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Belarus – Russia: Crisis is over?



The contradictions between Belarus and Russia on foreign policy and regional security are fundamental

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Russian Factor

The Russian factor remains critical both for domestic and foreign policies of the Eastern partnership countries. Even states that do not face Moscow's direct threat are forced to consider Kremlin's opinion when taking important decisions. This dependence turned acute in March.

Relations with the Russian Federation dominates traditional monthly reviews.

Georgia, according to Tbilisi, faces another step in the attempt of the annex of the self-declared South Ossetia, that is a referendum about the change of this territory name. Belarus – Russia confrontation increased even more, with mutual accusations on the issue of oil and gas supplies. Ukraine decided to impose sanctions on five Russian banks, tightening its policy in response to Kremlin's actions in Donbas.

Armenia, in an attempt to shrug of its over-dependance on Russia, is making more efforts to find both the balance and the new Western partners. Whereas the president of Moldova, on the contrary, makes his efforts to strengthen Moldovan – Russian relations with his second visit to Moscow since the beginning of the year.

The contradictions between Minsk and Moscow have become especially visible since the beginning of the Ukrainian crisis, however, they appeared much earlier and have always been fundamental. After the presidents of Russia and Belarus meeting in St. Petersburg both sides unexpectedly stated they have come to terms in all disputable points. However, can they really put their contradictions behind? Belarusian colleagues prepared a detailed analysis of the dynamics and prospects of the conflict development.

Olga Chyzhova,
Editor in Chief
EaP Think Bridge Digest

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Armenia: Facing the Ides of March

Richard Giragosyan, Regional Studies Center (Armenia, Yerevan)

Developments in Armenia for the month of March only continued to reflect the profound polarization of the country as the 2 April parliamentary election approached. Yet even this inherent polarization was deepened further by a wave of political violence, posing a new “Ides of March”.



The upcoming battle for the seats in the Parliament of Armenia has caused the wave of political violence.

Photo by parliament.am

DOMESTIC POLICY

Political violence: past & present

Every March, the Armenians commemorate the tragic anniversary of the post-election confrontation between police and protesters in March 2008. At least ten people died and many more wounded after protests sparked an excessive crackdown by riot police. But that past political violence soon became much more pressing when a series of clashes between rival political parties escalated through the month. Triggered by the onset of a heated election campaign as the country's 2 April parliamentary election approached, the wave of political violence was composed of two distinct rivalries.

The first, and the most aggressive, confrontation was between the young supporters and members of the Tsarukian bloc and those from the ruling Republican Party. It should be mentioned, that Tsarukian, an oligarch who challenged the government party in the last election, leads the second

largest political force in the country, formerly known as the Prosperous Armenia Party. The violence between these two parties came as little surprise, however, as there is a long record of earlier clashes between the two parties in the previous election campaign. But this time the intensity of the rivalry between the Republican Party and loyalists of the Tsarukian bloc has seriously deepened.

Moreover, this political tension is exacerbated by the personal animosity, after President Serzh Sarkisian, the Republican Party leader, publicly humiliated Tsarukian and forced him to retreat from the political arena. But the recent return of Tsarukian and the growing support for his party has sparked some fresh concerns within the ruling Republicans about an unexpectedly serious challenge to its bid to maintain its majority in the next parliament.

The second element of this political violence was more sporadic, although no less serious, and involved attacks by Republican Party supporters targeting the opposition in a display of intolerance of any political interlopers. This po-

litical violence included incidents of intimidation and direct attacks, generally reaffirming the intensity of the escalating nature of political rivalries, and also prompting statements of concern from the European Union and other members of the diplomatic corps in Armenia.

In late March, another incident, not related to political violence but with political implications, took place. The former Nagorno-Karabakh army commander Samvel Babayan was arrested and charged with weapons smuggling. Although not a public politician, Babayan was widely seen as the power broker behind the election bloc of former Defense Minister Seyran Ohanian and former Foreign Minister Vardan Oskanian, and his arrest was seen as a setback to

their political chances, despite the bloc's already meager public support.

As an essential element of Armenia's amended constitutional transformation to a full parliamentary system, once the current president completes his term, power will shift to the prime minister as the new "head of state", demoting the presidency to a ceremonial post. This has sparked some concern recently, as incumbent Armenian President Serzh Sargsyan has become increasingly vague on his plans after completing his final second term as president in 2016. And in an interview in late March, he has more openly hinted at continuing in power, openly stating that he intends to play a role, in some capacity, in ensuring the security of the Armenian people.

ECONOMY

Statistics don't lie

Official statistics released in March are not reassuring, as the outlook for the Armenian economy remains marked with the anemic growth and the mounting debt. According to the National Statistical Service (NSS), for example, the Armenian economy grew by a mere 0.2% in 2016, despite vehement assertions by the Armenian government officials of promises higher growth.

This was also evident in the expansion of the country's sovereign debt, which expanded by some \$27.25 million in the month of January, to reach a new record high of \$5.96 billion. This debt figure was particularly serious, as under Armenian law, the government cannot borrow more than 60% of the Gross Domestic Product (GDP), a limit that would directly hinder its planning for a fresh Eurobond offer of between \$500-700 million.

But the country did see some improvement in the terms of its trade with Russia, with an increase in the overall volume of bilateral trade of about 15% in 2016. Totalling nearly \$1.4 billion last year, Russia has recently surpassed the European

Union as Armenia's largest trading partner. Much of this increase was due to a 51% expansion of Armenian exports to Russia, although that jump was a one-time increase, reflecting temporary re-export opportunities from the crisis in relations between Russia and Turkey.

Economics also played an important role in the country's political discourse, as the rival candidates increasingly offered promises of the economic growth and prosperity. Setting the stage in early March, the usually credible Prime Minister Karen Karapetian raised expectations dangerously high with his own pledges of attracting large-scale investments in Armenia. Yet the sheer size of his claims, which included some 350 nationwide investment projects worth a combined \$3.2 billion, raised doubts. For example, such a figure is somewhat undermined by the fact that the entire Armenian state budget for 2017 was less than \$3 billion.

Once the current president completes his term, power will shift to the prime minister as the new "head of state"

FOREIGN POLICY

Seeking a more balanced foreign policy

After several years of mounting and increasingly dangerous over-dependence on Russia, there is a belated recognition of the inherent limits in the Armenian relationship with Russia. And against the backdrop of a serious crisis in this relations, magnified by Moscow's arms sales to rival Azerbaijan, there is a new challenge to the asymmetry and arrogance that has come to define the terms of that relationship. As a policy response, and in an effort to restore a greater degree of balance and more options to Armenian foreign policy, there were several positive developments in March.

Most notably, in a rare "second chance" to regain and repair relations with the European Union, Armenian officials "initialed" a new Armenia-EU Comprehensive and

Enhanced Partnership Agreement (CEPA) to deepen political and economic ties. Although significantly less extensive than Armenia's earlier Association Agreement, which it was forced to sacrifice in 2013, the new agreement reflects "strong commitments to democracy, human rights, and the rule of law" and deepens Armenia-EU cooperation in several key areas, including energy, transport and environment protection, as well as by offering "new opportunities in trade and investments."

In addition, in their first conversation, Armenian Foreign Minister Edward Nalbandian briefed the U.S. Secretary of State Rex Tillerson on a wide range of issues, including bilateral relations and the Nagorno-Karabakh conflict. This was also followed by the ceremonial opening of a new U.S.-funded military training center for the Armenian peacekeeping brigade, representing the latest in a series of the deepening military-to-military ties between Armenia and the United States.

Azerbaijan: Fight for banking sector

Vugar Bayramov, Center for Economic and Social Development (Azerbaijan, Baku)

Alarming situation in human rights and civil society costed Azerbaijan its membership in the Extractive Industries Transparency Initiative (EITI), that put in danger not only civil ecosystem but the country's economy as well.



The Extractive Industries Transparency Initiative Board votes for the suspension of Azerbaijan's membership.
Photo by eiti.org

DOMESTIC POLICY

Azerbaijan leaves EITI

The latest developments in Azerbaijani NGO sector and civil society engagement issues alarmed not only the local experts and activists but the international partners too. Unsatisfying domestic situation became a reason for the suspension of the Azerbaijan's membership in the Extractive Industries Transparency Initiative (EITI), an international transparency watch dog. The decision was taken on

March 9, during the 36th EITI Board Meeting held in Bogota, Colombia, and made Azerbaijan immediately ask for its name removal from the list of the EITI members.

The EITI membership was a key asset for the country's oil and natural gas economy, and such ambitious energy projects as the Southern Gas Corridor (TAP&TANAP). Revoking of the EITI membership will make the economy less attractive for the foreign investments, which are vital for the eco-

conomic reforms, and will limit the government's capacities in its ambitious infrastructure development plans, connected with the Southern Gas Corridor project, in particular.

Exiting the EITI may also have negative ef-

fects on the domestic civil society environment. However, the current positive situation in EU-Azerbaijani relations brings hopes for a possibility to avoid any negative effect on the civil society.

ECONOMY

New rules to support banks

In March, the Central Bank of Azerbaijan continued its rigid monetary policy, resulting in the national currency cash shortage in several commercial banks. Due to this, in March there was no currency rate raise tendency. Moreover, the Financial Market Supervisory Authority (FIMSA) in Azerbaijan introduced the new rules and tools to support the banks with undercapitalization.

The banks are inclined to meet these new requirements to become crisis-robust in the future. Those facing capital shortage must apply for the shareholders' capital infusions. Failing to meet these rules will trigger the liquidation of the bank's assets. The new legislation, revised by the Parliamentary Committee on Economic Policy, Industry and Entrepreneurship, also offers refund-

ing for the systemically important banks with the public funds.

The former legislation base could not support the banks during crisis. Due to this, numerous banks had difficulties in 2015–2016 and lost their licenses. With the current changes, the government wants to bring the clearer rules to the public finance sector.

Azerbaijan's revoking EITI membership will make the economy of the country less attractive for foreign investment

Besides, Azerbaijan works on the implementation of the earlier introduced Strategic road-map for the reforms. Within the road-map framework, some changes to legislation in various areas were already introduced.

FOREIGN POLICY

President Aliyev visits France

On March 12, the President of Azerbaijan Ilham Aliyev made an official visit to France, that can be taken within the context of the EU – Azerbaijan rapprochement. Together with the President of France Francois Hollande, he [met](#) the high-ranking officials of the French government and members of the Senate. Prior to the visit Aliyev received in

Baku a delegation of France-Caucasus Friendship Group in the Senate of France.

In February 2017, Aliyev also visited Brussels and other EU countries, trying to bring the EU and Azerbaijan closer. This rapprochement is very important for the Azerbaijani economic development. Keeping structural economic and political reforms in the focus, Azerbaijan needs cooperation with the EU member states.

Belarus: (No) Freedom Day

Arsen Sivitski, the Centre for Strategic and Foreign Policy Studies (Belarus, Minsk)

In March mass protests resulted in repressions of activists and arrests of 700 protesters. Nevertheless, these events had no real influence on the relations of Belarus and the West. The worsening relations of Belarus and the Russian Federation remained the biggest problem on the foreign policy agenda.



Special forces demonstrate brutality against peaceful protesters.

Photo by depositphotos.com

DOMESTIC POLICY

Mass protests increasing

Like a month ago, March protest dynamics went on intensifying. The protests took place in the following places: Maladzyechna (1000 participants) on March 10, Pinsk (350 participants) on March 11, Bobruisk, Brest, Orsha, Rahachow (a total of 2050 participants, the most numerous protest taking place in Orsha with 1000 protesters) on March 12; in Minsk, Grodno, Mogilev (3250 participants, with the biggest number of protesters in Minsk, namely 1750 people) March 15.

On March 18–19, a series of protests took place in the towns of Luninets, Kobryn, Mazyr, Svetlogorsk, Slonim (with the most numerous protest of approximately 300 protesters), and Baranovichi. An attempt to organize protests in Barysaw failed. However, all of these protests, unlike the previous ones, were organized exclusively by the anarchist movement “Revolutionary Action” and were not supported by other opposing structures and media.

The anarchists themselves explained the low number of protests by the shortage of their media re-

sources. Yet protest organizers admitted that those actions were only rehearsals for March 25, key events in Minsk.

In overall, the protests followed the previous scenarios. Therefore, they were the entirely peaceful protests with a specific demand to abolish the Decree No.3 on introducing a special tax for unemployed citizens of Belarus. There were also another minor political demands as well. The authorized protest in Minsk on March 15, unlike the regional protests, featured a high number of the participants including professional activists from various opposing structures.

The main feature of the Belarusian authorities behavior in these protests was the absence of any readiness to deal with them. In fact, the authorities were late to react to the events happened and did not even attempt to regain the initiative. It appears that the only domain where Minsk managed to keep self-control and strategic priorities was its foreign policy.

As for the domestic policy, the authorities used a set of standard reactions: the suspension of the decree, “saving face” by refusing to abolish it, some liberal signals on March 9, regarding the public dialogue, tough signals and repressions allegedly aimed at activists, provocateurs and protest organizers. As a result, during the entire period the authorities in fact demonstrated a lack of strategic vision and no clear action plan aimed at stabilizing the situation. Both actions aimed at deescalating of the situation and escalation dominance tactics were implemented in such a way that they contradicted each other and brought to

naught positive effects while magnifying the negative aftermath.

The main political development of the month was the unauthorized protest taking place on March 25, on the Freedom Day. The protest was, as a matter of fact, broken up by the authorities with the help of preventive arrests of the opposition activists and harshly dispersion of the protest participants by the special police forces and internal military forces of the Ministry of Internal Affairs (700 people were detained).

The intimidation tactics and repressions are not the protest deterrents anymore

Despite the brutality shown by the special forces on March 25, on the Freedom Day, the next day numerous rallies took place in support of the detained activists in Minsk and in a number of other places. This means an even deeper devaluation of the authorities uniformed forces under conditions of the social and economic slump the country is experiencing. The intimidation tactics and repressions are not the protest deterrents anymore.

This event became the climax of the political crisis in Belarus, started after the first protests on February 17. Despite the overall negative international feedback on the events in Minsk on March 25, Belarus still managed to avoid the worst-case scenario of the situation development in its relations with the West, meaning sanctions.

ECONOMY

Ongoing recession

According to the recent March data, despite the optimistic forecast of the authorities Belarus' GDP went down 1% in January-February, 2017, against the same period in 2016. Belarus' GDP decreased mainly due to the shortfalls in oil deliveries from Russia.

In overall, the standard of living in the country has a decreasing trend, with a price increase planned in some sectors. For example, on March 1, Belarus prices went up for some cigarette brands, as well as for the landline calls. Moreover, prices on natural and condensed gas subsidized by the government were adjusted according to the annual inflation rate, as well as electricity, heating and hot water rates.

In this context, Belarusian authorities continued their active negotiations with IMF. On March 16, the IMF Mission Chief for Belarus Peter Dohlman, the IMF European Department Deputy Director Thanos Arvanitis, and the IMF Senior Resident Representative for

Central and Eastern Europe Bas Bakker visited Belarus by the President of Belarus invitation.

The economic and social situation was one of the points of their discussion, as well as social support system for those who most need it. In April, IMF will continue talks with Belarus on a new 10 year -loan of \$3 billion at 2,28 % per annum.

Besides this, on March 29, Alexander Lukashenko also had a meeting with Kyle Peters, the World Bank's Senior Vice President for Operations. His visit had to do with developing and adopting of a new program for 3–4 years. There are nine programs totaling \$1 billion on the agenda now, namely in the fields of infrastructure, water supply, energy, transport, and new cooperation in education.

Yet there is a serious risk of freezing of the cooperation between Belarus and the international financial institutions, if the official authorities continue to harshly suppress the protests of citizens.

Russia-Belarus confrontation intensifying

The Belarus—Russia relations remained a system forming factor in the situation inside and around Belarus. Increased confrontation was accompanied by the inconsistent attempts to normalize the situation and quite strange steps made by the Belarusian side, signifying the lack of the strategic will and no consistent approach.

In the course of the Eurasian Intergovernmental Council meeting in Bishkek, the Prime Minister of Belarus Andrei Kobyakov publicly announced the main claims Minsk has for Moscow in the frames of the Eurasian Economic Union and bilateral relations, namely trade limits and high gas prices. However, the Russian Prime Minister Dimitri Medvedev fenced his Belarusian colleague with a statement that Belarus always has an option to leave the Eurasian Economic Union. Further comments made by President Lukashenko had to do with the inadmissibility of an “accounting approach” to the Belarus-Russia relations. However, the Medvedev’s press service replied that “accounting” in the bilateral relations is inevitable.

Russia also launched an offensive in the oil and gas sectors, reaffirming its stance on the necessity of Belarus repaying its entire debt worth \$700 million for gas deliveries in 2016 and in the beginning of 2017 as a preliminary condition to reach a compromise regarding gas prices in the future. Moreover, later on the Russian side announced the necessity to increase

gas prices for Belarus up to \$41 million per 1000 cubic meters, with such a price seen as quite reasonable by the Russian side.

However, the Minister of Economy Alexander Novak admitted a possible compromise on the price after Belarus repays its debt in total. A schedule of the oil deliveries to Belarus of 16 million tons up until the end of 2017 (4 million per quarter) was also approved by Russia with it being 6-8 million tons less than expected by the partnering Belarus. And it looks like this schedule does not depend on the results of the gas talks. The main reason for the oil deliveries cutting is not related to the gas controversy but has to do with a necessity to guarantee Transoil income from using the second line of the Baltic Pipeline system and the new infrastructure of the Ust-Luga port.

Despite the existing contradictions, according to the president of Belarus Alexander Lukashenko, Belarus is not going to stop its military cooperation with Russia due to their divide in other spheres. The aim of this statement was to confirm the Belarus’ commitment to its military and political obligations in the frames of being a union state, yet to reproach Russia for violating its own obligations to Belarus in other spheres.

In this context, Belarus faced a rather loyal attitude from the Western countries. Despite a full scale repression against the opposition and the civil activists who participated in the unauthorized rallies opposing the decree on social parasites in March, the key international institutions (EU, OSCE, UN human rights council) had a rather muted response, which can be considered a serious success for Belarusian diplomacy.

Georgia: Dancing with wolves to tune of visa free regime

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

Tbilisi considers the decision to incorporate military units of the unrecognized republic South Ossetia into the armed forces of the Russian Federation as a new threat of the Russian annexation of these occupied territories. An even clearer sign of this threat is thought to be the intention to rename the territories in the upcoming referendum.



Citizens of unrecognized South Ossetia will serve in Russian army.
Photo by depositphotos.com

DOMESTIC POLICY

Russia incorporates the armed forces of South Ossetia

The President of Russia Vladimir Putin ordered to accept the proposal of the government and incorporate the armed forces of South Ossetia (Tskhinvali region) occupied by Russia into the structure of the Russia's military. This agreement was developed in frames of the cooperation agreement between the Russian Federation and the unrecognized republic, signed in March, 2015. Thus, it is implied that the citizens of this republic will be accepted for a contract-based service in the Russian military. The

corresponding order was [published](#) on Tuesday, March 14, on the official Russian Internet portal for legal information.

The Russian Ministry of Defense was given an order to hold negotiations with South Ossetia, with the Ministry of Foreign Affairs participating as well, and sign this agreement on behalf of Russia. After that the South Ossetia military will have a right for a contract-based service on Russian military bases.

The Alliance and Integration Treaty between Russia and the so-called South Ossetia consists of 15 articles. The document involves creating a single space for defense and security, annulling border control points between Russia and South Ossetia, as well as incorporating armed forces

units and security units of South Ossetia into the structure of the Armed Forces of Russia.

Meanwhile, on April 9, in South Ossetia, a former region of Georgia, people will elect the President of South Ossetia, and also vote for the changes to the Constitution naming the unrecognized republic as “Republic of South Ossetia – State of Alania”, with both names being equally legitimate.

Official Tbilisi, as well as the international community, takes South Ossetia as a part of Georgia, and believes the referendum is a step towards the annexation of the region followed by its incorporation into the Russian Federation.

In Tbilisi attention is paid to the fact that the voted name

is similar to the name of a subject of the Russian Federation, North Ossetia. Therefore, it can be a sign of the Moscow intention to annex the breakaway region of Georgia.

Meanwhile, [strong criticism](#) expressed by the political experts and politicians is accompanied with suggestions that, with the geopolitical tensions between Russia and the West due to Crimea’s annexation in the political background, it is highly unlikely that the Kremlin will make one more step and swallow yet another territory.

According to them, Russia will continue its policy of the so-called “creeping annexation”, waiting for a suitable moment.

ECONOMY

Land for sale?

The question of the land ownership rights is amongst the most sensitive issues that initiated a heated [discussion](#) in the State Constitutional Commission of Georgia in March. Radical political forces, as well as experts with patriotic rhetorics, are against private property land selling to foreigners. According to them, land selling to foreigners should be banned on the constitutional level.

This suggestion was met by heated tensions among liberals, who believe that the ban will lead to lower potential of the country’s land market. As for the economic freedom issues, the ruling political power represented by the Prime Minister always leaned towards liberals, however, the Georgian land issue touches the voters hearts, and this makes the process of the political decision making harder.

The cost of the agricultural lands drastically differs in various regions in Georgia. According to a survey conducted by [“Resonance”](#) newspaper, the most expensive land is in Guria, Samegrelo, and several villages famous for the wine making. One hectare of the land in these regions costs

8–15 thousand lari. The cheapest lands (almost for free) are in Racha-Lechkhumi.

Official Tbilisi believes that the referendum is a step towards the annexation of the region

Nevertheless, excluding these several regions, lands for agricultural use in Georgia do not have a price, and people do not express a lot of interest to own this land. In that respect, the most difficult situation is in Racha. Selling land is a big problem here, since nobody wants to settle down and lead economic activity in this region, in fact one of the most beautiful places in the country.

However, in the wine making regions, where the land cost is seemingly high, it is still significantly less than could be expected in the conditions of the market economy. The reason for this is that the government owns 90% of the land. As long as all lands for agricultural use do not become private property, there is not even a theoretical possibility that the price will go up.

FOREIGN POLICY

New possibilities

Free travel, visa free regime, Europe – these are the words were heard all around Tbilisi. Visa free regime was met in Tbilisi with three days festivities. The roofs of all key buildings, average citizens’ balconies, small shops, car windows or backpacks of children heading to school proudly presented two flaunting flags: one being the national flag of Georgia, and another one, the flag Georgia was heading to, the flag of the European Union.

The Prime Minister of Georgia Giorgi Kvirikashvili stated before the government meeting that on March 28, he will visit, together with students, the ancient capital of the Eu-

ropean culture – Athens, and then the political center of Europe – Brussels. According to the Prime Minister, special events should be held to celebrate the visa free regime.

In Georgia discussions of its further steps became more heated. Visa free travel to Europe started new discussions about the possibility of the free trade, complementing the geopolitical component of Georgia. According to the government, establishing of a free trade regime with India is in progress now. And finally, in May the agreement on free trade with Beijing will be signed. Similar negotiations with Washington are also being planned. The government of Georgia is quite optimistic in this respect, since there is positive dynamics in its relations with the USA.

Moldova: Meddling through the East – West divide

Mihail Popsoi, Associated Expert, Foreign Policy Association of Moldova (Moldova, Chisinau)

The Moldovan political process is likely to enter a period of instability following the government plans to change the electoral system and the opposition protests against this. The latest census results confirm worrying demographic trends in the country. At the same time, a new energy deal with Ukraine provides hope for the reducing dependence on Russia. Foreign policy remains an East – West dichotomy, with major implications for policy stability in the near future.



Debates around the changes to electoral system were the most important development in Moldova's domestic policy.
Photo by cec.md

DOMESTIC POLICY

Contested electoral reforms and referendum extinguish public agenda

The most significant development in Moldova's domestic policy was the announcement made by the chairman of the Democratic Party of Moldova (PDM) Vlad Plahotniuc on March 6. [He proposed](#) to replace

the proportional electoral system for parliamentary elections with a majoritarian (first-past-the-post) voting system. Despite being presented by the government as an improvement, the reform is being opposed by all major opposition parties, which they [view](#) the proposal as an attempt of the ruling PDM to stay in power, even if its rating fell below the 6% electoral threshold.

Meanwhile, the Moldovan President Igor Dodon

met the Russian President Vladimir Putin in Moscow on March 17, for their second within two months official meeting. Dodon [thanked](#) the Russian President for the concessions for the Moldova's wine exports to Russia and for the relief of the entry conditions for Moldovan labor migrants who committed administrative violations.

On March 28, Dodon [reported](#) on his first hundred days of the presidency. He listed his achievements, such as boosting relations with Rus-

sia, launch of the initiative for a consultative referendum on four topics: cancelling the Law of the Billion; offering additional rights to the president to dissolve the Parliament; reducing the number of MPs from 101 to 71; studying "the history of Moldova" in schools.

Opposition views the changes in electoral system as an attempt by the ruling PDM to stay in power, even if its rating fell below the 6% electoral threshold.

ECONOMY

Census data shows alarming population decline

The National Bureau of Statistics (BNS) published the final data regarding the Moldova's Gross Domestic Product in 2016. The [data](#) reveals the total GDP in 2016 was about \$6.79 billion, 4% increase compared to 2015. On 31 March 31, BNS finally published the results of the national census conducted in May, 2014. After almost three years, the Bureau announced that the [estimated population](#) as 2,998,235 people, com-

pared to 3,383,332 in 2004.

On the same day, the state owned Energocom Company signed a contract with the Ukrainian DTEK Trading for the supply of electricity to Moldova from April 1, 2017 till March, 2018. Thus, Ukraine replaced the Russian owned Cuciurgan Power Station in Transnistria as the energy supplier. But questions remain if DTEK has enough capacity to cover Moldova's energy needs in full. [Experts believe](#) that Cuciurgan could soon regain its contract, should DTEK face any difficulty in energy supply as needed and proper priced.

FOREIGN POLICY

East – West divide dominates policy considerations

On March 1, the Government of Moldova recalled the Moldovan Ambassador to Russia Dumitru Braghi. The decision was not motivated but the next day the President Dodon suggested his foreign policy adviser and ex-Ambassador to Moscow, Andrei Negu, for the vacant position. The move appeared to be a part of a [larger deal](#) to reallocate the diplomatic portfolios between the government and the president.

The Speaker Andrian Candu and the Prime Minister Pavel Filip handed a [protest note](#) to the Russian Ambassador Farit Muhametshin on March 9. The note reports a series of abuses committed by the Russian border authorities against Moldovan officials traveling to Russia on business trips. Despite the diplomatic row, the Russian Deputy Foreign Minister Grigory Karasin paid a visit to Moldova on March 13. He [met](#) with

the Moldovan officials, as well as with Transnistrian leaders in Tiraspol.

On March 29, the Prime-Minister Pavel Filip paid a three day visit to Brussels. He met with the President of the European Council Donald Tusk, the High Representative of the European Union for Foreign Affairs and Security Policy Federica Mogherini, NATO Secretary General Jens Stoltenberg and others. On March 31, Filip attended the third meeting of the Association Council Moldova – European Union. The Moldovan Government provided the [report](#) on the implementation of the Association Agenda in 2014-2016, after EU's report was published on March 13.

At the same time, opposition leaders Maia Sandu and Andrei Nastase attended the European Peoples Party Congress in Malta. Maia Sandu gave a [speech](#) at the EPP Congress on behalf of the pro-European opposition in Moldova.

Ukraine: Blockade, sanctions and political instability

Sergiy Gerasymchuk, Foreign Policy Council “Ukrainian Prism” (Ukraine, Kyiv)

The Ukrainian developments in March confirm the ongoing reforms and fight against the corruption, yet the inertia of the system puts some obstacles in their way. The decisions made by the government are not always supported by the Ukrainian society, as well as by the country’s foreign partners. Meanwhile, Russian threats are still pressing.



The arrest of the Head of the State Fiscal Service of Ukraine became one of the first high-profile corruption cases.

Photo by depositphotos.com

DOMESTIC POLICY

Fight against corruption and its side effects

On March 3, the Head of the State Fiscal Service of Ukraine Roman Nasirov was handed a corruption suspicion notice. It became one of the first high-profile cases for the National Agency for Prevention of Corruption and the Anti-Corruption Prosecutor’s Office of Ukraine. The situation caused unrest in the society.

[The decision](#) to arrest Nasirov, followed by him being released on bail of 100 million hryvnas (\$3,7 mln), were under public scrutiny, and there is still a lot of interest to the “Nasirov’s case” in the society.

To some extent the “Nasirov’s case” stole the attention from the decision made by the National Security and Defense Council of Ukraine on the blockade of the Non-Government Controlled Areas (NGCA) of Donetsk and Luhansk regions. Until recently there were at-

tempts to blockade those territories by activists and members of the opposition parties, who claimed that the trade relations with the occupied regions meant corruption and smuggling. On March 15, the NSDC announced the [official blockade](#).

[There is a feeling](#) that both the Nasirov's arrest and the blockade of the NGCA territories are used to increase the popularity of the president and the government, and deescalate raising tensions in the society in order to avoid early parliamentary elections. The risks of such elections in the current situation are high, with the Russian aggression still present and the Western partners demanding to keep the country stable. Therefore, President Poroshenko will do his best to obviate this scenario.

Yet there are developments that heat tensions in the society and undermine the stability of the country. For example, on March 23, two public accidents happened. First, there was a sabotage at an ammunition depot in the town of Balakliya (Kharkiv region), when a fire on the territory of the military arsenal of the Ministry of Defense led to munitions blasts. Second, the murder of Voronenkov, a former member of the Russian State Duma, who fled to Ukraine. He was one of

the main witnesses of Russia starting its aggression towards Ukraine, as well as of Viktor Yanukovich's participation in Russia sending troops to Ukraine. Both cases are interconnected, and, according to the [Security Service of Ukraine](#), Moscow is behind both of them.

Another development, less headline-making but extremely important for those representing the civil society, was a law issued the same day, March 23, that adopted some changes to the electronic declaration system. These [changes](#) obliged not only the government officials but also the anti-corruption NGOs activists to submit electronic declarations. Such a decision of the Parliament may wreck the anti-corruption progress in Ukraine. This was already declared by the [British](#) and the [USA](#) Embassies, while the Commissioner for European Neighbourhood Policy and Enlargement Negotiations Johannes Hahn [noted](#) that changes to the law on e-declarations are a step back and should be reconsidered.

It is likely that the processes of fighting against the corruption and the attempts to stabilize the situation in the country will remain in trend in the current political season.

ECONOMY

Sanctions on Russian banks and blockade aftermath

In terms of economy, the most significant event of the month was the decision of the National Security and Defense Council to impose sanctions [against five Russian banks](#): PJSC "Sberbank" (Ukraine), PJSC "VS Bank", "Joint Stock Commercial Industrial and Investment Bank" (PSC "Prominvestbank") PJSC "VTB Bank", and "BM Bank" LLC. This decision was a logical policy tightening in response to the Rus-

sian actions in the East of Ukraine, and it was made at the same time with the official blockade imposing.

The possible aftermath of these decisions became a subject for the [IMF research](#). Meanwhile, the National Bank of Ukraine revised its previous [economic growth forecast](#) and downgraded it from 2.6% to 1.9%.

Fighting against the corruption will remain in trend in the current political season

FOREIGN POLICY

Ukraine on U.S. and German agendas

As for the foreign policy, there are some positive developments in this sphere. For example, the Ukrainian Foreign Minister Pavel Klimkin met the new American Secretary of State Rex Tillerson on March 7, to [enlist his support](#) in the issues of the Russia's obligations under the Minsk agreements.

Ukraine was also on the agenda of the American President Donald Trump and the German Chancel-

lor Angela Merkel meeting on March 17. The USA and Germany [acknowledged](#) the necessity of an unconditional and peaceful solution of the "Ukrainian problem" and demanded from Russia to make some substantial steps towards its commitments under the Minsk agreements.

However, these developments may become doubtful if Ukraine steps backwards from its anti-corruption reforms and lowers the level of the political stability.

Belarus – Russia: Crisis is over?

Yuri Tsarik, the head of the Russian studies program, Center for Strategic and Foreign Policy Studies (Belarus, Minsk)



Alexander Lukashenko and Vladimir Putin meeting, April, 3, 2017.

Photo by president.gov.by

Negative dynamics have been a feature of Belarus-Russia relations since the beginning of the Ukrainian crisis. The first stage of their relations worsening had a latent nature and came down to Minsk quietly refusing to support Russia's aggressive foreign policy aspirations. However, starting from 2015 mass media began to witness more frequent cases of conflicts between the allies. Finally, at the end of 2016 – in the beginning of 2017 both sides turned to an open exchange of reprimands and accusations in all spheres of bilateral cooperation. And on April 3, after the lengthy negotiations of Alexander Lukashenko and Vladimir Putin the sides unexpectedly stated that they have come to terms in all disputable points.

Increasingly long claim listing

The contradictions between Belarus and Russia on foreign policy and regional security have always been fundamental. Even though they became quite obvious after the beginning of the Ukrainian crisis, they initially originated when the Treaty of Lisbon was signed in 2007. The treaty shaped a more united and consistent European Union as well as establishing the basis for a more ambitious competition between the EU and Russia in Central and Eastern Europe and in Caucasus. Institutionally EU's more ambitious role in these regions was framed by its Eastern Partnership program, which was extensively discussed in 2008 and

launched in 2009.

The European Union declared an opportunity for a more active regional role for such countries in the region as Belarus, Moldova, Ukraine as well as the Post-Soviet countries in the Caucasus provided there is a wish for cohesion policy and in some cases – EU integration. This meant a challenge for the Russian Federation dominating in that region. Moscow immediately named it an expansionary project.

This position can be attributed to the fact that Moscow cannot compete with the European Union economically and is inevitably forced to use geopolitical and military policy arguments in order to consolidate its sphere of influence.

Belarus' strong desire to develop Belarusian-Russian relations in 2008-2009 led to a more active Russian pressure on Minsk already in 2010 which resulted in a big political and economic crisis of 2010 - early 2011. The crisis led to an archaic economic structure becoming permanent in Belarus as well as driving back the process of Belarus-EU rapprochement and freezing it for several years. It was only in 2012 that Belarus, against the background of Russia promoting the project of Eurasian Economic Union designed after European Union, relying on the doctrine of "integration of integrations", got an opportunity to begin the process of rebuilding its relations with the European Union. The Ukrainian crisis provided an opportunity for Minsk to speed up the process and add a more energetic Belarusian-American cooperation.

Minsk's cautious perception of Russia's behavior in the frames of the Ukrainian crisis played a crucial role in the course of events. The threat of repeating the "Crimean" and "Donbas" scenarios with regard to Belarus made local authorities revise the imperatives of their defense policy, which resulted in a new defense plan and guidelines for the defense of the state adopted at the end of 2014.

However, overall Belarus chose a position of Russia's "restraining ally" in the new geopolitical situation. The essence of this position is for Minsk to keep all relations with Moscow in frames of integration structures (including military and political unions: the Collective Security Treaty Organization and the Union State) and to fulfill its union obligations. However, Belarusian authorities refused to take part in Moscow's aggressive initiatives of any kind, be it criticizing Ukrainian authorities or imposing «counter sanctions» for European partners. Belarus provided guarantees of nonparticipation in actions undermining regional stability and security as well as non-exploitation of its territory for such actions, at the same time providing a space to hold negotiations in order to solve the Ukrainian crisis.

The position of Belarus as a «restraining ally» was not simply different, it fundamentally contradicted the aggressive nature of Moscow's foreign and military policy in Central and Eastern Europe. That is why Russian authorities started to act in order to demolish this position using, with this aim in mind, both integration structures Belarus participated in and unilateral actions. Moreover, Moscow used its resource dominance over Belarus in all dimensions as well as its extensive opportunities to influence the political process of Belarus within through official and unofficial channels, with the main issue of Belarus-Russia relations being constantly stationing Russian troops on the territory of Belarus. The Russian side lobbied this by having its air base, a missile launch site and a ground forces base on the territory of the neighboring country. In August- September 2005 Moscow unilaterally approved the intergovernmental agree-



Special units clash with protesters during the protest on March, 25.

Photo by depositphotos.com

ment on this issue, however, then military and political authorities of Belarus publicly denied the possibility of stationing Russian troops on the territory of the country.

In a related move, starting from the first quarter of 2016, the Russian Federation started to implement measures aimed at changing the position of Belarusian authorities. These measures included a refusal to decrease gas prices supplied for the needs of Belarusian economy; the restriction for third country nationals to cross the border from Belarus to Russia; and numerous restrictions on meat and milk supply to the Russian market, beneficial for Belarus.

There is no direct evidence of Russia's participation in protest organized in Belarus in February and March 2017

In this context, Russian authorities skillfully used the wrong moves of Belarusian officials in order to increase Russian pressure on Minsk. For example, the refusal of Belarus to pay previously set yet unreasonably high price for Russian gas supply was used by Moscow to restrict its oil supply, which, in its turn, undermined Belarusian financial and economic opportunities.

The refusal of Belarus to deliver in accordance with the corresponding contract 1 million tons of oil products to the Russian Federation (due to low prices on such products in Russia and a low profit as well) was used as a reason to both limit the volume of oil supply and dictate the conditions of redirecting export flows of oil products from Klaipeda and Ventspils to Russian Ust-Lug.

The emotional «decision» to initiate the criminal case against the head of the Russian Rosselkhoz nadzor (the Russian Federal Service for Veterinary and Phytosanitary Surveillance) was used to stop working contacts of this service with its Belarusian counterpart, Minselkhozprod, and unilaterally move to introducing restrictions on Belarusian produce supplies without discussing it with the Belarusian side. And so on.

Social protests in the context of the crisis in Belarus-Russia relations

The increasing economic pressure on Belarus from the Russian Federation reached such a scale by the end of 2016 that together with a traditionally low efficiency in the public sector of the Belarusian economy became a national security threat for the country.

Only in January 2017 the shortage of Russian oil supply led to 1,5 % GDP decrease and together with food produce export losses completely “compensated” for positive dynamics in mechanical engineering and some other sectors. The same reasons led to a growing negative balance of external trade.

Belarusian authorities performed a public maneuver attempting to stimulate the Russian side to compromise and agree to more relaxed positions. However, this attempt, as expected, did not bring any results.

Given the firm pressure coming from the Russian Federation and the critical economy conditions in Belarus mass protests broke out, with the official reason for them being amendments made to a presidential decree on social parasites that had taken effect earlier.

The document introduced a special tax (around \$240 annually while the country's average wages equal \$360 per month), which had to be paid by citizens «not participating in financial state expenditures» on the state's social sector (this means those whose wages do not include a tax to a social support fund) as well as those unemployed who have not registered yet (there are from 400 to 500 thousand of them in Belarus).

This being said, there were some categories of citizens who did not have to pay the tax. However, the amendments adopted in January 2017 included as social parasites such categories as women taking care of children up to seven years old in case of their children attending childcare facilities. This step contradicted with Lukashenko's previously stated position and was perceived as extremely unfair.

Furthermore, the general decline of the economic situation, lower income levels among the population and quickly mounting unemployment rate became other objective reasons for protests.

Official statistics did not reflect the changes on the labour market as it considers only those who register at the unemployment office as officially unemployed. However, a low quality of the vacancies offered at the unemployment office and ridiculously low unemployment benefits (from \$10 to \$22 per month) do not stimulate citizens to become officially unemployed, which, in its turn, leads to false statistics and decisions based on such statistics. Real unemployment rate in Belarus is at least 6% (against official 1.2%), while part-time employment is even more wide-

spread.

Despite the objective reasons, a key role in organizing social protests belonged to opposition and its organizing efforts. The opposing structures, from at least the beginning of fall 2016 openly mobilized their social base in order for protesters to oppose the «social parasite» decree. Therefore, the fact that high ranking military and political officials were not ready to face the protests (when the protests started the president Alexander Lukashenko had a short term vacation in Sochi), their scale and power, is very difficult to explain by something else than low quality special services work. Moreover, throughout the entire crisis of anti-decree protests (from February 17 to March 26, 2017) Belarusian special forces and security agencies consequently acted as a factor weakening the positions of high ranking officials.

The contradictions between Belarus and Russia have always been fundamental

On one hand, they were not able to provide true information regarding the scale of protests, its organization structure, leaders, financing and other parameters necessary for the effective combat strategy to the president Lukashenko. This created preconditions for the strategy of “dominant force” being used by the authorities, with all political leaders and activists potentially capable to become protest leaders subjected to being detained, including those who did not take an active part in the events.

This also led to a massive force use on the date of the main protest, on March 25, when several thousand people went on the streets of Minsk for a traditional celebration of the Freedom Day yet without an official permit to hold a protest. The protest was broken up by special forces outnumbering the protesters a five to seven times.

On the other hand, special forces, as far as can be seen from free sources, provided false information regarding the essence of the developments to Alexander Lukashenko.

In particular, there were multiple reports providing misinformation about the alleged Ukrainian participation in organizing and financing the protests, about “training militants” on the territory of Ukraine, Poland and Lithuania in order to organize provocations in Belarus, financing subversive activities with “American and German” funds, about “sleeping terrorist cells” on the territory of Belarus (the case of “White Legion”) and other “versions” contradicting reality. All such reports were brought to the attention of the president of Belarus.

This «information» word for word repeated the message of Russian propaganda, having worked on creating the illusion of Maidan threat in Belarus since 2015. The misinformation resulted in the correspond-

ing statements made by the president which, in their turn, led to a negative international resonance. Moreover, it played a key role in Belarusian authorities being determined to implement the strategy of “dominant force” to tackle social protests.

Saint Petersburg talks results

There is no direct evidence of Russia's participation in protest organized in Belarus in February and March 2017. There is also only indirect evidence of the Russian side being involved in providing misinformation to Pres. Lukashenko regarding the nature and scale of the protests. Nevertheless, similar to December 2010, in the context of active foreign pressure, the Russian Federation was the beneficiary of the inner destabilization in Belarus.

At first sight, the negotiations of Alexander Lukashenko and Vladimir Putin taking place in St. Petersburg on April 3 and lasting over six hours led to numerous concessions made by the Russian side for the benefit of Belarus.

For example, in exchange for Belarus admitting its debt for Russian gas supply (approximately \$724 million) Russia agreed to refinance Belarusian debts (totaling \$740 million) in order to help the country pay its gas debt.

Moreover, taking into account increasing prices on Russian gas in 2017, Russia will provide an opportunity to re-export six million tons of oil in 2017, which will precisely cover additional costs for purchasing Russian gas at a new price (\$520-580 million). Overall oil supply to Belarus should be restored to a volume of 24 mln tons per annum already in April, which will provide for a profit in Belarusian oil refining sector. Furthermore, Russia refused its demand to be supplied 1,000,000 tons of oil products per annum for the Russian market at its home price in Belarus.

It is also assumed that the volume of oil supply will be aimed at its future prospects in the corresponding agreements, while Belarus will start to get gas discounts in 2018 and 2019. However, taking into account the expected growth of gas home prices in Russia, it is possible that information regarding gas discounts is just a formality.

Moreover, both parties agreed to renew working contacts of Rosselkhozprod and Belarusian Minсельхозprod in order to resolve disputable issues in Belarusian meat and milk produce supplied to Russia.

Such results of the meeting, by all means, raise questions about the price Belarus will have to pay for Russian “concessions”. All the more so, as President Lukashenko stated when asked about the results of the negotiations, since security cooperation was the main issue of the talks. Furthermore, the parties discussed position coordination in their foreign policies, including the relations with the European Union and

the USA. It is quite important to state that there was no information regarding solving the situation at the Belarusian-Russian border. It would be inappropriate to make guesses in this context. However, as of 5 April, it is possible to say that Russia has adopted a rather tough stance on the issues that were declared to have been “solved”.

For example, on April 5 the Deputy Prime Minister of the Russian Federation Arkady Dvorkovich in the course of the interview announced that the increase of tax-free oil supply to Belarus from the Russian Federation will be launched on April 13 only in the case of Minsk repaying its gas debt. This statement may mean that Belarus has to repay its gas debt using its own resources until April 13 regardless of its debt being refinanced by Russia. Therefore, this in fact means Moscow's earlier position repeated, while Minsk cannot accept it due to a huge cash deficiency created when implementing this scheme.

Russia has adopted a rather tough stance on the issues that were declared to have been “solved”

On the same day the head of Rosselkhozprod Sergey Dankvert announced his harsh stance on inspecting Belarusian enterprises producing food. «I do not see the euphoria in the fact that an inspection came – and tomorrow everything will be solved. Everything will be solved given absolutely equivalent conditions. The way electronic reporting was done here, the same way it should be done by our Belarusian colleagues», he said. In other words, the results of Rosselkhozprod inspections may turn out to be different from Minsk expectations.

It is quite obvious that Russia cannot be satisfied with achieving 50% of the result, that is its «concessions» to Minsk, with the lack of a certain “renumeration”, which, given the current strategic situation, can now only mean stationing Russian troops on the territory of Belarus.

As an alternative, on April 3 Belarus could consent to sign an agreement to provide its special forces units for counter-terroristic operations on the territories of Belarus and the Russian Federation. If Moscow could gain the necessary concessions from Minsk, then this agreement could be used for creating a wider range of reasons for paramilitary presence of the Russian special forces (including a rather numerous National Guard of the Russian Federation) on the territory of Belarus. However, there is no information yet regarding this issue having been discussed and sealed by both Russia and Belarus.

In any case, despite Moscow's local success in Belarus, fundamental contradictions between the national interests of Russia and Belarus in different spheres will continue to influence bilateral relations dynamics.

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