

# EaP

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# Think Bridge

Eastern Partnership monthly analytical digest

## New government of Belarus: first steps



Appointing new people and assigning responsibilities in the new government are rather indicative given the looming presidential and parliamentary campaigns.

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EaP Think Bridge is a platform uniting expert communities in the countries of Eastern Partnership region to fill the gap in distributing analytical products for stakeholders

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**Contacts:**

info@prismua.org  
www.prismua.org/eap-think-bridge

## Belarusian storm on the eve of the election

**The traditional political calm of August in the Eastern Partnership was broken by Belarus. Firstly, with a wave of loud arrests of journalists and searches in media outlets, and later - with an unexpected reformatting of the government. How these two events are interconnected and how are they related to the upcoming elections is in the focus of this issue.**

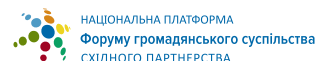
Other than that, the month turned out to be rather calm for the countries of the region. Human rights issues remained on the agenda - opposition activist Ilgar Mammadov was released in Azerbaijan, and a number of illegally convicted Ukrainian citizens remain in Russian prisons and carry on their hunger strike.

The top event in the Eastern Partnership foreign policy was the first ever visit of the German Chancellor to the South Caucasus. There, Angela Merkel made several statements that are important not only for Azerbaijan, Armenia, and Georgia, but also for the region as a whole.

In addition, the focus of this issue is the integration of the digital markets of the Eastern Partnership countries into a single European space. Maksym Koryavets writes on Ukrainian experience in the harmonization of digital markets and recommendations that may be useful for the whole region.

**Olga Chizhova**

Editor-in-Chief of the EaP Think Bridge Digest



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# Heightened political tension in Armenia

Richard Giragosian, Regional Studies Center (Yerevan, Armenia)

As the Armenian government marked its first 100 days in the office with a massive public rally in Yerevan on August 17, the country witnessed a dramatic increase in political tension. Former Armenian President Robert Kocharian publicly declared plans to return to politics after his release from pre-trial detention. Although Pashinyan government remains generally popular and its anti-corruption drive only continued to bolster its reformist credentials, Kocharian's threat raised new concerns over a possible political counter-revolution in Armenia.



Angela Merkel visited Armenia for the first time.  
Photo by gov.am

## DOMESTIC POLICY

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### Former president vows political comeback

In the wake of the court decision to release former Armenian President Robert Kocharian from detention on August 13, political tension in the country dramatically increased. The initial [decision to arrest the former president](#) late last month sparked a heated debate over the issue of presidential immunity. But it actually centered on the Armenian government's pledge to reopen a full investigation of the deaths during the March 2008 crackdown on opposition protesters by the police and the military units that triggered the post-election crisis. Although the investigation is widening, the precise legal scope and parameters of the process have yet to be defined or presented.

After his release, in the interviews with Armenian and Russian TV stations, the 63-year old former President Kocharian accused the Armenian government of "incompetence and unbridled populism" and threatened to mobilize his own political supporters. In what was seen as "return" to politics, the interview was widely criticized by the former president's critics and speaking at a rally on August

17 timed with the first 100 days of the new government, Prime Minister Nikol Pashinian defended the ongoing criminal investigation into the post-election bloodshed and dismissed Kocharian's threats.

### Parties prepare for key local election

With an extraordinary municipal election set for September 23 for the city council of the capital Yerevan, several political parties prepared their lists of candidates. The election is also the key to replace the mayor of Yerevan, Taron Markarian, who resigned on July 9 under intense pressure after the new government uncovered a number of cases of municipal government corruption during his tenure.

While the new city council elects the mayor, the former ruling Republican Party was the only political power not to put any candidates forth. Another surprise, however, was the decision by Prime Minister Pashinyan's Civil Contract party to offer a slate of candidates separate from their parliamentary bloc partners, the Bright Armenia and Republican parties, which offered their own list of candidates.

## ECONOMY

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### Armenia seeks gas price discount

In a rather surprising announcement on August 29, the Armenian government promised to secure a discount in the price for natural gas supplied by Russia's Gazprom energy company. According to Energy Minister Artur Grigorian, Armenia will seek the discount during negotiations with Gazprom planned for November and seek to lower the \$150 price Armenia pays per thousand cubic meters (tcm) of imported Russian gas. That price already reflects a Russian subsidy for Armenian gas imports and is significantly lower than the \$230 per tcm that Russia charges European consumers. The surprise stems from expectations that Russia may actually seek a slight price increase for its gas exports to Armenia, reflecting a degree of tension between Moscow and the new Armenian government in Yerevan. Armenia currently imports Russian gas that accounts for about 80% of its gas needs, with another 20% of demand met by gas imports through the natural gas pipeline from Iran.

### Parliament approves government move to counter water shortage

In a rare move to support a request by the Armenian government, on August 28 the parliament approved the request to allow an increase in the amount of water from Lake Sevan that can be used for irrigation. The parliament, still comprised of a leadership dominated by the

former ruling Republican Party despite a pro-government working majority, voted to approve the measure to utilize some 210 million cubic meters of water from Lake Sevan, reflecting an increase of 40 million cubic meters over the previous legal limit on water usage. Lake Sevan serves as a major source of irrigation water for agriculture in the Ararat Valley through the Hrazdan River. The move is aimed at addressing a serious water shortage and near-drought conditions amid an unusually hot and dry summer that harmed tens of thousands of farmers and their crops. It was initially opposed by the Armenian Ministry of Environment Protection and the vote was also opposed by a number of demonstrations by environmental activists critical of the move.

### Armenian government pledges tax cuts

Reflecting earlier campaign promises, the Armenian government pledged a new set of sweeping tax cuts, arguing that the new taxes will specifically benefit "most workers" and "some small businesses." In what has become his traditional habit, Prime Minister Nikol Pashinian used a Facebook video address to explain that "very serious changes" to the tax code would be leveraged to simplify and reduce the rate of the personal income tax. According to the current tax code, companies with an annual turnover of up to 115 million drams (\$237,000) are

exempt from profit and value-added (VAT) taxes that are assessed on larger businesses, and are instead required to meet a “turnover tax” roughly equivalent to 2% of their revenue. That tax code was amended as recently as 2017, but given the fact that those changes were imposed by the

former Armenian government, may now question if not challenge several key provisions, including an increase in monthly income tax from 26% to 28% for monthly incomes of between 150,000 drams to 2 million drams (\$310-\$4,150).

## FOREIGN POLICY

### German Chancellor Visits

In the first-ever visit to the South Caucasus by a German Chancellor, Angela Merkel praised Armenia on August 24 during her time in Yerevan, highlighting the role of Armenia as “a good example of how one can simultaneously cooperate with Russia and the European Union,” reflecting Armenian ties to the EU and membership in the Eurasian Economic Union (EEU). Merkel’s visit to Armenia was viewed as particularly significant as both an endorsement of the country’s November 2017 Comprehensive and Enhanced Partnership Agreement (CEPA) agreement with the EU and as encouragement for the reform programme of the Armenian government of Prime Minister Nikol Pashinyan. Although the visit follows a similar one last month by the Italian president, the German Chancellor’s regional tour was especially welcomed in Armenia due

**The first of several large units of Armenian interior troops were deployed to border with Azerbaijan**

to Germany’s role as the leading donor and third largest trading partner for Armenia and as the highest level visit of a foreign official to Armenia since the Pashinyan government came to power in May 2018.

### Armenia Bolsters Border Security

In an unprecedented move by any Armenian government, the first of several large units of Armenian interior troops were deployed to border areas to bolster military units already positioned to defend the Armenian border with Azerbaijan. Although the move, ordered in mid-August, comes as a response to a serious increase in ceasefire violations and several attempted military incursions by Azerbaijani forces over the past several months, the exact mission or specific mandate of such interior forces along the border areas remain vague and unclear. The units will serve on a limited two-week rotational deployment.

# Azerbaijan: Demonstrative release of activist

Sevinc Aliyeva, Center for Legal Initiatives (Baku, Azerbaijan)

The domestic agenda of the country was heated up by the release of human right activist Mammadov. Meanwhile, the foreign policy was dominated by German Chancellor Merkel's first visit to Azerbaijan. The country's economy experienced a fairly stable period during August.



Ilgar Mammadov, center, the leader of the opposition REAL movement, walks with supporters after being released from a prison. Photo from Ilgar Mammadov's facebook page

## DOMESTIC POLICY:

### Conditional freedom after 5 years

Azerbaijan human rights activist Ilgar Mammadov was released after serving a 5-year sentence. His arrest was described by the European Court of Human Rights as an [“unjustified restriction of freedom”](#). Mammadov was a leader of REAL (Republican Alternative) group and was convicted in February 2013 shortly after the demonstrations against a provincial leader. At

the time, the European Court of Justice suggested the government fining the detained activist \$30.000 instead of imprisoning. However, this recommendation was ignored. *“Ilgar Mammadov's case has become symbolic of enduring injustice”*, said Marie Struthers, Amnesty International's Director for Eastern Europe and Central Asia.

On August 13, the remaining two years of Mammadov's prison term were suspended. But he was freed with a two-year

probation period during which the activist will not be allowed to leave the country. *“I’m not happy with the decision of the court. This is not a complete, but a partial victory”*, said Ilgar Mammadov to the journalists minutes after leaving [the Shaki Court of Appeals](#).

The statement made by the EU Spokesperson says that the European Union expects the unconditional release and will continue its negotiations with Azerbaijan on [democracy and human](#)

## ECONOMY:

### Updated forecasts

The Azerbaijani government updated the GDP growth forecasts. Previously, GDP was expected to increase by 1.5% in 2018 and 1.4% in 2019. After the President approved “Medium

## FOREIGN POLICY:

### Merkel’s first visit

German Chancellor Angela Merkel paid a three-day visit to the Caucasus. She travelled to Georgia and Armenia on August 23 and 24, respectively. Then Merkel had talks with President Ilham Aliyev and civil society representatives of Azerbaijan and visited the Alley of Martyrs on August 25 in her final destination, Baku. Since Germany is one of the dominant countries within the EU, Merkel’s visit was in the focus of foreign analysts and western media.

Albert Weiler, a member of the German Bundestag, who was supposed to accompany Merkel during her visit to South Caucasus among others, was refused entry to Azerbaijan as he visited Nagorno-Karabakh region in 2014 and 2016 and was excluded from the delegation list. *“The position of Azerbaijan is regrettable as it does not contribute to the promotion of the dialogue on the Nagorno-Karabakh issue”*, said Steffen Seibert, an [official representative of the German cabinet of ministers](#).

After U.S. President Donald Trump’s castigation for relying too much on Russian gas supplies, the motive for Merkel’s visit to Azerbaijan was to discuss the developments in South Gas Corridor, as some experts explain it. Although Germany stays committed to the North Stream–2 pipeline, which will increase Russia’s capacity to export up to 110 billion cubic meters of gas to Europe, Merkel seems interested to find alternative and more affordable gas sources.

*“We have a big interest in developing the Southern Corridor further”*, [stated a senior German government official](#). He also added that this interest does not directly relate to decreasing dependence on Russian gas markets, but is rather a part of EU’s diversification strategy. The capacity of Shah Deniz II project is expected to reach nearly 16 billion cubic meters of gas starting from 2020. The pipeline will provide Turkey, Georgia, and Eu-

[rights related issues](#). The general secretary of the Council of Europe, Thorbjorn Jagland welcomed the release and stated: *“We cannot accept political prisoners in Europe, innocent people should not be deprived of their liberty and the judgments of the European Court of Human Rights must be executed”*. Mammadov’s release before the visit of German Chancellor Merkel caused some speculations that the government was trying to prevent possible criticisms about political prisoners.

and Long-term Strategy for Managing Public Debt”, [these forecasts increased to 2% and 3.1%, respectively](#). This rise will be driven by *“higher oil prices, recovering industrial production, and stronger domestic demand”*, according to [FocusEconomics experts](#).

rope with the gas supply.

During the talks with Aliyev, Merkel highlighted the readiness of Germany to be a mediator in resolving the long-lasting Nagorno-Karabakh conflict between Azerbaijan and Armenia. *“Germany wants to help to find peaceful solutions”*, [stated the Chancellor describing the main concern of the region](#).

Merkel emphasized the opportunities for stronger economic and political cooperation between Germany and Azerbaijan, characterizing the country as the most important trade partner in the region. *“We appreciate the opening of the Baku-Tbilisi-Kars railway in Azerbaijan”*, stated the Chancellor and added that this will boost [trade relations between Azerbaijan and Europe](#). She also talked about various business opportunities between companies of two countries that range from construction, tourism, and agriculture fields to digitalization and

education. The establishment of win-win relationships with EU member states is one of the main routes of Azerbaijan foreign policy and *“Our country is interested in further expanding relations with Germany”*, highlighted Vugar Rahimzade, the member of [the Political Council of the New Azerbaijan Party](#).

Merkel then conducted a conference with the civil society activists of Azerbaijan. Human rights issues in the country, political prisoners, and corruption were the main topics on the agenda. Turgut Gambar, the participant of the NIDA movement stated that the Chancellor is *“aware of the problems in the country”*. The opposition parties and civil society of the country were expecting the Chancellor to bring forward the issue of freedom of speech and demand the release of the imprisoned journalists; however, their expectations were not satisfied.

German Media described Merkel’s visit to the Caucasus as a *“signal to Russian President Vladimir Putin”* and an effort to show that Europeans do not wish Russia *“to freely manage its backyard”*.

**Releasing Mammadov before Merkel’s visit the government was trying to prevent possible criticisms about political prisoners**



# Belarus: New government and pressure on mass media

Arseniy Sivitsky, Center for Strategic and Foreign Policy Studies (Minsk, Belarus)

Detaining journalists and searching offices of news agencies created quite an uproar in Belarus in August. The country's economy demonstrated considerably lower growth rate. As for its foreign policy, it yet again revolved around negotiations with Moscow.



After 11 hours of search in the editorial office tut.by the investigators confiscated the equipment and documents.

Photo Radio Free Liberty

## DOMESTIC POLICY:

### The case of journalists

The Belarusian information space exploded as the news spread concerning detaining journalists employed by the independent news websites [TUT.by](http://TUT.by) and [BelaPAN](http://BelaPAN).

with searches conducted in the offices of these and two more state mass media. The motive behind was allegedly the illegal access to the news feed of the state Belarusian Telegraph Agency website available only to paying

subscribers. From August 7 to August 9, two dozens of journalists went through detentions and questioning. On August 9, the majority of them were released; however, the criminal cases against media employees were not dropped. The main role in the “case of journalists” belongs however not so much to detentions, but to conducting searches and confiscating data storage devices with all documents stored on them including accounting, internal correspondence, and so forth. It is obvious that in such a massive pile of information it will not be difficult to find some compromising material involving more serious accusations to interfere with the work of the news websites and put additional pressure. Such an approach was chosen by the authorities despite quite predictable international negative resonance and further undermining public trust for the state. Therefore, the main task is to achieve the fastest results in the short-term perspective and tighten the control over the independent information flow before and during parliamentary and presidential campaigns in Belarus in 2019-2020.

## ECONOMY:

### Lower growth rate

During 2018 the economy of Belarus gradually slowed down, first and foremost due to worse trade conditions with the Russian Federation. [According to the European Bank of Development](#), in June 2018 real GDP in Belarus went up only by 3,6% against the same period last year. The analytics say that the real sector finished the first six months of the year reporting the worst indicators in 16 months.

An important yet worrisome trend of the second quarter 2018 was the start of capital outflow. The net attraction of foreign direct investment made up minus \$11,7 mln in the second quarter of 2018. And this turned out to be the worst result in the last five years. Net investment

**The main task is to achieve the fastest results in the short-term perspective and harden the “control” over independent information flow before the elections.**

outflow was reported in banking in the second quarter (\$37,2 mln on net basis). However, the main source of capital outflow was its IT sector with more than \$91,2 mln being taken out of the country.

Positive data was reported regarding the dynamics of gold and foreign currency reserves in July 2018. Foreign-exchange reserves of Belarus grew after two months of going down with an increase of \$198,8 mln and yet again exceeded \$7 bn. Against this backdrop the dynamic growth of the population’s real income is still intact. This indicator grew by 7,6% in the first six months of the year. Real wages, which are calculated taking into account inflation, increased by 13% against the same period in 2017. Given all of this, the inflation rate is still low.

## FOREIGN POLICY:

### Moscow raising the stakes

Russia continues its economic and information pressure on Minsk. [According to Reuters](#), the Russian authorities are threatening to limit oil product supplies to Belarus starting as early as this October. The accusations are based on the loss the Russian budget has from Belarus re-exporting custom-free Russian oil products. Kremlin demands the return of the lost profit and even blocked the supplies of re-exported oil. Russia is also intending to refuse to provide Minsk with credit resources including

both the credit line of the Eurasian Fund for Stabilization and Development tranches (\$400 mln), and a public loan for \$1 bn within the framework of Belarus’s foreign debt refinancing. Against the backdrop of the domestic moves and the looming oil war Lukashenko made an attempt to improve the relations with the Russian Federation [by having talks with Vladimir Putin in Sochi on August 22](#).

As for the results of the meeting, Kremlin’s press service reported that the negotiations “went well” and Putin signed the documents appointing Mikhail Babich as a Russian ambassador to the Republic of Belarus as well

## Reshaping the government

The focus of public attention shifted to the trip Alexander Lukashenko made to the eastern regions of the country and [his criticism of the government’s work](#), first and foremost in the economic sector. Lukashenko also highlighted the importance of the second direction – securing the independence of Belarus while severely criticizing those who believe it necessary to become a part of Russia, and stated that Belarus will never become a vassal of any other country. As a result, the prime minister Andrei Kobyakov as well as a row of vice-premiers and some ministers resigned, and the [government was reshaped](#). It is evident that it is yet another attempt to mobilize the state apparatus and a harder line for demands without offering any new decisions and strategic moves that could bring any positive results.

*More on the issue of changes on the Belarusian government can be found in the analytical article.*

as a special representative of the Russian president on trade and economic relations with the Republic of Belarus. Moreover, [Babich remained in the Security Council of the Russian Federation](#).

The combination of these positions demonstrates that Moscow is getting more active in the Belarusian direction, with the new ambassador acting as a “supervisor” in Belarus and regularly reporting the situation personally to the Russian president Vladimir Putin and the secretary of the Security Council Nikolai Patrushev. When meeting Vladimir Putin, [Babich himself highlighted](#) the fact that Belarus is Russia’s main geopolitical and military partner and this demonstrates the priorities for deeper military and political integration within the frames of the Union State.

Several days later the Belarusian view on the results of the negotiations was expressed by President Lukashenko

when he was being [interviewed by the TV channel “Belarus 1”](#). Lukashenko wanted to assure that the current state of the relations between Belarus and Russia is under control, and multiple negative fake news stories of the recent months do not reflect the real situation.

It is significant that, according to Lukashenko, the most pressing issues for Belarus such as oil and financing were not discussed. Either this was the case, or the result of the discussion was negative for Minsk.

Therefore, agreeing upon [another round of top level negotiations](#) between the presidents extended to include the heads of state can be considered the main result of the meeting, as well as appointing Mikhail Babich as the Russian ambassador to Belarus. It is most probable that Minsk is expecting to “exchange” the ambassador’s appointment for Moscow’s concessions on other issues, which will become the agenda for extended negotiations.

# Georgia's future in NATO and EU

Lasha Tughushi, Liberal Academy Tbilisi Foundation (Tbilisi, Georgia)

**In August Georgian attention was drawn to the looming presidential elections and the leaders of the race that are already defined. Meanwhile, during her first trip to the South Caucasus the German chancellor made essential statements regarding the country's foreign policy prospects.**



The German chancellor making her first-ever visit to Tbilisi.

Photo kavkazplus.com

## DOMESTIC POLICY:

### President Margvelashvili not running for re-election

“I am not going to take part in the presidential race”, said the president of Georgia Giorgi Margvelashvili during his meeting with students. According to him, he will continue to serve Georgia in a different way. His words did not come as a surprise. He has a certain ratings, but this was not enough to create and maintain the motivation behind.

The parliamentary majority refused to nominate their own candidate at all. It looks like they will support an “independent” candidate – a former minister of foreign affairs Salome Zurbishvili. Zurbishvili was born in France, her

grandfather left Georgia in the 1920s. She was a seasoned French diplomat when Mikhail Saakashvili invited her to Georgia and appointed her a minister. She has quite a thick accent, makes mistakes when speaks Georgian, and is still a French citizen. Currently her plea to renounce French citizenship is being processed in Paris, since the president of Georgia cannot hold double citizenship.

During Saakashvili's presidency the relations between him and Zurbishvili dramatically deteriorated. Zurbishvili has already accused “Misha” of initiating the August war with Russia. By advocating such a position she won the graces of Georgian billionaire Bidzina Ivanishvili, former prime-minister and incumbent head of “Georgian Dream”

ruling party.

Saakashvili's pick is also the former minister of foreign affairs Giorgi Vashadze. It seems like the final battle will

## ECONOMY:

### New procedure for obtaining residence permits

In 2018 the number of foreigners in Georgia exceeded 80 thousand people. In 2012-2016 over 34 thousand of properties with ownership rights were registered by foreigners. According to the current legislation, a residence permit may be issued on the grounds of investing over 300 thousand lari (\$120 thousand) or owning a property on the territory of Georgia the market value of which is over \$35 thousand.

However, the procedure of issuing Georgian residence permits to foreigners is undergoing changes. The amendments will include the following: legal conditions for ob-

tain a permit will be investing \$300 thousand or owning a property worth over \$100 thousand. According to the draft bill, investors will not be immediately provided with a permanent residence permit. First, they will need to obtain a residence permit valid for 5 years. The authors of the draft bill state that increasing the amount of investment and property value needed to obtain a residence permit will stimulate investment flow.

According to the statistics, 53% of Georgian properties bought by foreigners belong to Russian citizens followed by Ukrainians, Armenians, Azerbaijani and Israeli citizens. The majority of residence permits in recent years were issued to the citizens of Azerbaijan, Russia, Turkey, Armenia, Ukraine, India, China and Iran.

## FOREIGN POLICY:

### Merkel visiting Caucasus

The German chancellor Angela Merkel made her first visit to the South Caucasus. When persistently asked several times by students why she avoided the word "occupation" talking about the regions of Tskhinvali and Abkhazia, the chancellor replied that "yes, this is occupation" and this was precisely her answer.

This statement made by Angela Merkel resulted in a round of applause coming from Tbilisi National University students.

On the same day Merkel visited the South Ossetia administrative border where the Russian "border control line" has a barbed wire fence. The chancellor also had a chance to use field glasses and see the nearby Russian military base.

Earlier during a joint briefing with the prime minister, Merkel made a statement regarding Georgia's Euro-Atlantic prospects. The chancellor does not see Georgia becoming a NATO member fast. As for the European prospects, Georgia and Ukraine are the most prospective members following the West Balkans.

"I want to say very openly that I am very glad and supportive of Georgia's European ambitions. This is why the Association Agreement and Free Trade Agreement exist, but from the European side I cannot give you hasty promises. It means that a candidate country must meet certain criteria for the EU to accept a new member, and as for the EU, it should in its turn be able to accept new countries. Currently the West Balkan countries are considered for

prospective membership. So we will probably become 35 including the Balkan countries. There should be a flexible structure of developing a stronger and better coordinated cooperation especially in the sphere of European security since it is very difficult to make any decisions in the long term. Georgia and Ukraine will be the next step deriving from their vividly expressed European prospects".

In Georgia Merkel talked quite a lot on democracy, energy and Russia. The students also asked about building a German-Russian gas pipeline. In particular, the question had

to do with guarantees received by Merkel during her meeting with the President of Russia regarding him not using the pipeline for his own benefit.

"Gas comes to us from Great Britain, Holland, Norway and Russia. Radically this will not change with the Nord Stream 1 and 2 projects. Of course, Ukraine will remain, from this point of view, a transit country," said Merkel.

Merkel's visit to the South Caucasus is especially interesting given the context of the Convention on legal status of the Caspian Sea, the absence of which stood in the way of launching a pipeline on the bottom of the sea for 22 years. Both in Tbilisi and Baku the chancellor highlighted the prospects of both Shah Deniz and Trans-Caspian pipeline including Turkmenistan, fourth in the world in its resource capacity. This will dramatically increase not only Europe's energy security, but also the significance of the South Caucasus.

**Georgia and Ukraine have the most promising European prospects following the Balkans.**

# 27 years of Independence or Quo Vadis Moldova?

Ludmila Nofi. Foreign Policy Association of Moldova (Chisinau, Moldova)

**Moldova failed to recover its image of a credible partner for the strategic development allies as Government and Parliament took many controversial decisions. Nevertheless, the Moldovan ruling coalition claims to be quite committed to implementing the comprehensive agenda in accordance with the European Association Agreement. However, the situation on the ground is different. After 27 years of independence, the Republic of Moldova is the poorest country in Europe, vulnerable and threatened by internal and external challenges.**



Police dispersed opposition protest on Independence Day of Moldova.  
Photo Artur Gurau/Facebook

## DOMESTIC POLICY:

### 27 years of uncertainty

The recent Moldovan domestic political developments have seriously shifted the pillars of a true democracy, rule of law principle and security perceptions.

The illegal [military exercises](#) in the Transnistrian Security Zone, repeatedly conducted by the paramilitary forces of the Tiraspol separatist regime in partnership with the Operational Group of Russian Forces (stationed without legal grounds on the territory of Moldova), took place shortly after the UN resolution on Moldova regarding the withdrawal of the Russian military contingent. According to the [press release](#) of the Russian Ministry of Defense, these drills aimed to assess the “physical state of the servicemen” on the ground.

The actions caused concerns of the OSCE Mission to Moldova. In compliance with the OSCE Mission’s mandate, a team was deployed in the Security Zone, but as earlier, it [“was obstructed from fully monitoring these exercises”](#). The Bureau for Reintegration qualified the military actions as [“a repeated challenge which generates new tensions in the Security Zone”](#).

The former Head of the OSCE Mission to Moldova, Ambassador Michael Scanlan [outlined several achievements](#) in the Transnistrian settlement process. Most of the ac-

complishments are related to social, economic and communication aspects that are crucial for the population from both banks of the Dniester River. However, the political and military issues which refer to the complete and unconditional withdrawal of foreign military forces from the territory of the Republic of Moldova, as well as, the status for the Transnistrian region within Moldova, have not been solved. Even after 27 years of independence and sovereignty, maintaining a status quo in the settlement process seems to be convenient for all the stakeholders.

On August 27, the Republic of Moldova celebrated its independence. The holiday was shaded by a series of manifestations driven by the invalidation of the mayoral elections in Chisinau and the controversial budgetary and fiscal reform, approved in haste and seriously criticized by the international community. On the eve of the Independence Day, thousands of people headed by the pro-European opposition political leaders Andrei Nastase (Platform Dignity and Truth) and Maia Sandu (Party Action and Solidarity), were [protesting against the current government](#) and its controversial European Association agenda. This civic action encouraged the Moldovan diaspora residing in the EU to take a stand and [come up with a series of demands including calling for the government’s resignation](#).

## ECONOMY:

### Step forward or a setback

In August, the attention was focused on the recently adopted new budgetary and fiscal reform, which raised many questions and grave critics both from the civil society and the international development partners. Despite this, the President of the Republic of Moldova, Igor Dodon, apparently a strong opponent of the current government, [promulgated the controversial package of tax initiatives](#). The president disregarded the opinions according to which this particular amendment will increase the regress of the tax system, undermine tax compliance and hinder the money laundering fight. Dodon’s official position is rather peculiar. On one hand, he highlighted the necessity of such decisions assuring that this is the easiest way to track and recover the money from \$1 billion theft. This decision was not supported in the Parliament by the Socialist Party, the unofficial leader of which

**The celebration of Moldova’s Independence Day was shaded by a series of manifestations**

he is considered to be. On the other hand, he confirmed that such hasty decisions will damage the relationship between the Republic of Moldova and Western partners, stating [that in this way the West allies will see the true faces of the cur-](#)

[rent ruling elites](#).

Likewise, the leader of the Democratic Party, Vlad Plahotniuc, pointed out that voluntary tax disclosure is an international practice broadly used by experienced democracies including some European states. By saying that, he declared that [“this procedure refers to the overall gain of the non-payment taxes, excluding the money of criminal origin, corruption, trafficking etc.”](#) Backing up the positive effect of this fiscal reform, the Prime-Minister of the Republic of Moldova, Pavel Filip, added that there are [exaggerated speculations](#) on this issue, used by some political actors for electoral gains in the view of the Moldovan parliamentary elections on February 24, 2019.

## FOREIGN POLICY:

### Excuses and explanations

The current state of the Republic of Moldova’s relations with its strategic partners is obviously affected by the last

developments in domestic policy matters. In a very short period of time, the ruling government and political elites were seriously criticized by the European Union, the International Monetary Fund, the World Bank and the United

States due to a series of mistrustful political decisions not in line with the commitments assumed under the Association Agenda.

To put things right, on August 2, the speaker of the Parliament, Andrian Candu, and the Prime-Minister, Pavel Filip, summoned the accredited ambassadors to Moldova aiming to inform them [firsthand](#) about the government's achievements, in particular, the budgetary and fiscal reform. According to the Moldovan high officials, the main purpose of these initiatives was the "[economic liberalization of the market and stimulation of fair competition](#)". In spite of the claimed government's "good intentions" to contribute to country's development, strengthening the rule of law, democracy and supporting its own citizens, the main partners and donors did not really seem convinced.

Confronted with the need to explain, the leader of the Democratic Party, Vlad Plahotniuc, mentioned in an interview for a local news agency that "[...it is important to](#)

[specify that the relationship between the Democratic Party and European partners has not been damaged](#)". He assured that the current government has completely fulfilled all the commitments to the European partners for the first tranche of the macro-financial assistance and all actions further will focus on the national European integration strategy.

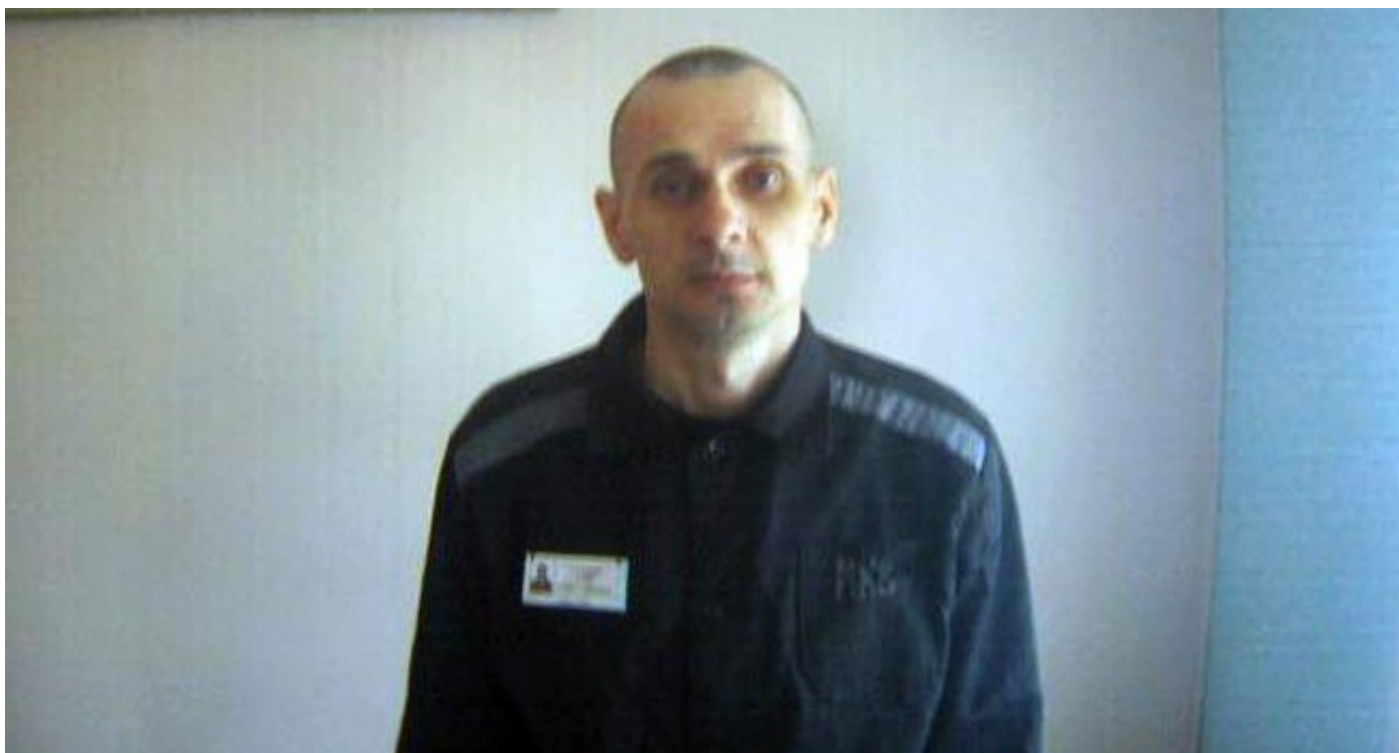
A representative of the diplomatic community in Moldova, the Romanian Ambassador to Chisinau, Daniel Ionita, stated that the European Union and its member states have now entered a period of "[strategic patience](#)" toward Moldova, with reference to the last political crisis in the country. The Romanian diplomat highlighted that the most important task is to move forward and monitor the developments, expressing his belief that the lessons are already learned and there is a need to work together to strengthen the European path of the Republic of Moldova. He reaffirmed that Romania is still one the soundest lawyers of the Republic of Moldova.



# The final countdown in the struggle to save the Ukrainian prisoners of the Kremlin

Sergiy Gerasymchuk, Foreign Policy Council “Ukrainian Prism”

In August, Ukraine’s domestic policy was not marked by an abundance of significant events. The development of the economic situation was put on hold due to the absence of the decision on continuing the cooperation between Ukraine and the IMF. However, the country was mentioned quite frequently on the international arena, first and foremost, within the context of saving Oleg Sentsov, a Ukrainian director illegally kept in prison in Russia and more than 100 days into a hunger strike.



The prisoner of conscience Oleg Sentsov in the Russian colony.  
Photo Lyudmyla Denisova/Facebook

## DOMESTIC POLICY:

### At a standstill

August was a month of political calm in Ukraine. There

were no significant political developments due to the parliamentary recess. The hopes for some resonant political

statements on August, 24, Ukraine's Independence Day, did not come true. The leaders of the presidential ratings repeated their previous notes, probably just testing waters for election strategies. Thus, Yulia Tymoshenko yet again mentioned changes to be made in the Constitution by national [referendum on a transit to the parliamentary republic](#). The incumbent President Petro Poroshenko addressed the need to consolidate the country's EU and NATO course in the Constitution.

The intrigue of the year has not been revealed yet: will the frontman of a popular music band Okean Elzy, Svyat

oslav Vakarchuk take part in the presidential race? He is one of the moral leaders for the citizens of the country. During his first concert this year held on the Independence Day Vakarchuk dedicated his songs to the prisoner of conscience Oleg Sentsov as well as to the Ukrainian soldiers fighting in the east of the country. However, he did not make any statements regarding him [running for presidency in 2019](#).

It is highly probable that September will see more large-scale political events given the fully-fledged opening of the political season and next Parliament's session.

## ECONOMY:

### IMF cooperation on hold?

There is also a lull in the economy. After a slight devaluation of the national currency in early August the situation somewhat stabilized in the following weeks. Yet, issuing [external bonds for \\$725 mln](#) by the Ministry of Finance indirectly indicates that the economic climate is deteriorating. The government took this forced step because the IMF cooperation program was temporarily suspended. The main stumbling point in the negotiations is the cost of gas for the population. The IMF demands the price in-

crease. In his turn, on August 23, the Prime Minister of Ukraine Vladimir Groysman stated that Ukraine acknowledges its obligations to increase gas prices and reminded that this increase is the guarantee for continuing the cooperation with international financial institutions, which "[provide us with low-interest money](#)". The complexity of the decision to raise the price of gas is undoubtedly due to the fact that it can cause social tension, which is extremely undesirable for the government on the eve of the presidential and parliamentary elections of 2019.

## FOREIGN POLICY:

### Saving hostages

Despite holiday season and summer break, Ukraine remains on the international agenda and, in particular, the issue of Kremlin's "prisoners of conscience". Releasing Crimean director Oleg Sentsov is critical as his health is severely failing after more than 100 days on hunger strike.

Moreover, US Congressional Freedom of the Press Caucus calls for the immediate release of Ukrainian journalist Stanislav Aseyev held by Russia-backed separatist militants in Eastern Ukraine. Co-chairs of the Freedom of the Press Caucus, U.S.

Representatives Adam Schiff and Steve Chabot issued the [corresponding statement on August, 8](#). In their turn, the Association of European Journalists also called on the militants of the so-called DNR to [free Aseyev](#).

Yet on August 21-22, the negotiating group in Minsk failed to provide any tangible results regarding the exchange and release of Ukrainian hostages and political prisoners kept in the Russian Federation and on the temporarily uncontrolled by Ukraine Donetsk and Luhansk regions. The Russian side rejected the initiative to meet to discuss the exchange of prisoners, as stated by Iryna Gerashchenko, Commissioner of the President for the peaceful Settlement of the Situation in Donetsk and Luhansk regions, on [her Facebook](#).

Against the backdrop of severe fighting to free Ukrainian

political prisoners, involving the international community, U.S. National Security Advisor John Bolton's visit to Kyiv was of special significance and became yet another proof of US consistent policy regarding Ukraine. Mr. Bolton stated that the fact that Russia is discussing the issue of deploying peacekeepers in the Donbas is an indirect recognition of Russian [participation in the war](#). The White

House Advisor also called on Ukrainian authorities to seek alternative energy sources and said that building Nord Stream-2 pipeline will lead to even greater dependence [for both Europe in general and Ukraine in particular](#).

Another Ukrainian ally on the foreign policy front, the German chancellor Angela Merkel did not forget about Ukraine in the course of her meeting with the Russian [President Vladimir Putin on August 18](#). The issue of resolving the situation in Ukraine's Donbas region was also on the agenda of the negotiations. No agreements, as it was expected on the eve of the meeting, could be (?were?) achieved. However, the settlement issue remains on the international agenda. At the same time, Merkel showed a note of optimism when during her visit to the Caucasus on August 23-25 she stated that Georgia along with Ukraine has the greatest European prospects. Yet, Merkel considers it possible to return to this issue not earlier than in 10 years.

**The Russian side rejected the initiative to meet to discuss the exchange of prisoners**

# New government of Belarus: first steps

Arseniy Sivitsky, Yuri Tsarik, Center for Strategic and Foreign Policy Studies (Minsk, Belarus)

The prime minister, three vice-premiers, three ministers and the chairman of the State Military-Industrial Committee of the Republic of Belarus resigned as a result of Alexander Lukashenko's trip to the eastern regions of the country. While commenting on the government reshaping, the President stated that it was not a spontaneous decision and the pity situation in Orsha district served as only one of many reasons.



New government of Belarus.

Photo by government.by

Appointing new people and assigning responsibilities in the new government are rather indicative given the looming presidential and parliamentary campaigns. The Belarusian leader focused his attention on certain discrepancies and inconsistencies within the country's course of development, as well as on the low level of executive and labor discipline. According to the comments he made, these discrepancies and inconsistencies are not only connected to the ways of

interpreting the course of economic development, but also to the geopolitical position of the Belarusian state.

## Council of Ministers Agenda

Almost immediately after being appointed the new members of the Council of Ministers of the Republic of Belarus made statements which allowed to unambiguously define the features of both the agenda and the political role of the new

government. The public political role of the cabinet headed by Sergei Rumas is to act as a technical and technocratic government aiming to increase the economy efficiency, modernize it and improve the well-being of the population. Since this role provides for the continued implementation of unpopular and sensitive reforms (even given its “manageable” regime) it will also allow Alexander Lukashenko to sometimes act as a follower of “softer” reforms himself.

As for the program, the new cabinet will continue with the previously adopted plans including a five-year plan that will be rather difficult to implement. Based upon the earlier developed principle of “two economies”, the government will aim to facilitate the development of the “new economy” (private sector – small and medium-sized businesses, information technologies, Green Field investment attraction) and yet to support and partially “reform” the “old economy” – mostly inefficient state sector. Implementing such an approach will allow to keep under control employment growth rates (with step-by-step and “partial” cuts held at inefficient enterprises due to their privatization, state modernization or bankruptcy), however, with “sterilizing” the toxic state sector and avoiding making the country’s entire economy a victim of its inefficiency.

This very policy of “sterilizing” bad assets, however, taking into account current conditions can only be implemented given there are lucky coincidences involved. And even provided with the best-case scenario, it poses serious threat to macroeconomic stability of Belarusian economy. In particular, the mechanism created by the authorities involving the transit of debts of agricultural enterprises to creditors and budget can result in dramatic deterioration of financial state, not to say collapse, of regional budgets and state banks with the biggest amount of “bad assets”. Furthermore, the debts of industrial giants, many of which will not be able to make any profit for a long time, can be added to this as well. Therefore, avoiding banking and currency crises that would deteriorate the conditions for the work of the “new economy” is the main task for the authorities when implementing such measures. Taking into consideration the fact that the corresponding measures have already been taken, the Belarusian authorities have decided to go through the most dangerous stage of such transformation before the start of large-scale parliamentary and presidential campaigns 2019-2020. However, in order to do this they are going to need an additional source of external financing, which is in many ways related to the negative dynamic of relations between Belarus and Russia.

**The public political role of the cabinet is to act as a technical and technocratic government aiming to increase the economic efficiency**

## Who was fired and on what grounds?

Given the absence of new meaningful elements in the new government’s program, it is only natural to question the reasons for changing the previous one. An important reason for such a step was Alexander Lukashenko’s intention to have a much-needed effect of mobilizing the state apparatus and his support in the society. Dismissing vice premier Vasily Zharko was connected to the corruption scandals in the healthcare sector supervised by him. Another vice premier Vladimir Semashko was fired due to the state of his health and his multiple requests to resign. The first vice premier Vasily Matyushevsky was dismissed due to the lack of work suitable for him (he was invited to work for the government in the first place as a coordinator, personally responsible for IMF cooperation). What is more, his style does not really “fit in” when it comes to Belarusian establishment, with many representatives of nomenclature holding a grudge against him due to his fervent position on the issue of market reforms. Finally, firing prime minister Andrei Kobyakov was

brought about by the wish to change the role of the government by achieving its more active public position in promoting reforms while keeping hardline reporting to Alexander Lukashenko. Andrei Kobyakov, while being a complete administrator without any personal agenda, did not fulfill this role. Moreover, the Belarusian leader

decided to act on principle and change an ethnic Russian Andrei Kobyakov for a “real Belarusian” Sergei Rumas, in this case.

Roman Golovchenko, who served as Belarusian ambassador to UAE for many years and is a specialist in the key for Belarus arms markets and military equipment, was appointed as the head of the State Military-Industrial Committee of the Republic of Belarus. In 2009-2013 he was the first deputy head of the State Military-Industrial Committee of the Republic of Belarus. In late August Alexander Lukashenko also appointed Maxim Ermolovich as the new minister of finance (before that he was the first deputy of the minister of finance) and Victor Karankevich as the energy minister (he was also the first deputy of the energy minister prior to his appointment).

It is interesting that the comments made by Alexander Lukashenko relating to the changes in the government ?made by him? and other taken decisions constantly refer to “hard times” Belarus is facing now. Moreover, it is not a secret that one of the most important factors making these times “hard” is Russia’s unfriendly policy regarding Belarus. Therefore, when reshaping the government the leader of Belarus was rather close to publicly define Russia as the main challenge to the independence and security of Belarus.

## Assigning responsibilities

First of all, reformatting the government is significant due to the return to the apparatus vertical of one of the most famous and consistent followers of market reforms Sergei Rumas, who was appointed as the new prime-minister, as well as the rise of the new first vice-premier Alexander Turchin, whose views are similar to those of Rumas. Earlier Rumas had already been appointed to the vice premier position during 2011-2012 economic crisis, after which he was appointed the position of “Development Bank of the Republic of Belarus” Head. He is believed to be a serious negotiator who knows the way to international financial institutions. Rumas as well can find a common language with Russian counteragents. Therefore, the biggest bet when appointing a new premier is for him to be able to efficiently solve trade and economic problems, as well as to continue IMF talks regarding the new stabilization program.

Following his appointment Sergei Rumas assigned responsibilities among the new vice premiers. This information can be supplemented by him assigning unofficial responsibilities, fulfilling which will be instrumental when evaluating the work of corresponding authorities. The first vice premier Alexander Turchin will be responsible

for implementing “progressive” measures defined in presidential decrees on entrepreneurship and development of information and communication technologies. Correspondingly, the main counteragents for him will be the following:

the Ministry of Economy (with its new head Dmitry Krutoy) and the Ministry of Communication and Informatization (with its new head Konstantin Shulgan). Alexander Turchin has already made two program statements on these two issues. As for communication and information technologies (ICT), he made it clear that the Ministry of Communication and Informatization headed by Konstantin Shulgan will become instrumental for implementing the IT-country project and will possibly become a base for creating the Ministry of Digital Economy. Moreover, top level authorities request the implementation of information and communication technologies in industry and other sectors of economy, and in order to do this, active interaction with the Ministry of Industry (and its new head Pavel Utyupin) will be much needed.

Vice premier Vladimir Kukharev will curate a quite problematic and requiring reforms public housing and utilities sector (as well as construction, transport and the Ministry of Emergency Situations). Taking into account his background of controlling utilities in Minsk, his main mission will consist of a further search for reserves to cut costs in public housing and utilities sector aiming to increase the part paid by population without a sudden dramatic increase in tariffs. Provided there is the same rate of macroeconom-

ic stability and the current rate of tariff growth (around \$5 annually), it is possible to reach a 100% break-even point by 2023. Vladimir Kukharev’s task will be to do it 2-3 years faster while not speeding up public housing and utilities growth rate. Solving this issue along with reforming the state sector is the main IMF loan condition to be fulfilled by Belarus. Moreover, it is quite probable that Vladimir Kukharev will have to lobby Belarusian companies when it comes to finishing the construction of Belarusian nuclear power plant. At any rate Alexander Lukashenko stated that he raised the issue of costs involved in constructing the nuclear power plant during his talks with Vladimir Putin in Sochi.

Igor Lyashenko (former head of “Belneftekhim” concern) took over Vladimir Semashko as the new vice premier; he will supervise both oil and energy sector as well as the industrial sector in general. His main concern in the short-term perspective will be “improving” relations with the Russian Federation, the stability of which is of critical importance also for diversifying the Belarusian economy and lowering its grade of dependence on Russia. What’s more, Igor Lyashenko will have to not only face tense communication with Russian counterparts but also fight with Belarusian companies making more profit on, in fact, illegal oil re-export under the disguise of oil products (it is quite probable that some of these companies stayed in good graces of Vladimir Semashko, former vice premier super-

vising FEC). It is rather ironic that heightened tensions on oil and gas “front” almost eliminate the possibility for Igor Lyashenko to personally deal with industrial issues, including the situation in Orsha, which was the reason behind the former minister of industry resignation.

Finally, vice premier Igor Petrishenko took over from Vasily Sharko as a supervisor of the social sector and found himself in the most difficult situation, first of all, due to the fact that this is a completely new field of work for him (not taking into account the representative functions of the Government on the Union State, Eurasian Economic Union and CIS that he will be fulfilling). Secondly, the situation in healthcare due to the recent corruption scandals is now almost completely under control of security officials, while the situation in sport sector is under the supervision of the President’s Administration (due to the European games coming soon). What’s more, minister Igor Karpenko, who is ideologically quite close to Igor Petrishenko, is quite active in the education sector, however he decided upon a confrontation course when interacting with the civil society. Moreover, Igor Petrishenko will need to supervise the work on the new version of “anti-parasite” decree, which may also lead to conflicts. Therefore, the main task for this official in the

**Changing the government the leader of Belarus was rather close to publicly define Russia as the main challenge to the independence and security of Belarus.**

nearest future is simply to survive and carry on with his new position.

As for the vice premier Mikhail Rusoi, who kept his post and continues to supervise the work of the agrarian and industrial sectors, his mission remains the same: improve export diversification, fight for the Russian market and for better efficiency of subordinate enterprises. The necessity to solve the issue regarding the uncollectable debts of agrarian-industrial complex in the near future without a doubt casts a shadow both on this official as well as on the entire government policy in this field; yet, it will hardly influence his position in any considerable way. However, in case he resigns, his position may be harmlessly taken by the incumbent minister of agriculture and food Leonid Zayats, who is well-known for being a professional and a tough negotiator with Russia.

## **Is economy a prerogative of economists or security officials?**

The beginning of work of the new government was marked by an article that appeared in the Administration of President's newspaper "Soviet Belorussia" and had been written by the head of the State Control Committee Leonid Anfimov. The article revealed him as a follower of planned economy and opponent of wide privatization and deregulation of economy. The article was written in such an obscure tone that some observers suspect it was a sign of a new government PR move alleging that Leonid Anfimov will embody "reactionary" forces and will attempt to limit the reforming passion of young government leaders. As for Alexander Lukashenko, he will act in this scenario as a wise judge who only makes correct decisions and leads the country avoiding "extremes". However, it is hardly possible to suspect Leonid Anfimov of affiliation with staged conflicts. It is more likely that his actions were related to the fight between government and security officials regarding the new edition of act # 488 on the fight with shell companies.

**Reshaping the government and putting the stakes high for young technocrats is yet another attempt of mobilizing the state apparatus and drawing a harder line for demands.**

Leonid Anfimov's article was followed by a reply: at the end of the week a TV channel "Belarus 1" released what later became a "sensational" interview of the first vice premier Alexander Turchin, in which he de facto advocated to eliminate the practice of detaining entrepreneurs that are being criminally prosecuted on economic grounds. More-



**Sergei Rumas as Prime Minister will have to solve the trade and economic problems that arise with Russia.**

Photo by government.by

over, he stated that in the near future amendments to act # 488 should be made and that both security officials and economic institutions have come to agree on its norms. What's more, Alexander Turchin supported the radical revision of the program supporting entrepreneurship and stated that it is necessary to abide by the principle of equal forms of ownership and announced the state's active policy on developing information technologies sector. It is possible that the appearance of new information regarding the text of amendments made to act # 488 in the near future will allow to evaluate the correlation between the potential influence of security officials and economists on the issues of the country's economic development.

The long-lasting quality of the starting positions of economic technocrats is supported by the statements made by the new minister of economy Dmitry Krutoi. Having defined obtaining a "new quality of economic growth" as his mission, he openly stated his task to decrease the dependence of Belarusian economy on Russia at the same time. Moreover, resolving the situation with public sector debts was also named among the main tasks.

Therefore, reshaping the government and putting the stakes high for young technocrats is yet another attempt of mobilizing the state apparatus and drawing a harder line for demands, yet without offering any new solutions and strategic moves. This mobilization is a counter act for growing tensions coming from the Russian Federation preceding parliamentary and presidential campaigns in 2019-2020.

# Harmonization of digital markets of Ukraine and EU: a bumpy road to innovative future

**Maksym Koriavets**, Ukrainian National Platform of Eastern Partnership Civil Society Forum, Polissya Foundation for International and Regional Studies (Chernihiv, Ukraine)

The need to integrate the digital markets of the Eastern Partnership countries into the single European space has led to launching Harmonization of Digital Markets initiative which Ukraine is also involved in. The relevance of this direction for Ukraine has become noticeable in the past three years.



\* This material partially uses the results of implementing the project “Civic participation in launching and implementing Ukraine’s digital agenda and harmonizing its digital markets with EU and Eastern Partnership countries” supported by “Civic Synergy”.

A formal confirmation of the start of shaping a digital policy came at the beginning of 2018 when the Concept of Developing Digital Economy and Society of Ukraine in 2018-2020 was adopted. This document contains the main aims and principles of the country’s digital development as well as an indicative plan of their implementation.

However, this is not enough when it comes to the necessity of synchronized development of every sphere in the process of harmonizing Ukraine’s digital market with

in the frames of the Eastern Partnership policy, including:

- telecom rules and digital infrastructure;
- trust and security in the digital economy;
- eTrade (eCommerce, eCustoms, and eLogistics);
- digital skills;
- ICT research, innovation, and startup ecosystems;
- eHealth.

At this stage of “digitalizing” the country the main obstacle is the absence of coordinated strategic approach to developing harmonizing digital markets policies with the EU and the Eastern Partnership region. The first step to implementing the Concept of Developing the Digital Economy and Society of Ukraine should be creating strategic documents/roadmaps/action plans for each sphere of the

country's digital development mentioned above.

Ukraine has already begun the digitization of important socio-economic spheres. But along with successes, there are significant drawbacks that require elimination in the short term.

## Telecom rules and digital infrastructure

### [Within the context of Eastern Partnership deliverables](#)

The main subject of forming the agenda (both in Ukraine and in the Eastern Partnership region) in this field is the National Commission for the State Regulation of Communication and Informatization. In 2018 the Commission on behalf of Ukraine heads [the Eastern Partnership Electronic Communications Regulators Network](#). According to "Eastern Partnership: 20 deliverables for 2020", partner states will need to develop the strategies for using frequencies agreed upon by themselves and also by the EU. However, such strategy is yet to be developed in Ukraine.

At the same time Eastern Partnership Electronic Communications Regulators Network initiated the process of harmonizing pricing and roaming tariff decrease among partner-states. The grounds for this process have been laid. [The corresponding research](#) provides a general overview of international roaming markets and regulatory base in Eastern Partnership countries, as well as recommendations on implementing a harmonized approach.

Despite heated discussions, Ukraine is yet to make significant steps in drawing up a national strategy for broadband Internet access development. Such a document, in fact, should become a starting point for improving the necessary infrastructure in order to harmonize digital markets.

### [Within the context of the current situation](#)

Nowadays the National Commission for the State Regulation of Communication and Informatization does not possess sufficient powers to carry out regulatory functions in an appropriate manner in compliance with the EU standards.

Partially from these reasons the following issues arise: the lack of complete information on ICT services provided in the country; the absence of systematic analysis of European experience (including EP countries) on implementation and use of modern ICT services and technologies; the absence of a single coordinated methodology of collecting and processing information on developing digital infrastructure; the absence of a single coordination center on strategic planning of the development in this field; a gap between the demand and the technical supply of broadband access.

### [First-priority recommendations](#)

Annex XVII to Association Agreement states that the regulatory harmonization of parties' laws in the telecom-

munications field should begin with the development of a roadmap. The map should be developed and approved within the six months from Agreement coming into force (that is by April 1, 2018). Only after that the work on the regulatory harmonization should start. Ukraine is yet to approve such a map.

**In the future the following critical steps should be added to the agenda of the responsible authorities:**

1. In legislation and regulatory control:
  - introducing the term definition for "broadband Internet access";
  - implementing fixed broadband access as a common service;
  - developing technical requirements to broadband access;
  - launching a system for monitoring the quality of broadband access services to protect customer rights;
  - drawing up a legal mechanism, providing local authorities with an opportunity to assist telecommunication operators.
2. Analyzing the current state of broadband access.
3. Creating a single database of telecommunication networks infrastructure, telecommunication market subjects and mapping the infrastructure.
4. Monitoring the state of digital infrastructure (including the analysis of competition between all service providers on the Ukrainian digital markets, the analysis and monitoring of the compliance between the Ukrainian legislation and the EU standards in telecommunication).
5. Implementing motivation instruments both for users and providers.

## Trust and security in the digital economy

### [Within the context of Eastern Partnership deliverables](#)

In 2017 the law "On electronic trust services" (which is, in fact, a technical translation [of European eIDAS-regulation](#)) was adopted in Ukraine, and it will come into force in November 2018. On May, 9, 2018 the law "On key principles of ensuring cyber [security of Ukraine](#)" came into force, according to which CERT-UA, a government response team for computer emergencies, should be created. In the future it should be joined with similar teams in the EU (EU CERT) and all partner states.

Therefore, within the frames of the Eastern Partnership, Ukraine has made its first steps on the way to launching a pilot trans-border system of electronic signature and regional system of providing trans-border digital services for business together with the EU. However, there are still challenges to be faced.

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### [Within the context of the current situation](#)

The existing Ukrainian laws "On electronic digital sig-

**Ukraine has already begun the digitization of important socio-economic spheres**



nature” and “On electronic documents and electronic document management” should be updated in compliance with the Association Agreement within the context of moving to a full-scale regulation of electronic trust services. The law of Ukraine “On information protection in information and telecommunication systems” should also be revised in compliance with the new legislation. And these are only the first steps to be taken. It is essential to continue the work on further implementation of the law on electronic trust services, following its adoption there are more than 25 regulatory acts in line, and even a longer list of standards.

An issue of checking electronic digital signature when archiving electronic documents is yet to be solved. That is why, in the near future the use of electronic document flow in state institutions may remain “on paper” only.

#### **First-priority recommendations**

1. Develop/adapt regulatory acts for implementing the laws of Ukraine “On electronic trust services” and “On key principles of ensuring cyber security of Ukraine”. To be more exact, to lay the basis for legal and technological regulation in the sphere of electronic identification and provide the conditions for legalizing new technologies; revise and coordinate lists and contents of electronic trust services; clearly define in terms of legislation the necessity of electronic digital signature as a component of an electronic document when implementing electronic state management and electronic democracy.

2. Support the state-owned providers of electronic trust services regardless market fluctuations and trends.

3. Develop a new plan of implementing the [Cyber Security Strategy of Ukraine](#) in coordination with European partners and all interested parties.

## **eTrade (eCommerce, eCustoms и eLogistics)**

#### **Within the context of Eastern Partnership deliverables**

To date, in Ukraine there is no national roadmap for developing harmonized eTrade systems between Eastern Partnership countries in compliance with the EU norms. The information regarding any kind of research for preparing such a roadmap, as well as in the sphere of eLogistics (including implementing a digital transport corridor between the Baltic Sea and the Black Sea) is nowhere to be found in open access. At the same time, the issue of harmonizing eCommerce, eCustoms, and eLogistics rules and regulations with the corresponding EU rules and regulations is still open, as of today there is a number of gaps in this field. All these factors question timely implementation of the pilot systems: trans-border eTrade system and

the system for proper functioning of the digital transport corridor between the Baltic and the Black Seas.

#### **Within the context of the current situation**

It is worth mentioning that measures concerning eTrade are not included in the implementation plan for the development of Digital Economy and Society of Ukraine 2018-2020 Concept, which brings into question the priority of this segment to the government in the short term.

Now there is a number of issues that should be resolved using state policy instruments:

- the declared mechanisms for electronic payments are absent;
- the activity of most eTrade subjects (except marketing and deals using formal offers) are not legally regulated;
- the issue of using electronic trust services as eTrade component is yet to be solved;
- a single system for protecting and regulating eTrade consumer rights is yet to be developed;
- the institutional mechanisms for creating a functioning system for personal data protection in this sphere are yet to be provided.

#### **First-priority recommendations**

Delegate the function of forming and implementing eTrade state policy to the Ministry of Economic Development and Trade of Ukraine.

Initiate framing the concept and roadmap of eTrade development in Ukraine with all interested stakeholders involved.

Conduct a complex expert analysis of current Ukrainian legislation on implementing Directive

2000/31/EC of the European Parliament and of the Council of the EU (the Electronic Commerce Directive).

## **Digital Skills**

#### **Within the context of Eastern Partnership deliverables**

To date, the discussions of a national strategy on developing digital skills and creating a digital skills and digital jobs coalition have not started in Ukraine yet. The preconditions for them were created with the appearance of the Coordination Council for Digital Economy and Society (supervised by the Ministry of Economy), within the framework of which there is already a functioning working group on digitalizing education. Carefully orchestrated actions of this structure will provide for all necessary conditions to achieve the expected Eastern Partnership deliverables for 2020.

#### **Within the context of the current situation**

There is no single government initiative, programme, strategic document, vision that would aim at creating a single complex system of national development of digital awareness in Ukraine. There is a lack of instruments for monitoring and assessing digital skills and competences on the state level. Due to this fact, it is difficult

**In order to move to practical productive actions in all spheres of digital harmonization in Ukraine a pool of strategic documents should be developed**

to define the vector and specific actions to develop the sphere of digital skills and competences in Ukraine in the short term. In terms of legislation even such basic terms as “digital skills” and “digital competence” have not been defined yet.

It is impossible to develop the methodology of assessing and implementing independent certification of the digital skills level in accordance with the needs of the labor market without the complex methodology of conducting corresponding research of the situation in the sphere.

The method of collecting statistical data by the state statistics agencies is far from being perfect for the thorough analysis of the situation in the sphere of digital skills and competences.

Therefore, this field is one of the least regulated in terms of the harmonization of digital markets.

#### First-priority recommendations

1. Draw up a complex national strategy in the sphere of digital skills and competences in Ukraine.

2. Initiate launching Digital Skills and Jobs Coalition in Ukraine following the example of the EU Digital Skills and Jobs Coalition.

3. Compile a list of digital skills and competences for target audiences in Ukraine on the basis of Digital Competence 2.0 framework.

4. Develop a complex methodology of researching the situation in the sphere of developing digital skills and competences in Ukraine.

5. Ensure the implementation of the modernized national system of digital skills and competences development indicators (based on Eurostat) into the national statistics system.

6. Conduct an independent research of digital skills level among different groups of population.

## **ICT research, innovation & startup ecosystems**

#### Within the context of Eastern Partnership deliverables

National roadmaps for stimulating ecosystem development in partner states are yet to be developed in Ukraine, as well as the map of digital innovation ecosystem that would define the roles for all the participants of the process. Therefore, the existing prototypes of ICT research, innovation, and startups ecosystem have not been structured in Ukraine yet. Despite the fact that the Association Agreement defines scientific and technical cooperation and information exchange as one of key instruments for developing and improving technologies, and the fact that the integration of Eastern Partnership research and innovation systems and programs in EU is a key deliverable for 2020, even after signing the Agreement the scientific and technological potential in Ukraine continues to decrease.

#### Within the context of the current situation

There is a lack of functioning mechanisms for cooperation and information exchange in such fields as science, innovation, and information society both within the coun-

try borders and within the borders of Eastern Partnership region, as well as between Ukraine and the EU. Special attention should be paid to some spheres of using digital technologies and networks for conducting research and spreading scientific information and knowledge. Aside from existing issues of domestic research and digital infrastructure being far behind and lacking financing for their development, the Ukrainian side does not take systematic part in consultations on Ukraine’s participation in European research and electronic infrastructure. Our country is not represented in the corresponding groups that deal with these issues. This, in its turn, deepens the technological and digital disparity between Ukraine and the EU, undermines the possibility of Ukraine’s participation in EU innovation strategy, and results in negative impact on resolving national and global challenges.

The main reasons for such situation are the following: 1) ineffective system of managing scientific research and the low quality of the research; 2) low demand for innovation coming from the real sector of economy; 3) a low level of consolidating efforts of the leading stakeholders both on the level of authorities as well as on the level of separate organizations.

#### First-priority recommendations

Ensure Ukraine’s participation in creating European Open Science Cloud and start preparing the National Cloud Initiative Strategy.

Create and implement national roadmaps for developing digital and technological infrastructures.

Develop an ecosystem map for digital innovations and key stakeholders in Ukraine.

Initiate launching open innovation ecosystems based on online platforms.

Promote joining to European policy of open science and open innovations in Single Research Area (including integration in panEuropean GEANT Network).

Provide state support for the participation of the best Ukrainian research centers and scientists in national and European digital infrastructures.

Launch a system of loan and tax benefits to facilitate innovational activity.

Ensure joining the “European Startup Network” and online platforms, inform domestic stakeholders regarding the corresponding EU structures.

Develop a financing system for ICT research and innovations on a competitive basis in cooperation with the industry.

## **eHealth**

#### Within the context of Eastern Partnership deliverables

As in the majority of other spheres, developing a national roadmap for harmonizing eHealth systems among partner states in compliance with EU norms has not been developed yet. The process of harmonizing legislation is in the initial phase. Therefore, creating pilot trans-border eHealth services in the region is suspended. However, it is worth mentioning that the corresponding technical pre-conditions have already been created in Ukraine together

with launching [eHealth digital service infrastructure](#).

**Within the context of the current situation**

A series of issues need to be solved as soon as possible:

- 1) the absence of an information exchange mechanism between medical information systems also due to the absence of own standards within the Ministry of Healthcare of Ukraine in order to keep and transfer information between medical information systems;
- 2) the absence of corresponding legislation aimed at protecting personal medical data of patients;
- 3) a low level of digital skills among medical workers and population in general.

**First-priority recommendations**

1. Ensure launching single medical information space to adopt efficient managerial decisions at all levels.

2. Follow the recommendations stated in “From innovation to implementation - eHealth in the WHO European Region” report:

- develop national legislation to protect the confidentiality of electronic medical data and guarantee personal rights of patients;

- develop and implement policies or legislation on controlling data quality and the standards of their transfer to support eHealth;

- revise on a regular basis national judicial legal instruments related to eHealth in order to take into account technological changes as well as changes in healthcare information landscape.

## **Conclusion**

Given the current situation, in order to move to practical productive actions in all spheres of digital harmonization in Ukraine a pool of strategic documents harmonized with each other and supported by thorough analysis should be developed. Otherwise, decision-makers will not be able to coordinate their actions properly, respond to the challenges of the rapid development and globalization of information, communication and digital technologies. As for the processes of implementing obligations within the frames of Eastern Partnership and Association Agreement policies, they have high chances of being threatened despite some single success stories in separate spheres.

# EaP Think Bridge

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