remittances in preparing households against natural disasters, as well as in helping households cope with their damage afterwards (Mohapatra et al. 2012). Nevertheless, a moral hazard effect of remittances may also exert in receiving countries. Such a behaviour that is in line with the well-known ‘Samaritan dilemma’ was highlighted in relation to aid assistance. Previous beneficiaries of aid flows were shown to have less incentives to reduce their exposure and vulnerability to natural disasters. By analysing a sample of 81 developing countries between 1979 and 2012, Raschky and Schwindt (2016) showed that this effect is stronger in poorer countries endowed with weaker institutions.

To sum up, remittances were shown to have a key role in smoothing the impact of different kinds of shocks. Whilst there are plenty of studies focusing on their role in the aftermath of natural disasters, there are no studies focusing on their role after the outbreak of political conflicts. Our study aims to shed further light on the role of remittances as a buffer against natural and political shocks. Thus, it considers resilience as the capacity of the economy to absorb or tolerate the effect caused by natural and political shocks and investigates the existence of a remittance threshold which may influence the resistance and recovery of the economy.

3 An Overview on Migration, Remittances and Shocks in Eastern Partnership Countries

The European Neighbourhood Policy (ENP) is the main policy of the EU for countries in its immediate vicinity, with the main aim of developing peaceful and cooperative relations with neighbouring countries. Whereas EU enlargements exert additional pressure on community institutions, the ENP is conceived as an alternative way to share some of

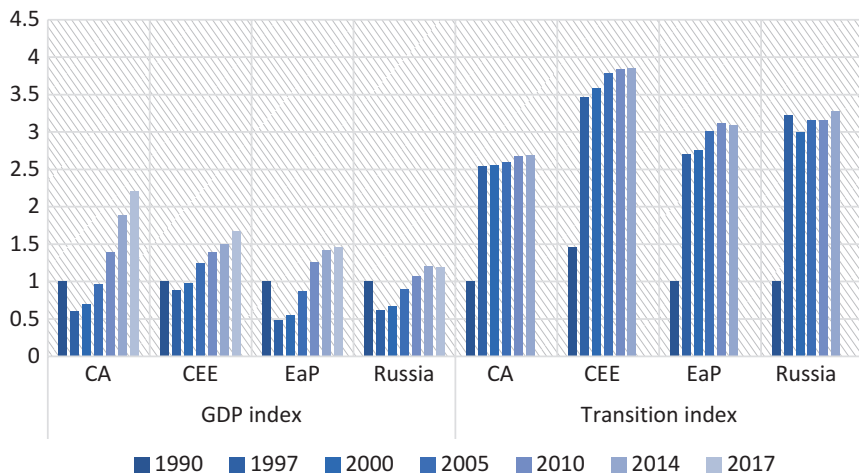


Fig. 16.1 The real GDP index (1990 = 1) and the European Bank for Reconstruction and Development (EBRD) transition index, 1990–2017 (average by region) (Source: Own calculations using data from EBRD, World Bank (WB) (2018) and Penn World Table (PWT) 9.0 (Feenstra et al. 2015))

the benefits without striving for membership. As a key dimension of the ENP, the EaP had to carry out major transformations in both political and economic terms during the post-communist period which led them to the largest downturn over the 1990s. On average, the EaP countries' economies shrunk to just 46% of their size in 1990 (Fig. 16.1). Their contraction was more severe than the one in Central Asia (CA)¹ and Russia, whose economies dropped to 59% of their bottom value. At the other end lie the Central and Eastern European countries (CEE),² who reached their lowest value in 1993 (77% of their GDP in 1990). Nevertheless, the EaP countries displayed a good economic performance and reached their GDP value in 1990 after 16 years, in 2006, along with CA and Russia. This may be a consequence of the reforms carried out by the EaP states during the end of the 1990s and beginning of the 2000s

¹ Central Asia countries refer to Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

² Central and Eastern European (CEE) group includes the European Union (EU) members in Central and Eastern Europe: Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

when they overreached the CA states and got closer to the transition³ level in Russia (Fig. 16.1). Recent empirical studies showed that they managed to catch up with the CEE in the EU even after the Great Recession (Siljak and Nagy 2019).

Nonetheless, their economic growth was marred by the economic crisis at the end of the 2000s. Whereas the EaP countries and Russia had more intense economic cooperation with the EU, their economies were harsher affected by the crisis. At the opposite end lies the CA group, whose average growth was not harmed by recession, but continued its growth to double its real GDP over 27 years, in 2017 (corresponding to 221% of their GDP in 1990).

The economic transformations occurred since the beginning of the 1990s and they have also triggered sizeable migration flows. Figure 16.2 shows that, on average, these countries are important labour providers, with emigration stocks larger than 7% of their population. The EaP region holds the largest emigration stock by far, that reaches, on average, about 20% of their population. Russia is the main destination for EaP flows, as it was hosting over half of emigration flows from EaP in 2017. Large migration flows of Russians from the other ex-Soviet states towards Russia occurred even before the collapse of the Soviet Union (Brubaker 1995). The common cultural and linguistic background, as well as the no visa access in the ex-Soviet space were among the leading pull factors behind migration flows towards Russia after the dissolution of the Soviet Union.

The EU destination has also increased its attractiveness. After the ENP was launched, the immigration flows towards EU destination has considerably increased. In 2017, the EU countries were hosting about 20% of EaP countries emigration stock. Immediately after the ENP was founded, in 2005, an EaP country had on average 2.6% of its population in EU28 and this increased to 4.2% in 2017. The simplification of access procedures was also among the reasons for the increase in migration attractiveness of the EU.⁴

Such a large diaspora has also brought them sizeable remittance inflows at about 10% of their GDP. If over the 1990s and the beginning of the

³As evidenced by the transition index computed by the European Bank for Reconstruction and Development (EBRD) for measuring the structural reform level (see Table 16.7 in Annex).

⁴The Visa Liberalisation Dialogues resulted in an exemption from EU visa requirement for Moldovan citizens in 2016. The same also applied for Georgian and Ukrainian citizens in 2017.

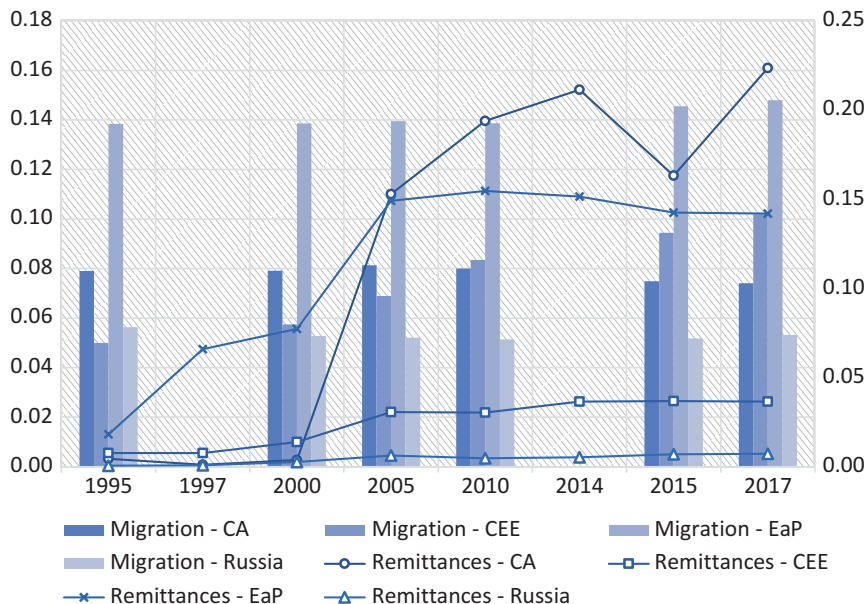


Fig. 16.2 Emigration stock and remittance inflows, 1995–2017 (average by region) (Notes: Migration stock refers to the share of population living in a foreign country in that year; remittance inflows are computed as a share to GDP) (Source: United Nations (UN) (2017) and WB (2018))

2000s the CA was, on average, the second largest labour source,⁵ it was later overreached by the CEE, along with their accession to the EU. Thus, a country within the CEE had lost about 7% of their population over the 1995–2017 period (the emigration stock enlarged from around 7% in 1995 up to 14% in 2017). Nevertheless, the CA countries are still the main beneficiaries of transfers from abroad if we account for their GDP size, as they received, on average, remittance inflows of about 16% of their GDP.

Taking a closer look at the EaP countries, we notice that Armenia has the main emigration stock by far (Fig. 16.3). If we account for population size, the Armenian emigration stock reaches to almost a third of their

⁵In 2017 Russia was also the destination for over two-thirds of the emigration stock from CA countries.

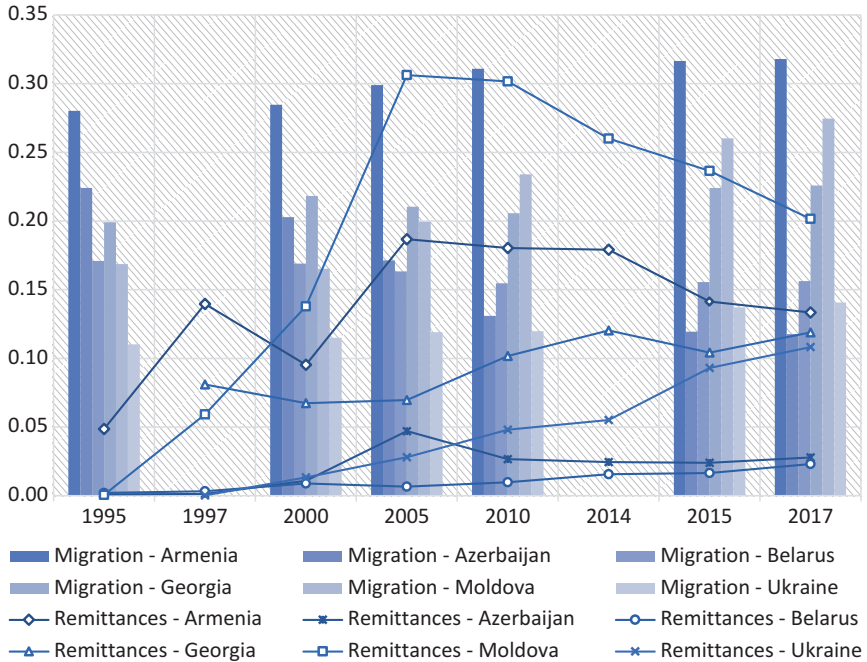


Fig. 16.3 Emigration stock and remittance inflows in EaP countries, 1995–2017 (Notes: Emigration stock refers to the share of population living in a foreign country in that year; remittance inflows are computed as a share to GDP) (Source: UN (2017) and WB (2018))

population.⁶ However, it is Moldova which lost the higher population share. Between 1995 and 2017, Moldova lost about 11% of its population, while its emigration stock upsurged from 17 to 27%.⁷ Unlike Moldova and Armenia, Azerbaijan halved its emigration stock over the same period. From 22% in 1995 this dropped to just 12% in 2017 (Fig. 16.3). Such large diaspora also makes Moldova benefit from remit-

⁶Data on emigration stock is also including Armenians in Nagorno-Karabakh which reaches about 15% of total Armenian diaspora in 2017. However, Russia is the main destination by far, hosting over half of Armenian immigrants in 2017.

⁷Russia is the main destination, hosting about a third of Moldavian diaspora (2017). Due to historic and cultural links, as well as proximity, Romania is also an important destination for about 16% of Moldavian emigration stock. The increasing flow towards Romania was also the result of the simplified procedures law citizenship in 2009 (Barbulescu 2013).

tance inflows reaching about a fifth of their economy and places Moldova among the first ten receivers if these are weighted by GDP (Ratha et al. 2018).⁸ Armenia, Georgia and Ukraine also benefit from sizeable transfers from abroad which outweighed 10% of their GDP in 2017. Nevertheless, some of them are already facing a decrease in remittance inflows (Moldova, Ukraine, Azerbaijan). Whilst, the decrease in remittances was also aggravated by a slump in commodity revenues (given the decrease in oil prices), increasing their pace in reforms becomes vital for increasing their competitiveness and continuing their economic growth (WB 2017).

Moldova, Ukraine and Georgia are the countries that display the slowest recovery (Fig. 16.4). They are also displaying the lowest incomes per capita, being classified as lower-middle-income countries by the World Bank thresholds. In 2017, their economies were still below their level in 1990. Georgia experienced the largest slump during the civil war at the beginning of the 1990s, as in 1994 its GDP dropped to almost a quarter

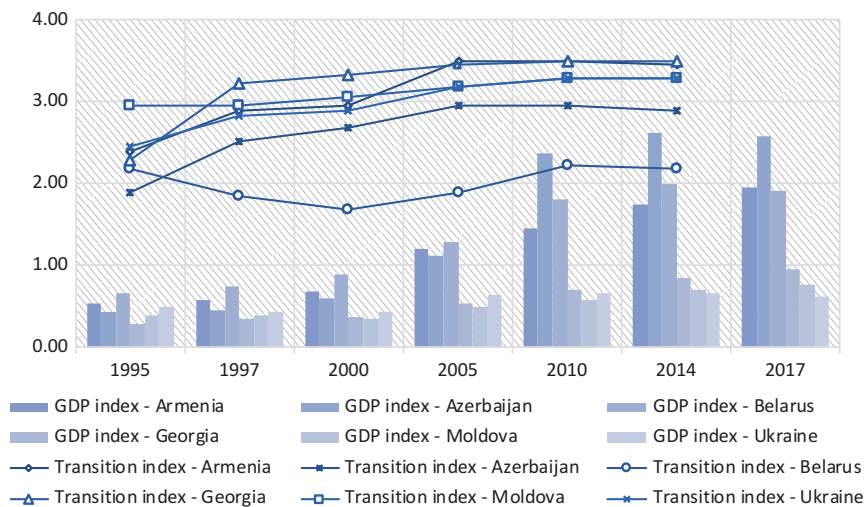


Fig. 16.4 The EBRD transition index and real GDP index (1990 = 1) in EaP countries, 1995–2017 (Source: Own calculations using data from EBRD, WB (2018) and PWT 9.0 (Feenstra et al. 2015))

⁸ Kirgiz Republic and Tajikistan are also placed in top position. With remittance inflows that amount to 35% and 31% of their GDP, this places them on first and third position worldwide (Ratha et al. 2018).

of its value from 1990. Despite the conflicts in which Georgia was involved again in 2004 and 2008, its increased pace in reforms helped Georgia catch up and narrow the output gap compared to its level in 1990 (94% in 2017). While Moldova displays a good economic performance after the crisis (from 54% in 2009 to 76% in 2017 compared to its 1990 output level), Ukraine faced a severe economic contraction during the crisis (from 75% in 2008 to 64% in 2009 compared to the output level in 1990). Amid the recent conflicts in Donbass, Ukraine’s economic performance remains poor, reaching an output of less than 62% in 2017, compared to its 1990 level (Figs. 16.5 and 16.6 in Annex).

At the other end lies Azerbaijan. Azerbaijan economy raised 2.5 times over the 27 years period, despite its lengthen conflicts relating the Nagorno-Karabakh region. Blessed with natural resources endowments, Azerbaijan was not affected by the last global economic crisis. Along with Azerbaijan, Belarus and Armenia are also approaching an economic output twice as high as the one in 1990 (194% Armenia and 191% Belarus in 2017).

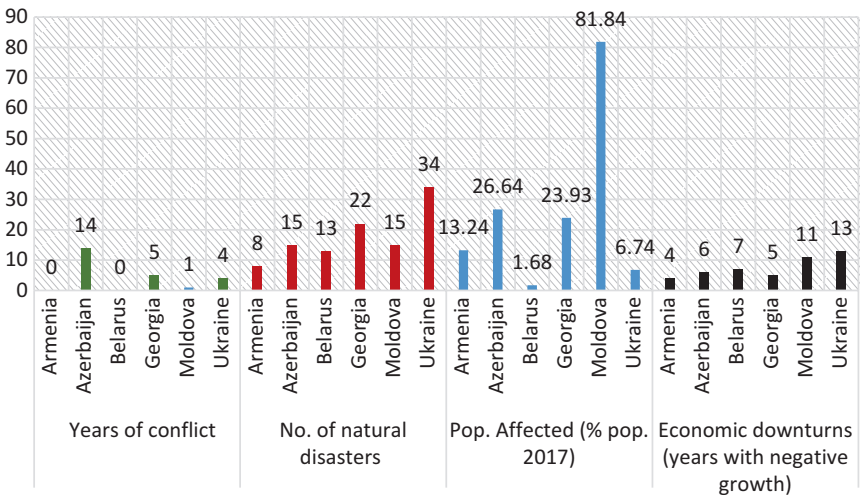


Fig. 16.5 Conflicts, natural disasters and economic downturns faced by EaP countries, 1990–2017 (Note: Data for economic downturns are for 1991–2017) (Source: The Emergency Events Database, Centre for Research on the Epidemiology of Disasters (Guha-Sapir et al. 2018); Uppsala Conflict Data Program (UCDP) and the Centre for the Study of Civil War at the Peace Research Institute Oslo (PRIO), Armed Conflict Dataset version 18.1 (Gleditsch et al. 2002; Pettersson and Eck 2018); PWT 9.0 (Feenstra et al. 2015))

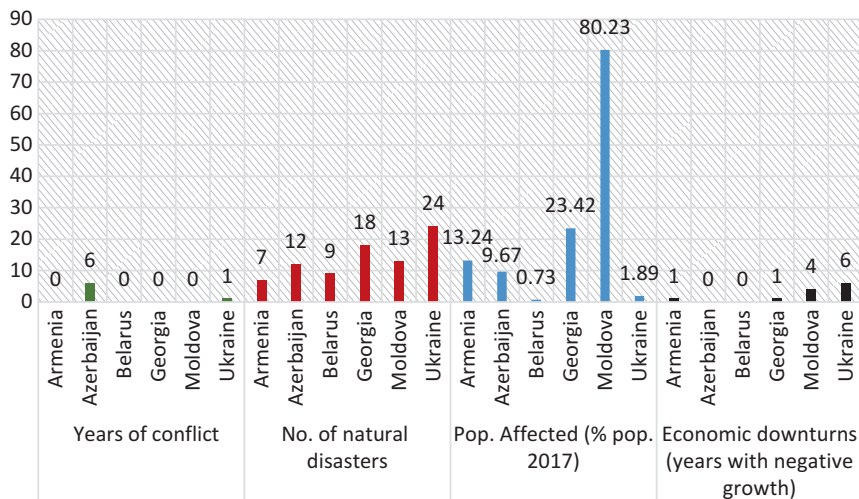


Fig. 16.6 Conflicts, natural disasters and economic downturns faced by EaP countries, 1997–2014 (Source: The Emergency Events Database, Centre for Research on the Epidemiology of Disasters (Guha-Sapir et al. 2018); Uppsala Conflict Data Program (UCDP) and the Centre for the Study of Civil War at the Peace Research Institute Oslo (PRIO), Armed Conflict Dataset version 18.1 (Gleditsch et al. 2002; Pettersson and Eck 2018); Penn World Table 9.0 (Feenstra et al. 2015))

The post-communist economic growth in the EaP region was harmed by plenty of political conflicts, derived from the unresolved regional “frozen conflicts”. These include secessionist pressures in the Nagorno-Karabakh region in Azerbaijan,⁹ Transnistria in Moldova (1992), and Abkhazia and South Ossetia in Georgia (1992–1993, 2004, 2008) and more recently Donbass in Ukraine (since 2014). Hindered by political instability, the economic evolution was also prohibited by numerous natural disasters, which affected a large part of their population. Whilst the less developed countries are more vulnerable to natural shocks (Loayza et al. 2012), these impacted about a quarter of population during the post-Soviet period in Azerbaijan and Georgia and over four-fifths of the population in Moldova. According to the EM-DAT database, in 2000, Moldova faced the most severe storms that affected around 2.6 million people, which is more than 70% of its population. Russia and Ukraine

⁹The political tensions relating to the Nagorno-Karabakh region in Azerbaijan resumed in numerous conflicts: 1991–1995, 1997–1998, 2005, 2008, 2012 and 2014–2017.

were also hit by major floods affecting about 1 million people (2003) and around 1.7 million (1995), respectively.

Stricken by armed conflicts and crumbled by natural hazards, the economic activity in the EaP region could not remain undisturbed. Between 1990 and 2017, the economy in Moldova and Ukraine faced 11 and 13 years of economic downturn which placed them on last positions in terms of GDP recovery, with GDP levels still below their output in 1990. The increased economic volatility in the EaP countries over the post-Soviet period inflated by political instability and various natural hazards, grounded by the large remittance inflows, makes them a fertile and compelling ground for empirical analysis on the role of remittance as a buffer for economic growth.

4 Methodology

The panel data analysis is increasingly being used in scientific literature for analysing dynamic relationships, being particularly important in economic studies, as it helps designing proper policies based on past experiences. Additionally, the advantage of panel analysis derives from the fact that it allows to control for omitted variables bias, particularly with respect to differences in the initial level of technology among countries, but also to deal with the endogeneity of some of the variables and measurement errors (Bond et al. 2001; Hsiao 2007).

Therefore, our panel estimation covers a sample of 19 transition countries, which are important sources of migration flows and remittance receivers,¹⁰ between 1997 and 2014. The analysis is derived from the human capital augmented version of the Solow model and can be expressed in the typical growth model (Barro and Sala-i-Martin 2004; Mankiw et al. 1992):

$$g_{i,t} = \alpha + \beta y_{i,t-1} + \delta x_{i,t} + \eta_i + \mu_t + \varepsilon_{i,t}, \quad (16.1)$$

¹⁰ Given the data limitation, our sample includes the following transition countries: Armenia, Azerbaijan, Belarus, Georgia, Moldova (Eastern Partnership), Kazakhstan, Kyrgyzstan (Central Asia), Bulgaria, Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia and Ukraine (EU members in Central and Eastern Europe) and Russia.

where $g_{i,t}$ is the growth rate of real GDP per capita in country i in year t , α is the intercept, $y_{i,t-1}$ is the logarithm of initial GDP per capita, $x_{i,t}$ represents a set of variables influencing economic growth (including human capital), μ_t represents the unobserved time effects, η_i is the unobservable country-specific effect and $\varepsilon_{i,t}$ is the error term.

According to our main arguments, remittances can act as a bulwark against shocks. We continue to analyse the link between different kind of shocks and growth, specifically working through remittances. Thus, we estimate the following model including an interaction term between shocks and remittances:

$$g_{i,t} = \alpha + \beta y_{i,t-1} + \delta_1 shocks_{i,t} + \delta_2 remit_{i,t} + \delta_3 shocks_{i,t} * remit_{i,t} + \delta x_{i,t} + \eta_i + \mu_t + \varepsilon_{i,t}, \quad (16.2)$$

where $shocks_{i,t}$ is a measure of shocks caused by natural disasters and political conflicts, $remit_{i,t}$ is the share of remittances to GDP, while the other notations are the same as already described in eq. (16.1).

The fixed effects specification was indicated as preferable by the Hausman test, as compared with the random effects specification. Nevertheless, adding time fixed effects was also assessed using a Wald test. As the null hypothesis that all-time dummies are jointly null has been infirmed, the two-way fixed effects model was indicated as the best one to fit our needs.

In order to allow for different effects of shocks and other explanatory variables on economic growth in the low-remittance and high-remittance regimes we rely on the threshold regression of Hansen (1999):

$$g_{i,t} = \begin{cases} \alpha + \beta y_{i,t-1} + \delta_4 shocks_{i,t} + \delta_5 remit_{i,t} + \delta x_{i,t} + \eta_i + \varepsilon_{i,t}, & \text{andif } remit_i < \gamma \\ \alpha + \beta y_{i,t-1} + \delta_6 shocks_{i,t} + \delta_7 remit_{i,t} + \delta x_{i,t} + \eta_i + \varepsilon_{i,t}, & \text{andif } remit_i \geq \gamma \end{cases} \quad (16.3)$$

where $remit_{i,t}$ is the threshold variable and γ is the unknown threshold value to be estimated. All the other variables are the same as defined in eq. (16.1). The threshold panel is a reliable option as it allows to fit a two-way

fixed effects model, as required by our sample. As this estimator requires a balanced panel, our baseline estimation covers the 1997–2014 period.

Next, we have checked if the basic assumptions of the linear regression model are met. While the non-presence of serial autocorrelation was tested by the Wooldridge test (Wooldridge 2002), homoscedasticity in the residuals was verified by the modified Wald test, following Greene (2000, p. 598). As the results indicated the presence of both serial correlation and heteroscedasticity, we have opted for cluster-robust standard errors which produce asymptotically valid inference being robust to any kind of serial correlation and/or heteroscedasticity.

The matrix of control variables includes other standard variables used in growth models. Following the neoclassical Solow model (Mankiw et al. 1992; Solow 1956), our model also controls for physical and human capital accumulation, as well as for population growth. If both the share of gross fixed capital formation to GDP (for measuring physical capital) and population growth were taken from Penn World Table (PWT) 9.0 (Feenstra et al. 2015), finding a proxy for human capital was harder, given the long-time span and the countries in our sample. Therefore, our estimations rely on Educational attainment from The Institute for Health Metrics and Evaluation (The Institute for Health Metrics and Evaluation 2015). Similar proxies were also used in other studies for measuring human capital (Bassanini and Scarpetta 2003; Teixeira and Queirós 2016; Viner et al. 2017).

Openness to trade and government size are also important markers of macroeconomic stabilization and growth. Given that most of the empirical studies used the share of trade to GDP as proxy for openness (Barro 2015; Liu et al. 1997; Mehmet et al. 2013) and the government consumption share to GDP (Iradian 2007; Teixeira and Queirós 2016), we also rely on this measures from PWT 9.0. Additionally, inflation rate and terms of trade controls from The International Monetary Fund-World Economic Outlook Database (IMF-WEO 2018) and The Penn World Table version 9.0 were included. Whereas a high inflation rate may be harmful to growth, as it reduces capital accumulation, the terms of trade are computed as the report between export and import price levels and captures the international commodity prices shocks (Iradian 2007; Vinayagathan 2013). As natural resources were also shown to be a significant growth driver (Cavalcanti et al. 2011), we have also included the share of fuel

exports to GDP. Nonetheless, in order to account for the different relationship with the EU of the countries included in our sample, a variable equalling the number of EU membership years was also included.

5 Findings

With regard to the main hypotheses tested in this study, and in the light of the results obtained, it can be stressed that migration is an important mechanism to cope with shocks in transition countries and to boost their resilience. Whilst focusing our attention on remittances as one of the main transmission channels of the effects induced by migration, we find a positive role of remittances in dampening the destabilizing effect of natural disasters and political conflicts on economic growth. Our results are summarized in Table 16.1, while the full estimation tables are displayed in Tables 16.2, 16.3, and 16.4 (in Annex). Whereas Table 16.2 shows results for the basic model specification including remittances and shock variables, Table 16.3 indicates our results when checking for a different intensity in the impact of shocks and other explanatory variables by a different regime of remittances. Finally, Table 16.4 reposts our estimation results for the role of remittances when accounting for the quality of institutions.

Model 1 in Table 16.2 shows results for our baseline model specification which does not include any of our primary interest variables. The real GDP index (1990 = 100) of the previous period shows a negative impact, proving that countries with sharper contractions in output due to shocks were generally showing stronger recoveries that offset the initial decline.

Including the remittance variable, this is confirmed as a significant driver of economic growth in all the models specified in Table 16.2. Given their high stock of emigrants, the transition countries are also important remittances receivers, with the EaP countries among the highest beneficiaries (on average, an EaP country received remittance inflows of 9% of GDP, with Moldova, Armenia and Georgia as the leading receivers). Our results are in line with other findings which show an important contribution of remittances to economic growth in origin countries (Azam 2015; Jawaid and Raza 2016; Kumar et al. 2018; Tehseen Jawaid and Raza 2012). On the one hand, remittances can stimulate household consumption (Blouchoutzi and Nikas 2010; Duval and Wolff 2010).

Table 16.1 Summary of estimation results of real GDP per capita growth in transition countries (CA, CEE, EaP and Russia), 1997–2014

Indicators	Results	Significance
Remittances	+	Significant
Natural disasters	–	Significant
Conflicts	–	Significant
Control of corruption	+	Significant
Recovery of lost output	–	Significant
Transition index	–	Not significant
Institutional quality	–	Significant
Human capital	–	Not significant
Investments	–	Not significant
Size of government	–	Significant
Inflation	–	Significant
Openness	–	Not significant
Terms of trade	–	Significant
Population growth	+	Significant
Fuel exports	–	Not significant
EU membership	+	Not significant

Source: Authors' calculations

But on the other hand, by stimulating consumption, remittances can enable households to overcome capital and risk constraints, therefore facilitating investments (Giuliano and Ruiz-Arranz 2009; Incaltarau and Maha 2012; Lartey 2013; Senbeta 2013; Woodruff and Zenteno 2007).

When variables measuring shocks are included, neither of them shows a statistically significant impact on growth (Column 3 in Table 16.2). Even when accounting for both remittances and shocks, variables referring to natural hazards and conflicts do not turn statistically significant (Column 4 in Table 16.2). However, the remittance variable indicates a positive impact even when the two types of shocks are accounted for, whilst the coefficient gets slightly lower (Column 4 in Table 16.2). When the impact of shocks is also accounted for, the coefficient of remittances captures just the direct impact of remittances, without the indirect stabilization effect in the aftermath of shocks. Therefore, the slight decrease in the coefficient of remittance variable indicates that they also have a role to mitigate the impact of the two types of shocks considered by our analysis.

Besides variables referring to remittances and shocks, other explanatory variables are also shown to exert a significant impact on growth. As expected, inflation was also negatively related to economic growth.

Whilst the EaP countries were not very successful in stabilizing their economies, the high inflation rates deterred their growth.¹¹ Along with inflation, the terms of trade shocks were also shown to be unfavourable, with price levels of exports growing faster than prices for imports. Thus, it was only Russia and Azerbaijan that displayed an average positive account balance over the analysed period.

Public expenditures were also shown to hinder economic growth. Our findings are in line with other studies showing that public consumption may be less efficient and associated with crowding-out effects (Afonso and Jalles 2014; Teixeira and Queirós 2016). The other explanatory variables, namely investments, human capital, transition index, openness and fuel exports did not turn out to be statistically significant. Therefore, the last column in Table 16.2 (model 5) drops the above mentioned insignificant explanatory variables.¹² This change does not bring new results, except for the population growth variable which turns statistically significant and displays a positive impact on economic growth. Finally, our model also accounts for the relation with the EU, in terms of membership years, but this variable remains statistically insignificant in all the models.

Further on, Table 16.3 reports the results from checking if the impact of natural hazards and political conflicts depends on the level of financial transfers from abroad. While setting the share of population affected by natural disasters as the regime-dependent variable and remittance share of GDP as the threshold variable, our estimation found a significant threshold of remittances close to 10% of GDP (0.0990). Whilst Column 1 displays results for the impact of actual and previous year's natural disasters on economic growth, Column 2 also includes a two-year lagged variable referring to natural disasters (Columns 1 and 2 in Table 16.3). Both these models indicate a statistically significant negative impact of natural disasters occurring when remittances are below the threshold level of 10% of GDP. Our model checks for the persistence of this effect (ex post effect), while the negative impact of disasters is confirmed up to

¹¹ On average, Belarus faced the higher inflation rates. On average, incomes in Belarus have depreciated with 52% over the 1997–2014 period (with the highest inflation level in 1999, 251%). Moldova and Ukraine were also facing average inflation rates over 10% over the same period.

¹² This decision derives from the joint significance test, as we could not reject the null hypothesis that these variables are jointly not different from zero.

two years before when remittances are lower than 10% of GDP (as both one and second lagged variables display a negative impact).

Our findings show that remittances can dampen the impact of natural disasters if they get a threshold level of 10% of GDP. The impact of remittances turns positive for higher remittance inflows, confirming their role in absorbing shocks and boosting recovery. Our estimated threshold level is similar to previous findings of Ebeke and Combes (2013) which showed that the effect of natural disasters disappears in the case of a remittance ratio above 8% of the GDP. Our findings are also in line with other studies which emphasize the role of remittances in preparing households to hedge against different risks, as well as to cope with the loss after shocks (Mohapatra et al. 2012). This may be a result of a surge of countercyclical remittance inflows before and after shocks (Bettin et al. 2017; Bettin and Zazzaro 2017; David Antonio 2011; Naudé and Bezuidenhout 2014). As Moldova and Armenia are among the main beneficiaries of remittance inflows, with inflows exceeding 14 and 21% of their GDP during the 1997–2014 period, these transfers have tempered the impact of shocks caused by natural disasters. Remittances received by Georgia were also close to the threshold level, as, on average, Georgia received remittance inflows of about 9% per year over the same period. Along with the EaP countries, Central Asia also includes several large remittance recipients, like Tajikistan, Kyrgyzstan and Uzbekistan,¹³ which received yearly inflows of 32%, 14% and 9% of their GDP over the 1997–2014 period. Given that these flows exceed 10% of their GDP, they also had the marginal stabilizing impact on disasters enhanced.¹⁴

Model 3 in Table 16.3 allows other variables vary with the different remittance regimes.¹⁵ The estimations indicated a threshold of 12.9% of GDP. Above this level, the negative effects of natural disaster become insignificant, but the negative effect of inflation gets higher. Despite their

¹³ Given that the threshold regression of Hansen (1999) requires a balanced panel, we had to drop Tajikistan, Turkmenistan and Uzbekistan from our sample in order to maximize our time span.

¹⁴ We have also computed additional simulations in order to check for nonlinearities in the impact of remittances on growth. Our results did not find evidence for the existence of one or two thresholds that makes the impact of remittances on growth to be different.

¹⁵ More simulations were carried out to check for some possible transmission channels of the effects of remittances, like investments, human capital or transition index, but the threshold effect was only confirmed for a reduced number of variables including inflation and size of government.

contribution to the welfare of households, remittances may cause inflation, due to their impact in consumption (Acosta et al. 2009; Narayan et al. 2011). Also, the public consumption becomes insignificant for the higher remittance regimes. One explanation for this result may be that they reduce the crowding effect of public consumption by acting as a substitute for government spending.

As we could not fit a threshold panel with political conflicts as the regime-dependent variable and remittances as the threshold variable, the last two columns in Table 16.3 report a fixed effects model with interaction terms between political conflicts and remittances. Whilst Column 4 displays result for the interaction of current and previous year political conflicts with remittance inflows, Column 5 also checks for the ex post effect of remittances two years after a shock. Both models display a positive coefficient of the interaction terms, but it is only the interaction between remittance inflows and one and two-year lag which turn statistically significant. This confirms the ex post role of remittances in the aftermath of political clashes which occurred one and two years before. Therefore, remittance inflows are particularly important in the EaP region, which faced plenty of political tensions during the post-communist period.

Finally, after estimating the role of remittances in reducing the magnitude of shocks caused by natural disasters and political conflicts, Table 16.4 brings forward the role of institutions. Therefore, Column 1 in Table 16.4 shows that remittances are particularly important for economic growth in countries which are less free or less democratic. Our estimation results indicate a significant threshold level of 3.5 for the freedom index, a level of moderate freedom (given the 1 to 7 scale of measurement, where 1 indicates the highest level of freedom). It is interesting to note that remittances have a positive impact on growth particularly in the countries facing less freedom, with values higher than the 3.5 threshold. Looking at the averages in our sample, over the 1997–2014 period, it is Belarus, Azerbaijan and Armenia which are less free, as indicated by their freedom index scores. The CA countries and Russia also add to this group, with less freedom and a positive impact of transfers from abroad. This may be a consequence of the lack of reforms in their financial sectors which is characteristic of less free societies. Whilst the financial development was shown to be particularly important for the

transition economies (Cojocaru et al. 2015), the role of remittances comes to compensate the credit constraints. Their support for dampening the loss caused by shocks was shown to be particularly important in countries with a less efficient banking sector (Bettin et al. 2017).

Model 2 in Table 16.4 allows more variables to vary with the different freedom regimes. The results confirmed that the impact of remittances is positive and higher in less free countries. The other explanatory variables showing a significant impact is the government consumption. Its impact is negative and stronger in less free countries where there is a lower control on their use, despite their higher size, which may also make them less efficient.

The third column in Table 16.4 tests the robustness of estimates by replacing the freedom variable with control of corruption. Estimation results are indicating similar results, namely that remittance inflows are particularly important in countries with higher levels of corruption. This confirms the role of remittances in countries with poorer institutions, as they can act as a safety valve against the capital constraints. Additionally, remittances may help population get in contact with the formal financial system, by increasing access to credit and saving products, and thus foster economic growth by means of consumption of investments. Nevertheless, the increased impact of remittances in economies with poorer institutions is also given by their stabilizing role on growth volatility (Ebeke and Combes 2013). Whereas countries with poorer institutions are more vulnerable to shocks (Tiganasu and Simionov 2019), given their lower macroeconomic stabilization, the role of remittances becomes more important.

6 Conclusions

This chapter has contributed to the literature on resilience by focusing on the impact of migration in the transition countries, and particularly the EaP, in the wake of shocks caused by natural hazards and political conflicts. The geographical and geopolitical position of the EaP countries, in between the EU and Russia, makes them more susceptible to political shocks. Additionally, they have also been affected by numerous natural disasters which made it even more difficult to improve their macroeconomic stabilization and keep a steady economic growth. Within this framework, the EaP countries are facing the largest emigration flows among the transition

countries, which also make them receive large remittance inflows. Our study focuses on the remittances, as the main mechanism triggered by migration, and sheds further light on the way remittances can build on their resilience, thus acting as a bulwark against the various shocks that these countries face. Therefore, our study carries out a threshold panel estimate over the 1997–2014 period in order to find if the impact of these shock differs by remittance level. Finally, our estimations look for the importance of institutions in transmitting the effects of remittances.

Our findings confirm the remittance-led growth hypothesis and the role of remittances as an important transmission channel for the effects induced by migration in transition countries. Along with the CA, the EaP countries are among the leading beneficiaries with recent average flows exceeding 10% of their GDP. We did not find evidence for a nonlinear impact of migration on growth, which is contrary to studies which have shown a destabilizing effect over a certain threshold (Ebeke and Combes 2013).

Besides their contribution to economic growth, our results also indicate that remittances have an important role in mitigating the effects of different types of shocks affecting migrants' countries of origin. Our estimations show that remittances can absorb the loss caused by natural disasters, with a 10% threshold for remittance share to GDP for a full absorption of the negative effects. Remittances' role after the outbreak of political conflicts is also confirmed, with their effect persisting up to two years after the occurrence of shocks. This stems out the importance of remittances in the aftermath of political and natural shocks in order to help households cope with the shocks and start reconstruction. Given that Moldova, Armenia, Georgia and Ukraine benefit from inflows which are close or even exceeded the 10% level of their GDP, their role in boosting resilience is crucially important, as the region is more susceptible to shocks.

Finally, our study shows that transfers from abroad are particularly important in countries with poorer institutions. Whereas the EaP countries are facing important institutional bottlenecks, the role of remittances becomes more important. One explanation may be that incumbent governments can easily shift public funds away from disaster prevention in less democratic countries. Such a crowding-out effect on the recipient country's incentives to prepare against natural disasters were shown to be true for past foreign aid flows (Raschky and Schwindt

2016), but they may be similar for past remittance flows as well. Also, the role of remittances comes to alleviate the credit constraints, which are associated with poor institutions, as these were shown to be increasingly important in countries with less efficient banking systems in order to foster resilience (Bettin et al. 2017).

Several policy recommendations can be derived from our results. First, in the short run, governments should design friendlier policies to reduce the transaction cost and ease inflows of workers' remittances. Their role comes in terms of *ex-ante* risk preparedness, in order to absorb the effects caused by shocks, as well as in terms of *ex-post* reconstruction, in order to foster recovery. Attracting larger transfer flows to formal financial channels may provide a better control and thus, increased efficiency of policy relating remittances. Second, in the long run, migration is not a substitute for good policies. The government needs to intervene in order to build a more sustainable source of growth. The recent drop in remittance revenues, which was exacerbated by the plunge in oil prices, emphasized the urgency of market reforms. The lack of improvements in terms of institutional quality and business environment will just decrease dependence on remittances, while generating negative effects, such as those driven by the "moral hazard problem", which, in turn, makes origin countries even more reliant on remittances (Acosta 2007; Chami et al. 2003; Jawaid and Raza 2016). Given that the EaP countries are generally dealing with poor governance quality, foreign exchange flows in the form of remittances may make them neglect the trade deficit over time, hoping that the deficit will be covered by remittances and thus increase their vulnerability (Blouchoutzi and Nikas 2010; Chami et al. 2003). Therefore, it is only the political and economic reforms that will help unleash the full development potential of migration (de Haas 2012), such as the remittance channel, and lay the foundation of a more sustainable economic growth.

Our study is also marred by limitations, as it does not investigate which are the growth mechanisms behind remittances. Therefore, future studies may explore further on the growth channels of remittances. Additionally, the robustness of the results may be further checked by extending the list of shocks accounted for, by trying other proxies for political conflicts or using estimators that control for possible endogeneity issues.

Annexes

Table 16.2 Two-way fixed effects panel estimation of the impact of remittances, natural disasters and conflicts on real GDP per capita growth in transition countries (CA, CEE, EaP and Russia), 1997–2014

	(1)	(2)	(3)	(4)	(5)
	Growth	Growth	Growth	Growth	Growth
Recovery of lost output _{t-1}	-0.0680** (0.0262)	-0.0513* (0.0277)	-0.0682** (0.0261)	-0.0516* (0.0279)	-0.0461** (0.0176)
Terms of trade	-0.246** (0.116)	-0.230* (0.116)	-0.245** (0.115)	-0.229* (0.115)	-0.238** (0.112)
Size of government	-0.461*** (0.140)	-0.409** (0.153)	-0.457*** (0.140)	-0.405** (0.155)	-0.421** (0.153)
Inflation	-0.0282*** (0.00639)	-0.0285*** (0.00612)	-0.0283*** (0.00640)	-0.0286*** (0.00615)	-0.0276*** (0.00515)
Population growth	1.339 (0.946)	1.250 (1.053)	1.309 (0.963)	1.230 (1.061)	1.292* (0.725)
Human capital	-0.120 (0.0984)	-0.0685 (0.0825)	-0.117 (0.0959)	-0.0671 (0.0799)	-0.0694 (0.0683)
EU membership	0.00142 (0.00397)	0.00341 (0.00335)	0.00146 (0.00395)	0.00342 (0.00332)	-0.000850 (0.00266)
Transition index	-0.0132 (0.0656)	-0.0150 (0.0673)	-0.0157 (0.0665)	-0.0166 (0.0677)	
Fuel export	-0.00158 (0.00650)	-0.00148 (0.00569)	-0.00191 (0.00662)	-0.00161 (0.00573)	
Investments	-0.149 (0.155)	-0.113 (0.166)	-0.152 (0.156)	-0.116 (0.168)	
Openness	-0.0626 (0.0473)	-0.0670 (0.0465)	-0.0635 (0.0472)	-0.0677 (0.0465)	
Remittances		0.268** (0.119)		0.266** (0.119)	0.279** (0.106)
Natural disasters			-0.00442 (0.0555)	0.00723 (0.0585)	-0.00165 (0.0609)
Conflicts			-0.00951 (0.0184)	-0.00618 (0.0211)	0.00147 (0.0218)
Constant	2.136 (1.335)	1.417 (1.086)	2.115 (1.306)	1.405 (1.060)	1.329 (0.923)
Observations	342	342	342	342	342
Countries	19	19	19	19	19
BIC	-974.2	-982.3	-974.4	-982.4	-973.2
R-squared	0.516	0.527	0.516	0.527	0.514

Source: Authors' estimations

Notes: Robust and clustered standard errors are in parenthesis. Significance levels: * $p < 0.1$, ** $p < 0.05$ and *** $p < 0.01$. The Stata *xtreg* command was used for fixed effects panel estimation. Time fixed effects were also included, but their coefficients are not displayed in the table. BIC stands for the Bayesian Information Criterion

Table 16.3 Two-way fixed effects panel estimation of the impact of remittances, natural disasters and conflicts on real GDP per capita growth in transition countries (CA, CEE, EaP and Russia), 1997–2014

	Threshold		Threshold		Threshold	
	FE panel	Growth	FE panel	Growth	FE panel	Growth
	(1)	(2)	(3)	(4)	(5)	(5)
Recovery of lost output _{<i>t-1</i>}	-0.0520*** (0.0168)	-0.0567*** (0.0173)	-0.0496** (0.0173)	-0.0450** (0.0192)	-0.0466** (0.0194)	-0.0466** (0.0194)
Terms of trade	-0.273** (0.106)	-0.237** (0.109)	-0.250** (0.108)	-0.244** (0.109)	-0.249** (0.106)	-0.249** (0.106)
Size of government	-0.438*** (0.138)	-0.425*** (0.138)	-0.428*** (0.147)	-0.428*** (0.147)	-0.428*** (0.143)	-0.428*** (0.143)
Inflation	-0.0295*** (0.00484)	-0.0297*** (0.00484)	-0.0287*** (0.00498)	-0.0287*** (0.00498)	-0.0296*** (0.00452)	-0.0296*** (0.00452)
Population growth	0.979 (0.651)	1.052 (0.820)	0.841 (0.792)	1.199 (0.765)	1.251 (0.810)	1.251 (0.810)
Human capital	-0.0624 (0.0703)	-0.0508 (0.0695)	-0.0575 (0.0694)	-0.0707 (0.0705)	-0.0714 (0.0698)	-0.0714 (0.0698)
EU membership	-0.000211 (0.00261)	0.0000413 (0.00269)	0.000540 (0.00287)	-0.000695 (0.00286)	-0.000436 (0.00280)	-0.000436 (0.00280)
Remittances	0.270** (0.116)	0.273** (0.101)	0.0659 (0.131)	0.292** (0.107)	0.302*** (0.102)	0.302*** (0.102)
Natural disasters (Remittances < 9.9% of GDP)	-0.862*** (0.117)	-0.888*** (0.120)				
Natural disasters (Remittances ≥ 9.9% of GDP)	0.0336* (0.0193)	0.0426** (0.0174)				
Natural disasters _{<i>t-1</i>} (Remittances < 9.9% of GDP)	-0.532*** (0.138)	-0.540*** (0.143)				
Natural disasters _{<i>t-1</i>} (Remittances ≥ 9.9% of GDP)	-0.0716	-0.0617				

(continued)

Table 16.3 (continued)

Natural disasters _{<i>t-2</i>} (Remittances < 9.9% of GDP)	(0.0630)	(0.0617)	
		-0.331**	
		(0.123)	
Natural disasters _{<i>t-2</i>} (Remittances ≥ 9.9% of GDP)		0.121**	
		(0.0508)	
Natural disasters (Remittances < 12.9% of GDP)			-0.787***
			(0.125)
Natural disasters (Remittances ≥ 12.9% of GDP)			0.00531
			(0.0160)
Inflation (Remittances < 12.9% of GDP)			-0.0295***
			(0.00561)
Inflation (Remittances ≥ 12.9% of GDP)			-0.161*
			(0.0914)
Government size (Remittances < 12.9% of GDP)			-0.478***
			(0.146)
Government size (Remittances ≥ 12.9% of GDP)			-0.153
			(0.197)
Natural disasters			0.00650
			(0.0525)
Conflicts		0.00937	-0.0115
	0.00553	(0.0240)	(0.0418)
Conflicts _{<i>t-1</i>}			0.00643
			(0.0292)
Conflicts _{<i>t-2</i>}			(0.0319)
			-0.0139
Conflicts × Remittances			(0.0224)
			0.612
			(1.169)
Conflicts _{<i>t-1</i>} × Remittances			1.154*
			(0.609)

(continued)

Table 16.3 (continued)

	Threshold FE panel		Threshold FE panel		Threshold FE panel		FE panel	
	(1)	(2)	(3)	(4)	(5)	(5)	(5)	(5)
	Growth	Growth	Growth	Growth	Growth	Growth	Growth	Growth
Conflicts _{t-2} × Remittances								
Constant	1.104 (0.750)	0.954 (0.741)	1.042 (0.748)	1.351 (0.952)	1.364 (0.937)	1.288* (0.691)	1.364 (0.937)	1.288* (0.691)
Observations	342	342	342	342	342	342	342	342
Countries	19	19	19	19	19	19	19	19
BIC	-989.1	-995.6	-991.5	-983.1	-991.4	-983.1	-991.4	-983.1
R-squared	0.536	0.545	0.540	0.528	0.528	0.528	0.528	0.539

Source: Authors' estimations

Notes: Robust and clustered standard errors are in parenthesis. Significance levels: * $p < 0.1$, ** $p < 0.05$ and *** $p < 0.01$. While the Stata *xthreg* command was used for the threshold fixed effects panel estimation, the *xreg* command was used for the fixed effects panel estimation. Time fixed effects were also included, but their coefficients are not displayed in the table. BIC stands for the Bayesian Information Criterion

Table 16.4 Two-way fixed effects panel estimation of the impact of remittances, natural disasters and conflicts on real GDP per capita growth in transition countries (CA, CEE, EaP and Russia), 1997–2014

	Threshold FE panel	Threshold FE panel	FE panel
	(1)	(2)	(3)
	Growth	Growth	Growth
Recovery of lost output _{t-1}	-0.0531*** (0.0120)	-0.0696*** (0.0130)	-0.0573** (0.0200)
Terms of trade	-0.201* (0.0963)	-0.146* (0.0785)	-0.156 (0.143)
Size of government	-0.448*** (0.151)		-0.432** (0.160)
Inflation	-0.0279*** (0.00582)	-0.0226*** (0.00653)	-0.0229 (0.0305)
Population growth	1.359* (0.687)	1.243** (0.522)	0.688 (1.055)
Human capital	-0.0319 (0.0521)		-0.0699 (0.110)
Natural disasters	-0.0182 (0.0617)		-0.0148 (0.0472)
Conflicts	-0.00347 (0.0218)	-0.0119 (0.0207)	-0.00904 (0.0193)
Remittances (Freedom < 3.5)	0.00155 (0.132)	0.266*** (0.0922)	
Remittances (Freedom > 3.5)	0.445*** (0.0660)	0.363*** (0.0502)	
Government size (Freedom < 3.5)		-0.232** (0.100)	
Government size (Freedom > 3.5)		-0.578** (0.209)	
Human capital (Freedom < 3.5)		-0.0444 (0.0509)	
Human capital (Freedom > 3.5)		-0.0329 (0.0487)	
Natural disasters (Freedom < 3.5)		0.0486 (0.0389)	
Natural disasters (Freedom > 3.5)		-0.0772 (0.0738)	

(continued)

Table 16.4 (continued)

	Threshold FE panel	Threshold FE panel	FE panel
	(1)	(2)	(3)
	Growth	Growth	Growth
Remittances × Control of corruption			−0.478***
			(0.158)
Control of corruption			0.0645**
			(0.0244)
Remittances			−0.153
			(0.209)
Constant	0.723	0.733	1.284
	(0.569)	(0.540)	(1.430)
Observations	342	342	285
Countries	19	19	19
BIC	−987.5	−1002.8	−802.9
R-squared	0.534	0.555	0.498

Source: Authors' estimations

Notes: Robust and clustered standard errors are in parenthesis. Significance levels: * $p < 0.1$, ** $p < 0.05$ and *** $p < 0.01$. While the Stata *xthreg* command was used for the threshold fixed effects panel estimation, the *xtreg* command was used for the fixed effects panel estimation. Time fixed effects were also included, but their coefficients are not displayed in the table. BIC stands for the Bayesian Information Criterion. The last model does not include data for 1997, 1999 and 2001

Table 16.5 The values of thresholds and the confidence interval

Threshold estimator			(level = 95)	
Model	Number of thresholds	Threshold level	Lower	Upper
Model 1 (Table A2)	Single threshold	0.0990	0.0728	0.1117
Model 2 (Table A2)	Single threshold	0.0990	0.0778	0.1117
Model 3 (Table A2)	Single threshold	0.1289	0.0852	0.2125
Model 1 (Table A3)	Single threshold	3.5	2.5	4.0
Model 2 (Table A3)	Single threshold	3.5	2.5	4.0

Table 16.6 Results of threshold effect test

Model	Threshold	RSS	MSE	F-stat	Prob	Crit10	Crit5	Crit1
Model 1 (Table A2)	Single	0.8169	0.0025	13.35	0.0567	9.5778	13.5166	18.3116
Model 2 (Table A2)	Single	0.8020	0.0025	18.15	0.0133	12.7668	14.4440	18.3951
Model 3 (Table A2)	Single	0.8111	0.0025	17.86	0.0767	17.2029	20.0492	25.7445
Model 1 (Table A3)	Single	0.8208	0.0025	14.01	0.0500	10.6180	13.6140	20.2775
Model 2 (Table A3)	Single	0.7849	0.0024	29.47	0.0333	21.1648	26.2758	42.5992

Table 16.7 Variable description

Indicators	Description	Source
g	Growth rate of real GDP per capita at chained PPPs (in million 2011 US\$)	Penn World Table 9.0 (Feenstra et al. 2015)
Remittances	The GDP share of remittance inflows. Personal remittances comprise personal transfers and compensation of employees	World Bank World Development Indicators (WDI)
Natural disasters	Share of total population affected by natural disasters in a year	The Emergency Events Database (EM-DAT), Centre for Research on the Epidemiology of Disasters (CRED) (Guha-Sapir et al. 2018)
Conflicts	A dummy variable that takes 1 value if there was conflict in the country in that year. Conflict is defined as at least 25 battle deaths occurring	Uppsala Conflict Data Program (UCDP) and the Centre for the Study of Civil War at the Peace Research Institute Oslo (PRIO), Armed Conflict Dataset version 18.1 (Gleditsch et al. 2002; Pettersson and Eck 2018)

(continued)

Table 16.7 (continued)

Indicators	Description	Source
Control of corruption	Control of corruption captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests	World Bank Worldwide Governance Indicators (Kaufmann et al. 2010)
Recovery of lost output	The GDP index measures the recovery of lost output and is computed based on the real GDP at constant 2011 national prices (in million 2011 US\$). This takes the value 1 for its value in 1990	Penn World Table 9.0 (Feenstra et al. 2015)
Transition index	Transition index is computed as an unweighted average of eight EBRD structural reform indicators: large scale privatization, small scale privatization, governance and enterprise restructuring, price liberalization, trade and foreign exchange system and competition policy. The measurement scale for the indicators ranges from 1 to 4+, where 1 represents little or no change from a rigid centrally planned economy and 4+ represents the standards of an industrialized market economy	European Bank for Reconstruction and Development
Freedom	Freedom index computed as the unweighted average of Civil Liberties Index and Political Rights Index. They are measured using a scale of 1–7, where 1 the highest freedom level and 7 the lowest	Freedom House
Human capital	Average years of educational attainment per capita for people over the age of 15 (population weighted)	Institute for Health Metrics and Evaluation (IHME 2015)
Investments	GDP share of gross capital formation	Penn World Table 9.0 (Feenstra et al. 2015)
Size of government	GDP share of government consumption	Penn World Table 9.0 (Feenstra et al. 2015)

(continued)

Table 16.7 (continued)

Indicators	Description	Source
Inflation	Annual inflation, end of period consumer prices	International Monetary Fund World Economic Outlook Database (IMF-WEO)
Openness	GDP share of merchandise exports and imports	Penn World Table 9.0 (Feenstra et al. 2015)
Terms of trade	Price level of exports divided by the price level of imports (price level of USA GDP in 2011 = 1)	Penn World Table 9.0 (Feenstra et al. 2015)
Population growth	Population growth	Penn World Table 9.0 (Feenstra et al. 2015)
Fuel exports	Log of the share of fuel exports to GDP	United Nations Conference on Trade and Development statistics
EU membership	Number of EU membership years	Authors' elaboration

Table 16.8 Summary statistics for the real GDP per capita growth drivers in transition countries (CA, CEE, EaP and Russia), 1997–2014

Variable	N	Mean	Standard deviation	Minimum	Maximum
Conflicts	342	0.07	0.26	0	1
Control of corruption	285	-0.21	0.70	-1.32	1.30
EU membership	342	1.29	2.66	0	10
Freedom	342	3.02	1.77	1	6.5
Fuel exports	342	0.07	0.11	0.00	0.60
Growth	342	0.05	0.08	-0.18	0.48
Human capital	342	11.36	1.00	8.28	13.46
Inflation	342	0.11	0.36	-0.08	5.49
Investments	342	0.19	0.07	0.05	0.41
Natural disasters	342	0.01	0.04	0	0.72
Openness	342	0.65	0.43	0.12	1.86
Population growth	342	0.00	0.01	-0.02	0.02
Recovery of lost output	342	1.10	0.45	0.34	2.54
Remittances	342	0.05	0.07	0.00	0.34
Size of government	342	0.24	0.06	0.08	0.54
Terms of trade	342	1.04	0.11	0.66	1.25
Transition index	342	3.40	0.49	1.56	4.06

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17

Adaptation, Marketisation or Resilience? Multiculturalism in Local Practices at the Polish-Ukrainian Borderland

Dariusz Wojciech Wojakowski

1 Introduction

According to the sociologically acclaimed perspective of Ulrich Beck (1992), we presently live in societies of great risk. Risk appears both in the life of individuals and societies. The policy of resilience is promoted as the most suitable answer to this risk experience (see Levine et al. 2012; Valdes et al. 2012), though the omnipresence of risk indicates the ambiguity or multifacetedness of such policy. It is worth noting that the default understanding of risk and resilience is related to natural or technological disasters (Beck 1992, pp. 21–26; Levine et al. 2012, p. 1). However, Beck notes that the majority of problems related to risk concern interpersonal relations. Such risks may be a consequence of individualisation, since it necessitates taking autonomous decisions concerning the future in increasingly changing conditions (see Beck 1992, pp. 90–92 and pp. 105–106). This indicates that numerous challenges for local and regional communities are connected with the management of unexpected social changes (Building Resilience 2012, p. 5).

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In that general theoretical framework of the risk society, multiculturalism arises as the category in which the European sociopolitical discourse evokes a variety of emotions. On the one hand, it is a term referring to the central values of the European Union (EU), the realisation of which is embedded in the systems of social integration and cultural activation at all levels of social life in the EU's member countries. On the other hand, this term comes under public criticism not only from the radical opponents of European integration but also in the mainstream of European politics. The failure of multiculturalism was proclaimed by top European politicians several years ago (see Illmer 2010; Malik 2015).

Despite these renewed declarations and the huge differences of opinions, the issue of multiculturalism is still a part of public debate in all European countries, regardless of the scale of their actual cultural diversity. This means that the question of multiculturalism is also considered an important issue in the societies of Central and Eastern Europe, which are presently less ethnically and culturally diverse than the Western countries. The debates which have appeared at the level of European nation-states influence the perception of multiculturalism within the European Union's institutions. Established in 2007, the goal of creating a cultural policy by the Council of the European Union is described as "the promotion of cultural diversity and intercultural dialogue". These categories have been opposed to multiculturalism, which is explicitly indicated on the European Commission's website:

Intercultural dialogue is, essentially, the exchange of views and opinions between different cultures. Unlike multiculturalism [underlined—D.W.], where the focus is on the preservation of separate cultures, intercultural dialogue seeks to establish linkages and common ground between different cultures, communities, and people, promoting understanding and interaction. (European Agenda for Culture¹)

These sociopolitical notions of multiculturalism do not match the concepts of multiculturalism used in social sciences. As Kenan Malik (2015) comments: "But the truth about multiculturalism is far more complex

¹European Commission. Intercultural dialogue. https://ec.europa.eu/culture/policy/strategic-framework/intercultural-dialogue_en.

than either side will allow, and the debate about it has often devolved into sophistry.” The author points out that multiculturalism, as a certain state of social reality, has significant implications for all aspects of social life, both locally and globally. He also stresses the heterogeneity of multicultural policies in European countries, which are mistakenly interpreted as describing this “state of social reality”.

This chapter describes multiculturalism as both the social reality and an element of policy, but not at the macrosocial level of the European Union. This is the mezzo-social perspective of local values and practices realised in Poland and Ukraine—on both sides of the EU’s eastern border. Such multiculturalism creates the social reality of the inhabitants of that border region. From that perspective, multiculturalism encounters both individual’s and group’s choices and risks, which allow multiculturalism to be described as the context of the local policy of resilience. The object of the analysis is the recognition of the meanings of multiculturalism that are used in the interpretations and practices of people who decide on local culture: self-governors, cultural activists and local artists from bi-ethnic and multireligious towns—two located in Podkarpackie Voivodeship (province) in Poland² and one in Lviv Oblast (province) in Ukraine³ The goal of the analysis is to show the extent to which and in what form multiculturalism is a resource or element used in the local policies of resilience in those towns located on two sides of the

²The article refers to research undertaken during the two phases of the project “Ceremonial creation and propagation of brands (national, local, regional) in local communities. The role of people and cultural institutions”, which took place in 2013 and 2014 under the umbrella of the Polish Academy of Sciences (at the request of the National Centre of Culture). The project was led by Hanna Bojar. The research team consisted of D. Wojakowski, A. Karnaukh, A. Fiń, Ł. Kapralska and A. Nijander-Dudzińska. Twenty in-depth interviews with people engaged in organisation of cultural events in the two towns in Poland comprised the base for the analysis. In 2016 and in 2018, short research explorations were done in both towns, which allowed for gathering of some field data (interviews, observations, photos) by D. Wojakowski, D. Porczyński and M. Stopa. In the main text, I do not use the towns’ names.

³The research was a part of a project funded by Polish Ministry of Science and Higher Education “Antagonism and reconciliation in multicultural environments” (N N116 230436), conducted between 2009 and 2012. The leader of the project was J. Kurczewski. The research team consisted of D. Wojakowski, S. Dyjak and A. Karnaukh. Apart from field research and surveys, 14 in-depth interviews with town authorities and members of ethnic and non-governmental organisations were carried out. In 2016 and in 2018, I also made short research visits to that Ukrainian town to gather field data.

Polish-Ukrainian borderland. The main research was conducted in 2009–2014, but these local communities are under constant observational research (research explorations were conducted in 2016 and 2018). The perspective of almost ten years allows for observations on how the main local practices oriented on multiculturalism have changed throughout the period of important macrosocial changes in Ukraine and Poland. First of all, there are the processes of democratisation and internal migration in Ukraine resulting from protests in 2013–2014 (Euromaidan) and the Ukrainian-Russian conflict, which started in 2014. In Poland, a major external factor for local communities was the political change after 2015, which has been associated with restrictions on the activities of non-governmental organisations, including minority organisations, and social protests against violations of the democratic rule of law.

2 The Idea of Multiculturalism in the Context of the Policy of Resilience

Multiculturalism as the cultural context of resilience is presented in the literature mainly as an issue of immigrant societies. This context of resilience is especially stressed in Australian social sciences (Grossman 2013). Three views on the relation between multiculturalism and resilience could be distinguished in social sciences. The first one connects multiculturalism with reactions to natural and technological disasters. The ability to communicate in multi-ethnic and multi-linguistic local communities is one of the most important aspects of their effective response to those dangers. Carolyn Waddell (2013, p. 1) writes that

the very definition of resilience is exhibited passionately by members of our diverse community either through community connectedness or the willingness to volunteer for an emergency service organisation.

This type precisely fits the idea of resilience as a kind of reaction to potential dangers, which should be used in culturally and linguistically diverse communities. Waddell also appeals to the primeval roots of human cooperation, as she points out that such volunteering is based on

the willingness to ‘give back to their community’ and the satisfaction that comes with being able to assist a person in need. At this grassroots level, what is sought is a sense of belonging. It is an innate human condition to want to be a part of something or to be a valued member of a team and/or group. (Waddell 2013, p. 1)

This type of relation between resilience and multiculturalism focuses on the questions of intercultural risk communication or disaster resilience communication. It is also used in European sociology (Lucini 2014, pp. 152–153). In a similar way, however, very narrowly, the idea of resilience appears in the borderland studies literature, where it is also described as the reaction to natural and technological disasters (Haselberger 2014, p. 516). The context of such thinking about resilience and multiculturalism is the increasing role of the migration processes in recent times, which makes most of the European and Middle Eastern states the immigrant ones (Castles et al. 2014, p. 211, p. 213).

The second kind of thinking about resilience and multiculturalism is the idea of resilience of ethnicity, which is described by Will Kymlicka (2013, p. 99) as the process in which “people contest, contain, subvert, or appropriate neoliberal ideas and policies to protect the social bonds and identities they value”. In that perspective, multiculturalism is an element of resilience of minority groups against the external and dominant policies of modern states and capitalist markets. According to the author, there are three forms of such resilience. The first one concerns blocking neoliberal reforms influenced on minority groups. The second form is based on capturing and subverting those reforms for the realisation of own goals of minority groups. In these forms of resilience, there is a kind of defensive reaction against changes which may arise within ethnic minority groups under the influence of external (global) factors (the first one) or adaptation to social environment (the second one). Only the third form represents the wider understanding of resilience. In that sense,

minority ethnic actors embrace the logic of global competitiveness and integrate this with their earlier commitments to democratic citizenization. In this view, minorities can adopt neoliberal multiculturalism, not in place of a social liberal multiculturalism that aspires to citizenization but as a

supplement to it and indeed as a way of extending it. (Kymlicka 2013, p. 115)

The separation of these forms cognitively seems very attractive because it shows the components of resilient activity. Those components may be adapted not only to minority resilience, but it also describes all the different types of policies of resilience. The basic form of resilience is a simple reaction against the external influences, as in the concept of resistance identity described by Castells (1997, pp. 65–66). The second form stresses the components of adaptation in the resilience, which means the ability to adapt to external patterns and develop a structure to face external challenges. This component reveals a long-recognised element of social system's relations with the environment recognised in functionalism as a fundamental functional imperative (see Parsons 1991, p. 17). In recent research, the process of adaptation—despite the fact that it is not so fundamental—is still recognised as one of the observed processes in relations between social systems (see Kurczewska 2008; Wilken 2012). These two forms of resilience are only its components, not the essence of that term. Defensive reaction focuses on the maintenance of the social system's status quo in a changing environment. Adaptation is the reaction on the environmental pressure (dangers or risks) which takes changes in the social system into account. Resilience, however, should be understood as a reaction that affects changes into the social system which is resilient, as well as into the environment which “produces the problem”. In such thinking, resilience is the process in which the social system (local community, society, ethnic minority, etc.) recognises and reacts to challenges which appear in the environment. But—what is constitutive for that process—it finally solves the problems by introducing changes both to the structure of the system and to the structure of its environment.

This general character of the resilience may be used to the description of cultural resilience, which is the third type of description of relations between multiculturalism and resilience. The cultural resilience is a broader term than the resilience presented in the previous two perspectives. Firstly, it has been used in psychology. According to Caroline Clauss-Ehlers (2010, p. 324; cited in Grossman 2013, p. 1), cultural resilience means

that people can manage and overcome stress and trauma based not on individual characteristics alone, but also from the support of broader socio-cultural factors (culture, cultural values, language, customs, norms).

Michele Grossman (2013, p. 1) effectively uses this term in cultural science and describes it as the potential “that cultural background plays in determining the ability of individuals and communities to be resilient in the face of adversity”. Grossman stresses the fact that in the culturally diverse communities

the combination of both valuing one’s culture as well as learning about the culture of the new system produces greater resilience and adaptive capacities, serious problems can arise when a majority tries to acculturate a minority to the mainstream by taking away or not recognizing important parts of the minority culture. In terms of resilience, if cultural factors are denied or diminished in accounting for and strengthening resilience—in other words, if people are stripped of what they possess by way of resilience built through cultural knowledge, disposition and networks—they do in fact become vulnerable. (Grossman 2013, p. 2)

This means the cultural resilience assumes multiculturalism because Grossman writes that individuals and groups which characterise that kind of resilience have a different cultural background from the culture of their social environment. Cultural resilience is the process which appears in multicultural societies. In some sense, the idea of cultural resilience postulates an equilibrium between the preservation of the cultural traditions of minorities and the assimilation of the culture of the social surroundings. However, the crucial point of the resilience is not the equilibrium, but rather how it is used to “solve the problem”—positively react to the challenges of the global world.

The question of equilibrium is a matter of the theory of multiculturalism. This is the question of relations between the dominant society and ethnic minorities and their cultures. It is not the only connection between multiculturalism and (cultural) resilience. These terms are both connected with the organisation of immigrant societies (see Rex 1997), which is why they are better developed in immigrant countries. The idea

of multiculturalism appeared in Canada and Australia in the 1970s and was transferred to the social conditions of the European Economic Community in the 1980s. The policy of multiculturalism has been integrated throughout the entire European Union, so it has also found its way into Central Europe along with its incorporation into the EU's structures. In my opinion, the effectiveness of this policy should refer to two significant resilience principles: multiculturalism should be rooted in the local society and multicultural actions should provide some long-term effects (Building Resilience 2012, p. 16).

From the perspective of the policy of resilience, multiculturalism in European circumstances may be considered (1) as a "state of reality" and thus treated as a local or ethnic resource used to increase ability to be resilient (as in Grossman's view) or (2) as part of the resilience policy—as the way of being resilient (as in Kymlicka's concept). In the case of Central European local communities, multiculturalism may additionally be treated as the external factor, an element of the environment of the social system. This relates to the fact that the EU programmes adopted by new member states, or in the EU's direct proximity, guarantee the incorporation of the idea of multiculturalism into activities of local and regional governments.

Multiculturalism means different things not only from the perspective of social sciences or policy of resilience. It is also very flexible in common usage as the term basically denotes "one of social values [...]. Thus, its concept may abstract from specific ethnic systems, multicultural relations or political practices" (Wojakowski 2015, p. 73).⁴ The focus on notions or "local interpretations"⁵ of multiculturalism allows for a precise recognition of the extent to which multiculturalism may be an important factor that increases resilience of local borderland communities. From this perspective, multiculturalism is a cultural phenomenon (Znanięcki 1980, p. 132) which might significantly affect forms of multicultural contacts, the pursuit of cultural equality and integration of an ethnically diversified society.

⁴The character of this value and its position in reference to other social values of a local society are already the subject of my analysis of gathered material (see Wojakowski 2015).

⁵This term refers to Clifford Geertz's concept of local knowledge (Geertz 1993).

On this basis, it is possible to state that social interpretations concerning multiculturalism are out of touch with the actual systems of ethnic relations. This is notably observed in monocultural communities (see Bieniecki 2005; Dolińska and Makaro 2013). In Polish local communities, multiculturalism, as an acknowledged (desired) value, relates to very superficial multicultural contacts or practices of the dominant group regarding their multicultural past. However, other research shows that a similar phenomenon of abstracting from the actual ethnic diversity with reference to multiculturalism is present in communities of the borderlands (Wojakowski 2015). In such a context, it is worth mentioning the observations of a Slovakian anthropologist, Juraj Buzalka. He noticed that on the Polish-Ukrainian borderland, the category of multiculturalism is used by Polish elites (teachers, politicians, academics) in the context of the creation of their own vision of tolerance that does not refer to direct multicultural contact (Buzalka 2007, pp. 152–154). The significant element that substitutes such contacts is the interpretation of multicultural past, which—as I indicated elsewhere (Wojakowski 2015, pp. 76–77)—is a factor that hinders rather than supports proper multicultural relations. Buzalka interprets such an implementation and understanding of multiculturalism in a similar manner. According to him, it creates an attitude described as “artificial tolerance”, which itself is not sufficient to create proper social relations (Buzalka 2007, p. 156). Moreover, according to the author, such an understanding of tolerance “implies the possibility of the undesired reproduction of religious-national tensions” (Buzalka 2007, p. 157).

3 Multiculturalism as a Local Resource in the Global Struggle

The first step in reconstructing the “local models” of multiculturalism in the researched communities is to present the moments in social activities when the category of multiculturalism is brought out. For now, it is not a question of how such a category is interpreted, but rather in which context it is used by the respondents. The first factor that causes

multiculturalism to appear in their activities is the fact that, in the communities of the borderlands (although in Poland generally in all local communities), cultural diversity itself is a component of the communities' heritage. Heritage is every kind of output of the past generations. This output exists "regardless" and, if it is deemed valuable for a group or a unit, it becomes a part of their tradition (Chłopecki 1989, pp. 242–245). It means that the heritage of other cultures is a resource, which may be used by representatives of that community in various goals.

It is worth paying attention to Marian Kempny's suggestion that these types of resources are significant for the local community, especially under the condition of globalisation, since they allow it to take part and compete in global economy (Kempny 2004, p. 186). However, it is not just a simple accommodation to the rules of globalisation, but rather a simultaneous creation of a new cultural autonomy of locality (Kempny 2004, p. 189). The intertwining of economic and cultural aspects is not just a reduction to the former. Some processes within the European Union can be similarly interpreted. Referring to research on the borderlands, Jerzy Bartkowski shows that there appears a specific "marketisation" of cultural resources under the influence of the European Union funding programmes. The author states that it has definitely positive results linked to a higher activity of local subjects and an increase in quality of projects concerning the field of culture. At the same time, the field of culture is treated as a product and a mechanism of the town's promotion (Bartkowski 2009, p. 146). As a result, "local cultural resources have become significant in competition for funds" (Bartkowski 2009, p. 147). In activities oriented towards acquiring funds, the cultural diversity and the borderland localisation has become a "strong asset" and a "calling card of local homelands" (Bartkowski 2009, p. 147).

Thus, the second factor that influences local references to multiculturalism has an external character. It consists of certain global and European mechanisms for the implementation of local cultural resources. Moreover, Tomasz Zarycki notes that multiculturalism is at the same time an element of an external ideology, which suggests local resources have a particular value. The author calls it the "new liberal discourse of the borderland" (Zarycki 2013, p. 199). Such discourse is oriented towards the transformation of the identity of the inhabitants of the borderland,

while encouraging them to “fully utilise the intercultural contact and multiculturalism that turns out to be a peculiar resource just waiting to be unveiled” (Zarycki 2013, p. 199). According to Zarycki, such discourse has the characteristics of a controlling mechanism, Foucault’s governmentality. From that perspective, certain interpretations of borderlands and multiculturalism may be treated as an external idea that dictates the framework for local interpretations.

These specific global and European processes change the meaning of local cultural resources and positively valorise the elements of cultural diversification. At the same time, their course is traced by a broader phenomenon in the European culture, a process recognised by anthropologists as the commoditisation of culture. According to Igor Kopytoff (1986, pp. 87–88): “In all contemporary industrial societies, regardless of their ideology, commoditisation and monetisation tend to invade almost every aspect of existence.” Such a process, however, should not be perceived in a simplified way. In Kopytoff’s analysis, it is connected with the distinction of numerous spheres of exchange that are relatively controlled by both cultural rules and the actions of individuals oriented against commoditisation (Kopytoff 1986, pp. 78–80). In reference to the processes observed in the local culture of the borderland, commoditisation can be described as the distinction of a specific sphere of exchange that consists of cultural events and initiatives in the local community. In such a sphere, individuals operate on specific material, social and symbolic resources, according to broader globalisation (competition of the local community in the global space) and European (the utilisation of the EU funding programmes) rules.

Commoditisation of culture is a foundation for the marketisation of cultural activity because it promotes thinking about cultural values and contents as commodities, which may be used in the “cultural market”. Multiculturalism—as described by Bartkowski—is one of such objects/commodities engaged in the complex process of exchange in the framework of “the cultural market”. It first appears as a resource that can be utilised to acquire funds for local projects from the EU funding programmes. The appearance of that link between multiculturalism and EU funds has been evident since the first decade of the twenty-first century. While describing attitudes of the openness of politicians and

self-government officials towards cultural diversification (multiculturalism), I observed that they appear in individuals who directly manage culture or are strongly engaged in this sphere of local life (Wojakowski 2013, p. 140). It seems that the orientation of the interlocutors towards multiculturalism is connected with its inclusion in the mechanism of funding self-government activities from the EU funding programmes. The research within the projects analysed here was carried out among people who professionally manage culture in local communities. The vast majority of interlocutors said that multiculturalism was a recognisable element of their activities, though it was not as directly associated with acquiring funds from the EU as in Bartkowski's description. In the case of officials and managers responsible for the organisation of cultural events in the town, European projects—or generally external subventions—did appear in a broader context of statements concerning multiculturalism. Foremost, interlocutors perceive all their cultural activity in the context of applying for funds:

If it's going to work out, because we tried to get the money. As I said, we wanted to apply to the Norwegian funds, the application deadline was the 15th of August. We asked the Norwegian partners, but no one replied. So we gave up. That's why we are going to try to contact the Minister of Culture. (P2_13, 27.08.2013)

The nature of international programmes in which they participate, thanks to the acquired funds, built or reshaped their personal and institutional international connections: "This year is generally, I even have to look it up, because this year... m'am... we even have people from Palestine, because we are realising such a project" (SKS5_14, 21.08.2014).

Such research allows one to follow the path of transformation of multiculturalism as a resource in the local community of the borderland. The majority of people associate multiculturalism with their professional work. This creates the assumption that the first exchange of multiculturalism in the local community is the appearance of job positions, which are connected with activities oriented on cultural diversification within the cultural sphere. However, it is not a precise interpretation, since it is difficult to identify the job positions that concern only the management

of multiculturalism. Yet, generally, every person who has a significant position connected with the management of culture is, in a certain way, oriented towards multiculturalism as a resource that generates external subventions.

The quasi-market rules of cultural activity mean that it stops being an autotelic activity, oriented solely on aesthetic impressions or creative expression. Funds for culture are associated with the category of effectiveness, and the donor has the right to describe goals of the taken actions (Bartkowski 2009, pp. 145–146). This means that the respondents—even if it is just their own convictions—expect a “measurable” outcome of the utilised resources (multiculturalism, in this case). There are several categories that are used to indicate such measurability: promotion, popularity, product or brand.

The phenomenon of marketisation of cultural practices and values may be interpreted as a kind of adaptation which effects some changes in social systems (here: local communities) under the influence of the environment (here: EU and global rules). This phenomenon is observed mainly on the Polish side of the borderland. The next part of this chapter presents detailed relations between multiculturalism and adaptation via marketisation.

4 Adaptation by Marketisation: Multiculturalism at the Polish Side of the Borderland

In both of the researched towns in Poland, culture is linked to promotion. One of them has an Office of Culture and Promotion. Multiculturalism is considered a specific way of thinking about culture, which has the ability to generate income from tourism:

So it used to be a truly multicultural town. (...) So it is a thing that is difficult to be distant from, it's even impossible. It is hard to imagine that we could suddenly opt for a different kind of activities [other than promotion of multiculturalism—D.W]. This is a town which somehow automatically influences the fact that the culture dominates when it comes to attracting

tourists. They are very important and welcome, aren't they? (P6_13, 27.08.2013)

The respondents often visibly associate multiculturalism and promotion, and it also appears in statements of organisers of cultural events who were not connected with self-government offices: "I think that when multiculturalism isn't properly promoted, it becomes lost in the crowd" (P3_13, 26.08.2013). Popularity is a measure of the importance of cultural agencies, thus multiculturalism (diversity) is valuable since it may raise their attractiveness: "The museum is so popular and eagerly visited, because you won't find such cultural diversity in any other museum" (SKA4_14, 18.08.2014).

The first researched town in Poland is a small regional centre in the southern highland part of Podkarpackie. There is a small Ukrainian minority in the town, while most Ukrainians live in the rural areas surrounding the town. The town is a cultural centre for Orthodox and Greek-Catholic Ukrainians from those villages. Since the beginning of the twenty-first century, the entire organisation of town's festivals has been based on multiculturalism. During the festivals—also during the research—a strong reference to various ethnic traditions have been observed, along with references to the region (Bieszczady Highlands) which undoubtedly has touristic potential.

The second researched town is a historical regional centre with the largest Ukrainian minority in the entire Polish part of the borderland and is located near the Polish-Ukrainian state border. In that town, connections between local traditions and multiculturalism are not deeply stressed during local cultural events. Multiculturalism is rather perceived as simply the potential to attract tourists, particularly foreign ones:

... they have visitors from Slovakia and the Czech Republic, and I think that this area is definitely expanding and I would go for multiculturalism.... (P3_13, 26.08.2013)

The open question is the extent to which such references to multiculturalism are important for the "promotion" of the local authorities as an element of election campaigns. This intriguing phenomenon appeared

only marginally and between interviews (during observations of cultural events). During the researched events, local authorities used the term “multiculturalism” in speeches directed at the local public. However, the statements from the interviews are not enough to evaluate to what extent such people think that multiculturalism is a significant or a positive factor in the creation of the sociopolitical community of the townspeople.

The transfer of multiculturalism into the category of the local brand has also only appeared marginal. However, its lack of mention contrasts with practical references to multiculturalism. Such practices are especially common in the Polish town located in Bieszczady Highlands. It is also worth emphasising that in the interviews carried out in that town, an institution of a definitely “multicultural” profile is commonly referred to as the town’s brand. The exhibitions presented by that institution concern the past multiculturalism of the region. Also, the other events organised in the area surrounding the institution have a similar multicultural nature, including monthly antique fairs that have “multicultural” tourist attractions (Lemko dishes, Jewish organ-grinder). In this way, multiculturalism as an element of a broad tradition translates to a “commodity” whose purpose is to build up the place’s brand. The multiculturalism of the town’s festival is similarly “branded” in this community. Although the respondents did not say much about the multicultural products: “this multiculturalism was visible in the dishes” (SKA5_14, 18.08.2014), multiculturalism was expressed with ornaments, icons and “ethnic” clothing (Ukrainian) sold during the festival.

In the second Polish town, the connection of multiculturalism and brand does not have such direct, concrete expressions. It does not mean that such a connection is non-existent—multiculturalism is “sold” more discreetly. Above all, it appears in the materials that promote the town, for example, a special website for tourists.

This analysis explains why virtual multiculturalism has appeared in Poland. It is due to the fact that the phenomena associated with it (history, traditions, art, the architecture of local minorities) constitute an effective local resource—on the borderland or sometimes elsewhere— which means that results of referring to such resource can be easily evaluated. It concerns the translation of activities that “promote multiculturalism” into the evaluation of projects that are the source of

such activities. The results of such activities are concrete “measures” that can be pointed out in the evaluation and “commodities” (which include services or cultural events) that are offered to a specific category of receivers, mostly tourists.

The research shows that perhaps multiculturalism is not only an acknowledged value but also a pragmatic, beneficial one. I emphasise the fact that it is rather a conviction that such benefits exist, which may exclusively be supported by “measures” worked out inside the aforementioned sphere of exchange. However, the question how such an implementation of multiculturalism reflects the set of interpretations that commonly define such a term is equally important.

The very cultural practices of local authorities support multiculturalism, provided that it may be used as a resource that attracts tourists and generates money. It is an obvious form of the adaptation of local practices and discourses to the external—the European Union’s—conditions and opportunities. In these practices, multiculturalism appears both as the kind of local resource which has pragmatic value and as a part of local policy. In that second case, appealing to multiculturalism shows that policy is tied in with global factor—European and Polish values and goals. In 2014, those two elements—multiculturalism as a resource and an aspect of local policy—were more closely related in the town in the Bieszczady Highlands than in the second one near the Ukrainian border. After 2015, some nationalistic sentiments appeared at the level of state policy in Poland. It exerted some kind of pressure on local governments, especially in the researched towns, where the local authorities supported the state policy. But the changes, aimed at some form of impediment of relations with the Ukrainian minority and withdrawal of elements of minority culture from cultural activity of the local institutions, appeared only in the second town. What is interesting is that the evident support of the nationalistic organisations by the local authorities in that town resulted in the emergence of new forms of cooperation between Polish and Ukrainian NGOs there. The local Ukrainian minority received the support of Polish organisations, so far inactive in the previously observed “official promotion of multiculturalism”. Probably the adaptation based on the pragmatic appeal to multiculturalism created local resilient connections, which emerged when trying to move away from previous

practices. In 2018, in both Polish towns, the importance of multiculturalism was greater than four years earlier, regardless of the fact that it is associated with a more local and less official (not oriented to tourism promotion) cooperation of many dispersed social agents.

5 Resilient Usage of Multiculturalism in the Ukrainian Town

Another example of building an interpretation of multiculturalism is the case of the Ukrainian town which was researched. This town is located in the southern part of Lviv Oblast. It is a former industrial and regional centre inhabited by Ukrainians, Russians, Poles and Jews. Ethnic minorities comprise 5% of the town's population. Numerous similarities in actions and interpretations with the described Polish cases may be found there: orientation towards the multicultural past, treating it as a base for building a specific town brand and translating it into concrete "marketing" benefits. What is the difference? First of all, the idea of multiculturalism is formulated outside of political structures and local self-government. The main actors engaged in multicultural projects are non-government and academic organisations. Since the beginning of the twenty-first century, such associations have regularly introduced a number of initiatives oriented towards discovering and revitalising elements of the multicultural town's history. In this activity, burgess tradition and locality seem to be a basic value, since they are oriented towards so-called high culture (theatre, literature, fine arts), the creation of town brand, activation of civic potential. All the goals are linked to concrete activities: the organisation of Schulz festival, management of an art gallery (and a shop with local souvenirs) and the organisation of performances. Since the orientation towards locality is a natural turn to the past, which had been created by Poles, Jews and Ukrainians in the researched town, the contemporary Ukrainian environment in a natural way is oriented towards multicultural resources of town's culture. The symbol of such multiculturalism is Bruno Schulz, who was of Jewish descent, wrote in Polish and was focused on his town. He is a patron of locality and burgess tradition understood

in such a way. Simultaneously, such multicultural resources result in appreciation of locality without creating isolation and are a strong factor that opens the environment outside. Appreciation of such an understanding of locality is treated as a resource with a deeper local meaning. In that environment, the concept is sometimes expressed explicitly. Wiera Meniok (2016, p. 226) writes that:

we live in multicultural and multireligious land, in a cultural borderland, which is particularly sensitive to the need of dialogue and agreement between those who inherited different linguistic heritage and different religious genealogy, but live in one common cultural-historic universe.

Such mobilisation of local resources fits the observation of Kempny (2004, p. 186) regarding local culture in the globalised world: “when it is about creating (re-creating) locality—as happens frequently nowadays—it means a very complex network of determinants and an ambiguous area of social practices—on one side a battle for the chance to participate in the global economy fought by local communities, on the other—a sphere of identity shaping: a battle with uprooting, alienation, the feeling of a lost motherland.” In the practices of such associations, it is possible to observe—regardless of strong orientation towards high culture—the same thread of marketisation of local identity. Realisation of their projects is mainly based on subventions acquired from European and Polish funds. The range of external funding is significantly lower than in Poland, which results in support from local investors and private individuals, who try to benefit from the fact that the multiculturalism of the town is becoming an attractive product.

Despite a significant restraint in supporting such practices by local authorities, the form of multiculturalism’s promotion—town festivals—results in multiculturalism that becomes more rooted in the local community than in the researched Polish towns. More than half of the inhabitants acknowledge the multicultural character of the town (see Kurczewski and Wojakowski 2012). Yet, before 2013, multiculturalism appeared as a value rooted in the local community. Paradoxically, this broader attachment to multiculturalism is evident in the irregular and smaller financial support than the projects realised on the Polish side. In

the Ukrainian town, there has been an absolute lack of support from the self-government before 2016.

The Ukrainian-Russian conflict was a great challenge for the social situation in Ukraine, and thus in the town under investigation. Actually, the events in this town, since 2014, show how the earlier non-governmental initiative had been translated into the policy of resilience. Jacek Kurczewski describes it as a process of liberating social energy and democratisation, which was connected with the Euromaidan protests (which were also organised in the researched town; see Kurczewski 2016, pp. 306–314). The consequence of this was not only another change of local authorities but the emergence of a completely new perspective of the relationship between local government and the inhabitants of the town. It was expressed in the address of the new mayor:

The community wants justice and development. Yes, there will be. We came to build. I am calling everyone—let's bury the war axes and get to work. The Town is waiting for it. Transparency, rule of law, justice, development—this is the order of the day. Let's stay together hand in hand and then we'll do everything! (cf. Kurczewski 2016, p. 324)

One of the elements of democratisation was the opening up of local authorities to initiatives for cooperation between inhabitants of various ethnic backgrounds and the appreciation of the idea of multiculturalism. For the New Year 2016, the mayor submitted via media wishes for the town community and its guests in four languages: Ukrainian, Polish, Hebrew and Tatar (Kurczewski 2016, p. 325). Referring to local and democratic values, the local authorities began to use the popularity of the Bruno Schulz Festival—the icon of local multiculturalism—which has always been organised by independent, non-government organisations. The Festival has been supported by the new mayor since 2016. Also, the experience of Euromaidan caused a locally strong reorientation of inhabitant's identification. The number of inhabitants who declared European identity in 2014 doubled in 2010 (from 44% to 87%; see Kurczewski 2016, p. 326).

This town in the Ukrainian part of the borderland is an example of a completely different process of development of multiculturalism as a

resource and element of the policy of resilience than the Polish cases. Originally, multiculturalism appears as a value recognised by the local community and its informal organisations, and after that, it is used by local authorities as an element of its own policy of resilience. This policy is understood more broadly than multiculturalism because it is oriented towards democratisation and social development. Multiculturalism as an element of the policy of resilience is also important in the context of the observed migration from the East of Ukraine to its Western regions—that of the Polish-Ukrainian borderland. Those new inhabitants usually have Ukrainian origin but very different regional backgrounds.

6 Conclusions

The research was carried out in Poland and Ukraine in local communities, which are—despite the separation by the EU border—similar to each other because of their history and ethno-demographic features. It seems the difference in functioning of multiculturalism and the policy of resilience on both sides of the border is determined by the influence of the European Union. The EU's laws, procedures and funds create a completely different environment for communities located in Poland than in Ukraine. The social environment of the Polish towns contains different challenges and problems as well as chances than Ukrainian state's surroundings. However, the practice of multiculturalism on the Polish side of the borderland prior to 2014 had a very shallow and adaptive nature. Although references to multiculturalism on the Polish side are more frequent than on the Ukrainian side, it looks as if the EU factor has created a superficial version of multiculturalism in the researched towns. This phenomenon was not a policy of multiculturalism, but rather an “industry of multiculturalism”. Although in the opinions of the interlocutors—who are local cultural managers and people engaged in the realisation of cultural events—such an industry produces an interpretation of multiculturalism that significantly differs from the understanding of the term in social sciences, as well as in the guidelines for multicultural policy. Their idea of multiculturalism consists of practices that substitute

communication in culturally diversified local communities, in favour of building external relations and a picture of “artificial tolerance”.

Do such observations provide any conclusions that could be useful for the realisation of a policy of resilience at the local or regional level? Above all, intensive training of “particular social patterns”, understood in categories of financial and institutional support for the local community, brings much weaker effects than rooting of promoted cultural contents (in my research of multiculturalism, in particular) by active local groups that influence the local community on the whole. A second phenomenon has been observed in the Ukrainian town. Local agents and the resources created by them are now becoming an important element of social change promoted by the new local authorities in this town. However, since 2015, while Poland’s local authorities are withdrawing from supporting multiculturalism, similar “bottom-up” initiatives to build local identity in cooperation with ethnic minorities and referring to multiculturalism are immediately appearing on the Polish side. Probably even such shallow activity as the “industry of multiculturalism” realised before 2015 in that community have unexpected and more long-term consequences in that local system.

The differences between the examples from Poland and Ukraine may conceal the real similarity in attitudes towards multiculturalism in both parts of the borderland. It seems that the described activities in all towns are based on subjective conviction about usefulness of multiculturalism in the context of the construction of the local community’s position in the global or European competition. Multiculturalism is a commodity offered at the global cultural market. Thus, in the Ukrainian town, the culture of minority (Polish and Jewish) is strongly emphasised, since it is associated with bourgeois tradition, the West and Europe. Ukrainian traditions in Poland are rather associated with the East and folk culture. If the latter is generally perceived as a regional resource, as it is in the case of the town in Bieszczady Highlands, then the Ukrainian culture is promoted more frequently and eagerly. In that town, the new authorities (after 2015) have not decided to limit the presence of minority culture in their own cultural initiatives.

Perhaps such a pragmatic and “marketing” attitude of local authorities and cultural managers does not guarantee a permanent acknowledgement

of multiculturalism as a value, but without a doubt, it possesses a specific elasticity that for the time being takes the possibility offered by international and transborder cooperation into consideration. Multiculturalism allows a change of social and cultural structures of local communities, which fills one of the components' policies of resilience. According to the theoretical background presented earlier, adaptation is a component of resilience but the constitutive aspect of that term is the ability to solve problems that arise in the environment of a social system. However, it should be kept in mind that the researched towns, like all local communities in Central Europe, are in a specific global situation. Twenty years ago, Polish sociologists described the situation of that part of Europe as "a society before and after multiculturalism" (Kempny et al. 1997): before multiculturalism, because demographic phenomena will inevitably cause the emergence of migration to Central Europe, and after multiculturalism, because for most of the history of these societies (until 1945) they were very culturally and ethnically diverse. The presented research shows that in both Poland and Ukraine there is a possibility of maintenance and development of the past multiculturalism as a resource that can be used in the local policy of resilience. Recent times, and especially the consequences of the Ukrainian-Russian conflict, are an important factor which allows us to verify how the promotion of multiculturalism influenced the resilience of local communities. The existing practices for multiculturalism are based not only on immigrants but also on the traditional multi-ethnic community. The question is how they will face the new challenges related to migration shifts. Some attempts to use that tradition to new inclusions have been observed in the Ukrainian town, but with no measurable effects as of yet. What is maybe even more important is the fact that, on both sides of Polish-Ukrainian borderland, multiculturalism is linked with the pro-democratic activities and attitudes—official (in Ukraine) and very spontaneous (in Poland). In both aspects, it seems that the multicultural traditions of Central European societies are the crucial elements which could be used as the component of the policy of resilience that could positively reshape local communities. They also are tied in with pro-democratic attitudes and practices which appear on both sides of the borderland in different ways.

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18

General Conclusions

Gilles Rouet and Gabriela Carmen Pascariu

The European Neighbourhood Policy (ENP), launched in 2004 and revised in December 2015, is a fundamental element of the European Union's (EU's) foreign and security policy, which aims to support and strengthen stability, security and prosperity in countries close to its borders. In this context, cooperation and partnerships with the six Eastern Partnership (EaP) neighbours, Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine, are implemented with the aim of strengthening political association and economic integration, based on shared interests and common values: democracy, the rule of law, respect for human rights and fundamental freedoms and social cohesion.

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The multilateral component of the Eastern Partnership also includes improving energy security, facilitating mobility, strengthening institutions and good governance and now mobilises the concept of “resilience”, a characteristic state or process to be cultivated in relation to crises and external changes.

At the time of the Riga Summit, the EaP countries were divided into three groups: Moldova, Georgia and Ukraine, which have made significant progress towards political associations and economic integration with the EU, Armenia and Belarus, and Azerbaijan. Considering these differentiations, the Eastern Partnership has thus become an expanded trade and technical cooperation programme, while political ambition was much more important. This situation, which leads to disenchantment among the population and is sustained by political and institutional inertia, is attributable both to the EU and its member states and to the partner countries, not to mention the role of other countries, of course. In the context of crises and conflicts, the EU has not succeeded in proposing a vision, an integration project to all the eastern partners because of the incapacity or reluctance of some of its members. In these circumstances, the Eastern Partnership has been limited to “extended cooperation” and visa liberalisation. However, it is a question of going beyond this observation and trying to better understand the contours of the “resilience” expected of states and to analyse the current situation accordingly. This is the main project of this book.

Among the three most advanced countries in the EaP—Ukraine, Moldova and Georgia—institutional reforms have not kept pace with the EU’s expectations and oligarchic and corrupt governance models have persisted. People, disenchanted by this slow pace of change, in particular, have often experienced a deterioration in their economic and social situations, with an increase in Eurosceptic sentiments. Violent conflicts (in Ukraine) or frozen conflicts (in Armenia, Azerbaijan, Georgia and Moldova) have obviously aggravated these situations.

The Russian Federation has systematically tried to counter the Eastern Partnership initiative, using denigration and a wide range of more or less aggressive actions, from visa restrictions to the annexation of Crimea or involvement in local conflicts. Russian leaders are pursuing a policy of demonising the West, and the Russian economy has adapted to the sanctions, which are not unanimously accepted within the EU. The Russian

Federation clearly considers that the Eastern Partnership is a project contrary to its interests, which touches its area of influence, and has consequently tried to convince the EaP countries that the project is harmful for themselves. The establishment of a Eurasian Economic Union, to which Armenia and Belarus have acceded, is obviously an integrative response to the EaP approach.

In this context, it is essential to consider both the relations between the European Union and the member states (in particular, with the Brexit crisis) on the one hand, and with the Russian Federation on the other. These latter relations have deteriorated significantly following the crisis in Ukraine in 2014 and, in the context of the sanction regime, can be characterised, in particular, by a lack of mutual trust. The Ukrainian crisis has thus transformed EU-Russia relations “from geopolitical competition to geopolitical conflict”, this development being “mainly caused by a break in the model of mutual recognition of Russia’s and the EU’s efforts to seek status after the Cold War”. The increase in geopolitics has thus prompted “the EU to strengthen its capacity to resist external development in the Eastern Neighbourhood” (Chap. 2). The eastern neighbours are faced with a binary choice between two different and opposing integration projects, without much room for manoeuvre. The levels of resilience of the countries concerned are, in this situation, obviously decisive, as much as the member states which could attempt to resume dialogue with the Russian Federation, taking into account the views of post-Soviet states.

The stabilisation of the immediate neighbourhood is therefore the main objective of the EU, which continues to encourage democratisation and reform processes in the countries concerned, taking better account of the differentiation among partners. The EU has thus undertaken to invest in the resilience of states and societies at the east of its borders, as far as Central Asia. Resilience and the ability to implement reforms and overcome internal and external crises seem to be the only levers that can benefit both the EU and neighbouring countries, particularly in a sustainable development perspective. For the EU, a resilient state is a secure state. Security is essential for both prosperity and democracy. Resilience therefore extends beyond national institutions and concerns all the society. There can be no resilient state without a resilient society, democratic institutions, a certain level of trust in the authorities and perhaps even the implementation of a sustainable development approach.

The analytical inventory proposed in the first part, relating to the situation in the various countries concerned, makes it possible to envisage a partial diagnosis of the capacities to evolve towards “resilient states”. Within each country, public administrations and governance “play a key role in ensuring socio-economic stability, growth and resilience at national and local levels” (Chap. 3). Nevertheless, each country is different, and a comparative approach makes it possible to put into perspective the proposed recommendations, which could only be operational according to the political and civic will of the members and leaders of the countries concerned. The risk of “reversibility of political and administrative reforms already implemented” must be taken into account and leads to constant political investment on the part of the EU.

In addition to the analysis of the administration, it is necessary to consider the economic dynamics of each of the countries concerned. Chapter 4 thus highlighted “the development gaps within the group, as well as the gaps between the Eastern Partnership countries and the EU’s emerging economies”, to propose an “appropriate reference framework for assessing the individual and concerted capacity of countries to implement common therapeutic measures to increase regional resilience”.

All the countries of the EaP have inherited and extended the old Soviet values and mentalities, in their own version, after the implosion of the Soviet bloc and their willingness to transform the social, political and then economic space varies from one country to another. The vulnerabilities identified relate to market institutions, good governance to improve the effectiveness of policies implemented, citizens’ confidence in the economy and the confidence of foreign investors or partners. These vulnerabilities reduce the resilience of economies, which can result in increased import dependency. Some economies are poorly diversified and public investment in education and health is generally low. Thus, a strengthening of resilience should focus on the expansion of sectors that are better off in terms of resource allocation.

Organisations (companies, administrations, associations, etc.) can also be at the centre of an analysis of their capacities and levels of resilience (Chap. 10). Organisational resilience is defined in a given context, in an inter-organisational framework, and it is important to put it in perspective with societal resilience, which contributes to taking into account the

particular involvement of stakeholders, of citizens themselves, in their formal and informal relationships.

These citizens are not necessarily the targets of policies, considering that the EU has favoured a “pragmatism of principle” for the implementation of its security strategy and the search for stability at its borders. Thus, “the EU’s concern about the resilience of society in the form of a policy without policy can lead to nothing more than a promise of security” (Chap. 5). The promise of an “Europeanisation” of governance and institutions has not been enough to bring about a rapid evolution of oligarchic state organisations, to limit the weight of corruption or to create an active civil society. Internally, the EU is facing crises, democracy seems to be in decline in some States, the EU’s migration policy remains confused and the Brexit questions the attractiveness of the EU. How can we exercise a transformative power outside in this context (Chap. 6)? The EU can fall into political inertia, relative paralysis, which will result in fewer commitments to its eastern neighbours. In this perspective, a policy of building resilience will be defensive, not proactive, and will reduce the effectiveness of the EU’s external policy. It is therefore necessary to go beyond internal crises to consider an effective policy of building the resilience capacities of the countries concerned, necessarily integrating a policy targeting civil societies.

However, there is room for optimism. In particular, since its creation, the EU has overcome many crises. The European construction has thus led to an institutional, economic, political and social achievement, which is obviously incomplete, but which has been able to resist conflicts (Chap. 7). It even appears that the succession of challenges faced by the EU “has significantly increased the overall positive opinion of Europeans about the European Union”, which is characteristic of a high level of resilience. The challenges of the ENP should now be included in this analysis.

Another element that could lead to optimism is that, in the case of Ukraine’s situation, although the interests and attitudes of EU member states remain quite different, national interests do not play a decisive role “in shaping the European Union’s foreign policy positions” (Chap. 8). This situation can be an indicator of policy coherence in the process of Europeanisation and in efforts to strengthen the European Union’s foreign policy position.

An original assessment of Russian foreign policy is also likely to justify an optimistic position. Based on an original analytical framework (the Hierarchy and Resilience Index, Chap. 9), the aim is to assess international hierarchical relationships according to the categories of security, economy, diplomacy and information. Russian attempts to recreate a sphere of influence in Europe and Eurasia seem to have failed within the EaP countries. Even in the context of narrow pragmatism, the EU's political choices towards these countries are clear, and the EU can rely on real credit to engage in security and economic competition in which the United States and China participate very broadly.

This credit must be articulated with a real capacity to cope on the part of the EaP countries, which not all have the same level of resilience, particularly at the economic level (Chap. 10). To be operational, this evaluation must be contextualised. In particular, it is important to take into account "the role played by the geographical positioning of a region" (Chap. 12), as position and borders can affect the level of economic resilience of some countries. In particular, countries with external borders tend to be less resilient to the economic crisis than countries without national boundaries or located within the EU. The economic dimensions must therefore be taken into account in conjunction not only with the political dimensions but also with the structural characteristics of the regions.

As we have seen, institutions play a very important role in building resilience capacities, and they are at the heart of the concerns of ENP instruments and tools. Nevertheless, it is necessary to consider a differentiated approach, which is therefore not only induced by the political circumstances mentioned earlier but also by the specificities of each country concerned. The empirical and comparative analysis in Chap. 13 thus provides an available framework for considering the consideration of the vulnerabilities of each country concerned. This framework could integrate, in a desired extension, civil societies, their characteristics and perceptions.

Indeed, the EaP provides for the dissemination of democratic European standards and values and, therefore, leads to Europeanisation of the neighbouring countries (Chap. 14), Europeanisation to be understood in mutual construction and dynamism, and not in a transfer operation. It is

clearly necessary to seek to establish a clear and coherent response to the supposed expectations, always to be verified, of the citizens of the countries of the EaP. One may wonder whether, in this approach, there is really an alternative to a membership perspective. How can we envisage Europeanisation outside this framework?

However, this question does not apply to all countries of the EaP. Indeed, in the case of Azerbaijan (Chap. 15), European policy aims to strengthen the resilience of a state with an authoritarian regime. In such a case, the EU may ultimately only increase the resilience of the regime rather than that of society in general. European policy is therefore risky, and it is essential to avoid pragmatism in order to return to principles and values, for example, as regards economic resilience and the fight against corruption, or political opponents and non-governmental economic actors who must first be made more resilient themselves. The danger is to implement objectives aimed at the state level, not those aimed at citizens and society as a whole.

The migration “crisis” affects the whole of the EU and challenges the countries of the Eastern Neighbourhood, which are more vulnerable to shocks due to their geopolitical position. Migration from these countries to the EU enhances their resilience, in particular, through remittances from migrant workers (Chap. 16), which cannot only mitigate the effects of economic crises but also the impact of political conflicts. However, this phenomenon must be considered for a limited time, as remittances can also have destabilising macroeconomic effects.

All these analyses make it possible to consider the European policy of strengthening the resilience of the countries of the EaP in detail in terms of specific economic, political, geopolitical and social situations. It is also essential to integrate cultural dimensions. The analysis of cross-border and multicultural situations (Chap. 17) makes it possible to propose recommendations whose scope goes beyond the framework of the resilience policy and which can also be formulated for situations within the EU. Indeed, it appears that any policy of resilience should take into account multiculturalism, the promotion of cultural diversity and intercultural dialogue as factors in strengthening communities, both for the exercise of citizenship and for security purposes. This can only be achieved

by actively supporting not only local governments but also non-governmental organisations, ultimately all civil society organisations.

European policies are changing, not only through the exchange of “good practices” but also through institutional and certainly neighbourhood Europeanisation, in the broad sense. The European citizen builds himself in relation to his fellow human being, his neighbour, an “other”. The citizens of the European Neighbourhood Countries are slightly different neighbours, for European citizens, from the citizens of other member states. However, while proximity changes, migration and mobility transform the perceptions, cultural distances evolve and become internalised. Therefore, it is a question of integration, and even European integration. By establishing new sustainable political, economic, social and cultural relations with the societies of the six countries of the EaP, the EU is giving European citizens an opportunity to consider a common space, perhaps a common destiny, in a different way. It may even be a restart of the European project, perhaps a new “Europeanisation”.

Appendix A: Comparative Outlook on the Eastern Partnership Countries

Indicators	Armenia			Azerbaijan			Belarus		
	2004	Value	Latest	2004	Value	Latest	2004	Value	Latest
<i>Society</i>									
Population (in mil.)	3.0	2.9	2017	8.4	9.8	2017	9.7	9.5	2017
Age dependency ratio (% working-age pop.)	51.4	45.4	2017	51.1	41.4	2017	44.4	46.1	2017
Immigration stock (% pop.) (data from 2005)	0.3	0.3	2017	0.2	0.1	2017	0.2	0.2	2017
Human development index	0.7	0.8	2017	0.7	0.8	2017	0.7	0.8	2017
School enrolment, tertiary (% gross)	26.0	44.3	2017	15.0	25.5	2017	–	–	–
GINI index (scale, 0 = perfect equality, 100 = perfect inequality)	37.5	33.6	2017	26.6	–	–	26.5	25.4	2017
Life expectancy at birth (years)	72.5	74.8	2017	68.2	72.1	2017	69.0	74.1	2017
<i>Economy and business</i>									
Real GDP per capita (chained PPPs, 2011 US\$ mil.)	4657.1	9955.6	2017	3255.3	14879.0	2017	9784.8	17128.4	2017
Gross capital formation (% GDP)	0.2	0.1	2017	0.4	0.1	2017	0.2	0.2	2017
Government consumption (% GDP)	0.1	0.2	2017	0.2	0.1	2017	0.2	0.2	2017
Unemployment rate (pop. aged 25+)	12.9	15.9	2018	5.6	3.9	2018	0.7	0.4	2018
Employment rate (pop. aged 25+)	55.9	53.9	2018	68.5	69.6	2018	63.6	65.9	2018
Employment in agriculture (% total empl.)	38.0	33.3	2018	39.5	36.1	2018	10.9	10.6	2018

Georgia			Moldova			Ukraine			Source
2004	Value	Latest	2004	Value	Latest	2004	Value	Latest	
4.5	3.9	2017	4.2	4.1	2017	47.2	44.2	2017	PWT 9.1
52.0	51.6	2017	41.5	36.2	2017	44.3	47.0	2017	WB
0.2	0.2	2017	0.2	0.3	2017	0.1	0.1	2017	UN
0.7	0.8	2017	0.6	0.7	2017	0.7	0.8	2017	UN
41.0	43.4	2017	40.0	41.2	2017	66.0	82.3	2017	WEF
36.2	37.9	2017	35.0	25.9	2017	28.9	25.0	2016	WB and WEF
72.7	73.4	2017	67.7	71.7	2017	68.2	71.8	2017	WB
3991.5	11487.6	2017	2443.9	5515.7	2017	6434.4	9601.7	2017	PWT 9.1
0.2	0.1	2017	0.2	0.1	2017	0.2	0.1	2017	PWT 9.1
0.1	0.3	2017	0.1	0.2	2017	0.2	0.3	2017	PWT 9.1
11.0	10.1	2018	6.7	3.8	2018	7.5	7.9	2018	ILO
64.3	65.2	2018	54.2	44.1	2018	54.0	52.0	2018	ILO
54.0	42.9	2018	40.5	32.2	2018	20.9	15.3	2018	World Bank

(continued)

(continued)

Indicators	Armenia			Azerbaijan			Belarus		
	2004	Value	Latest	2004	Value	Latest	2004	Value	Latest
Employment in industry (% total empl.)	17.7	15.8	2018	11.9	14.4	2018	31.3	30.8	2018
Ease of doing business (scale, 1 = lowest, 100 = best performance)	–	75.4	2019	–	78.6	2019	–	75.8	2019
<i>Resources</i>									
Natural resources rents (% GDP)	1.0	4.8	2016	29.3	20.5	2016	1.8	1.5	2016
Fuels export (% GDP)	0.5	0.4	2017	32.9	30.4	2017	15.5	13.6	2017
Fuels (% total exports)	2.9	2.2	2017	79.0	89.8	2017	26.9	25.4	2017
<i>Institutions and governance</i>									
Freedom index (scale, 1 = most free, 7 = least free)	4.0	4.5	2018	5.5	6.5	2018	6.0	6.0	2018
Institutional quality (scale, –2.5 = lowest, 2.5 = best)	–0.3	–0.3	2017	–0.9	–0.7	2017	–1.0	–0.6	2017
<i>Foreign relations</i>									
FDI, inward stock (% of GDP)	6.5	2.1	2017	41.0	7.1	2017	0.7	2.4	2017
Trade (% GDP)	75.0	86.9	2017	121.5	90.7	2017	142.1	134.1	2017

Georgia			Moldova			Ukraine			Source
2004	Value	Latest	2004	Value	Latest	2004	Value	Latest	
8.8	13.2	2018	16.3	16.6	2018	26.2	24.3	2018	World Bank
–	83.3	2019	–	73.5	2019	–	68.3	2019	World Bank
1.0	0.9	2016	0.2	0.3	2016	4.6	3.8	2016	World Bank
0.4	0.7	2017	0.5	0.2	2017	5.1	0.7	2017	UNCTAD
3.5	3.8	2017	1.3	0.5	2017	10.4	1.8	2017	UNCTAD
4.0	3.0	2018	3.5	3.0	2018	4.0	3.0	2018	Freedom House
–0.5	0.4	2017	–0.6	–0.3	2017	–0.6	–0.7	2017	World Bank
9.6	12.3	2017	5.6	2.6	2017	2.6	2.0	2017	UNCTAD
79.7	112.5	2017	132.7	114.4	2016	113.8	103.6	2017	World Bank

Appendix B: Political and Governance System in the Eastern Partnership Countries

Country/ characteristics	Armenia	Azerbaijan	Belarus	Georgia	Republic of Moldova	Ukraine
Government type	Republic	Republic	Republic	Republic	Republic	Republic
Political regime	Parliamentary system	Presidential system	Presidential system	Semi-presidential system (in transition to parliamentary system)	Parliamentary system (with directly elected president)	Semi-presidential system
Legislative branch	Unicameral National Assembly	Unicameral National Assembly	Bicameral Parliament (Chamber of Representatives and the Council of the Republic)	Unicameral Supreme Council	Unicameral Parliament	Unicameral Supreme Council
Executive branch	Council of Ministers, appointed by the president and confirmed by the National Assembly	Council of Ministers, appointed by the president and confirmed by the National Assembly	Council of Ministers and prime minister appointed by the president, subject to confirmation by the Parliament	Cabinet of Ministers	Government (Cabinet of Ministers)	Cabinet of Ministers appointed by the president and approved by the Supreme Council
Judiciary branch	Three-level system (Tribunal Courts, Review Courts and Court of Appeals)	Supreme Court, Economic Court and ordinary and specialised law courts	Supreme Court and Economic Courts	Supreme Court, Supreme Courts of Autonomous Republics, Courts of Appeal, Circuit Courts and regional and city courts	Supreme Court of Justice, Court of Appeals, Tribunals and ordinary courts	Supreme Court, Courts of appeal, specialised courts and local courts
Local authorities	Regional governors, Community Councils and Community heads	Local councils and executive bodies	Regional executive committees, heads of district executive committees, local executive bodies and local councils	State commissioners, local elected bodies and executive bodies	Representative authorities (councils) and executive bodies (mayors)	Local state administrations, local councils and executive committees

Independence	21 September 1991	18 October 1991	25 August 1991	9 April 1991	27 August 1991	24 August 1991
Constitution	5 July 1995 (amended on 27 November 2005 and on 6 December 2015 through referenda.)	12 November 1995	30 March 1994 (revised November 1996)	17 October 1995	28 July 1994	28 June 1996
Administrative divisions	Marz (10) and communities (502) including Urban: (49, Yerevan city with 12 administrative districts)	59 rayons, 11 cities and 1 autonomous republic	6 oblasts and 1 municipality	67 districts, 2 autonomous republics and 8 cities	9 counties, 1 municipality, 1 autonomous territorial unit and 1 territorial unit	24 regions, 1 autonomous republic and 2 cities with special status
Self-government main regulation	Law on local self-government (1996, 2002)	Law on the Status of Municipalities (1999)	Law on Local Government and Self-government (1991, revised in 2000, 2010)	Organic Law on Local Government and Self-governance (1997)	Law no. 436/2006 on Local Public Administration	Presidential Decree no. 620/1997 on administrative reform
European Charter of Local Self-Government ratification	25/01/2002	15/04/2002	n.a.	08/12/2004	02/10/1997	11/09/1997
Freedom in the World rating (House)	4/7 partly free	6.5/7 not free	6.5/7 not free	3/7 partly free	3.5/7 partly free	3.5/7 partly free
(1 = most free, 7 = least free)						

Appendix C: Territories that Seceded from Eastern Partnership Countries

Abkhazia

Official name: The Republic of Abkhazia

Declared independence from Georgia in 1992. De facto independent.

Recognised by Russia and 4 other UN members.

Freedom score 2019 (Freedom in the World): 4.5 partly free.

Nagorno-Karabakh

Official name: The Republic of Artsakh (Nagorno-Karabakh Republic)

Declared independence from the Soviet Union in 1991. De facto independent from Azerbaijan.

No recognition from UN member states, although the Armenian Parliament passed a recognition bill.

Freedom score 2019 (Freedom in the World): Partly free.

Donetsk

Official name: Donetsk People's Republic
Declared independence from Ukraine in 2014.
No recognition from UN member states.

Lugansk

Official name: Lugansk People's Republic
Declared independence from Ukraine in 2014.
No recognition from UN member states.

South Ossetia

Official name: The Republic of South Ossetia—The State of Alania
Declared independence from Georgia in 1991. De facto independent.
Recognised by Russia and four others UN member states.
Freedom score 2019 (Freedom in the World): 6.5 not free.

Transnistria

Official name: The Pridnestrovian Moldavian Republic
Declared independence from Moldova in 1990, within the Soviet Union. De facto *independent*.
No recognition from UN member states.
Freedom score 2019 (Freedom in the World): 6 not free.

Appendix D: Country Profiles

Armenia

Area	29,743 km ²
Language	Armenian (official) 97.9% (2011 est.)
Religion	Armenian Apostolic 92.6% (2011 est.)
GDP per capita (PPP)	US\$9500 (2017 est.)
Poverty headcount ratio at US\$3.20 a day (% pop.)	12.3 (2017)

Geopolitical Risks and External Relations

Geopolitical risks/shocks: The frozen conflict of Nagorno-Karabakh (the region is now under de facto Armenian control but remains a lingering source of tension with its neighbour Azerbaijan), Velvet Revolution (31 Mar–8 May 2018).

Relations with the EU: the current relations with the EU are underpinned by the EU-Armenia Comprehensive and Enhanced Partnership. This agreement was signed at the last 2017 Eastern Partnership (EaP) Summit in Brussels and aimed at addressing Armenian citizens and at enhancing the governmental sector, democratic reform and development in areas such as transport, energy, environment and trade.

Relations with Russia: Russia, which controlled Armenia during the period of the Soviet Union, remains the most influential external power in the country to this day, despite Kremlin's recent pressures on Prime Minister Nikol Pashinyan and his reformist 'My Step' alliance (following Armenia's democratic Velvet Revolution in 2018). Because of ongoing tensions and disputes with its neighbours, Azerbaijan and Turkey, Armenia is economically isolated. As such, the country heavily depends on Russia, both economically and for military protection. Economically, Armenia became a full member of the Eurasian Economic Union on 2 January 2015, thus having Russia as its most important trading partner. Moreover, Armenia relies greatly on Russia in terms of security; Russia has two military bases in Armenia, sells its weapons and guards its border with Turkey and Azerbaijan. However, Armenia is of strategic importance for Russia as well, as it represents its only ally in the strategically crucial Caucasus.

Economy and Business

The economy of the country is dominated by the service sector, having a moderate industry and a low agriculture development. After the recent global crisis, the economy has constantly reached positive rates of economic growth (7.5% in 2017), gross domestic product (GDP) per capita following the same upward trend. Despite the improvements of its economic freedom (regarding the trade, labour market and monetary sector), there is much to be done in terms of investment in education, and research and development, which decreased in the past decade. Furthermore, the macroeconomic stability, poor infrastructure and the low quality of institutions are still hindering competitiveness of the economy. Also, transition index highlights vulnerabilities concerning the privatisation process and competitiveness policy.

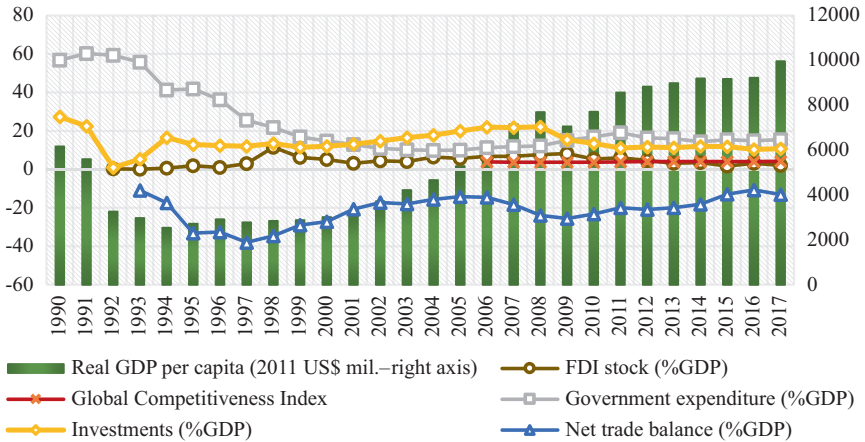


Fig. 1 Armenia: Macroeconomic evolution (Source: See Table 1 for sources and notes)

Resources

Armenia is located in the South Caucasus region of Eurasia. Armenia is a mountainous country and rich in mineral resources, such as gold, silver, zinc, iron and aluminium. Therefore, the mining activities are an important preoccupation for the local economy, iron and copper being exported in significant volume. Nevertheless, these natural resources do not support the energy sector of the country, so the country remains entirely dependent on massive energy imports. Hydropower is the only domestic energy resource in use, managing to provide about 30% of energy demands, while all the natural gas comes from Russia. Pollution illustrates an important problem; one of the most recent environmental challenges is Lake Sevan, with its volume depleting, and its water being polluted due to high exploitation for energy purposes.

Political Regime

Armenia has shifted from a semi-presidential to a parliamentary republic, following a national referendum in 2015 and amid peaceful protests that overhauled the political system, in 2018. The largely

ceremonial president is elected by the legislative body (the National Assembly) for a non-renewable seven-year term, without the possibility of re-election. The prime minister heads the government and is the strongest executive leader. The members of the unicameral National Assembly are elected for a five-year term using a party-list proportional system complemented by special provisions to facilitate the creation of a parliamentary majority.

Institutions and Society

After the fall of the Soviet Union, Armenia tried to create new state institutions to deal with internal and external challenges. Nevertheless, due to incomplete democratic reforms, it still faces fragile institutional arrangements and lack of good governance, which represent, in fact, barriers in the way of economic transformation. Although, in recent years, Armenia has made slight progress in terms of free judicial assistance, the population continues to have no trust in the judiciary system, the most often cited factors referring to the high level of corruption, lack of transparency in decision-making, incompetence, arbitrary application of the rule of law and low responsibility. The experience of the past years highlights that, in the face of severe economic shocks or a new internal political crisis, for the Armenian government, it will be difficult to find and implement coherent policies that are not based on hierarchical bureaucracy, increased dependence on informal power networks, but rather on formal institutions. Armenia's rankings in relevant cross-country political indexes: Fragile States Index 2019—ranked 105th in the world (least fragile among the six EaP countries); Corruption Perception Index 2018—ranked 105th in the world (ranked third among the six EaP countries, from least to most perceived as corrupt).

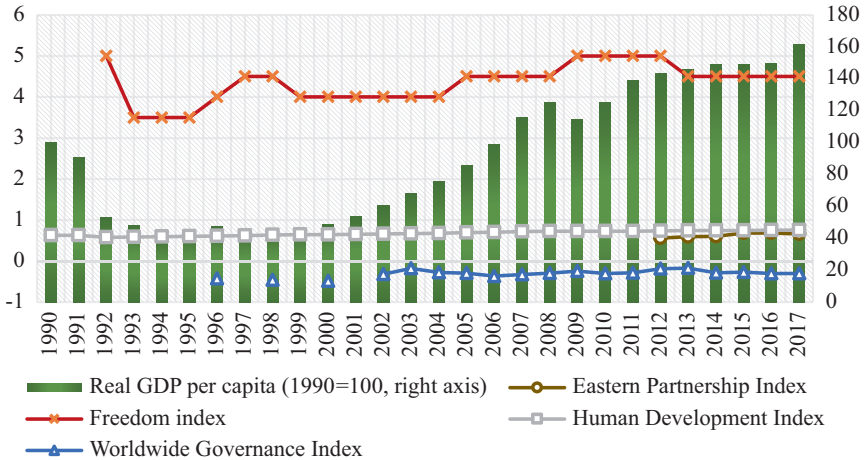


Fig. 2 Armenia: Freedom, good governance and development (Source: See Table 1 for sources and notes)

Azerbaijan

Area	86,600 km ²
Language	Azerbaijani (Azeri) (official) 92.5% (2009 est.)
Religion	Muslim 96.9% (predominantly Shia (2010 est.))
GDP per capita (PPP)	US\$17,500 (2017 est.)
Poverty headcount ratio at US\$3.20 a day (% pop.)	0.0 (2005)

Geopolitical Risks and External Relations

Geopolitical risks/shocks: tensions with powerful neighbours (Russia, Iran) and the frozen conflict of Nagorno-Karabakh (the region is officially under Armenian control but remains a source of tension with its neighbour Armenia).

Relations with the EU: The current bilateral working framework is undergirded by the 1999 EU-Azerbaijan Partnership and Cooperation Agreement. At the 2017 EaP Summit in Brussels, the two partners began negotiations on a new updated agreement. Energy issues are central to the negotiations.

Relations with Russia: Relations with Russia are overall amiable, with both ups and downs since the fall of the Soviet Union: although relations between the two countries are overall friendly, both having notable diasporas in each of the countries (more than half a million Azeris in Russia as well as a notable diaspora of Russians in Azerbaijan, which is the largest Russian diaspora in the region), there are numerous disagreements such as in the Nagorno-Karabakh conflict, the South Ossetian-Abkhazian conflict and the legal status of the Caspian Sea. Furthermore, since the Caspian has no ocean access, Azerbaijan has been able to leverage its energy resources and location by building the Southern Gas Corridor energy route. This helps the country balance regional powers and maintain sovereignty from Russia in ways that neighbours Georgia and Armenia cannot. These resources offer Azerbaijan a higher sovereignty, both economically and military, offering it more room for manoeuvres towards its powerful neighbours, and particularly towards Russia.

Economy and Business

Azerbaijan's economy is highly dependent on industry. After the recent global crisis, the importance of the industrial sector has decreased in favour of services; the agriculture contribution to GDP reaches 5%. The economy of the country was harshly affected in 2015 after the fall of international oil prices, both GDP growth and GDP per capita suffering a serious decline. Recovery was modest, limiting the investment in education and research even more, while perpetuating macroeconomic instability, the problems with innovation capacity, health sector or institutional fragility. The country's good infrastructure and the progress made in terms of government integrity and investment freedom place this country above the average world rankings with respect to competitiveness and economic freedom, but from the transition perspectives, the competition policy and the privatisation must become a priority.

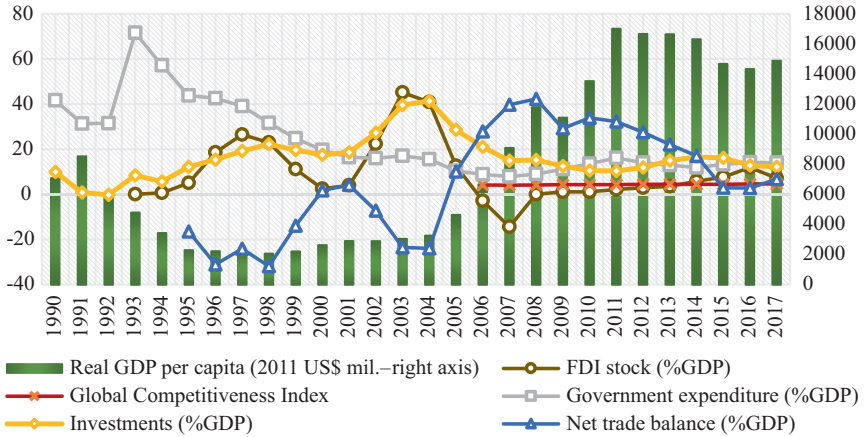


Fig. 3 Azerbaijan: Macroeconomic evolution (Source: See Table 1 for sources and notes)

Resources

Azerbaijan is placed at the crossroads of Eastern Europe and Western Asia. The country disposes of vast natural resources, like water, minerals and arable land, agriculture being an asset of development, in this respect. Azerbaijan has a clear advantage with the 8300 rivers used for hydro energy, irrigation and fishing. In addition, the country also has abundant reserves of minerals, gold, silver, copper and oil. On such a solid basis of resource endowment, Azerbaijan is a leading country in terms of sustainable development policy. Even so, in 2017, the economy remained strongly dependent on oil and gas output, which accounted for roughly 90% of its export revenues. Oil revenues in Azerbaijan have contributed towards economic growth but also a higher exposure to the external shocks, due to the variability in oil prices.

Political Regime

Azerbaijan is nominally a semi-presidential republic, with the executive power divided between the president and the government, but the president exerts an uncontested dominance in the political system. The

president is the head of state and is directly elected for a seven-year term, with no limitations on a person's number of terms in office. A two-round system is used for the presidential election: if no candidate receives a majority of the votes in the first round, a run-off between the two leading candidates is held. The president can appoint and dismiss the vice-presidents, including a first vice-president, who serves as acting head of state if the president resigns or is incapacitated. The president nominates the prime minister with the consent of the legislative body (Milli Majlis), but, if the latter rejects the presidential proposal three times in a row, the president can appoint a prime minister without parliamentary consent. The members of the unicameral Milli Majlis are elected for a five-year term in single-member constituencies, using the first-past-the-post system.

Institutions and Society

There is no judicial independence, laws are often violated and the European Court of Human Rights remains the last chance for some Azerbaijan people, although, in some cases, even the Court's decisions are ignored. The political system is oligarchic, based on nepotism, clientelism, high-level corruption system and personal loyalty rather than on the rule of law principles. Although Azerbaijan may have favourable conditions for good governance, there are some factors that have a decisive influence on this and also on development trajectories (the long-standing conflict between Azerbaijan and Armenia over the Nagorno-Karabakh region, the border with Iran and Russia, corrupt affairs, elite dependency on old inefficient governance programmes). Azerbaijan's rankings in cross-country political indexes: Fragile States Index 2019—ranked 76th in the world (most fragile among the six EaP countries); Corruption Perception Index 2018—ranked 152nd in the world (ranked last among the six EaP countries, from least to most perceived as corrupt).

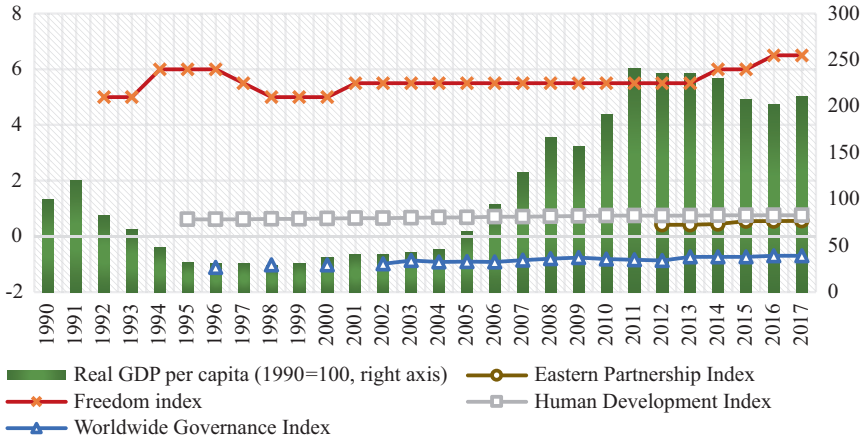


Fig. 4 Azerbaijan: Freedom, good governance and development (Source: See Table 1 for sources and notes)

Belarus

Area	207,600 km ²
Language	Russian (official) 70.2%, Belarusian (official) 23.4% (2009 est.)
Religion	Orthodox 48.3%, non-believers 41.1% (2011 est.)
GDP per capita (PPP)	US\$18,900 (2017 est.)
Poverty headcount ratio at US\$3.20 a day (% pop.)	0.0 (2017)

Geopolitical Risks and External Relations

Geopolitical risks/shocks: Jeans Revolution (19–25 March 2006), Zubr protest of 25 March 2005.

Relations with the EU: The EU's relations with Belarus have strengthened over the past years. Yet, negotiations on an agreement between the two are still under way. The advancement of negotiations has been often hindered by Belarus' modest track on human rights, including freedoms of speech, expression and media.

Relations with Russia: Russia is the largest and most important partner for Belarus in terms of both political and economic matters. The Treaty on Equal Rights of Citizens between Belarus and Russia was signed in December 1998, covering employment and access to medical care and education. Moreover, Belarus has joined Russia's economic integration project, the Eurasian Economic Union since its inception on 29 May 2014 and is also a part of the supranational organisation Union State of Russia and Belarus; it is also a key trade and transit hub for Russian energy to Europe, making the country an enduring focus of competition between Russia and the West.

Economy and Business

The sectoral economic profile of the country highlights the strong industrial and service sectors in combination with a moderate agricultural development; in this context, Russia's recession and the lack of external demand decoupled the economy of Belarus from its 'growth miracle' in 2015. Even so, the economic revival occurred, even though it was moderate because of weak and ageing infrastructure, slow privatisation and enterprise restructuring process, inefficient competition policy, tax burden and the limited trade freedom. In spite of the country's higher investments in education (4.95% of GDP in 2016) and also in research and development (0.49% of GDP in 2017), Belarus has low competitiveness and economic freedom, especially because of the political regime.

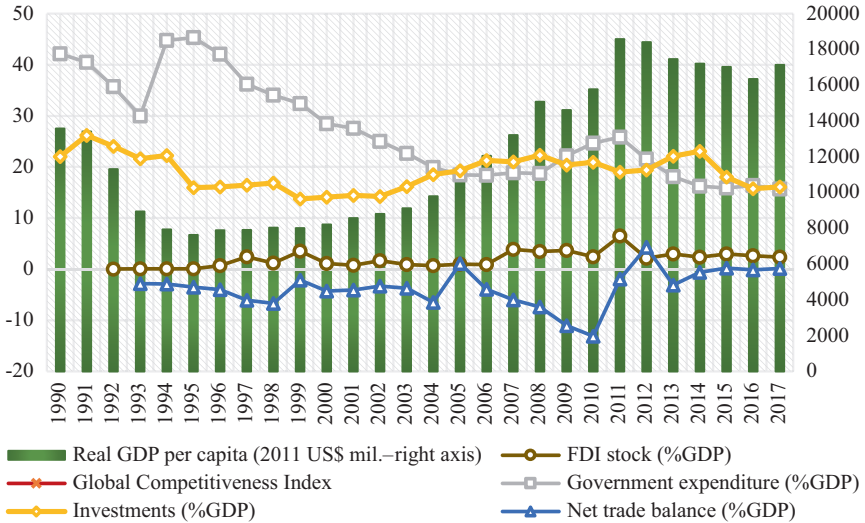


Fig. 5 Belarus: Macroeconomic evolution (Source: See Table 1 for sources and notes)

Resources

Despite being a landlocked country, it is an important trade route between Europe and the Commonwealth of Independent States (CIS). Belarus has limited natural resources in terms of oil and gas, but one of the largest proportions of forest area from the entire EaP block, together with Georgia. Consequently, the existing peat deposits are exploited as a source of fuel used for heating, but also as an energy source for the electric power plants. Such reserves sustain the prominent forestry industry where the state-owned enterprises control the situation, timber being one of the most important products. Belarus is 100% dependent on the gas imported from Russia, and this prevented Belarus from pursuing the fundamental market reforms. The chemical and petrochemical industries are big polluters, by having extremely high emission of carbon and nitrogen oxides. Being landlocked between other European countries, with a flat terrain suitable for agricultural use, Belarus is suffering consequences of climate change reflected on yield, river flow and the rise of the average annual temperature.

Political Regime

Belarus is a presidential republic, despite certain constitutional provisions that are characteristic to semi-presidential regimes. The president is the head of state and is directly elected for a five-year term, with no limitations on a person's number of terms in office. A two-round system is used for the presidential election: if no candidate receives a majority of the votes in the first round, a run-off between the two leading candidates is held. The president nominates the prime minister with the consent of the House of Representatives (the lower chamber of the bicameral legislature, the National Assembly) and has substantial executive powers. The members of the House of Representatives are elected for a five-year term in single-member constituencies, using the first-past-the-post system.

Institutions and Society

The judicial system in Belarus is frequently used as a pressure tool on democratic opposition, on the one hand, and on local businessmen, on the other; the reason often invoked being the disloyalty to lobbyists. Belarus is the only country in Europe that continues to execute the death penalty. State authorities are not working to review this practice, despite the heavy criticism from the international community. Perhaps, for this reason, it is one of the least corrupt countries in the Commonwealth of Independent States, with great intolerance to official corruption. The precariousness of an adequate development strategy, conflicts of interest, the existence of anti-democratic actors (the so-called *siloviki*), essentially translates into the inability of the Belarusian government to overcome the crisis and stabilise the economy as a whole. Belarus' rankings in relevant cross-country political indexes: Fragile States Index 2019—ranked 99th in the world (4th most fragile among the six EaP countries); Corruption Perception Index 2018—ranked 70th in the world (ranked 2nd among the six EaP countries, from least to most perceived as corrupt).

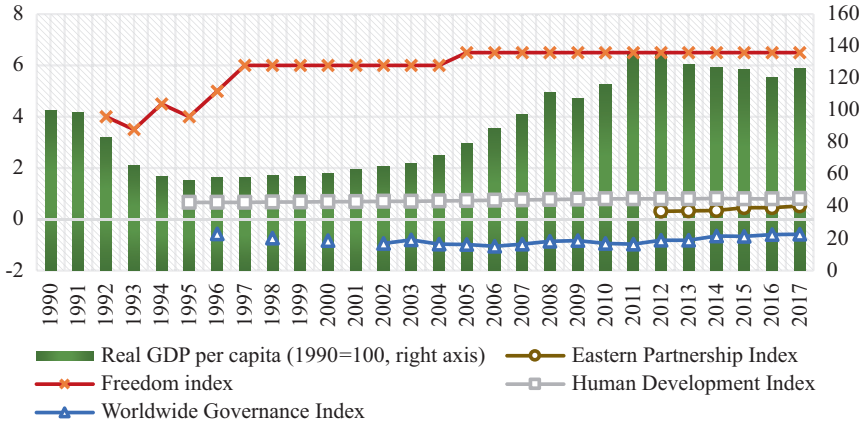


Fig. 6 Belarus: Freedom, good governance and development (Source: See Table 1 for sources and notes)

Georgia

Area	69,700 km ²
Language	Georgian (official) 87.6%, Azeri 6.2% (2014 est.)
Religion	Orthodox (official) 83.4%, Muslim 10.7% (2014 est.)
GDP per capita (PPP)	US\$10,700 (2017 est.)
Poverty headcount ratio at US\$3.20 a day (% pop.)	16.3 (2017)

Geopolitical Risks and External Relations

Geopolitical risks/shocks: War with Russia in August 2008 (secessionist regions: Abkhazia and South Ossetia—supported by Russia), the 1991–1993 Georgian Civil War; the 1991–1992 South Ossetian War; the 1991–1994 War in Abkhazia; the 2004 war Georgia versus South Ossetia; the Rose Revolution (3–23 November 2003); Russia bans imports from Georgia on agricultural products.

Relations with the EU: The EU-Georgia relations have developed positively over the past couple of years. In 2014, the two partners signed an Association Agreement, while a Deep and Comprehensive Free Trade Area entered into force in 2016. Both political and economic ties have strengthened, while Georgians benefit from a visa-free regime to travel to the Schengen area since 2017.

Relations with Russia: The territories of Abkhazia and South Ossetia established de facto independence from Georgia with the help of Russia in a 2008 war. Because of Georgia's disputes with Russia and its military vulnerability, Tbilisi has sought to integrate with Western blocs like the North Atlantic Treaty Organization (NATO) and the European Union. However, Georgia's geographic distance from Europe and its exposure to Russia have made that a difficult prospect. Thus, Tbilisi also seeks supplementary partnerships with countries like Azerbaijan and Turkey. Georgia has favoured the Western Bloc since independence, desires NATO membership and no longer depends on Russian natural gas.

Economy and Business

Services represent the main sector of the economy, followed by industry and agriculture; therefore, the economy was hit after Ukraine's crisis in 2014 and Russia's recession in 2015, but the recovery was fast. GDP growth rate slowed during this time span, but it reached a 4.83% expansion in 2017. The secret of Georgia's success resides in increased economic freedom, ranking 16th in the entire world, given its strengthening of the rule of law, lowering tax burden and government spending, increasing the quality of infrastructure or higher financial freedom. There are many positive transition outcomes, like trade openness, effective privatisation and price liberalisation, but it suffers in terms of competitiveness, given the limited innovation capacity, macroeconomic stability and market size.

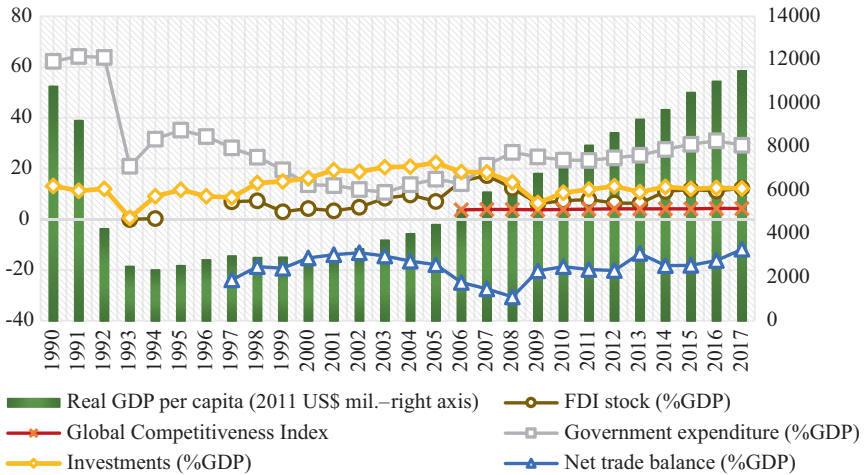


Fig. 7 Georgia: Macroeconomic evolution (Source: See Table 1 for sources and notes)

Resources

Georgia is a country located in the mountainous South Caucasus region of Eurasia. The country is rich in energy resources, having impressive deposits of silver, gold, iron, granite, coal, manganese and copper and has more than 40% of its land covered by forest. Therefore, the timber production and wood processing industry are important in the local economy. Natural minerals and curative mineral waters illustrate other important resources. Georgia is not overly dependent on Russia's energy, but, on the contrary, it is entirely dependent on the imports of natural gas coming from Azerbaijan. The country suffered severe environmental degradation during the Soviet period, given the emphasis on heavy industry and poor waste management. Significant shares of agricultural land have been lost, due to land erosions, and thus Georgia is dealing presently with high pollution.

Political Regime

Georgia is currently in transition from a semi-presidential to a parliamentary regime, following the 2017 constitutional amendments. The dual executive will be replaced by a system in which the prime minister wields full executive powers as the head of government, with a ceremonial president. The current president was directly elected in 2018, using a two-round system, but starting from 2024, the head of state will be elected by an Electoral College including the members of the Parliament of Georgia, as well as members of the regional and local representative bodies. The current electoral system for the Parliament combines proportional representation in a national constituency with majority run-off in single-member constituencies, but a fully proportional system will be used beginning with 2024.

Institutions and Society

Although not so obvious, up until 2012, Georgia still has problems related to the enforcement of civil rights. The adoption of the EU-Georgia Association Agreement, which entered into force on 1 July 2016 and which means the alignment of the internal reforms to the European model has left behind the post-Soviet states' path dependence somehow. In trying to overcome the existing vulnerabilities, over the past two decades, a system reconfiguration has been attempted by adapting legislation to EU regulations, modernising public institutions, reducing informal practices in relations to state bureaucracy, significantly reducing corruption, strengthening the judicial system and involving civil society in decision-making. However, in many areas of activity, informal networks, including those at higher levels, are still in use, through which even public policies can be negotiated. Georgia's rankings in relevant cross-country political indexes: Fragile States Index 2019—ranked 81th in the world (2nd most fragile among the six EaP countries); Corruption Perception Index 2018—ranked 41st in the world (ranked 1st among the six EaP countries, from least to most perceived as corrupt).

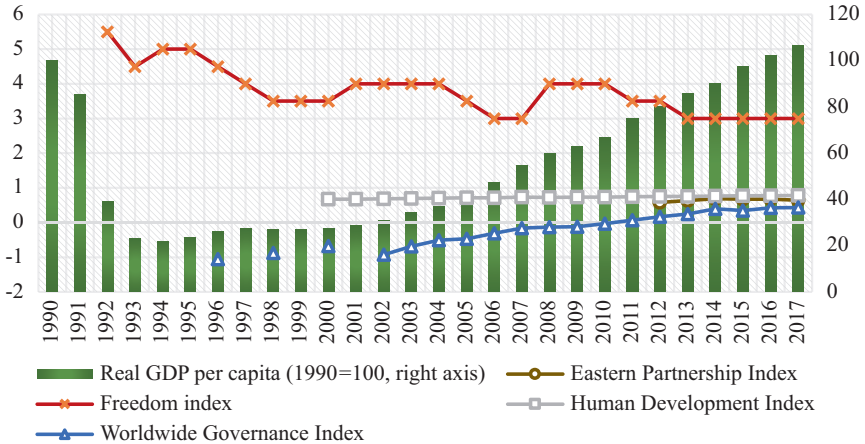


Fig. 8 Georgia: Freedom, good governance and development (Source: See Table 1 for sources and notes)

Republic of Moldova

Area	33,851 km ²
Language	Moldovan/Romanian 80.2% (official), Russian 9.7% (2014 est.)
Religion	Orthodox 90.1% (2014 est.)
GDP per capita (PPP)	US\$6700 (2017 est.)
Poverty headcount ratio at US\$3.20 a day (% pop.)	1.1 (2017)

Geopolitical Risks and External Relations

Geopolitical risks/shocks: Transnistrian frozen conflict—the 1991–1992 Transnistrian War (secessionist region Transnistria—supported by Russia); Grape Revolution (6–12 April 2009); Russian bans on imports from Moldova on agricultural products.

Relations with the EU: The relations between the EU and Moldova have functioned since 2014 under the umbrella of the Association Agreement which, alongside with a Deep and Comprehensive Free Trade Agreement, entered into force in 2016. Currently, the EU is by far Moldova's biggest trading partner. Likewise, since 2014, Moldovan citizens holding biometric passports have had a visa-free regime to travel to the Schengen area.

Relations with Russia: Relations with Russia are largely dependent on the doctrines of Moldova's presidents. Subsequently, with both ups and downs, since the Soviet Union collapsed, at present, Moldova has a friendly approach towards Russia, considering President Dodon's policy of tightening links with the federation. Transnistria remains de facto out of the control of the Moldovan government and is supported financially and militarily by Russia.

Economy and Business

The economy of the country is mainly based on services, but the agricultural and industrial sectors are becoming more prominent in terms of GDP share. The recent global crisis, as well as the Ukrainian crisis, generated a significant reduction in GDP of more than 5% during both crises, while Moldova's GDP per capita remained the lowest in the entire EaP group. The economic picture contradicts the largest investment in education from the entire Eastern area, of more than 6.68% of GDP, or the significant investment in research and development of 0.53% of GDP in 2017. Moldova has a poor infrastructure, problems in terms of economic freedom, with low trade and labour freedom and problems with government integrity but also issues with institutional fragility, macroeconomic stability or market size, aspects that make it less competitive and reluctant to the perspective of transition outcomes.

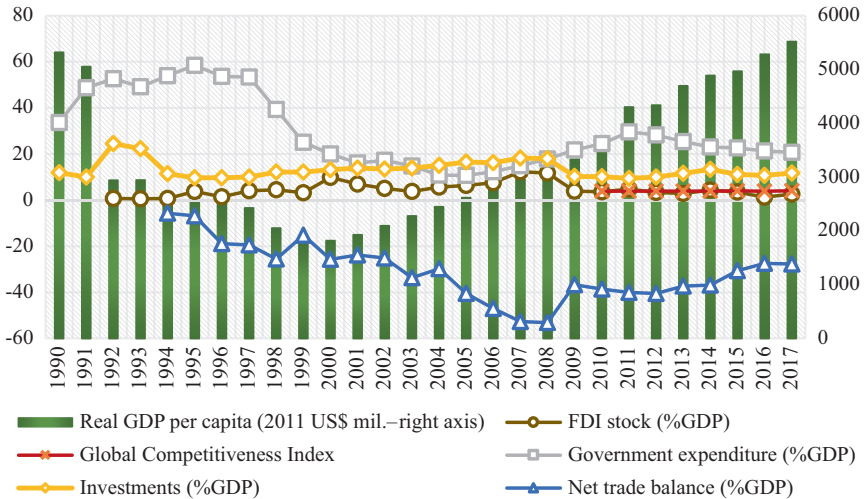


Fig. 9 Moldova: Macroeconomic evolution (Source: See Table 1 for sources and notes)

Resources

Moldova is located at the eastern edge of Europe. Here, the arable land is the most important natural resource, and iron is the most important mineral. The country also has significant deposits of limestones. Moldova has an underdeveloped gas infrastructure and is highly dependent on Russia's gas and electricity delivered through the Russian-controlled area—Transnistria. Moldova failed to diversify its energy sources; therefore, it imports 98% of its energy from Russia. Landslides illustrate the main natural hazard to which Moldova is exposed, due to the poor farming methods. Heavy use of agricultural chemicals, including banned pesticides such as DDT, has contaminated the soil and groundwater.

Political Regime

Moldova is a parliamentary republic, although the Constitution has been amended to provide for the direct election of the president. The latter is the head of state and is directly elected for a four-year term, with a limitation of two consecutive terms in office. A two-round system is used for the presidential election: if no candidate receives a majority of the votes in the first round, a run-off between the two leading candidates is held. The president nominates the prime minister after consultations with the parliamentary groups but, once the government receives the parliamentary vote of confidence and is sworn in, it is accountable only to the Parliament. The members of the Parliament are elected for a four-year term using a mixed electoral system.

Institutions and Society

The Republic of Moldova has a very corrupt legal system, while there are serious deviations from the rule of law among both the political groups and the business environment. Public policies are not transparent, with a strong abuse of power by state officials. According to various polls, many citizens believe in the reconstruction of the state institutions by bringing Moldova closer to European values. The implemented reforms did not lead to the depoliticisation of state institutions, the system of public finances not being transparent. Moldova is characterised by an increased institutional fragility, at almost every level, international partners (the EU and, to a certain extent, the United States) representing actors supporting pro-democracy, pro-free market reforms in this country. Historical incrementalism, cultural stereotypes and norms in Moldovan society are strongly correlated to the level of development. Moldova's rankings in cross-country political indexes: Fragile States Index 2019—ranked 103rd in the world (5th most fragile among the six EaP countries); Corruption Perception Index 2018—ranked 117th in the world (ranked 4th among the six EaP countries, from least to most perceived as corrupt).

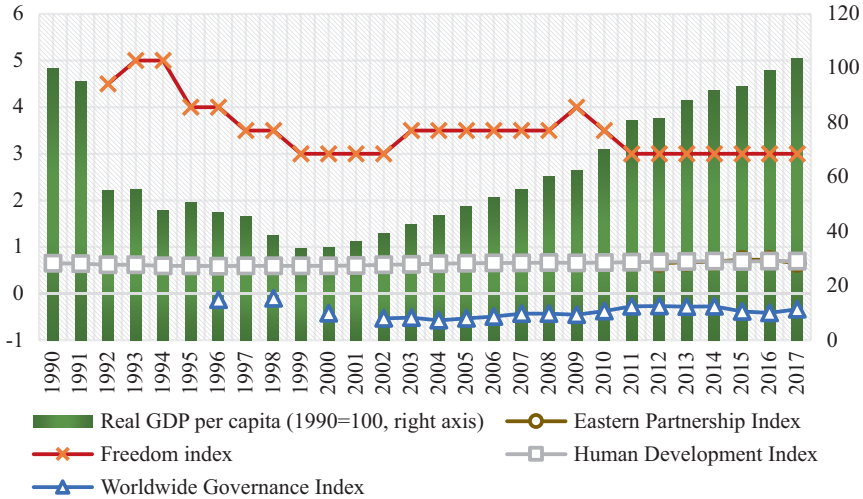


Fig. 10 Moldova: Freedom, good governance and development (Source: See Table 1 for sources and notes)

Ukraine

Area	603,550 km ²
Language	Ukrainian (official) 67.5%, Russian (regional language) 29.6% (2001 est.)
Religion	Orthodox approx. 66%, Ukrainian Greek Catholic 8–10% (2013 est.)
GDP per capita (PPP)	US\$8800 (2017 est.)
Poverty headcount ratio at US\$3.20 a day (% pop.)	0.5 (2016)

Geopolitical Risks and External Relations

Geopolitical risks/shocks: 2014–2017 Donbass War (secessionist region Donbass—supported by Russia), Euromaidan revolution in 2014, Russia’s annexation of Crimea, Orange Revolution (Nov 2004–Jan 2005); gas disputes with Russia (Disputes of the 1990s, Dispute of 2005–2006, Dispute of 2007–2008, Dispute of 2008–2009, Dispute of 2013–2014, November 2015 gas supplies stop); Russian bans on imports from Ukraine.

Relations with the EU: The EU-Ukrainian bilateral relations have been governed under the Association Agreement, including the Deep and Comprehensive Free Trade Agreement, since 2017. Apart from being the main trading partner for Ukraine, the EU has contributed through political assistance and financial help to the reform process in Ukraine and has supported the country's territorial integrity and sovereignty. Since 2017 a visa-free travel regime has been put in place for the Ukrainian citizens holding biometric passports.

Relations with Russia: The Ukraine crisis has undoubtedly strained relations between Ukraine and Russia. However, Ukraine's wide-open geography is inextricably linked to that of Russia. Ukraine's agricultural and industrial belts have traditionally been integrated with Russia's, and Ukraine serves as the primary transit state for Russian energy exports to Europe.

Economy and Business

The structure of Ukraine's GDP reconfigured after the global crisis (2009) and the internal crisis (2014). Whereas the industry and agriculture gained a leading role in boosting the economy, the contribution of services decreased. Being well inserted into the global economy, Ukraine suffered the biggest economic decline of about 14.76% in 2010, while the effects of the recent national crisis determined a contraction of GDP by 9.77% in 2015 and poor levels of GDP per capita even after the recovery. Ukraine has the second-largest expenditures with education and research and development from the EaP area of 5% and 0.45%, respectively, as shares in GDP in 2017, and also moderate improvements in terms of infrastructure quality. Transition outcomes emphasise trade openness, good privatisation and price liberalisation, but, despite these achievements, Ukraine is experiencing limited competitiveness and moderate economic freedom due to macroeconomic instability, poor institutions, problems with government integrity and low competition policy.

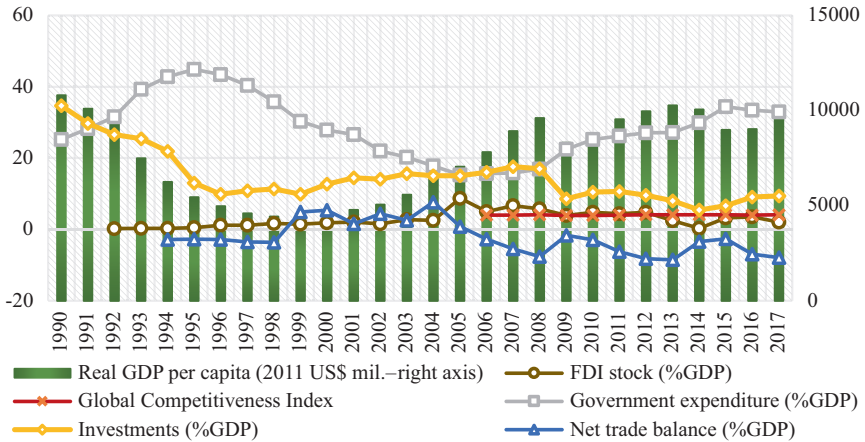


Fig. 11 Ukraine: Macroeconomic evolution (Source: See Table 1 for sources and notes)

Resources

Ukraine, the second-largest country in Europe, has a strategic position in Eastern Europe. Its natural resources are variate and vast, meaning a mix between fertile soils and immense arable lands and mineral resources like zirconium, iron, manganese, titanium, oil, natural gas, sulphur, uranium and other non-metallic materials of great importance for industrial activities. Coal reserves and hydropower potential illustrate other advantages for the economy of the country. Nevertheless, Ukraine is heavily dependent on fossil fuels and nuclear power for its energy consumption, being also vulnerable due to the prominent gas imports from Russia. Hydroelectricity accounts for less than 10% of the country's electricity production, while the contribution of other renewable sources is negligible.

Political Regime

Ukraine is nominally a semi-presidential republic, with the executive power divided between the president and the government. The president is the head of state and is directly elected for a five-year term, with a

limitation of two terms in office. A two-round system is used for the presidential election: if no candidate receives a majority of the votes in the first round, a run-off between the two leading candidates is held. The president nominates the prime minister after consultations with the parliamentary groups but, once the government receives the parliamentary vote of confidence and is sworn in, it is accountable only to Parliament. The members of Parliament (the Supreme Council) are elected for a five-year term using a mixed electoral system: half of the seats are awarded in single-member constituencies, using the first-past-the-post system, and the other half in a national constituency, using proportional representation. However, Parliament is currently considering an amendment that would introduce a new, fully proportional system.

Institutions and Society

The lack of a tradition concerning the rule of law makes Ukraine a country where the legal system has many deficiencies. As justice has had the lowest level of trust in society, in 2016, the reform of the judicial system, which should be an independent one, was launched. Along with the negative effects of the crises from 2009 and 2014, it was attempted to attract more representatives from academia, private sector, civil society in top positions in some ministries and other state institutions. Political corruption is widespread in society, and institutions have not been prepared to cope with economic shocks over time. Starting with 2014 (Euromaidan), the trust in civil society has recorded the highest level of all years of independence, the fight against corruption being one of the major objectives to be achieved through structural reforms (e.g. the successful introduction of an online public procurement system in 2015). Ukraine's rankings in cross-country political indexes: Fragile States Index 2019—ranked 91st in the world (3rd most fragile among the six EaP countries); Corruption Perception Index 2018—ranked 120th in the world (ranked 5th among the six EaP countries, from least to most perceived as corrupt).

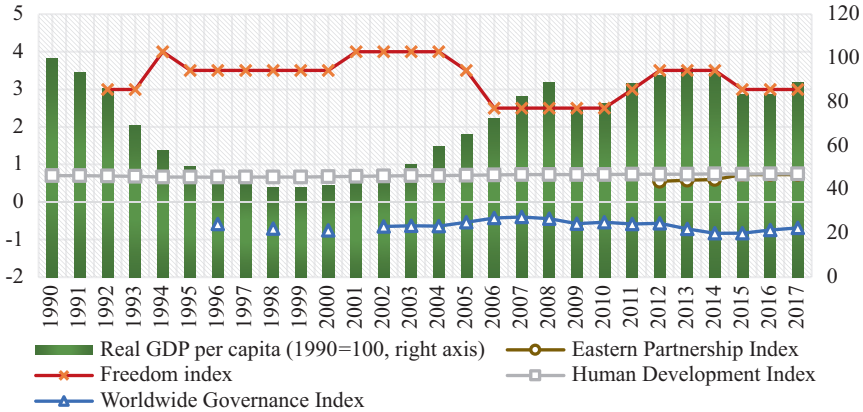


Fig. 12 Ukraine: Freedom, good governance and development (Source: See Table 1 for sources and notes)

Table 1 Technical notes on country sheets figures

Indicators	Source
FDI stock (% GDP)	UNCTAD
Global Competitiveness Index	World Economic Forum
Government expenditure (% GDP)	Penn World Table 9.1
Investments (% GDP)	Penn World Table 9.1
Net trade balance (% GDP)	UNCTAD
Real GDP per capita (2011 US\$ mil.—right axis)	Penn World Table 9.1
Eastern Partnership Index (scale, 0 = worst, 1 = best performance)	Eastern Partnership Civil Society Forum
Freedom index (scale, 1 = most free, 7 = least free)	Freedom House
Human Development Index (scale, 0 = low, 1 = very high human capital)	World Bank
Corruption Perception Index (scale, 0 = highly corrupt, 100 = very clean)	Transparency International
Fragile States Index (scale, 1 = most, 7 = least fragile)	Funds for Peace
Real GDP per capita (1990 = 100)	Calculations using data from Penn World Table 9.1
Worldwide Governance Index (scale, -2.5 = lowest, 2.5 = best)	World Bank
Area	CIA Database
Language	CIA Database
Religion	CIA Database
GDP per capita (PPP)	CIA Database
Poverty headcount ratio at US\$3.20 a day (2011 PPP) (% of pop.)	World Bank

Index¹

A

- Absorption capacity, 90, 434
- Accountability, 51, 64, 391
- Actorness, 17, 140, 142, 144, 145, 153, 159–183, 454
- Adaptability, 13, 391, 393, 403, 404
adaptation, 14, 19, 75, 296, 299, 302, 311, 376, 383, 388, 391, 431, 515–536
- Administrative reforms, 51, 54, 60, 61, 65, 74, 80, 544
- Annexation, 7, 29, 96, 99, 101, 104, 140–146, 164, 173, 178, 180, 226, 230, 232, 233, 237, 239, 272, 274, 542, 581
- Armenia, 5, 7, 10, 28, 50, 52, 54, 55, 60, 64–78, 80, 90, 92–94, 96–102, 106, 107, 109–114, 117, 119–123, 125, 127–129, 131, 178, 207, 221, 246, 248, 260, 272, 274–276, 283, 325, 330, 332–334, 337, 339, 436, 440, 477, 483–486, 488n10, 491, 494, 495, 497, 541–543, 562–566, 568
- Association Agreement (AA), 5, 10, 36, 41, 54, 72, 77, 163–164, 176, 181, 194, 222, 225–227, 389, 437, 440–444, 574, 576, 578, 582
- Attractiveness, 9, 10, 175, 240, 324, 482, 528
- Authoritarian regimes, 20, 30, 172, 177, 447–454, 458, 459, 462, 466, 468–471, 547

¹Note: Page numbers followed by 'n' refer to notes.

- Azerbaijan, 5, 7, 11, 20, 29, 39, 50, 52, 54, 55, 57, 60, 64–80, 90, 92–94, 96–99, 101–104, 106, 107, 109–114, 117, 119–121, 123, 125, 127–130, 132, 177, 178, 207, 221, 246, 248, 260, 272, 275, 276, 283, 325, 331–334, 337, 339, 436, 447–471, 477, 484–487, 487n9, 488n10, 493, 495, 541, 542, 547, 559, 561, 562, 566–569, 574, 575
- B**
- Baltic states, 19, 279, 372, 382–384, 392, 393, 402–406
- Beck, Ulrich, 140, 142–144, 151, 152, 515
- Belarus, 5, 7, 10, 11, 28, 50, 52–64, 67, 74, 76–80, 90, 92–94, 97–108, 110–114, 117, 119–123, 125–128, 130, 132, 177, 178, 222, 246, 248, 260, 272, 274–276, 283, 325, 331–335, 338, 339, 349, 352n1, 385, 388–390, 436, 477, 486, 488n10, 493n11, 495, 541–543, 569–573
- Belt and Road Initiative (BRI), 248–250, 272, 273, 275, 467
- Bigo, Didier, 147
- Bildt, Carl, 145, 153
- Border
 - borderland, 20, 147, 272, 276, 403, 404, 515–536
 - economies, 352, 356
 - effect, 351, 359, 365
 - regions, 19, 351–352, 355–357, 365, 517
- Business
 - regulations, 128, 398
 - resilience, 300
- Buzan, Barry, 147, 168
- C**
- Caucasus, 92, 96, 99, 248, 274, 276, 562
- Central and Eastern Europe (CEE), 26, 35, 41, 248, 257n3, 262, 298, 310, 431, 433, 434, 476, 481–483, 481n2, 488n10, 492, 499–504, 507, 516
- Central Asia (CA), 149, 248, 261, 272–275, 481–483, 481n1, 483n5, 488n10, 492, 494, 495, 497, 499–504, 507, 543
- Centralization, 56, 62, 65, 73
- Civil society, 17, 19, 36, 52, 60, 63, 71, 72, 74–77, 79, 80, 150, 153, 164, 177, 206, 207, 225, 295, 388, 389, 404, 406, 432–435, 443, 444, 449–460, 462, 463, 470, 471, 545, 546, 548, 576, 584
- Cluster analysis, 394, 398
- Coastal, 357, 360, 361, 364, 365
- Cohesion Policy, 6, 19, 351
- Cold War, 9, 16, 32, 39, 148, 219, 249, 253, 254, 256, 543
- Commoditisation of culture, 525
- Competitiveness, 90, 92, 129, 131, 296, 324, 465, 485, 519, 562, 566, 570, 574, 582
- Composite index, 324, 325, 330, 391
- Conditionality, 5, 12, 19, 36, 144, 146, 172, 176, 177, 222, 239, 371, 433, 434, 445

- Conflicts, vi, 10, 16–18, 20, 27,
29–34, 40, 43, 44, 61, 62, 96,
101, 109, 112, 117, 124, 128,
146, 160–162, 164, 172, 173,
194, 195, 206, 208, 210, 220,
221, 224–232, 239, 240, 253,
272, 274, 276, 294, 305, 308,
322, 332, 373, 379, 384, 385,
389, 390, 399, 403, 440, 455,
476, 477, 479, 480, 486–489,
487n9, 491–493, 495–504,
518, 533, 536, 542, 543, 545,
547, 561, 565, 566, 568, 572,
577
- Constitution, 61, 69, 71, 72, 168,
225n2, 226, 382
- Consultation, 57, 58, 61, 66, 76,
162, 245, 449, 450, 469, 580,
584
- Copenhagen school, 147
- Core, 43, 51, 75, 105, 142, 209,
210, 224, 253, 299, 302, 314,
351, 352, 370, 371, 435
- Corporate resilience, 300
- Corruption, 7, 51, 52, 60, 76, 77,
79, 80, 91, 93, 109, 117, 129,
131, 132, 177, 298, 322, 326,
332, 333, 371, 381, 383, 388,
389, 391, 393, 396, 397, 403,
445, 451, 456, 457, 461, 470,
496, 545, 547, 564, 568, 572,
576, 584
- Cosmopolitan empire, 142–144
- Creative destruction, 378, 403
- Credit market regulations, 398
- Crimea, 7, 29, 38, 40, 96, 99, 101,
104, 140–146, 164, 173, 178,
180, 221, 226, 227, 230–232,
235, 237, 239, 271, 272, 389,
442, 542, 581
- Crises, 25–44, 89, 91, 107, 114,
117, 121, 123, 125, 126, 149,
151, 162, 163, 181, 193, 194,
196, 203–205, 211, 294, 295,
297, 300–302, 304–312, 314,
397, 402, 456, 479, 542, 543,
545, 578, 584
- Culture of resilience, 293, 297
- D**
- Decision-making, 17, 58, 61–63, 66,
69, 70, 79, 144, 165, 180,
198, 206, 208, 246, 257n3,
314, 452, 461, 462, 470, 564,
576
- Democracy
democratic development, 75, 297,
438
democratic elections, 228
- Development, 4, 5, 7–9, 11–17,
19, 21, 28, 30, 37, 38, 43,
49, 50, 52–54, 57, 58, 65,
67–69, 71–76, 78, 80,
89–132, 145, 151, 154, 161,
165, 168, 169, 174, 180,
203, 208, 209, 219, 220,
222–224, 235, 239, 249,
273, 275, 294–298, 300–302,
304, 306, 307, 314, 324,
326, 327, 330, 332–336,
338, 351–353, 355, 369,
372–374, 376, 378, 381–383,
385, 388, 390–393, 397,
402–406, 432, 436, 438,
440, 450, 451, 465–468,
495, 498, 533, 534, 536,
543, 544, 562, 565, 567–570,
572, 573, 577, 578, 580–582,
585

- Diplomatic instruments, 231
- Division of powers, 54, 57, 61, 63, 64, 66, 68, 70, 71, 79
- E**
- EaP Index, 75, 76
- Eastern Neighbourhood, 4–12, 16, 17, 25–44, 49–80, 139–154, 159–183, 193–210, 296, 370, 406, 432, 435–437, 448, 543, 547
- Eastern neighbours, 8, 19, 26, 30, 36, 42–44, 55–64, 95, 146, 149, 153, 170, 402–404, 406, 432, 442, 444, 543, 545
- Eastern Partnership (EaP), 4–12, 36, 50–54, 74–78, 89–132, 139–154, 160, 222, 245–276, 293–315, 325, 327–338, 365, 370, 406, 431–445, 447, 448, 450, 455n2, 457, 458, 465, 468, 469, 476, 477, 480–488, 488n10, 541–544, 562
- Econometric model, 327, 333, 337, 339
- Economic
- crisis, 8, 15, 19, 350, 353, 355, 357, 359, 360, 364, 384, 392, 401, 403, 405, 482, 486, 546
 - dynamics, 12, 17, 89–132, 544
 - fragility, 117, 126, 130
 - growth, 108, 129, 233, 326, 332–336, 338, 351, 377, 389, 449, 477, 482, 485, 487–489, 491–493, 495–498, 562, 567
 - resilience, 14, 19, 89, 90, 104, 107, 322–339, 344–345, 349–365, 443, 448, 452–454, 464–468, 470, 546, 547
 - resilience analysis, 18, 321–339
 - shock, 323, 349, 350, 352–356, 365, 564, 584
 - stability, 238, 326, 330, 333, 334, 338
- Effectiveness, 9, 17, 49–80, 93, 127, 164, 166, 170, 174, 178, 231, 372, 404, 522, 527, 544, 545
- Efficiency, 7, 16, 58, 75, 78, 92, 128, 162, 210, 324, 335, 372, 374, 376, 379, 385, 406, 443, 445, 498
- Emigration, 112, 477, 482–484, 483n5, 484n6, 484n7, 496
- Employment, 89, 99, 100, 112–114, 323, 325, 327, 328, 333, 337, 339, 354, 356, 358–360, 362, 397, 398, 402, 443, 570
- Enforcement, 94, 173, 206, 326, 394, 401, 576
- of contracts, 326, 394, 401
- Engagement, 61, 74, 75, 77, 80, 150, 161, 169, 273, 304, 443, 453, 457, 464, 470, 471
- Enlargement, 5, 26, 35, 144, 152–153, 159, 160, 162, 171, 175–178, 180, 182, 204, 213, 222–224, 310, 322, 432–436, 438, 480
- Ethical power, 140–146
- Euclidean distance, 395, 399, 422
- European attitudes, 52, 219, 220, 240, 545
- European Charter of Local Self-Government, 58, 66, 70, 72, 73, 80

- European integration, 26, 31, 35,
36, 75, 143, 160, 165, 174,
181, 220, 231, 235, 305–307,
310, 314, 516
- Europeanisation, 6, 13, 19, 21,
144–146, 153, 170, 220, 239,
240, 393, 403, 431–445,
545–548
- European market, 6, 121, 208
- European Neighbourhood Policy
(ENP), 4–9, 11, 16–18, 20,
29, 35, 42, 49–80, 128,
139–143, 145, 146, 150,
159–164, 169–172, 176–178,
180–183, 193–210, 238,
294–296, 306, 352, 365,
435–439, 442, 451, 476, 477,
480, 482, 541, 545, 546
- European norms, 434, 442
- European Security Strategy (ESS),
147, 148, 164
- European Union (EU)
Eastern Partnership, 36, 74–78,
91, 127, 139–154, 174,
245–276, 441, 443, 455n2,
458, 460, 465, 468, 469, 476,
544
financial support, 6, 456, 470
Global Strategy, v, 12, 29, 42,
139, 147, 149, 150, 296, 432
- European value, 4, 9, 58, 60, 61, 72,
74, 78, 207, 208, 237, 240,
435, 580
- Evolutionary, 223, 305, 350, 353,
354, 370, 377
- Executive bodies, 68, 69
- Ex-Soviet states, 482
- External
assistance, 432
border, 4, 19, 224, 349, 350, 355,
357, 361, 362, 364, 365, 546
drivers, 321
relations, 41, 162–164, 170, 224,
435, 448–453, 469, 535,
561–562, 565–566, 569–570,
573–574, 577–578, 581–582
vulnerability, 117
- Extractive institutions, 373
- F**
- Financial autonomy, 58, 63, 67, 70
- Fiscal decentralization, 73, 79, 83
fiscal dependency, 57
- Flexibility, 77, 90, 173, 309,
371–378, 403
- Foreign direct investments (FDI),
93, 98, 101, 130, 270, 275,
277, 327
- Foreign policy, v–vii, 4, 17, 26, 31,
34–40, 44, 141, 142, 146,
149, 163, 164, 166, 171, 174,
176, 178–183, 205, 206,
208–210, 219, 220, 222–224,
229–240, 247, 249, 252–254,
259, 273, 283, 434
- Freedom, 8, 20, 70, 72, 76, 90,
145, 160, 168, 178, 198, 206,
209, 210, 225, 237, 270, 278,
376, 391, 463, 495, 496, 541,
562, 566, 569, 570, 574, 578,
582
- G**
- Gas supplies, 233, 234, 581
- GDP growth, 327, 353, 384, 385,
392, 404, 566, 574

- Geopolitical competition, 16, 27, 31, 33, 40, 43, 178, 432, 438, 440, 543
- Geopolitics, 16, 25, 26, 34–40, 42, 172, 175, 178, 543
- Georgia, 5, 7, 10, 11, 28, 29, 40, 41, 50, 52–54, 60, 63–79, 90, 92–94, 96–102, 106, 107, 109–113, 115, 117, 119–123, 125–129, 131, 145, 164, 173, 174, 176, 177, 179, 221, 222, 246, 248, 260, 263, 270–272, 271n9, 274–279, 283, 325, 330–332, 335, 338, 339, 436, 442, 444, 445, 477, 485–487, 488n10, 491, 494, 497, 541, 542, 560, 566, 571, 573–577
- Good governance, 7, 50, 51, 57, 59, 61, 69–72, 74–79, 90, 93, 145, 150, 168, 206, 207, 295, 296, 324, 377–381, 385, 388, 393, 402, 436, 443, 449, 451, 456, 460–464, 468, 469, 542, 544, 564, 565, 568, 569, 573, 577, 581, 585
- Governance
 - index, 385–387, 389, 390
 - indicators, 51, 81, 82, 207, 390, 391
 - government effectiveness, 52, 53
- Government
 - integrity, 372, 393, 396–399, 566, 578, 582
 - spending, 393, 394, 396, 397, 399, 495, 574
 - systems, 51, 55, 58, 62, 64, 71, 80
- Great power competition, 248, 274
- Growth, 12–15, 108, 117, 123, 129, 131, 208, 210, 233, 324–326, 328, 332–336, 338, 339, 350, 351, 370, 373, 376, 377, 384, 385, 388, 389, 391, 392, 404, 449, 452, 465, 477–479, 482, 485, 487–493, 494n14, 495–504, 507, 544, 562, 567
 - path, 14, 123, 350
- H
- Hierarchy, 18, 27, 53, 69, 245–276, 309, 402
- Human capital, 17, 90, 95, 109–117, 129, 130, 323, 324, 336, 354, 402, 488–490, 493, 494n15
- Human rights, 8, 75–77, 91, 145, 160, 168, 177, 206, 210, 225, 235, 237, 296, 332, 435, 450–453, 460, 461, 463, 464, 541, 569
- Hybrid democracy, 199, 295
- Hybrid threats, 151, 431
- I
- Impartial courts, 394, 396, 398, 399
- Inclusive institutions, 373
- Individual resilience, 300, 314
- Ineffective governments, 91
- Inflation, 94, 98, 101, 106, 107, 207n2, 326, 338, 376, 382, 490, 492–495, 493n11, 494n15
- (In)securitisation, 17, 139, 140, 146–153

- Institutional quality, 373, 375, 377, 379, 393, 395, 402, 405, 478, 498
- Institutional resilience (IR), 372, 391, 392, 394, 399, 403–406, 443
- Institutions, 4–7, 11, 19, 21, 50, 51, 53, 61, 72, 74, 75, 77, 93, 127, 151, 160, 161, 167, 182, 195–198, 204, 210, 220, 224, 239, 240, 247, 252–254, 256, 276, 293–295, 297–299, 302, 326, 369, 371–383, 385, 388, 389, 391–393, 400, 401, 404–406, 433, 437, 438, 441, 443, 449, 454, 455n1, 456, 461, 465, 469, 480, 491, 495–498, 516, 517n2, 529, 530, 542–546, 562, 564, 568, 572, 576, 580, 582, 584
- Integration, 4, 5, 7, 8, 10, 11, 15, 17, 18, 21, 28, 30, 35–37, 41, 43, 44, 63, 75, 76, 96, 131, 143, 144, 146, 160, 165, 167, 174, 181, 195, 210, 220–224, 231, 235, 238, 240, 305–307, 310, 314, 332, 372, 382, 385, 390, 392, 397, 399, 403, 405, 432–434, 437, 440, 443, 444, 466, 516, 522, 541–543, 548, 570
- Integration process, 15, 210, 220, 221, 238, 305, 306, 310, 382, 403
- Integrity of the legal system, 392, 394
- Inter-administrative transfers, 60
- Interests, 10, 13, 16, 18, 20, 21, 27, 29, 36, 38, 43, 55, 56, 58, 59, 72, 95, 141, 142, 145, 148, 160, 163, 165, 167–169, 172–175, 177, 179, 195, 201, 208, 219–240, 276, 296, 323, 352, 376, 377, 389, 398, 400, 401, 436, 441, 447–455, 459–461, 463, 465, 466, 468–470, 491, 541, 543, 545, 572
- International identity, 140
- International relations (IR), vi, 11, 18, 21, 27, 31, 32, 37, 42, 165, 167, 170, 172, 181, 229, 253, 255, 273–275, 294, 435
- International shocks, 117
- Investment, 7, 64, 90, 100–102, 104, 109, 125–127, 129–131, 149, 249, 272, 273, 331, 389, 393, 406, 452, 462, 465–467, 492, 493, 494n15, 496, 544, 562, 566, 570, 578
- Invulnerability, 299
- Island, 350, 357, 361, 364, 365
- J**
- Jewish culture, 529, 531, 535
- Judicial independence, 394, 396, 398, 399, 568
- L**
- Labour market, 89, 90, 93, 95, 109–117, 129, 130, 322, 325–328, 330, 333, 334, 336–339, 372, 380, 397, 562

- Labour market regulations, 397
- Legitimacy, 38, 171–173, 178–181, 198, 246, 247, 310, 447, 453, 458, 459, 459n3, 462, 467, 469
- Lemko's culture, 529
- Leverage, 193–210, 255, 566
- Linkage dimension, 11, 21
- Local
- communities, 59, 60, 62, 72, 73, 76, 79, 89, 517n2, 518, 520, 522–527, 532, 534–536
 - expenditures, 65, 66, 73
 - governments, 56, 57, 62, 64, 65, 68, 69, 79, 449, 450, 452, 530, 533, 548
 - public affairs, 71, 72
 - revenues, 57, 67, 71, 73
 - self-government, 55, 56, 58–61, 63, 65–70, 72–74, 79, 80
- Lviv Oblast, 517, 531
- M**
- Macroeconomic stability, 7, 324, 335, 338, 562, 574, 578
- Market economy, 77, 93, 95, 96, 125, 145, 294, 295, 298, 385, 405, 434, 466, 476
- Marketisation, 515–536
- Membership
- perspective, 19, 154, 175, 432, 434, 438, 445, 547
- Member state, 6, 9, 19, 20, 34, 41, 42, 59, 139, 141, 142, 153, 159, 161, 166, 167, 169, 172, 176, 179–182, 195, 197, 202, 206, 219–224, 230–240, 296, 349, 350, 352, 356, 361, 364, 372, 390, 403, 433, 434, 443, 469, 522, 542, 543, 545, 548
- Migration, 20, 30–31, 54, 113, 114, 117, 129, 148, 149, 151, 153, 173, 181, 219, 352, 384, 476–498, 518, 519, 534, 536, 547, 548
- Minsk Agreement, 178
- Mogherini, Federica, 147, 148
- Moldova, 5, 7, 10, 11, 19, 30, 37, 39, 41, 50, 52, 54–64, 67, 74–80, 90, 92–94, 96–98, 100–103, 106–108, 110–113, 115, 117, 119–123, 125, 127–131, 174, 176, 177, 221, 222, 246, 248, 260, 274–276, 279, 283, 325, 331–333, 336, 338, 339, 349, 352n1, 436, 440, 444, 445, 477, 484–488, 488n10, 491, 493n11, 494, 497, 541, 542, 577–581
- Mountainous, 360, 361, 364, 563, 575
- Multiculturalism, 20, 515–536, 547
- Multivariate analysis, 326, 344
- Municipalities, 62, 64, 65, 67, 69–71, 73
- N**
- National interest, 224, 237, 239, 452, 545
- National resilience capacity, 322
- Natural disasters, 20, 89, 455, 465, 476, 479, 480, 486, 487, 489, 491, 493–497, 500–504
- Natural resources, 92, 94, 95, 101, 104, 119, 120, 128, 323, 354, 453, 486, 563, 567, 571, 579, 583

- Neighbourhood policy, 11, 50, 139, 142, 146, 150, 174, 209, 224, 435, 441
- Non-governmental organisations (NGOs), 21, 60, 177, 295, 306, 439, 443, 457, 458, 517n3, 518, 530, 548
- Normative hegemony, 168, 179
- Normative imperialism, 171, 179
- Normative power, 35, 36, 42, 140, 141, 152, 153, 168, 171, 179
- Norms, 4, 8, 9, 21, 33–36, 42, 43, 141, 146, 160, 166–168, 171, 172, 207, 298, 326, 378–380, 383, 391, 403, 405, 433, 434, 438, 441, 442, 521, 580
- O**
- Oil sector, 466
- Organizational crisis, 305
- identity, 304, 305, 312
- resilience, 300, 301, 310, 314, 544
- P**
- PARIS school, 17, 140, 147
- Partial least squares method (PLS), 394, 395
- Path
- coefficients, 396, 411
- dependence, 49, 374, 378, 383, 388, 393, 402, 576
- Peace, 8, 161, 162, 168, 206, 229, 230, 235
- Periphery, 145, 171, 349–365, 373, 383, 436
- Policy without politics, 140, 149, 153
- Political
- choice, 326, 370, 546
- compliance, 235, 237
- opposition, 198, 200, 450, 454, 455n1, 456, 460–465, 467, 470, 471
- repression, 198, 201, 202
- risk, 8, 108, 124
- Positionality, 350
- Post-Cold War period, 25, 31, 34, 37, 43, 375
- Post-communist, 68, 144, 247, 262, 270, 271, 279, 476, 478, 481, 487, 495
- Post-communist states, 56, 65, 254, 260, 275
- Post-Soviet
- countries, 7, 170, 247, 369–423, 441
- economies, 92
- space, 8, 25n1, 26, 27, 29, 30, 33, 35–43, 152, 161, 164, 176, 177, 370, 374, 403
- Power, 4, 27, 54, 57, 74, 93, 140–146, 160, 171, 198, 223, 245, 370, 433, 434, 436, 438, 439, 443, 451
- Presidential regime, 55
- Private property, 93, 96, 106, 380, 385
- private sector, 92, 93, 99, 101, 128, 150, 584
- Productivity, 90, 104, 112, 114–116, 129, 327, 376, 384, 389, 397, 398
- Property rights, 326, 372, 375, 380, 381, 384, 394, 396–399, 401

- Protection of property rights, 394, 396, 398, 399
- Protests, 97, 164, 225, 225n2, 226, 518, 533, 563
- Public administration, 7, 21, 49–80, 302, 544
- R**
- Realism, 143, 172
- Recovery, 20, 90, 99, 125, 194, 299, 322, 359, 382, 402, 404, 485, 488, 491, 498, 566, 574, 582
- Reform, 4, 6, 7, 11, 13, 17, 36, 37, 50–55, 57, 58, 60–67, 72–74, 76–80, 91, 93, 99, 131, 154, 160, 162, 163, 174–176, 196, 197, 205, 209, 216, 222, 229, 239, 256, 295, 296, 305, 331, 332, 373, 376, 381, 385, 389, 390, 405, 406, 432, 433, 435, 437, 438, 444, 445, 451, 452, 456, 465–467, 481, 482n3, 485, 498, 519, 542–544, 562, 564, 571, 576, 580, 582, 584
- Regime stability, 199, 200, 464
- Region, 5, 25, 91, 109–118, 150, 160, 194, 222, 248, 322, 324, 349, 351–352, 355–357, 359–364, 370, 431, 449, 476, 517, 546
- Regional resilience, 324, 356, 360
- Regulations, 33, 35, 36, 43, 65, 68, 69, 72, 75, 160, 306, 326, 331, 372, 378–380, 393, 394, 397–399, 404, 405, 576
- Regulatory quality, 52, 391
- Religion, 391, 406, 462, 463
- Religious extremism, 462
- Remittances, 20, 98, 100, 101, 110, 129, 332, 338, 389, 476–498, 547
- Repression, 198–201, 206, 208, 225
- Republic of Moldova, 19, 50, 52, 54–64, 75–77, 79, 80, 164, 372, 385, 388, 389, 392, 397, 402, 403, 405, 406, 439, 577–580
- Resilience, 4–21, 26, 49, 89, 139–154, 161, 193–210, 247, 293–315, 321–339, 349–365, 369–423, 431, 432, 447–471, 476–498, 515–536, 542, 543
- resilience-building, 19, 26, 148–151, 163, 183, 443, 451, 452, 454, 455, 459, 469, 470, 476
- Rule of law, 8, 52, 74, 90, 91, 93, 131, 145, 160, 168, 237, 296, 298, 326, 372, 373, 381, 383, 385, 388, 391, 392, 396, 405, 444, 452, 461, 518, 533, 541, 564, 568, 574, 580, 584
- Rules, 6, 56, 72, 92, 153, 160, 195, 216, 252, 253, 273, 295, 298, 305, 326, 331, 373–375, 379, 393, 398, 403, 405, 433, 434, 438, 461, 524, 525, 527
- Russia, 4, 25, 54, 92, 145, 160, 206, 221, 245, 310, 332, 349, 370, 432, 439–442, 476, 543
- Russian foreign policy, 146, 247, 252, 436, 438, 546

S

Sanctions, 6, 161, 178, 221,
229–235, 237–239, 261, 271,
352, 375, 377, 440, 542, 543

Security

belt, 435

policy, 6, 34, 141, 148, 238, 274,
296, 302, 438

Self-government, 51, 56, 57, 65, 69,
71, 72, 526, 528

Shocks, 11–17, 20, 89, 95, 101,
106–108, 114, 116, 117, 128,
196, 202, 203, 208, 294, 295,
297, 301, 311, 312, 321–323,
349, 350, 352–355, 370, 372,
373, 375, 378, 381–395, 397,
399, 401–406, 449, 476–498,
547, 561, 564, 565, 567, 569,
573, 577, 581, 584

Sikorski-Bildt plan, 145

Single market, 4, 166, 350, 351

Single Support Framework, 461

Social cohesion, 8, 351, 541

Social stability, 11, 200–204, 206,
207, 211

Societal resilience, 17, 20, 21, 149,
151, 153, 314, 383, 455–460,
464, 468, 470, 544

Sovereignty, 29, 164, 173, 177, 179,
206, 223, 224, 248, 254, 257,
276, 277, 441, 566, 582

Soviet Union, 29, 30, 37–39, 178,
246, 255, 272, 375, 382, 402,
404, 432, 436, 437, 440, 476,
482, 559, 560, 562, 564, 566,
578

Specialisation, 90, 101–104, 114,
117, 324, 384

Sphere of influence, 27–30, 145,
245–248, 252, 254, 255, 257,
259, 260, 262, 270, 271n9,
274, 276, 279, 283, 438, 440,
546

Stability, 4, 6, 8–10, 12, 18, 21, 26,
28, 50, 63, 130, 131, 146,
150, 162, 174, 195, 196,
198–202, 204–207, 209,
215–216, 223, 235, 238, 239,
248, 296, 315, 330, 332–335,
338, 370, 372, 385, 391, 434,
436, 438, 444, 449, 453,
462–468, 476, 541, 544, 545,
562

Stakeholder, 37, 64, 78, 182, 295,
296, 300, 301, 303, 304, 307,
312, 313, 315, 449, 450, 545

States, 246, 465

Status, 16, 26–28, 31, 40–44, 56,
69, 70, 95, 147, 165, 226n4,
228, 245, 251, 255, 256,
339, 350, 373, 435, 520,
543, 566

Status index, 385–387, 389, 390

Structural models, 396, 411

T

Tax burden, 100, 393, 394,
396–399, 570, 574

Tax reform, 466

Technical resilience, 300

Territorial, 65, 68, 162, 164, 173,
230, 276, 324, 350, 351, 355,
357, 360, 362, 582

Territorial characteristics, 355, 356,
361–364

Threshold, 477, 479, 480, 485, 489,
493–495, 494n13, 494n14,
494n15, 497, 502, 504, 505

Trade balance, 98

Trade liberalisation, 222, 327

Transformative policies, 371

Transformative power, 6, 9, 160,
161, 545

Transition, 20, 73, 91–97, 103, 107,
110, 112, 118, 125–127, 168,
302, 304, 309, 352, 353,
373–375, 382, 404, 405, 461,
476, 477, 481, 482, 482n3, 485,
488, 488n10, 491–493, 494n15,
496, 497, 500–504, 507, 562,
566, 574, 576, 578, 582

Transparency, 51, 53, 59, 60, 72, 73,
80, 393, 396, 405, 467, 533,
564

U

Ukraine, 6, 7, 27, 50, 54, 75, 90, 93,
127, 160, 193, 219–240, 246,
248, 310, 325, 336, 339, 349,
372, 436, 477, 517, 541, 542,
583

United States, 18, 143, 148,
246–249, 249n1, 251, 252,
255, 256, 258–260, 262,
271–275, 277, 279, 438, 442,
546, 580

United States foreign policy, 255, 273

V

Values, 4, 6, 9, 11, 21, 33, 35, 36,
40, 42, 43, 51, 53, 55, 56,
58, 60, 67, 72, 74, 77, 78,
107, 111, 119, 127, 142,
145, 148, 160, 163, 166,
171, 172, 175, 194, 195,
203, 206–208, 211–213,
224, 237, 239, 240, 297,
298, 307–309, 311, 314,
328, 330, 331, 333, 338,
339, 345, 357, 376, 377,
385, 388, 391, 394–399,
405, 406, 434, 435,
451–453, 456–458,
460–464, 495, 504, 516,
517, 521, 522, 522n4, 525,
527, 530, 533, 546, 547,
580

VAR model, 211

Voice and accountability, 391

Vulnerabilities, 5, 11, 12, 15–17, 19,
20, 25, 26, 30, 117, 118,
127–132, 150, 162, 323, 332,
333, 339, 376, 378, 391, 406,
465, 480, 498, 544, 546, 562,
574, 576

Vulnerability to shocks, 90

W

Welfare, 199–201, 370, 382, 385,
397, 452, 459, 465, 466, 495