

# The EU, Russia and a Less Common Neighbourhood

Lessons Reinforced by the Vilnius Summit

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The run-up to and outcomes of the Vilnius summit in November 2013 indicate that the Eastern Partnership is undergoing a period of crisis. This is primarily because the EU and its Eastern partners have not been successful at communicating their respective goals to each other and agreeing on viable methods for reaching them. The same applies to the EU-Russia relationship, which is becoming increasingly dysfunctional, especially with regard to the so-called common neighbourhood. Although the two policy areas interact, a clearer separation between them is currently more justified than a gradual conflation of the two approaches. The summit has highlighted a series of problems that, so far, have been addressed only sporadically or at the rhetorical level. The silver lining of Vilnius can be found in seeing it as an opportunity to analyze these problems systematically in order to modify existing policy to take better account of current realities.

The events of the past months have called aspects of both the EU-Russia relationship and the Eastern Partnership (EaP) into question. It has become clear that Russia and the EU do not share the same goals concerning the development of the EU's Eastern partners. This fact has implications for other aspects of the EU-Russia relationship as well. At the same time, the focus on Russia's actions has deflected attention from internal developments in the EaP countries, which should be central to the evolution of their relationship with the EU. It is time to intensify the focus on these developments, without losing sight of the impact the Rus-

sian factor can have on the EaP states as well as on their rapprochement with the EU.

A review and ensuing revision of the EU's approach to Russia is in order, as is a substantial modification of the Eastern Partnership. EU-Russia relations were last reviewed (in a relatively minimal fashion) in 2008, and the European Neighbourhood Policy review in 2010–2011 ended up being dominated by the impact of the Arab Spring on the policy and thus did not focus sufficiently on the EaP. It is time to remedy this situation by taking a critical look at both policies, in order to ensure their com-

patibility while clarifying important distinctions between them.

### **Russia's approach to its neighbours**

In the run-up to the Vilnius summit, Russia began to exercise massive pressure on several countries involved in the Eastern Partnership. Russian President Vladimir Putin managed – through a partially non-transparent combination of threats and promises – to convince the Armenian President, Serzh Sarkisian, to declare Armenia's intention to join the Customs Union, which currently consists of Russia, Belarus and Kazakhstan. This decision generated annoyance and perplexity not only in Armenia, but also in the other Customs Union members. Their initially critical reaction demonstrates that Russia is prepared to take unilateral decisions in the framework of the Customs Union and to impose them on the other members. The Russian treatment of Armenia further indicates that accession to the Customs Union is not based solely on the voluntary, sovereign decision of a candidate country, but can be induced by making an offer the country's leadership cannot afford to refuse. Both these conclusions fly in the face of previous statements by the Russian leadership regarding the character of the Customs Union and the planned Eurasian Economic Union, which allegedly take decisions based on the deliberations of a supranational organ consisting of representatives of sovereign states that have voluntarily joined the organization. The developments further indicate that Russia is becoming nervous about the viability of the formats and believes it is necessary to introduce coercive methods, as well as to emphasize enlarging the Customs Union rather than focusing on the problematic issues involved with its deepening.

Russia threatened Moldova as well, this time with difficulties for its citizens working in Russia and instability in Transnistria, should the Moldovan government further intensify its relations with the EU. In a visit to Moldova in September 2013, Dmitri

Rogozin, Russian Deputy Prime Minister and Special Representative of the Russian President on Transnistria, mentioned both issues and further implied that Russia might limit gas exports to Moldova if it continued to pursue an Association Agreement. However, earlier Russian pressure in the form of a ban on Moldovan wines led to increased Moldovan independence from Russia in the trade area due to greater diversification of the wine trade following the adoption of EU standards. In the case of Moldova, the Russian pressure failed to prevent the initialling of the Association Agreement, which took place in Vilnius as planned. Further actions by Russia can be expected, however, should Moldova continue its process of rapprochement with the EU. As the Ukrainian case (see below) demonstrates, a package of simultaneously applied measures can have a negative impact on the willingness of the elite to deepen the country's relationship with the Union.

Finally, in summer 2013 Russia paralyzed most of the Russian-Ukrainian border trade by imposing additional checks and controls. This action was accompanied by clear statements by Russian officials that the point of the measures was to make the consequences of entering into a Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU clear to Ukraine. Shortly before the Vilnius summit, there were repeated meetings between the President of Ukraine, Viktor Yanukovich, and Putin. The exact content of their conversations is unknown, but it is evident that the Russian side combined threats and promises with the aim of preventing an intensification of EU-Ukraine relations. Putin was successful to the extent that Yanukovich refused to sign the Agreement at the summit, despite attempts at a last-minute compromise by the EU.

The developments sketched above indicate that Russia is systematically attempting to undermine the Eastern Partnership and perceives it as an initiative that runs counter to key Russian interests. This per-

ception has to do with Russia's vision of itself as a great power, which, from the Russian perspective, goes hand in hand with a hegemonic approach to its immediate neighbourhood. Furthermore, the rapprochement of the EaP countries with the EU is viewed by some in Russia not only as preparation for an eventual accession, but also as the possible harbinger of NATO membership for these countries, which Russia desires to prevent at all costs.

### **EU-Russia relations: Towards a more realistic approach**

This situation has several implications for the EU-Russia relationship. For one thing, it indicates that the idea of an agenda shared by the EU and Russia in the post-Soviet space is misleading. Russia perceives the developments in this area as a zero-sum game and does not believe in the supposed win-win opportunities often advocated by the EU. In addition, Russia is more than willing to tolerate instability and economic weakness in the neighbouring countries, assuming they are accompanied by an increase in Russian influence. In fact, Russia consciously contributes to rising instability and a deterioration of the economic situation in some, if not all, of these countries. Thus, Russia does not subscribe to the declared aims of the European Neighbourhood Policy, which attempts to achieve stability, security and prosperity in the surrounding states.

Which consequences does this have for EU-Russia relations? Even if a heightened awareness of the existing "integration competition" has developed in Brussels over the past years, the premises on which the EU-Russia relationship is based, along with its key documents, assume the presence of significant potential for joint efforts in the post-Soviet space. In particular the "Common Space" on external security was intended to involve such cooperation as a major component. Specific projects such as the "Meseberg initiative" also assume that such collaboration is possible (e.g.

with regard to the Transnistria conflict). However, Russia's actions of the past months make a critical evaluation of these efforts necessary. With its approach to the countries of the Eastern Partnership, Russia has provided proof that the potential for constructive, results-oriented cooperation with regard to the EaP countries cannot be seen as a given. At the level of both documents and practice, a revision should occur to remove this and other faulty assumptions (e.g. regarding official Russian support for democratization and modernization processes). One goal of the revision could be a public written assessment explicitly rejecting previous assumptions and streamlining policy to focus on areas where cooperation remains essential and progress can realistically be achieved. This would serve both as a signal to Russia regarding EU intentions and a basis for designing further initiatives as the relationship develops. The assessment could be conceived as a "living document", to be modified as conditions in both the EU and Russia change.

Second, the recent developments raise the question of whether the EU is willing to enter into a geopolitical game with Russia, or in fact has already done so. The rhetoric coming from some Member States in the run-up to Vilnius, particularly with respect to signing an Association Agreement with Ukraine, points to pronounced geopolitical thinking by a growing number of actors. For instance, the opinion was frequently expressed that it was necessary to "rescue" Ukraine before it could drift further in Russia's direction. This echoes the zero-sum approach prevalent in Moscow. Such geopolitical arguments largely overshadowed an evaluation of the domestic steps (not undertaken by the Ukrainian government, except with regard to the case of Yulia Tymoshenko, which remained (too) high on the EU's priority list.

If one understands geopolitics as a struggle for mutually exclusive influence in a particular area, then this game could be dangerous for the EU in two senses. First, an attempt to achieve EU goals in the

neighbourhood by means of geopolitical instruments is at odds with the essence of EU foreign policy as it has developed so far. Nor is such an approach capable of creating the foundation for a constructive future policy towards Russia. Rather, it would lead to an escalation within the EU-Russia relationship, which would be based on zero-sum thinking and would thereby promote an attitude that the EU has spent the previous years rejecting (or denying). Second, such a development would focus attention too strongly on Russia's actions. These are certainly important when it comes to influencing the possibilities for development of the EaP. However, when modifying and implementing the Eastern Partnership, the political, economic and societal developments in the partner countries should be the primary focus, not the role of Russia (more on this below).

The dysfunctional nature of EU-Russia relations with regard to the post-Soviet space corresponds to the general tendency of developments in the relationship. In the past year and a half, it has deteriorated in virtually every sphere. In the energy sector, the EU has accused Gazprom of distorting competition on the energy markets in various EU Member States. In the trade area, the EU has launched the first complaint against Russia in the WTO framework, pointing to a larger set of problems that have ensued due to Russia's inadequate approach to its WTO commitments. Work on a new basic agreement has stalled. On the question of visa facilitation, the two parties have reached an impasse, due in part to new issues introduced by the Russian side. All of this emphasizes the necessity of reviewing the fundamental assumptions of the relationship and working towards a more realistic approach. Such a review should go substantially beyond the process that occurred in 2008 following the Russia-Georgia war, which had little tangible practical impact on the EU approach to the Russia dossier. With regard to the geopolitical game, the EU should not allow itself to become involved in a "tit for tat"

relationship with Russia, but rather pursue its own goals in the neighbourhood proactively. While remaining open to a dialogue with Russia to explain these goals, the EU should take into account likely Russian responses when planning its own actions – not in order to avoid antagonizing Russia at all costs, but rather to be prepared for potential consequences.

### **The Eastern Partnership: Greater differentiation, more resources**

The above analysis shows that the EU's approach to Russia on the one hand and the Eastern partner countries on the other are interrelated. It is nonetheless essential to keep the two approaches both analytically and practically separate from one another and to enquire into the consequences of developments to date (including Russia's actions) for the future of the EaP. The emphasis should be placed on what has occurred in the countries themselves, rather than on Russia's approach.

There are limited elements of conditionality built into the EaP. For example, beginning negotiations on an Association Agreement is predicated on the demonstration of democratic values. The case of Ukraine has shown that the political environment in the partner country can change and that the question of adhering to certain values remains an open one. What is more, the fundamental direction of foreign policy in the Ukrainian case is – despite official rhetoric and legislation supporting the EU option – still undecided. Although the Ukrainian case is unique for a number of reasons, there are numerous similarities between its development and that of other EaP countries. Like Ukraine, Moldova also possesses an elite as well as a society that is divided in terms of foreign policy orientation. Events in Georgia since the parliamentary elections in October 2012 have demonstrated problems in the rule of law sphere in general, and with selective justice in particular, although not to the same degree as in Ukraine.

The EU has insisted on the validity of existing instruments. In the cases of Georgia and Moldova, this approach has functioned so far, although the parties are currently only at the stage of initialling the agreements. Armenia has left the process, which points to the need for more instruments below the threshold of an Association Agreement and accompanying DCFTA. The Ukrainian case has highlighted the weaknesses of the EaP approach, even prior to Yanukovich's decision not to sign the agreement. First, Ukraine, under its current leadership, is only interested in the agreement for financial and geopolitical reasons, as a means of continuing its balancing act between the EU and Russia. Second, the Ukrainian bureaucracy is not in sufficiently good shape to implement much of the agreement effectively. Third, the process surrounding the signing has not contributed to bringing the Ukrainian leadership closer to the EU. Instead, the Ukrainian ruling elite has attempted to incorporate the document (and the process) into its corrupt and personalized style of governing, and thereby to profit from it both politically and monetarily. These three aspects make clear both the ambitious nature of the Association Agreement in post-Soviet contexts and the need to better understand how such instruments will be perceived and utilized within these contexts.

One key result of the Vilnius summit should thus be a determination to more strongly differentiate the Eastern Partnership approach. The European Neighbourhood Policy has de facto already divided into two parts, concerned with the East and the South, respectively. This division makes sense and has – at least in the case of the East – already borne fruit. However, it has become increasingly clear that the Eastern neighbours also differ among themselves across important parameters. This was to some extent evident even at the beginning of the EaP. For example, Belarus was only invited to participate in the multilateral – not the bilateral – dimension of the EaP

because of its inadequacies in the areas of democracy and the rule of law. Differences with regard to levels of interest in the EU also quickly became obvious. Azerbaijan, in particular, has demonstrated little interest in the EaP offers.

There are, however, other equally relevant parameters for assessing the probable level of involvement of the partner states in the EaP. These include the form of governance practiced, the economic situation in the country, and the relations among politics, the economic sphere and society. The type and degree of dependence on Russia should be taken into account when analyzing these parameters. The above factors are decisive for the respective country's elite when it comes to evaluating the EU offers. Since the rhetoric of these elites can be misleading – as the situation both before and after Vilnius has shown – it would make sense for the EU to conduct its own assessment of the parameters mentioned, in order to be able to gauge the probable attractiveness of its offers from the point of view of the respective partner country. This is all the more necessary because objective analyses of this sort are rarely undertaken in the partner countries themselves. Their absence is an indication of the primarily political – and often instrumental – character of the relationship for the partner countries, as well as of the inadequate involvement of economic and social actors in the decision-making process. Opinions present in the broader society should also be examined by EU analysts, in order to pinpoint potential supporters and opponents of the EU's proposals. An exploration of the factors mentioned above will also allow EU institutions to better assess the challenges likely to arise when agreements with Eastern partners are being implemented. An organized network of specialists on the EaP states, including researchers and activists in the partner countries, could help to achieve a more systematic treatment of pertinent issues. It could make sense for the European Union Institute for Security Studies to take the lead in creating

such a network, drawing on existing contacts and expertise present in the EU country delegations, the EaP Civil Society Forum and relevant EU institutions.

In addition, a process of differentiation should occur at the level of instruments. Starting from the situation in each country, offers should be made that correspond both to the agenda of the country and that of the EU. These offers should be relatively small in scope and be easy to absorb, that is, they should ideally involve only one area of reform and promise fairly quick – if limited – advantages, focusing especially on improvements in socioeconomic development and living standards. The art of designing such “building blocks” lies in sequencing them so that they enhance each other and fit into a sensible overall strategy for the country’s development.

All of this will require an expansion of the resources devoted to the Eastern Partnership. This refers less to large amounts of supplementary financial assistance and more to targeted project funding to foster, for example, effective communication with the societies in the partner countries. Where necessary, additional human resources – both on the ground in the EU delegations and in Brussels – should be employed to facilitate the analysis described above as well as the development of appropriate “building blocks”. Monitoring mechanisms should also be expanded and fine-tuned to ensure that the support provided actually flows into the intended channels and is utilized for the agreed-upon purposes.

### **Ukraine: Forward-looking crisis management**

Ukraine demands particular attention due to the protests that have emerged in the context of the Vilnius summit. Some of the suggestions formulated above can be relevant to the Ukrainian case. First, however, the situation in the country needs to stabilize. This will require steps that only actors within Ukraine can take. The EU can play a positive role, albeit a limited one.

The immediate focus should involve establishing a dialogue between the country’s political leadership, on the one hand, and the opposition and pro-European segments of society on the other. Although Yanukovich has temporarily regained the upper hand due to his successful negotiation of short-term Russian support, the tension in Ukrainian politics and society is not going to disappear. Since a tradition of political compromise is absent in Ukraine, such a dialogue would ideally involve external mediation. As the EU is not likely to be seen as impartial by the Yanukovich regime, options for external mediators will need to be sought elsewhere, such as in the OSCE, under the current Swiss Chairmanship, or the United Nations. The most promising path for Ukraine’s relationship with the EU – at least under the current Ukrainian regime – would seem to be a new start, divorced from both the Association Agreement and the fate of Yulia Tymoshenko.

The past weeks have clearly shown that statements made by the Ukrainian leadership cannot be taken at face value. It is also evident that Yanukovich’s primary concern is staying in power. If there is to be any chance of a transition away from the Yanukovich regime, he will need to be convinced that there is no alternative to leaving and be offered watertight guarantees for his future that include both his own personal safety and the security of his family’s accumulated wealth. However, the December 2013 agreements with Russia on a lower gas price and multibillion-dollar loans have decreased Yanukovich’s sense of vulnerability and make it less likely that he will be willing to compromise both internally (with the opposition and broader society) and externally (with the EU and the IMF). The opposition, meanwhile, is not prepared to assume power, having no coherent programme, no clear leader and no concrete plan for transforming the dysfunctional governance structures of the previous two decades into effective institutions. Not to mention that any new lead-

er would immediately come under pressure from Moscow, which can consist of threats but also of temptations, such as those to which Yanukovich has recently succumbed.

In this situation, a modified EaP, which could offer small “building blocks” that deliver positive results quickly, may prove to be a palatable proposal, both for Yanukovich and for his eventual successor. These smaller measures would, however, probably need to be accompanied by a significant IMF package in the medium term, since limited projects can only bear fruit in a country with a functioning economy, and the agreements with the Russian Federation will bring only short-term benefits, combined with increasing Ukrainian dependence on Russia. A window of opportunity for cooperation with the IMF may open after the presidential elections scheduled for March 2015. However, it is equally possible that Russia will establish a tighter economic hold on Ukraine in the coming months, reducing the chances for the reforms demanded by the IMF.

One option for a “building block” in the EU-Ukraine relationship would be the rapid introduction of visa freedom for short-term travel in the EU, which would serve both to support a potential new leadership and to send a positive signal to Ukrainian citizens. If an exception is to be made for Ukraine, however, in terms of exempting it (at least temporarily) from certain obligations listed in the Visa Liberalization Action Plan (VLAP), this should be discussed with the Moldovan elite. Moldova has fulfilled all benchmarks of its own VLAP and would be likely to perceive exceptions for Ukraine as unjust. On the other hand, the current Moldovan elite has an interest in seeing Ukraine follow a pro-EU path, and thus might be willing to support making an exception for its neighbour. At the very least, however, Moldova should receive visa exemptions before they are introduced for Ukraine, along the lines of those recommended by the European Commission in November 2013.

The question of financial support for Ukraine will inevitably continue to be raised, whether or not Yanukovich remains in power. If he does, it will be crucial not to disburse any funds to his regime without imposing clear and strict conditions that can be closely monitored. Any other approach will simply bolster the regime and its deeply flawed approach to governance. Uncontrolled funds will be used to reward Yanukovich’s supporters and to increase his chances in the presidential elections. Serious reforms will not be pursued, as they are not in the interest of key players and could jeopardize Yanukovich’s already meagre backing among the population. EU willingness to allocate funds without the proper monitoring mechanisms would also confirm Yanukovich’s view that the EU is ready to bargain and may be willing to outbid the Russians. His tactic of playing the two sides off one another without addressing substantive domestic issues would therefore be reinforced.

The EU should attempt to increase the probability of a stable and peaceful period of transition – to what is currently unclear – by abandoning the question of the Association Agreement for now and focusing on smaller offers, as well as facilitating domestic compromise to the extent possible. If and when a different set of actors should gain power, it will be essential to follow developments closely, build up reliable channels of communication and clearly articulate the EU’s priorities with regard to Ukraine. Any support given should be targeted to correspond to these priorities. It will be essential to observe whether flawed governance patterns are reproduced or rejected, and to offer support in establishing new, more transparent and efficient methods. Even under a different leadership, financial support should be coupled with clear conditions, which can be negotiated with the new power holders. If, however, Yanukovich should remain in power for the foreseeable future, bolstered by Russian assistance, the EU will need to brace for continued frustration in its relationship

with the Ukrainian elite and search all the harder for opportunities to strengthen its interactions with Ukrainian society.

### **Russia policy and the EaP: Linkage without conflation**

The Eastern Partnership and the EU's policy towards Russia interact in multiple ways. One significant connection has been based on the assumption that cooperation between the EU and Russia to achieve shared goals in the neighbourhood is currently possible. The developments surrounding the Vilnius summit have revealed this assumption to be false. This means that a clearer separation of the two policies along this dimension is appropriate. On the other hand, the approaches remain interrelated. The pursuit of EU goals in the EaP countries will inevitably have a negative impact on certain aspects of the EU-Russia relationship. A higher priority for the EaP than it has previously enjoyed seems appropriate, but that will create difficulties for the EU in its relations with Russia unless, and until, the zero-sum mentality can be overcome. Since the EU can do little to alter this mentality in the short term, it must prepare for difficult situations, for example concerning the protracted conflicts, while making an effort to be as transparent as possible regarding its intentions towards the neighbourhood. Russia will probably become weaker internally, since it has not yet begun to pursue a serious course of modernization, so compensatory measures in the neighbourhood are likely, making the relationship in the economic and security spheres more problematic. There will thus be a certain amount of spillover of the disagreements regarding the common neighbourhood into other aspects of the EU-Russia relationship. It may become increasingly difficult to separate the various areas from one another and to cooperate in one while "agreeing to disagree" in others.

The current situation in Ukraine requires some form of crisis management rather than the usual EaP approach. None-

theless, the EU should attempt to address the crisis with the larger goals of the EaP in mind, while simultaneously pursuing a "new realism" in the EU-Russia relationship. Not only in the Ukrainian case can new, more focused instruments prove to be more manageable and attractive than the extremely ambitious Association Agreements with their accompanying DCFTAs. Since these instruments will need to be tailored to the relevant country contexts, improved mechanisms for drawing on in-depth knowledge of developments in the region will be essential for a successful re-vamping of the EaP.

To sum up, it is necessary to combine crisis management tools in the Ukrainian case with a modified EaP approach that offers a wider spectrum of instruments, including more limited proposals that yield tangible advantages in the short term. This approach should be linked to a revised Russia policy based on current realities, but a conflation of the two should be avoided. Rather, Russia should be seen as a factor to be taken into account in the implementation of the Eastern Partnership, while developments in the partner countries should remain at its centre.

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