

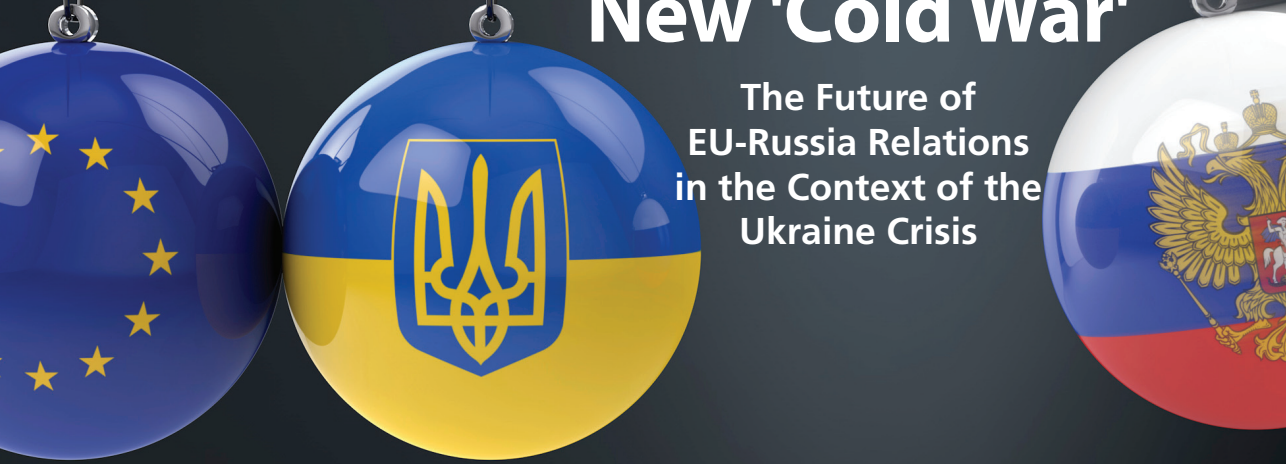
**SPECIALREPORT**

SR020 March 2016

**LSE Ideas**

# Avoiding a New 'Cold War'

The Future of  
EU-Russia Relations  
in the Context of the  
Ukraine Crisis



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Editor

**Dr Cristian Nitoiu**

IDEAS Reports Editor

**Joseph Barnsley**

Creative Director

**Indira Endaya**

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The 'Dahrendorf Forum - Debating Europe' is a joint initiative by the Hertie School of Governance, the London School of Economics and Political Science and Stiftung Mercator. Under the title "Europe and the World" the project cycle 2015-2016 fosters research and open debate on Europe's relations with five major regions.

## **Avoiding A New 'Cold War':**

### The Future of EU-Russia Relations in the Context of the Ukraine Crisis

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# Executive Summary

Cristian Nitoiu

**R**elations between the European Union (EU) and Russia have been traditionally characterised by the dichotomy between conflict and cooperation. This has influenced the abstract nature of the EU-Russia strategic partnership.

The Ukraine crisis has had a deep impact on the EU's foreign policy and its approach towards Russia. It highlighted that the EU's eastern neighbourhood is characterised by intense geopolitical competition with Russia. The crisis also underscored the weakness of the EU's 'low politics' approach in its relations with Russia and post-Soviet space. On the other hand, Russia's actions in Ukraine have made EU member states more willing to act together and take a harder line against Moscow.

Thus, EU-Russia relations have entered a period of stalemate.

This Special Report evaluates the way the Ukraine crisis affected EU-Russia relations and provides recommendations on how cooperation might be restored and the stalemate overcome. At the same time, it takes a broader perspective of EU-Russia relations by looking at their complex economic, political, and security interactions, but also their divergent approaches to various salient issues on the regional and global agenda.

The first part of the report evaluates the roots of the Ukraine crisis and analyses them in the context of the past and future of EU-Russia relations.

The first chapter of the report explores the factors that led to the breakdown of EU-Russia relations in the context of the Ukraine crisis. Tuomas Forsberg and Hiski Haukkala highlight that the Ukraine crisis was caused by a dangerous mix of decisions and choices made by all sides involved in the conflict: Ukraine, Russia, the EU, and the United States.

Looking towards the future, Fyodor Lukyanov explains how Russia perceives the EU's model of integration in the post-Soviet space. He argues that due to the asymmetric way in which the EU's integration project has developed, relations between Russia and the EU suffer from a severe strategic impasse. He particularly recommends that the EU starts engaging with Russia on issues such as energy, demographics or cross-border cooperation in order to revive the 'Greater Europe' project.

In his review of security relations on the European continent, Roy Allison argues that Russian challenges to the international order have developed incrementally since the end of the Cold War and have been partly a response to Western actions. He recommends European leaders stick firmly to the current rules of the international order and resist the Russian rhetoric of 'changing the rules of the game'.

Maxine David provides another piece of the puzzle of EU-Russia relations by uncovering the effect of member states' bilateral relations with Moscow. According to her, bilateral relations might lead to disunity when it comes to the EU's common approach, but they can also lay the groundwork for dialogue and negotiations in times of crisis.

The second part of the report looks at how the EU and Russia interact in their shared neighbourhood.

Elena Koroteleva's chapter focuses on the EU's foreign policy strategy towards the post-Soviet states. She argues that the EU and Russia have been blind to each other's projects in the region. She proposes that the EU provides more leeway to the neighbourhood states by allowing its integration project to be complementary and not in competition with the one promoted by Russia.

In a similar way, Alexei Gromyko's chapter explores Russia's foreign policy strategy towards the post-Soviet states. He contends that both Europe and Russia

should start directing their attention to common risks and threats in the post-Soviet space, with the EU and Eurasian Economic Union (EEU) engaging on a path towards meaningful cooperation.

Being disillusioned by the EU's promotion of liberal values and partly due to the desire to leave behind a lasting legacy, Putin has actively pushed for the creation of the EEU. David Lane argues that the Russian led integration is reactive, not based on a clear ideology, and ultimately modelled on the example of the EU. He proposes that the EU should take seriously the EEU, seek accommodation, and refrain from trying to achieve hegemony in the post-Soviet space.

Sergii Glebov believes that the Black Sea region is a space where both the EU and Russia could agree on a set of common principles and start a dialogue.

The third part of the report focuses on a series of key issues on the agenda of EU-Russia relations.

In his chapter, Andrei Kazantsev explains how Russia's and the EU's approaches to energy security have developed during the Ukraine crisis. He argues that both the EU and Russia should engage in confidence building measures that would contribute to rebuilding mutual trust in the energy sphere. In this sense, both actors should focus on compromise rather than unilaterally imposing their interests.

The impact of the Ukraine crisis on the EU and Russia's economic relations is evaluated by Christopher Hartwell. He argues that economic relations between the two were, even before the crisis, not built on solid ground, with both sides drifting apart and not inclined to negotiate as equals. He suggests that the EU either adopt more stringent sanctions towards Russia or drop them altogether.

Alexander Titov highlights the potential ways in which Russia and the EU can enhance their cooperation on various issues on the global agenda other than the Ukraine crisis. He proposes that European leaders and the Kremlin should agree on a common set of norms and values in international relations akin to the Westphalian system: sovereignty, territoriality, diplomacy, and great power management of global issues.

Richard Sakwa examines the way in which external forces affect EU-Russia relations. He finds that the European continent is stuck between two mutually exclusive directions: Atlanticism and Euransiasm. Russia is increasingly embracing its Asian identity, while Europe relies more and more on the US for assuring its security needs. This situation will only deepen the rift between the EU and Russia, if both actors do not seek to substantiate a common pluralistic understanding of 'Greater Europe'.

In this report's concluding contribution, which overviews the key issues of contention in EU-Russia relations and presents possible recommendations, Cristian Nitoiu argues that cooperation will most likely be re-established by glossing over the challenges to the regional order caused by the Ukraine crisis. If in the past both the EU and Russia were careful not to discuss contentious issues – which made their partnership fragile and prone to break down – future cooperation (and a potentially revived strategic partnership) should go beyond mere symbolism. Nevertheless, future cooperation should not translate into a 'Yalta type' agreement which delineates clear spheres of interests and leaves the small states in the shared neighbourhood at the mercy of two giants. ■

## PREFACE:

# Europe-Russia Relations Before and After 2014

Vladislav Zubok

**W**hat happened between the Russian Federation, Ukraine, and the EU in 2013 provides a new illustration to the old saying by Charles Maurice Talleyrand: *C'est pire qu'un crime, c'est une faute* (It was worse than a crime, it was a blunder). Talleyrand was an immoral and cynical manipulator, an unlikely source of advice to European foreign policy today. Yet, as this Special Report testifies, European policymakers ended up in a very tricky position, when good principles routinely extended as an operational policy in the eastern neighbourhood contributed to an unexpected conflict with grave and lasting consequences.

Vladimir Putin annexed Crimea not in a fit of paranoid whim, but after concluding he could defy the Western international order and ensure, by force and with violation of international legal norms, Russia's security 'buffer zone' in Eastern Europe. His calculations stemmed from his view of Europe, where the US was a superpower seeking to counteract its decline by expanding the North Atlantic Treaty Organization (NATO) eastward. Putin also perceived that the EU had no political will or strategy of its own, and complied with American interests. Frustrated by Russia's inability to keep status quo in Ukraine by economic and political means, Putin decided to change the game by creating *faits accomplis* on the ground by force.

Putin's moves came as a shock to Western countries; the shock turned into indignation after Russia engaged in a hybrid war in Eastern Ukraine and especially after the MH17 airplane was shot down by a Russian-made missile on July 17, 2014. The international community, the US, Canada, Australia, and members of the EU reacted by imposing sanctions on Russia. In the fog of war, fear, and moral indignation, leaders ostracised Putin, and kicked him from the club of world leaders. Global markets, already taking flight from Russia, were in a hurried exodus: Russia threatened to become an outcast not only politically, but also financially and economically.

The crisis revealed the painful absence of wise men and women in Europe, Russia, and in the US; the rashness and cliché-ridden political rhetoric, media reporting, and social networks' comments reminded many of 1914. The 'fog of indignation' fomented by the multitude of mostly non-governmental, and

therefore irresponsible, agents in the public domain created a climate that suited an escalation of conflict, not its settlement. Only the last-minute intervention of the German and the French leaders stopped this trend. As this Report shows, the fog of fear and indignation is slowly lifting, but the international landscape it reveals is unpromising and often ugly.

The EU may be satisfied with the fact that all its members maintained sanctions as a modicum of common policy vis-à-vis Russia. Yet the idealistic European strategy of building "a circle of peaceful well-governed states" is in ruins, the eastern neighbourhood is defunct, and the task of even returning to the situation before 2014 to the East of the EU boundaries is daunting. Both sides are not ready – intellectually and politically – for a constructive bargain beyond the manifestly unworkable Minsk-II agreements. Some actors on the Western side want to punish Russia, to make it feel the pain. Too few actors so far are ready to risk the opprobrium of making 'a deal' with Vladimir Putin.

In practical terms, there are too many linkages between foreign policy and domestic politics, between various actors in international relations: these linkages produce almost a mosaic of situations reminiscent of Peter Breugel's paintings. US foreign policy is a hostage to the electoral campaign and domestic ethnic diasporas, all of which see the Ukrainian-Russian situation as a zero-sum game. The EU sanctions regime vis-à-vis Russia is linked to Minsk-II and now to the future of Crimea; the entire process of settlement negotiation is made a hostage to Ukrainian domestic politics. Among international organisations in existence, from the

United Nations (UN) to the Organisation for Security and Cooperation in Europe (OSCE) or NATO, none can be used credibly and effectively to help the settlement: both because Russia would feel isolated dealing with them, or because they are too complicated. This creates an almost irresistible urge in Washington, Brussels and Berlin to remain in 'muddle through' mode and hope there will be no other major outbreak of violence. However, this attitude enhances the chances of exactly this kind of development. Plus, 'muddling through' means for the EU a tacit acknowledgement of the end of its grand design: to transform international realities in Eastern Europe by 'liberal means.' One can wait, of course, for Russia's decline and retreat as a result of its structural economic crisis. Yet Russia's retreat would not necessarily mean an automatic advance for the EU. A mutually damaging standoff is another likely outcome.

The Report demonstrates the return of geography and national security interests to the agenda. And this is actually bad news for the future of Eastern Europe. The EU's policies towards Russia and Ukraine until recently were based on the belief that security and geography no longer mattered, replaced by universal principles. In fact, geography never disappeared, and Brussels officials had to maintain a tricky balance between policies of inclusion and exclusion with regard to Russia and Ukraine, with a tacit understanding that neither country had a chance of permanent membership. As some chapters of the Report show, Germany and some other older members of European community remained sceptical of the attempts of some newer members, such as the Baltics and Poland, to deal with Russia as a security challenge and prioritise political and security relations with Russia's neighbours. The unspoken spectre of a new *cordon sanitaire* to contain Russia hovered in the imagination of some politicians but did not translate into political realities.

What ultimately led to the end of this balance was the EU offer of *association* to Ukraine without consideration of Russia's reaction, and Putin's leadership in creating a Eurasian Union to increase Russia's economic and political weight in the region. The clash between these two projects is an essential background for explaining Putin's reaction to Euromaidan and the perceived 'loss of Ukraine'. The period of the Fall of 2013 and early 2014 was the historical moment when Talleyrand's saying became a reality. The uncertainty about the future status of Ukraine vis-à-vis Western institutions led to

Putin's brutal reaction. It was worse than a crime, it was a mistake. The issue of Ukraine's international status was kicked like a can down the road. Now this backfired.

After 2014, the securitisation effect replaced the shattered prospects of the eastern neighbourhood in Eastern Europe, with a political lobby within the EU favouring assistance to Ukraine and containment of Russia. This is a new political reality that will play a considerable role at least as long as the securitisation effect remains in place. It is commonly said that what happens next will depend on Putin's policies and choices. The new dynamics however may be more complicated. In the new political environment, other actors, even local actors, can also play destabilising role and grow into an international 'scare', as the recent political instability in Moldova demonstrates.

In the past, in the late 50s and during the 80s, European politicians and thinkers were able to convert a crisis of European 'idea' into an opportunity. This is not the first time when *Europe fur Sich* (EU politics) and *Europe an Sich* (an idea of Europe) have clashed with each other. But it is particularly bad now. The EU became too complex, institutionalised, and bureaucratized to leave enough room for a group of imaginative political transactors and entrepreneurs 'to sell the future' to the complex entity of almost thirty countries. Another problem is the disappearance of the two factors that had helped Euro-visionaries in the past: a) the clear and present dangerous *Other* – the Soviet Union; b) the security cocoon created by the friendly *Other* – the US. Attempts in the West to demonise Putinism and make it responsible for all European woes are rather farcical. And the US cannot by itself make Europe secure against new challenges, such as international terrorism, danger of Grexit, and the mass flow of refugees.

The realities on the ground created by Putin's actions, including two self-proclaimed 'people's republics' in Eastern Ukraine and Crimea, changed European international politics irreversibly. While the international community and some European countries could continue to deal with Russia by ignoring territorial frozen conflicts in South Ossetia, Abkhazia, and Transnistria, with the addition of Ukrainian territories they become effective vetoes on the normalisation of relations, and even in some way to negotiations. For instance, the Minsk-II format already appears in permanent deadlock not only because of Russia's intransigence (which exists),



but because of new transnational realities that emerged in Eastern Europe, with local actors, some of them armed, constraining freedom of actions for state leaders and international peace-making actors. In this sense, Putin's actions were a mistake that damaged not only Russia's interests and future, but also effectively blocked the prospects of peaceful future settlements, probably even after Putin leaves the Kremlin.

The Report calls for an open-minded reconsideration of Eastern European realities, and return to realistic, sober language of assessments. Moral indignation is a poor guide in international politics. And signalling to Russia should not become the same as ostracising it. Russia, whatever the gyrations of oil prices and economic situation, will remain a regional power with its interests. The Report convincingly concludes that Russia is not capable of changing European rules and norms, however hard its diplomats and propaganda chips away at European solidarity. This is excellent news, because the fear of losing solidarity was and remains an argument that paralyses attempts to speak about a softer political strategy than a mere containment. At the same time Russia, as the old saying goes, is never as weak as one hopes. And it would be quite impossible to achieve restoration of Ukraine as a robust state and economy with the revisionist and outcast Russia sitting on Ukraine's borders. Whatever Putin's 'crimes' and 'mistakes' are, a frozen conflict between Ukraine and Russia is impossible and counterproductive for peace and security in this part of the world.

What are the EU's choices, as it discusses its new strategy in general, and policies towards Russia and Ukraine?

First, allow the conflict to continue, and various quasi-policies, such as a policy of sanctions on Russia and a policy of assistance to Ukraine to proceed on separate tracks. This option may further the process of emergence by default of a new *cordon sanitaire* against Russia, and the implicit securitisation of EU common foreign policy vis-à-vis the East. In this scenario, the EU passes the brief on Russia not only to some of its Eastern members, but also to NATO.

Second, using another wonderful French saying: *reculer pour mieux sauter*, to start by writing a new more pragmatic strategy with regard to Eastern Europe as a 'special trouble-shooting policy' combining EU principles and a long-haul view about the future of the region, with consideration to the political and historical factors in the region. It would be something that the Brussels had not done before. This time, legal experts and technocrats must sit side by side with top-ranking politicians, historians and area experts. As with other transnational endeavours, complete transparency and a continuous dialogue with the main parties (Ukraine, Russia) are preconditions for this work.

Talleyrand's warning should be answered. Perhaps there is a better way to deal with a crime than simply punishing Russia: addressing past mistakes in a comprehensive manner and developing wiser policies might contribute to a stable peaceful international environment. ■

# Contributors

**ROY ALLISON** is Professor of Russian and Eurasian International Relations, University of Oxford, and Director of the Russian and Eurasian Studies Centre, St. Antony's College. He was Reader in International Relations, London School of Economics to 2011. His latest book is *Russia, the West and Military Intervention* (OUP, 2013).

**TOM CASIER** is Academic Director of the University of Kent's Brussels School of International Studies (BSIS). He is Senior Lecturer in International Relations and holds a Jean Monnet Chair. Currently he coordinates an international research project on EU-Russia relations with St. Petersburg State University, Carleton University and the University of Mainz.

**MAXINE DAVID** is a Lecturer in the Institute for History, Faculty of Humanities at Leiden University, and Research Fellow at the Global Europe Centre, University of Kent. She is a foreign policy analyst, specialising in Russian and EU foreign policy.

**TUOMAS FORSBERG** is Professor of International Politics at the University of Tampere. Previously he worked at the University of Helsinki, at the George C. Marshall European Center for Security Studies, Garmisch-Partenkirchen, Germany and at the Finnish Institute of International Affairs.

**SERGII GLEBOV** is Associate Professor in the Department of International Relations at Odessa National Mechnikov University.

**ALEXEY GROMYKO** is Director of the Institute of Europe (Russian Academy of Sciences), President of the Russian Association of European Studies, and a European expert at the Russkiy Mir Foundation. He is a member of the Dissertation Council of the Russian Diplomatic Academy, the Academic Council for the Russian Foreign Affairs Minister, and the Academic Board of Security Council of Russia.

**HISKI HAUKKALA** is Associate Professor of International Relations at the School of Management at the University of Tampere and a Special Adviser at the Ministry for Foreign Affairs of Finland. He also acts as a Visiting Professor at the Natolin Campus of the College of Europe.

**CHRISTOPHER A. HARTWELL** is President of the Center for Social and Economic Research (CASE) in Warsaw, an Associate Professor at Kozminski University, a Visiting Professor at the Russian Presidential Academy of National Economy and Public Administration (RANEPA), and a leading scholar on the evolution of economic institutions.

**ANDREI KAZANTSEV** is Director of the Analytical Centre of Moscow State Institute of International Relations (MGIMO-University). Previously he was Jean Monnet Fellow in European University Institute (Italy, Florence) and Fellow in the George C. Marshall European Centre for Security Studies (Germany, Garmisch-Pantherkirchen).

**ELENA KOROSTEVA** is currently Jean Monnet Chair and Professor of International Politics in the School of Politics and International Relations, University of Kent. She is also Director of the Global Europe Centre, a member of the International Advisory Board for GLOBSEC and European Strategy Council, Professorial Fellow of the Dahrendorf Forum at the LSE, and Visiting Professor at the College of Europe and Visiting Fellow of the Belarusian State University.

**DAVID LANE** is a Fellow of the Academy of Social Sciences, Emeritus Reader in Sociology and an Emeritus Fellow of Emmanuel College, University of Cambridge.

**CRISTIAN NITOIU** is Postdoctoral Fellow in EU-Russia relations and Ukraine at LSE IDEAS. Before coming to LSE he held research positions at Trinity College Dublin and the College of Europe (Natolin campus, ENP Chair).

**FYODOR LUKYANOV** is editor of the Russia in Global Affairs Journal and Research Professor at National Research University Higher School of Economics in Moscow.

**RICHARD SAKWA** is currently Professor of Russian and European politics at the University of Kent. He is also Associate Fellow of the Russia and Eurasia Programme at the Royal Institute of International Affairs, Chatham House, Honorary Senior Research Fellow at the Centre for Russian, European and Eurasian Studies (CREES) at the University of Birmingham and since September 2002 a member of Academy of Learned Societies for the Social Sciences.

**ALEXANDER TITOV** is Lecturer in modern European history at Queen's Belfast. His specialism is in the politics and foreign policy of postwar Soviet Union and Russia.

**VLADISLAV ZUBOK** is Professor of international history, with expertise on the Cold War, the Soviet Union, Stalinism, and Russia's intellectual history in the 20th century. He is Chair of the Dahrendorf Forum working group on EU-Russia relations. His most recent books are *A Failed Empire: the Soviet Union in the Cold War from Stalin to Gorbachev* (2007) and *Zhivago's Children: the Last Russian Intelligentsia* (2009).

**Part I.**  
**EU-Russia Relations:**  
**Past, Present, Future**

# Could it have been Different? The Evolution of the EU-Russia Conflict and its Alternatives

Tuomas Forsberg and Hiski Haukkala

**I**n hindsight the conflict in Ukraine and the consequent rupture in EU–Russia relations were a ‘perfect storm’ generated in the context of a combination of choices and mistakes made by all the parties. It seems safe to conclude that the current situation is one that no one wanted nor actively aspired to. This leaves us with the difficult question of finding a constructive way forward. In this respect it is easy to be a pessimist. A lot of mistakes have been made and a lot of trust essential for the restoration of ties has been lost. Indeed, if EU and Russian leaders want to restore their relations, it is fundamental to rebuild some trust. For that the EU and Russia can not only look at future cooperation, but they also need to address the past. It is not possible to simply swipe the slate clean and let bygones be bygones.

The conflict in Ukraine and the consequent crisis in EU–Russia relations took the EU and its member states largely by surprise. Russia’s reaction to the domestic crisis in Ukraine and the forced annexation of Crimea was, in the words of the EU High Representative Catherine Ashton, “an act of aggression” and a “breach of Russia’s international obligations and its commitments” that has made the EU ponder both the relative merits of its own policies as well as the future prospects of meaningful relations with Russia.<sup>1</sup> The same applies also on the Russian side, where in a recent intervention the Russian Ambassador to the EU Vladimir Chizhov remarked that there should be no return to ‘business as usual’, but a more thorough rethinking of relations is called for.<sup>2</sup>

In hindsight it is easy to argue that both the EU and Russia should have seen the crisis coming. The dramatic nature of the rupture was a surprise of sorts, but otherwise the events of 2014 were perhaps a natural culmination of a longer term crisis in relations between the EU and Russia, an unwanted outcome that was nevertheless bound to take place eventually between the two increasingly disillusioned ‘strategic partners’.<sup>3</sup> Yet, if neither Russia nor the EU actually wanted this crisis, it should have been avoidable. When and how did EU–Russia relations end up on

a trajectory where the confrontation in fact became unavoidable? Was it doomed already from the beginning or did it depend on some unfortunate decisions as the Ukraine crisis unfolded?

There are several possible answers to these questions, and each of them implies slightly different kinds of solutions to the present crisis. We argue that the clash over the shared neighbourhood was inevitable in terms of the identities and worldviews the EU and Russia held, but these could have been mitigated and their manifestation into an either-or choice for Ukraine could have been avoided if diplomatic sensitivity had been taken more seriously, and the Ukrainian leadership been more capable in steering the country through rocky waters. The sharpening of the conflict through the illegal annexation of Crimea and military destabilisation of Eastern Ukraine by Russia did not however, directly follow from the integration dilemma concerning Ukraine.<sup>4</sup> Clearly, the choice that was crucial in escalating the conflict was Russia’s and it could have been avoided. At the same time, the EU should have approached its policies and relations with Russia with more caution and foresight and it cannot, therefore, escape a certain share of responsibility for these tragic events either.

In this short contribution we try to unpack the developments that resulted in the dramatic rupture of relations between the EU and Russia over Ukraine. We first look at the overall development of relations between the two, suggesting that the growing mutual fatigue and disillusionment acted as an important backdrop; in effect, making the parties ripe for conflict. We then examine the key actors in turn, asking whether they could have taken steps to avoid the current situation. We end with some concluding observations and recommendations concerning the future.

## **THE EVERYDAY REALITIES OF THE STRATEGIC PARTNERSHIP HAD LEFT BOTH THE EU AND RUSSIA INCREASINGLY DISILLUSIONED**

An important backdrop to the current conflict was the growing feeling on both sides that the practical co-operation under the auspices of 'strategic partnership' had failed to live up to expectations or fully meet the interests of either party. Interpretations of this failure are diametrically opposed, with both parties seeing the fault mainly with the other.

On the EU side, the usual refrain has been Russia's unreliability as a partner. In the EU's view mutual agreements have not been honoured by Russia and deliverables have largely been left undelivered. Perhaps the most prominent case has been the drawn out process concerning the phasing out of Siberian overflight fees, but in the EU's view the problem has not been confined to isolated instances, it has become systemic. A powerful symbol of a growing displeasure with its relations with Russia has been the Commission's continuously updated 'Key Outstanding Issues' document, an internal and confidential laundry list of problematic issues in EU-Russia relations. It is illustrative that the 2008 rendition of the document was already 87 pages long, with issues ranging from the quality of overall political dialogue to cooperation in education and science, and international security.<sup>5</sup>

Before the conflict escalated, the Russians could acknowledge this problem. Sergey Karaganov described the problems in EU-Russia relations in 2003:

"Whatever have been the failings of Europe, a considerable part of the problem in the EU-Russian relationship should be placed at Russia's doorstep. The most obvious failing is Russia's economic backwardness. The country's level of corruption and criminality, the frequently illegal intervention by the state in economic activity and the sorry state of its court system cannot but baffle and infuriate the Europeans."<sup>6</sup>

Over time, this basic dynamic resulted in EU-Russia relations becoming increasingly dysfunctional despite the adoption of new common schemes, such as Four Common Spaces and Partnership(s) for Modernisation. In the view of the EU, the guilty party in the deterioration of mutual relations was Russia, in particular as far as the Ukraine crisis was concerned. Jose Manuel Barroso, before leaving office, defended the EU's enlargement policy towards the East by saying that without the EU enlargement, Russia's appetite would not focus only on Ukraine, but on Bulgaria and the Baltic states.<sup>7</sup> Donald Tusk, the President of the European Council defended broad sanctions against Russia by stating that: "the only effective answer to Putin's clear and simple policy is pressure. [His policy is] simply to have enemies, to be stronger than them, to destroy them and to be in conflict".<sup>8</sup>

In Russia, by contrast, the main complaint has been the EU and its inflexibility in particular. In the words of Ambassador Chizhov:

"The internal transformation of the EU following the 'big bang' expansion of 2004 and the subsequent Lisbon Treaty reform, resulted in narrowing the flexibility of EU's positions in the international arena. In other words, the price for 'speaking with one voice' has been the lowest common denominator of the resulting message. On many topics of mutual importance, like crisis management, Russia was often confronted with a 'take it or leave it' approach that often seemed to negate our concerns and interests".<sup>9</sup>

In addition, and particularly during the crisis in Ukraine, Russia has started to take issue with the EU's motivations and objectives in the neighbourhood. To quote Chizhov again:

“The inward-looking peace project has acquired a new somewhat messianic dimension – the EU now “seeks to advance in the wider world... principles which have inspired its own creation” (Art. 21 TEU). ... These worrying trends have converged in Ukraine. May I remind you that back in May 2013 EU high officials were making it clear that the Vilnius summit of the Eastern Partnership (EaP) later that year would be about ‘winning Ukraine’ in a ‘geopolitical battle of Europe’. This was clearly a wrong approach.”<sup>10</sup>

The growing irritation and even suspicion between the two has thus been palpable. It was conducive to creating a political dynamic in which a key ingredient became what psychologists have called the fundamental attribution error (FAE). As a result of this error, actors perceive the hostile or otherwise problematic actions of others as emanating from the inherent dispositions or characteristics of others instead of merely reflecting the situation one finds itself in.<sup>11</sup> In other words, actors often perceive the actions of others stemming from negative intent, instead of simply reflecting the happenstance of any given moment. As a consequence, the mutual disillusionment, even exasperation with relations acted as an important backdrop to the conflict, in effect ‘priming’ both the EU and Russia to assume the worst from each other, a propensity that came to head over the EU’s growing role in the common neighbourhood to which we turn next.

## **THE EU’S POLICIES VIS-À-VIS THE ‘COMMON NEIGHBOURHOOD’ WERE BASED ON FALSE PREMISES**

The question of ‘eastern neighbourhood’ arrived in earnest on the EU agenda in the early 2000s. The driving force behind this was the EU’s own Eastern enlargement that increased both the direct exposure between the EU and Russia as well as creating a group of countries – the so-called ‘common neighbourhood’ in EU parlance – between the two. Since its inception the EU has treated the region through a logical continuation of its previous policies, seeking to continue to project stability, prosperity and security based on its own normative approach.

Yet in hindsight, one can argue that the EU’s approach was based on certain false premises. To begin with, in the aftermath of the ‘Big Bang’ enlargement of 2004 and 2007 the EU was convinced that its own transformative

power had been the key in turning the fortunes of the Central and Eastern European (CEE) countries around. Although this played an important role, the real factor was the essential willingness and, more importantly, the ability of the accession candidates to engage in meaningful reforms.<sup>12</sup>

In the early 2000s, the EU was operating in a stable geopolitical environment with no third party challenging its policies and strategic objectives, and it was actively supported and encouraged in this task by the global hegemon, the US. None of these crucial factors applied in the case of the ‘common neighbourhood’; the neighbours themselves were not reliable partners and agents of change, Russia increasingly acted as a regional challenger and even spoiler, and the US increasingly took a back seat in the East. None of these lessons were, however, appreciated or anticipated by the EU at the time of devising and developing the European Neighbourhood Policy (ENP).

On the contrary, the EU approached its eastern neighbourhood as essentially uncontested and although it was not willing to extend its enlargement policy, it was ready to seek a continuation of its accession model by other means. With the ENP the EU was busy devising relations that, when taken together, would move Eastern Europe towards becoming part of a wider EU-centred order of prosperity, stability, and integration. The EU believed that democracy was a shared value that would contribute to stability and prosperity in the region and did not see that supporting a recount of votes after the 2004 elections fraud in Ukraine, for example, would be against Russia’s real interests.

Although the EU’s approach was rooted in geography, it was not geopolitical power projection project in the crude sense of the term. Indeed, the EU has been manifestly uninterested in pursuing spheres of influence and has declined to frame its role in the East in this manner, thereby highlighting its own strategic thinking that shuns zero-sum conceptions of international relations. It has been seeking to defuse tensions with Russia, which has been a much more ‘traditional’ actor in this respect. Despite all the rhetoric of partnership, now largely silent, the underlying reality has been that the EU’s policies have flown in the face of Russia’s insistence on framing the EU’s role in the eastern neighbourhood in largely negative and competitive terms. As a consequence, the EU has been locked into an integration competition with Russia, despite being unwilling and ill-equipped to play that game. Carl Bildt,

the Foreign Minister of Sweden at the time when the crisis was developing stated that:

“I think we should have reacted more strongly towards Russia when they started to misbehave in the summer of 2013. Clearly, when they started the sanctions against Ukraine, we didn't see clearly the implications of that, and I remember that [former Polish Foreign Minister] Radek [Sikorski] and myself were trying to alert Brussels and Brussels was more or less asleep.”<sup>13</sup>

## RUSSIA'S SYNDROME OF HUMILIATION AND ENCIRCLEMENT

Russia's policy towards the EU and the West in general started to change towards the end of Putin's first term as President of Russia. Arguably one clear reason was the Orange revolution in Ukraine in winter 2004–05, coupled with other disappointments and felt humiliations such as the way Russia's plan to solve the Transnistrian question was torpedoed by the EU in November 2003. When the EU launched the EaP in 2009 and simultaneously NATO declared that Georgia and Ukraine would one day become its members, Russian leaders in Kremlin started to fear revolution at home and encirclement abroad. The war in Georgia was a result of these fears, but it did not derail EU–Russia relations, because the EU believed Saakashvili's Georgia was also culpable for initiating the conflict with Russia.

When Putin returned to Presidency in 2012, Moscow made further choices that aggravated latent tensions. Putin decided to make the economic and political integration of the post-Soviet space the lynchpin of his foreign policy, which manifested in the rapid development of the EEU. At the same time, Russia increasingly framed the EU's role in the region in a zero-sum manner, accusing the EU of seeking a sphere of influence in the East and forcing a false choice between itself and Moscow onto the countries-in-between. At the same time, it was Russia's own actions that aggravated the situation. The establishment of the Eurasian Customs Union (ECU) in particular was framed in a manner that constituted an either-or choice with regard to creating deep and comprehensive free trade areas (DCFTAs) with the EU. The zero-sum view dominated Russia's approach to political leadership questions in countries such as Ukraine and solving the frozen conflicts in the region. It used increasingly harsh methods of political and economic pressure and even coercion to achieve its aims.<sup>14</sup>

The sad element in Russia's concerns was that the EU itself did not envisage any of these developments as a deliberate attempt to challenge the Russian political system and its leaders in the Kremlin. Neither was NATO's expansion to Georgia or Ukraine an imminent danger, in light of the objections of Germany and France, and the change of leadership in Washington. Though it is possible to understand that Russia and its leaders had their own concerns, their behaviour was an overreaction and disproportionate compared to the situation. In Andrew Wilson's view, “in the final analysis Russia's policy is driven by a victim syndrome and it has not been able to give credit to the chances that it has had but created a story where it has been mistreated and encircled by enemies instead”.<sup>15</sup>

## COULD THE UKRAINE CONFLICT HAVE BEEN AVOIDED?

There are three basic perspectives to the question of whether the Ukraine conflict and particularly the wider confrontation in Russia's relations with the West could have been avoided. The first is related to Russia, the second to the EU and the third to Ukraine itself. Was the key problem the EU's geopolitical expansion, or the threat of it, Russia's great power ambitions and domestic politics, or political developments in Ukraine independently of both the EU and Russia?

Starting with the EU, the ENP did not at first appear to be a fundamental problem in EU–Russia relations. On the contrary, it seemed that initially Russia did not pay any attention to EU activities at all. The EaP initiative was more controversial. The fact that it coincided with the Georgian war, and that its content was enhanced in response to the war, created the false impression that it was meant to be an ambitious policy, seeking to challenge Russia in the neighbourhood. In hindsight, the EU would have probably been better served to wait awhile with these developments. At the same time, it is not clear whether a pause or offering better access to negotiations and symbolic gestures towards Moscow would have been enough to prevent major problems. Also, it cannot be ruled out that Moscow might have been emboldened by the EU's timidity and assumed that an implicit Russian *droit de regard* (*right of access*) had already been accepted by the West.

In any case, it cannot be argued that the EU was overly aggressive with its policies. At the Vilnius summit, where the Association Agreements (AAs) were to be signed

in November 2013, the EU clearly was not willing to drag Ukraine to an agreement at any price, though it was disappointed when Yanukovich turned it down. The EU supported Euromaidan, but the support was mainly verbal: for example Ashton issued a statement in Kyiv where she said she was “impressed by the determination of Ukrainians demonstrating for the European perspective of their country” and called for dialogue and negotiations.<sup>16</sup> In a similar manner, even the fathers of the EaP, Carl Bildt and Radek Sikorski, who are often criticised as having been overly eager in pushing for their policy, stressed that even though the EU remained prepared to sign the agreement as soon as President Yanukovich was ready to do so, “we will not be drawn into a meaningless bidding war over Ukraine’s future”.<sup>17</sup> In this respect, EU support may have encouraged people on the Maidan square, but it would be erroneous to argue that it caused it; the protests against the corrupt government would still have existed even without any major EU support.

Turning to Russia, one could argue that the Ukraine crisis and the confrontation in EU–Russia relations could have been avoided if only Moscow had simply accepted the EaP and the conclusion of the AA between Ukraine and the EU, and not seen either as hostile acts or a threat to its key interests. Yet this is far too simplistic. As was already argued above, one of the key background factors to the conflict was Russia’s growing exasperation with being the junior partner in its relations with the West, and being forced to accept ‘diktats coming from that direction. Therefore, we have to ask why this was the case and whether Russia could have pursued another course of action.

It appears that the direct economic disadvantages of Ukraine’s AA with the EU to Russia hardly constituted enough of a problem to justify jeopardising the benefits of a working EU–Russia relationship, not to mention the annexation of Crimea and the military destabilisation of Eastern Ukraine. The key problem was therefore related to Russia’s status, as it was protecting its zone of vital interests and building the EEU, and its fear of revolutionary spirit spreading from Ukraine to Russia, or the possibility that Ukraine would sooner or later join NATO and form a hostile base against Russia.

Many Western scholars in addition to Russians themselves have supported these views. While it is undeniable that Russia’s identity and status that formed after the immediate period after the Cold War is not

compatible with accepting a secondary position in the Brussels-centric European integration, the decision to annex Crimea or militarily support separatism in Eastern Ukraine were surely not determined on the basis of such identity. Russia’s leaders made conscious and risky choices, either not fully comprehending the response that would follow both in Ukraine as well as from the West, or in calculating the dangers of inaction extremely high. As a result of these actions, Russia is neither more secure, prosperous nor respected abroad than before; if anything the Kremlin’s domestic support has consolidated, but if the annexation of Crimea was the most rational way of achieving that we face a far bigger problem with Russia than if we suggest that the decision was based on miscalculation.

Finally, we may ask to what extent the conflict could have been avoided if Ukraine had been a more consolidated and politically well-functioning country. First of all, it was rather clear that before the conflict, the majority of Ukrainians did not want to choose between Russia and the EU.<sup>18</sup> Part of the problem was that Ukraine was put in a position where it had to make choices one way or the other.<sup>19</sup> The bigger problem, however, was the rampant corruption and the declining living standards in the country. A more legitimate and capable political leadership could have been able to postpone the choice and, in particular, prevent the protest movement from becoming a revolutionary force. To a certain extent, Russia was reacting to the revolutionary situation in Ukraine and wanted to seize the moment by seizing land. This would not have been the case if the country had a more legitimate and better functioning government.

## CONCLUSIONS

We are faced with a genuine dilemma. As was already mentioned, the narratives concerning the past are diametrically opposite with both parties squarely blaming the other. The same applies also to the future, where the visions of future of relations, to the extent they have been put forward at all, remain largely incompatible. Therefore, although it would be easy to argue that the EU and the West in general need to reassure Russia that it is not aiming to cause ‘colour revolutions’ in Russia and that it can also support countries that choose to join the Russia-led EEU, it is hard to see how either of these assurances can be effective in the current atmosphere.



At the same time, the EU cannot simply accept the illegal annexation of Crimea by Russia, although it could, and probably will have to, compartmentalise the problem to stop it from poisoning relations indefinitely. In the future, some kind of a satisfactory international scheme will need to be found that gives normative legitimisation to the transfer of the peninsula from Ukraine to Russia, but this can only take place once Kyiv and Moscow see eye-to-eye on the topic – a very difficult scenario to imagine for the time being. In the meantime, the EU and the West could concede that Ukraine remains in a category of its own, but this can happen only if Russia shows genuine steps towards stabilising the situation in Ukraine and refrains from using similar tactics elsewhere along its borders.

The improvement of ties requires restraint and reciprocity from both sides. Both parties should avoid attribution error and appreciate the fact that not all the negative actions are due to the adversary's negative character, but should be attributed rather to situational factors. Russia in particular should relax its view that the EU and the West are 'out to get it', trying to influence developments in the shared neighbourhood to Moscow's permanent disadvantage. It should not exaggerate concrete problems to turn them into a zero-sum game where all actions that it does not necessarily find to be the best option taken by the West are targeted against it.

By extension the EU, and indeed the West in general, will have to pay heed to Russia's essential interests and viewpoints a lot better. Russia has made it clear that developments that do not take its interests into consideration will not fare well in the shared neighbourhood. This is a message that will need to be heard. At the same time, Russia will have to realise, and we believe over time it will, that it too cannot impose solutions on its neighbours: Russia will have to find other ways to deal with these issues or face negative consequences.

A big leap in the form of a package deal that would magically restore relations and sweep all the problems away is not realistically possible. Therefore, both parties need to seek moderation in the short term and aim at taking baby steps to rebuild trust. The Iran nuclear deal and cooperation against terrorism in the Middle East constitute such areas where common ground can be found and trust built. The parties need to adopt the long-term strategic perspective and be ready to develop their relations and take bigger steps in recreating trust when the initial experiences have been sufficiently encouraging. Over time both parties will come to realise that although it was easy to break relations, their rebuilding will take a lot of patience and time. Maybe there is a lesson for all of us to think about?

## POLICY RECOMMENDATIONS

1. A big leap in the form of a package deal that would magically restore the relations and sweep the problems away is not realistically possible. Restoration of ties will take time and patience. For that the EU and Russia can not only look at the future cooperation, but they also need to address the past.
2. The key challenge ahead is to take baby steps to rebuild trust. The Iran nuclear deal and cooperation against terrorism in the Middle East constitute such areas where common ground can be found and trust built. The parties need to adopt a long-term strategic perspective and be ready to develop their relations and take bigger steps in recreating trust when the first experiences have been sufficiently encouraging.
3. In the meantime, the improvement of ties requires restraint and reciprocity from both sides and readiness to take bold steps when the time is ripe. ■

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# Russia and the EU: A New Future Requested

Fyodor Lukyanov

**A**t the beginning of 2014 not many could envisage how quickly the entire relationship between Russia and the EU could be deconstructed and denounced. It is true that mutual frustration rose gradually since second half of 2000s, and the crisis of common vision and ideas was obvious after the Partnership for Modernization (proclaimed during Dmitri Medvedev's strange intermezzo in Russian politics) failed to produce anything new and concrete. Nevertheless, the feeling was that, even in the absence of much progress, there was solid potential for cooperation which had been built up and accumulated in more than twenty years of interaction.

In January 2014, Vladimir Putin said at his press conference following the regular EU-Russia summit in Brussels:

“Our cooperation is of a large-scale and multi-faceted nature. However, we have to set ourselves targets that are more ambitious. One of them is to link the European and Eurasian integration processes. I am convinced that there are no contradictions between the two models: both are based on similar principles and norms of the World Trade Organisation; they could effectively complement each other and contribute to the growth of mutual trade turnover... We need to work together on building a new, unified Europe.”<sup>1</sup>

The president of the EU Commission Jose Manuel Barroso in the meantime believed “that this Summit was as useful as it was necessary. And I hope that we can achieve progress in the near future. In fact, I’m very much looking forward to our next meeting in Sochi, at the beginning of June”<sup>2</sup>

The next meeting in Sochi, during the G8 session chaired by Russia, never took place as EU-Russia summits were suspended. Ukraine came as a shock and unleashed all the negative feelings vis-a-vis each other which had accumulated during 25 years of cooperation. What happened was not just a political crisis between two important players in Europe, it was foremost a sign of the decline, and most likely the end of, a model of a European future as invented and formulated in the wake of the big ideological confrontation of the 1980s.

The end of the Cold War brought about the ‘Greater Europe’ concept, which had not only a geographical but also an ideological nature. It was designed to quickly overcome the geopolitical division of Europe, and create a single space of security and sustainable development modelled on the European Community/Union, with NATO playing a dominant role in providing security.

The EU was substantiated through the 1992 Maastricht treaty. It was intended to become the core of Greater Europe, and an example to follow for adjacent regions in the east and the south. The deepening of integration within the EU, accompanied by the extension of its rules and regulations to countries that previously were not its members, was supposed to create a powerful political and economic centre, an equal match for the main global actors – the US and rising China. A common European currency became an eloquent symbol of Greater Europe’s new ambitions and an attempt to create an alternative global reserve currency rivalling the US dollar.

The Greater Europe project’s key feature is that it was intended to be EU-centric. This is its main distinction from ideas aired at the end of the 1980s and the 1990s, when the Soviet Union was still around. Mikhail Gorbachev, who advocated the idea of a ‘common European home’, hoped that it would be built by both sides on an equal basis. The theory of convergence of capitalism and socialism, first proposed by Russian-American sociologist Pitirim Sorokin and later supported by Nobel Peace Prize winner and dissident Andrei Sakharov, was very

popular at that time. Had this idea been realised, it would have put a consensual end to the Cold War without formal or informal reference to its winners and losers.<sup>3</sup>

The collapse of the Soviet Union changed the situation dramatically, making equal participation in designing a new European order impossible. Instead it created a geopolitical and institutional vacuum, which began to be filled quite quickly by the winner. Russia was in socioeconomic chaos at that time, with pro-Western views prevailing in its policy. Moscow did not object to such a model of relations as it sought to fit into Greater Europe. This approach in Russia-EU relations (with certain limitations, it can be also applied to NATO) was well described by then European Commission President Romano Prodi: integration with Russia to the point of "everything but institutions."<sup>4</sup> Beyond politically correct explanations, this did mean de facto that Moscow had to adopt EU rules and regulations without any chance to influence them or manage the common space.

Twenty-five years after the signing of the Charter of Paris for a New Europe, one can say that Greater Europe was never built the way it was intended. Analysing why this didn't happen would be an interesting academic exercise, and taking an unbiased look at that time would assist in the avoidance of such mistakes in the future. One thing is clear though: Europe is in a controversial situation now. Most of the institutions created during and after the Cold War still exist and formally function, but they increasingly fail to match reality.

Instead of 'Greater Europe' there has emerged 'Little Europe' (similarly to 'Little England' syndrome after the disintegration of the British Empire).

What are the main features of the Little Europe phenomenon?

Firstly, it is the crisis of the two institutions that were intended to become the backbone of a new Europe – the EU and NATO.

The EU is in deep and multifactor decline. Not only has it failed to become a major and independent international player, but it has also pursued an abortive policy with regard to its neighbours. The EaP is largely responsible for the crisis in Ukraine, and the Union for the Mediterranean was completely paralysed by the Arab Spring and ensuing events. The strategic partnership with Russia ended in a war of sanctions. Attempts to catch up with the US resulted

in talks on the American-led Transatlantic Trade and Investment Partnership (TTIP). The EU has fallen behind in adequately addressing major international issues. Economic stagnation goes on for years on end, and the ill-conceived introduction of the single currency created serious internal imbalances which, in turn, keep producing ever acute crises. The influx of refugees has turned into a time bomb threatening socioeconomic stability, political systems and values in undivided Europe. In general one can argue that overall heterogeneity of European space included in Euro-Atlantic institutions has increased to the point which profoundly shakes governability of the whole area.

NATO seemed to be one of main beneficiaries of the end of the Cold War, but in fact it has never acquired a clear and distinct purpose after the Soviet Union's breakup. The Ukraine crisis and Crimea's incorporation into Russia gave the impression that the Cold War-era model, consolidation against an obvious enemy, the same one as before, could be revived. However, there was no monolithic unity among NATO members even at the height of the crisis in Ukraine.

The Syrian crisis, and especially the latest escalation after the downing of a Russian bomber by the Turkish Air Force, raised more doubts about NATO's internal coherence and revealed a difference from the Cold War times. In those years one could hardly imagine a NATO country taking strong military action without consulting its allies, as bloc solidarity was the reverse side of the bloc discipline. Now one can make a precipitous move at his own risk and then turn to allies for support even though they may interpret it differently. Whenever NATO or its members opted to use force after the end of the Cold War, it was practically never politically successful. The absence of a common and obvious threat means that the alliance has been unable to set a clear purpose for itself. For almost two decades NATO was trying to solve its conceptual problems with mechanical enlargement, but the expansion of its zone of influence eventually encountered Russia's opposition.

Secondly, the very term 'European security' as construed since the 1970s is in crisis. Forty years on, it is quite obvious that discussing European security within the framework drawn by the bloc confrontation would be senseless. Blocs are gone in Europe and so is the logic that, for example, underpinned the Treaty on Conventional Armed Forces in Europe. There are military-political contradictions between Russia and NATO, but their context and nature are completely

different from those during the Cold War when the groundwork was laid for the security system in Europe. But most importantly, European security cannot be considered without taking into account new factors, namely the Middle East and Greater Eurasia, including China.

Metaphorically speaking, events in the Middle East are a huge vortex that sucks in states, societies and people in the region, or the orifice of a volcano that spews out boiling lava. This part of the world, where the construct built in the twentieth century is being torn down, will produce all kinds of threats to European security in the coming years or maybe even decades. But neither NATO nor the OSCE is able to counter these threats effectively.

Greater Eurasia is shaped by the new international positioning of China, and its partial redirection from East to West and towards Europe. China is facing ever growing pressure and resistance in East Asia from the US and its allies. This is one of the reasons for Beijing's westward turn to Eurasia, making the region much more integral and interconnected.

Thirdly, Russia's development is not consistent with the Greater Europe concept. The failed post-communist transition has brought about deep disappointment with its underlying ideas. The identity crisis, which started with the disintegration of the Soviet Union, has not been overcome. Russia was not engaged in the European transformation processes after 1991 as an equal partner, at least that is the strong belief on the Russian side, and this generated inferiority feelings and the desire to establish its own place in the European system. The EU's decline combined with the rise of China and the rest of Asia is influencing Russia's self-determination and increasing its urge to fit into Asian trends. This is happening slowly and ineffectively, but there is no reason to expect this turn to stop. With the loss of influence on Ukraine, the Eurasian integration project, which initially was only called Eurasian but essentially was an attempt to create a second pole of the 'European world', is acquiring truly Eurasian features. And this process will keep gaining momentum as China is stepping up its activity in Eurasia.<sup>5</sup>

Peculiarities of Russia's post-Soviet development have made military power (regained to some extent), and most importantly readiness to use it, the main instrument of the country's positioning in the international arena. It has replaced the idea of 'energy superpower' that dominated in the 2000s, that is, the ability to solve

international problems using energy resources. The commitment to military power is further strengthened by the growing number of conflicts in the world, together with domestic and interstate confrontations. This negates the EU's basic theory that military power is losing its potency as an instrument of influence and giving way to other methods of competition, primarily economic ones. However the developments of the last two years vividly show that, contrary to expectations, political motives outweigh economic considerations.

What happened after the Cold War demonstrated that ambition to create Greater Europe based on universal rules issued from one centre (Brussels+) has failed. But an attempt by Russia to shape an alternative gravitation centre dramatically failed as well. Now the whole process should be restarted while taking into account two new factors.

First, the changed situation in Europe/Eurasia as described above.

Second, a different logic of international development, which is clearly moving towards fragmentation of the global environment into economic mega-blocks (with erosion of universal regulations) and situational ad hoc alliances in security area to address particular issues. The Trans-Pacific Partnership (TPP) is the first prototype of such new structuring, and TTIP may become the next example.

So far Greater Europe showed no capacity to build a consolidated entity to be an independent core in the 21<sup>st</sup> century. This scenario of further division of that area into at least two groups of states looks likely. One part will gravitate towards the Chinese 'pole' with various degrees of formal affiliation with China, another will be the current EU pole (possibly reduced and restructured) led by the US in the framework of TTIP. Relations between those two parts will never be purely confrontational due to economic interdependence, but will be marked by ongoing punitive and restrictive measures vis-à-vis each other as a way to adjust relations amidst the absence of generally agreed rules.<sup>6</sup>

Although contradictions between Russia and the EU persist, and there is still no solution anywhere in sight in Ukraine, an acute phase of the crisis is over, and both sides display willingness to resume relations. It is hard to say what they will be like, but some key parameters can be named. It would be impossible and senseless to try to restore the 'strategic partnership' that existed

in the 1990s-2000s. It was based on the 'Greater Europe' logic which is no longer relevant. This means that negotiations on a new major agreement, which were halfheartedly conducted since the end of the 2000s, will not be renewed in their previous form. Relations will no longer be comprehensive after the crisis but will focus on concrete practical issues. The topic of 'common values' will most likely go out of use, both because they are challenged by Russia and because the EU may overhaul them in view of the need to reconsider its integration model.

## POLICY RECOMMENDATIONS

1. There are practical aspects which cannot be put aside within 'Greater Europe' regardless of political relations. These include energy (Russia and the EU are destined to remain interdependent for several more decades), the movement of people (which is a much more serious issue now because of the influx of refugees), and the development of adjacent territories (cross-border cooperation). Intensive cooperation can be possible in each of these areas, but not in a bundle.
2. Future economic development within 'Greater Eurasia' continues to be important. It cannot be decided by and between Russia and the EU alone, but requires a multilevel dialogue between the EU and the ECU, between Russia/EEU and China, between the EU and China, and between China, the EEU and the EU. The latter format would be the best for discussing what Moscow and Brussels debated before – a common economic space and harmonization of rules and regulations.
3. The OSCE has limited potential for ensuring European security. Instead it should give priority to creating conditions for preventing conflicts between Russia and the EU on the fringes of the former Soviet Union. This is necessary because recent events show that these countries cannot be integrated into any project but need some acceptable alternative. As for broader security issues, including those concerning the Middle East, they will necessitate a broader dialogue involving European countries (including Russia), the US, and possibly China. ■

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# Why the EU-Russia Strategic Partnership Could Not Prevent a Confrontation Over Ukraine

Tom Casier

**F**or roughly a decade, the EU and Russia have been caught up in a logic of mounting competition around rivaling regional projects and diverging attitudes towards international governance structures. Fuelled by domestic developments, this logic stepwise produced mutual negative perceptions and made trust dwindle. Instead of the pragmatic cooperation intended in the EU-Russia Strategic Partnership, relations increasingly acquired characteristics of a struggle for power. The root causes for this evolution can be found in the collision of EU and Russian regional ambitions over 'the countries in between'. But they also follow from an inherent tension within the EU's diplomacy, between the objective of privileged relations with EaP countries and the ambition to form an equal partnership with Russia on the basis of a recognition of its interests.

The nature of EU-Russia competition radically changed with the Ukraine crisis. Up to that point the struggle for power was predominantly about institutional arrangements in the former Soviet space, EaP versus ECU, as well as about issues of identity (the capacity to recognise the true 'Europeanness' of a country). With the annexation of Crimea and developments in Eastern Ukraine, this has changed radically. Russia perceived the 'loss' of Ukraine as a tragic geostrategic bereavement and opted for a strong counter reaction. This took the power struggle to a new level, away from institutional competition to 'compulsory power', aimed at gaining more control (as in the case of Crimea) and undermining control by the 'West' (destabilising Eastern Ukraine). Despite the suspension of the strategic partnership and the dominance of zero-sum images, the challenge lies in escaping the competition trap and rethinking the future of European structures, not least collective security provisions, in the long term.

## RIVALLING REGIONAL PROJECTS

Exactly at a time when the most compelling strategic issues were on the table, the Strategic Partnership between the EU and Russia turned out to be of little value and collapsed. Its tragic death, however, was a death foretold. It followed years of painful struggling.

Yet, it still came as a surprise that it ultimately died as the result of a fatal accident, the annexation of Crimea, and not of a natural cause.

The current clash between the West and Russia can only be understood in the light of the choices which were made about Europe's international order after the Iron Curtain had disappeared. The end of the Cold War and the collapse of the Soviet Union put several key questions on the agenda. What is the place of Russia in Europe? What to do with the old West-European structures of cooperation, in particular the EU and NATO? Two rivaling projects were on the table.<sup>1</sup>

The Euro-Atlantic project of 'wider Europe' was a Brussels-centric project, providing for the extension of the EU and NATO. Originally Russia had only limited objections to the accession of former Soviet allies to the EU. Very differently, NATO was seen from the beginning as a Cold War organisation that had lost its main reason of existence with the crumbling of the Soviet Union. With the first wave of NATO enlargement in 1999, suspicion rose that the West was not taking Russian interests seriously. The United Kingdom (UK) and US Kosovo intervention acted as a catalyst, creating a broad consensus that Russia should defend its national interests more staunchly. Concerns over the EU's policy in former Soviet countries increased with the launching of the EaP in 2009. This policy continued to pursue the



ENP's objective to create privileged relations with the Union's eastern neighbours, reinforcing stability on the EU's eastern borders. Yet it was more ambitious in its attempt to produce a new generation of AAs, based on a DCFTA.

The Russian project was a multipolar one, in which post-Cold War Europe would be built around three poles: the EU, Russia and Turkey. Against this background Moscow sought to set up integration initiatives within the former Soviet Union. Originally this was done mainly through the Commonwealth of Independent States (CIS). Returning to an old idea of Nazarbayev, Russia promoted the idea to set up the ECU. The organisation was established with Belarus and Kazakhstan in 2010. It signalled a turn in Russia's regional policy. The ambition was no longer to take all former Soviet states on board but was based on a 'coalition of the willing': a deeper form of integration, with those countries that wanted to be on board. The ECU was the first organisation that created tangible integration among former Soviet states. It was relabelled the EEU in 2015 and joined by Armenia and Kyrgyzstan.

The co-existence of the EU's EaP and the ECU created geopolitical side effects that were likely not intended in the original set-up. Countries in between Russia and the EU, like Ukraine, were forced to make a choice, something they would have preferred to avoid altogether. While Ukraine was negotiating the AA with Brussels, it was equally under Russian pressure to join the ECU. A combination of both was incompatible, for simple legal reasons. If a country accepts the Common External Tariff of a Customs Union, it cannot negotiate a separate free trade arrangement with a third country. EaP countries were therefore forced to make choices. Of those negotiating an AA with the EU, Armenia was the first to decide in September 2013 to join the ECU. The President of Ukraine, Yanukovich, followed with a much more publicised announcement that he would not sign the AA with the EU (though he did not confirm the intention to join the ECU). It was this decision that sparked the Euromaidan protests, which were in the first place driven by anti-regime sentiments. Association with the EU was merely a symbol for the revolt. From there developments took an unexpected course, ultimately leading to the fall of Yanukovich, one day after an EU mediated agreement was signed about early presidential elections.

## STRUCTURAL TENSIONS IN EU DIPLOMACY

If the collapse of the strategic partnership was a death foretold, it equally has to do with an inherent tension in the EU's foreign policy towards its eastern neighbours. The Strategic Partnership with Russia and the EaP policy of privileged relations with other neighbours were in the longer term doomed to be incompatible.

The tension between both policies resulted from a decoupling of the EU's policies towards Russia and towards the rest of Eastern Europe. In the 1990s the EU had a largely monolithic policy towards the former Soviet states, with the exception of the Baltic states who became candidate member states. When it launched the ENP this one-dimensional diplomacy came to an end. Russia decided to stay out of the ENP, which it considered to be too EU-centric, and obtained separate recognition as strategic partner, a term that starts appearing from 1999 on. It resulted in the Four Common Spaces agreement, which formed a new basis for political cooperation. With other post-Soviet states the EU developed its ENP and later the EaP, aimed at developing privileged relations. This 'decoupling' of policies was not a strategic decision, but a rather accidental outcome of Moscow's decision to stay out of the ENP. The implications of this split were probably a lot bigger than anticipated. Both policies developed in different directions and would ultimately collide. The reason for this clash is that they both represent fundamentally diverging types of diplomacy and have incompatible objectives.

The ENP/EaP was a policy which was strongly based on rule transfer and a normative agenda. It was a predominantly a form of 'structural diplomacy'<sup>2</sup> aimed at long-term structural reform and reshaping neighbouring countries, like Ukraine, in the EU's image. In practice it was a project of anchoring neighbours in the EU's legal and economic sphere, which would extend beyond its actual borders. They would adopt a considerable part of the EU *acquis* and take over considerable parts of institutional practices and rules. An AA crowned this, with the creation of a DCFTA, but also providing for alignment on foreign policy issues.

Diplomatic relations with Russia went in a different direction. The agenda of norm promotion and rule transfer faded to the background and the *leitmotiv* became one of a pragmatic policy of constructive engagement and enlacement.<sup>3</sup> Diplomacy was 'strategic' rather than 'structural', based on the recognition of Russia's equality and importance and as part of a 'strategic vision' of the EU's global role.<sup>4</sup> It aimed at cooperation on the basis of mutual interests generated by interdependence.

Fundamentally, there was a deep structural tension inherent to this double track policy of the EU vis-à-vis Eastern Europe. While the EU declared it considered Russia as a strategic partner on the basis of a recognition of its interests, it simultaneously sought to (partially) integrate other post-Soviet countries into its legal and economic sphere. Yet, it was exactly in these countries that Russia considered it had crucial interests and was entitled to have influence. In other words, it is at this point that the EU's policy of 'privileged relations' with its neighbours clashed with Russia's policy of 'privileged interests'<sup>5</sup> with the same countries. Close EU association with some EaP countries was structurally incompatible with a strategic partnership with a Russia that was concerned that growing EU influence in precisely those countries went at its expense.

Tensions culminated over the technical and legal incompatibility between the AAs<sup>6</sup> and Russia's regional ambitions. They were fuelled by Russian domestic developments and an increasing geopolitical reading of events. The downward spiral was driven by a logic of competition, in which the EU (and even more some of its member states) and Russia developed increasingly negative images of each other. This can be referred to as 'attributional bias',<sup>7</sup> a tendency to assume negative intent in the behaviour of the counterpart, while explaining one's own behaviour as legitimate given external constraints. It made trust dwindle. The major clash came with the radical developments over Ukraine in late 2013 and early 2014: Yanukovich's refusal to sign the AA, the Euromaidan protests, the regime change in Kyiv, the annexation of Crimea and the war in Eastern Ukraine. As a result the strategic partnership with Russia was suspended and bilateral contacts largely limited to technical contacts. The US and EU imposed sanctions and Russia retaliated. EU-Russia relations had entered a fundamentally new stage of confrontation.

## TAKING THE POWER STRUGGLE TO A NEW LEVEL

Often EU-Russia relations have been represented in terms of a clash between a norm-driven policy in Brussels and an interest-driven policy in Moscow. This is misleading. The EU's policy of norm and rule transfer has definitely power implications as well. It anchors countries into an EU legal and economic sphere extending across its borders. It creates comparative advantages for EU trade and policies, and the intertwinement makes it costly for states to leave. The prevalence of EU norms leads to what Haukkala has called 'normative hegemony',<sup>8</sup> a consent that these norms are the 'evident' legitimate norms, the ones to follow. Many of the norms promoted are unrelated to democracy or human rights, but are about commercial and free market principles (liberalising energy markets, for example).

In contrast with the claim by Pierre Vimont – Executive Secretary-General of the European External Action Service – that the EU "never had any clear warning" from Russia that a DCFTA with Ukraine "was unacceptable to them",<sup>9</sup> there have definitely been many signals of disagreement in Moscow. These varied from Lavrov's suggestion that the EaP was an attempt to build a sphere of influence,<sup>10</sup> to various restrictive trade measures against states negotiating an AA with Brussels. Signals were not picked up. Arguably the EU can be said to have been blinded by its own self-image as normative power, as non-geopolitical actor, not imposing policies on its neighbours – qualifications that were reiterated by EU diplomats. This is not to say that the Union had a secret grand strategy. Its policy should rather be understood as the result of technocratic step-by-step developments and fragile compromises in a complex institutional context where many different interests have to be balanced. However, this does not imply that its policy had no power implications. What the EU exactly failed to think through is how its policy would generate geopolitical tensions.

The radical developments over Ukraine can be seen as a shift of EU-Russia competition into a new type of power struggle. Until the end of 2013 tensions had been predominantly over institutional arrangements in the neighbourhood (AAs versus the ECU). They were also about identity politics, the capacity to define genuine 'Europeanness' of states and include or exclude them on this basis. When the Ukrainian Yanukovich regime collapsed, this all seemed lost for Moscow. In a strong geopolitical reading of events, Russia had major

strategic concerns. In the short term they concerned losing control over Sebastopol in Crimea, where its Black Sea fleet is stationed. But there were also bigger, long-term concerns. In an interpretation reminiscent of Breznevski<sup>11</sup>, Moscow understood the perceived 'loss' of Ukraine as a major geostrategic blow that would weaken Russia and reinforce the West. In the longer term this risked to threaten Russia's position as great power. In all likelihood its ambition was to compensate for that loss of control by an attempt to undermine and weaken Western influence, through politics of territorial control, military presence, destabilisation and confusion. In doing so, it lifted the competition to a new stage of power struggle, one of 'compulsory power'.<sup>12</sup> Geopolitical interests and military threats are now openly on the table. Zero-sum images dominate on both sides. Coercive instruments play a central role, something mirrored – in a weaker way – in Western sanctions and Russian counter sanctions.

The annexation of Crimea clearly altered the rules of the game. It violated the European border regime and set a dangerous precedent. Yet, while Western sanctions were imposed on Russia, the annexation is seen in most diplomatic circles as a *fait accompli*. Ironically, it poses less of a 'problem' for a normalisation of relations than the conflict in Eastern Ukraine. Ultimately, the non-recognition of Crimea as Russian territory does not stop countries from cooperation with Russia, in the same way as it did not stop countries from having regular diplomatic contacts with Israel after it annexed the Golan Heights. Much more problematic is the conflict in the Donbas region. It is complex in terms of the parties involved and its improbable that all of them are under control of Moscow or Kyiv. The two Minsk protocols sought to establish a ceasefire, but a durable solution of the conflict faces huge obstacles. Any form of concession is likely to be seen as a loss of face and to meet considerable domestic opposition, not least for Ukrainian president Poroshenko.

## **FAILING COLLECTIVE SECURITY AND THE EXTENSION OF CONFLICT**

If the Ukraine crisis has proven one thing, it is the failure of an effective collective security mechanism in Europe. Despite the fact that relations with Russia were the most institutionalised of all EU partnerships, the density of contacts could not prevent a logic of competition from developing. In principle pan-

European collective security is the task of the OSCE. In practice the organisation did not get the room to play this role. In its security role it operated largely in the shadow of a military alliance like NATO. Russia itself had an ambiguous relation with the OSCE,<sup>13</sup> which it reproached for having double standards. The collective security provision in wider Europe was thus largely deficient: an effective mechanism to contain the Ukraine crisis at a very early stage was lacking. Arguably it is one of the most important shortcomings of post-Cold War structures in Europe.

In the meantime, the international setting has also changed and is likely to impact on the confrontation over Ukraine. In October 2015 new developments occurred in the Syrian war. Russia decided to launch air strikes against anti-Assad groups and were clearly not only targeting Islamic State (IS). Russia also deployed troops on the ground, an important new development in the conflict. In contrast to the annexation of Crimea and the war in Eastern Ukraine, this was not done on the basis of a strategy of 'denial'.<sup>14</sup> The Russian military development was not only acknowledged, but also announced and its coverage in certain media clearly orchestrated. The interests at stake are clear. The Assad regime is Russia's only ally in the Middle East. Syria is home to an important naval base, Tartous, of tremendous strategic importance as it gives Russia direct access to the Mediterranean without having to cross the narrow and NATO-controlled Bosphorus strait. Moscow sees the Assad regime as the best guarantee for its interests and seeks a solution which keeps the current leaders in place. Its air strikes are clearly aimed at reinforcing the current regime.

But clearly its military action in Syria also serves a bigger strategic and symbolic purpose. It is part of Russia's challenge to American hegemony. It is a way of working itself into the conflict and force a different negotiation agenda: one in which the departure of Assad is no longer an a priori condition, as the West wanted. It is part of Moscow's (neo-)revisionist agenda, seeking to get a fairer representation in structures of international governance.<sup>15</sup> Arguably, it also serves domestic purposes, conveying a message of strong leadership and Russia as inevitable partner to the Russian population.

The result of Russia's military involvement is that the complex and violent conflict has entered a new stage. Several great and regional powers are directly or indirectly involved in the war with agendas that

transcend Syria itself. They interact on the basis of perceived (im)balances of power. This includes the US and some of their allies, Russia, Iran, Hezbollah, as well as Turkey and Saudi Arabia. It goes without saying that it has all the ingredients for a potential escalation and uncontrollable conflict. The war transcends borders and has ramifications in many countries, from Iraq to Russia itself (with former Chechnyan rebels fighting with IS).

The developments in the Syrian war may have implications for the conflict in Eastern Ukraine. Apart from practical side effects (such as diverting volunteers from Eastern Ukraine to Syria), Syria forms another zone of potential direct confrontation between the West and Russia. Both the US and Russia are militarily engaged, in the air and on the ground, and pursue different objectives – despite certain common interests. Most importantly, this involvement may link the solution of the war in Eastern Ukraine to the developments in Syria, with both seen as part of a bigger international struggle for power.

## WHAT NOW?

With the Ukraine crisis, the pragmatic competition that characterised the EU-Russia strategic partnership for a long time has derailed into direct confrontation. The current power struggle is understood in geopolitical zero-sum terms and relies on coercive instruments of control and destabilisation. The challenge is whether to go along in raising the bids in this power struggle. There is a real risk of getting into a competition trap from which it will be hard to escape, as positions become more entrenched and any action is likely to be met by retaliation. There is a painful dilemma here between the need to actively de-escalate and the view that Russian action, the annexation of Crimea in particular, cannot be swept under the carpet.

Therefore the road to better relations will be very long and winding. It will require a return to the basics of normalisation and trust building. Success will ultimately depend on domestic developments within Russia (away from the current polarising approach) and within the EU (building consensus among all member states). Equally, it will require critical reflection on both sides about their foreign policies. Russia needs to reconsider its strong geopolitical understanding of international

affairs. The EU needs to move away from its self-image as normative power, understanding the real power implications of its policies in Eastern Europe. All this will require a sea change in rhetoric as a basic condition for trust building. And increasingly it will depend on the international situation, with developments in Syria changing the setting of the conflict over Ukraine.

In a context of normalising relations, still far off at the time of writing, rethinking relations across wider Europe in a structural way will be of key importance. Despite current uncertainties and against all odds, it would be wise to critically reflect on the form this may take.

## POLICY RECOMMENDATIONS

1. Pan-European cooperation needs to be rethought in terms of double concentric, but overlapping circles, one around the EU, one around Russia. Minimally this requires the compatibility of separate free trade arrangements, taking away a crucial reason for competition.
2. A dialogue between the EU, Russia and the countries in between is inevitable for a structural solution and would help to remedy the inherent tension in the EU's policy towards its eastern neighbours (the strategic partnership with Russia *and* privileged relations with EaP countries). This dialogue should extend beyond trade to tackle security issues.
3. An effective pan-European collective security mechanism, that has the trust of all parties and helps to contain crises at an early stage, will be essential for European security. This is a better – but extremely challenging – alternative than the current polarisation and military build-up between NATO and Russia.

Most of this is inconceivable now and will require creative and courageous thinking in the long term, beyond current stalemates and possibly even beyond Putin's presidency. Ultimately a structural solution for the current tensions will depend on the capacity to extend an integration model of increasingly irrelevant borders beyond the EU, to include former Soviet states. ■

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# Security Policy, Geopolitics and International Order in EU-Russia Relations during The Crisis

Roy Allison

**T**here are long-standing differences between the EU and Russia, which frustrated significant advances in security policy cooperation in earlier years. These have been significantly compounded by the Ukraine crisis and a growing rift over fundamental principles for European security enshrined by the Organization for Security and Co-operation in Europe (OSCE). The EU has come to be viewed in Moscow as a geopolitical rival only in recent years, once Putin staked his credibility on the rapid development of the integration processes under the EEU. Putin's claim that 'new rules' for Europe are required, challenging the existing international order, is largely about Russian entitlements in the CIS region and especially Ukraine. To the extent there is a Russian effort to re-write basic international legal principles, which are underpinned by broad consent in the international community, this has to be firmly and consistently rejected.

It is easy to attribute the current impasse in EU-Russia relations and collapse of the language of partnership just to deep differences catalysed by events in and around Ukraine since autumn 2013. The assumption would be that, except for an unfortunate and unexpected chain of events since that time (the 'contingency' of history), one could expect common interests to reasonably sustain the basis for pragmatic cooperation between the EU, at least its major states, and Russia. This would have prevented a serious geopolitical polarisation between the integration processes centred on Brussels, e.g. the EaP, AAs, and those promoted by Russia among CIS states, the ECU, the EEU and the Collective Security Treaty Organization (CSTO). Beyond this, it might be surmised, various dimensions of security policy cooperation or co-ordination between the EU and Russia were perfectly feasible and indeed essential through patient diplomacy.

Taking a longer view, however, the evidence we note below shows that a full decade before the Maidan revolution, near the beginning of Putin's second presidency, deep differences in perceived interests, understanding about appropriate conduct (norms) and outlooks, already pervaded EU-Russia relations and failed to dissipate. These divergences simmered for years, reinforced by the 'colour revolutions', until they

surfaced prominently and violently around what all along arguably was the most predictable geopolitical and normative flashpoint, Ukraine. They force an overdue recognition that the agenda of negotiable commonality between Brussels and Moscow in matters of security policy (which also risks intra-EU cohesion), is at best restricted and in some areas not realisable in at least the medium term.

The agenda is all the more challenging with the change in template since early 2014: underlying distinctions in interpreting basic principles of international order have sharply diverged and are leading to a deep chasm between Russia and most EU member states. Russia has shaken the pillars of earlier diplomacy through its demands for new 'rules', for a new form of interstate regulation, which Russia has some 'equal' role in defining, while rhetorically insisting on traditional principles of international law and simultaneously displaying a willingness to deploy traditional military power. This makes it difficult to be sure that any new agreements, including those regionally focused like the Minsk-II agreement, are perceived in Moscow as anything but transient, while old treaties (such as Russian-Ukrainian bilateral treaties, or on the wider Intermediate-Range Nuclear Forces Treaty) are thrown into question.

It is instructive to review briefly the core obstacles constraining EU-Russia security policy 'partnership' already in 2004-5. Despite meetings between the parties at various levels in those years, as early as 2001 President Putin was keen on forming an EU-Russia Council as a permanently operating body to deal with security issues. However, the EU was unwilling to offer Russia regular and institutionalised influence over plans for the European Security and Defence Policy (ESDP), a matter Brussels believed should be determined by member states not external partners, whatever their 'great power' self-perception. This search by Moscow for leverage on decision-making which the EU felt was properly for members of its own club, in large measure explains why the common Space of Cooperation in the field of External Security (with its 'road map' action proclaimed at an EU-Russia summit in May 2005) failed to make headway. This is reflected in the field of EU conflict prevention and crisis management operations; Russia sought an equal decision-making role in planning and implementing operations at all levels. On the other hand, beyond the Balkans in CIS regions Russia expected a format to allow it to retain a dominant position. Russia wished to shape ESDP as a model ensuring Russia an equal voice on all European security issues and as an instrument to create a 'Greater Europe', in place of an EU-centric Europe, in which Moscow would exist as a separate and competing pole of attraction for CIS states.

This vision was clearly at odds with EU thinking on 'preventive engagement' to the east beyond the border of the enlarged EU, as crystallized in the ENP and later the EaP. Russia's early dismissive view of the ENP, well before acrimony flared up over the Orange Revolution, seemed driven by worries over the EU's potential to act as a revisionist force in its 'new neighbourhood' at the expense of Russia, both normatively and perhaps through greater involvement in conflict resolution. Russian suspicions grew with the support of Poland and the Baltic States for an EU 'Eastern Dimension' and Ukraine's interest in this. Indeed, with the Orange Revolution Moscow began to view Ukraine as an instrument in the strategic weakening of Russia and its distancing from the EU. Kyiv clearly prioritised its diplomatic efforts to persuade the EU to accept that Ukraine would be eligible for EU membership, once it had met the Copenhagen criteria, over the Russia promoted Single Economic Space. Kyiv considered the latter to be geopolitically as much as economically motivated.

Meanwhile, the conceptual foundations of a divided Europe, with Ukraine as the 'swing state' were aired in Moscow. Analysts close to the Kremlin, such as Gleb Pavlovsky, presented Russia in the 'Euro-East' as "the initiator of a new form of European unity", arguing that Western democratic institutions "cannot be fully accepted in the Euro-East". The nationalist ideologue Alexander Dugin presented a contest and choice for European and CIS states between orientations, indeed identity, of 'Euro-Atlanticism' and 'Euro-continentalism', with the latter characterised by 'autonomy' from US influences. Dugin was outside inner Russian decision-making circles and his style of Eurasianist thinking was one of various currents in Moscow. But it had some traction since it reflected a broad current of concern about the consolidation of a group of countries on Russia's western flank animated by a political and foreign policy philosophy contrary to that of Russia. Crudely, the concern was with the prospect of an anti-Russian cordon of Western-aligned states.

Official Russian policy insisted on Russia-centred integration processes in the CIS sphere of Greater Europe, but did not wish to appear wholly exclusionary. Therefore, in the second half of the 2000s Russia appeared ready to contemplate possible EU cooperation in managing 'frozen' conflicts. However, this was premised on the assumption that Russia would lead or co-lead potential crisis response operations in Transnistria or the South Caucasus. This model was not put into practice. The EU had a significant role in mediating and persuading Georgia to support the ceasefire agreement ending its short war with Russia in 2008. However, this outcome only reinforced Russia's view of its entitlement to primacy in its immediate neighbourhood. Indeed, the EU's approval for a settlement with Georgia that was far from satisfactory for Georgia for a while gave EU policy in the CIS region a somewhat benign flavour for Moscow. This was before the EaP process began to promise deeper transformation through far-reaching AAs, and crucially before Putin chose to place his political capital behind the emerging structures of the CIS (the Customs Union and the EEU), with the polarising effect this had.

Reviewing these aspects of EU-Russia relations a decade ago confirms that even before Russian suspicions about EU geopolitical intentions and the projection of EU norms in the 'post-Soviet space' became acute (though the shock of the Orange Revolution reverberated for years), there were deep differences between the EU and Russia over the modalities and premises of security policy cooperation in Europe. It was telling that

Moscow sought equality with the EU in decision-making in conflict resolution and crisis management even outside the CIS region, while within that region Russia unambiguously expected that its core preferences should prevail, in crisis management as well as security policy interaction with the EU and NATO.

In short, looking beyond the immediate and critical management of the Ukraine crisis since 2014 towards EU-Russia security policy relations in the medium term, it is unrealistic to try to set aside these deeply indented differences about equality and rightful influence determined by spatially divided notions of Europe. Therefore the EU's interest in "ending Russia's pressure on EaP countries undermining their sovereign choice and securing a more constructive role with regards to protracted conflicts"<sup>1</sup> really just reaffirms the core obstacle to EU-Russia security policy partnership that long predates the collapse of that notion of partnership in spring 2014.

Once Putin nailed his flag to the mast of the EEU the likelihood of a geopolitical standoff in some form between this project and the EU vision of its eastern neighbourhood rose sharply. Moscow characterised the EU increasingly as intrusive, strategically driven and as a stalking horse for NATO. Putin opted to tie his domestic political standing with the EEU project, calling for its creation just at the time he became the ruling United Russia's official candidate for re-election as president for a third term. His personal status and that of Russia were linked to a view of the future EEU as "a powerful supranational association capable of becoming one of the poles of the modern world".<sup>2</sup> It was envisioned as the Moscow-centred coordinating structure in one half of 'Greater Europe'. Russian officials talked of matching two integration processes, the European and Eurasian.

All along, however, the accession of Ukraine into the EEU was the prize. Ukraine was the one CIS state with the trade and geopolitical weight to bring into such a constellation to create a meaningful pole and give substance to the 'proper' region sought by Putin. Bolstered by energy revenues, Moscow felt it had a realistic chance of persuading Yanukovich to steer Ukraine towards the EEU. More ambitiously, if less probably, Ukraine might be induced into the Russia-led CSTO as an exclusive alternative to deeper association with NATO. In spring 2010, President Medvedev was open about this hope, promising that "if Ukraine decides to join the CSTO in the future, we would be happy to open the door for you and welcome you into our ranks."<sup>3</sup>

There was of course no inevitable track from these EU-Russia competitive dynamics to the extreme events around Ukraine in 2014. Rather the geopolitical environment (including controversy over NATO association, not discussed here) created increasingly unfavourable permissive conditions for a substantive EU-Russia security partnership. Russia sought to recast the Western-dominated security architecture in Europe, to change the workings of the OSCE and acquire more meaningful agency in shaping the principles governing security policy relations between states throughout the Greater Europe. However, before the crisis in 2014 efforts by Russia to change the 'rules of the game' in Moscow's favour were presented as a matter for negotiation between and within international institutions, using established international norms and law.

## CHALLENGING THE INTERNATIONAL ORDER

It is true that contrary evidence had been offered by much of the Russian rhetoric around its intervention in Georgia in 2008 and the perhaps hasty decision to recognise South Ossetia and Abkhazia – for Russia the first 'legal' dismembering of another CIS state. Yet by 2013 many in the EU had concluded that this was anomalous or exceptional in Russian policy. When Putin launched the EEU he described it as enabling Russia to "play a real role in decision-making, setting the rules and shaping the future", helping Russia to establish itself within the global economy and trade system.<sup>4</sup> He hoped the EEU would add to Russian clout in seeking changes through such bodies as the G20, but still as a responsible new World Trade Organisation (WTO) member, working through diplomacy, albeit veering towards coercive diplomacy in dealings with some CIS neighbours, rather than a resort to force. Rule-setting in security matters in Europe was similarly viewed as negotiable, although Medvedev's proposals in 2008-9 to develop a new pan-European security treaty failed to gain traction among Western states since it so transparently intended to displace NATO.

Despite this approach of 'playing by the rules to revise the rules' (if less convincingly so in the CIS region), for years Russian diplomatic discourse had been permeated with a sense of resentment over 'who makes the rules'. Russia complained repeatedly that in the early 1990s the Western powers had taken advantage of its weakness when they recrafted the structure of European security. In the second half of the 2000s



Moscow found it increasingly unacceptable, despite suffering severely from the post- 2008 financial crisis, that its greater structural power in the international system, alongside the other BRIC states (Brazil, Russia, India and China) was not much better reflected in the workings of international organisations in Europe and the wider international system, in rule-making processes and in the shaping of customary international law. Russia also felt that its trump card, the veto power of UN Security Council membership, had been diluted and could once again be side-stepped by Western powers as in the past through the practice of liberal interventionism.

Moscow accused Western states, especially the US, of trying to carve out a new sphere of legitimacy with separate standards lying outside the working of customary or UN Charter-based international law, as expressed in the notion of 'democratic legitimacy' (which qualified the sovereignty of Russia and others states whose democratic credentials were called into question). At the same time, the aggrieved tone of this Russian discourse skated over Russia's own interpretation of the sovereignty of neighbouring CIS states, of Russia's entitlement to "privileged interests" (in Medvedev's term shortly after the war with Georgia in 2008) among post-Soviet states and the exercise of various forms of coercion short of force to promote Russia-centred integration.<sup>5</sup>

The challenge to the international order from Russian actions in Ukraine in 2014 reflects a position which steps well outside the scope of the claims and counterclaims sketched above. The Russian annexation of Crimea, as well as military intrusions into Eastern Ukraine, overthrow spectacularly the quite well-formulated line of attack Moscow had developed about the illegality of the Western use of force in those cases which lacked a credible case for individual or collective self-defence, or a UN Security Council Resolution acting under Chapter VII, in response to threats to international peace and security. Moscow resorted to justifying the territorial aggrandizement of the Russian state at the expense of a neighbour state through various moral, political and psychological claims, beside a clearly unfounded claim to self-defence.

The question arose whether Russia now sought to repudiate what it viewed as the 'Western' legal order and to project some alternative as a means of asserting Russian regional dominance and global influence. In July 2014 a senior Russian official called for the convention of

a global conference to rewrite international law, taking account of the influence of all major world powers, since "there are no agreed rules and the world may become an increasingly unruly place"<sup>6</sup> Putin also cast doubt on the basic fixed points in Russian-Ukrainian relations, by claiming that bilateral Russian-Ukrainian treaties were null and void since those had been concluded with the Ukrainian state, not the revolutionary entity that followed the Maidan uprising – a claim, however, that could hardly be continued after the election of President Poroshenko.

## RUSSIA'S GOALS IN UKRAINE

It is hardly realistic for Russia to expect major powers to come together to revise core principles of international law as a result of its challenge to legal principles in Ukraine. In the intricate web of interstate relations and intrastate arrangements with ethnic, religious and other minorities, major states have no wish to unpick the carefully formulated language and structure of international communication formed by international law at the behest of one large aggrieved power. Without the support of many other states, through state practice, or international judicial opinion (*opinio juris*), Russia cannot expect to propel any decisive shift in customary international law. Moscow might hope for at least tacit support from large states privileging sovereignty over democratic governance and stability over human justice. But it is notable that even Russia's partners in the BRIC countries have not rushed to join the Russian chorus about the need to rally together to rewrite the international legal order.

The kind of principles that Putin would seek greater legal endorsement for are predictable and a far cry from the EU project: those helping to confirm Russian regional primacy in the CIS zone; those prioritising stable and strong state leadership, over democratic governance, to avert the spread of 'extremism' and 'anti-constitutional' state uprisings (the narrative on 'colour revolutions' which has become staple of Russian diplomatic addresses); those justifying the protection of Russian ethnic nationals, or perhaps even the loose notion of Russian compatriots – rather than civilians at large as assumed by the responsibility to protect principle (R2P) discourse – beyond Russian borders. Yet with its multiple uncertainties of legal interpretation and obvious affronts to the post-Cold War evolution of international norms this agenda has no prospect of making headway in the wider community of states.

Perhaps what Russia seeks instead, therefore, is more hard-headed and practical – to compel the codification of a new European security dispensation, centred on but not confined to a resolution of the crisis around Ukraine. One Russian specialist has predicted that the new rules of the game sought by Moscow would require America to accept Russia's "right to its own regional integration and security projects and full-fledged participation in international regulation". Ukraine (less Crimea) "should build a state system that would rule out its turning into an anti-Russian state and integration with Western organisations that would guarantee its neutral status and ensure its close ties to Russia". Notably, this would also "set a precedent for other nations that do not accept US leadership", so that Washington (and presumably the EU) would have to recognise the right of global centres "to regional hegemony in a multipolar world, which is a norm for this international order".<sup>7</sup>

This is a stark call for recognition of hard spheres of regional influence, an updated version of the division of Europe agreed at the 1945 Yalta Conference, with the de facto zone of Russian (then Soviet) hegemony transferred geographically further east. Indeed, during the current crisis Russian officials have praised the 'Yalta principles' of 1945 for reflecting the balance of military power and keeping the peace in Europe.<sup>8</sup> Putin has spoken approvingly of the 1939 Molotov-Ribbentrop Pact, by which the Soviet Union and Germany carved up the territories of Eastern Europe. However, such praise for *Realpolitik* has been accompanied at times by loose claims that the Ukraine crisis has dealt a mortal blow to the post-Second World War Yalta-Potsdam system of international relations, and the international treaty understandings which underpinned it. These perspectives could point to Putin's ideal outcome of the current crisis, beyond perhaps transient Minsk-II accords – some new Yalta-II agreement, recognising Russian special rights in Ukraine and the wider CIS region. But as a practical objective this seems hardly more realistic than to match Russia's structural influence on European security in 2015 with the far greater influence it exercised in 1945. Neither the military stalemate in Eastern Ukraine, confirmed by the quiet abandonment by Moscow of its vision for Novorossiia, nor Russia's deepening economic recession, provide Russia with the *Realpolitik* encouragement for its bolder ambitions for reworking the European security order.

## THE EU'S RESPONSE TO RUSSIA

The EU cannot engage separately with Russia on the larger issues of European order, but needs to seek a coordinated approach with other European organisations, NATO and the leading Western powers. There will be little appetite to enter into the vexed discussion of the legality of the use of force, where Western states see the violations over Ukraine as unambiguous.<sup>9</sup> But thought is required on ways eventually to re-establish an accord between the West and Russia on the broader security rules for Europe. Germany, which assumes its chairmanship of the OSCE in 2016, will have a prominent role in this regard and the OSCE remains the best body for this task.

An immediate challenge is the need to avert the dangers of conflicts escalating, since the elaborate system of rules and signals to regulate competition and mitigate risks, which existed at the time the Cold War, no longer exists. Without implying that the severity of the former Cold War standoff could return, EU states should accept that NATO will need to take the lead to form a military-to-military dialogue with Russia to reduce the risk of accidents or miscalculation between armed forces. This can draw on previous understandings, such as the 1988 Prevention of Dangerous Military Activities agreement, and the OSCE's 2011 Vienna Document on Confidence-and Security-Building Measures could be reviewed, for example to reduce the threshold for pre-notifying military exercises.

The EU is poorly equipped in terms of mechanisms or culture to respond to potential dangerous escalations of military tension on its eastern periphery. This is especially so at a time when Russia contests core international legal principles, while supplementary rules and understandings to dampen down risks have not been formulated. Putin has opted to raise the stakes by conjuring up the image of a world where states "live without any rules at all", where internal instability in states is all the more dangerous for "nations located at the intersection of major states geopolitical interests".<sup>10</sup>

During the Cold War a variety of tacit codes of conduct were developed between the Soviet Union and Western states to try to regulate dangerous competition between their intermeshing interests in the Third World.<sup>11</sup> Arguably, in the contemporary world it is the western CIS region where Russian and Western powers interests' currently are fluid and most closely intersect, yet no tacit understandings exist for this zone and Western leaders are even unsure if the Baltic States could

become more contested territory in the future. On the other hand, it is difficult to see how such codes from an earlier era might be redeveloped and internalised by Brussels. The EU commitment to its values agenda, to multilevel interaction with partners through the EaP and other programmes, and the sensitivities of the Baltic States and some east European EU members, will prevent acceptance of any *Realpolitik* tacit codes with Russia that could slide towards a Russian *droit de regard* over Ukraine or other CIS states.

The policies of the EU as well as its major states will continue to search for complementarities and elements of a shared agenda with Russia, beyond crisis diplomacy over Ukraine. But EU member states in NATO are likely to mix this reluctantly with elements of containment of Russian military grandstanding, even if EU sanctions are eased. Moreover, the notion of a realistic security policy partnership with Russia has collapsed for at least the medium term. Longstanding differences between Russia and the EU about decision-making 'equality', about entitlements and the legitimacy of norm diffusion in the shared neighbourhood, as discussed above, have deepened. However, all this is now eclipsed by first order differences over sovereignty, statehood, and the role of force. In a hierarchy of concerns, this gulf between Moscow and most EU states has to be greatly narrowed and core principles of interstate conduct reinstated before a dialogue on an EU-Russia strategic partnership can hope to acquire any strategic content.

## POLICY RECOMMENDATIONS

1. Brussels should recognise that an EU-Russia dialogue on substantive security policy cooperation in the European theatre beyond the immediate management of the crisis around Ukraine has limited prospects for the medium-term.
2. However, EU leaders should continue to emphasise core European security principles, as codified by the OSCE, and seek Russian reaffirmation of them under the 2016 German presidency of the OSCE.
3. The EU should continue to resist Russian rhetoric on 'changing the rules of the game', to the extent this means new interpretations of customary international law (or even UN Charter principles) which are not shared in the wider international community. ■

## NOTES

- 1 As expressed in the leaked 'Issues Paper on relations with Russia' circulated by the Foreign Affairs Council in January 2015, <http://blogs.ft.com/brusselsblog/files/2015/01/Russia.pdf>.
- 2 Vladimir Putin, 'A new integration project for Eurasia: The future in the making', *Izvestia daily*, 4 October 2011.
- 3 <http://en.special.kremlin.ru/catalog/keywords/72/events/7785>, 18 May 2010
- 4 Vladimir Putin, 2011.
- 5 Among many studies see Ryan C. Maness and Brandon Valeriano, *Russia's Coercive Diplomacy: Energy, Cyber and Maritime Policy as New Sources of Power* (Basingstoke, Palgrave Macmillan, 2015).
- 6 Eugenie Lukyanov, deputy secretary of the Russian National Security Council, in statement to RIA Novosti, 2 July 2014, cited in Pavel Felgenhauer, 'Ukraine as a battleground for a new world order according to Putin', *Eurasia Daily Monitor* 11; 121, 3 July 2014, <http://jamestown.org/programs/edm/archives/2014>
- 7 Dmitry Suslov, 'For a good long while: Global aspects of the new Russia-U.S. confrontation', *Russia in Global Affairs*, December 2014, <http://eng.globalaffairs.ru/number/For-a-Good-Long-While-17211>
- 8 Comments by State Duma Speaker Sergei Naryshkin at a conference in Moscow in commemoration of the 70<sup>th</sup> anniversary of Yalta, *Rossiyskaya gazeta*, 25 February 2015. Polish parliamentary speaker Radoslaw Sikorski, has claimed even that during Polish Prime Minister Donald Tusk's visit to Moscow in 2008 President Putin proposed that they divide Ukraine between themselves; <http://www.rferl.org/articleprintview/26647587.html>
- 9 For a near definitive rendering of the matter, see Thomas D. Grant, *Aggression Against Ukraine: Territory, Responsibility and International Law* (New York: Palgrave Macmillan, 2015).
- 10 Putin in address to session on 'new rules or no rules' of Valdai Discussion Club, 24 October 2014, <http://eng.news.kremlin.ru/news/23137>.
- 11 See Roy Allison and Phil Williams, 'Crisis prevention: patterns and prospects', in Roy Allison and Phil Williams, eds, *Superpower competition and crisis prevention in the Third World* (Cambridge, Cambridge University Press, 1990), pp. 249-257.

# Member States' Relations with Russia: Solidarity and Spoilers

Maxine David

**"E**urope, make no mistake, is hard work"<sup>1</sup> Few looking at the EU today would disagree with this. The EU is facing a number of problems: the continuing financial crisis, the refugee crisis, and terrorism. A more persistent problem than these, however, has been the question of what type of relationship to forge with Russia. Ukraine's conflict has undoubtedly complicated the EU-Russia relationship, yet an unfortunate truth of that conflict is that it is in large part an outcome of the EU and Russia's prior failure to reach an understanding about each other. This chapter considers two interrelated questions: should the EU have a common approach towards Russia? Or should the member states develop bilateral relations with Moscow?

The short and simple answer to both these questions is 'yes'. Understandably, the individual EU member state's relations with Russia are seen as constituting obstacles to the development of a single unified EU policy towards Russia. It is true that different member states regard Russia from different perspectives, those the outcome of a number of factors, including geography, history, energy dependence and trade relations. However, the multiplicity of these individual bilateral relationships have the potential to contribute positively to the Brussels-Moscow relationship; cumulatively, the 28 relationships mean a good deal is known about Russia. And as has been seen in relation to the Ukraine conflict, the 28 are capable of achieving consensus on how to respond to Russia and of maintaining solidarity of response. At the same time, Brussels cannot afford to be complacent about this show of solidarity to date. Events have an unhappy way of intervening and disrupting paths of action previously chosen.

The Ukrainian conflict has made relevant again the geopolitics of the EU-Russia relationship. In 2014 parts, but not all, of the EU experienced a shock from the east in the form of Russia's annexation of Crimea and further interventions in Ukraine. From other parts, arguments had long been made, especially following the 2008 hot war in Georgia, that Russia presented a military threat to its neighbours to the west. Russia's actions in Ukraine mean those arguments can no longer be set aside. Others, however, have argued that the EU's role in creating the conflict must also be taken into consideration, that it must now take

seriously the idea that the deepening and extension of its regional trading arrangements is not seen by everyone as a benign process. There is some truth in this but in admitting some culpability, the EU must also remember that foreign policy actors are faced with a range of alternative responses, Russia included. It was therefore not a foregone conclusion that Russia would behave the way it has, however *likely* it was.

Hindsight has its benefits and it is clear now that Russia's brief intervention in Georgia signalled that its talk of a sphere of influence would turn to a defence of said sphere. In addition, the EU, under the leadership of the French presidency, under-estimated the capacity of the Kremlin to interpret a conciliatory approach as weakness. The third lesson of Georgia was that the EU member states need to demonstrate a united outward front and to conceal their disagreements to better effect. Anyone living in Britain in August and September 2008, for instance, listened to a quite different discourse about Russia's actions in Georgia than their near neighbours in France. One of the major dangerous consequences of an obvious lack of solidarity is that Russia manipulates divisions to divide the EU member states even further. It took the annexation of Crimea and Putin's acknowledged lie about the presence of Russian troops there for the EU member states to understand the importance of outward solidarity. In quick time (for the EU), and despite reservations on the part of many member states, a single united response emerged in the form of agreement to levy sanctions upon Russia. Credit should be given, less for understanding the

need to treat the unilateral changing of borders as the unacceptable breach of international law that it is, than for doing so in the context of another, arguably more destabilising, conflict that sharpened the threat perceptions of the southern EU member states more and earlier than other member states. Greece and Italy particularly have been of interest here. In addition to feeling the effects of the Syrian conflict in the form of the refugee crisis for far longer than most of its fellow member states, Greece has had the additional burden of its severe economic and political problems that have affected its relations with Germany particularly extremely negatively. Italy, meanwhile, has long had a close relationship with Russia, mysteriously so in some respects since this has not always been in the Italian national interest.<sup>2</sup>

However, the effects of Syria's civil war have spilled even more visibly and even further beyond the state boundaries, as hundreds of thousands of people have been forced in search of a new home, making the refugee crisis an EU-wide problem. That same war has, if not spawned, at least strengthened the building of IS, which has wreaked terror attacks in numerous other states. It is the separate attacks on the people of Russia and France, however, that have capacity to pull apart the EU member states' so far united position on Russia in relation to Ukraine. Before discussing potential spoilers, however, European foreign policy generally and the analysis thereof are considered. The second section examines some of the EU member states' positions in respect of Russia's actions in Ukraine with the aim of demonstrating the existence of differing viewpoints and vulnerabilities in relation to Russia. This is essential in order to understand in turn whether or not the solidarity we have seen so far in the EU's response is of particular note. In other words, just how much of the national interest is set aside in pursuit of a higher order priority, that of the European good? It is essential also to establish for future purposes the circumstances under which solidarity of response can be achieved and the pressures that can and are brought to bear which shake the ground on which consensus has been built. The final section therefore considers the potential spoilers; what might fracture and ultimately pull apart the consensus achieved to date?

## SILVER LININGS: WRINGING BENEFITS FROM CONFLICT

Any analysis of EU foreign policy must necessarily contend with the fact that it is made not only in Brussels but also in the national capitals of its member states. In turn, it is little wonder that the Common Foreign and Security Policy (CFSP) often evinces all too little sign of commonality, rather the reverse. All too often in the academic literature, the variety of interests, preferences and strategies of the various EU foreign policy actors are seen as obstacles to the emergence of a common foreign and security policy. It is certainly true that achieving consensus over how best to deal with Russia has long been a sticking point in EU foreign policy. Expectations of the EU's foreign policy are overly high, however, and show a disregard for the differences that exist in any single decision-making constituency, where we commonly see party-political differences and even intra-party differences on what constitutes sensible foreign policy. Thus, in many ways, the focus on the national foreign policies versus European foreign policy vis-à-vis Russia has been a distraction from larger issues.

That said, the 2009 Lisbon Treaty may have gone some way to resolving the problem of a lack of effective structures to support the formulation and pursuit of the CFSP, but EU-Russia relations have shown that not all the member states share the same view of external actors, even partners, while the Ukrainian conflict has opened the previously determinedly closed eyes of certain member states' to the existence of a threat from the east. As per Art. 24 (3) of the Treaty, the EU member states must support that very Union policy to which they agreed within the European Council and/or Council itself. In other words, they are simply required to act in their national relationships in a manner that is consistent with what they have themselves defined as the CFSP in Brussels. It is to that extent that there is a European foreign policy. In addition, given that the CFSP, like other common policies, reflects what has been deemed to constitute the general interests, there is the expectation that the member states will pursue in their national foreign policies what they agree to pursue in the EU multilateral policy. This, it is worth emphasising, reflects an idea of states as rational actors, of course – a not unproblematic conceptualisation of foreign policy actors. Any actor's foreign policy is, naturally a reflection of its identity, its national interests and its geography. But what those are and precisely how they translate into foreign policy decision-making is far less self-evident,

for decision-making is also a reflection of the actor's perceptions of these, as well as their own and other's capacities and their negotiating position in relation to them. It is for these reasons that the reflections are sometimes distorted. Thus, as Northedge so amply made clear in his card game analogy, foreign policy is not simply about the cards one is dealt, it is about how each actor plays those cards in relation to the others.<sup>3</sup>

One of the strengths in Putin's dealings with the EU overall has been his accurate reading of how their foreign policy exchanges would proceed: until 2014 and the sanctions, that is. The EU might usefully consider the benefits of 'wrongfooting' in this foreign policy relationship. Too often it has been the EU and some of its members on the receiving end. That they managed to surprise Putin with their coordinated – and maintained – punitive response is worth dwelling on. Rather than seen largely as a hindrance, the fact of having 28+1 foreign policies might be more usefully manipulated to good effect for the Europeans. The Lisbon structures mean there is far greater scope for overall coordination, part of that coordination might mean agreeing to allow certain member states to take the lead in specific foreign policy exchanges with Russia, acting, effectively, as 'scouts' and then relaying information to the larger 'pack'. To return to the card game analogy, this has capacity to return more information about Russia's hand and likely play than any one of the EU actors might ascertain and be able to interpret accurately on their own. In addition, a careful selection of scouts is likely to return varying accounts from which a more accurate account might be triangulated. The European Commission and particularly the Directorates General for Trade and Energy have so far had the greater dealing with the Russian delegation and ensured the necessary institutional memory and also protracted focus that sometimes escapes member states as a result of electoral and institutional restructuring processes. However, it is not at all uncommon when conducting elite interviewing within the Commission to find that the interviewee has worked with successive Russian delegations, the personnel of which are changed regularly as a precaution against any possible socialising effects. The benefits of continuity usually experienced in civil service environments are therefore disrupted in the case of Brussels-Moscow relations, making the multiplier forces of the national capitals even more vital.

These are important considerations given that the High Representative, Federica Mogherini, was tasked in the summer of 2015 with drafting a new EU Global Strategy and has already begun consultations. Mogherini is

already focused on how to make the 28 plus one conundrum work more effectively:

"We have an opportunity to forge a stronger and more effective EU foreign policy bolstered by the full weight of 28 member states engaged at the highest level...member states and the wider foreign policy community are an essential ingredient of this process of strategic reflection."<sup>4</sup>

The work has begun in a favourable context of EU solidarity and it is to be hoped that the European External Action Service (EEAS) will be able to capitalise on this to better effect than Brussels has been able to achieve to date.

## SOLIDARITY DESPITE DIFFERING VULNERABILITIES

That the EU member states have differing perspectives on and relationships with Russia is reflected in decision-making in Brussels. The eastward enlargements of the EU particularly brought in some member states whose historical experiences with Russia and the Soviet Union made them cautious, even mistrustful, of Russia's intentions. These voices have, until most recently, not been amplified sufficiently, partly because Western European perceptions have been coloured by a belief that these states have not managed to put aside their Cold War 'hangover' and embrace a changed Russia. The Baltic states and Poland particularly seem intent on ensuring that situation will not be repeated. There is insufficient space here to engage in an assessment of each member state's position so what follows is a snapshot of a few of the member states rather than an exhaustive account. The various positions are set out in relation to the EU's rhetoric and its sanctions regime, constituted of three stages, implemented in the period from March 2014 to February 2015.

Poland's strong condemnation of Russian actions comes as no surprise given the turbulent history between these states, although it should not be forgotten either that Poland has played its part in trying to build better relations with Russia in the last decade and more. Nevertheless, the Poles have not been easily deflected from their suspicions. In a speech in November 2008, the Polish Foreign Minister, Radosław Sikorski, spoke of Russia "as one of the greatest challenges for the Transatlantic community". Drawing on the lessons from the brief but hot war between Georgia and Russia

earlier that year, Sikorski went on to say:

“We should take the Russian leaders seriously because it seems that they mean what they say. In April, the previous Russian president, Vladimir Putin, speaking at the NATO-Russia Council in Bucharest, alluded to Ukraine as an artificial creation with a large Russian-speaking minority on its territory. Should the Georgian scenario be emulated in Ukraine, we would have a large-scale European crisis. The security of Europe would be shattered”<sup>5</sup>

The prescience of such statements should result in the states of the so-called big bang enlargement being taken more seriously in CFSP terms in the longer term. This likelihood, incidentally, must surely be seen as a gift given by Russian foreign policy (making all the more curious the many media headlines in which Putin has been cast as the mastermind of the piece). Poland has been consistent in its attempts to ensure that Russia remains at the top of foreign policy agendas and is a state likely to remain unaffected to any degree by any Russian attempts to exert soft power tactics. The same cannot be said for all the former Warsaw Pact states, however.

The Visegrad countries certainly responded initially in a united fashion, saying:

“The Visegrad countries believe that the recent military actions by Russia are not only in violation of international law, but also create a dangerous new reality in Europe. The Czech Republic, Hungary, Poland and Slovakia are appalled to witness a military intervention in 21st century Europe akin to their own experiences in 1956, 1968 and 1981”<sup>6</sup>

For varying reasons, including party politics, economic and political imperatives, energy dependency and Russia’s courting of political elites in those contexts, there is now blue water between the Visegrad countries. The Czechs and Hungarians are of particular concern, showing more susceptibility to the Russian message than the statement above would suggest is possible. While the EU is beginning to address Russian soft power and its effects, it will have to do more than try and counter Russian influence and will have to consider ways to win these states back to a belief that EU membership offers the economic and political security they need.

Italy, Greece, Hungary, Slovakia, Austria and the Czech Republic are among the EU countries keenest to see the sanctions relaxed or scrapped. Greece has received most attention in respect of the Eurozone crisis. However, relatively little remarked upon has been the Greece-Russia relationship and the significance of that in the context of any possible Greek exit or expulsion from the Eurozone. Greek Prime Minister Alexis Tsipras’s visit to Putin in spring 2015 can be seen as politicking designed to deliver a small reminder of Greek options and the consequences for the EU, but it almost certainly also signals the fact that if forced out of the Eurozone, Greece would not continue to adhere to the sanctions regime. Greece’s negotiating position has been somewhat weakened by deteriorating relations between Turkey and Russia. Two gas pipelines – the Trans-Anatolian Natural Gas Pipeline (TANAP) and the Trans Adriatic Pipeline (TAP) – are already under construction, boosting Greece’s potential to serve as a vital transit country. A possible competitor for TAP is the so-called ‘Turk Stream’, stretching from Russia to Greece and the Balkans - albeit via Turkey. While this obviously does not represent the most stable basis on which to build Greek economic security, it does give Greece bargaining power, again demonstrating the way in which Russia either directly or indirectly chips away at EU solidarity and in which the member states sometimes undermine the European interest.<sup>7</sup>

A contrasting and emerging CFSP force is Germany. This is simultaneously unusual and surprising; unusual because Germany has not traditionally taken the lead in a clear CFSP matter; surprising given the extent of Germany’s exposure to the Russian market. It is Germany’s determination to ensure that Russia is sent a clear message of disapproval that has reportedly most surprised Putin and provided a much-needed leadership example. That Germany would agree and continue to agree to the sanctions regime was not at all a foregone conclusion, and Merkel’s firm stance on this will have made it extremely difficult for France and the UK particularly not to stand with their fellows. While not as exposed in market terms as Germany, the French have suffered economic damage as a result of the sanctions. In the summer of 2014, most speculation in relation to the sanctions revolved around the question of whether France would sacrifice its 1.2 billion euros contract to sell Mistral helicopter carriers to Russia or fulfil its contractual obligations. Under pressure from a number of EU member states and the US, France ultimately did not deliver on its promise to Russia. For the UK, the City of London has been of most focus, with



fears that sanctions directed at Russia's banking sector particularly would result in Russian banks directing their capital flows through other financial markets to the detriment of London. However disappointing it may be that the UK has not acted as proactively and prominently as Germany throughout this crisis, the fact that it has stood firm on the sanctions is meaningful.

Too often the larger member states are the focus of analysis, of course. Nevertheless, it is the case that the British, French and German examples have been important in terms of setting the tone for other EU member states, but also for demonstrating to Russia that they will make sacrifices for the sake of principles. A more supranational CFSP would inevitably attract accusations that policy was imposed from Brussels rather than emerging from the national capitals. Even Russia's often canny manipulation of media messaging has not been able to undo a year and more of the EU member states standing together in agreement that any damage to their own economies is worth the sacrifice in order to ensure Russia understands certain behaviour will not go unremarked and unpunished.

## SPOILERS AND CONCLUDING REMARKS

Russia's annexation of Crimea and its subsequent, disputed, intervention in support of separatists in Eastern Ukraine has therefore served the purpose, for once, of uniting the member states and Brussels in condemnation of Russian actions and in agreeing the need to levy sanctions against Russia. As the conflict has continued, the EU has deepened and extended the sanctions regime and, despite a few worrying moments, witness Tsipras's Moscow visit, to date the member states have remained firm. External events, however, have real potential to undo this good work.

Russia's ramping up of military intervention in Syria in the autumn of 2015 was a case in point. In the early days of this shift, Russia looked to have improved its negotiating position enormously by earning itself a seat at whichever Syrian peace talks table ultimately emerges. Early speculation concluded Russia would ensure the price of its cooperation in Syria would be the removal of sanctions in relation to Ukraine. This was not an inevitable development, Russia had continued to cooperate on Iran after all, yet with more at stake in Syria it would have been surprising if Putin had not played this particular bargaining chip. The bombing of the Russian Metrojet flight 9268 and the subsequent

terrorist attacks on Paris may yet result in a change of priorities. The EU states will need to remain focused in the longer term on the Ukrainian situation and make sure that it is not lost in the more immediate and severe threat presented by IS. It is imperative that a clear line of division is maintained between resolution of the conflict in Ukraine and resolution in that of Syria.

All too often in EU-Russia relations, it has been the pursuit of the national versus European interest that has allowed Russia to make gains. At times as well though, the Russia question has simply exposed a lack of sound strategic thought in many European capitals. That has been true in relation to both Ukraine and Syria, with both conflicts seemingly defeating the strategists and tacticians at the national and multilateral levels. It is also sometimes difficult to escape the impression that people think the EU should have resolved the Russia problem. We have seen with the US that no one state, no matter how powerful and how under-exposed to the Russian market and Russian energy, can exert sufficient pressure to remake Russia into the desired image. While the fact of 28 member states may lead to more disunity in respect of how to deal with Russia, that same disunity does also more often than not ensure that there is a constantly available conduit for negotiation and dialogue.

## POLICY RECOMMENDATIONS

1. Listen, as Sikorski says, more carefully to what Russia actually says. Overcome the tendency to see Russian foreign policy as inconsistent and unpredictable when, in fact, Russian foreign policy actions follow official rhetoric quite precisely.
2. EU and CFSP analysts must do more to see the national foreign policy perspectives as resources upon which Brussels can draw. The problem is not that the 28 national foreign policies exist, but that they are not exploited to fullest and best effect.
3. The EU must ensure a consistently strong message is sent to Russia that cooperation in Syria cannot buy a way out of the sanctions levied in relation to Ukraine. Here the EEAS is positioned to provide an arena in which internal debate can be had and a negotiating position, including red lines, established so that all member states understand what can be conceded and what cannot. ■

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**Part II.**  
**EU-Russia**  
**Interactions in the**  
**Shared Neighbourhood**

# EU-Russia Relations in the Context of the Eastern Neighbourhood

Elena Korosteleva

**T**his chapter briefly examines EU-Russia relations in the context of the eastern neighbourhood. It contends that the EU and Russia's ambitions for the eastern region have evolved into two competing region-building projects underpinned by differing strategies, norms, instruments, and actors. Although projecting competing rationalities, the two projects, until recently, had peacefully co-existed, working around conflicting issues of political norms and economic convergence, which were not necessarily seen as insurmountable for furthering regional cooperation. Their subsequent politicisation and securitisation, as a consequence of events in Ukraine, have rendered regional partnership currently incompatible, revealing a profound lack of understanding of the region by both the EU and Russia and the EU's inability to work jointly with the EEU (and Russia) vis-a-vis the region. This chapter contends that the EU must make an effort to acknowledge and engage with the above actors in the region, in order to develop cooperative strategies based on shared interests, international norms and compatible instruments for the advancement of economic and political convergence.

## SETTING THE SCENE: DE FACTO COMPETING, DE JURE CONFLICTING REGIONAL PROJECTS?

With the articulation of its 'proximity policy' in 2002, the EU registered its explicit interest towards the eastern region, but had no particular strategy or vision to support its intentions. The initial policy resembled more of a generalist security-predicated aid package, primarily intending to safeguard EU borders.<sup>1</sup> Its subsequent reformulation into a ENP rendered it a 'wider-European' focus with an overarching responsibility over the region underpinned by an 'enlargement-light' strategy.<sup>2</sup> However, with the launch of the EaP in 2009, the policy gradually acquired a more pronounced (and contested) region-building narrative.<sup>3</sup> At its core was the promotion of low-key technocratic strategies of engagement to codify an EU-centred agenda into a series of roadmaps and AAs' requirements, with some profound implications for the wider region.

The policy's 'regional' framing was predicated on two fundamental principles of EU effective multilateral regionalism – externalisation of EU governance and the promotion of 'European cohesiveness', thus naturally prioritising the EU legal and economic *acquis* to "first and foremost...ensure that the benefits of the single European market based on free movements of goods and services, labour and capital, were as widely spread as possible".<sup>4</sup> As far as the European neighbourhood was concerned, as the Commission further argued, "the EU [specifically] wished to promote key concepts of EU regional policy such as open markets, respect for environment, participative democracy and partnership in the conception and implementation of its development policy".<sup>5</sup>

Having encountered much criticism from its own institutions and the region itself, by 2012 the ENP/EaP was reduced to 'a set of instruments' to further promote the eastern region's internalisation of EU norms and regulations, supported by a complex machinery of financial tools, inclusive of all levels of society. The instruments in particular evolved to reflect the EU's

manifold aspects of economic and legal *acquis*, as transcribed in individualised roadmaps and, more recently, the AAs now signed with Ukraine, Moldova and Georgia.<sup>6</sup> The anticipated impact of these agreements, as claimed, was to develop “capacity of third countries to set strategies and prioritise convergence of their regional policies with those of the EU”.<sup>7</sup> The overall aim, as initially conceived, was to bolster the formation of a Neighbourhood Economic Community as part of the EU-centred inter-regionalist strategies.<sup>8</sup>

As a region-building project, the policy by definition entailed inclusion and exclusion,<sup>9</sup> favouring conformity and isolating resistance. This also extends to Russia, who had originally refused to be part of the EU’s ENP, and thus set out to pursue a region-building strategy of its own.

Following the dissolution of the Soviet Union and the subsequent regional integration tendencies, especially in economic and humanitarian fields, in 2007 Russia, Belarus and Kazakhstan, at the latter’s initiative, inaugurated the ECU, a (alternative) Russian-led, region-building project in the post-Soviet space (Eurasian Economic Commission 2013).<sup>10</sup> The construction of the ECU and the recently launched EEU emulates the EU’s supranational structures<sup>11</sup> and has progressed quickly from signing the initial treaty on the ECU Commission and Common Territory (2007), to establishing the ECU in 2011 and the new Eurasian Economic Commission in 2011, and a single economic space (SES) in 2012. The launch of the EEU took place in January 2015, with further expansion of its membership to Kyrgyzstan (August 2015), and possibly Tajikistan, Turkey and Iran in the future. Noting this fast-flowing regional integration, Vladimir Putin commented:

“It took Europe 40 years to move from the European Coal and Steel Community to the full European Union. The establishment of the Customs Union and the Common Economic Space is proceeding at a much faster pace because we could draw on the experience of the EU and other regional associations. We see their strengths and weaknesses. And this is our obvious advantage since it means we are in a position to avoid mistakes and unnecessary bureaucratic superstructures.”<sup>12</sup> (October 2011).

The key features of this alternative regional integration project include market harmonisation, and interest-driven multilateral partnerships often led by Russia, with the consent of other signatories. Since its launch this

regional project has not received adequate international recognition. At the same time, as Dragneva and Wolczuk contend,

“unlike previous integration regimes, the ECU and SES provision have developed alongside Russia’s accession to the WTO in 2012...in future agreements to comply with the WTO regime, even in the case of non-WTO members, and for WTO law to prevail over any conflicting ECU provision”.<sup>13</sup>

Russia’s special interests in fostering closer cooperation with its ‘near abroad’ have been *de jure* stipulated in its foreign policy strategies of 1993 and 1998, and reinforced further by pre-existing and increasing cooperation across the region. Hence, the signing of AAs by Ukraine, Moldova and Georgia, indicating closer political, economic and legal integration with the EU, has led to an adverse reaction by Russia, resulting in politicisation of two competing, but not yet conflicting or incompatible, region-building projects in the neighbourhood.

The EaP and EEU region-building projects, by their design and objectives, do not seem dissimilar. At the same time, their development creates tacit competition, given recent articulations of the incompatibility of their respective economic components. This sense of rivalry between the two regional powers in the neighbourhood has been registered by public opinion as ‘alarming’ and un conducive to the future sustainability of the region. As events in Ukraine illustrate, this rivalry has created long-term instability and conflict in the neighbourhood, as well as the disruption of the global order.

## WHAT ARE THE SEEMING COMMONALITIES AND DIFFERENCES BETWEEN THE PROJECTS, AND COULD THEY CO-EXIST?

First, both projects effectively target an overlapping zone of interest, the eastern neighbourhood, which, however, is framed in somewhat conflicting terms by the EU and Russia. In particular, the former refers to the region as ‘shared neighbourhood’, *de facto* extending the EU governance bias towards the region. Conversely, Russia, from the early 2000s has been methodically depicting the region as ‘common’ rather than ‘shared’, a subtle but crucial difference which invokes an alternative meaning – of a no-man’s land – for the same region.

More importantly, these terms of reference have been significantly politicised in the Russian media, adversely affecting perceptions as well as prospects for future cooperation across the region.

Second, both the EU and Russia claim to have an overlapping 'grand vision' for the region, especially in terms of their prospective inter-regional economic cooperation. The Commission, for example, contends that: "Our vision is that these agreements should contribute in the long term to the eventual creation of a common economic space from Lisbon to Vladivostok, based on the WTO rules".<sup>14</sup> In a similar manner, at the inception of the EEU Vladimir Putin, the then Prime Minister, insisted that

"we suggest a powerful supranational association capable of becoming one of the poles in the modern world and serving as an efficient bridge between Europe and the dynamic Asia-Pacific region... Alongside other key players and regional structures, such as the European Union, the United States, China and the Asia-Pacific Economic Cooperation (APEC), the EEU will help ensure global sustainable development".<sup>15</sup>

This overlapping 'grand rhetoric' of the EU and Russia, however, falls short when it comes to its implementation, resembling more a tug-of-war than partnership for regional modernisation. While the EU demands convergence with its *acquis*, which is claimed to be incompatible with the ECU standards, Russia conversely, although envisaging a prospective application of the WTO rules to the EEU, operates more through compulsion and dependency – methods bearing the mark of the Soviet times.

Finally, both the EU and Russia clearly recognise each other's presence and interests in the region, often stipulated in their respective official discourses. At the same time, in this acknowledgement of interests, they fail to understand, let alone to facilitate, the need for interface and dialogue over and with the region. Instead, they continue their advancement of overlapping but disjointed projects in the region which in 2013, owing to their highly politicised focus on economic integration, led to the eruption of conflict in Ukraine. While recognising the region's historical complexity, the EU efforts in particular fall short of discernment and resemble more of an 'ostrich' approach in a blinkered pursuit of its technocratic governance. Even in 2013, in the midst of the emerging tensions in

the wider region, the EU approach remained unaltered; while negotiating a divisive DCFTA as part of the AA with Ukraine, the EU also had separate talks with Russia on a 'new' Partnership and Cooperation Agreement (PCA) to belatedly consider "provisions for greater convergence of the regulatory framework between the EU and Russia", which however did not aim to defuse regional tensions caused by the alleged 'incompatibility' of the two economic projects, but rather "to generate stability and predictability for both Russian and EU companies".<sup>16</sup> The decision to finally triangulate the EU and Russia's intentions with Ukraine came rather late in 2014, as a consequence of war and the negotiated ceasefire in Ukraine, whereby implementation of the DCFTA was delayed by six months, in line with Russian demands.<sup>17</sup>

Furthermore, the Commission also proposed to establish official contacts with the EEU and to start negotiations on harmonisation of respective free trade agreements (FTAs) between the EU and the EEU, still widely contested amongst the main EU institutions and Member States. While allowing Ukraine to stabilise in the interim period, the new rhetoric of postponement and prospective FTA discussions cannot by itself reconcile more pressing issues of competition and incompatibility in the region, which require urgent and innovative thinking.

## THE BATTLE OF DISCOURSES: FROM COMPETITION TO CONFLICT

This section offers an illustration of how inflammable the unresolved discourses of competing and allegedly incompatible regional projects are, and how easily they can shift from their politicisation to the level of securitisation and war. The reverse process, that the region presently requires, is far more difficult.

Rhetorical pronouncements of major players could de facto form real action, which may disrupt or reinforce stability. Consequently by declaring essential aspects of their respective regional projects (trade agreements – DCFTA and EEU codes) incompatible, relations between the EU and Russia immediately became politicised. This was initiated with the EU's moderate but miscalculated campaign to accelerate or arguably compel Ukraine's decision over the AA at the then forthcoming EaP summit in the autumn 2013: "It is crucial to define a vision for the coexistence and mutual enrichment of the regional projects as not to end up

with two different sets of rules in the European Union economic space and in the Customs Union".<sup>18</sup> Russia's authorities followed suit immediately by pressing the alternative choice on Presidents Yanukovych of Ukraine and Sargsyan of Armenia.

The EU's politicisation campaign intensified in the autumn 2013 in response to Russia's growing pressure on the neighbourhood. The two regional projects were declared fully dichotomous and the expression of 'choice' and 'allegiances' was required from partner countries.

The consequences have been debilitating for the region and the status quo of the global order. While Ukraine refused to sign a deal with the EU at the Vilnius summit, it lost control over its own population, resulting in the Euromaidan protests and the ousting of President Yanukovych. From that moment, EU-Russia relations became fully securitised, following Russia's invasion and annexation of Crimea, and its continued threat of intervention into Eastern Ukraine. Securitisation also left the EU and the international system incapacitated. While drafting NATO troops to Ukraine's western borders, with Russian troops stationed on high alert on Ukraine's eastern border, global actors lost control over a common strategy vis-à-vis Russia. Two years after Russia's annexation of Crimea, highly securitised discourse between the EU and Russia continues to dominate the EaP landscape, while the region desperately awaits reconciliation.

In light of the above developments, one would question the grand vision of the EU and Russia vis-à-vis their respective regional projects in the neighbourhood. Two particular manifestations become apparent.

First, in their self-centred projections both the EU and Russia have explicitly disregarded each other's rationales concerning the contested region. In particular, the EU focused on the default assumption that the exposure of Ukraine and others to the future benefits of the EU, and the promise of a 'well-governed ring of friends' (centred on the EU) would enable recipients to unequivocally legitimise the European course. This was clearly an error of judgement, not only in terms of timing but also more essentially, in failing to factor Russia into the EU's expansionist normative *modus operandi*.

Second, and most significantly, both powers evidently failed to understand the region itself and its historical urge for complementary rather than dichotomous relations with the rest of Europe. Instead of mobilising binary loyalties, both powers' offers hold similar appeal in the eastern neighbourhood: in 2013/14 a healthy plurality (40 percent on average) of the polled respondents across Belarus<sup>19</sup> and Moldova<sup>20</sup> indicated the attractiveness of both regional projects. Furthermore, a temporal cross-regional comparison reveals that both powers appeal to the residents of the region in their own complementary way: while the EEU is seen as important for energy security and trade, the EaP and the EU have stronger clout in promoting functional government and effective sector-specific cooperation. Enforcing a dichotomous choice on the region, not yet ready for making these commitments through their internalised norms of behaviour, testifies to the profound lack of understanding the 'Other' – the partner countries – including their needs and aspirations. The error of judgement by the EU and the loss of control by Russia are, in an equal measure, the causalities of a decision-making process which occurred in the vacuum of correlated knowledge, resulting in unnecessary politicisation and subsequent securitisation of the contestable narratives, as the case of Ukraine has lately demonstrated.

The bigger question here, however, is whether and how the EU and Russia's discourses could be defused and de-securitised rhetorically, to return to a zone of peaceful coexistence. As our comparative research findings indicate, the normative framing of discourses continues to conflict in a profound way but they are not necessarily insurmountable. Both powers profess and are associated with differing sets of values, which in turn support and engineer different behavioural patterns and expectations. Notably, the EU is clearly identified as a liberal democratic model, premised on the values of democracy, human rights, market economic, and the lack of corruption; and the spatial analysis of 2009 and 2014 public associations indicated a relative endurance of this model in people's mind-sets. At the same time, the EEU and Russia, in the respondents' eyes offer a mix of qualities, a hybrid case, which could be referred to as a social democratic model, but which could potentially approximate the EU especially along the values of market economy, stability, economic prosperity, and security, but at the same time retain its cultural uniqueness.

## TOWARDS 'DEPOLITICISATION' OF DISCOURSES IN EU-RUSSIA RELATIONS OVER THE NEIGHBOURHOOD

In light of the above discussion, the following conclusion becomes apparent. The framing of political narratives (including 'planting the flag' over the region) is a sensitive matter, which requires sound analytical grounding and further contextualisation. Transmission of narratives, as has been illustrated on Ukraine, can be either disruptive or peace-making, paving the way either towards 'frozen' conflicts or conversely, to prospective normalisation and cooperation. It remains to be seen how the new negotiations over respective regional FTAs will proceed in defusing tensions between the EU and Russia over and across the region. At least what could be ensured for now is the needed focus on framing new discourses and a search for new forums to foster mutual cooperation, where the compatibility of both economic projects would be firmly on the agenda.

### POLICY RECOMMENDATIONS

1. First, a study of the EU modus operandi in the areas of mutual recognition and market harmonisation and its possible extension to the EEU, in recognition of its regional presence would be timely and advisable. The EU has developed an extensive experience of operating Mutual Recognition Agreements (MRAs) across its own territory and with third countries, which aim to benefit businesses by providing easier access to conformity assessment regulated by independent and mutually appointed bodies. Discussing potential MRAs applications with EaP and EEU members would assure reciprocation and recognition of regional geopolitical sensitivity for individual parties. Furthermore, the EU should also draw lessons from its ongoing negotiations with Kazakhstan, an ECU member, on developing a new PCA.
2. Second, a study which does not only explain the benefits of the DCFTAs but also those of EEU membership, and more importantly, that explores pathways towards developing more synergies and prospective cooperation between the respective unions, would enable third parties to rationalise their own choice and articulate commitment to the project(s) as necessary.
3. Finally, a more discerning approach to EaP partner countries is required from the EU, to understand their needs and prospective difficulties, and to send the right signal to the eastern neighbourhood, which seeks complementarity rather competition between respective regional projects. Rather than competition, there has to be cooperation between these projects, if the 'grand vision' of the greater neighbours – for a pan-European single market, premised on WTO rules – is to be achieved. ■



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# Russia's Foreign Policy towards the Post-Soviet Space Since 2000

Alexey Gromyko

**R**ussia's foreign policy towards the post-Soviet space since 2000 has seen manifold approaches and been exposed to numerous internal and external factors. The key goal has been to preserve as much of the integrity of the space as possible in order to provide Russia with a stable and friendly neighbourhood. The strategic approach to this region emerged only in the second half of the last decade. In the course of time, the post-Soviet space, not just rhetorically but in essence, has emerged as a top priority for Moscow in the international arena.

In the 1990s the implementation of this task was neither consistent, nor pursued in a systemic way. In fact, Russia's approaches towards the region were chaotic and mostly tactical, in many ways a function of subjective factors. The main achievement was the institutionalisation of relations within the post-Soviet space through the signing of basic agreements and treaties. The framework made up by these relations was developed, but in the absence of comprehensive policies it was influenced more by circumstances rather than by any meaningful strategy. It was as though the idea of free market forces was implanted in the post-Soviet political domain, prioritising 'self-regulation', while marginalising the role of the state and strategy. Conceptually there was no clear vision of what Russia expected from the region or of whether the CIS should be considered as merely a convenient mechanism of the Soviet Union's 'political divorce'.

Moreover, there was a widespread view at that time in the Kremlin, inherited from Leninist revolutionary tactics, which argued that 'at first we should separate before we can reunite'. Many politicians of the old guard were under the impression that the other republics of the former Soviet Union, except Baltic states, sooner or later would return to the fold of Russia. As a result of such thinking and expectations of history moving on auto-pilot, private or semi-state economic actors became the main foreign policy players with sometimes corrosive consequences for bilateral relations.

Until the beginning of the 2000s the Russian political leadership was either paying more attention to seemingly more important issues in international relations in the Far Abroad or was busy with internal problems related to Russia's development. As a result, centrifugal forces in the CIS space were gaining momentum and the region itself became looser and more porous. Several initial attempts to launch substantial integration projects in the post-Soviet space, apart from the CIS, failed or gave birth to weak organisations.

At the start of the new century, the rationale of economic primacy was introduced in relations between Russia and other post-Soviet states. Economic diplomacy was supposed to phase out uncertainty, clientelism, and the potential for free riding by Russian partners when price-setting mechanisms for Russian natural resources were open to arbitrary use in accordance with a current state of political bilateral affairs – usually for the benefit of Russia's neighbours' political elites without symmetric reciprocity. This type of behaviour remained marginal if certain natural resources had clear values on international markets and their costs were regulated by transparent rules, but for example in the case of natural gas, the political factor could play a significant role. In the absence of a consistent foreign policy strategy in Moscow towards the post-Soviet space in the 1990s, apart from the illusion that different parts of this space were bound to come together again, those resource benefits did not usually serve Russia's national interests.

Consequently in the 2000s market mechanisms were to replace political contingency or expedience but, this time, under Russian state supervision. The results of the new approach were ambiguous. While the state was rational in trying to use its economic leverage in international relations, the lack of a comprehensive strategy in the Near Abroad still impaired Moscow's attempts to conduct an effective foreign policy in the region. This began to change when the traditional, but for a long time hollow, priority of the Near Abroad as the first and most important 'circle' of the Russia's foreign policy started to fill with genuine content.

Simultaneously, by the mid 2000s illusions of Russia joining traditional Euro-Atlantic organisations, like NATO or the EU, evaporated. The disastrous neoconservative period in US foreign policy convinced Russia that the Western part of the Far Abroad was not only a source of investments and technologies, but also of risks and challenges. The Kremlin saw the conflict in Georgia in 2008 as a direct consequence of NATO expansion, which motivated Saakashvili, the loose cannon of Washington, to assault Tshinval, including Russian peacekeepers. As for the EU, the failure of the European constitution and the inability of the Union to acquire autonomous political power or build upon its economic might, made it in the eyes of Moscow a second-class player in international relations. Two symbols of this period were the termination soon after 2003 of 'big three' summits (Russia, France, Germany) after the political departure of Chirac and Schröder, and the eastern neighbourhood policy of the EU, which in 2014 contributed so much to the crisis in Ukraine (if not to say helped to generate it).

In the past 15 years, the regions neighbouring Russia have been increasingly unstable, be it the Middle East, Transcaucasia, or the 'soft underbelly' in Afghanistan and adjacent territories. A chain of 'colour revolutions' was seen in Moscow at best as an attempt to promote democracy at the expense of stability, or at worst as an attempt by the West to encroach upon Russia's spheres of existential interests. The main outcome of that was a conclusion arrived at by the Russian leadership that without genuine efforts to consolidate the post-Soviet space, the aspirations of the country to play a major role in the polycentric world would stay a pipe dream.

Another factor stimulating Moscow to develop a much more pro-active stance in the post-Soviet space has been the rapid rise of China on the regional and

global stage, with all its positive and ambiguous effects in the Russian strategic calculations. The objective fact of China's economic expansion in Central Asia was problematic in terms of Moscow's intention to secure its place as a core of the Eurasian integration.

At the same time, the relative success of the EU's integration policy did not stay unnoticed in Russia. Especially remarkable was the rise of Germany as an economic and political leader of the Union. This happened not in contradiction, but in accordance with the fact that Berlin, as all other member states, had to delegate part of their national sovereignty upwards. In reaction to that and also to the influence of the Russian academic community specialising in European studies, the Kremlin understood that the notion of 'sovereign foreign policy' could be reconciled with the pattern of regional integration under which a 'core country' takes part in a 'pool of sovereignty'.

Moscow was spurred to conduct a more robust approach towards the Near Abroad also by the actions of other regional and global actors: i.e. the EU, the US, China, Turkey – all of which were getting more and more active in promoting their own political, economic, military or cultural interests in the region. For example, Russia was trailing most of them in the application of soft power. Rosstrudnichestvo, the federal state agency in charge of developing cooperation with Russian compatriots, or Russkiy Mir Foundation, the public body designed to support Russian language and culture set up in 2007, became real players in this domain later than their counterparts from other major countries. The massive criticism in the West of Vladimir Putin's declaration that the dissolution of the Soviet Union was a geopolitical disaster of the twentieth century was largely misguided. He actually referred to the plight of millions of Russians who had to adapt to life in the new-born sovereign post-Soviet republics, many of which were characterised by ethnocentric policies, especially in Baltic states; his critics understood the statement as an illusionary plot from Russia to resurrect the Soviet empire.

Nevertheless, the increasingly overdue systemic approach to the Near Abroad started to bear fruit by the end of the last decade. The union with Belarus, often messy in public but solid in its essence, deepening relations with most Central Asia countries (especially with Kazakhstan, Kyrgyzstan and Tajikistan), strategic cooperation with Armenia and mostly good working

relations with Azerbaijan were clear manifestations that Russia was serious in its aspirations to forge an effective regional integration project. The Shanghai Cooperation Organization (SCO), the CSTO, and the ECU were gaining more weight. The EEU, born on 1 January 2015 encompassing Russia, Kazakhstan, Belarus, Armenia and Kyrgyzstan, is the most serious attempt so far to introduce a multi-speed approach in Moscow's strategy towards the post-Soviet space. In this, as well as in many aspects of this design, including a certain 'pool of sovereignty', Russia is a selective follower of the EU's best practices.

### **IN PURSUING THIS COURSE OF DEVELOPMENT, RUSSIA HAS BEEN TRYING TO SOLVE SEVERAL PROBLEMS AT ONCE**

First, Russia has to ensure a stable neighbourhood, especially taking into consideration that several countries in the region will face a leadership transition challenge in the foreseeable future. For Russia the priority has not been the nature of a given political regime, but the notion of stability. Failed states are the last thing the Kremlin wishes to see on its doorstep. Second, to strengthen economic ties with these countries in order to limit the tendency of their economic divergence from Moscow. Third, the challenge of international terrorism, which is impossible to manage without deep interstate co-operation.

Fourth, in geostrategic terms, in the face of NATO expansion and the EU's ambitions to create a kind of a Eurosphere, Russia wants to preserve or reconstruct a 'belt of friendly states', or at least neutral states, in military-political terms. Moreover, Moscow is adamant to see the Baltic states as the last example of neighbouring countries participating in military organizations – i.e. NATO (which Russia is not a member of). Fifth, to ensure that the rights of Russian minorities are upheld according to the European and international norms. Sixth, to manage a huge migration problem on a Eurasian scale. Few Western specialists, very busy with the migration crisis in the EU, pay enough attention to the fact that Russia for many years has been one of the biggest recipients of migrants in the world.

Georgia in 2008 and Ukraine in 2014 became red lines for Russia, which it was not to allow its Western partners to cross. Interestingly, in both cases events were imposed on Moscow and not designed by it. It was not Moscow which made it possible for Saakashvili to revert to military means to settle his scores with separatists, and again it was not Moscow which manipulated widespread anti-government sentiments on the Maidan square to take the ugly form of a violent overthrow of the government. In the first instance, it took the shape of Abkhazia and South Ossetia' independence, in the second the reunification of Crimea with Russia and support for the Donbas as a way to persuade Kyiv to conduct decentralisation reforms in the country in order to restore its legitimacy in the eyes of Moscow.

Overall, the predominant aim of Russia in the post-Soviet space is to prevent its shaky security situation unravelling. Status quo here is preferred to any kind of hasty political reform and intrusion of regional and international actors, which unlike Russia are not so exposed or not exposed at all to potential negative consequences of such unravelling. The Achilles heel of the region lies in ethnic, religious or cultural differences and grievances. Ukraine is a conspicuous example of how these differences can get out of hand with the speed of light.

It should be kept in mind that Russia itself is a federation, which includes several dozen national republics, and many of them, especially in the Northern Caucasus, have uneasy relations with one another. A serious destabilisation on their outer borders may have a spill-over effect detrimental for Russia's territorial integrity. In Russia people, are well aware that the main reason for the break-up of the Soviet Union was the genie of nationalism set free.

The simmering animosity between Armenia and Azerbaijan, the precarious state of affairs in Transnistria, the conflict in Donbas, the threat of terrorism and extremism looming over Central Asia, tensions among Central Asian republics themselves, and the balancing act with China are only a few of the region's burning problems. This is a huge challenge which Russia is going to handle with a set of regional integration projects and with its active foreign policy in pursuit of polycentrism in international relations.

## POLICY RECOMMENDATIONS

1. It would significantly contribute to stability in the post-Soviet space and to the wellbeing of peoples who live there if Russia's Western partners stop indiscriminately labelling Eurasian integration as a 'restoration of the Soviet Union' and start treating it as a method for the economic and political modernisation of this region. Those diehards who oppose it on the basis of Cold War mentality are either ignorant, or at best biased, towards this regional integration which is in fact in many respects modelled on the best practices of the EU.
2. All European states and organisations would be wise to design and pursue their policies in such a way that regional integration projects in Europe from the Atlantic to the Pacific are made to be complimentary and compatible instead of being focused on rivalry and zero-sum game. It is high time for the EU and the EEU to launch an official dialogue.
3. Policymakers on all sides would live up to their electorates' expectations if they concentrate on risks and threats common both for the post-Soviet space and for other parts of Europe, not on what divides them. Wider Europe divided is the best recipe for migration, terrorism, social inequality, poor governance, economic stagnation and other pan-European challenges to make further headway over the heads of quarrelling politicians. ■

# Going Forward: The Eurasian Economic Union, The European Union And The Others

David Lane

**T**he consequences of NATO and EU enlargement have discouraged Eurasian political elites from using the EEU as a stepping-stone to the neo-liberal world economic system. Their economic and geopolitical interests have been infringed by Western policies as illustrated by the conflict in Ukraine. The EEU has reacted by turning inward and eastward and an alternative geo-political bloc is in formation. It is likely to form a nationally based administratively coordinated form of capitalism, which in turn might lead to greater international conflict. The West should practise democracy between states to secure international stability rather than promoting democracy within states. A more pluralistic multi-speed EU, with less ambitious goals and taking into account external interests, could become a complimentary partner to the EEU and enhance peace and well-being.

“Periods of crisis are common in history. The characteristic feature of the [twenty year] crisis ... was the abrupt descent from the visionary hopes of the first decade to the grim despair of the second, from a utopia which took little account of reality to a reality from which every element of utopia was rigorously excluded!”. Here E.H. Carr was referring to the years between 1919 and 1939 and wrote these words just before Great Britain plunged into war with Germany, and consequently the Second World War engulfed the whole of Europe. Is history likely to repeat itself?

Following the dismantling of the Soviet European economic and political bloc in the early 1990s, politics promised utopian futures for both the winners and the losers of the Cold War. In the West, pundits and politicians echoed the rhetoric of Fukuyama’s ‘end of history’ discourse. In the post-socialist states, leaders and publics envisaged a return to Western values, a democratic peace and an advance to Western consumerism. By the end of the second decade, in the West the global financial crisis and the rise of austerity regimes, and in the East the widespread disenchantment with the political and economic settlement of the transition to capitalism, signalled the end of the post-communist utopias.

The vision for the decade after 2010 is one of greater tension and conflict epitomised by the confrontation in Eastern Ukraine. The reality is the advance of NATO and the EU to the borders of the Russian Federation, which it considers is a security threat.

The EU, once predicated on the goal of promotion of peace, has degenerated into a competitive trading bloc with an unquenchable appetite for enlargement. The cumulative effect of expansion into a supra-national state has outgrown the original conception and has reached imperial dimensions. As European Commissioner Jose Manuel Barroso put it in 2007:

“We are a very special construction unique in the history of mankind. Sometimes I like to compare the EU as a creation to the organisation of empire. We have the dimension of empire. What we have is the first non-imperial empire. We have 27 countries that fully decided to work together and to pool their sovereignty. I believe it is a great construction and we should be proud of it”<sup>2</sup>

Here he raises the spectre of the EU as an empire which exerts cultural, political, and economic hegemony.

Enlargement is predicated not on preserving the stability of the international order, but on the economic benefits to the EU of a larger market based on the values of the Washington consensus and a superior geopolitical position for NATO.

## THE EURASIAN ECONOMIC UNION

Most commentators trace the rise of the EEU to the failure of the EU's eastern neighbourhood politics on the one side, and the incapacity of the CIS to create a common economic and political space on the other. The formation of the EEU is not just the extension of Russian foreign policy, but is favoured by the governments of Belarus and Kazakhstan; notably, President Nazarbaev first proposed the formation of a Eurasian Union in 1994.

Ironically, in its reaction to the development of the EU, the EEU has been guided by the EU's experience and likens itself to it. The EEU seeks the advantages of economies of scale provided by a larger market. It aspires to the EU's aims of the free movement within its territory of labour, capital, goods and services; it respects the free trade market principles of the WTO. It considers itself to be an area promoting peace and prosperity. This approach has found resonance in the writing of Western writers like Bjorn Hettne who have promoted the idea of a 'new regionalism', and envisage the development of economic and political blocs (like the EU) which can harmonise with the current hegemonic powers in the world economic system.

Different interpretations are placed on the EEU. Like the EU, underlying the formation of the EEU has been a wider political and geopolitical agenda which uneasily coexists with its free market economic principles. The policy of the Russian Federation under Putin and Medvedev entailed a major change towards the West which challenged some established Western assumptions. In the 2000 *Foreign Policy Concept* Russia's objectives were to preserve the sovereignty and territorial integrity of the country. It noted critically "a growing trend towards the establishment of a unipolar structure of the world with the economic and political domination of the United States".

Moreover, it identified:

"attempts to create an international relations structure based on domination by developed Western countries in the international community, under US leadership and designed for unilateral solutions (including the use of military force) to key issues in world politics in circumvention of the fundamental rules of international law".<sup>3</sup>

The longer term intention of some Eurasianists is to further a quite different form of political organisation to that of the current neo-liberal world political economic order. It is a movement which is opposed to Western hegemony in a reactive rather than an aggressive sense.

There is a tension between a more neo-liberal approach in line with the current free market EU model and a Eurasian notion of state sovereignty, endorsed by the leadership of Russia, Kazakhstan and Belarus. Western policy influences internal political dynamics in support of one or the other. These standpoints underpin two alternative theoretical political and economic paths: first, a region within the hegemonic Western framework and second, the rise of a bipolar region.

## THE EEU AS A REGION OF THE NEO-LIBERAL WORLD SYSTEM

President Putin, basing his argument on common membership of the WTO, has contended that both the EU and EEU would be able forge a wider pan-European association to mutual advantage. As Sergei Lavrov, the Russian Foreign Minister, has declared it: "We must work for a union of unions, an alliance of the EU and the Eurasian Union"<sup>4</sup> This line of thinking would enable forms of collaboration from "the Atlantic to the Pacific Ocean".<sup>5</sup> The EEU would be built on the laws of the market and, most important of all, would be part of a Greater Europe. The EEU would become "one of the poles of the modern world and be an effective link between Europe and the Asian-Pacific region"<sup>6</sup>

These statements highlight one major dimension of EEU policy. The implementation of such policies would constitute a 'stepping stone' for the EEU to become a member of the existing international system. One

possibility for future relations between the EU and EEU would be the acceptance of a multipolar Europe involving overlapping areas of autonomy, both within the EU (along lines suggested by critics, such as David Cameron), and with other regional associations, such as the Eurasian Economic Community. Such a multi-stage and multi-pace EU would be conducive to internal cohesion as well as contributing to peace with the non-EU post-socialist states. The EEU would complement rather than threaten the hegemonic Western powers.

Neo-liberalism is like putty and can be manipulated into different forms; the EEU in subscribing to freedom of markets for the factors of production would present another association of neo-liberal states. It would moreover be shielded by its own boundaries, at least initially, from more powerful economic forces in the EU.

However, critics point out that markets have their own logic and would drive the EEU into the Western dominated neo-liberal world system. Even if regional associations start out as economic free trade areas, such as the European Free Trade Area, the economic dynamics lead to further integration. American foreign policy according to Peter Katzenstein "made regionalism a central feature of world politics"<sup>7</sup>; regionalisation supports rather than threatens American hegemony. The EEU would become "primarily [a zone] of economic activity in the world system and in that sense driven by markets rather than states"<sup>8</sup>. There would be a convergence to the norms of the hegemonic powers.

This scenario is perhaps a visionary utopia for the coming decade as it would require the reversal of many current EU policies. The EU would have to temper its expansionist propensities to accommodate other regional interests and overlapping associations. The EU's democratic scope would have to shift from democracy promotion within states to pursue democracy between states (including those in its neighbourhood). This means making compromises with other states.

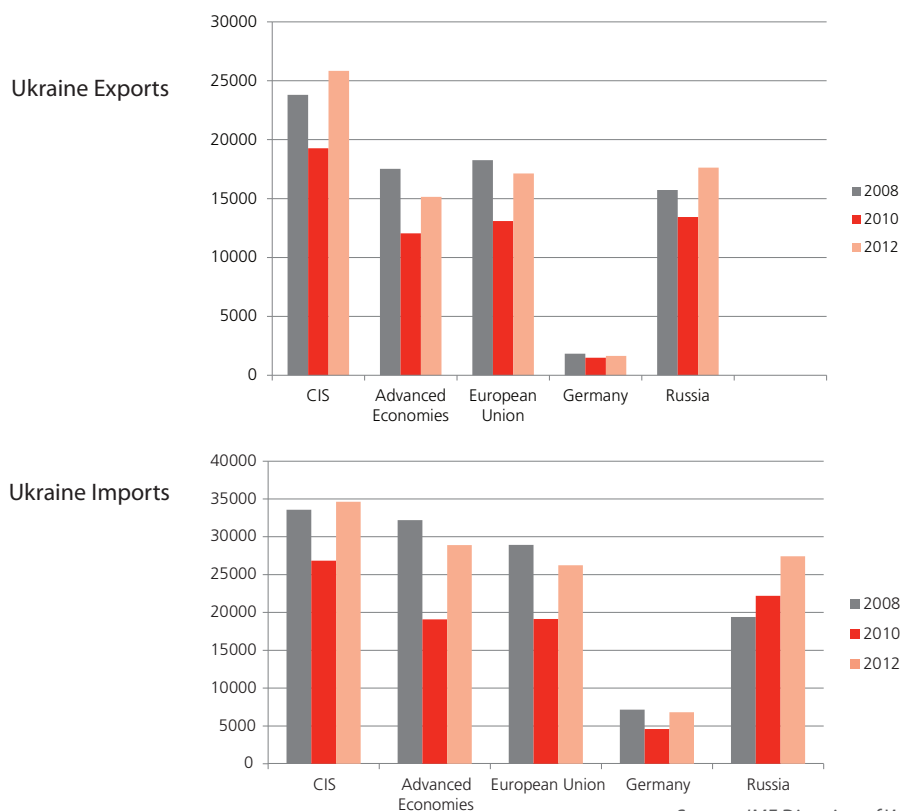
## EU ENLARGEMENT: LESSONS FROM UKRAINE

The EU has been uncompromising in its attitude to Russia. Consider EU enlargement in relation to Ukraine. The DCFTA presented Ukraine with a choice (either the EU or the Eurasian course) as it was contended that two sets of rules could not operate in the EU economic space.<sup>9</sup> Agreements with partners include the institution of laws compatible with the single market affecting state subsidies and insist on freedom of competition. The objective is to realise the neo-liberal goals of the EU – the free movement of capital, commodities and people under conditions of market competition. The consequences of the agreements are intended to influence the political and economic arrangements of the neighbourhood states to make them compatible with the economic, political and legal norms of the EU. Potential benefits to partners come at considerable costs to other countries, particularly to former trading countries, in the east.

The effects of Ukraine's participation in the EU as proposed in the AA (drafted in March 2012) would have resulted in major disruptions of Ukraine-Russia trade. Regulations affecting production and service provision would also be brought in line with EU standards. Moreover, Ukrainian-EU agreements would have repercussions on relations with the ECU, which would nullify Ukraine's favourable links with Russia. Not only would Ukraine, when subjected to the EU market, experience more de-industrialisation, it would also have significant effects on Russia which has been Ukraine's most important single country trading partner.

As we see from Figure 1, in 2010 and 2012, Russia's exports to and imports from Ukraine were greater than all the EU countries combined and Russia-Ukraine trade was rising whereas with the EU it was declining. By far the most important trading partners are to be found in developing economies and the CIS – not the EU. While the long-term prospects are portrayed by the EU as favourable, in the short term there would be considerable dislocation, as adjustments to EU standards and open competition with EU companies would certainly lead to the demise of many Ukrainian firms. It would also grossly undermine previous partners in Russia who would lose business with repercussions for employment and well-being.



**Figure 1. Ukraine's Trading Partners: 2006-2012**

Source: IMF Direction of World Trade Data Base, accessed via UKDS Stat, 30 July 2014. Total value in US millions of dollars.

It is true that a country cannot be a member concurrently of two free trade areas. There are however other possibilities of increasing levels of trade between the EU and Ukraine without the disruption of Ukraine-Russia commerce. The response of Russia has been to try to find some middle way to allow Ukraine to have economic trade relations with both blocs. Putin in November 2010 proposed the formation of associations which would promote a 'greater Europe' from Lisbon to Vladivostok.<sup>10</sup> As recently as January 2014, Russia suggested to Brussels the establishment of a Free Trade Area between the EU and the EEU.<sup>11</sup> While in the West such suggestions have either been ignored or rejected, they have some merit. If adopted, they might lead to something like the relationship of the European Free Trade Area to the EU. Negotiations between the EU and the USA over the TTIP are another example of how cooperation is possible between two commercial blocs (whether this agreement is desirable or not is a

separate issue). Such negotiations include bilateral and multilateral agreements on tariffs and public procurement, cooperation on regulatory rules and the enhancement of bilateral trade. Clearly there are real possibilities for cooperation between trading blocs.

Russian proposals have been dismissed by the EU and NATO. Both organisations have adamantly championed conditions which would not preclude membership of Ukraine in their respective associations at some future time. Consequently the Russian leadership is no longer inclined to accept the terms offered by the West, which it believes further the EU's hegemonic power. Policy then moves away from a complimentary 'stepping stone' towards a more autonomous bloc. The absence of a negotiated settlement enabling the entry of the EEU on acceptable terms into the dominant economic core, prompts the rise of an alternative and competing geopolitical alliance.

## EURASIAN UNION AS PART OF AN ALTERNATIVE GEO-POLITICAL BLOC

Since the Ukrainian conflict, the Russian leadership has paid more attention to linkages with the Asian-Pacific area and to strengthening ties with groupings such as the SCO and the BRICS (Brazil, Russia, India, China and South Africa) countries. The West's trade sanctions exercised against Russia and its retaliatory responses have had the effect of reinforcing the rise of a geopolitical bloc based on the EEU and the BRICS, especially China. While there is no challenge to American hegemony, these countries claim respect and recognition in the world community. Relations between the EEU and the EU will be overshadowed by the EEU's growing links to the east. As reported in 2015 at the SCO summit, the EEU had secured bilateral free trade areas with Vietnam, Egypt, India, Israel, South Korea and Chile. The SCO also envisages enlargement with the addition of India and Pakistan.

For countries in the semi-core of the world system, regionalism need not entail adopting the principles of neo-liberal globalisation. China, Russia, India, Brazil and Venezuela and constituents of regional groups – SCO, the ECU, MERCOSUR, and the Association of Southeast Asian Nations (ASEAN) – can strengthen their position against hegemonic powers.

I have used the term semi-core as it better captures the economic and political status of countries like Russia, China, India, and Brazil. Semi-core countries have their own transnational corporations, are hosts to foreign corporations and concurrently have their own national companies. The BRICS formed a New Development Bank in 2007 which is at least potentially an alternative to the World Bank. The growing power of their economic base gives such countries political influence and military power. While not matching the strength of the US, when combined these countries have considerable military power. Russia has been pushed further into the formation of a non-Western association of states. Many of these, though state-led and autocratic, provide a fundamental social and political stability in the countries concerned.

Internationally, one can detect a growing alternative political consensus. Consider for example the condemnation of Russia's incorporation of Crimea within its borders following the seizure of power by insurgents usurping President Yanukovich. The UN

general assembly resolution 68/262 adopted on 27 March 2014 on the 'territorial integrity of Ukraine' affirmed the General Assembly's commitment to its internationally recognised borders. One hundred voted in favour and only 11 voted against (Armenia, Belarus, Bolivia, Cuba, North Korea, Nicaragua, Russia, Sudan, Syria, Venezuela and Zimbabwe).

This voting is widely interpreted as an overwhelming victory for the West against an isolated and aggressive Russia. What is not considered are the 58 countries which abstained and the 24 which absented themselves. The abstentions accounted for 58 per cent of the world population, 34 per cent of those voting and 30 per cent of the membership of the UN. They included China, most of the CIS states, the BRICS and many Latin American and African states.<sup>12</sup> The significance of their abstention and non-voting is a clear indication of sympathy with Russia in its dealings with the West.

## GOING FORWARD

The future relationship between the EU and the EEU is clouded by the contradictory values and interests within both geo-political blocs. As in the EU, the elites in member states of the EEU have different priorities. The EEU is a movement which is reactive – it is opposed to Western hegemony and seeks an equal and respected, rather than a dominant, place in the world community. It lacks any grounding in a political theory (comparable to Marxist class interest) to legitimate its superiority and, outside the area of Eurasia, it is not expansionary in vision. The ideology of Eurasianism is conservative and legitimates a capitalist framework. What kind of capitalism is yet to be established?

Eurasianism, as advocated by President Putin and his associates, is highly ambiguous. On the one hand, the EEU is considered to be an institution modelled on the EU with its concern for the free movement of goods, services, capital and labour. On the other hand, many of its advocates consider it to be a shift away from the hegemony of competitive markets to a state-led economy exerting significant degrees of control.

In its least radical form it would be a 'stepping stone' towards the existing neo-liberal global system, another regional neo-liberal bloc. While China as well as the Eurasian states are less exposed to global capitalist concerns and have a potential for internally state-led

economic development, there are also neo-liberal interests derived from companies seeking profits from Western markets as well as politicians and intellectuals driven by liberal ideology. Russian writers, such as E. Vinokurov and T. Tsukarev, envisage the EEU's long term economic cooperation to lie with the EU and China<sup>13</sup> – they see Russia standing on the 'two legs' of the EU and China.

The EEU alone cannot mount a very serious economic challenge to the European part of the hegemonic core. Enlargement to include other former countries of the Soviet Union is limited politically and (excluding Ukraine) would not significantly enhance its power. Its share of global gross domestic product (GDP) is only 3.2 per cent; it has very few global companies to compete with those in the economic core. A political realist would hope to join the latter rather than compete with it. An acceptance of neo-liberal market relationships would move the project towards inclusion in the present global system constituting a complimentary regional bloc to the EU.

But there is by no means a consensus, either within or between the countries forming the EEU, on the desirability of such a regional development. The tensions between the Russian leadership (particularly under President Putin) and leading Western trading nations are underpinned by significant differences of interest between Russia and the West. To preserve a stable international order, the hegemonic Western powers will need to be more pluralistic and accommodating to the positions of others by adopting a more realist and less liberal internationalist political position. The EU political and economic elites who benefit most have to share their power with those who benefit least. Politically, the West has pursued a policy of promoting electoral democracy within states, rather than encouraging democracy between states. The EEU's option to join the world system as a component part based on neo-liberal economic principles has been effectively closed off by Western policies.

Thus many among Eurasian political and economic elites look to an alternative, to a state-led economy set to become a political and economic counterpoint to the West. Such views are strengthened by the damaging political and social consequences of the enlargement of the EU, the debacle of the Eurozone and the crisis

in Greece currently making the EU less of a body to be emulated by outsiders. Moreover, the history of post-Soviet economic development modelled on markets has led many to question the underlying principles of a market-led approach. They point out that the post-socialist states are at the lower end of economic value-added chains benefiting the West; research and development and the manufacturing base have declined. Such critics contend that future participation in markets to the east may present greater opportunities for economic progress. All these arguments fuel the more radical Eurasianist perspective.

The EEU is more likely to evolve as a 'counterpoint', relying on greater state coordination and regulation economically and a top-down political system. Returning to Vinokurov and Tsukarev's analogy, the Chinese leg might well provide one firm base but the EEU will have to learn to stand more firmly on its own other leg. To build any significant alternative to the neo-liberal global order, the EEU will find it necessary to combine with semi-core countries, particularly the SCO and the BRICS. Such an economic alternative might prioritise economic development through administrative forms of collective economic coordination. It could provide the basis for a more pluralist and multi-polar world. E.H. Carr's rather pessimistic conclusion cited at the beginning of this chapter might be replaced not by another utopia but an alternative bloc resting on an organised form of national capitalism. As following the twenty-year crisis, the danger here is that political and economic competition, if unrestrained, may lead to war.

## POLICY RECOMMENDATIONS

1. The West should recognise that the EEU is not aggressive but reactive and has sought accommodation with the neo-liberal order.
2. The West should refrain from seeking hegemony over post-Soviet space and should move towards multi-polarity.
3. To secure the EU's aims of peace and security requires less democracy promotion within states and more democracy between states. ■

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# Russia's Policy towards the Black Sea Region and EU-Russia Relations

Sergii Glebov

**T**he strength of EU-Russia relations is currently being tested for solidity both regionally and globally. Current relations between Russia and EU, which are going through a period of a direct clash of principles and interests on all systemic levels, can be best described not as going beyond a usual crisis, and more as a pervasive conflict. The multi-layered nature of the conflict makes problems in bilateral relations more difficult to mitigate than it would seem at first sight. This initial reading suggests the EU giving up Ukraine in exchange for a 'practical' partnership with Russia, but the situation is complex, with Russia and the EU willing to take salient risks. This logic of gambling so far has not worked in the EU-Ukraine-Russia triangle, not only because 22 out of 28 EU members are also NATO member countries, but also for several other reasons to be discussed in this chapter.

At the heart of the sharpest confrontation since the Cold War between the West and the East is what can be identified nowadays as the Ukraine crisis. In this respect, the Black Sea sub-region is a salient space of the post-bipolar geopolitics, which presents a series key features of this crisis. With the expansion towards CEE, the EU became involved in the Black Sea region,<sup>1</sup> or even an integral part of it. In 2014 the annexation of Crimea by Moscow became the top priority on the regional agenda, together with Russia's hybrid war Eastern Ukraine. In this context the chapter contends that the Black Sea region is the last geopolitical playground where EU-Russia collaboration will again be possible in the future.

## CRIMEA AS A SNAG IN EU-RUSSIA RELATIONS

The official positions of Ukraine and Russia in relation to the annexation of Crimea present two very different and contrasting narratives. The EU's position has been clearly articulated. On 13 March 2014 the European Parliament firmly condemned "Russia's act of aggression in invading Crimea, which is an inseparable part of Ukraine and recognised as such by the Russian Federation and by the international community..."; and called "for the immediate de-escalation of the crisis, with the immediate withdrawal of all military forces present illegally on Ukrainian territory".<sup>2</sup>

Later on 20-21 March 2014 the European Council meeting confirmed that the EU "remains committed to uphold the sovereignty and territorial integrity of Ukraine", does not recognise "the illegal referendum in Crimea, which is in clear violation of the Ukrainian Constitution...[and] strongly condemns the illegal annexation of Crimea and Sevastopol to the Russian Federation and will not recognise it".<sup>3</sup> This diplomatic and political rhetoric soon resulted in real sanctions against Russia that the EU, alongside the US, enacted. The little green man invasion transformed the crisis in EU-Russia relations into an asymmetric conflict. Moscow openly expressed its political will and made it clear to the EU and the rest of the West that Russia was ready to defend its national interests by using military instruments in foreign policy.

The case of the annexation of Crimea emphasises not only different strategies, but also the range resources used by the EU and Russia in order to pursue their goals and interests. While the EU as a normative power has preferred soft instruments of influence over hard power, with economic sanctions as the most conflictual tools, the Russian Federation did not perceive international law and treaties as a constraint on the use of military force. Moreover, by employing it directly against Ukraine, Russia showed no reverence for the EU and the international community.

## THE BLACK SEA REGION AND THE NATO SYNDROME

NATO plays a key role in the Black Sea region. It was introduced into the Wider Black Sea region as an internal actor from its inception (with Turkey and Greece as key members) and strengthened its presence in Bulgaria and Romania since 2004. According to the 2008 *Foreign Policy Concept of The Russian Federation*, the Kremlin has a

“negative attitude towards the expansion of NATO, notably to the plans of admitting Ukraine and Georgia to the membership in the alliance, as well as to bringing the NATO military infrastructure closer to the Russian borders on the whole...”<sup>4</sup>

The so-called ‘NATO syndrome’ played a key role in the Black Sea region during the Ukraine crisis, as the annexation of Crimea was partly justified by Russian President Putin by framing NATO enlargement as a direct threat and motivation to act:

“If we don’t do anything, Ukraine will be drawn into NATO sometime in the future. We’ll be told: ‘This doesn’t concern you’, and NATO ships will dock in Sevastopol, the city of Russia’s naval glory...if NATO troops walk in, they will immediately deploy these forces there. Such a move would be geopolitically sensitive for us because, in this case, Russia would be practically ousted from the Black Sea area. We’d be left with just a small coastline of 450 or 600km, and that’s it!”<sup>5</sup>

However, NATO never spoke of its intention to station military bases in Crimea or in the rest of Ukraine.<sup>6</sup> Without a doubt, this did not primarily concern the Kremlin, which is not naive and is well aware of the low potential of a NATO threat in Sevastopol, as it was the main Russian Black Sea Fleet navy base for many years. In this respect, more important is that Russia, according to its current 2014 Military Doctrine, directly suspects NATO of aggressive intentions. These could arise from the Black Sea region as far as NATO’s zone of responsibility stretches towards this region “near the borders of the Russian Federation”<sup>7</sup> There is a fear that Russia is considering Crimea as the bridgehead against NATO. Recent drills which took place on 26-27 October 2015 in the Crimean Opuk training area with ships

and aircrafts of the Russian Black Sea Fleet practicing repelling an air attack against the Crimean peninsula, delivering a missile strike against potential enemy ships, and engaging in an artillery battle with a naval strike force made Reuters conclude that the “latest military exercises provide a vivid demonstration that Russia can, and will, protect its new territory, despite the protests”.<sup>8</sup>

## THE BLACK SEA REGION AND THE EU-US-RUSSIA SECURITY TRIANGLE

The US has always been active in the post-Cold War period in the Black Sea region, a presence which continued during the Ukraine crisis. Both Brussels and Moscow are concerned by the American factor and to some extent are interested in minimising the impact of the US on their bilateral relations. Being the only global superpower, the US has been doomed to be part of the Black Sea ambivalent security system, not only due to close bilateral relations with all Black Sea littoral states, the role of NATO, or energy interests.

From the point of US interests, when discussing the global security outcomes of the Ukraine crisis, the issue of nuclear safety and the non-proliferation regime should be given primacy. Having in mind the aggressive policy of Russia towards nuclear objects in Crimea<sup>9</sup> one should not underestimate the threat of the ongoing nuclear rivalry in the Black Sea region. A Russian trend towards the nuclearisation of Crimea is becoming more and more noticeable. This effort is just prolonging a strategy to build in Crimea not just conventional ‘Russian impregnable fortress’, but also nuclear one. As Mikhail Ulyanov, the head of the Foreign Ministry’s non-proliferation department, said in March 2015 “Russia can deploy nuclear weapons in Crimea as the peninsula is part of its territory”.<sup>10</sup>

Yet in November 2014 NATO’s top commander U.S. General Philip Breedlo warned that Russian forces with nuclear capability were moved to the Crimean Peninsula, even though NATO didn’t know if nuclear weapons were actually in place.<sup>11</sup> It has been reported, that “Russia plans to station state-of-the art missiles in its westernmost Baltic exclave” and deploy long-range, nuclear-capable supersonic Tu-22M3 bombers to Crimea as “part of massive war games to showcase its resurgent military power amid bitter tensions with the West over Ukraine”.<sup>12</sup> As confirmed in March 2015 by the Russian Defence Minister, the stationing of the

Tu-22M3 and operational-tactical Iskander-M systems on the peninsula is the next step to consolidate the Russian presence in the Black Sea region.

The Ukraine crisis initiated long-term and far going implications in the global nuclear competition, as a call for a new nuclear arms race was initiated exactly from the Black Sea region. One should not forget that this is an act of direct aggression by one of the parties of the 1994 Budapest Memorandum's on Security Assurances signatory. There Russia confirmed, that in exchange for Kyiv giving up nuclear weapons, it would "respect the independence and sovereignty and the existing borders of Ukraine" and "refrain from the threat or use of force against the territorial integrity or political independence of Ukraine, and that none of their weapons will ever be used against Ukraine".<sup>13</sup>

This is a clear signal that Moscow is ready to wage hybrid wars and launch pre-emptive hybrid attacks against any country which dares to express its security needs in opposition to Russia's expectations. In this respect, Russia has cleverly used the scarecrow of NATO to hide its real imperial needs. Not only Ukraine, but also Lithuania, Latvia, Estonia, Poland, Romania, and Bulgaria are under potential threat from Moscow as long as their membership in NATO is understood to constitute strengthening of NATO's eastern flank. Such a scenario would be also considered in Moscow as bringing the NATO military infrastructure closer to the Russian borders and requiring respective counter measures.

## THE UKRAINE CRISIS, THE TURKISH-RUSSIAN REGIONAL KNOT AND THE SYRIAN EFFECT

Turkish-Russian relations in the Black Sea region since 1991 have experienced different stages and agendas. Relations have slightly changed after annexation of Crimea, but not as dramatically as after Russia entered the war in Syria as an independent actor.

Turkey expressed "full support of Ukraine's territorial integrity" and assured that Ankara "will never recognise the illegal annexation of the Crimea".<sup>14</sup> Turkey has been concerned also with the issue of Crimean Tatars in the annexed Crimea and that their rights are being violated.<sup>15</sup> At the same time, Turkey took a rather passive position in practice to oppose Russian military

demarche in the Black Sea region. Being treated as one of the two regional centres of power in the Black Sea political system together with Russia since 1991, Ankara appeared to be not that active in counterbalancing Russia's attempts to rearrange the regional order. The main question is whether it had the potential or geopolitical will to act as a centre-power actor.

On the surface, there are two main observations. Firstly, the conventional power of Turkish forces, including the navy, cannot counter Russian nuclear potential in the Black Sea region. Secondly, Turkey was not eager to give up its economic plans and lose energy ties with Russia as a response to the Ukraine crisis. It was only in connection to the Syria crisis when Russian forces entered the equation, a year and a half after the Ukraine crisis began, that Turkey realised all the possible negative consequences for its homeland security and national interests stretching from the Middle East and Black Sea-Caspian region. The rhetoric of the Turkish President Recep Tayyip Erdogan has changed dramatically after Russia's air strikes in support of the Assad regime, as well as incursions by Russian jets into Turkish airspace in October 2015. Ankara has responded furiously because "Moscow is believed to oppose Turkey's idea of creating a buffer zone or safe haven inside Syria where refugees and some rebels could be protected".<sup>16</sup>

At the same time, having Russia as their largest natural gas supplier, and being the second-largest consumer of Russian natural gas after Germany, there are doubts as to the potential of Turkey to confront Russia. As far as Turkey imports Russian gas primarily through two pipelines, one passing through the north western region of Thrace, the other entering Turkey from under the Black Sea, "Erdogan's statements on gas are not realistic at all. Turkey is dependent on Russia in the short and medium term".<sup>17</sup>

Turkey did not pass test of regional 'greatpowerness' during the Ukraine crisis. Since 2014 Turkey has almost no potential to assert centre-power status in the Black Sea system, leaving Russia alone with this status. As far as this case can be seen as an application of theoretical frameworks of centre-power competition in the international system, the conclusion is that the capacity of a non-nuclear power to act as a centre-power is limited in the case when another actor with the ability to act as a centre-power is a nuclear state. They may imitate equality in the system only until their clashes of interests become subjects for potential military conflict.

Recent tensions between Turkey and Russia could change the geo-economic landscape of the Black Sea region by damaging relations to the point where bilateral plans in the energy field are postponed or even discarded. Despite having several projects in the energy field with Russia whose future is now unclear, Turkey has asserted its national interest to defend the inviolability of its state borders both in the air and on land. Ensuring the security of Turkish sovereign territory and managing neighbouring zones of conflict became more important than economic partnership with Russia or the Ukraine crisis.

On the other hand, recent developments in the Middle East and in the Black Sea region also show clearly the difference between Russian and Turkish capacities to influence the regional system of international relations as regional centre-powers. Contrary to Russia, which demonstrated its ability to conduct regional policy without any limits and obligations despite possible negative outcomes from inevitable clashes of interests, Turkey demonstrated an inability to act accordingly.

In other words, while Russia as a state may pursue any strategy it finds appropriate, Turkey cannot. By strengthening its geopolitical positions in the Black Sea region, Russia casts doubt on the strategic capabilities of Turkey to maintain its status as a regional centre-power and one of two regional leaders.

The future of Turkey's role in the region vis-à-vis Russia and other security challenges in the Black Sea region, could be seen as just a supplementary part of NATO strategy. Turkey's ambitions of leadership in the region and in the energy field have been curtailed if not totally restrained. If the situation persists, we will witness the development of new regional dividing lines, with a 'Water wall' between two opposing sides establishing a bipolar system of regional relations.

Most likely, both Ankara and Moscow will find an appropriate model of bilateral co-existence in the new security environment both in the Middle East and the Black Sea region, although the recent threatening rhetoric both from Presidents Erdogan and Putin will obviously prolong the current period of stalemate.

## CONCLUSIONS

Conflict is an appropriate term to describe the current state of relations between the EU and Russia. One may or may not accept the term annexation, but it is more important in our context to focus on the EU's interpretation which strongly criticises Russian aggression. This means that having Crimea as the focus of conflict between the EU and Russia, Brussels is doomed to have it in mind and on the table in any negotiations with Russia.

President Putin's rhetoric, which clumsily attempts to hide annexation as a key feature of conflict, reduces hopes for a resumption of meaningful dialogue between the EU and Russia on the basis of common understanding of bilateral problems. If there is no common ground for understanding, there can be no bilateral solutions, only compromises and dangerous concessions - leading to a zero-sum game which excludes a win-win result. It is obvious that both the EU and Russia are heading now to a loss-loss outcome.

These challenges will inevitably draw all Black Sea littoral states into inter-regional confrontation and arms race. Further escalation of tensions between the West (including NATO, the EU, and the US) and Russia may trigger the unfreezing of conflicts in Transnistria and the South Caucasus, namely on the territory of Georgia and Azerbaijan.

Instead of the idealistic scenario which was on the regional table in the 1990s to have the Black Sea basin demilitarised in order to achieve more easily the main regional goal stated in the first Istanbul Black Sea Economic Cooperation (BSEC) Declaration of June 25, 1992, "to ensure that the Black Sea becomes a sea of peace, stability and prosperity, striving to promote friendly and good-neighbourly relations",<sup>18</sup> we are witnessing a new regional arms race trend which is initiating global confrontation.

This is an alarming situation as far as the regional scenario is developing in the frame of the classical political realism school of international relations, based on the egoistic interests of a state and defence of national interests.



Is the EU ready to pursue a different policy in the Black Sea region vis-à-vis Russia than US and NATO under such circumstances? This question remains open. Following the 13/11 attacks on Paris, French President François Hollande seems to favour an independent EU policy of rapprochement with Russia on the common ground of combating terrorism.

There is an urgent need to investigate if Russia is serious when talking about the possible deployment of Russian nuclear weapons in Crimea, which could ruin the existing balance of nuclear power as well as the whole system of non-proliferation.

So far there are just statements on both sides but taking into account current Russian involvement into Syria, ongoing clashes with NATO, the EU, and the US strategies, and outspoken Russian plans for further nuclearisation of Crimea, things could become more practically dangerous very soon.

## POLICY RECOMMENDATIONS

There are two possible scenarios for the EU and Russia being able to rebuild their relations in a short period.

1. The EU acknowledges Crimea as part of Russia, recognises the right of Moscow to provide legally annex the territory, and cancels sanctions with the condition of stopping the war in Donbas. EU countries vote against any military activity in the Black Sea region and on NATO's eastern flank.
2. The EU does not recognise Crimea as part of Russia officially, but urges Moscow to stop supporting separatists in Donbas.
3. Both these options require from the EU a full rejection of basic principles it has been built on and seem not very practical. At the same time, there is some room for cooperation in such spheres as combating terrorism, energy, and regional cooperation, but not fully-fledged cooperation between two equal partners. ■

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**Part III.**  
**Key Issues on the Agenda  
of EU-Russia Relations**

# The Crisis of 2014-2015 and Perspectives on European-Russian Relations in the Energy Security Sphere

Andrei Kazantsev

**T**he conflict in Ukraine has caused in 2014-2015 a serious aggravation of the long-term complex conflict between the EU and Russia in the energy security sphere. This conflict includes, at least, three dimensions: the situation on European energy markets, the situation in Ukraine as a transit state, and the crisis in the Russian energy industry. The most desirable outcome of this conflict is a stable compromise that is acceptable for all sides. However, the most probable outcome is prolonged conflict in the style of 'neither war nor peace', in which no side can finally win. In order to avoid a serious aggravation of the conflict and start accumulating mutual trust both sides should, at least, engage in a series of confidence-building measures.

## INTRODUCTION: EUROPEAN-RUSSIAN RELATIONS IN ENERGY SECURITY SPHERE

As a result of the war in Ukraine mutual trust between the EU and Russia has been completely lost. From the European side this complete loss of trust is best demonstrated by the radical change of position of Germany's political elite, which earlier had one of the friendliest attitudes towards the official Russian leadership inside Europe. Not only the intentions, but even the very rationality of the Russian leadership are now doubted by the EU; for example German Chancellor Merkel argued that Putin is living in 'another world'.<sup>1</sup> From the Russian perspective this loss of trust is demonstrated by a wave of anti-European and anti-Western propaganda within state-controlled mass-media, as well as in the multiple public anti-Western judgments of the representatives of Russian political and economic elite. All these words have also turned into actions since Russia and the EU enacted a series of economic sanctions directed against each other. However, some elements of cooperation still exist. This situation had been best described in 1918 by Leo Trotsky in his famous formula 'neither war, nor peace' describing relations between Soviet Russia and Imperial Germany.

The conflict between Russia and the EU is deeply rooted, very complex and has three dimensions:

- The European dimension focuses on the geopolitical and legal aspects of the import of Russian energy such as: Russian political influence in CEE or the issue of adaptation of Russian energy companies to the existing European legal framework.
- The Russian dimension particularly emphasises European investments in the Russian energy sector and other forms of cooperation between Russian and European energy companies on Russian territory.
- The transit countries dimension (like Ukraine and Belarus) focuses particularly on the issue of economic and political conditions of transit of Russian gas and oil.

Each dimension of European-Russian energy security relations is characterised by a specific set of internal contradictions that define the course of events in respective sphere.

The European dimension consists of a series of contradictions. On the one hand, Russia is presumed to use energy as an instrument of political or geopolitical (or even export of corruption) influence, especially in CEE. On the other hand, we find institutional conflict produced by the current European legal framework. This involves the Third Energy Package, mostly, due to its principle of unbundling of ownership – i.e. the separation of the production of gas and its transportation, which contradicts the structure of Gazprom – and the interests of Russian monopolies. The EU adopted in 2007 the so-called 'reciprocity clause', or Gazprom clause, according to which any company from a third country will have to comply with the same requirements as EU companies.

Another side of this contradiction is the link between European economic interests in Russian oil or gas and the interests of Russian companies in selling energy on European markets. Hence, here we have politics and law on one side, and economics on the other side of a contradiction.

In Russia, one side of contradiction consists of elements such as the absence of effective legal institutions, lack of transparency, or even corruption, and monopolisation of state-controlled giant companies in the energy sphere (e.g. Gazprom and Rosneft). Another side of the contradiction is the objective interest of Russian companies in European investments and technologies. Here again we find a tension between the economic interests of the country and those of private companies.

The tension between politics and economics is also present in the case of transit countries. On the one hand there is a high degree of mutual economic dependency between the seller, the transit country and the buyer, while on the other hand we see different attempts to exploit this dependency by various actors to maximise their interests.

The crisis in European-Russian energy security relations is even more complex because there are not only many different types of actors, but also different logics of behaviour. The logic of behaviour of energy companies is defined by profit-seeking, purely informed by economic thinking. The logic of action of political and geopolitical actors can be boiled down to their struggle for power. Moreover, issues such as corruption, or conflicts of values, can also have negative spill-over effects on energy security issues, and make the crisis in energy relations even more acute.

In the context of these contradictions, how will the conclusion of 'neither peace nor war' look like? From the point of view of neorealism it can look like a stable balance of forces and equal agreements. This is closer to the Kremlin's vision. From the point of view of neoliberalism, peace will entail the consolidation of the institutional structure of the international regime. This is closer to EU vision, since the EU is a normative power.

However, the long term results of the European-Russian conflict in the energy security sphere could unfold into one of the following different scenarios:

1. The triumph of the interests, vision and values of Europe. This would include Russia's recognition of the *Energy Charter Treaty* or signing other similar agreements, the Europeanisation of transit countries, liberal political and economic reforms in Russia and sincere compliance of Gazprom with the principles of the Third energy package of EU.
2. The triumph of the interests, vision and values of the Kremlin. This would include increasing the Kremlin's political and economic influence in transit states (for example, throughout their membership in the EEU), the adaptation of the European legal framework (the Third Energy Package) to the interests of Russian energy companies and, probably, even the adaptation of other European policies (like foreign and security policy) to Russia's political and geopolitical interests.
3. What constitutes the triumph of interests, vision and values of the transit states is much more vague, and it demands specific analysis, but in any case it includes the maximization of their different interests in relations with both Russia and EU. More probable from this point of view is the triumph of two groups of actors over one group: e.g. of the interests and vision of Europe and Ukraine against the Kremlin's interest and vision.
4. An agreement that includes a sort of compromise between all involved groups of actors (European, Russian, those of transit countries). This compromise would permit actors to set aside different conflicts and to maximise the purely economic potential of mutual cooperation.
5. Unending conflict in the long term, with no victorious sides and suboptimal result for all groups of actors.

The first four scenarios propose the formation of efficient international regimes as the final result. The only difference is that scenarios 1-3 describe the situations of one-sided gains, while scenario 4 proposes a win-win scenario. However, scenario 5 depicts a situation of mutual losses as the result of prolongation of conflict and absence of effective formation of international regimes as a result of the conflict.

The danger of the current situation is that the actors arrogantly fighting for full realisation of scenarios 1-3 can in reality only create favourable conditions for scenario 5. It would mean long-term conflict, for example, in the form of a New Cold War in the energy security sphere. Moreover, the very complexity of the situation that I have described, makes very problematic potential one-sided victories in this energy security conflict.

For example, what I have described as the scenario of full victory of Europe (scenario 1) would demand significant changes in the Russian political, economic and social life, in the political economic and social life of transit countries and even the international environment of the post-Soviet space. One can doubt that Europe (and even the West) has enough instruments to realise this scenario. Moreover, some of the EU's instruments are virtually infective: e.g. all-out war, which would quickly turn nuclear. Another ineffective instrument is large-scale Western economic assistance for reforms in post-Soviet countries, including Ukraine and, potentially, even Russia (if it engages on a path of deep political and economic reforms). CEE countries were granted EU membership as a final payment for their reforms. However, Western assistance to reform in post-Soviet states, for many different reasons, was not realised even in the more favourable conditions of the early 1990s. Now the EU has even less money and willingness to decisively assist with the reforms in the Post-Soviet countries. The EU's ability to impose an international regime in the energy security sphere (that would fully correspond to its interests and values in the post-Soviet space) is rather weak as it lacks both a really strong stick (all-out war) and really strong carrots (meaningful economic assistance for reforms).

If European abilities to realise scenario 1 are very limited, Russia has even fewer resources to realise scenario 2, first of all, due to the poor state of Russian economy.

In general, the degree of interdependence between Russia and EU in the energy sphere is so high that it is hard to think that any side can adopt a conflictual stance without harming itself. In 2013, just before Ukrainian crisis, Russia supplied 33.5 percent of the EU-28's imports of crude oil, 39.0 percent of imports of natural gas and 28.8 percent of imports of solid fuels. However, dependency on Russian energy varies widely across EU countries, with some CEE countries such as the Baltic states and Poland exclusively relying on Russia. Russia's dependency on selling its energy to EU is also exclusive. Andrey Movchan of Moscow Carnegie Center argues that although statistically "the share of hydrocarbon production in the country's GDP has not exceeded 26.5 percent for 25 years and the share of oil and gas export has not risen above 14.5 percent of GDP", up to 67—70 percent of Russia's GDP depends on oil and gas export revenues.<sup>2</sup> A lion's share of Russian oil and gas exports goes to EU. So if Russia has, in some respects, a monopoly position on European energy market, Europe has an even more important monopsonic position towards Russia.

As for the transit states, their resources are not even comparable to Russian and European ones, so scenario 3 is even less probable than scenarios 1 and 2.

These arguments indicate that the most probable real choice is now between compromise (scenario 4) and protracted conflict (scenario 5) with the chances for protracted conflict, unfortunately, being much higher today due to the very complexity of described energy security conflict. At the same time scenario 4 is theoretically the most preferable and I personally as an expert would strongly recommend policymakers to do their best to realise it. At least, they should try. However, the shortcoming of this recommendation is that in the current situation a potential general compromise is unforeseeable, and moreover compromise practically is impossible in the absence of trust between the actors. So, mutual trust-building measures should precede the realisation of this optimum scenario. Realisation of different trust-building measures can also in time define the general outline of a mutually acceptable international regime.

Finally, this is a very theoretical assessment, hence empirical analysis of current tendencies in different aspects of European-Russian energy relations during the crisis of 2014-2016 is needed to shed new light on the situation and give us, at least, a list of the necessary trust-building measures.

## DEVELOPMENTS ON THE EUROPEAN ENERGY MARKETS IN 2014-2015 AND THE EUROPEAN-RUSSIAN CONFLICT IN THE ENERGY SECURITY SPHERE

The most important political event affecting European energy markets during the crisis of 2014-2015 was Russia's suspension of 'South Stream' pipeline. This project was from the European Commission's point of view in clear contradiction with the principles of the 'Third energy package'. Political tensions regarding the construction of South Stream on Bulgarian territory also appeared. As a result in December 2014 Putin declared the final cessation of the project. A part of the South stream was already constructed on which the Russian side spent 4.66 billion US dollars (about 50 percent of planned investment).<sup>3</sup> Gazprom also compensated the shares of its European partners (the Italian company Eni had 20 percent in the project, French company EDF and the German company Wintershall each had 15 percent), which amounted to about 1 billion US dollars,<sup>4</sup> making Russia's losses significant (no less than 5.66 billion US dollars). Among European nations the biggest cost was incurred by Bulgaria. If the project would have been realised, the country could have received in taxes, transit fees, etc. around 400 million euros per year, which is about 1.5 percent of Bulgaria's GDP.<sup>5</sup>

Since Russia has already invested significant resources in the construction of the parts of South Stream and the EU is still the main destination of Russian gas, Moscow decided to redirect South Stream gas to Turkey and to turn this country, which is not part of EU and therefore not bound by the Third Energy Package, into the main hub for redistributing Russian gas in Europe. Around 660 km of this new route coincides with the old South Stream route, so it would help to minimise Russia's losses from abandoning South Stream. The memorandum on the construction of the Turkish Stream was signed in December 2014, although as of late September 2015 there was still some uncertainty about the realisation of this project.

The cessation of South Stream also was one of the reasons behind a new plan to construct North Stream 2. An agreement on this was signed during the Eastern Economic Forum in Vladivostok on 3–5 September 2015. The consortium consists of German companies BASF and E.ON, French Electricity Company Engie, Austrian oil and gas firm OMV, and British-Dutch Royal Dutch Shell. Gazprom would own 51 percent of the

shares in the project, with the other partners holding a 10 percent stake (except for Engie, which will own 9 percent). As Judy Dempsey of European Carnegie Center wrote on this:

"So even though Europe is diversifying its energy sources and the European Commission is insisting that Gazprom play by the EU's competition rules, sanctions or not, Europe is too lucrative for Russia to ignore. So much for the nationalist rhetoric to the contrary from the Kremlin. And sanctions or not, Russia's underdeveloped gas fields are too lucrative for Europe's energy companies to ignore"<sup>6</sup>

However, there are still significant problems for this project to be fully realised. First of all, in the context of sanctions Gazprom can simply not find enough money to finance the project, as Fitch Ratings argues.<sup>7</sup> Second, there are strong politically motivated objections against this project from, for example, Ukraine and Slovakia which would lose their transit fees if Russia fully withdraws from using the old Soviet pipelines going through their territory.

Another important development from the point of view of legal conditions for Russian companies on the European energy market was the continuation of the YUKOS affair in European courts. It is no wonder that the most important legal issue in European-Russian disagreements on the future international energy regime, namely the Energy Charter Treaty, is at the centre of these proceedings. The shareholders of YUKOS referenced the Permanent Court of Arbitration, demanding more than 100 billion US dollars in compensation. The legal basis of this lawsuit was that although Russia had originally signed the Energy Charter Treaty, Moscow never ratified it. The Permanent Court of Arbitration on 18 July 2014 requested Russia to pay 50.1 billion US dollars to the other parties. Russia appealed to a district court in The Hague, so legal proceedings are continuing. In the summer of 2014, Russia also lost a similar case on the YUKOS affair in the European Court of Human Rights. All these court decisions were perceived by Russian political elites as 'judicial attacks' against Russian energy security, and a form of pressure motivated by the interests of the West in the Ukraine crisis.

It should be noted that in 2014 and the first half of 2015 Gazprom sold less gas on European and Turkish markets than usual. In the first half of 2015, the volume

of Gazprom's gas sold declined by 8 percent compared to the previous year.<sup>8</sup> This was caused by the fact that Gazprom traditionally attaches its gas price to the price of oil on the world markets with 6-9 months' time-lag (and oil prices were quickly falling at the time). Another reason of falling gas exports was the warm winter. However, many experts believe Gazprom's gas exports in 2016-2017 based on purely economic and technological factors will be stable irrespective of political factors such as EU's diversification policy.<sup>9</sup> According to the Oxford Institute of Energy Studies, natural gas from Russia will be highly competitive until 2030, compared with both the pipeline gas from the other countries and Liquefied natural gas (LNG) – including American shale gas.<sup>10</sup> Some experts believe that it is not American shale gas, but gas from the European part of the Arctic which may in the long term become a real rival to Russian gas.<sup>11</sup> However, this gas is extracted mostly by Western energy companies who have very good relations with Gazprom, Rosneft and, finally, the Kremlin.

As for Russia, it also continued in 2014-15 its policy of diversification towards Asia and away from EU markets. In 2014 "Russia has sent more than 30 percent of its oil exports—more than 1.2 million barrels a day, the most ever—to Asia...Around a fifth of Russia's oil exports went to Asia Pacific in 2012", according to the International Energy Agency.<sup>12</sup> Also, during a visit to Beijing in November 2014, Putin reached a preliminary agreement for Gazprom to supply China's state oil company CNPC with 30 billion cubic meters of gas per year from the Altai region of western Siberia. However, most of the details – including the price of the gas – are still to be worked out.<sup>13</sup>

## DEVELOPMENTS IN UKRAINE AND RUSSIA

In Ukraine, energy security during the crisis has been characterised by unending disputes between Gazprom and Naftohaz. In their disputes both sides appealed to The Arbitration Institute of the Stockholm Chamber of Commerce; its ruling is expected in 2016. Gas supplies to Ukraine, but not transit supplies to Europe, were stopped in summers 2014 and 2015, but fortunately not during winter as in the crises of 2005 and 2009. In October 2014 an agreement between Russia and Ukraine on gas purchases by Ukraine and gas transit through Ukraine was signed with the participation of the EU. As a result, de facto we already see the emergence of an international trilateral regime regulating gas transit through Ukraine with the participation of Kyiv, Russia

and the EU (for now this is based on the agreement of 2014 and preliminarily ad hoc agreement of September 2015).

In Russia the most important issue from the point of view of energy security during the crisis of 2014-2015 was the combination of low oil prices' impact on the Russian economy and the degradation of the energy industry by potentially long-term Western sanctions due to deficit of capital and technologies. In some respects, it resembled the situation in Iran's economy under long-term sanctions.

The issue of technology is crucial. The dependence of the Russian energy sector on Western technologies and equipment is 60 to 80 percent.<sup>14</sup> Many Western experts believe that Russia would need more than 10 years to overcome this dependency using less effective Asian technologies. Some Russian experts are more optimistic believing that it is possible to quickly diminish dependency on Western technologies and equipment down to 40 percent.<sup>15</sup>

As for investments, according to Russian energy minister Alexander Novak investments in the Russian oil and gas industry in 2014 amounted to 36 billion US dollars. The industry would need about 400 billion US dollars by 2020 in investments according to some experts' assessments.<sup>16</sup> The main state controlled monopoly Rosneft alone would need to invest about 21 billion US dollars yearly until 2017 in development of new deposits and modernisation of oil refineries.<sup>17</sup>

Sanctions in the financial sector are the most effective Western sanctions. They have already effectively cut off Russian companies, including energy ones, from foreign credit (de facto even banks from third countries, such as Chinese ones, are afraid of giving loans to Russian companies now). Russian energy companies have huge foreign debts which they currently find very hard to repay. There was, however, an attempt to finance Rosneft's investment program through government reserve funds. Rosneft received from the government two loans of 11.4 billion and 6.1 billion of US dollars to repay its foreign debts. The company converted this money, originally received in Russian roubles, to US dollars which caused a quick devaluation of the rouble in late 2014-early of 2015. This solution cannot be sustainable in the long term as the government's reserve funds are close to depletion. Since the revenues of the state budget significantly depend on oil and gas exports, diminishing oil prices mean falling state budget revenues. The Russian government, as has become clear



during discussion of 2016 state budget, is going to significantly increase taxation of energy companies in order to control the growing state budget deficit. Energy companies have already warned the government that it will significantly affect their investment plans. Problems with investments in Russia have become acute, also due to capital flight. In 2014 capital flight according to international assessments was about 151 billion US Dollars<sup>18</sup> (official Russian Central Bank's assessment – 21,7 billion US Dollars).<sup>19</sup>

A long-term critic of Russia's energy policy, former deputy energy minister Vladimir Milov, warned in August of 2015 that Russian energy companies already have problems with the volume of oil extraction. Daily oil extraction in August of 2015 was 100,000 barrels lower than it was in May 2015. According to him, "this situation resembles the end of 1980-s and the threat of serious collapse in Soviet oil extraction due to accumulated structural problems (state 'champions' have captured all main assets, but they cannot develop them due to their ineffectiveness)".<sup>20</sup> Most importantly, Russian oil and gas deposits are quickly depleting. Hence, in order to maintain the level of oil and gas extraction in the long term, Russia needs substantial investments in the exploitation of new deposits.

As previously mentioned, the effect of sanctions is multiplied by falling oil prices. However, in such a short time period as 2014-2015 it is hard to discern the influence of purely economic factors (such as falling oil prices) and purely political factors (such as sanctions and the consequences of geopolitical conflicts) on the Russian energy sector. The majority of new projects in the Russian Arctic become unprofitable if the oil price is lower than 60 US dollars per barrel.<sup>21</sup> Low oil prices, in general, exacerbate traditional Russian problems of high costs of energy extraction in Siberia and the Arctic compared to the deserts of Saudi Arabia or Iran.

The potential long-term effect of sanctions on the Russian energy industry is extensively discussed by experts today. According to the assessments of American consulting company HIS, oil production could fall to 7.6 million barrels a day.<sup>22</sup> The prediction of The Oxford Institute of Energy Studies agrees, predicting oil production in Russia will diminish about 2 percent a year up to 2025. However, these negative scenarios are based on the assumption that Western oil and gas companies would stop investing in Russia, something they really cannot afford to do. Historically, Western attempts to organise economic blockades on Russia

were not particularly successful, both in the 1920s and even during the Cold War. Russia is much bigger and in many respects stronger than Iran, where sanctions were only partially successful.

Following sanctions, many Western companies have withdrawn from ongoing projects in Russia. However, despite the change in political and economic conditions in 2014, the majority of foreign oil and gas companies are continuing to invest in Russia. Due to the nature of production cycles in the oil and gas sector, companies cannot drastically change their plans under the influence of political events and return capital, which is concentrated in large projects. For example, in the Yamal LNG project, the share of Total and CNP constitutes up to 20 percent.

The situation is similar in other oil and gas projects in the Russian Federation with foreign corporate participation. According to analysts' assessments, these projects could be suspended or postponed, but not totally closed.<sup>23</sup> Moreover, a new important agreement on asset swaps has been recently signed during the Eastern Economic Forum in Vladivostok on 3–5 September. It involves Austrian OMV, who would acquire a 24.8 percent stake in the Urengoy oil and gas fields in exchange for Gazprom obtaining some of OMV's assets. In this regard, the situation resembles energy relations before the EU imposed sanctions on Russia in 2014.

## NEW TENDENCIES AT THE END OF 2015 AND THE BEGINNING OF 2016

There is a very high degree of uncertainty in Russian-European energy security relations due to the very volatile political and economic situation. This section highlights the most recent tendencies from when the bulk of the chapter was written (October 2015) up to the time of the publication of this report.

1. Oil prices were quickly falling at the end of 2015-beginning of 2016. As a result of this many investment projects in the energy sphere have been frozen. This concerns not only Russian investors, but also European investors that had different projects in the Russian energy sphere. As a result of this, the influence of low oil prices on potential fall of Russian oil production is much higher than the influence of sanctions. Replacing old oil depleted deposits with the new ones, in Siberia and the Arctic, demands sophisticated

- Western technologies unaffordable in the context of low oil prices. Nevertheless, in 2015 Russia still produced a record volume of oil, which makes falling oil production a future rather than a present concern.
2. Falling oil prices also affected the Russian state budget, given its high dependence on oil revenues. Experts suggest financial reserves accumulated by the government in the period of high oil prices would be spent in a year or, at best, two years. This means that the general economic crisis in Russia could further deteriorate, with 2015 highlighting clear signs of decline. However, a bad economic situation does not automatically mean that the Russian leadership would be ready to make concessions in disputes, energy security related or otherwise, with the West.
  3. Russia's involvement in the Syrian war has caused a quick deterioration of Russian-Turkish relations. After Turkey shot down a Russian warplane, Moscow introduced serious economic sanctions against Ankara. As a result, the 'Turkish stream' project is now frozen. Hence, billions of US dollars already spent on the physical infrastructure of the 'South stream' that Moscow wanted to convert into the 'Turkish stream' project are, most probably, lost.
  4. Russian-Chinese trade is also decreasing. This is a result of both Russian and Chinese economic crises. In 2015, Chinese exports to Russia decreased by 35 percent, and Chinese imports from Russia were 20 percent less than in 2014. In 2015, Russia was only the 18th largest trade partner for China having been the 10th largest in 2014. Falling oil prices also influence Russian-Chinese cooperation in the energy sphere, for example, it is one of the reasons why construction of the gas pipeline 'Strength of Siberia' is behind schedule. Strategically, it means that the plans to divert Russian energy export from European direction to the Chinese direction cannot be fulfilled in the short term. Consequently, the European direction of Russian energy exports will remain in the foreseeable future the most important one, and even some of the members of the Russian government cautiously support this view.
  5. The Russian-Ukrainian dispute in the energy security sphere still continues. Ukraine stopped purchasing Russian gas in November 2015. Although the Ukrainian government has proclaimed that it is now independent from Russian gas, this is not very accurate. Ukraine is still purchasing Gazprom's gas in Eastern Europe using reverse schemes. This is creating additional tensions between Russia, the EU and Ukraine because Gazprom strongly objects to such schemes and argues that its contracts with the countries like Slovakia and Poland do not permit reversing gas flows. In 2016, Ukraine significantly increased the price for transit of Russian gas through its territory making it, the Russian side argues, the highest in the world. This happened irrespective of falling oil prices (and the price of Russian gas is directly attached to oil price). Some Russian experts believe that this Ukrainian policy is designed to pressure Russia into acquiescing to reverse gas purchases in Eastern Europe. The potential emergence of a new stable international regime regulating Russian-European-Ukrainian energy relations is now even one step further away than it was in October 2015.
  6. Discussions on 'North Stream 2' still continue in Europe. Poland, Slovakia and Hungary, as well as Ukraine, strongly object to it mostly on political grounds, while in Germany, France and Italy there are proponents of the project who support it purely for economic reasons. There is also high probability of Brussels becoming involved in this issue, as the European Commission plans to propose new rules for preliminary coordination of new deals in the energy sphere and many experts in Russia believe that one of the aims of this new rule would be to limit energy deals with Russia.

## POLICY RECOMMENDATIONS

The chapter indicates that in order to create at least preliminary conditions for cooperative relations, where trust can be gradually built once again, a series of trust-building measures should first be implemented within the three respective spheres affected by the European-Russian energy conflict. These measures should concern areas where compromise between the EU and Russia is already visible:

1. *European markets*: European-Russian dialogue about North stream 2 and Turkish stream (to the degree in which Turkish stream affects European markets) should be continued. Both sides should avoid confrontation on other issues not directly related to energy security in order to avoid negative spill over in the energy security area.
2. *Transit states*. Talks directed at stabilising the situation in the Donbas according to the Minsk-2 agreement should be continued in order to avoid negative spill over effects in energy security area. An effective international regime regulating Russian gas transit to the EU through Ukraine should be developed through the continuation of trilateral talks between the EU, Russia and Ukraine.
3. *Russia*: Cooperation between Russian and European energy companies on long-term projects that European companies either cannot or do not want to abandon despite Western sanctions should be continued. The Kremlin continues to maintain key elements of a free-market economy as a condition for the effective functioning of European energy companies in Russia; asset swaps should be also continued as an instrument of integration of Russian energy companies into the global business environment. ■

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# Economic Relations Between the EU and Russia: Sanctioning Failure?

Christopher Hartwell

**T**he story of trade relations between the EU and Russia has been one of fragility and diverging interests for over 20 years. The Ukrainian crisis has exposed the inherent rift between the two trade powers, but has not caused the underlying crisis. With sanctions simultaneously and paradoxically ineffective yet damaging to broader EU-Russian relations, this chapter examines the way forward after the Russian invasion of the Donbas. Not surprisingly, trade relations hinge on Russia's cessation of hostilities. The EU does not escape blame, however, and must rethink its economic strategy in the EaP countries to be more effective.

In the early 2000s, relations between the EU and Russia were on an upward trajectory. With Russia's incipient recovery from its 'lost decade' of the 1990s, completing its transformational recession away from communism and the final wringing out of poor macroeconomic policies via the rouble crisis in 1998, Moscow became a 'normal' economic actor and a partner with the EU. Hopes were high that Russia's abundant energy reserves and surfeit of natural resources could now be harnessed to work for the good of Europe, rather than against it, as it had been used for 70 years during the Cold War. To help with Russia's economic transition, the EU provided substantial assistance via the Technical Assistance to the Commonwealth of Independent States program, disbursing 2.7 euros billion from 1991 to 2006 for 1,500 projects across the Russian Federation.<sup>1</sup>

By the middle of Russian President Vladimir Putin's second term, however, the optimism about the EU-Russian partnership started to look misplaced. The global financial crisis of 2007-09 shook Russia's economy to its core, and precipitated a rapid concentration of the Russian economy in commodities, in particular oil and gas. Politically, following his own predilection for deflecting economic pain via adventures abroad, Putin presided (behind the scenes) over a conflict with neighbouring Georgia and promoted his own political and economic alternative to the EU, the EEU. Coupled with Russia's stridently anti-EU position in Moldova and Ukraine, the deteriorating relationship between the EU and Russia has exposed a wide political rift between the

economic partners. The Ukrainian Maidan revolution in February 2014 and the flight of ousted leader Viktor Yanukovich to Russia appeared to be the breaking point for the two trade powers.

The purpose of this chapter is to examine, from an economic standpoint, the evolution of EU-Russian relations since the collapse of the Soviet Union and, in particular, over the past five years. How has the Ukraine crisis impacted economic relations between the EU and Russia? Is there a way back from the brink? And is such a resumption of economic relations even desirable from the point of view of either Russia or the EU?

## THE EU AND RUSSIA: FROM HOPE TO INDIFFERENCE TO RELIANCE

The first mistake that commentators make when surveying the current landscape of EU-Russian relations is to assume that they once were actually quite robust but have only recently become problematic. While certain members of the EU (mainly Germany and Italy) conducted trade with the Soviet Union during the 1980s, often receiving energy in exchange for high-technology and industrial machinery, it wasn't until the collapse of the Soviet Union that trade relations blossomed. From the outset, however, political considerations have been a part of the trade relationship between the newly established Russian Federation and the EU.

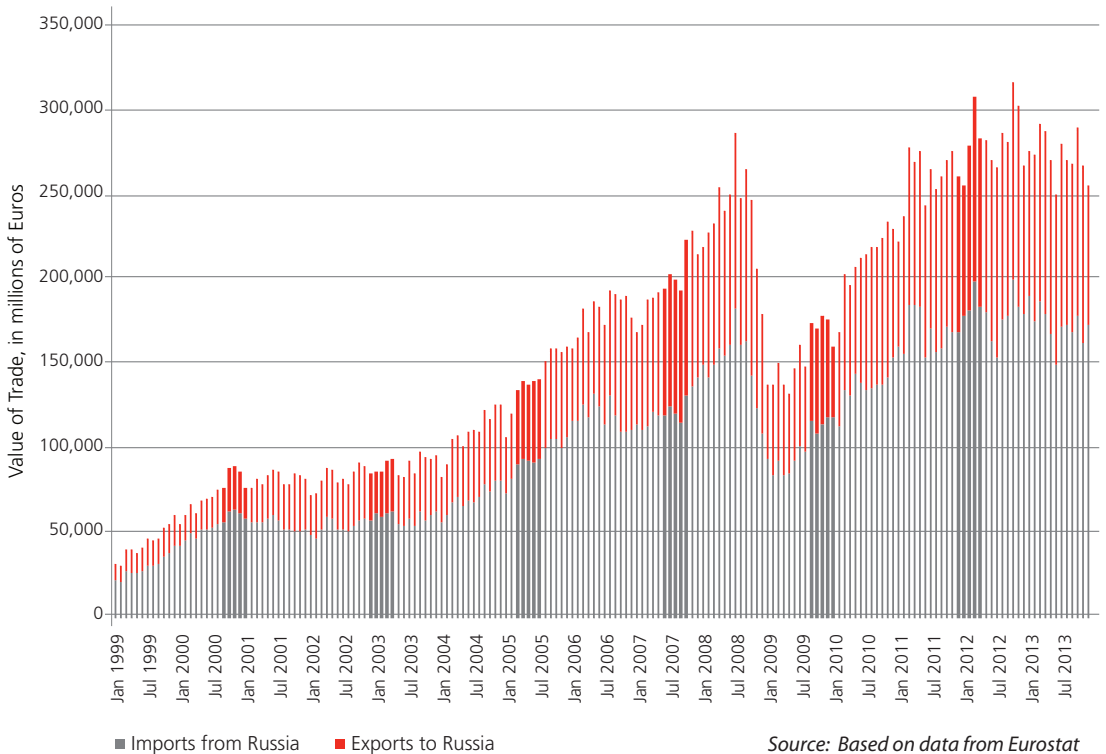
For example, the EU concluded a PCA with Russia in 1994 that took an unexpectedly long two years to conclude, especially since the EU had entered into a trade and cooperation agreement with the Soviet Union in December 1989. The negotiations dragged on mainly due to Russian objections to political conditionality, which the EU believed was crucial, as well as Russia's insistence on making the PCA a stepping stone to a free trade area.<sup>2</sup> From the EU side, the PCA only entered into force in 1997, due to European disapproval over the first Chechen war.<sup>3</sup>

During the late 1990s and early 2000s, there still remained some harmony in the EU-Russian approach to trade policy, and, building on the PCA, the two devised a series of four 'Common Spaces' to guide the next decade of trade-building and integration (including a space on 'economic affairs').<sup>4</sup> Negotiations began in 2005 to replace the PCA, which had become increasingly outdated,<sup>5</sup> and road-maps towards realising the common space in economic affairs were beginning to be constructed. However, continued resistance on issues of conditionality led to political tension and little progress in negotiating the new agreement. Eerily similar to the PCA negotiations over a decade earlier,

the EU continued to use the rhetoric of common values as a tactic of political conditionality, an approach which Russian negotiators steadfastly refused to accept.<sup>6</sup> The pushback by the Russians dovetailed with additional "conceptual and technical disagreements [which] dogged negotiations", while political issues external to the trade realm contributed to "a wider deterioration of EU–Russia relations".<sup>7</sup> These political disagreements, including increasing political centralisation in Moscow and the Russian response to the 'colour revolutions' throughout the ex-Soviet space, inevitably rebounded to the detriment of the trade negotiations.<sup>8</sup>

It is the policymaker's fallacy to believe that trade only occurs because of delicate negotiations (and not comparative advantage), and even without an overarching trade agreement, trade between the EU and Russia increased over this period, right up to the global financial crisis (Figure 1). But the headline trade numbers miss the reality that trade between the two partners has always lacked diversification, with energy dominating the EU's imports from Russia and machinery dominating the exports. These trends have been constant throughout the history of EU-Russian trade relations, with Russia consistently supplying

**Figure 1.** EU-27 Trade with Russia, 1999-2013



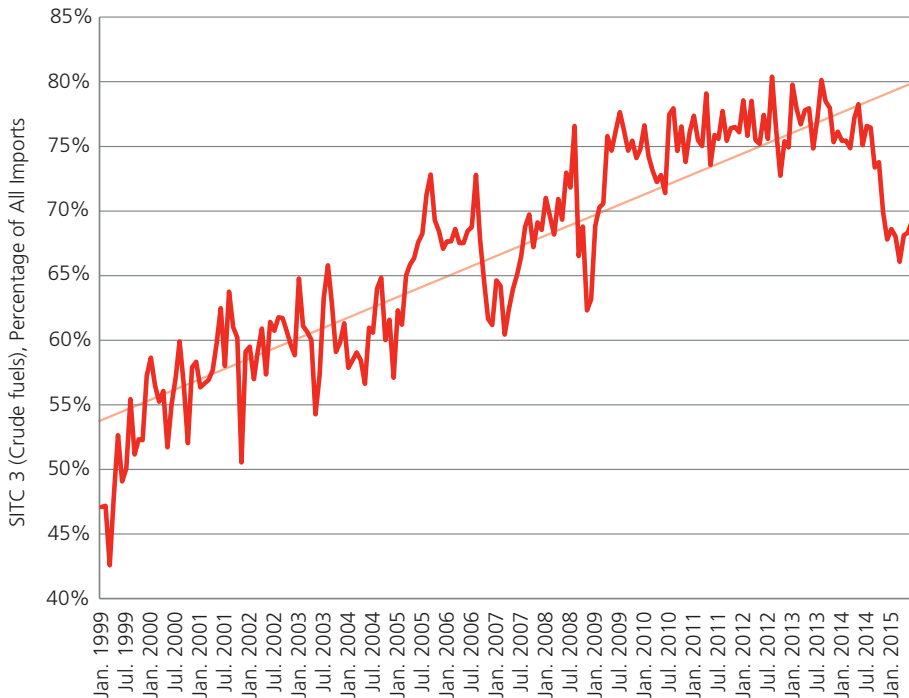
approximately 33 percent of the EU's oil and an average of 35 percent of its natural gas.<sup>9</sup> In fact, the EU's reliance on Russia fuels has increased over time, making up approximately 80 percent of all imports from Russia at its peak (Figure 2). Indeed, since 2008, Russia has been, for the EU and in US Senator John McCain's memorable words, "a gas station masquerading as a country".<sup>10</sup>

With the advent of the global financial crisis of 2007-09, trade around the world plummeted, but especially in regards to the EU-Russian relationship. The global financial crisis, followed closely by the ongoing Eurozone sovereign debt crisis, has kept growth low and demand muted in both Russia and the EU. The EU-27's total consumption expenditure as of Q2 2014 was a mere 18 percent higher than it was in Q1 2006, and imports from Russia in 2014 by value were at the same level as they were in 2007 (when, incidentally, the Euro was much stronger). Similarly, EU exports grew overall by 36 percent over the same time span (2006-2014), but were stagnant with Russia, peaking in 2011 and returning to their 2008 levels by 2014.<sup>11</sup> Consumption in Russia had a bit better run, buoyed by high oil prices, but expressed in constant US dollars, it had only increased by 25 percent from 2007 to 2014,

meaning less of an appetite for imports; additionally, given the stagnant investment climate in Russia over this same timeframe (investment as a percentage of GDP is consistently in the 20 percent range), this translated to less demand for machinery, the number one export from the EU to Russia.

In tandem with the economic slowdown in both regions, Russia's own institutional and economic evolution continued to disappoint. In particular, WTO accession did not restructure Russia as planned, as it was accompanied by many caveats, qualifications, and hedging against the policy adjustments needed. This lack of exposure to true liberalisation meant that the Russian economy has not had to adjust to competitive forces, and instead has become more reliant on the government to protect its markets. This was a recipe for stagnation even before the imposition of sanctions, and has been compounded by Russia's continuing use of trade as a political weapon. Russian policymakers have spoken openly of using trade policy in the service of political, rather than economic goals. Indeed, Vladimir Putin's 'Kandidat in Economic Sciences' dissertation from the St Petersburg Mining Academy in 1997 outlines an intensely nationalistic policy where national champions

**Figure 2.** Mineral Fuel Imports from Russia, as Percentage of all Imports from Russia



use their market share to disadvantage foreigners while retaining low and subsidised prices for the Russian market.<sup>12</sup> With such an underlying philosophy, tenets of free trade have no sustainability and have been regularly abandoned in pursuit of short-term political gain.

Finally, there may have been a growing realisation of the lack of compatibility of Russia and the EU during the crisis years, as these institutional issues have been compounded by both the EU and Russia's economic interests being focused elsewhere over the past decade. The continued rise of China on Russia's borders and its interest in fostering the so-called BRICS grouping has re-oriented its gaze towards emerging markets, a trend which has accelerated since 2013. Similarly, the EU has also struck out beyond Europe to conclude trade agreements with Mexico, Chile, Singapore, Peru, Colombia, and South Korea, to name a few, over the past five years. Moreover, the EU's focus in trade agreements has also shifted towards 'WTO-plus' arrangements, which encompass more than merely trade preferences but also cover intellectual property, trade in services, and environmental or labour standards.<sup>13</sup>

The divergence between the EU and Russia on the conduct of trade policy, present since the beginning of their relations, coupled with the increasingly diminished perception of the importance of the other in future trade, meant that the relationship was always quite fragile. In such an atmosphere, it would not take much to expose a rift between the two trade powers.

## UKRAINE: THE BREAKING POINT

The catalyst that did expose this rift was of course Ukraine, the primary reason for the current abysmal state of Russian-EU economic relations. Since 2010, Russia had accelerated efforts to develop the EEU, implicitly as a counterbalance to the EU and the US, first via the establishment of the ECU, eventually to become a SES. This Union, whose existence was not wholly supported by economic need, also forced smaller ex-Soviet countries to choose a side either with or against the Kremlin, as membership in the EAEU and the EU accession track appeared incompatible.<sup>14</sup> Ukraine was the prize in this struggle, as numerous economic analyses of the EEU's viability by the organs of the Union itself concluded that Ukraine's entry would be incredibly beneficial for trade with Russia and Kazakhstan, even if Ukraine itself did not see much benefit.<sup>15</sup>

Given the interest of the EEU in Ukraine becoming a member, and the equally serious intent of the EU to sign an AA, former Ukrainian President Yanukovich played a dangerous game in courting both suitors. With a summit planned in November 2013 in Lithuania to sign the AAs with Ukraine, Georgia, and Moldova, Yanukovich made an abrupt *volte face* towards the EEU, leading to street protests throughout the country and his eventual ouster. His replacement with a solidly pro-EU government, committed to signing the AA, was seen as a political defeat for the Kremlin. Putin immediately set about rectifying this perceived injustice with a swift invasion and annexation of Crimea and military infiltration in the east of the country. This conflict continues to this day, with the entire Donbas area frozen in an odd and violent limbo.

The events of 2014 in Ukraine have had a substantial effect on EU-Russian trade relations across the entire spectrum of economic issues; in the first instance, the ongoing conflict disrupted (and continues to disrupt) commerce in the region writ large, as typified in the downing of Malaysian Flight 17 by Russians or Russian-backed separatists in July 2014, with trade infrastructure centred on Eastern Ukraine all but destroyed. But more importantly, hoping to punish Russia for its flouting of international law, the EU imposed an array of sanctions on Russia beginning in March 2014. Starting as a series of travel bans and asset freezes against specific members of Russia's political class, the sanctions expanded to encompass prohibitions on financial dealings with Russian state-owned banks, import and export of dual-use technology, and sales of energy-related equipment or services necessary for energy exploration.<sup>16</sup>

The sanctions marked a definite shift in the EU's trade policies towards Russia; after two decades of offering trade carrots to Russia in the hopes of consolidating democratic gains, the EU shifted to using trade sticks for the same reason. But while sounding impressive, in reality the sanctions regime that the EU (and the US) has imposed on Russia is rather milquetoast, especially if used as an enticement for democratic change. One of the key difficulties for the EU, as on so many issues, has been the need to get 28 disparate actors on board, in this case especially on the purpose of sanctions but also their scope. This lack of unanimity has led to 'lowest common denominator' sanctions, enough to disrupt normal commerce but not enough to actually shift Russian behaviour. With German and French businesses lobbying heavily against more stringent measures, some in the EU have been searching for a way out of even these mild sanctions ever since the Minsk 'peace' plan.<sup>17</sup>



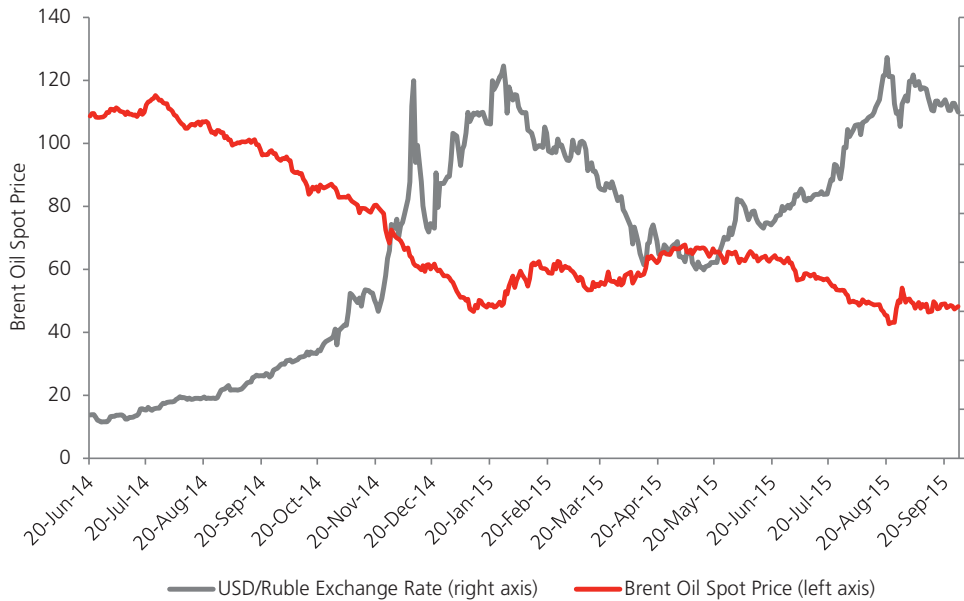
One a more fundamental level, however, the lack of understanding of an end game for sanctions has been the underlying problem for the EU: is the EU trying to force a regime change in Russia? Is it trying to push Russian troops out of Eastern Ukraine? Is the EU applying economic leverage so that Russia gives back Crimea? If any of these have been the purpose of sanctions, the current regime has been a failure, as Russia remains entrenched in Crimea and Russian troops move about with impunity in the Donbas, while Vladimir Putin has consolidated his own power base and steadily eliminated opposition (witness the murder of Boris Nemtsov in February 2015). The question thus becomes, at what point does the EU declare that sanctions have been a 'success' and end them? If used just to punish Russia for its behaviour, but without actually seeking to alter that behaviour, the sanctions end up being an unjustified government intervention in free commerce. More importantly, if it comes down to which trade bloc can use trade more effectively as a weapon, the EU is outmatched and outclassed, as Putin has been doing this for years.

Perhaps I am being too negative here, for sanctions have had a demonstrable impact on the Russian economy, which was already sliding into recession as of 2013. Sanctions have accelerated Russia's dependence on gas and oil as primary export earners, as these are the only products still in demand in the EU (and over 50 percent of Russia's oil and gas earnings come from its European market). Other industries in the country, including the high-tech industry, have been floundering due to sanctions and the repressive political atmosphere, which clashes with the free-wheeling entrepreneurial atmosphere of most tech start-ups.<sup>18</sup> This concentration of Russia's economy in the volatile world of commodities does not bode well for the country's economic or political stability, as can be evidenced by the rapid decline of the ruble in end-2014 and early-2015 in response to oil price changes (Figure 3). Indeed, it has been the precipitous decline in oil prices, not the combined weight of sanctions, which has done the most damage to Russia in the past year. If the sanctions regime expands to encompass financial access (as in throwing Russia off the SWIFT system), there is a likelihood of more economic pain, but for the moment, Moscow's greatest trade threats come from Russia.

## CONCLUSION AND POLICY RECOMMENDATIONS

Asking 'how can we improve EU-Russian trade relations' is, in some sense, a false question, as the EU could improve trade relations immediately by dropping all sanctions and accepting what Russia has done in Crimea and Eastern Ukraine, as well as stopping their quixotic demands for conditionality in any new trade agreement. This is near-impossible, however, as the events in Ukraine have been more than the garden-variety economic disagreements that have emerged over the years between Moscow and the EU; indeed, Russia's invasion of Ukraine was and continues to be explicitly anti-EU. Ukraine made a turn away from the EEU and towards the EU, a step which was not allowed in Moscow, and thus intervention had to follow to drag Ukraine at the very least out of the EU (if not into the EEU). For the EU to accept this state of affairs as a *fait accompli* and perhaps acknowledge that Moscow has untrammelled influence over the economics of its neighbours is to acquiesce in another Yalta agreement. Moreover, such an approach is likely to see little trade gain for the EU in the long term.

A more salient question is, however, is the EU-Russian trade partnership even worth saving? Both parties were already drifting apart from each other and had little inclination to come back to the negotiating table. In one sense, the EU has already made its decision on the desirability of future EU-Russian trade. From Ukraine's point of view, its definitive turn to the west was always in its best interests, even with the Russian invasion. Ukraine will benefit immensely from duty-free access to the EU market, in terms of increasing competition, forcing restructuring within the economy, and enabling producers a whole new arena for sales. While quality standards remain a problem for Ukrainian exporters, the allure of the EU market should help to improve those standards, as would the promised technical assistance from the EU in helping to harmonise standards and quality infrastructure. This state of play is the direct opposite of the scenario where Ukraine accedes to the EEU, as economic modelling showed EEU members gaining hugely but Ukraine failing to benefit; instead, the EU's gains from freer trade with Ukraine will be muted at first, given the somewhat sclerotic nature of the Ukrainian economy, with the biggest gains likely to come from Ukraine's proficient agriculture sector. On balance, however, slow gains from agriculture are unlikely to compensate for the loss of Russian energy combined with the huge technical costs in bringing

**Figure 3.** US dollar/Ruble Exchange Rates versus the Price of Oil, 2014-15

Source: Author's calculations based on Bloomberg data.

Ukraine up to European standards. The fact that the EU has continued its sanctions regime and gone through with the AA, even in the face of these considerations, means that it has cast in its lots with Ukraine over Russia.

Similarly, Russia has given up trying to please the EU, and Russian policymakers have loudly proclaimed a pivot away from the EU and an attempt to expand Russian markets in emerging economies.<sup>19</sup> Expanding the EEU to the Caucasus and even into Southeast Asia, away from the EU's disapproving glare, may help Russia to compete in the areas that it does have a comparative advantage, although once again the political repressiveness in the country has not been conducive to spurring exports. So long as Putin's idea of national champions and industrial policy run for the political class has deep roots in Russia, the country's economic prospects will flounder. In the same vein, if the EEU continues its move towards becoming 'Fortress Eurasia' rather than a true conduit for liberalisation, it will be much harder for the EU to trade with Russia, sanctions or no sanctions. And

it is highly unlikely that trade will diversify anytime soon, remaining concentrated in commodities and especially energy; this likelihood is all the more possible given the dire fiscal straits Russia finds itself in, and given its foreign adventure in Syria, which will increase reliance on energy exports to fund the budget.

As a consequence of Russia's faltering economy and political moves, there is no easy way out for the EU from the mess it finds itself in vis-a-vis its economic relations with Russia, as so much of it depends on the politics. For the foreseeable future, the EU will still be dependent on Russian energy, as the steps taken since the advent of the crisis to reduce this dependency have been ineffective. The preferable solution is, of course, for Russia to withdraw its troops from Eastern Ukraine and end all support for the Russian separatists in the Donbas at a minimum; in an ideal world, the annexation of Crimea would also be reversed. Given that this is not likely to become reality soon, the EU thus faces a limited space for policy action. In the short term, the only way forward is:

1. The EU should decide the goal of its sanctions on Russia and re-structure them accordingly: either more stringent or more lax. Only in this manner can success be defined.
2. The EU should rethink its strategy connected with the EaP countries, with a focus on trade liberalisation and economic reforms. In this manner, the EU could recapture the mantle of free trade that it has lost somewhat over the past two decades.
3. Continued energy diversification, including a move to shale gas exploration, could reduce the EU's energy dependence on Russia and make the trade relationship less one-sided. With a more equal partnership, it is likely that trade can proceed along comparative advantage rather than political lines, reaching a 'natural' equilibrium. ■

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# Russia and the EU: The Global Cooperation Agenda

Alexander Titov

**T**wo factors are important for effective cooperation with Russia in the wider world. First, the EU needs to develop a downgraded, 'values-light' agenda focused on solving concrete challenges. Second, to achieve the first point, a common minimum set of shared principles needs to be agreed upon. The need for such change is underscored by structural barriers for constructing an international community based on general solidarity of interests and values held central to the EU.

There is a growing awareness of the limits to the EU's solidarist or normative approach to international relations, particularly evident in the Middle East, East Asia and even Europe, as exemplified in the Ukraine crisis.<sup>1</sup> The opposition to the EU's normative approach is usually expressed in the concept of a multipolar world or pluralist international society, favoured by Russia among others.<sup>2</sup> At the same time, there are challenges in security and other areas that demand a shared response from international actors who do not necessarily agree on all normative principles.

In dealing with Russia on global issues the EU should, therefore, develop a reduced agenda of short to medium-term aims, which are achievable without insistence on Moscow subscribing to the entire normative framework expected from the countries within the EU. To facilitate this turn, an attempt should be made to find a common denominator in their approach to international affairs. These minimum principles, acceptable to both Russia and the EU, can be defined as the basic package of the Westphalian system: sovereignty, territoriality, diplomacy, and great power management of global issues.<sup>3</sup>

The following chapter examines what those common principles between Russia and the EU could consist of, and explores how this modified approach can facilitate cooperation between Russia and the EU on several issues on the global agenda. Specifically, the focus will be on Syria, Turkey, the Middle East, and China, as well as non-regionally specific topics such as international trade, terrorism, and migration.

## SYRIA

The case of Syria is perhaps the most important current example of differences and potential for cooperation between Russia and the EU. There has been a fundamental difference in Russia and Europe's perceptions of the causes of the Syrian drama.

The EU saw the uprising against Assad as a legitimate expression of popular discontent. Moscow's view was more aware of the complex nature of Syria, with its ethnic and religious diversity sitting uncomfortably alongside a close-knit ruling group in charge of a strong army and security apparatus. Combined with intricate regional rivalries between the Gulf states, Turkey and Iran, the swift demise of the Syrian regime was seen as unlikely and – given the likely rise of extreme Islamic groups in its place – undesirable.

The Syrian case has allowed the Kremlin to pursue a policy that exemplified its core principles in international affairs: the priority of stability over revolutionary change, and state sovereign rights over humanitarian intervention.<sup>4</sup> At the centre of Moscow's criticism was the West's interventionist agenda of democratisation that has made the situation in the Middle East worse – from Iraq to Libya and Syria. President Putin<sup>5</sup> has consistently argued that the known devil of secular authoritarian states is the only effective structure to keep religious fundamentalism at bay.

A compromise over Syria has been hindered by these fundamental disagreements about the causes of the conflict. The immediate removal of Assad has until recently been a non-negotiable condition for the West,

while Moscow sees the current regime as the only force able to defeat IS. However, in the aftermath of the Paris attacks by the IS, some EU members, notably France, are moving closer to Moscow's position of side-lining the issue of Assad's fate for as long as it is necessary in order to defeat IS.

This might provide the beginning of a broader realignment of EU-Russia relations. The key would be to focus on practical solutions to a shared security concern, in this case destroying IS. In order to achieve this, there will have to be a division between primary goals (defeat of the IS), medium goals (the end to the Syrian civil war), and long-term goals (the establishment of democracy in Syria). To achieve the first two goals, a compromise with Russia is inevitable. This will require re-assessment of the EU's order of priorities in foreign policy, specifically the role of its normative goals. This may create a precedent on formulating a new model for dealing with Russia.

## TURKEY

Relations between Russia and Turkey, the EU's two largest neighbours, have been forced on to the international agenda after the shooting down of a Russian warplane by the Turkish Air Force in November 2015. Mediating the fallout might require considerable effort because the incident was not a tragic misunderstanding, but a logical development from the two countries' differences over Syria.

Turkey, with its 2 million refugees, remains the key to the EU's attempts to manage the refugee crisis. At the same time, Turkey's main objective, preventing the establishment of a Kurdish state, as well as support for some controversial rebel groups in Syria pose serious dilemmas for the EU. Worryingly, the shooting down of the Russian warplane can be seen as a Turkish attempt to impose a no-fly zone in Syria along its border, at the very time when Western opinion has been shifting towards Russia's position on Syria.

At the heart of the current standoff with Turkey is Moscow's belief that secular authoritarian rulers are the only effective bulwark against radical Islam in the Middle East. The Kremlin genuinely feels the threat of radical Islam to its domestic security and international order. This puts it at odds with Ankara's position of promoting religious revival in the Muslim world under its stewardship.

In both Russia and Turkey, the EU faces similar dilemmas over the principles guiding its foreign policy.<sup>6</sup> President Erdogan's politics are underpinned by Islamic revival, his aspirations as a leader of the Islamic world are evident, for example, in his open support for the Muslim Brotherhood in Egypt and Syria. The openly stated desire to restore Turkey's leading role in the region and the world has clear parallels with the Russian behaviour in Ukraine and the post-Soviet space.

The EU's approach to foreign policy is based on expanding its community of values.<sup>7</sup> Russia, on the other hand, protects the Westphalian system based on state sovereignty, non-intervention, diplomacy and great power balance. As a result, the EU's normative expansion has been securitised by Russia, seeing it and its derivatives such as human rights, democracy, and civil society, as a direct threat to the established system of sovereign statehood. Turkey is closer to Russia on these issues even if it is not so open about it.

Russo-Turkish relations are likely to occupy the EU's foreign policy because of the impact they will have on the current refugee crisis and the conduct of the Syrian civil war. In addition, energy politics, the issue of EU enlargement and the Ukraine crisis, particularly with regards to the issue of Crimean Tatars, who are historically close to Turkey, are also likely to be affected. The EU's role should be that of a mediator between Russia and Turkey, as stabilising those relations is a key component in enhancing security and stability in the EU's immediate neighbourhood.

## THE MIDDLE EAST

The fundamental danger in the Middle East is the collapse of the state as the dominant actor in international and social order. Relatively robust in the Middle East until 2003, the state as the core actor is being overtaken by non-state elements such as IS or violent anarchy, as has occurred in Libya.<sup>8</sup>

Both Russia and the EU have shared interests in preserving the basic building blocks of international system in the Middle East: state sovereignty, territoriality, and recourse to diplomacy as the prime means of solving disputes. For this to work, the EU needs to accept Russia's emphasis on limits to intervention on normative grounds, and engage itself in great power management as a pre-condition for addressing the

challenges in the Middle East, including effective action against international terrorism.

In this context, Iran's nuclear deal can serve as an example of successful cooperation between EU members and Russia on a shared security problem. It was achieved by focusing on clear objectives and accepting diplomacy as the main medium for reaching a compromise. As a consequence of Western sanctions being lifted, Iran is emerging as a potential replacement or counter-balance to Russia as a principal gas supplier to Europe. However, in dealing with Iran the EU would have to cooperate economically with a regime that does not share its core values to an even greater degree than Russia.

Egypt is another example of a problematic transformation in the Middle East. The Al Sisi regime is friendly with Russia for exactly the same reason that it has strained relations with the EU: the normative break in understanding political legitimacy between the EU and Russia. For the former, popular expression is all important; for the latter stability and preservation of secular state structures are paramount. However, the dangers to the very basis of the modern international order across the Middle East should help the EU and Russia agree on a minimal agenda of restoring sovereignty, and related principles of territorial integrity and non-interference in the domestic affairs of other states as the lynchpin of the international law. This would have significant implications for solving the Ukraine crisis.

## CHINA

One of the most important long-term factors arising from Russia's current estrangement from the EU is the impact it has on Russia's relations with China.<sup>9</sup> This has repercussions for the general balance of power in the world and might significantly affect the EU's economic and political security.

Differences in Russia's approach to China and the EU are best summarised by the absence of a normative dimension in Beijing's foreign policy. As a consequence, this has enabled Russia to build closer relations with China than the EU, even though the Kremlin is well aware of the strategic challenges presented to Russia by the rise of China.

There are several reasons for Russia's nuanced approach to China's presence in the former Soviet space. First, it can be argued that this is a case of Russia joining a project it cannot resist. Acceptance by Russia that China is stronger economically means it is seen as crucial to build relations with China, amicably manage its rise, and derive benefits from a special relation with it.

Second, in contrast to the EU, Russia and China have no ideological basis between for intrusion into each other's internal affairs. Consequently, there is no need to fend off demands for improving democracy and allegations of human rights abuses that have often been the stumbling block in EU-Russian relations. On the contrary, China is willing to acknowledge Russia as an equal – at least verbally – and eschews the moralising tone typical of the EU's approach.

Not being able to exclude both China and the West from the former Soviet space, the Kremlin seems to prefer China because it is more comfortable with it ideologically, it offers an appearance of equality, and is willing to delegate to Russia pre-eminence in political and security spheres. This will allow Russia to consolidate its hold on Eurasia at the expense of the US and the EU. This poses a significant challenge to the EU's ambition of creating a stable neighbourhood and may require further re-assessment of its relations with Russia in a wider context of world politics, perhaps by moderating its normative thrust in areas of practical concern.

## SANCTIONS AND GLOBALISATION

The near universal acceptance of free market globalisation has been the key Western achievement of the modern era.<sup>10</sup> The EU should safeguard and promote this achievement, which is being undermined by politically motivated economic sanctions that inevitably create a negative link between globalisation and national security.

The politicisation of the only universally accepted element of globalisation – free trade and economic liberalisation – leads to further securitisation of international trade and finance by Russia, already seen in a range of economic legislation. However, there is a wider problem of entrenching the idea of inherent potential danger in dependence on Western markets and finances by non-Western countries in general.

The EU should re-consider whether its security and prosperity is better advanced by entrenchment of Western institutions as the main standard around the world, or if economic sanctions can be used as an effective tool in foreign policy, which necessarily would undermine universal acceptance of Western-led globalisation. The issue of mutual dependence, and whether it enhances or endangers security, has not disappeared from the EU-Russia agenda.

There is a clear need for a more predictable system in international trade, particularly as there is a danger of the re-emergence of trading blocs as the principal forms of economic organisation of the world economy.<sup>11</sup> Within this context, continuing tension between the EU and Russia may prompt the latter to strengthen its ties with China to a much greater degree than Moscow would have found comfortable otherwise. The key is to agree on some basic principles which would safeguard Western-led globalisation, while removing incentives for non-Western countries to create rival systems to protect themselves against any future Western threats.

## CONCLUSIONS

The current juncture in foreign affairs poses many dilemmas for the EU and its member states. In the two crises dominating its foreign policy agenda, Ukraine and Syria, the EU is constrained to find a new model for dealing with the rapidly changing world. Russia presents opportunities for revamping the EU's foreign policy on a more sustainable basis for two, seemingly contradictory, reasons.

Russia's failure to fully democratise since 1991 means that it has a normative chasm in relations with the EU. This includes resistance to basic principles the EU is aspiring to embed in international relations: equality, human rights, democratic principles, and liberal rights of individuals. A challenge for the EU is to deal with a country which openly questions its fundamental values. This is particularly difficult because the extension of these values to the rest of the world has been regarded by the EU as a guarantee of global security and prosperity.<sup>12</sup>

Yet there is an opportunity too. Despite the gap in understanding the underlying principles of international organization, Russia is historically and culturally closer to the EU than most countries in the EU's neighbourhood. It retains and promotes the classical approach to international affairs, broadly based on realism or pluralism, whose elements are necessary for a more sustainable and pragmatic foreign policy.<sup>13</sup> The EU could benefit from rediscovering the core basics of international system by focusing on managing tensions between states through agreeing on common rules and principles, rather than by imposing its core values onto the rest.

A re-establishing of an agreement on some basic rules and institutions of international system, which will be acceptable to all international actors, could be an important step in building a secure international environment for the EU and the world. Finding a *modus vivendi* with Russia could, therefore, serve as a workable model for the rest of the world.

## POLICY RECOMMENDATIONS

1. The EU needs to develop a downgraded, 'values-light' agenda for dealing with Russia on global issues. The focus should be on solving concrete challenges over the short to medium term, for example in Syria, which are achievable regardless of Russia's acceptance of the normative framework expected from the EU or those aspiring to join it.
2. A common minimum set of shared principles in international relations needs to be agreed upon. These minimum principles at present can be defined as the basic package of the Westphalian system: sovereignty, territoriality, diplomacy and great power management of global issues.
3. The EU could benefit in practical terms by re-balancing its foreign policy towards agreeing a pluralist framework between states with different interests and values, rather than prioritising the spread of its core values on the others. This should allow the EU to maintain its soft-power advantage over the long term. ■



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# External Actors in EU-Russia Relations: Between Norms and Space

Richard Sakwa

**T**he breakdown in relations between Russia and the EU is one of the most significant events of the last quarter century. The end of the Cold War confrontation and the fall of the Berlin Wall in 1989 promised the creation of a 'Europe whole and free', as enunciated in the 'Charter of Paris for a New Europe' adopted in November 1990.<sup>1</sup> Instead, on the 25th anniversary of the dismantling of the 'iron curtain' across Germany and Europe, a new era of confrontation and division once again divides the continent. Between 1989 and 2014 Europe endured a 25 year crisis in which none of the fundamental problems of European security or global order were resolved and instead the continent very quickly plunged into a 'cold peace', a term first used by Boris Yeltsin at the Budapest meeting of the OSCE in December 1994. In 2014, the 'cold peace' gave way to what can be called the 'little cold war'. This is not a full-scale New Cold War, since it lacks the fundamental ideological contestation of the original or its global reach, but it does mimic some of its practices and has restored dividing lines across Europe.

How can we explain this betrayal of expectations? This chapter will outline four main processes: the tension between the normative and spatial ambitions of the EU which came to a head over Ukraine, the conflict between Atlanticist and Eurasian perspectives of European development, the failure to devise an adequate mode of reconciliation between wider and greater European agendas (which itself is a symptom of the failure of aspirations of pan-European integration of the sort enunciated by Mikhail Gorbachev for a 'common European home'), and finally the appearance of new multilateral associations that act as alternative poles of attraction to balance what is traditionally described as 'the West'. Although the Russia-EU relationship remains an important one, these four processes dilute the intensity of the link. In the final section, some of the lessons are considered.

## BETWEEN NORMS AND SPACE

The EU is today typically portrayed as a post-modern entity committed to a post-Westphalian agenda of universal values accompanied by a set of normative principles. These norms are the basis for the EU's

conditionality in dealing with external actors and its neighbours. Although internally the EU may have assumed some of the characteristics of a neo-medieval polity, with overlapping jurisdictions and no settled sovereign centre, externally in recent years it has been assuming an increasingly hard spatial configuration. Its frontiers are mostly governed by Schengen regulations establishing a common external border regime, and the pressure of refugee and migratory flows has prompted a wave of wall-building.

Decades of enlargement have pushed the EU into uncharted territory, in both symbolic and political terms. The expansionary dynamic through accession has now slowed, but there is no *finalité* in either spatial or normative terms. The EU remains an ambitious transformative agent in what are increasingly contested neighbourhoods. It is this which has brought the EU into confrontation with Russia. This is a conflict that neither side wanted, and which both sides sought to avoid. The EU devised various neighbourhood policies to ensure that the outer limits of EU territory did not harden into new lines of division. Romano Prodi, the president of the European Commission, declared that "I want to see a 'ring of friends' surrounding the Union and its

closest European neighbours, from Morocco to Russia and the Black Sea.<sup>72</sup> Cross-border cooperative networks were established, notably the Northern Dimension programme between Finland and Russia.

The tension between the universalistic aspirations of the EU as a post-modern norm-based project and the physical manifestation of the EU as a territorially-based entity introduces a permanent ambiguity in relations with external actors. The duality means that the EU employs a range of traditional diplomatic and other instruments while at the same time exercising a dynamic of conditionality that tempers realist interactions. The EU's dualism – between norms and space – became increasingly delineated when relations with Russia soured and they began to contest for influence in the so-called 'shared neighbourhood', the traditional borderlands between the two major zones of Europe in the *intermarium* between the Baltic and Black seas. For the EU, pragmatism and idealism are entwined in often uncomfortable combinations, while for Russia the traditional mix of conflict and cooperation gradually gave way to a more antagonistic relationship.

Nowhere is this clash between norms and spatiality seen more vividly than in the case of Ukraine. No other external actor has so poisoned relations between Russia and the EU. Indeed, the Ukraine crisis has fundamentally damaged the development of both the EU and Russia, to the extent that we can talk of Ukraine as the nemesis of a united Europe. But the Ukraine crisis is only the symptom of a larger failure to establish both the institutions and processes that could have fostered trust and genuine interdependence between Russia and the EU. Instead, on a whole series of issues, ranging from the energy relationship to neighbourhood policies, a pattern of antagonistic dependency emerged. These antagonistic relationships served both side's needs, but neither saw them as leading to the creation of some sort of partnership community.

## ATLANTICIST VS CONTINENTAL PERSPECTIVES

The tension between the normative and spatial configuration of EU-Russian relations has been exacerbated by the deep embedment of the relationship in larger constellations of power. On the western side, the EU is part of the broader Atlantic system. This means that relations between Moscow and Brussels are constantly mediated with an eye to Washington. This is not to

suggest that Brussels lacks agency or is unable to devise its own policies, but it does mean that on fundamental issues of security and foreign policy trajectories, the EU is constrained by alliance commitments. In other words, the EU is part of what some would call the hegemonic Atlantic system. This is the order combining, on the one hand, a normative narrative of liberal internationalism based on the rule of law and a network of rule-based institutions, and on the other hand, the NATO security system defending a specific territory although with larger ambitions. Once again norms and spatiality are in tension.

On the other side, Russia sought to develop as a traditional great power. Although not without its own normative dimension, above all the stress on state sovereignty and the defence of legitimately-constituted government, this is primarily an approach to international politics that is based on interests and traditional patterns of diplomatic interaction. Russia thus faced a double dilemma in engaging with the EU.

First, there was the relationship with the multiple agencies and bodies based in Brussels accompanied by a diverse pattern of interactions with the individual member states. What for the Atlantic alliance was praised as solidarity and unity in the Ukraine, notably in the imposition of sanctions, for Russia is perceived to be a type of subservience of the EU to American strategic concerns. In particular, Germany and Russia had long enjoyed a type of 'special relationship', which saw a series of intense bilateral contacts as well as the deepest economic links between any EU country and Russia. Germany's active lobbying for sanctions and the exertion of the necessary disciplinary measures against some of the more recalcitrant EU members came as something of a shock to Moscow. It should not have done, since modern Germany is a child of the Atlantic system. The country was rebuilt after the war with Marshall Aid, and its constitution reflects precisely the principles enunciated by the Atlantic Charter. The unification of Germany was achieved as part of the Atlantic system, and Germany has become the European anchor of the Atlantic system, while at the same time emerging as the voice of Europe.

Second, as if this was not complex enough, relations with the EU as a whole were mediated by the larger Atlantic context. Atlanticism is founded on principles that seek to move beyond classic balance of power concepts to institutionalise Wilsonian idealism. This is a universalistic ideology, one of whose specific manifestations has become support for democratic transformations accompanied in recent years by support for regime

change. Not surprisingly, Moscow's aversion to what became known as 'colour revolutions' only reinforced its conservative defence of legitimism.

Equally, the American plan to install elements of a missile defence system, initially intended to be placed in Poland and the Czech Republic, brought geopolitics back into the heart of the continent. Russia understood that to a degree the EU was a post-sovereign entity, yet the plan to install a system that was perceived to be a direct threat to Russia's security only reinforced its misgivings about what the loss of sovereignty could lead to. Post-sovereign normativity appeared to come into direct contradiction not only with territorially-based security systems but with the very existence of Russia as a sovereign state. Both its norms and space appeared to be under threat.

Plans to establish the TTIP were perceived by its critics in Moscow as some sort of 'economic NATO', deepening the gulf between Atlanticist and continental visions of Europe. Matters became all the more complex when some of the new East European post-communist member states looked to Washington and NATO to ensure their spatial integrity. In other words, traditional spatiality was prioritised over normativity. Rather than overcoming the logic of conflict, which the EU had done so successfully earlier in normalising relations between France and Germany, the EU appeared to become part of a system perpetuating traditional conflicts in the eastern borderlands. The EU worked hard to socialise the new member states in the ways of peace and reconciliation, but these endeavours were in the end undermined by its own embedment in an Atlantic system that in part shared these values but which was also part of a hegemonic global power, operating according to a very different logic. Geopolitics and post-modern normativity make very uncomfortable bedfellows.

## CONTINENTALISM AND THE CLASH OF INTEGRATIONS

The EU is at the heart of a dynamic concept of 'Wider Europe', a vision based on Brussels extending in concentric rings ultimately to encompass the whole continent. The stalling of the enlargement process placed an increase premium on the transformative agenda for the EU neighbourhood. The arc of good governance, economic liberalism and societal welfare was to be projected ever further to the East. This was an obviously attractive prospect to those living in the shadow of authoritarianism, corruption and poverty,

but it also came at the cost of forcing a choice on the lands in between. Like the EU, Russia is also enmeshed in larger external constellations of power. Two of these are continental in aspiration and shape Moscow's relationship with Brussels.

The first is the idea of Greater Europe, which draws on pan-European ideas of establishing some sort of political community from Lisbon to Vladivostok. Greater Europe advances a multipolar vision of the continent, with more than one centre and without a single ideological flavour. This is a more pluralistic representation of European space drawing on a long European tradition including Gaullist ideas of a broader common European space from the Atlantic to the Pacific to Mikhail Gorbachev's dream of a 'Common European Home'. Putin is heir to this tradition and even to this day repeatedly refers to the idea of Greater Europe, as does his foreign minister, Sergei Lavrov. Although inspired by geopolitical interpretations of territorial space, the Greater European idea seeks to find ways to overcome the logic of conflict that inevitably arises from geopolitics.<sup>3</sup>

The second external orientation shaping Russia's relationship with the EU is the increasingly complex plan for Eurasian integration. In his major programmatic article on the subject Putin lauded the success of the Customs Union with Belarus and Kazakhstan, which was completed on 1 July 2011, and the imminent creation on 1 January 2012 of the SES with the three countries including standardised legislation and the free movement of capital, services and labour. Putin outlined plans for the enlargement of this project and its evolution into the EEU and eventually a Eurasian Union.<sup>4</sup> The EEU formally came into existence on 1 January 2015 and currently has five members: Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia.<sup>5</sup>

In the 1990s the implicit condition of Russia's engagement with the EU was that it would not try to create a substantive alternative pole of integration around itself in Eurasia. In the twenty-first century the attempt to create just such a Eurasian pole was both cause and consequence of the growing gulf with the EU. Nevertheless, Putin insisted that the EEU was not an alternative but a complement to European integration. The idea is that it would become one of the pillars of Greater Europe, along with the EU, and thus provide a multilateral framework for engagement with the EU. In 2015, bilateral discussions between the EU and the EEU were encouraged by Angela Merkel and others.

Coming into existence at a time of confrontation with the Atlantic community, the inherent tensions in the EEU project have been exacerbated. None of its three founding members – Belarus, Kazakhstan and Russia – are comfortable with the loss of sovereignty that regional integration involves. Even Putin's enthusiasm waned when confronted by the difficulty of ensuring foreign policy coordination with EEU partners and their lukewarm support for Russia's positions during the Ukraine crisis. The EEU proved to be a poor instrument to advance the greater European agenda, and instead was in danger of consolidating the long-term rift with the EU.

## GREATER ASIANISM AND GLOBAL MULTILATERALISM

There are two more external constellations of power that play an increasing role in shaping Russia's relations with the EU and which potentially overshadow traditional representations of European continentalism. The first is the emerging Greater Asianism, with an increasing focus on Russia's bilateral relationship with China, embedded in a larger system that includes Central Asia. The emergence of a Greater Asia stretching from Minsk to Shanghai, with numerous sub-complexes, represents a powerful new framework for Russia's engagement with the EU. The tectonic plates have moved apart, and Europe is now divided into two.

Normative and geopolitical factors are driving Russia and China together. China engages with states in a traditional realist manner, while the emergence of what is perceived as a type of neo-containment in the Asia-Pacific region reinforces China's attempt to find alternative routes. This is what lies behind the New Silk Road project and its accompanying plan to invest in transport infrastructure to bridge the region between China and the EU. A number of grandiose schemes have been mooted for the construction of super-fast transport links between Europe and Asia, and there has even been talk of building a maglev line from Beijing to Berlin. China at present is not greatly concerned about increasing its political influence in Central Asia, a sphere in which it is willing to concede to priority to Russia (at least for the time being), but when it comes to economic matters, China's growing preponderance places it in a league of its own. For Russia there are both opportunities and dangers, accompanied by the fear that Russia will become a 'raw materials

appendage'. As far as China is concerned, alignment with Russia reinforces its particularist claims to a unique developmental path, and strengthens its defence of the principles of sovereignty and non-interference. Neither state is ready to establish a formal alliance or start any substantive balancing against the West, yet both states see a range of dynamic advantages in strengthening their cooperation. In the long term, energy, transport and strategic cooperation, as well as political coordination, entail the creation of a formidable power constellation that may come to rival the West.

The second alternative to Europe-centred developmental scenarios is the development of pan-Eurasian and non-western globalism. The SCO was founded in Shanghai on 15 June 2001 as a regional cooperative association. Its initial priorities included joint measures to counteract terrorism and extremism, and fostering cooperation in education, energy, oil and gas, transport, and communications. The SCO focuses on three areas of cooperation: regional security, the economy, and culture. Its membership comprises China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan. Belarus, Sri Lanka and Turkey are 'partners for dialogue', a sort of enhanced partner status, while Afghanistan, India, Iran, Mongolia and Pakistan have observer status. India and Pakistan for the first time were represented at prime ministerial level at the SCO summit in Ufa on 10 July 2015 and are on the way to full membership.

Alexander Lukin argues that the SCO initiative was given added momentum by the behaviour of the West:

"Thus, while the US was celebrating its victory in the Cold War and Francis Fukuyama was announcing the "end of history", China, India, Brazil and many other states in Asia, Africa and Latin America were eyeing the situation with concern. Had the US shown more restraint, developments would have taken a different turn. But Bill Clinton and especially George W. Bush chose to consolidate American successes and seek total US dominance in the world. Europe was unwilling to navigate an independent course and followed in Washington's wake".

Above all, for Lukin, "The united West increasingly took on the role of the world's policeman, substituting its ad hoc decisions for international law"<sup>6</sup> The organisation is not directed against the West, since its participants in one way or another are part of the Western system and benefit from it, but its members increasingly coordinate

their responses on major policy issues. With a Secretariat in Shanghai, the SCO is increasingly becoming a pole of attraction for countries far beyond its original Moscow-Beijing axis.

Equally, from being no more than a catchy acronym, the BRICS countries have begun to institutionalise their relationship. Although it lacks a permanent secretariat, it does have the makings of an organisational structure. BRICS is a loose association of countries that share certain interests, but it is not a formal international alliance. Nevertheless, the depth of the normative congruence is often under-estimated, focused on creating what is considered a more legitimate international system and one in which power relationships are more balanced. Policy proposals include plans for reform of the UN Security Council, to bring in Brazil and India at the minimum, as well as changes to the Bretton Woods institutions of international economic governance, notably the redistribution of voting shares in the International Monetary Fund (IMF).

The association to date has a strong South-South orientation, but Russia's membership ensures that it also represents a powerful East-South bloc to rival the hegemony of the North. The body brings together both developed and developing countries that have, for example, pursued common strategies in the WTO and the G20 to create a fairer order concerning agricultural trade policies. All of the BRICS countries are deeply enmeshed in the Atlantic system, and thus engagement with the association is far from exclusive. Just as with the bilateral Russo-Chinese relationship, so the development of multilateralism within the BRICS framework creates yet another 'island of separatism' that challenges the EU's and American dominance of the international system. At the same time, the BRICS is developing as a creative forum for new forms of engagement with the EU, and thus becomes an instrument to temper the potential for conflict.

These developments are accompanied by a range of initiatives for pan-Asian integration encompassing Russia, China, South Korea and many countries in between – variations of the Silk Road idea. The intensity and scope of these plans for spatial integration vary greatly, yet all are groping to find a formula that brings together various combinations of states in post-European integrative endeavours. The degree to which a substantive degree of sovereignty will be ceded to the institutions of integration remains

fundamentally contested. Together they suggest an alternative architecture to that of Wider Europe and offer some substance to the idea of Eurasia and Asia aligning along a different axis to that of the West. The surge in macro-continental regionalism reflects the attempt to find mediating institutions in a world lacking the stable bipolarity of the Cold War, and aspirations to overcome the asymmetries in the international system that arose in its place.

## CONCLUDING REFLECTIONS

Putin's disillusionment with the West and Europe has entailed not simply a shift to a greater Asian orientation, but also by a much more substantive attempt to give shape and substance to a re-energised vision of Russia as a bicontinental power.<sup>7</sup> Russia sought to avoid being ground between the EU and the rising powers of Asia. Hence the EEU initiative was a way of mediating relations with both the EU and China. While there has been an estrangement from the West in strategic and political terms, Russia has certainly not turned its back on Europe. Equally, the greater intensity of engagement with Asia, and in particular China, does not entail a shift from 'strategic partnership' to a far more exclusive 'strategic alliance', despite the calls for just such a bond following the chilling of relations with the West.

Russia's Greater Asian focus is driven by the perception that the West as a concept, a geopolitical actor, and a cultural project is showing signs of unravelling, accompanied by the rise of new geopolitical representations of 'the East'. Predictions about the imminent demise of the West are premature, yet its relative standing in the world is clearly being challenged. The EU's normative impetus is now over-shadowed by perceptions of geopolitical threat. Nevertheless, despite the hostile rhetoric, the Kremlin understands that the West retains an extraordinary cultural and economic dynamism. Yet the East is also reinventing itself, and is beginning to offer an alternative that is particularly attractive to the traditionalists within Russia. Even after the present crisis over Ukraine, Russia's relations with the EU will not be able to return to anything like the *status quo ante*. Given Russia's increasing orientation towards multilateral bodies such as the SCO, BRICS and various Silk Road endeavours, as well as increasingly close relations with China, a fundamental strategic rethink by all parties is required.

## POLICY RECOMMENDATIONS

1. The breakdown of the European security system can only be overcome by a new 'politics of transcendence,' of the sort outlined by Mikhail Gorbachev at the end of the Cold War. This encompasses a review of threat perceptions, the establishment of equal and inclusive institutions and processes, and the acknowledgement of geopolitical and ideological pluralism.
2. Russian foreign policy needs to become more strategic and less influenced by Cold War threat perceptions. Above all, denunciation needs to give way to engagement, not only with Atlantic institutions but also with domestic pluralism, and on this basis a more dynamic and self-confident approach should be devised.
3. The Atlantic and Eurasian tectonic plates in Europe have moved apart, yet both sides are fated to share a common landmass. Only a new and shared pan-continentalism can heal the rift, based on a reinvigorated vision of Greater Europe, accompanied by mutual recognition of past mistakes and the reciprocal forging of a new progressive European identity. ■

## NOTES

- 1 'Charter of Paris for a New Europe', Paris, 19-21 November 1990, <http://www.osce.org/node/39516>
- 2 Romano Prodi, 'A Wider Europe: A Proximity Policy as the Key to Stability', Brussels, 5-6 December 2002, [http://europa.eu/rapid/press-release\\_SPEECH-02-619\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-02-619_en.htm)
- 3 For an exploration of these issues, see Alexei A. Gromyko and V. P. Fëdorova (eds), *Bol'shaya Evropa: Idei, real'nost', perspektivy* (Moscow, Ves' mir, 2014).
- 4 Vladimir Putin, 'Novyi integratsionnyi proekt dlya Evrazii: budushchee, kotoroe rozhdetsya segodnya', *Izvestiya*, 4 October 2011, p. 1; <http://premier.gov.ru/events/news/16622>
- 5 Rilka Dragneva and Kataryna Wolczuk (eds), *Eurasian Economic Integration: Law, Policy and Politics* (Cheltenham, Edward Elgar, 2013); Piotr Dutkiewicz and Richard Sakwa (eds), *Eurasian Integration: The View From Within* (London and New York, Routledge, 2015).
- 6 Alexander Lukin, *Shanghai Cooperation Organization: Looking for a New Role*, Valdai Papers, Special Issue (Moscow: Valdai Discussion Club, 2015), p. 2, <http://valdaiclub.com/publication/79220.html>
- 7 Richard Sakwa, 'Dualism at Home and Abroad: Russian Foreign Policy Neo-Revisionism and Bicontinentalism', in David Cadier and Margot Light (eds), *Russia's Foreign Policy* (London, Palgrave Macmillan, 2015), pp. 65-79.



## **Part IV.**

# **Conclusions**

# Is Meaningful Cooperation Between the EU and Russia Still Possible?

Cristian Nitoiu

**M**ore than two years since Ukrainian citizens went to the Maidan square to express their pro-European attitudes and desire to get rid of systemic corruption, we can argue that the continental crisis spawned by these protests was part of larger trend in EU-Russia relations. Even though during the 1990s and early 2000s Europe and Russia experienced a mild honeymoon, relations between them never transformed into meaningful partnership. This was a time of compromise and ignorance. On the one hand, Russia realised its declining position in the international system and sought recognition as an equal from the EU (and the West). This made the Kremlin willing to compromise and accept some of the EU liberal agenda. On the other hand, the EU hoped that a modern and liberal Russia was well within reach, and failed to notice the resentment which Russian society developed towards the West. Moreover, during Putin's rule the EU ignored most of the warning signs which showed that Russia was not willing to compromise anymore, creating an increasingly deep chasm. The Ukraine crisis seems the ultimate expression of this rift, with both Europe and Russia sticking to apparently immutable red lines. Hence, for the past two years stalemate has been the best description for the state of EU-Russia relations.

More than anything the Ukraine crisis highlighted the fragility of the partnership between the EU and Russia. The little trust that both sides worked rather reluctantly to build for the past quarter of century was shattered in a few months. The dichotomy between conflict and cooperation was, before the crisis, a usual appearance in the literature on EU-Russia relations.<sup>1</sup> Now, the emphasis on cooperation has almost but disappeared, most voices on both sides seeing relations in rather stark conflictual terms. In the face of uncertainty regarding each other's intentions and actions the EU and Russia chose the easy way, assuming the worst in each other.

Both felt that the other was actively trying to change the status quo in the shared neighbourhood, and that it had to act with a firm hand in order to prevent this: the annexation of Crimea, the war in Eastern Ukraine, or the sanctions imposed by the EU are prime examples. Nevertheless, Europe and Russia have a long history

of living together and adapting to each other's needs. While the Ukraine crisis seems to have damaged EU-Russia relations beyond repair, there is still cause for hope that future meaningful cooperation is possible. More than anything, their close proximity will make Europe and Russia partners in facing a more disordered and unstable international arena. How they will adapt to this changing regional and global environment will undoubtedly determine the future of EU-Russia relations. Cooperation will only be possible if Europe and Russia choose, in times of uncertainty, to increase their dialogue rather than curtail it. The latter choice could mean the start of a New 'Cold War', with the nuclear danger looming over the European continent. In what follows, this concluding chapter identifies the main current issues of contention in key areas of EU-Russia relations and puts forward a series of practical recommendations.

1 Cristian Nitoiu, 'EU-Russia relations: between conflict and cooperation', *International Politics*, Volume 51 no 2, 2014, pp. 234-253.

KEY AREA	PROBLEMS	RECOMMENDATIONS
<b>THE SHARED NEIGHBOURHOOD</b>	<p>The EU and Russia have developed two mutually exclusive integration projects which they continue to promote in the shared neighbourhood. This has not only led to a zero-sum game, but has also put states in the region in the difficult and dangerous position of choosing between two giants. Construed as exclusive integration projects, neither can be properly implemented, and countries in the neighbourhood will continue to be the ultimate losers. Russia sees the region as an area where it has privileged responsibilities and part of its sphere of interest. This in turn makes it view any move by the EU in the region as infringing on its vital national interests.</p>	<p>Cooperation between the EEU and the EU should be sought by both sides. On the one hand, Russia should abandon its claims of having 'natural' interests in the shared neighbourhood. On the other hand, the EU should take seriously the EEU and start discussions for a possible free trade agreement – or ways in which the two integration projects could be made complementary.</p>
<b>POLITICAL RELATIONS</b>	<p>Up until the Ukraine crisis both the EU and Russia constantly avoided discussing issues that could potentially cause conflict. This led to a very lax and superficial strategic partnership which Brussels and Moscow upheld only symbolically. Moreover, EU member states rarely found agreement on how act towards Russia; a situation which mostly weakened the EU and gave Moscow incentives to develop a <i>divide et impera</i> approach.</p>	<p>The strategic partnership should be revamped and moved from pure symbolism, with precise areas of cooperation carved out. It should be based on cooperation in areas where both Russia and the EU are freely willing to bind themselves. Russia especially has to show more commitment than in the past for such a strategic partnership. At the same time, the member states should avoid encouraging Russia to seek individual deals that damage the EU's common approach.</p>
<b>EUROPEAN SECURITY</b>	<p>Russian rhetoric has for many years argued that the post-Cold War security environment on the European continent has never been settled. According to the Kremlin, this has allowed the EU (and the West) to constantly change the rules of the game against Russia's interests: the expansion of NATO, the independence of Kosovo, or the intervention in Libya are some examples frequently used. For its part, the EU has constantly criticised Russia for not respecting its security commitments on the continent (which Moscow sees as illegitimate).</p>	<p>In order to overcome these two incompatible positions, Europe and Russia should go back to the drawing board and start dialogue on a security framework which takes into account the current challenges of world politics. Particularly, Russia here would have to renounce zero-sum thinking and reverse its militaristic attitude – as well as those member states which advocate for strengthening the presence of NATO on their territory.</p>

KEY AREA	PROBLEMS	RECOMMENDATIONS
<b>ECONOMIC RELATIONS</b>	<p>Economic ties between the EU and Russia have mostly relied on the energy sector. The EU has not sought to diversify cooperation with Russia, seeing it (as it does most of its partners) as a consumer market. In this context, EU sanctions have hit Russian people hard, even though they might not have had a crucial effect in weakening the Russian economy. However, sanctions have been mild and less extensive than those imposed by the US.</p>	<p>The EU should consider making its sanctions regime either more lax or more stringent; the current situation is only harming the Russian people, but not really influencing the Kremlin. In a more long-term perspective, the EU should also focus on helping Russia develop its economy in a sustainable manner rather than encouraging Russian consumer industries.</p>
<b>ENERGY RELATIONS</b>	<p>The Kremlin has been very critical of the EU's diversification strategy, which it sees as a move against Russia's vital national interests. On their part, Europeans have argued that this move is motivated by the pattern of Russian use of energy as a political tool which has constantly left small states very vulnerable.</p>	<p>Rather than slowly moving from Russian energy to other sources, the EU should ensure that the costs for the Kremlin to use energy to put pressure on other states are very high. At the same time, Russia should treat smaller European states as equal economic partners and not use the price of energy against them.</p>
<b>UNDERSTANDING INTERNATIONAL RELATIONS</b>	<p>The EU and Russia share two very different views of international relations which have the constant potential to lead to deep disagreements. On the one hand, the EU emphasises liberal integration and multilateralism, while on the other Russia values sovereignty, stability, and pluralism in international relations. For Moscow this translates into a rigid interpretation of international law, which it upholds loudly when it is in alignment with Russian interests. More seriously, the two have contrasting views on the legitimate use of force in international relations, where the Kremlin sees the use of military power as a day to day occurrence in world politics, and the EU only as an extreme emergency measure.</p>	<p>Russia should try to have a more nuanced understanding of the use of force, especially in terms of protecting its own citizens living abroad. The EU should also not be dismissive of Russia's approach to international relations and dismiss it as uncivilised.</p>

KEY AREA	PROBLEMS	RECOMMENDATIONS
IDEOLOGY	The EU and Russia also advocate two very different types of political systems, which are not complementary; the Ukraine crisis was partly caused by the collision of the promotion of the two political systems. The Kremlin emphasises stability and conservative values, the EU liberal values and democracy. Both see each other's values as inferior, but the EU has had the active ambition to unilaterally impose its values on Russia and the shared neighbourhood.	Primarily the EU should refrain from exporting unilaterally its norms in Russia and the shared neighbourhood. Conversely, the Kremlin should be more open to accepting liberal values to be equal to conservative ones.
SOCIETY	The last ten years have seen in both Russia and the EU the rise of various far right nationalist groups. They have advocated Euroscepticism in the EU, while in Russia for a militarist society, anti-Western feelings, or conservative values. The incorporation of these views into official Russian rhetoric and policy has led to the gradual isolation of society and the development of anxiety and paranoia regarding Europe. References to history, with an emphasis on the 'Great Patriotic War' or 'Western betrayals', are pervasive now in the Russian public sphere. In the same vein, in the European public sphere Russia is portrayed as a perpetual aggressor, with Putin the ultimate villain.	The EU should consider whether the sanctions regime is further radicalising Russian society. The Kremlin should refrain from encouraging citizens to look to the past in order to legitimise the current militaristic atmosphere in the country. Shared cultural ties should be emphasised rather than scattered historical episodes of mutual betrayal.

## GOING FORWARD: LEARNING TO COOPERATE AGAIN

Most probably the EU and Russia will initially rediscover how to cooperate by ignoring the events of the Ukraine crisis. Dialogue will start on broader global issues such as the fight against terrorism, Iran, North Korea, Syria, or the refugee crisis. These are issues which are unlikely to elicit diametrically opposed views from Europe and Russia. The French willingness to cooperate with Moscow in Syria in the wake of the Paris attacks last autumn is testimony to the inclination of Europeans to gloss over the Ukraine crisis in order to tackle the 'crisis of the day'.

Nevertheless, meaningful cooperation which is not merely symbolic will only occur if the EU and Russia start constructing a dialogue on the thorny issues which in the past they cautiously avoided e.g. security, energy, ideology, etc. If such dialogue is not established in the near future we might be gradually slipping into a New 'Cold War', which, according to Prime Minister Medvedev's speech at the recent 2016 Munich Security conference, has already started. Finally, in restarting dialogue and cooperation both the EU and Russia should not overlook the interests of the states in the shared neighbourhood. Rather they should treat them as equals, and aim not make deals that increase vulnerability in the region. ■

# List of abbreviations

<b>AA</b>	Association Agreement	<b>EU</b>	European Union
<b>APEC</b>	Asia-Pacific Economic Cooperation	<b>FTA</b>	Free Trade Agreement
<b>ASEAN</b>	Association of Southeast Asian Nations	<b>GDP</b>	Gross Domestic Product
<b>BRIC</b>	Brazil, Russia, India, China	<b>IMF</b>	International Monetary Fund
<b>BRICS</b>	Brazil, Russia, India, China and South Africa	<b>IS</b>	Islamic State
<b>BSEC</b>	Black Sea Economic Cooperation	<b>MRA</b>	Mutual Recognition Agreement
<b>CEE</b>	Central and Eastern Europe	<b>NATO</b>	North Atlantic Treaty Organisation
<b>CFSP</b>	Common Foreign and Security Policy	<b>PCA</b>	Partnership and Cooperation Agreement
<b>CIS</b>	Commonwealth of Independent States	<b>SES</b>	Single Economic Space
<b>CSDP</b>	Common Security and Defence Policy	<b>SCO</b>	Shanghai Cooperative Organisation
<b>CSTO</b>	Collective Security Treaty Organisation	<b>TANAP</b>	Trans-Anatolian Natural Gas Pipeline
<b>DCFTA</b>	Deep and Comprehensive Free Trade Area	<b>TAP</b>	Trans Adriatic Pipeline
<b>EaP</b>	Eastern Partnership	<b>TTIP</b>	Transatlantic Trade and Investment Partnership
<b>ECU</b>	Eurasian Customs Union	<b>TTP</b>	Trans-Pacific Partnership
<b>EEAS</b>	European External Action Service	<b>UK</b>	United Kingdom
<b>ENP</b>	European Neighbourhood Policy	<b>UN</b>	United Nations
<b>EP</b>	European Parliament	<b>US</b>	United States of America
<b>ESDP</b>	European Security and Defence Policy	<b>WTO</b>	World Trade Organisation

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to the UN and WTO in Geneva

### **CONTACT US**

Email: [ideas.strategy@lse.ac.uk](mailto:ideas.strategy@lse.ac.uk)  
Phone: +44 (0)20 7955 6526  
[lse.ac.uk/ideas/strategy](https://lse.ac.uk/ideas/strategy)



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