

EU and EEU: Conflict, Competition and Cooperation – The Russian Perspective



- 1. EU-Russia Relations: from passion to divorce
- 2. EEU: a short story of opposition to EU
- 3. ‘Extended Neighborhood’: EU, EEU and OBOR

EU and EEU: Conflict, Competition and Cooperation – The Russian Perspective

- July 1968: The Regulation of the European Commission, concerning the rules of delivery of milk products into the USSR
- 1987: the first claim to the EU Court from the “Technointorg”
- 1988: Statement on establishing an official relationship between the Council for Mutual Economic Assistance and the European Economic Community
- 1989: Agreement on Trade, Commercial and Economic Cooperation

Introduction

PHARE

TACIS

Whereas the aim of the PHARE programme (Poland and Hungary: assistance for Restructuring their Economies) was to help the countries of Central and Eastern Europe in their transition to a market economy and to consolidate democratic regimes, the TACIS programme (Technical Assistance to the Commonwealth of Independent States) was intended for the countries of the former Soviet Union. As opposed to the PHARE programme, TACIS was a neighbourhood instrument, not a pre-accession instrument.



EU-Russia Relations: from passion to divorce

- Romantic stage (1991-1996)
- Critical stage (1996-1999)
- Pragmatic stage (2000-2019) 2000 – 2003, 2004-2008, 2009-2014, 2014-2019

Stages of the EU-Russia Relations

- August 1991 – the failure of the August coup



- Visit of B. Yeltsin to Germany
 - 1993 – the draft of the Foreign Policy concept
 - October 1993 – the October coup
 - June 1994 – PCA (signed in 1997)
 - January 1996 – full membership of Russia in the Council of Europe
 - February 1996 – the EU aid package to Russia
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- ❖ Russia asserted that it didn't see itself part of the ENP because its particular status requires a different relationship with the EU.
- ❖ The legal basis of EU-Russia relation is the PCA (Partnership and Cooperation Agreement) of 1997 with the duration of 10 years.
 - It covers:
 - ❖ **Trade co-operation:** liberalisation of trade based on most-favoured-nation (MFN); legislative harmonisation; provision on the establishment and operation of companies, services; current payments and the movement of capitals; co-operation and intellectual policy.
 - ❖ **Co-operation in science and technology, energy, environment, transport and space.**
 - ❖ **Political dialogue:** on international issues, democracy and human rights;
 - ❖ **Justice and home affairs:** co-operation to prevent illegal activities.



Bilateral institutional contacts are at large extend regulated by the PCA which expired in 2007 but it has been prolonged on an annual basis pending on new negotiations with Russia.

Germany and France increasingly indulge towards Russia, for example, the EU has repeatedly chosen not to criticize Moscow's use of violence in Chechnya; the only thing that the EP did was to temporarily delay the ratification of the EU-Russia PCA and put TACIS funding on hold in the late 1990s.



- ❖ The EU ties relations with its neighbours through what is called the ENP (European Neighbourhood Policy)
- ❖ The ENP is the flagship of the EU's policy towards its neighbours with individual action plans but the ENP does not offer an effective membership in the EU and it's for this reason that it often becomes difficult to promote changes in those countries

1. Consolidation of democracy, the rule of law and public institutions in Russia
2. Integration of Russia into a common European economic and social space
3. Cooperation to strengthen stability and security in Europe and beyond
4. Common challenges on the European continent

June, 4 1999 Common Strategy of the European Union on Russia (CSR)

EU-Russia Relations in 2003 – 2008: Frustrating Partnership

and Russia looked at the EU as a model for its development. 2003-2008:

- 2003 – EU-Russia Summit in SPb (energy issues; road maps; 4 pillars of cooperation)
 - 2004 – European Neighborhood Policy
 - 2004 – big bang enlargement of the EU
 - 2006 – Ukraine – Russia energy crisis
 - 2008 – Russian-Georgian War
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- to provide a more detailed framework for mutual cooperation:
- economic relations;
- freedom, security and justice;
- external security;
- and research and education.

‘Common Spaces’ of 2005

- Carl Bildt: ‘When Moscow asks to be treated as “an equal”, it effectively means that it does not want to join Europe by accepting EU principles of behaviour, but that *it wants to be an equal partner with whom Europe should negotiate these principles in the first in place.*[...]
 - the West often tried to bend over backwards to integrate its former adversary along with its former allies into Western networks of institutions. But it is also true that *the West never considered doing this on the basis of principles other than those of liberal democracy.*
 - the EU’s efforts to facilitate democratic reforms in Russia were treated as interferences in Russia’s internal affairs because *Moscow was never interested in becoming a European-style democracy.*
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Communication from the Commission to the Council and the European Parliament, *Wider Europe - Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours*, 11 March 2003

- The accession of the new member states will strengthen the Union's interest in enhancing relations with the new neighbours. Over the coming decade and beyond, the Union's capacity to provide security, stability and sustainable development to its citizens will no longer be distinguishable from its interest in close cooperation with the neighbours.
 - The November 2002 General Affairs and External Relations Council launched the work, noting in particular the situation of Ukraine, Moldova and Belarus – new neighbours on the Union's land border. The December 2002 Copenhagen European Council confirmed that the Union should take the opportunity offered by enlargement *to enhance relations with its neighbours on the basis of shared values*.
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- Article 4. A *DIFFERENTIATED*, PROGRESSIVE, AND BENCHMARKED APPROACH
- EU should aim to ensure a more coherent approach, offering the same opportunities across the wider neighbourhood, and asking in return the same standards of behaviour from each of our neighbours, *differentiation between countries would remain the basis for the new neighbourhood policy.*
- In the run-up to the parliamentary elections in 2004, the EU should aim to engage *Belarus* in a measurable, step-by-step process focused on creating the conditions for free and fair elections and, once achieved, the integration of Belarus into the neighbourhood policy, without compromising the EU's commitment to common and democratic values.

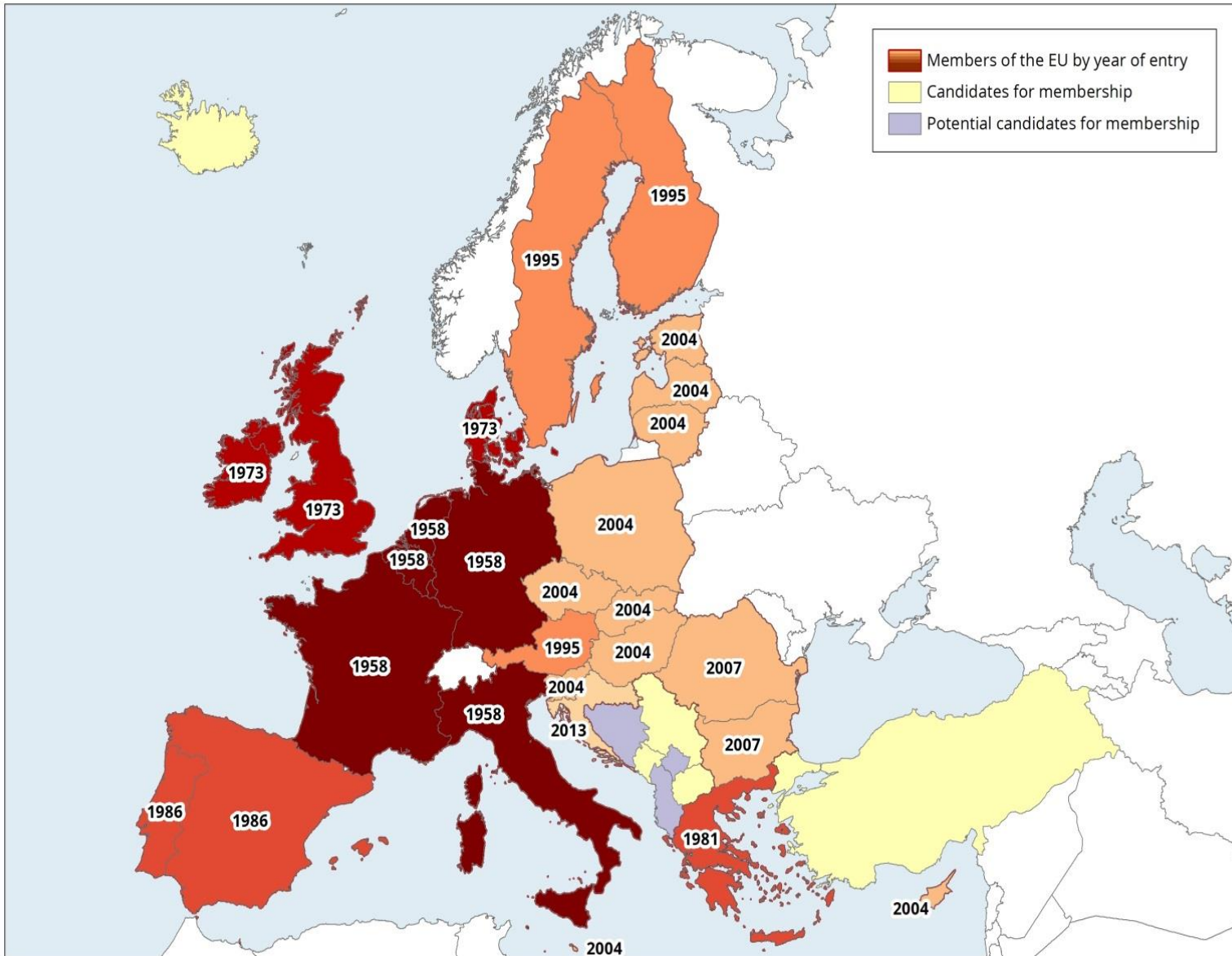
ENP - 2003

- Russia's position changed dramatically when in 2009 the EU launched the Eastern Partnership, a policy in the framework of the ENP aimed to six countries in the post-Soviet space – Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine – with the goal of bringing them closer to the EU through deepened cooperation and integration on the basis of EU values, norms and standards.
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- “Near abroad” concept implies a hierarchical relation among states, where the ‘weaker’ countries of Eastern Europe are defined as a strategic area of interest of the Russian ‘great power’; sphere of interests (V. Putin) and vital privileged interests (D. Medvedev).
- The EU strongly pushed the EaP initiative after the outbreak of the Russo-Georgian war of August 2008 sent an equivocal message – contested shared neighborhood.

Contradictions

ENLARGEMENTS OF THE EU, 1958 - 2013



Source: EU



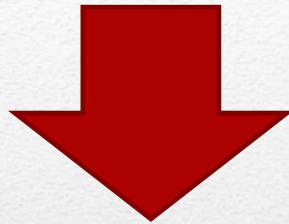
EEU: a short story of opposition to EU



Documento	Treaty on the Commonwealth of the Independent States (CIS)я	Treaty on the Customs Unionя	Agreement on Increased Integration in the Economic and Humanitarian Fieldsя	Treaty on the Customs Union and the Single Economic Spaceя	Treaty on the establishment of the Eurasian Economic Community (EurAsEC)я	Treaty on forming the Single Economic Spaceя	The Customs Unionя	Treaty on the Eurasian Economic Commissionя	The Single Economic Spaceя	Treaty on the Eurasian Economic Unionя	
Signedo	1991я	1995я	1996я	1999я	2000я	2003я	2010я	2011я	2012я	2014я	
In-forceo	1991я	1995я	1996я	1999я	2001я	2003я	2010я	2011я	2012я	2014-(2015)я	
Participantso	Russia, Belarus, Kazakhstanя	Russia, Belarus, Kazakhstanя	Belarus, Kazakhstan, Russia, Kyrgyzstanя	Belarus, Kazakhstan, Russia, Kyrgyzstan, Tajikistanя	Belarus, Kazakhstan, Russia, Kyrgyzstan, Tajikistanя	Belarus, Kazakhstan, Russia, Ukraineя	Belarus, Kazakhstan, Russiaя	Belarus, Kazakhstan, Russiaя	Belarus, Kazakhstan, Russiaя	Belarus, Kazakhstan, Russia, Armenia, Kyrgyzstanя	
			Enlargement of Humanitarian tiesя								
				Forming Economic Spaceя							
										Eurasian Economic Unionя	

- Russian Federation
 - Ukraine
 - Belarus
 - Armenia
 - Moldova
 - Kazakhstan
 - Kyrgyzstan
 - Tajikistan
 - Turkmenistan
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- 1990s – the EN low priority in the Russian foreign policy (the CIS project)
- 1995 – B. Yeltsin. “Near abroad” into the Russian foreign policy agenda



The situation has been dramatically changed since

- NATO’s enlargement and military intervention in Kosovo in 1999
- the 2004 Orange Revolution in Ukraine

Russia, EaN and the Eurasian Project

The EN should be approached as Russia's sphere of 'interests' rather than of 'influence'.

Three sets of interests:

- politico-military (e.g. military bases, generating diplomatic support from the region),
- economic (e.g. trade, energy, labour migration)
- societal (language, minorities)

Interests or influence?

- Convergence is not guaranteed in states with membership aspirations (e.g. Moldova or Georgia)
 - nor is it precluded in states with low interdependence with the EU (e.g. Armenia)
 - other actors beyond the EU influence policy change in the neighborhood (e.g. multinational corporations, national governments, donor organizations) and
 - the Russian involvement itself is not unitary (in some cases strong trade ties with Russian markets have reduced the incentive to approximate EU internal market norms and standards)
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- Georgia, August 2008. Was this event influential for the EU-Russia relations?
 - For the EU the answer is NO, although it was widely discussed and speculated around. Russia remained, at the same time, a fierce competitor and an indispensable *partner*.
 - For Russia the answer is NO, the EaP launch in 2009 had more powerful influence.
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- Russian “security culture” and NATO enlargement: NATO existence in Ukraine is perceived as a red line for the Russian Strategy
- The EU does not threaten this specific set of interests: the EaP has been deprived of its political components and, Russia had tolerated the deployment of Common Security and Defense Policy (CSDP) missions in Moldova and Georgia

Military interests of Russia

- The EaP is perceived as a potential threat
- growing awareness of the long-term transformative potential of EU structural power
- defusing the EaP as a platform for the structural power but also developing a new set of policies

Economic and Social interests of Russia

- Since the Orange revolution in Ukraine Russia has attempted to ‘rebrand itself’ and engaged in a strategy of contesting, reformulating and promoting international norms, while continuing to rely in parallel on classical levers of hard power (e.g. military build-up in Abkhazia).



- Contesting regional project of the Eurasian Union
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- Before the 2008-2009 economic crisis the new Eurasian Union was built on historical ties and political similarities, while after regional actors started to consider seriously the regional integration project.
- 21st century global politics calls for closer economic integration and sets the EEU on course to become a ‘powerful supranational association capable of becoming one of the poles in the modern world’ (V. Putin, 2011)

The Eurasian Union: from historical ties to sustainable economic cooperation

- The EEU was first to be built around the current members of the CIS (Russia, Belarus and Kazakhstan) and then hoped to enlarge to other countries.
- Armenia and Kirghizstan have opened membership talks
- Tajikistan has expressed interest.
- Ukraine's membership was obviously a key objective

But:

The Ukrainian crisis destroyed the Western direction of the EAEU enlargement



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- More coordination and harmonization than real economic integration



- In their economic rationales and institutional design, the ECU and the EEU seem to have been partly (at least) modelled on the EU and “will be in a ‘position not to repeat [EU] mistakes’”



Although analysts raise the question of efficiency for Russia and Kazakhstan, it is obvious that

- Russia is not the only member pushing for economic integration and that Kazakhstan in particular was able to influence the process;
- Armenia's integration happened on the basis of trade-offs between Moscow's desire to see Armenia join the EEU and Yerevan's demand for security guarantees from Moscow;
- The EEU as a foreign policy tool.

Pro and contra of the Eurasian economic integration

- the EaP is seen as a threat to economic interests of Russia in the common neighbourhood but also, to some extent, to its political interests as it remains concerned with preserving the region as a strategic buffer zone. In response to that of the EU, Russia has attempted to develop its own structural power through the ECU and EEU initiatives, which in spite of several structural flaws represent genuine attempts at establishing an economic integration regime.
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2004 – the launched EaP is directed at 6 postsoviet states of the Eastern Europe and the Caucasus:

- the EU's stated ambition was to surround itself with a “ring of friends,” a zone of well-governed, stable, and prosperous states, with whom the EU has close and cooperative ties (from the EC Statement on EaP, 2003).
- It aims to facilitate domestic reforms in the political, economic and administrative realms by offering in exchange privileged access to the *internal market, financial aid and visa facilitations*.

EaP Initiative

- (geopolitical; economic; cultural missionary; political activism)
- Geopolitical motivation - to capitalize on the successful experience of shaping central Europe's transformation through the enlargement process. But the chance of accession is becoming less and less available.

What is the main motivation for creating the EaP?

- EaP as the regionalisation instrument for domestic and foreign policy of the EU (Poland, Czech Republic as initiators+Sweden)



- the geographical, historical and socioeconomic ties these countries have with the Eastern neighbourhood
 - their own intra-European objectives as a niche of specialization within EU structures
 - a way to increase their agenda setting capacities in Brussels
 - central European countries stand among the EU member states that are the most critical of Russia
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- 2008 – acceleration of the EaP direction.

Reasons?

2008 – is the Russian – Georgian military conflict a good reason for EaP?

(even in case that the European Council asked the Commission to accelerate the set up of this policy)

- The EaP should be less read as a strategic response to the conflict than as *the outcome of intra-European bargaining*: the member states advocating the imposition of sanctions against Russia after the conflict (Poland, Sweden, the UK, the Baltic states) accepted that they would not to see such sanctions imposed in exchange for a faster establishment of the EaP.
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Three 'M':

- Money (financial aid and loans),
- Markets (sectorial access to the EU internal market)
- Mobility (visa facilitation)

(Mobility as a great soft power instrument, while Markets means a Deep and Comprehensive Free Trade Agreement (DCFTA) and culminates economic ties)

Incentives to approximate to the European norms

- Benefit-loss balance (demanding for enormous effort in terms of technical and legislative harmonization, which local governments are reluctant to bear in mind)
 - the EaP is a slow and long-term process: it consists of a progressive and monitored approximation of EU benchmarks and rests a great deal on the will of local governments and elites to attain that goal
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- What kind of impact then has the EU had in the Eastern neighbourhood?
 - How successful has it been in fostering change in the region?
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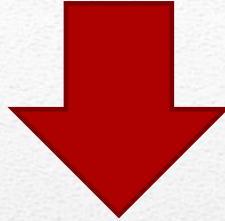
- The ENP is the case to contribute to the discussion on nature of the EU power (normative, civilian, soft etc.):

the EU is acting as a normative power in the neighbourhood in the sense that it promotes there a system of norms to discipline and induce predictability in the behaviours of regional actors.

But:

It is associated with the issue of legitimacy and with the idea of ‘doing good’. ENP is not ‘soft’ when deals with implementation.

- What about ‘regional hegemony’? Or ‘empire’?



- ‘Structural power’ (Susan Strange). Structural power refers to the ‘power to shape and determine the structures of the [regional] political economy within which other states, their political institutions and their economic enterprises’ have to operate.
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- the ENP cannot be said to have successfully fostered large-scale political change across the region nor to have durably installed EU values at its core: on the contrary, according to freedom house indicators, political rights and civil liberties have backslid in all the EaP countries;
 - empirical studies on the reception and impact of the ENP find some degree of compliance with EU demands and convergence towards EU standards (Moldova, Ukraine)
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- What's 'wrong' with the EaP?
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‘Extended Neighborhood’: EU, EEU and OBOR

OBOR – one belt one road

- 2013 – China initiated a new integration platform “one belt one road”. It aims to create the world’s largest platform for economic cooperation, including policy coordination, trade and financing collaboration, and social and cultural cooperation.
 - 2015 - The State Council authorized an OBOR action plan with two main components: the Silk Road Economic Belt and the 21st Century Maritime Silk Road.
 - The Silk Road Economic Belt is envisioned as three routes connecting China to Europe (via Central Asia), the Persian Gulf, the Mediterranean (through West Asia), and the Indian Ocean (via South Asia).
 - The Maritime Silk Road is planned to create connections among regional waterways.
 - More than 60 countries, with a combined GDP of \$21 trillion, have expressed interest in participating in the OBOR action plan.
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Several routes are proposed for the 'new Silk Road.'

..... Silk Road Economic Belt 21st Century Maritime Silk Road



- 2014 - the \$40 billion Silk Road Fund established to finance initiatives, and with investments in several key projects: development of six major economic corridors, including
 - the New Eurasian Land Bridge,
 - China–Mongolia–Russia,
 - China–Central Asia–Western Asia,
 - Indo-China Peninsula,
 - China–Pakistan, and
 - Bangladesh–China–India–Myanmar.
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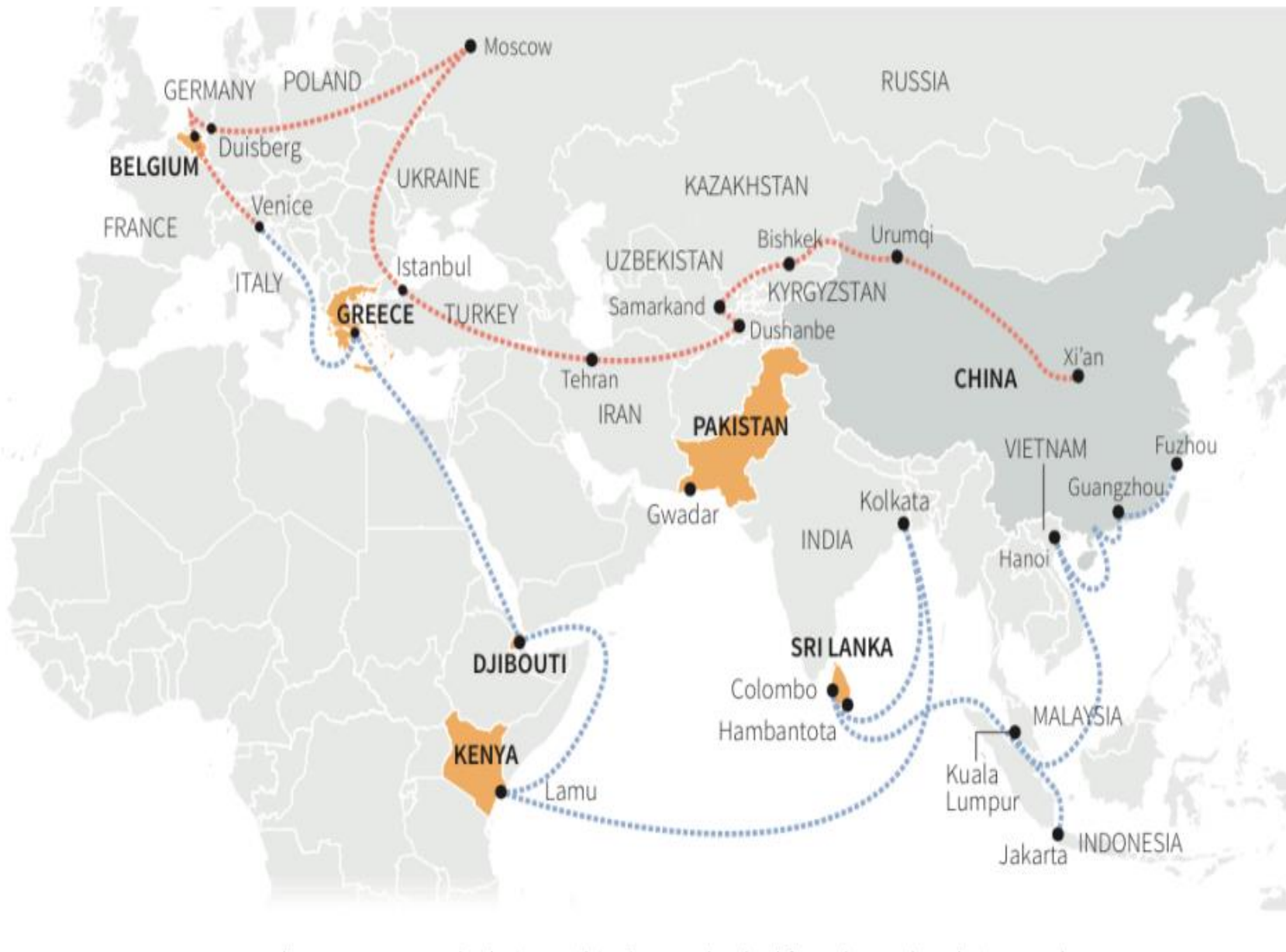
- May, 2017 – OBOR summit in Beijing. European partners were invited but few came.
- July 3-4, 2017 – Moscow meeting of Putin and Xi Jinping.



- The agreement on the OBOR joint investment fund
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..... Maritime Silk Road initiative

..... Silk Road Economic Belt



- There were 65 states identified as OBOR beneficiaries. only 20 of those nations sent their heads of state to the OBOR summit, and most of them are smaller Asian countries that are economically dependent on Beijing.
 - A total of 52 nations are confirmed to have had some level of participation in the forum:
 - Matthew Pottinger, senior director for Asia at the National Security Council was the US representative at the forum
 - The North Korean delegation, led by minister of external economic relations Kim Yong Jae
 - the UK, Germany and France sent their lower-ranking officials to Beijing
 - India was absent. Why?
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- The flagship projects include the \$46 billion China-Pakistan corridor,
 - a 3,000km high-speed railway connecting China and Singapore, and
 - gas pipelines across Central Asia.
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- During the visit in July 2017, the Russia Direct Investment Fund agreed to be a partner with the China Development Bank to create a new \$10 billion cooperation fund for cross-border projects, while China Development Bank reportedly gave Russian state development bank VEB an \$850 million loan for an innovation fund.
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- At their 3-4 July 2017 meeting in Moscow, Vladimir Putin and Xi Jinping respectively spoke about the formation of a “broad Eurasian partnership” and “coordination of the Belt and Road initiative with the Eurasian Economic Union”.
 - V. Putin: “the integration” of the Eurasian Economic Union (EAEU) and the Silk Road (SREB) “actually implies a common economic space on the continent”, and “by adding together the potential of all the integration formats like the EAEU, the ‘One Belt, One Road’ (OBOR), the Shanghai Cooperation Organization (SCO) and the ASEAN, we can build the foundation for a larger Eurasian partnership”.
 - N. Nazarbayev: “the idea of creating a single economic space of Greater Eurasia acquired a new meaning. The SREB can advantageously link the platforms of the SCO, the EAEU and the European Union into a single regional prosperity area”.
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- Central Asia in focus of EU, EEU, and OBOR
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