THE 13TH EDITION OF THE INTERNATIONAL CONFERENCE
EUROPEAN INTEGRATION
REALITIES AND PERSPECTIVES

# EU Economic Security from the Perspective of the Economic Association Agreements Signed by the Republic of Moldova, Ukraine and Georgia with the EU

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**Abstract:** This approach aims to highlight the European Union's long-term economic security policy. Following the signing of the Economic Agreements between the EU and Ukraine, the Republic of Moldova and Georgia, as EU-associated countries, major economic and geostrategic interests of the European Union are revealed, in the sense of holding the economic and geostrategic supremacy, that is an enlarged economic and functional market, just by the rules imposed by Brussels, is a tool for controlling and counteracting the economic pressure exerted on the world market by the three great powers, the USA, China and Russia. Even if the USA finances the three associated states in the EU, amid the consolidation of the rule of law and a solid democracy, the expected outcome of the USA foreign policy is by far an insignificant one. We should consider China's growing interest, which has increased its purchases of vast agricultural lands and signing economic contracts with the Ukrainian state. Thus, we can notice a new struggle front between the economic axes created: the USA-EU and RUSSIA-CHINA, which at this moment, through the move made by Russia, the annexation of Crimea, takes another turn.

**Keywords:** economic association agreements; economic security policy; Republic of Moldova; Ukraine; Georgia

## Introduction

The establishment and consolidation of the European Union as a federal state is a long, but safe process. The EU's evolution over the years in this formation process has reached an advanced stage through the existence of a single market and a de facto and de jure interstate union, which has an impact on the population of EU member states.

Speaking at this moment about the existence of EU borders, we must take into account the very important particuliarities that emerge from the EU's eastern flank, with states from the former communist block, namely Ukraine and the Republic of Moldova.

The objectives we are considering in approaching EU economic policies, with regard to economic and geostrategic security, with the neighboring countries in the eastern flank, are limited to approaching them from the following perspectives:

*- The role and effectiveness of the EU macro-financial assistance given to third countries;*

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*- The influence of the economic and geostrategic security policies adopted by Russia-China partnership in the relation with the neighboring states of the European Union, on the eastern flank;*

*- The effectiveness of the macro-financial assistance agreement for third countries in relation to the involvement of the International Monetary Fund in the launch of emergency assistance operations.*

Using a pro-European way by the countries of the former Soviet block represents for the European Union a step that subordinates concrete actions both economically and geostrategically. The EU's responsibility, based in particular on its own interests, manifests itself in a dynamic imposed by the rapid changes in the world, dictated by the world's great economic and military powers.

In the present global context, when the self-protection measures of the highly developed countries are increasingly evident, the European Union has to provide a sufficiently strong economic and geostrategic strategy to maintain and strengthen its position in the world.

## Content

From the evolution of the EU adherence process of the present member states, we know both the difficult financial assistance process for candidate countries and the syncopes generated by the criteria imposed in the reforms to admit accession.

Lately, MFA has become an increasingly used tool within the EU's external tools. Certainly, in a context of macroeconomic and political instability in the EU's neighborhood, the macro-financial assistance has been widely validated as an effective tool of response to crisis situations, allowing the EU to intervene in a transparent and flexible manner and with a considerable political effect. This is confirmed by the increasing demand for macro-financial assistance over the past eight years and the implicit increase in AMF volumes, which have evolved from 1.5 billion EUR in commitments for the period 2000-2008 to 5.1 billion EUR in the period 2009 until the present.

The European Commission report on macro-financial assistance to third countries in 2016 states the following:

*"Considering that the geopolitical and economic instability of the EU's neighborhood persists, it is likely that the need for macro-financial assistance from the EU will remain high in the coming years. Against this background, in the context of the mid-term review of the 2014-2020 multiannual financial framework, the Commission has proposed a stronger macro-financial assistance instrument* [1]

*This proposal, presented by the Commission on 14th September 2016, aims at strengthening the annual AMF borrowing capacity, from the current 500 million EUR, to 2 000 million EUR, by increasing the provisioning of the Guarantee Fund for external actions.* [2]

*In addition, the recent experience, especially the need to quickly launch new MFA operations in Ukraine in 2014 and 2015, once more stressed the need to ensure that the macro-financial assistance, as an emergency instrument, can be quickly mobilized as a response to crisis situations. Accelerating the decision-making process was one of the main objectives of the proposal for a framework*

[1] SWD(2016) 299 final.

[2] The external action guarantee fund supports the global exposure of the EU to the default risk of MFA beneficiary countries and of BEI and Euratom external lending operations. It is provisioned at a rate of 9% of the total liabilities under the EU's budgetary guarantee at the end of each year, with a two-year gap. In order to achieve a lending capacity of 2 000 million EUR per year, an additional provision of 135 millionEUR per year will be needed.

*regulation laying down general provisions of providing macro-financial assistance to third countries presented by the Commission in 2011.* [1]

*However, the proposal was not endorsed by the European Parliament and the Council (colegislators) and it was subsequently withdrawn by the Commission. Therefore, decisions on macro-financial assistance continue to be taken in the ordinary legislative procedure. Colegislators have made efforts to acccelerate the decision-making process under the ordinary legislative procedure. This was particularly true of the last MFA operation in Ukraine, which was adopted in a little more than three months in 2015. Nevertheless, the time for accelerating the adoption of MFA decisions under the ordinary legislative procedure remains limited."*

Therefore, we can notice a change in the EU tactics in terms of external policies for the capture and consolidation of the new economic markets, tactics adopted with the obvious aim of counterbalancing the interventionist actions of the Russia-China axis.

From our point of view, the EU's operational financial programs in the third countries, in terms of their size, represent an approach that marks the latest geopolitical changes at international level.

The main issue under discussion, from the perspective of implementing these funds, is given by the attitude and capacity of these countries to comply with the reformist calendar imposed by the European Union.

The fact that the implementation of reforms which represent the condition for the release of some money transfers involves certain internal risks, represented by the adherence and cohesion of the population to this measures, which is often a much more important factor than the terms of negotiating financial operations, determines a difficult and risky co-operation process for the European Union in relation to the funded countries. It should be noted that the countries which benefit from the EU macro-financial assistance agreement come from the former economic cooperation Soviet region and a real transition to another form of economic market is a process that will most often be exploited in favor of the assistance beneficiary. Thus, even under the extremely vigilant verification mechanisms used by the European Commission, the effectiveness and efficiency of implementing such measures does not reach the reality established by the overall objectives that the EU has set as a result.

As an objective to be pursued and an alternative to the securing of funding for the third countries, we believe that it is necessary to develop a mechanism to stimulate exports from third countries to the EU by providing funding for their production capacity. Obviously, the rule and prices of export to the EU can be established on the basis of medium and long-term funding agreements.

At this point, Russia and China have established an alliance that seeks to radically change global power relations. The alliance is one against the USA and Europe, which have been surprised by the weaknesses manifested in relation to Russia's actions and Russia and China are exploiting them.

China usually has a reserved attitude towards separatism and border revisals, its own problems with Taiwan, Tibet and Xianjiang Province being at stake, permanently invoking the non-interference principle. The Chinese government has closely watched the USA and EU response on the Ukrainian crisis, concluding that, following the Western minor reactions to Russia, it may adopt a similar attitude in its power operations in the Eastern and Southern China Sea.

[1] COM(2011) 396 final, 4.7.2011.

Russia and China are working in an effective way at the UNO level by blocking resolutions in the Security Council, under the pretext of non-interference, in order to pursue their own interests. China’s support for Russia’s interests is based on Russia’s mutual support for China in Asia.

Apart from the affinities between the two apparently democratic regimes, this solidarity is motivated by clear economic and military interests. China is one of the largest buyers of Russian armaments: combat aircraft, submarines, rocket components and combat planes.

China’s interest in Ukraine is also explained by the fact that this country had become Beijing’s third weapon supplier, according to the estimates of the SIPRI Institute in Stockholm. According to it, only in 2012 Ukraine provided China with arms worth 690 million US dollars.

China’s interest in Ukraine is based on the fact that Ukraine is a major arms supplier for China, an estimate made by the Stockholm International Peace Research Institute in Stockholm.

The commercial exchanges between China and Ukraine was over 10 billion dollars in 2014, China being Ukraine's second largest partner. China also has massive investments on Ukraine’s territory in sectors such as energy, agriculture, financial industry and aviation.

A very important reason for these investments and everything which means cooperation for China's benefit to remain in the current terms, is that Ukraine should remain in Russia’ sphere of influence.

From the point of view of these facts and events, the EU’s operational financial programs to support Ukraine and other third countries are flanked by the risk of some slips because of the instability of the domestic policy, constantly fueled alimentate by China and Russia.

Against the background of these interferences and geostrategic policies of influence on the neighboring EU countries, it is necessary to develop more flexible and faster EU decision-making mechanisms for these states, obviously in order to diminish and eventually eliminate both the possible double play that these states can make in relation to the external financiers and in favor of capturing and developing the European economic market.

“At the end of 2017, the Ukrainian president Petro Poroshenko announced that he would organize “in a very near future” referendums on the theme of his country’s accession to the European Union and NATO, saying he is convinced that Ukrainians want this. Kiev expressed its intention of Euro-Atlantic integration in 2014, after Russia’s aggression in Eastern Ukraine and after a pro-Western government had been installed.”[1]

The international media agencies highlighted the statements of the European Commission President regarding the relation between EU and Ukraine.

In the quote below, we are citing a fragment of the article published in the financial newspaper in August 2017:

“Ukraine is not a member state of the European Union or NATO yet”, said the European Commission President, Jean-Claude Juncker on Tuesday, the UNIAN agency site said.

*“There are 60 ongoing wars in the world, but none takes place in Europe if we do not take into account Ukraine. But Ukraine is not a European country in terms of EU membership. A few days ago, my friend, the Ukrainian president Petro Poroshenko said that Ukraine almost joined the EU and*

[1] http://www.caleaeuropeana.ro/.

*NATO. However, it is not a member state of any of them and everyone should understand this", Juncker said.* [1]

Very importantly, in an objective analysis, it is worth noting the EU macro-fiscal assistance mechanism for third countries, which operates with the International Monetary Fund. The financial operations are carried out in this way because the financial operational analysis on several levels, is carried out by the fund financial experts.

The International Monetary Fund has the following objectives to be achieved within the funding:

- Granting credits to the member states in the event of deficit of payments balances;

- Contributing and maintaining high levels of utilization of labor resources and real income and the development of productive resources of all member countries;

- Promoting expansion and harmonious growth in international trade.

This cooperation between the European Union and the International Monetary Fund, in our opinion, should be redefined. The main reason for this redefining is the IMF code of conduct, on the basis of which the states that borrowed money have to adopt or financially behave in a particular register that is not always an easy or productive one.

In order that the European Union can ensure the stability of its economic and financial security and be able to achieve the objectives proposed by the agreements of association with Eastern European third countries, it is absolutely necessary that it should develop its own mechanisms of analysis and verification regarding the emergency financial operations.

According to the EU Treaty, which is based on observing some democratic principles and values, the European Union should have a more analytical attitude towards the IMF, as it is well known that the IMF pays different rates for each installment and the granting of financial support is not always compatible with European principles and values in the field of fiancial contracts.

## Conclusion

The role of the European Union in relation to the neighboring countries of the Eastern Union, in the geopolitical context of the moment, is a major one. The economic security of the member states and of the EU population must be a decisive factor in the Union's external policies, both in terms of support operations for the third countries and in the consolidation of a quite substantial market that ensures long-term economic stability and security.

Therefore, from our perspective, the European Union, through the mechanisms which are at its disposal, must become a flexible and skillful body, built on principles that have in their core the well-being of their own citizens, as well as a neighboring environment which lacks unanticipated risks or political-military crisis situations. All these objectives are realistic and can be achieved through an amplification of economic and financial cohesion policies in relation to the associated states and by a foreign security policy based on a strong attitude meant to discourage any intrusion from other powers.

[1] http://www.zf.ro/.

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EIB – European Investment Bank.

MFA – Macro-financial assistance.

EU – European Union.

IMF – International Monetary Fund.

NATO – North Atlantic Treaty Organization.