

Escaping Geopolitical Entrapment: the EU's Eastern Policy in Light of EU-Russia Rivalry

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Executive summary

The simultaneous deployment of two mutually exclusive economic projects by the EU and Russia has to a large extent shaped recent developments in the Black Sea Region. Over the past few months in particular, Russia has increasingly sought to destabilise partner countries with a view to derailing further integration with the EU. At a time when the EU was about to conclude association agreements with its Eastern partners, the EU's Eastern policy has been caught in a geopolitical trap as a result of Russia's countervailing actions. Business as usual (a strategy often used in the past vis-à-vis Russia) is not an option for the Union after the annexation of Crimea and destabilisation of eastern Ukraine. Yet the EU is both unwilling and unable to engage in a geopolitical game which would entail substantial costs for the region and perpetuate current fragmentation. In this context, the best option for the EU is to maintain economic sanctions on Russia for as long as the conflict in Ukraine continues, while not breaking off the dialogue with Moscow and relying upon its transformative power in the 'common

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neighbourhood'. This entails expanding the EU's involvement with a wide range of stakeholders in the region with the view to fostering change there.

Introduction

In the Black Sea Region, the European Union (EU) is not the only game in town. This is a major difference with the EU's enlargement policy on Central European countries and the Western Balkans, and to a lesser extent with the southern component of the European Neighbourhood Policy (ENP). In the eastern neighbourhood, the EU has to cope with a regional hegemon – Russia – which, especially over the past five years, has increasingly challenged the EU's growing influence in the post-Soviet space. While partner countries' engagement with either the EU or Russia is not just the outcome of external actors' stimuli and pressures, the simultaneous deployment of two mutually exclusive projects (an Association Agreement together with a Deep and Comprehensive Free-Trade Agreement under the EU's Eastern Partnership and the Russia-led Eurasian Customs Union, respectively) has to a large extent shaped recent developments in the Black Sea Region. In particular, the concretisation of the EU's offer (through the opening in 2012 of negotiations for AAs/DCFTAs with three countries in addition to Ukraine) prompted Russia to increase pressure on partner countries with a view to counteracting the Union's growing influence in what Russia perceives as its near abroad. If anything, Armenia's decision to join the ECU (a few weeks after completing negotiations for an AA/DCFTA with the EU) signalled a shift toward an open rivalry between the EU and Russia. This was confirmed by the sequence of events which unfolded in Ukraine during 2013-14, starting with the 'trade war' triggered by Moscow in

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summer 2013, followed by massive protests in response to the then president Yanukovich's decision to suspend the signature of the association agreement with the EU and the hybrid war waged by Russia in eastern Ukraine in 2014. In essence, Russia used geopolitical leverage to thwart the EU's low-key policies. Paradoxically, at a time when it is moving toward implementation, the EU's Eastern policy has thus been caught in a geopolitical trap as a result of Russia's countervailing actions.

How, then, do the EU and its Member States view the increasingly sharp rivalry with Russia in their 'common' neighbourhood and how do they respond to Moscow's attempts to regain influence over the Black Sea region? To what extent has competition in the region influenced the Eastern Partnership and altered the EU-Russia bilateral partnership?

This paper argues that developments in the Black Sea region so far have had mixed effects on EU policies. On the one hand, Russia's attempts to spoil the Eastern Partnership (in particular, by pressurising partner countries into Eurasian integration and/or undermining their territorial integrity) have indeed disrupted the EU's policy at a time when it was about to concretise².

On the other hand, while conducive (even if temporarily) to a (minimal) consensus within the EU on measures to be taken vis-à-vis Moscow, Russia's attempts to destabilise the region have both strengthened the engagement of those countries which are now associated with the EU and triggered (or strengthened) a sense of reluctance among those involved in the Eurasian inte-

² Laure Delcour and Hrant Kostanyan, "Towards a Fragmented Neighbourhood: Policies of the EU and Russia and their consequences for the area that lies in between", CEPS, 2014.

gration process. In essence, the EU is now acutely aware of Russia's destabilisation potential in the post-Soviet space, yet it is strongly constrained by its own internal situation and specificities as a foreign policy actor and thus hardly able to produce the paradigm shift that the situation calls for. At the same time, while unwilling and unable to move openly toward a geopolitical contest, the EU has gained significant leverage in the region, not least because of its consistently high attractiveness for partner countries.

Coping with a regional hegemon: the (defining) puzzle of EU Eastern policies

As compared to other external players, the EU is a newcomer in the Black Sea Region. Until the early 2000s, the region (still perceived as remote from Brussels) ranked low on the Union's agenda. The 2004 and 2007 enlargements, as well as the design of an EU security strategy in 2003, were instrumental in strengthening the EU's engagement in the region. The Black Sea Synergy was launched in 2007 to increase co-operation with and between countries of the region. It was designed as a flexible and inclusive framework complementary to the EU's existing bilateral policies. The ENP created in 2004 and, to a greater extent, the Eastern Partnership (EaP) launched in 2009, were unprecedented EU attempts to shape developments in the Black Sea Region by diffusing its policy and institutional templates.

However, while the EU has both significantly strengthened its offer to partner countries and gained substantial influence around the Black Sea region over the past decade, it has struggled to properly factor into its policies key elements inherited from the Soviet past, namely the role of Russia as a regional hegemon and the multifaceted and complex interdependencies

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still linking together post-Soviet countries. After Russia refused to take part in the ENP in the early 2000s, the EU introduced two distinct policy frameworks, to advance its partnership with Moscow, on the one hand, and to develop its relationship with Ukraine, Moldova, and South Caucasus countries (the ENP) on the other hand. Yet it also tried to foster links between its strategic partnership with Russia and its policy in the ‘common neighbourhood’, among others on issues related to security and conflict resolution³. In essence, the EU perceived Russia as an indispensable partner to promote stability. Nevertheless, the close dialogue envisaged with Russia with the view “to creating a greater Europe without dividing lines” did not materialise⁴.

Clearly, Russia’s reticence about the growing involvement of external actors in (what it sees as) its ‘near abroad’ is a major factor hampering the EU’s efforts to establish linkages between its various policies around the Black Sea region. With the Black Sea Synergy launched in 2007, the EU went beyond existing policy frameworks and promoted an inclusive approach involving all regional players. Yet this attempt to develop a depoliticised, project-based approach stumbled against unresolved conflicts in the region and especially Russia’s perceptions of being threatened by the growing role of (what it sees as) external players around the Black Sea⁵.

Russia’s suspicion vis-à-vis EU policies only expanded with the launch of the Eastern Partnership. The impact of this EU initia-

³ European Commission, *EU-Russia Common Space of External Security*, Factsheet, European Commission, Brussels, 2005.

⁴ EU-Russia Road Maps, *Road Map for the Common Space on External Security*, Moscow, 2005, p.34.

⁵ Laure Delcour, *Shaping the Post-Soviet Space? EU Policies and Approaches to Region-Building*. Ashgate, 2011.

tive on domestic change is potentially much deeper and broader than previous EU policies. While the ENP was initially premised on vague and remote incentives (e.g. 'gradually obtaining a stake in the EU's Internal Market'⁶), the Eastern Partnership offered more tangible incentives with a shift toward legally binding commitments and extensive sector-specific conditionality⁷. The association agreements, DCFTAs and visa liberalisation processes are premised on extensive legal approximation with the *acquis communautaire* and EU and international standards. Thus, the Eastern Partnership clearly bears major implications in terms of anchoring partner countries to the EU's legal framework, norms and practices – especially for the three countries that signed an association agreement with the EU in June 2014 (Georgia, Moldova and Ukraine). Yet in Russia's view, the EU's functional and low-key approach is underpinned by the Union's geopolitical interests and desire to expand its influence beyond its eastern borders.

Russia's perception of the Eastern Partnership as a threat to its own influence prompted a two-track response combining functional and geopolitical approaches. On the one hand, Russia reactivated its own project of hard-law integration in the post-Soviet space - the Eurasian Customs Union, which cannot be combined with the EU's offer for a DCFTA as it implies a loss of sovereignty over (among others) trade tariffs⁸. On the other

⁶ European Commission, *European Neighbourhood Policy, Strategy Paper*, European Commission, Brussels, p.3.

⁷ These include: an upgrading of the contractual framework through association agreements, gradual integration in the EU's economy (in particular through enhanced movement of goods with the DCFTAs); progressive visa liberalisation and enhanced sectoral cooperation. European Commission, *Eastern Partnership*, European Commission, Brussels, 2008.

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hand, Russia relied upon interdependences inherited from the Soviet past to exert pressure on partner countries with a view to either ‘inducing’ them into full membership of the Eurasian integration project or punishing them for choosing association with the EU. As a result of Russia’s actions, the ‘common neighbourhood’ is not only contested and divided, but also fragmented⁹ since Moscow has been (re)activating the secessionist card. Starting from summer 2013 (with the trade war in Ukraine and Armenia’s U-turn), the potential destabilising impact of Russia’s policies was acknowledged by EU actors¹⁰. However, Russia’s shift toward geopolitics emerged as a major problem for the EU. This is because of two interconnected factors. First, the EU views Russia’s move as the anachronistic expression of a 19th century power¹¹. Second, the EU itself is ill-equipped to respond to Russia’s blunt moves, as illustrated in the wake of the annexation of Crimea.

⁸ Nicu Popescu, “Eurasian Union: the Real, the Imaginary and the Likely”, Chaillot Paper, No. 132, 2014.

⁹ Delcour and Kostanyan, *Towards a Fragmented Neighbourhood: Policies of the EU and Russia and their consequences for the area that lies in between*.

¹⁰ “It is not at all a trade dispute, but a very serious political conflict with a geopolitical background. It might endanger the whole Eastern Partnership project of the EU, undermine the commitment and determination of our Eastern Neighbours and it risks to provoke a domino effect.” Statement by members of the European Parliament Elmar Brok and Jacek Saryusz-Wolski, 20 August 2013. Available at: <http://www.elmar-brok.de/archives/russia-ukraine-trade-war-eu-must-act-and-defend-ukraine-elmar-brok-mep-and-jacek-saryusz-wolski-mep>

¹¹ “In today’s ever-more-competitive global economy, we cannot afford to waste our efforts on a regional geopolitical rivalry”. Štefan Füle, Statement on the pressure exercised by Russia on countries of the Eastern Partnership, 11 September 2013. Available at: http://europa.eu/rapid/press-release_SPEECH-13-687_en.htm

Getting out of the trap. What policy options for the EU?

In essence, the EU is currently confronted by two major issues which are both distinct and closely connected. Whatever policy option it selects, the EU will have to address both issues. First, the EU should define a way forward for its Eastern policy in a challenging regional context which combines engagement in competing regional integration projects and threats of state destabilisation and disintegration. To that end, the EU has initiated a revision of the ENP/EaP based upon a broad consultation process¹². Second (and equally difficult), the EU has to agree on how to deal with Russia, both bilaterally and in the contested neighbourhood.

Option 1. Entering the geopolitical game

This scenario is based on the assumption that the EU's and Russia's interests in, and approaches to, their neighbourhood cannot be reconciled. In this scenario, the EU would maintain or expand its sanctions on Russia and keep the dialogue with Moscow to a minimum. It also rests on the premise that those Eastern partners which have signed an association agreement will actually implement EU-demanded reforms. In this scenario, the EU would also substantially increase support for, and expand co-operation with, those Eastern Partnership countries which are receptive to its offer, in order to buttress their autonomy from

¹² The wide-ranging consultation process launched on March 4th by the High Representative for Foreign Affairs and Security Policy Federica Mogherini and the ENP Commission Johannes Hahn is expected to lead to "a fundamental review" of the ENP. European Commission, "Towards a new European Neighbourhood Policy: the EU launches a consultation on the future of its relations with neighbouring countries", Press release IP/4548, 2015.

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Moscow. This could be done by acknowledging their aspirations to join the Union and setting EU membership as a clear goal over the mid to long-term, at least for those countries which have signed association agreements.

The effective implementation of the commitments taken under the AAs/DCFTAs by Georgia, Moldova and Ukraine still needs to be ascertained. In the event that it materialises, this option (which roughly coincides with Poland's, Sweden's and Baltic countries' views) would certainly strengthen the EU's credibility in Eastern Partnership countries, enhance their perception of security and provide them with a major incentive to reform further. However, envisaging new waves of enlargement seems hardly feasible in light of the Union's current difficulties, be they related to the economic crisis or to the complexities of the decision-making process in a 28-member organisation. If anything, the rise of Eurosceptic movements illustrates how thorny the enlargement question is for the EU.

From the perspective of EU-Russia relations, this option would also entail potentially negative implications for the EU, starting with reduced trade flows. Most importantly, this option would not lead to any improvement in the 'common neighbourhood'. In this scenario the EU would indeed apply the zero-sum game approach which it has been consistently criticising in Russia's policy over the past decade. In the absence of any substantial dialogue with Russia, this option would only perpetuate the current state of play around the Black Sea region, i.e. a neighbourhood divided between the EU's and Russia's offer and break-away regions being used by Russia as pressure points over those countries associated with the EU.

Option 2. Back to 'business as usual'

The second option follows an opposite logic, whereby Russia is primarily seen as a partner, not as a threat. This option rests on the premise that partnership with Russia should prevail given the EU's strong political and especially economic interests in the country. This option would not only lift the sanctions imposed on Russia (as Italy has advocated, for instance), but also seek to neutralise the major irritants in EU-Russia relations, including in the 'common neighbourhood'. The Eastern Partnership would *de facto* lose prominence on the EU's agenda. The Union would continue protesting against Russia's attempts to destabilise the region, while *de facto* considering the annexation of Crimea and any such moves as *faits accomplis*. Taking into account realities on the ground, the EU would also engage in a bloc-to-bloc dialogue (and possibly negotiations on an agreement) with the newly-launched Eurasian Economic Union. As compared to the first option, this second scenario would preserve economic and trade flows with Russia, but it would entail high political and security costs for the EU in its Eastern neighbourhood (not least a [long-lasting] loss of credibility).

The major argument against going back to 'business as usual' is that it would *de facto* endorse Russia's recent violations of international law in Ukraine, not least the annexation of Crimea. Another key argument is that this approach has failed in the past. The sanctions introduced in spring 2014 are not the first measures introduced by the EU against Russia. In the wake of the 2008 conflict in Georgia, the EU froze talks on a new agreement with Russia. In all three cases, the EU was soon back to business as usual and the measures taken had little (if any) effect on Russia. The country's violation of Ukraine's sovereignty, six years after

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its military intervention in Georgia, is the best example of this. Therefore, this option cannot be seriously envisaged by any of the largest EU Member States as long as the crisis in Ukraine continues. In a similar vein, the EU cannot envisage launching a bloc-to-bloc dialogue with the Eurasian Economic Union as long as Russia's geopolitical interests prevail over rule-based integration.

Option 3. Combining short-term targeted responses with the EU's long-term transformative power

In contrast to the two scenarios discussed above, while being actively engaged in the region the EU would not play the geopolitical card. In this scenario the EU would not support Eastern Partnership countries with a view to detaching them from Russia (first scenario) and it would not deliberately seek to prioritise relations with Russia over the Eastern Partnership (second scenario). Instead, the third option gives a major role to the EU's transformative power. It is based on the premise that the EU's policies will (in the mid- to long-term) help transform and modernise countries around the Black Sea region. As a consequence, these will also become more attractive for break-away regions in the long run. In this scenario, the EU would provide continuous support to Eastern Partnership countries while also closely monitoring the implementation of the association agreements, DCFTA and visa liberalisation process. The EU would uphold sanctions on Russia for as long as Moscow keeps destabilising Ukraine, but it would not strengthen them. As indicated by the German Foreign Minister, tougher sanctions would result in Russia's complete and long-lasting isolation¹³ – something which, as pointed out by the former president of the European Commission Jacques Delors in the early 1990s, has 'never been

good for anybody throughout history'.¹⁴ This option is best suited to the EU's capacities and practices as a foreign policy actor. It also bears the greatest potential to prevent further destabilisation in the region in the long term. The steps which should be taken in line with this option are detailed in the section below.

Conclusion and recommendations

The EU's influence in the Black Sea region can be significantly strengthened if the EU engages with all actors in the region, yet adopts a differentiated and targeted policy reflecting both its own values and partner countries' expectations.

In order to effectively foster systemic reforms in Eastern partnership countries, the EU needs to address two interconnected shortcomings which may hamper the effective implementation of association agreements. The EU needs to review the way in which it conducts its policies, be more inclusive and adjust to local and societal concerns. First, the EU needs to address the lack of awareness of its policies among the general public in partner countries. While AAs and DCFTAs have been negotiated with small groups of experts, most citizens have only a vague idea of their concrete implications. This is something that Russia has been exploiting to undermine the EU's credibility. The EU has started addressing this gap (e.g. through training of journalists, preparation of DCFTA guides in Eastern partnership countries), yet it needs to substantially strengthen its awareness-raising campaign in the current context.

¹³ Die Zeit, "Steinmeier warnt vor schärferen Sanktionen gegen Russland", *Die Zeit*, 27 November 2014. Available at: <http://www.zeit.de/politik/ausland/2014-11/sanktionen-steinmeier-russland>

¹⁴ Jacques Delors, *Le nouveau concert européen*. Odile Jacob, Paris, 1992.

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Second, while it has prioritised dialogue with governments (especially during the negotiations on association agreements), the EU needs to engage with a broader range of stakeholders and empower drivers of change in order to ensure an effective implementation of commitments taken:

- Civil society should be more closely involved in EU-partner countries' dialogue. In particular, the EU should encourage more systematically its involvement in the supervision of budget support programmes.
- The EU needs to increase support to the private sector. The bulk of EU assistance has so far concentrated on public institutions/administration. However, the implementation of DCFTAs will primarily involve the private sector and entail costly reforms in key economic sectors. With the introduction of sector-specific programmes such as ENPARD, the EU started supporting small farmers and farmers' co-operatives¹⁵. The EU now needs to expand its support to small businesses to all key economic sectors.

Moreover, the EU needs to develop a clear strategy for those countries without a DCFTA perspective. The EU should not give the impression (even if unintentionally) that these countries (especially those which have joined the Eurasian integration project) do not matter for Brussels. At the same time, Armenia, Azerbaijan and Belarus have diverse expectations vis-à-vis the EU and this should clearly be reflected in the Union's policies.

The EU should apply the two-track approach developed in the wake of the 2008 conflict in Georgia, i.e. engagement without recognition, to those break-away entities where Russia has a

¹⁵ European Neighbourhood Programme for Agricultural Development.

strong and direct influence (i.e. Abkhazia, South Ossetia and Transnistria). The EU's Special Representative for the South Caucasus has recently confirmed this approach for Abkhazia, where the EU will seek to strengthen its presence¹⁶. While standing firm on the respect of territorial integrity, this policy would enable the Union to strengthen its leverage in these unrecognised entities and 'provide an alternative perspective to the predominant Russian one'¹⁷. The latter has only been strengthened with the signature of treaties on "Alliance and Integration" with Abkhazia and South Ossetia at the end of 2014 and early 2015. In Abkhazia and South Ossetia, in Transnistria and in Donbas, the EU should expand contacts with civil society and engage in concrete co-operation projects in selected sectors, e.g. education.

Last but not least, while maintaining the bulk of sanctions on Russia, the EU should also consider making an exception and reopening talks on visa liberalisation. While contributing to strengthening people-to-people contacts, visa liberalisation also entails comprehensive reforms on the part of partner countries. Ultimately, it is a major expectation shared by countries around the Black Sea, and therefore the biggest EU leverage in the region.

¹⁶ RFE/RL, "Envoys Says EU Expanding Presence in Abkhazia", *RFE-RL*, 5 February 2015. Available at: <http://www.rferl.org/media/video/georgia-abkhazia-salber/26831819.html>

¹⁷ Presentation by the EU Special Representative for the South Caucasus, Peter Semneby, „Perspectives for engagement, dialogue and cooperation to address the consequences of the war between Russia and Georgia: a forward looking approach“, European Council, Paris, 2011. Available at: <http://www.consilium.europa.eu/media/1252985/speech-pace%20mc-paris-110117-final.pdf>