

# ➤ Eurasian Economic Union and Eastern Partnership: the End of the EU-Russia *Entredeux*

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**The competition between the EU's and Russia's economic integration regimes has had a structuring effect on regional politics. The Eurasian Economic Union is both a reaction to, and appears to have drawn great inspiration from, Europe's transformative power. Yet since Brussels and Moscow's respective region-building endeavours are directed at the same group of countries, this competition has often been framed as a geopolitical struggle between two blocs. The situation on the ground has been much less binary. Several states have attempted to avoid becoming locked into an 'either-or' choice that could be costly domestically. However, the Ukraine crisis has altered the parameters of this structuring competition. The shift from persuasion to coercion in Russia's strategy towards the countries of the *entredeux* – literally, 'something placed between two things' – reflects the failure of Moscow's transformative power. In so doing, the crisis has created a configuration in which navigating between the EU and Russia while keeping each at bay will prove increasingly difficult.**

When examining the origins and content of Russia's Eurasian integration formats or when studying the reactions of countries in the region to them, the EU is often present in the background. The fact is that Russia's Eurasian Economic Union (EEU) and the EU's Eastern Partnership (EaP) are largely targeted at the same group of countries – Russia's 'near abroad' is also the EU's 'Eastern neighbourhood'.<sup>1</sup> This difference in denominations does not proceed from discrepant translations; it is more profoundly the mark of two competing region-building endeavours. Through their respective programmes, Russia and the EU attempt to shape the economic, administrative and, to some extent, political structures of the states of their common neighbourhood, albeit by different means and with differing records of success.

This configuration of competing regionalisms has implications for the policies and identities of Russia and the EU, but most profoundly for the region of the *entredeux* itself. The competing regionalisms prompt the following three questions. (1) How did the EU model and its regional offer (EaP) influence the development of the EEU? (2) What are the terms of EEU-EaP competition? And (3), what are the consequences of this competition for regional politics?

## REACTION

Although the post-Soviet space has been a region of importance for Russia throughout the post-Cold War era, analysis of the origins and of the content of the EEU reveals something specifically new about this project. Compared to the Commonwealth of Independent State (CIS) for instance, the Eurasian Customs Union (ECU) and the Single Economic Space (SES) represent far-reaching attempts to put in place the legal foundations for economic integration. These frameworks were conceived and deployed

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<sup>1</sup> The six Eastern Partnership countries are: Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine.

by Russia in parallel to other instruments (including building a 'strategic foothold' by acquiring energy infrastructure; investing in key sectors of these countries' economies; and reinforcing its military presence) in a broader context of deeper and more targeted engagement in the region as of the second half of the 2000s.<sup>2</sup>

This renewed engagement has been prompted by both opportunity and perceived necessity. On the one hand, the Russia's economic clout had grown much stronger in the 2000s, largely as a result of the rise in the price of hydrocarbons. On the other hand, Moscow had grown increasingly wary of what it saw as the West's creeping involvement in the region, and of the gradually developing ties between countries of the post-Soviet space and European regional organisations. Vladimir Putin's interpretation of the 2004 Orange Revolution in Ukraine, which he saw as covertly sponsored by the West, kick-started Russia's endeavour to consolidate its positions in the region.<sup>3</sup> Shortly after, while the question of NATO membership for Georgia and Ukraine was put to bed following the Russo-Georgian war of 2008, the EU enhanced its presence in Eastern Europe through its neighbourhood policy. Through the European Neighbourhood Policy (ENP), the EU offers market access, financial aid and visa facilitations to partner countries in exchange for the conduct of domestic reforms. Viewed another way, by exporting its norms, values, and regulations through this policy, the EU hopes to transform its environment, as it successfully did in the framework of the enlargement process.<sup>4</sup> In a number of ways, the development of the EEU can be seen as a reaction to this transformative power of the EU.

First, the development of the EU's and Russia's regional programmes has been connected in time. The ENP was launched in 2004: with the accession of Central and Eastern European (CEE) countries that same year, the EU had gained a new Eastern border with the post-Soviet space, a region with which it had had few links up to that point.<sup>5</sup> These new member states – Poland first and foremost – supported and contributed to the development of a specific Eastern dimension within the ENP, the Eastern Partnership initiative (EaP), which was launched in May 2009. By the same logic that Germany had supported their accession, the CEE countries were now eager to see the Europeanisation and stabilisation of their periphery.

Russia's renewed and developed engagement in the region is, for its part, usually dated to around 2006, having been substantially triggered by the 2004 Orange Revolution in Ukraine. The first talks around the establishment of the ECU began in 2007, and the plan to upgrade it into a Eurasian Union was presented by Vladimir Putin in a press article published in early October 2011, two weeks before the Second Eastern Partnership Summit held in Warsaw.

Second, Moscow responded to the launch of the EaP with the strongest possible condemnation.<sup>6</sup> The vehemence of this reaction is particularly notable considering that the EaP was mainly providing a regional structure for a set of bilateral programs and instrument that already existed in the framework of the ENP. A modest and eminently bureaucratic initiative, the EaP was certainly different in nature and scope from the other targets of Russian diplomatic rhetoric at the time, namely NATO's tentative enlargement to Georgia and Ukraine, or the US Ballistic Missile Defence project of the late 2000s. In this sense, the EaP was the first EU policy met by Russian policy-makers by a level of rhetoric usually reserved for NATO.<sup>7</sup>

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2 Ben Judah, Jana Kobzova and Nicu Popescu, *Dealing with a post-BRIC Russia*, London: European Council for Foreign Relations, November 2011, pp. 27-29.

3 Dmitri Trenin, 'Russia's Spheres of Interest, not Influence', *The Washington Quarterly*, Volume 32 no 4, 2009, pp. 3–22

4 David Cadier, 'Is the European Neighbourhood Policy a substitute for enlargement?', in Luc-André Brunet (ed.), *The Crisis of EU Enlargement*, LSE IDEAS Report, November 2013.

5 Although they were part of the USSR, the Baltic States are traditionally not included in the denomination 'Post-Soviet space'.

6 'Russia's Lavrov lashes EU over new 'Eastern Partnership'', *EUbusiness*, 22 March 2009.

7 Russian policy-makers vehemently criticised EU policies during the Orange Revolution in Ukraine. It can be argued however that these condemnations were directed at the West more broadly and in a crisis situation while the EaP is a pure EU initiative launched in a non-crisis context.

Certainly, rhetorical logics and the traditional tactic of mirroring of critiques should not be ignored when attempting to account for such reaction: just as Moscow had reacted to EU criticisms of the human rights situation in Russia by denouncing the treatment of Russian-speaking minorities in the Baltic states, its condemnation of the EaP as a 'sphere of influence policy' can be seen as a response to some European commentators' characterisation of Russia's post-imperial behaviour in the shared neighbourhood. Similarly, Moscow's longstanding strategic approach to this region as a necessary buffer zone could also be mentioned. The presence of NATO troops in the Eastern neighbourhood remains a red line for Russian policy-makers, and they might at a stretch have feared that, as with the CEE countries, deeper association with the EU could be the prelude to NATO membership.<sup>8</sup>

More profoundly though, the denunciation of the EaP should in fact be read as a realisation on the part of Russian policy-makers of the EU's transformative power. By exporting its rules, norms and standards, the EU has the potential in the long run to transform the political and economic structures of the countries of the neighbourhood, although this potential is far less developed in the framework of the ENP than it is through the enlargement process. This recognition of this transformative potential is confirmed by the fact that Russia has subsequently endeavoured to develop its own transformative power along similar lines. Without entering the controversy of how and whether Europe's transformative power is actually threatening to Russia, it can be noted that Moscow's has sought to emulate it.

Third, the institutional design of the ECU and the SES seem, at least in part, to have been modelled on the EU. The ECU system of institutions – with a Council in charge of decision-making and composed of heads of state, a Commission acting as a regulatory body and as gate-keeper of economic integration, and a Court providing judicial control of the Commission's decisions and actions – clearly echoes the structures of the EU. In fact, in the article where he first articulated his Eurasian Union project for the public, Vladimir Putin explicitly acknowledges this legacy: the EEU is presented as 'drawing on the experience of the EU' and the SES as aiming to 'adapt the experience of the Schengen Agreement'.<sup>9</sup>

In sum, the context and modalities of development of the Eurasian economic integration regimes tends to indicate that they have been conceived in significant deal in reaction to, and drawing inspiration from, the EU's transformative power. While attempting to foster integration in the post-Soviet space had been pursued by Russia through various formats in the past, the emphasis of the ECU and EEU on market integration through harmonisation of norms, standards and regulations testifies to the influence of the EU model. Indeed, these new regimes appear to proceed from a belated recognition on the part of Russian policy-makers of the power of regulatory and market norms, and of the need for contemporary global powers to be able to rely on regional blocs built around such norms.<sup>10</sup>

In this sense, the EU influenced not only the conception of the ECU and EEU but also, more broadly, the structure of regional politics, by shifting it onto the terrain of norms and economic integration, and apparently leaving behind traditional strategic considerations. The configuration of EU-Russia relations in the common neighbourhood thus evolved towards geo-economic rivalry. However, as the Ukraine crisis has illustrated, Russia will progressively depart from this template and increasingly seek to 'geo-politicise' the EEU.

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<sup>8</sup> It should be emphasised though that the EaP is nowhere close to offering membership to partner countries and that some CEE countries have joined NATO before the EU.

<sup>9</sup> Vladimir Putin, 'New Integration Project for Eurasia: A Future which is Being Born Today', *Izvestiya*, October 2011.

<sup>10</sup> *Ibid.* Putin explicitly recognised that the 'complicated, 21<sup>st</sup> century world' requires 'new political and economic foundations'.

## COMPETITION

By colliding geographically, these two region-building endeavours were bound to affect one another and to have a structuring effect on regional politics: the fact that the EEU and the EaP are destined to the same countries contributed to create a configuration of competition. Competition need not automatically lead to conflict; how it plays out depends on the discourses and practices of the actors involved. Whilst the parallel co-deployment of the ECU and EaP alternatives has often been framed as a zero-sum game between two blocs, the reality on the ground has not always corroborated this representation.

A clear incompatibility exists between the two regimes on the issue of customs tariffs. A state could not, at the same time, be a member of the ECU and sign a Deep and Comprehensive Free-Trade Agreement (DCFTA) with the EU: the ECU regulations require member states to have common tariffs with external actors while DCFTAs establish privileged tariffs between the signatory and the EU.<sup>11</sup> In theory, various degrees and stages of association exist within the EaP and, to a lesser extent, with regard to the ECU: states can conclude intermediary agreements (e.g. on visa facilitation) with the EU short of signing a DCFTA, and states could potentially cultivate cooperation with the ECU without being a full member (e.g. observer status). However, these two regimes have not been made compatible, and neither Russia nor the EU has taken any meaningful steps to do so. Despite this, several states have sought to avoid making a definite, either-or choice with regard to these two structures (or at least attempted to downplay that choice), either because they were hoping to reap some benefits from balancing one regional power against the other, or because the issue was too polarising domestically.

In Ukraine, Viktor Yanukovich had been cultivating ambiguity with regard to the two alternative frameworks, obtaining observer status in the ECU but at the same time negotiating the signing of an AA with the EU. The former President had made the Ukraine's strategy to 'balance' the EU's and Russia's offer against one another, in an attempt both to preserve the country's independence and to maximise the potential rent from its geopolitical association. Belarus, although always closer to Moscow, also sought for years to balance between Russia and the EU. While a member of the ECU, it has consistently tried to extract subsidies from Russia for its adherence to the project, while at the same time continuing to reach out to European economic actors whenever it can.

Armenia's policy of 'combinability' also testifies to a will to preserve some room for manoeuvre between the two regimes and a reluctance to be irremediably confined within the ECU framework, even though Armenia is set to join it. Yerevan's 'declarative eurasianisation' posture seems to be accompanied by what could be labelled an 'undeclared europeanisation' pattern.<sup>12</sup> In Moldova and in Georgia, two countries that are scheduled to sign an Association Agreement (AA) with the EU in late June 2014, some internal actors have been advocating the opposite EEU choice out of domestic politics calculus.

Beyond the fact that some states in the region have been attempting to escape binary choices, the true nature and actual possibilities of the EaP and the EEU contradict the picture of a geopolitical struggle between two cohesive blocs, akin to a 'new Great Game' as it is sometimes represented in some media. First, the EU's transformative power through the ENP, while significant, is largely undirected and can hardly be specifically activated as a pro-active foreign policy tool.<sup>13</sup> The EU can choose to accelerate its AA offer, but it remains

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<sup>11</sup> Signing a DCFTA is the highest stage of association with the EU a partner country can reach in the framework of the EaP. DCFTAs are usually contained in broader Association Agreements (AA) concluded bilaterally between the EU and the partner country.

<sup>12</sup> Laure Delcour's contribution in this report

<sup>13</sup> David Cadier, 'Eastern Partnership vs. Eurasian Union? The EU-Russia competition in the shared neighbourhood and the Ukraine crisis', *Global Policy*, forthcoming October 2014.

for the partner country to accept it. Second, country analysis reveals that the interaction of Russia's and EU's influences on the ground is more complex than traditional binary characterisations suggest: these influences are not always cohesive or all-encompassing. The literature examining ENP-induced policy change in the Eastern neighbourhood finds for instance that change is above all policy-specific and happens regardless of membership prospects or of the degree of asymmetric interdependence with the EU or Russia.<sup>14</sup> In other words, rigid categorisation dividing the countries of the region between pro-European and pro-Russian are misleading: one state may access to EU demands in one policy area but not others, and this regardless of its structural relationship with Brussels or Moscow. Finally, overly focusing on EU-Russia competition often leads one to overlook the strategic, political and economic preferences and calculations of domestic actors, which remain key variables in mediating national positions vis-à-vis the ECU and the EaP.

Nevertheless, what was not necessarily a zero-sum game competition became one by virtue first of being framed as such, and more substantively following the developments of the Ukraine crisis. A few months after the launch of the EaP in 2009, and therefore well before any country was close to signing an AA with the EU and before the ECU had even been established, Russia's Deputy Foreign Minister Alexander Grushko denounced the EaP for forcing states of the region to 'choose' between the EU and Russia.<sup>15</sup> More recently, some European commentators have called on the EU to step-up in the 'geopolitical game' imposed by Russia in the Eastern neighbourhood.<sup>16</sup> More importantly than these narratives, the practice of actors, and in this case of Russia, altered the parameters of competition when Moscow started using coercive measures to pressure countries, and Ukraine in particular, not to engage in close association with the EU.

## COERCION

The on-going Ukraine crisis illustrates the evolution of this regional competition as well as its potential consequences. On the one hand, the structural choice put to Ukraine contributed to the weakening and polarisation of the country (although this choice cannot be read as having caused the crisis alone). On the other hand, Russia has departed from the geo-economic competition template and resorted to coercive diplomacy and interference, paving the way for an increasingly 'geopoliticised' EEU.

The imposition of trade restrictions on Ukraine and Moldova in the summer of 2013 marked a shift in Russia's strategy. As the Ukraine crisis unfolded, Russia's actions constituted a clear shift away from persuasion and towards coercion of the countries of the common neighbourhood.<sup>17</sup> More than securing their accession to the ECU, Russia's coercive diplomacy has been directed at preventing them from engaging in close association with the EU. This was transparently the case when Moscow imposed trade restrictions on Ukraine and Moldova in the run-up to the Vilnius Summit, as both countries closed in on an AA with the EU.<sup>18</sup> The fact that Russian policy-makers came to feel so threatened by this prospect that they felt not alternative but to resort to such nakedly coercive measures, reinforces the sense in which Moscow's fear of the EU's transformative potential has driven its strategy in reaction to it.

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14 See for instance: Julia Langbein and Tanja Börzel, 'Introduction: Explaining Policy Change in the European Union's Eastern Neighborhood', *Europe-Asia Studies*, Vol. 65 no. 4, 2013, pp. 571–580.

15 Cited in: 'Europe's bear problem', *The Economist*, 25 February 2010.

16 See for instance: Jan Techau, 'Why the Eastern Partnership Is Crucial for the EU and the West', *Carnegie Europe blog*, 10 September 2013.

17 Susan Stewart's contribution in this report. By comparison, Kazakhstan was not coerced into joining the ECU. It joined the organisation out of economic and political motivations and contributed to shape its development. See: Julian Cooper, 'The Development of Eurasian Economic Integration', in: Dragneva, R., Wolczuk, K. (Eds.), *Eurasian Economic Integration Law, Policy and Politics*. Edward Elgar Pub. Ltd., 2013, pp. 15–33.

18 Furthermore, to this day Moscow has not resorted to coercive measures to force Azerbaijan to adhere to the ECU. In the case of Armenia, as the report's chapter highlighted, Russia exerted pressure on Yerevan and exploited its structural security weakness but did not resort to coercive measures.

To what extent then was the Ukraine crisis fuelled by the configuration of competing regionalisms described above? This structure certainly affected all the actors involved. In a way, raising the rent for his country's regional association and playing Russia and the EU off against one another allowed Yanukovich to postpone much-needed reforms, thus further fuelling popular discontent. The prospect of Kiev signing the AA with the EU led Russia to impose trade restrictions on an already weak Ukrainian economy, and the eventual rejection of the AA by the Yanukovich administration sparked the first protests. Similarly, it could be argued that the configuration of structural rivalry led the EU to misread not only the preferences and intentions of the Ukrainian executive (i.e. whether Yanukovich would sign) and population (i.e. Maidan movement) but also the interests and dispositions of Russia (i.e. how far was Moscow ready to go on Ukraine).

It would be wrong, however, to claim that this configuration of regional competition was the sole cause of the crisis or that a similar outcome is necessarily to be expected in other countries. While Kiev's planned, discouraged, and eventually discarded signing of the AA certainly served to catalyse the crisis, the dramatic turn of events that followed ought to be put in sequence – from the Maidan protests to the fall of Yanukovich and the annexation of Crimea – as well as in context – paying attention to the strategic and symbolic importance of Ukraine for Russian policy-makers compared to other countries of the region. The protests, while initially prompted by the rejection of the AA, grew considerably bigger and more determined after the police had repressed them; they became less about allegiance to either the EU or Russia than they were about denouncing a corrupt and inefficient political executive. The fall of Yanukovich and of the Azarov government was the tipping point in Moscow's coercive diplomacy strategy, after which it shifted gear from economic pressure to a military operation in Crimea and using unrest in the East of Ukraine. In other words, the specifics of the Ukrainian context and of Russia's actions should not be overlooked when assessing the consequences of EU-Russia competition and attempting to draw parallels with other countries of the region.

What the recent crisis revealed are critical shifts in Russia's policies towards the region. The developments in and around Ukraine confirmed a move from persuasion to coercion of neighbours about to engage in close association with the EU, as well as the growing instrumentalisation of the ECU as a foreign policy tool. Moscow has attempted to generate diplomatic solidarity among the current and prospective members of ECU in support of its position and actions in Ukraine. The issue of the official recognition of the annexation of Crimea will constitute a crucial test in this regard. This growing 'geopoliticisation' of the EEU may have consequences for the cohesion of the project as a whole, by leading members to look beyond economic integration and seek to preserve their sovereignty more closely.<sup>19</sup> That Russia has chosen to resort to coercive diplomacy, and in particular, employ the kind of escalatory measures it did in Ukraine, is evidence of the failure of Russia's attempt to mirror the EU's transformative power in its neighbourhood.

More generally, this crisis and this new strategy have altered the parameters of the regime competition described above. This is likely to have lasting consequences for the region. The next country to join the ECU, Armenia, has been convinced not by the prospects of economic benefits, but by the security offer delivered directly by Moscow. Belarus has read the Ukraine crisis both a sign of Western weakness and as a potential risk to the stability of its political regime – it has little option but to consolidate its position in the EEU (even though membership, which comes with few real economic rewards, has been made more politically demanding) while seeking all the time to avoid compromising its sovereignty. The EU has accelerated its association offers to Georgia, Moldova and Ukraine – these three countries are set to sign an AA with the EU on the 27<sup>th</sup> of June 2014. In other words, the balancing strategies between Russia in the EU pursued by some capitals before the crisis have now been made impossible and the structural choices they were keen to avoid is now upon them. This might mark the end of the EU-Russia geopolitical *entredoux* as we know it. ■

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19 Kataryna Wolczuk and Rilka Dragneva's contribution in this report