THE EU – RUSSIA: THE WAY OUT OR THE WAY DOWN?

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The Report “The EU – Russia: the way out or the way down?”, a joint project of the Institute of Europe of the Russian Academy of Sciences (Russia) and “Egmont – The Royal Institute for International Relations” (Belgium), is based on the workshop, held in Brussels on 26 April 2018 at Egmont. The authors analyse the current state, obstacles and potential for the EU – Russia cooperation in the fast changing and uncertain world. The Report focuses on security in its broad sense and the domains of mutual importance for the EU and Russia. The paper includes a topic of prospects of interaction between two regional blocs – the European Union and the Eurasian Economic Union.
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Preface ........................................................................................................................................... 4

Gromyko Alexey. Political Landscape of Europe. The Spectre of Geopolitical Solitude .......................... 7

Franco Marc. Deadlock of EU-Russia Relations. What Next? ............................. 14

Danilov Dmitry. EU – Russia: Making up for Security Cooperation Shortfall ................................. 20

Criekemans David. Security Threats in Europe: Possibilities and Obstacles for EU-Russia Cooperation ........... 28

Van Elsuwege Peter. Overcoming Legal Incompatibilities and Political Distrust: the Challenging Relationship between the European Union and the Eurasian Economic Union ..... 34


About the Authors .......................................................................................................................... 46
PREFACE

In world politics, it is often difficult to surpass the crisis of the day and reflect upon long-term trends and developments. Imagining a desired future end-state is even more complex, especially when current tensions and disputes seem to stand in the way of constructive solutions. Yet it is exactly the role of academia to undertake such reflection, and to offer ambitious, creative and realistic recommendations for the grand strategies of their respective governments.

One thing is certain: it will be the grand strategies of today’s great powers – the United States, China, Russia, and the European Union – that will determine the direction of world politics for many years to come. A great power is an actor whose decisions have the potential to shape global events. Other actors perhaps have the means, and may in the future play a bigger role than they are doing today, but for the moment only these four are truly global actors. How Washington, Beijing, Moscow, and Brussels see the world therefore is of crucial importance for any student of world politics.

The Egmont – Royal Institute for International Relations is honoured and pleased to have started a collaboration with the Institute of Europe of the Russian Academy of Sciences, at the latter’s initiative, to study these and other issues of mutual interest. A first joint public publication was launched in Moscow at the occasion of the anniversary conference of the Institute of Europe in November 2017. This second joint publication follows a joint seminar in Brussels in April 2018.

We are already looking forward to the next joint event, and hope that we have now established a firm basis for structural collaboration between our two institutes.

Prof. Dr. Sven Biscop
Director, Europe in the World Programme
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Strategic thinking is a prerequisite for a success in world affairs of any major state. Of course, the latter does not have a monopoly on strategic thinking. But only major states, or great powers as they were used to be called, have the means not only to design foreign policy strategies but to implement them. A country of any size can play a significant role in international relations. However only a handful of states have a capacity to harness a full spectrum of hard and soft power factors, which make them trans-regional and global players. The USA, China and Russia are obvious members of this club.

A success in implementing strategic thinking is not given. The whole political history is an example of the rise and fall of the great powers. Only few of them have managed to avoid this iron law of history and to retain their status. In the 21st century they will be tested again by rough seas of geopolitics and their commanding heights will be contested by new pretenders. Among their ranks the towering position is held by China, dwarfing in its capacity other rising powers.

A status of a major state still is a ticking phenomenon, but new times are as demanding and challenging as never before. In order to sustain the status of grandeur an international actor should not so much impose, but attract, lead by example and make it easier for others to cooperate with it than to oppose it. The globalized world has made it impossible to revive a pattern of superpowers but at the same time has eased restraints on claims to join the club of major states.

There is also a unique feature of contemporary world affairs: apart from the traditional global actors – initially empires and later nation-states, the world has witnessed an attempt to invent a subject of international relations of a new, supranational nature. The European Union since its inception in 1957 has grown into one of the leading global players. However, its ambitions still are not supported by a necessary strategic toolkit. At present, the EU status of a major power is more a derivative of the foreign policy of its leading member-states than its own supranational ability. Whether the intention of the EU to create its genuine foreign policy subjectivity and pursue its own global strategy can be realized – is one if the main intrigues of the new times.
These and accompanied issues are in the focus of collaboration between Institute of Europe of the Russian Academy of Sciences (IE RAS) and our distinguished Belgian partner the Egmont – Royal Institute for International Relations. On the following pages we are happy to present our second joint addition based on the Seminar, organized in Brussels by Egmont in April 2018.

Prof. Dr. Alexey Gromyko
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Perceptions of the main challenges to the stability of the conventional state of the world are changing as rapidly as the events themselves. The political establishment in the United States still sets the tone in shaping these perceptions in the West, although the uniformity of the Euro-Atlantic region is withering away. An obvious example is the G7 summit in Quebec in June, which ended in fiasco with Donald Trump withdrawing his signature from the final communiqué. The refusal was accompanied by harsh criticism of Justin Trudeau, the Prime Minister of Canada, whom Trump accused of lying and undermining the agreements reached in La Malbaie.

Deconstruction of the Liberal West

The liberal part of the European political establishment continues to nourish hope that the current US behavior is temporary phenomenon, not a long-term trend. The increasing contradictions between the two shores of the Atlantic are most painful for orthodox Atlantists, most vocal in the Baltic states, Poland, Romania, Sweden. As Britain withdraws from the EU, a number of European countries aspire for more United States in the Old continent. However their desire is checked by a person who is supposed to symbolize the US – Donald Trump. So some of the America’s European acolytes are ready to bow their heads in acceptance even of this twist of history. Others view the neoliberal opposition to Trump as their mirror and wait for their return.

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1 D. Trump reacted to the statements of J. Trudeau made at a press conference after Trump’s departure about the injustice of the US tariffs on steel and aluminum.
For European pragmatists represented by such countries as Germany and France, Spain and Belgium, the contradictions, accumulating with Washington, serve as a signal for more independent stance and for the transformation of the EU into an autonomous player on the international scene. Berlin and Paris, supported by Rome, are pursuing a proactive policy of developing the military-political instruments of the EU and strengthening the capacity of the national military-industrial complexes.

The other category of EU member states – Italy, Hungary, Greece, Slovakia, partly Bulgaria and the Czech Republic – countries with strong populist movements and eurosceptic sentiments, are gaining more influence. The prime minister of Hungary Viktor Orban, assuming the post for the fourth time last May, addressed the Parliament stating that the era of liberal democracy had come to an end and called for replacing it with 21\textsuperscript{st} century Christian democracy\textsuperscript{1}. The confrontation with ideological rivals plays into his hands. The decision of the Central European University, sponsored by Jorge Soros, to relocate from Budapest to Vienna became a symbol of this. If previously Orban was routinely portrayed by the liberal press as a political renegade and an outcast, now the flow of events in Europe shows that his personality, like many others, testifies to profound changes in the European thinking and reflects large-scale socio-economic changes. As a result, the established party political systems experienced a profound change.

In discourse on the liberal international order and New Populism, Britain is a special case. Its homegrown euroscepticism has gone much further than in Hungary, Greece or Italy. It not only brought eurosceptics to power, but also caused a political earthquake in the form of Brexit. However, the country's political elite, in spite of all its connivance to populism and strategic miscalculation, continues to portray itself as a genuine pillar of the liberal international order. To make these mutually exclusive attitudes – the exit from the EU and leading positions in the Euro-Atlantic region, the British authorities have been engaged in incredible adventurism, including the Skripal case. Despite all the differences, the nature of populism in Britain is largely the same as in the US, Italy, France or Germany – the protracted stagnation in the middle-class income and the increase of social inequality. For example, according to the British Trade Union Congress, after the 2008–2009 world economic crisis the average real wages of British workers re-

\textsuperscript{1} ITAR-TASS. The era of liberal democracy has come to an end – the Hungarian Prime Minister. May 10, 2018.
main lower than 10 years ago, and will not return to the pre-crisis level until 2025¹.

**The Advent of New Populism**

New Populism has ceased to be a marginal phenomenon and has turned into a mainstream one. Euroscepticism, one of its currents, which until recently was an abusive term, now is an official policy of forces at the helm of power. The new prime minister of Italy Giuseppe Conte is at the head of the first Italian entirely populist government, formed by representatives of the Five Star Movement and the League. This government is unique in bringing together left and right populism, the genesis of which is very different, but the approaches to solving a number of transnational problems are similar. The concept of empire² was once rehabilitated in the Western historical and political literature to the extent of the rhetoric of “benevolent empire”, especially in the US. At present the notion of “populism” is being rehabilitated as well. This is exactly what G. Conte stated in the Senate of the Italian Parliament on 5 June, indicating that the new government has nothing against being called populist in case it means respecting the views of the citizens.

Indeed, populism in the traditional meaning is the preserve of small parties and, consequently, of small groups of population. However, almost 50% of the citizens, who came to the polling stations at the election on 4 March, voted for the “Five Stars” and the League, which converted to a substantial majority of mandates in the parliament. In Italy and in a growing number of other European states New Populism becomes the pool of opinions expressed by the majority or a significant part of the population. As a result the former mainstream parties trade places with their opponents, thus becoming populist themselves and yielding mainstream ground to the new opinion formers.

Populism in the traditional meaning is a negative phenomenon, mapping the way for demagogues. On the contrary, many movements of New Populism contribute more to apprehension and resolution of modern crisis than the conventional ruling parties. For example, the emphasis on pragmatism in solving the problems of un-

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¹ ITAR-TASS. In London, several tens of thousands of people showed up at the rally in support of the workers' rights. May 12, 2018.

controlled migration or improving relations with Russia appears to be more responsible and promising for stabilizing the situation in Europe, than the position of traditional centrist forces on these issues. Therefore, the arguments of those who accuse Russia of sympathizing with mainstream currents of New Populism allegedly with the aim to split up the EU, are not convincing. In fact, the reverse is true: Russia is at loggerheads with the British conservatives, who are main contributors to undermining European integration.

New Populism is often compared to and associated with the interwar years populism in the 20th century, which made it easier for the World War II to happen. Of course, there are ultra-right parties in Europe, and some of them embrace neo-Nazi ideology. But they do not fall under the category of New Populism. Moreover, they continue to maintain their marginal character. The political heights are contended by those, for whom national identity, not nationalism is a means to overhaul the European project, to solve, not to aggravate the problems of democratic deficit, social inequalities, national and supranational bureaucracies, feebleness of the EU foreign policy. Majority of those, who represent New Populism, oppose the use of military force abroad, “humanitarian” and regime change interventions, while defenders of the “liberal international order” usually initiate or participate in application of hard power, from sanctions of different kinds to military force. The policies of conventional ruling parties, not those of the new populists, failed to prevent the migration crisis and, in some cases, have made it worse. As a result, we have the rise of xenophobic and racist attitudes in Europe.

Populism is a neutral phenomenon in the sense that the public frustration can be directed in different directions. Populism itself is neither negative, nor positive; it is a resource that may be used to implement either progressive or destructive political projects. The populism of British eurosceptics has dilapidated consequences, either visible or hidden, both for the European integration project, and for the international standing of Britain. At the same time, the populism of the “Five Stars”, The League or Viktor Orban is also a reaction to various dysfunctions, both at the national and the EU levels, but it does not go as far as the British eurosceptics. The dissatisfaction of the voters, whose aspirations are the prerequisite for the electoral success, can ultimately benefit the EU, forcing the conventional political parties either to adapt and metamorphose or to give way to new political forces.
The success or failure in this self-transformation or self-annihilation of political establishments will be determined by two more issues. Firstly, they will be judged by the ability to implement the EU Global Strategy, in particular, the thesis of strategic autonomy. The second issue is the normalization of relations with Russia and the revival of the concept of strategic partnership between the West and the East of Europe from the Atlantic to the Pacific Ocean.

There is one more group of countries – Finland, Sweden, Austria and Switzerland, which adhere to different variations of neutrality. They have played an important role in the modern history of Europe as elements of checks and balances, which support peace in this versatile region. They have made a significant contribution to the de-escalation of various conflicts. The special role of neutrality was demonstrated during the visit of Vladimir Putin to Vienna in June, where the two countries signed an unprecedented agreement on the Russian gas supplies up to 2040. The federal chancellor Sebastian Kurz and Austrian president Alexander Van der Bellen made statements, which in effect run counter to the official policy of Washington and some of its allies towards Russia. However, Helsinki, and especially Stockholm have become a weak link in European neutrality. The sustained efforts of the USA to draw Finland and Sweden into NATO, if not de jure, then de facto, are by no means accidental. The next step in this direction was the signing on 8 May in Washington of a trilateral declaration on expanding military cooperation between the United States, Sweden and Finland. Prior to this, in 2016, both North European countries had already concluded similar bilateral agreements with the United States.

The Euro-Atlantic solidarity is cracking at the seams. That makes the member states of the EU and its supranational structures review their strategic priorities and prepare backstop options. One of them was expressed in a statement in favor of normalizing relations with Russia, made by Jean-Claude Juncker, the President of the European Commission, at the conference “Re-energizing Europe – Now!” on 31 May. The conference was the concluding event of a major project, involving a number of leading European think tanks1. Growing geopolitical solitude of the EU is pushing the national capitals and Brussels towards revival of the imperative of the pan-European security system and common economic and humanitarian space from Lisbon to Vladivostok.

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1 www.newpactforeurope.eu.
**Transactional Relations**

The dreams of the orthodox Atlantists for preserving the “liberal international order” led by the United States of the pre-Trump period are becoming ever more intangible. It is difficult to give more convincing evidence of its malaise than the recognition of Donald Tusk, President of the European Council, who calls himself “an incurable pro-American European fanatically devoted to the idea of trans-Atlantic cooperation”\(^1\). On the eve of the G7 summit in Canada, he was deliberating whether the new policy of the White House was merely seasonal or a symptom of the breakup of the Western political community\(^2\). Shortly before the EU – Western Balkans summit in May, Tusk said that the EU should be grateful to president Trump, “because thanks to him we have got rid of all illusions”\(^3\). And, it should be kept in mind that Tusk is a Pole. “Euronews”, the leading news channel of the EU, echoing such sentiments, called the Canadian G7 summit a symbol of the Western world split\(^4\). A new term, “G6 plus one”, was coined, reflecting the further erosion of the club’s influence following the reduction of its membership after suspension of Russia's membership.

The relationship between the US and its allies in Europe increasingly resembles the transactional type of interaction, a notion from the world of finance that means a concrete one-time deal. Until recently it was broadly used in the West to characterize the relations with Russia since 2014. In other words, it is a targeted cooperation on agreements, which the West is interested to strike with Russia, for example, the settlement of the Syrian and Ukrainian crises, the salvation of the Iran nuclear deal, some elements of the fight against international terrorism. This type of relationship was officially embodied in the “five guiding principles for EU-Russia relations”, adopted by the Council of the EU in March 2016. These days,

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1. The European Council is the highest political body of the European Union; consists of heads of state and government of the EU member states.
the cooperation between the leader of the Western world with its other representatives is becoming transactional as well.

Trump's way of thinking represents the strategy of a business manager, who primarily is interested in the profitability of the enterprise. To be more precise, that is a type of a profitability associated with the principles of shareholders' economy (the interests of a narrow group of people focused on short-term benefits) in contrast with stakeholders’ economy. The shareholders for Trump the President is his electorate and the interests of Trump’s opponents and other members of the Western community become irrelevant. Trump offers a type of a business model, which envisages taking into account as much interests of the US allies as is acceptable for the America’s national interests, interpreted through a prism of Trump’s election promises. And most of them are interpreted in a narrow economy-centered context.

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The political landscape of Europe is undergoing profound change. The drama of Brexit, the US withdrawal from the climate accord and Iran nuclear deal, the fiasco of the G7 summit in Quebec, the intensifying trade war between the US and the EU, a new populist government, this time in Italy, the Catalan and Scottish separatisms, the EU internal quarrels on migration, the success of “Nord Stream 2” are symptoms of deep shifts in international relations. In general, the ongoing events confirm the emergence of the polycentric model of global governance. They also point to growing awareness in the EU of the need of strategic autonomy. The Russian foreign policy acquires more space for maneuvering in different geopolitical directions.
DEADLOCK OF EU–RUSSIA RELATIONS.
WHAT NEXT?

At present the relations between the European Union (EU) and Russia are below freezing point and deteriorating rather than improving. This situation is detrimental for either side and not sustainable. Neither in geopolitics nor in real life can one live in permanent conflict with one’s neighbour. Cooperation is necessary in various domains: in the economic sphere as well as for security against outside threats, fight against organised crime, trafficking etc. Constructive economic cooperation would allow a development of the synergies between a developed and an emerging market economy and the optimal use of the complementarities between natural, human and technical resources of EU and Russia. Moreover, a market of more than 600 million consumers would allow the realisation of significant economies of scale.

Whatever position one adopts in the present conflict, the outcome is a loss-loss result for both sides. Moreover, the longer the conflict lasts, the more future cooperation is jeopardised as both sides get further estranged from each other and develop other economic and political alliances.

Recently the EU has extended the various “EU restrictive measures” or sanctions against the Russian Federation in response to the crisis in Ukraine. These restrictive measures were progressively adopted in response to the “illegal annexation of Crimea and the deliberate destabilisation of Ukraine”. They consist of diplomatic measures, individual restrictive measures and economic sanctions. The Russian Federation has responded with an entry ban on certain politicians and an embargo on the imports of agricultural products. For the Russian Federation the lifting of the sanctions and the normalisation of relations is conditioned upon the lifting of the EU sanctions. The EU has aligned the economic sanctions regime to the complete implementation of the Minsk agreements. Within the EU, a growing number of governments argue for lifting of sanction, but up till now the consensus around
the “five guiding principles for EU-Russia relations”\textsuperscript{1} adopted in March 2016 has been maintained. At present the easing of tensions seems unlikely, the Scripal poisoning and the incidents in Syria adding to the list of issues that divide EU and Russia.

Increasingly, the political standoff is complicated by the evolution of the public opinion. The list of contentious issues is long (Crimea, Donbas, the downing of MH17, cyberattacks, interference in elections, Scripal, Syria etc.) and the official versions are not only different, but totally contradictory. Official versions on either side are by and large taken over by the media with few dissenting voices. Diverging opinions are on either side considered fake news or propaganda and measures are taken to respond to the “disinformation”. Biased information, accusation based on flimsy evidence, denials that lack substance and credibility make it difficult to organise a reasonable discussion on the real situation and the respective responsibilities. No constructive dialogue is possible at this stage as official communication is dominated by parallel monologues, yes-no arguments and “what-about-ism”. The official positions backed up by the narrative from the media have been increasingly taken over by public opinion. Old Cold War attitudes have returned: Russian public opinion sees the West as unfriendly force, decided to subdue Russia and rob it of its legitimate place in the global geopolitical. Even EU friendly people tend to ask: why is the west letting us down? In the West, Russia is considered a hostile neighbour, intending to recreate the soviet empire and to undermine Western democracy.

Rather than trying to figure out the “rights and wrongs” of the situation, this short paper will try to assess the consequences of the growing split between EU and Russia.

**Effect of the deadlock on economic relations**

In the first place, the damage done to present trade relations is only part of the story. Between 2013 and 2017, the trade between Russia and the EU fell by about 30% or about 8% per year, significantly more than the fall in Russia’s trade with

\textsuperscript{1} Full implementation of the Minsk agreements; closer ties with Russia's former Soviet neighbours; strengthening EU resilience to Russian threats; selective engagement with Russia on certain issues such as counter-terrorism; and support for people-to-people contacts.
the rest of the world. Russia is still EU’s fourth trade partner (from being 3rd three years ago). The pattern of trade is still the same and similar to the trade between EU and developing countries: imports from Russia of raw materials (about 80%) and exports of manufactured goods. It is generally recognised by the Russian leaders that the economy is in urgent need of modernisation and diversification. Homegrown initiatives have only been moderately successful and Russia has to rely on foreign investment to modernise and diversify. EU has been the dominant source of Foreign Direct Investment (FDI) in Russia, representing about ¾ of the stock of FDI. It is therefore worrying that the fall in FDI flows is even more important than the fall in trade: between 2013 and 2017 the stock fell with 6%, the (more volatile) flow with 60%. This implies that the two economies are growing apart after more than two decades of rapprochement: the value chains become less integrated, jeopardizing future post-conflict re-launching of economic relations.

**Consequences in Russia**

This is illustrated in the first place by the fact that Russia’s priority has shifted from its relations with the West to its relations with its former Soviet partners. The start in 2015 of the Eurasian Economic Union (EAEU) is an important landmark in this process. Despite its teething problems, its conflicts between member states and Russia’s dominance of the organisation the EAEU exists, its secretariat functions and economic relations between the member states develop and trade agreements are signed with third countries. However, at this stage the share of intra EAEU trade remains rather low. For Russia in 2016 it is close to 9% (as compared with 40% with the EU in 2017 – down from 50% five years ago). However, in view of modernisation and diversification of its economy, Russia can find more effective partners in the EU than in the other EAEU Member states.

Secondly, the shift away from the West is illustrated by the “Asia pivot”, and in particular the rapprochement between Russia and China, announced by President Putin in 2014, and driven by the European sanctions. The diversification of relations towards Asian countries was already initiated earlier and is important from an economic as well as geopolitical point of view. In a wider context, it is part of the movement of emerging countries to consolidate their position in the world economy, claim their role in the economic and political world governance.

After a slow start, economic cooperation between Russia and China (but also India and South Korea) is developing rapidly. Trade with China has tripled and
reached about $ 80 billion in 2017. It is expected that, if present trends continue, China will replace EU as Russia most important trade partner by the end of the decade. Supported by the Russia-China Investment Fund, investment has developed these last years and economic cooperation in various fields (hi-tech as well as energy) has been initiated. As Putin recently stated: “More than 70 priority projects worth over $ 20 billion are being implemented through the intergovernmental commission for investment cooperation”.

A wider geopolitical context

These investments are part of the wider context of China's ambitious One Belt One Road (OBOR) initiative, a trillion-dollar plan that spans about 65 countries and 4.4 billion people. Under the OBOR plan, China will pour money into railroads, highways and other projects in former Soviet states such as Kazakhstan and Uzbekistan. The aim of OBOR is not only to (re)create transport links between China and Europe, but, along the transport corridors (Silk Road(s)), to promote industrial investments in function of the development of the “value chain” of China’s economy.

The Asia pivot is at least in part successful, but the question remains how the relationship between Russia and China develops and whether Russia will not be relegated economically and politically to play second fiddle. Again, EU is a more reliable partner for the modernisation and diversification of its economy and it would be too risky for Russia to put all its eggs in the Asian basket. From a political as well as economic point of view, a balanced approach relying on EU as well as Asian partners seems to be indicated.

To sum up: on the Russian side: although a new dynamic is developing, including Central Asian countries, but mainly centred on China, Russia is losing out on the potential development of the relations with the EU, still its main trade partner and main source of modern industrial investment.

Implications for the EU

But what are the risks the EU is taking by keeping its relations with Russia in the freezer?

The possible future synergies activated through the combination of the development of the EAEU, of the Russia China economic cooperation and the of the One-
Belt-One-Road initiative is creating a new centre of economic dynamism, supported by political frameworks of emerging countries such as BRICS\(^1\), security organisations such as Shanghai Cooperation organisation (SCO) and Collective Security Treaty Organisation (CSTO). This could well result in a marginalisation of the EU in the economic and political development of the Eurasian continent.

EU considers these various initiatives with great scepticism: the EAEU is not effective and ridded with bilateral quarrels between Member States; China and Russia are competitors, suspicious of each other and disputing the leadership of the collaboration; partner countries of the OBOR initiative will grow wary about Chinese imperial behaviour etc. There may be an element of truth in each of these allegations, but it would be presumptuous to assume that all these initiatives will fail or that the EU is capable of turning them around and position itself as a full partner, concluding with the countries concerned its standard agreements (Association Agreement, DCFTA\(^2\)…), pretending to be the hub of Eurasian economic cooperation.

To sum up: the EU risks being excluded from a potentially import new growth initiative. EU’s position is further weakened by its internal problems, the loss of its position as an economic model and normative point of reference. The widening gap with the traditional transatlantic partner and ally does not make the EU position more comfortable

\[A\text{ way out of the deadlock?}\]

It has been argued that the present deadlock of the EU-Russia relations risks to result in a situation where both EU and Russia find themselves on the losing end, with China benefiting from the processes it is skilfully steering, with EU being side lined and Russia playing a secondary role.

If the EU-Russia deadlock is detrimental for both sides, a way must be found to get out of it. Unfortunately, dialogue has turned into a series of parallel monologues, restating well-known positions. Rather than play the blame game, it is more productive to look forward to what can be done together without losing face. In the short run, two approaches could be tried: the first one that could be the start

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\(^1\) Association of five emerging countries: Brazil, Russia, India, China and South Africa.

\(^2\) DCFTA: Deep and Comprehensive Free Trade Area.
of a disentanglement of the Ukraine conflict, the second one that could better position the EU to participate in the new economic developments in the Eurasian continent.

- The first issue at stake is the “Minsk Agreement” that has been approved by both sides. However, on none of the items listed in the protocol has substantive progress been realised: the ceasefire remains very fragile, broken on a daily basis by repeated incidents, withdrawal of heavy weapons, exchange of prisoners and amnesty have only partially been implemented. The law on decentralisation approved by the Ukrainian Parliament in January of this year is not acceptable to the “temporarily occupied territories”. The situation is complex with difficult to control local actors. A first step in the right direction, inspired by humanitarian as well as political considerations could be the reaching an agreement on a UN peacekeeping force with an agreed mandate, adequate number and agreed origin of peacekeepers, rules of engagement, geographical scope etc. President Putin as well as President Poroshenko and the US administration have hinted that they are open to the idea, but as always the “devil is in the detail”.

- Since the Eurasian Union exists, Russia insists on the EAEU as counterpart of the EU in trade negotiations. Although some cooperation takes place at the technical level, on customs procedures, trade regulations, standards and norms, the EU does not recognize the EAEU as a counterpart at political level. As will be analysed and argued in Peter Van Elsuwege’s paper intensification of existing contacts (including opening of more political contacts) can take place in a gradual manner without losing face on the EU side. Moreover, by enlarging the geographical scope of countries concerned: EU, EAEU and “other countries” it would be possible to realise constructive trade facilitating agreements, allowing the EU to become a partner in the Russia/China/EAEU/OBOR dynamics.

Finally, some *modus vivendi* should be reached to avoid further provocative action and to tone down the messages passed on the airwaves in in the social media. Public diplomacy – and cultural diplomacy in particular – can help to change the perception of the other side from a first-class enemy to a trusted partner.
The former axiomatic EU – Russia formula “we are doomed to cooperation”, which was based on a solid array of trade and economic cooperation, significant mutual interests and proximity of positions on many international security and crisis management issues, did not stand the test of the Ukrainian crisis in 2014. The “common spaces” concept “from Lisbon to Vladivostok” failed, as well as the “almost completed” new basic EU - Russia agreement. The EU faced serious obstacles to its “soft” expansion, which hit the Russian space of “special interests”. For the European Union Russia has turned from a strategic partner into a strategic challenge and a threat to European security order. The systematic political dialogue and sectoral cooperation have been dismantled and replaced by relationship of sanctions.

Revised F&S Concepts: lack of strategic vision

Since the EU – Russia wind-up summit in January 2014, which was held in a reduced format, relations between the parties still remain uncertain. There is no strategic vision of relationship; pragmatic cooperation is repressed by geopolitical paradigm of mutual deterrence and sanctions. Adaptive responses to the changed political realities and international dynamics prevail over strategic thinking and perspective.

The EU’s Global Strategy (EUGS) reflects perception of Russia as a “revisionist power”, but does not represent a strategy towards Russia. Mogherini’s “five guiding principles”\(^1\) are rather an attempt to find an internal balance within the Euro-

pean Union, than a conceptual framework for relations with Russia. Brussels reduces opportunities of rethinking relations with Russia to the Minsk agreements eventuality, which implementation is seen as Russia's primarily responsibility in the settlement of the Ukrainian conflict. Yet, Moscow does not consider itself a party to the conflict and therefore cannot agree with either the European approach to its settlement or the EU's conditionality towards Russia.

The Russia’s Foreign Policy Concept approved by President Vladimir Putin on 30 November 2016, considers the “systemic problems in the Euro-Atlantic region” and a serious crisis in Russian-Western relations through a prism of geopolitical expansion pursued by NATO and EU, and “their refusal to begin implementation of political statements regarding the creation of a common European security and cooperation framework”. But Moscow, despite the radical revision of the EU’s line towards Russia, answers it asymmetrically, keeps calling the EU “an important trade and economic and foreign policy partner”\(^1\). However, in Russia there is no clear vision of how to build relations with the “important partner” – the European Union, whose members have united around a common platform of deterring Russia to counter its “aggressive actions” and “a growingly assertive military posture”\(^2\).

The European response to Russia's attempts to gradually stabilise relations was recognition that without Moscow it is impossible to solve the most important international problems, among them crisis management, and thus channels for dialogue (diplomacy) are needed, even if to just discuss disagreements. Yet, in this case, Moscow is no longer treated as a difficult partner, but rather as an inevitable neighbour (from whom it is impossible to escape to another planet), and this clearly reduces the profile of “meaningful dialogue” and cooperation potential. But at


least it doesn't close the perspective and, on the contrary, leaves windows of opportunities re-opened. As the EUGS postulates, “the EU and Russia are interdependent. We will therefore engage Russia to discuss disagreements and cooperate if and when our interests overlap”\(^1\).

Such windows of opportunities, along with the objective interest of the EU and the most of its Member States to normalise and stabilise mutual cooperation, allow to consider a positive perspective of relations, in spite of tough disputes. In fact, the strategic choice comes down to two optional scenarios – escalation of confrontation or restoration of comprehensive cooperation. And this is a matter not of the “attribution” of responsible for the current crisis, but rather of ensuring that national and collective strategies are focused on the preservation and enhancing a Common Europe as an indispensable and fundamental joint goal. There has happened a significant distortion towards mutual deterrence in Europe, and the conflicting parties keep on investing significant political and material resources in “anger management”. However maintaining stability and risk reduction should be not only included in the current confrontational agenda, but serve to restore common European partnership. In other words, even if Russia and the EU have no longer an opportunity to return to “the common spaces”, it is necessary to declare and follow the strategic vision of a common Europe as a constant unifying objective. In practical terms, this should contribute to the restoration of a systemic political and security dialogue at all international fora, platforms and levels, notably EU – Russia, NATO – Russia Council (NRC), OSCE, crisis management multilateral negotiations formats.

**Towards F&S political dialogue: Russia’s standpoint**

Restoring of a systemic dialogue between Russia and the West should become a matter of high priority. Both sides agree that in modern conditions the return to “business as usual” is impossible. However, even mutual deterrence and challenges require special attention to arrange strategic communications. The fragmented political dialogue may turn into multiplication of mutual risks and threats, military and political ones *inter alia*, and thus strengthen confrontational trends. The European Union has frozen the structured political dialogue with Russia under the

Partnership and Cooperation Agreement (PCA). NATO–Russia Council’s activities have been decreased to a minimized level of political contacts; the OSCE degrades as a cooperative all-European security platform (as well as the Council of Europe) and becomes a hostage of Russian-Western contradictions and disagreements, turning into arena of political struggle.

At the same time, despite the declared Euro-Atlantic solidarity, there is rather no conceptual political unity with regard to future relations with Russia. Having proposed a “principled” selective engagement, the European Council blocked the structured political dialogue with Moscow. However, the same Member States, on the contrary, support within NATO a double-track approach to Russia, i.e. deterrence + political dialogue, but refuse any practical cooperation through NRC. This, in turn, reinforces strategic imbalances in national foreign policies’, especially in security dimension. Also incoherent national security and defence policies hamper the EU/NATO Member States to develop bi-lateral relations with Russia. The increased challenges in ensuring transatlantic balances, manifested differences between the US administration and European allies, as well as within both the EU and NATO complicate a search of common lines in relations with Russia. In this regard, Moscow, on the one hand, and the Euro-Atlantic community, on the other, face the Russia-West deficit of strategic communications and security dialogue.

From the Russian viewpoint, it seems vital to correct the institutional Euro-Atlantic asymmetry: to unblock practical cooperation in the NRC and thereby give a real content to NATO-Russia political dialogue; on the EU–Russia level to agree on prospective agenda of cooperation (even in the selective engagement format) by restoring systematic political dialogue. However, until now, this concept of a balanced Euro-Atlantic policy towards Russia is not perceived in the West as the core line of practical approach. The EU and NATO have been jointly searching consolidated answers to a “Russian challenge” and forging enhanced partnership mechanisms, where in fact the Russian agenda is considered within the paradigm of deterrence.

Nevertheless, for Moscow in its relations with the EU it is important not to miss a common European perspective and to focus the dialogue in this direction, notwithstanding current political obstacles. At a time when mutual deterrence trajectory limits possibilities of bilateral relations, Russia appeals to “harmonising and
aligning interests of European and Eurasian integration processes, which is expected to prevent the emergence of dividing lines on the European continent. This creates both prospects and challenges.

The positive prospects rest in shaping strategic vision of the Common Eurasian space, where practical cooperation should be enhanced. The EU and Russia could harmonise their multi-faced interests in Asia to strengthen their relations with the regional powers, and, most importantly, with China, within the EU – Russia cooperation conceptual framework. The EU Strategy for Central Asia, which is under development, seems to increases its motivations to reconcile activities with Russia, and Brussels inserted Central Asia in its “five guiding principles” of relations and selective engagement with Russia.

The difficulties relate to the complexity of reconciling the interests of Russia and the EU on the post-Soviet space, and especially in Central Asia, where the EU's position is uncertain and relatively weak. Moscow is hardly inclined to view Central Asia as a space of agreements with the European Union in the context of “selective” relations. On the other hand, the EAEU is in the process of taking shape, and this limits its potential interaction with the EU. In addition, the eventual cooperation of the two unions in any case would be overshadowed by the Russian-European differences at the contesting neighbourhood. Also the lack of S&D dimension in the EAEU, by definition, does not allow Russia and the EU to channel their security relations into this institutional framework.

Of course, the clashes of interests and strategic competition will continue to press over Russia-EU relations in the post-Soviet space. However, the parties should emphasize both the common Europe goals they are committed to, and the opportunities of potential cooperation between two integration organisations – the EU and the EAEU. Anyway, the Russia – EU dialogue on cooperation in the post-Soviet space and in the Central Asia cannot be held as “selective”, it can take place only in the general context of Russian-European relations.

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Similarly, both parties will inevitably consider the EU – Russia dialogue and interplay in the CIS, including on so-called frozen conflicts, through the paradigm of mutual deterrence and conflict of interests in the post-Soviet space. This, in turn, complicates progress in the settlement of conflicts within the joint negotiation formats, where Russia and the EU participate (5+2, the OSCE Minsk group, the Normandy format, etc.).

*The changing EU's face and CFDP ambitions*

Not only Russia is seen differently in the EU after 2014, but also the EU in Russia. Moscow ceased to perceive the European Union as a dominant of its “European choice”, declared by Putin at the turn of the 2000s. Even before the Ukrainian crisis, Moscow, when negotiating with the EU, emphasized that Russia is an integral part of Europe, and the European Union should not monopolize European perspective, in particular, when it appeals to common democratic values. The normative expansion of the European Union faced Russian wall – Moscow insisted on the mutual legal and administrative harmonisation in the framework of the common spaces. The Eastern partnership policy was interpreted as the EU’s intrusion into the post-Soviet space, without taking into consideration the interests of Russia and common European perspective.

In 2014, the European Union's refusal to continue systematic cooperation with Moscow provoked a significant drought of bilateral dialogue on the global agenda and European security. The parties are not inclined to dramatize the situation and emphasize that their dialogue continues. Along with the meetings on the sidelines of international events, Federica Mogherini visited Moscow in April 2017. But still this did not become a “first step” to restore bilateral political communications. The lack of systemic political dialogue significantly reduces opportunities for cooperation in the security sphere. On the part of Moscow, this is perceived as a substantial obstacle to bilateral relations, but also as a problem of the European Union's partnership capacity. Objectively, the EU cannot pretend to be a global player without establishing a framework of strategic relations with the key centers of power, in particular with Russia. In other words, Brussels should find opportunities to normalize communication and political dialogue with Moscow, if the EU is really committed to increase its influence and contribute to coping with global and European security challenges and threats.
The EU’s Global Strategy regards the US as a “core partner” on a broad security agenda, “the EU will deepen cooperation with the US and Canada on crisis management, counter-terrorism, cyber, migration, energy and climate action”\(^1\). The EU – NATO Partnership Declarations, which were signed in 2016 and 2018 at Warsaw and Brussels NATO summits, make the CSDP focused on conceptual set, objectives and decisions taken by NATO. The EU activity tends to firmly line up with NATO strategic guidelines and operational activities, which are aimed at containment of Russia and comprehensive response to Russian-made threats and challenges, including hybrid war and cyber threats, by possible resorting \textit{inter alia} to the Article 5 of the Washington Treaty on collective defence. The EU’s Plan of Military Mobility (in the North Sea – Baltic corridor), approved in March 2018, is an evidence of consolidation of the EU’s operational activities and capabilities within the Atlantic strategy of Russia’s containment.

For Russia, this signals a change in the EU’s security posture, when the Union’s strategic ambitions and advancing European defence, including PESCO, could consolidate a long-term line in the EU on deterrence of Russia and, therefore, further complicate security cooperation and political reconciliation. On the other hand, such an Atlantic drift of the EU does not strengthen prospects of European political autonomy but, on the contrary, binds it with the US’s strategy and security doctrine, not to mention a destructive impact of Trump’s political maneuvering and his “America first” message to the allies. Moreover, the Russian card continues to be played out in the transatlantic game (collective deterrence and burden sharing, sanctions, Nord Stream-2, Helsinki Trump-Putin summit...). Therefore, the EU’s claims to strategic autonomy in fact are coupled with weakening of the CSDP independent capacity, a change in its profile towards the consolidated Western deterrence of Russia and, consequently, an even greater dependence on the US strategic guidelines and F&SP decision-making.

“Windows of opportunities” for the EU-Russia cooperation, not only in the field of international security, cannot be open without normalization of Russian-American relations, and its prospects are rather faint. Even where the EU’s position is objectively close to Russia, but does not coincide with an American stand, \(^1\) \textit{Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union’s Foreign and Security Policy.} – June 2016. – P.37. available at: \textit{http://eeas.europa.eu/top_stories/pdf/eugs_review_web.pdf}
as, for example, on the Iranian dossier (JCPOA), Europeans are limited both in stabilizing influence on US administration and in combining efforts with Moscow.

European influence on the key pillars of the Russia-West strategic balance has critically decreased in the context of Trump's anti-multilateralism, whereas the next Washington’s unilateral actions, for example, a possible rejection of the INF Treaty, would be a new blow to European security, European defence and political autonomy, as well as for the Russian-European relations. With this in mind, Russia and the EU need making efforts to step up cooperation on international and European security agenda of mutual importance, including Ukraine, Syria and Iran, on countering common strategic challenges and threats, especially international terrorism and illegal migration, arms control and non-proliferation. There are serious hurdles on the way of gradually restoration of institutional platforms for dialogue and cooperation, in particular, Russia – EU systematic political dialogue as well as the result-oriented work of the NATO – Russia Council.
SECURITY THREATS IN EUROPE: POSSIBILITIES AND OBSTACLES FOR EU–RUSSIA COOPERATION

Introduction

We meet at a time of great international tension between East and West, an evolution, which is very unfortunate. At the core lies a mutual distrust, which developed after the end of Cold War, and especially during the second half of the 1990s. We need mutual empathy to try to escape from the current situation. The West has, in my opinion, made some major geopolitical mistakes in its relationship towards Moscow. NATO enlargement, pushed by Washington, was certainly one of them. The American president Bush sr. and then Soviet leader Mikhail Gorbachev had agreed in 1990 to reunify Germany and make it a NATO member, but NATO would not expand one inch further. NATO broke that agreement and expanded anyway in several waves. Historical fears in Central Europe fed into this process. Washington also promoted an agenda of regime change in the former Soviet sphere of influence in the 2000s.

Developments such as these made a common security analysis by East and West very difficult. In my personal opinion, NATO does not constitute part of the solution, rather it is a part of the problem in the relations between East and West.

At the same time, we are being confronted by important new changes in the geopolitical landscape. The election of American president Donald Trump and Brexit are changing the geopolitical and geostrategic theatre. As a result, several EU countries have realized that they should themselves take more responsibility in the realm of defence. Steps are being taken to develop the European Union as a security actor. Important in this regard is that the EU conceptually uses what I would
call a “broad definition” of security, not only focused on the military dimension, but also on the economic, environmental and societal dimensions.

These geopolitical changes are also an opportunity to undo some of the mistakes in the past that have led to the unfortunate tensions between East and West. Europe will have to evolve towards a more independent geopolitical pole, which means a realization that our interests do not always match completely with those of Washington. They may also not always match with those of Moscow, but it is important to explore where a win-win might be possible and the current atmosphere of distrust can be overcome.

In my opinion, the prism of the “broad definition” of security gives us a conceptual tool today to start discussing with one another the challenges, which we are both confronted with, so as to explore whether we can develop common strategies. In essence, the question lying before us is whether cooperation between the EU countries and Russia on some of these domains is possible.

As already concluded by some European geopolitical scholars in the past (and here I take the liberty to also mention the work at the Geneva Institute of Geopolitical Studies in Switzerland, of which I am a member since the first hour), the geopolitical interests of Europe and Russia are much more complementary than one would think. On the Eurasian continent, both entities play major roles as security providers in each of the above-mentioned dimensions.

What interests binds us together and how can we devise strategies to work together?

*Remember the 1970s*

The past can also offer us some inspiration. At the end of the 1960s, a similar East-West tension existed. Belgium took the initiative under our then Minister of Foreign Affairs Pierre Harmel for diplomatic talks with several Eastern European countries. Although the initiative initially seemed to have failed, it gave impetus to the later so-called “Helsinki Accords” in 1975.

The Accords’ “Declaration on Principles Guiding Relations between Participating States” enumerated 10 points:
1. Sovereign equality, respect for the rights inherent in sovereignty
2. Refraining from the threat or use of force
3. Inviolability of frontiers
4. Territorial integrity of States
5. Peaceful settlement of disputes
6. Non-intervention in internal affairs
7. Respect for human rights and fundamental freedoms, including the freedom of thought, conscience, religion or belief
8. Equal rights and self-determination of peoples
9. Co-operation among States
10. Fulfillment in good faith of obligations under international law

The document was seen by East and West as a significant step toward reducing Cold War tensions. Both parties in essence respected each other’s geopolitical sphere of influence. Looking back, one can understand why Moscow sees the enlargement of NATO as a form of undermining that gained stability, perhaps even provoking a counter-response. Whereas in Western media the policy actions of Moscow are often portrayed as “offensive”, perhaps they were just “defensive” (see: ‘Defensive Realism’).

The result is that we again seem to be locked in a world of competition and a zero sum game, whereas a positive sum game would lie more in our reach than we would think. What common challenges are we confronted with?

Common challenges, which we are confronted with

Taking a “broad definition of security” several domains come within the radar of possible cooperation:

- Energy security

Europe and Russia clearly are objective partners in the domain of energy. The EU is rapidly transitioning towards natural gas in combination with renewable energy. The age of oil will remain, but decline in relative terms. Europe will remain an important customer of Russian gas, even while Moscow rightly so diversifies its portfolio in the direction of Asia. New natural gas fields in the territorial waters of Cyprus, and perhaps even Greece or Syria are also of interest to the Russian federation. The question is whether a win-win could be found in this regard.
If Europe transitions in a few decades away from oil, new alternatives will have to be found for e.g. plastics. The petrochemical industry will have to be replaced by a bio-based chemical industry, based upon sustainability criteria. The Russian federation could become a major exporter to Europe in the field of biomass. In return, the EU and Russia could already today start working together in setting up expertise and perhaps even joint intellectual property in a future bio-based chemical industry.

- Economic security

It is in the interest of both East and West to maintain steady economic relations. But there is a hurdle to take; both East and West should be able to buy themselves into the companies of the other side via foreign direct investments under a common legal framework or rules. Perhaps certain sectors could be identified that could spearhead such a process. For a long time this has constituted a hurdle to achieve true complementarity in the economic realm.

- Environmental security

All our countries will in the coming decades be affected by climate change. We will need common solutions and new technologies to mitigate the upcoming unforeseen problems, with which all our societies will be confronted. Russia’s problems are Europe’s problems and the other way around in this regard. Europe can help with energy efficiency technologies in Russian housing and industry while Russia can help in the energy domain.

If natural gas is the ‘bridge fuel’ towards a renewable energy future, we urgently need to work together on a problem mentioned in the World Energy Outlook 2017 by the International Energy Agency; the leaking of the climate-dangerous methane in natural gas production.

Another problem to be tackled together, which receives too little attention, is the rapid degradation in biodiversity. The Russian federation and Europe could work together in this regard.

- Confidence building measures and cultural diplomacy

Within societal security there are many historical links between Russia and Europe. Think for instance of the rich cultural heritage in Saint Petersburg and Moscow. Via an active cultural diplomacy, it would be possible to make sure that our population gets to know the other partner better. In Saint Petersburg there is, for
instance, an active Dutch institute that can play a role in this regard. Cultural diplomacy can help in getting to know each other better, and in nurturing a positive atmosphere.

- **Radicalisation of individuals, terrorism and intelligence sharing**

Within the harder part of societal security, both our societies are being confronted with radicalization and terrorism. Belgium has woken up to this new reality after the terrorist attacks of 22 March 2016. A new security culture is being implemented by its authorities. A more structural exchange of intelligence sharing could create a mutually beneficial cooperation.

Last but not least, there are two elephants in the room with regard to security, which should be mentioned – Ukraine and Syria.

**In the Ukrainian case**, the European Union did not realize in 2013 that its negotiations for an Association Agreement with Ukraine had major geo-economic and geostrategic consequences for the Russian federation. The EU has great difficulty in understanding Geopolitics, still locked in a technical world of neoliberalism. What happened afterwards is a geopolitical disaster for both East and West. Instead of comparing notes on our perception of the situation on the ground since 2013, let us think about how the situation could be stabilized again. The Cold War gives us in the geostrategic domain the example of Austria. This country promised to remain neutral and thus could flourish. It is my firm belief that Ukraine, which literally means border zone, should remain just that and return to its non-aligned status. This would mean that NATO should indefinitely freeze any direct or indirect cooperation with the government of the Ukraine, take a step back and allow the European Union to become the main interlocutor in the realm of security in a broad definition. Ukraine must return to a policy of neutrality in “hard security topics”. This would allow the country to cooperate economically more freely with both East and West. -In a later phase, one could think of more autonomy for the Russian speaking regions in the East of the country. President Putin suggested some scenarios in this regard in the past. Only if the security issue is solved, Ukraine can become a geo-economic place where East and West meet and cooperate.

**In the Syrian case**, the West has also made some major mistakes. But both Russia and the West have worked together in defeating ISIS / Daesh. It would be dramatic if tensions between both sides rise any further. The European public
opinion does not want this. In fact, it is now more than clear that the government of al-Assad has won the war west of the Euphrates River. Many European leaders may have difficulty admitting this to their public, but this is the truth. East of the Euphrates River the Syrian Democratic Forces (SDF) have consolidated the territory.

Taking this important intellectual step in the West – that al-Assad has won west of the Euphrates and the SDF east of the Euphrates – there is a window of opportunity to work together. In the coming weeks and months, the war will continue in the province of Idlib with conventional means. Can a joint plan be devised so as to safeguard the local population?

Moreover, there is a risk that the Syrian war will soon develop another dimension. Israel accuses Iran of establishing a power base in Syria. We can debate whether this is true or not, but that in itself does not help. If Israel or Saudi Arabia would take matters into their own hands, there is an acute danger the Syrian war will overflow the region in ways that can no longer be contained.

It is my belief such a dramatic scenario would be against the geopolitical interests of both Europe and Russia. In other words, there is currently a window of opportunity to try to put the genie of war back in the Syrian box before its new chapter explodes in our faces.

To conclude, I do believe there are currently opportunities in all dimensions of security. In the new geopolitical landscape, which is gradually forming, it is in the interest of both Europe and Russia to try to understand each other, overcome our differences, and attempt to work together.
Overcoming Legal Incompatibilities and Political Distrust: the Challenging Relationship between the European Union and the Eurasian Economic Union

The absence of formal relations between the European Union (EU) and the Eurasian Economic Union (EAEU) may be understood against the background of competing paradigms for the shared neighbourhood between the EU and Russia. On the one hand, the Eastern Partnership (EaP) essentially aims at the export of the EU’s norms and values to its eastern neighbours. This is done on the basis of a conditionality-based approach and essentially at a bilateral level. The EU’s mantra in this respect is the ‘more for more’ approach. The more a neighbouring country adheres to the EU’s norms and values, the more benefits it can get ranging from a visa-free regime to close economic relations in the form of a Deep and Comprehensive Free Trade Area (DCFTA) and political association (be it without a clear membership perspective). On the other hand, the process of Eurasian integration proceeds from a completely different logic in the sense that it promotes the objective of regional (trade) integration in the post-Soviet space within the framework of the EAEU. The long-term objective is what Russian President Putin used to call a ‘common economic space from Lisbon to Vladivostok’ on the basis of a grand agreement between the EU and the EAEU.

For a number of reasons, such a formal arrangement between the EU and the EAEU is not a very realistic scenario. First, as long as not all EAEU member

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states are also party to the WTO any discussion about a potential EU-EAEU trade deal is premature. Second, the EU’s external action is to a large extent driven by an aspiration to export its values abroad. From this perspective, offering a free trade deal to the EAEU is difficult to reconcile with the EU’s traditional conditionality approach. Third, and partly as a result of the previous reasons, the EU is very reluctant to formally engage with the EAEU as a regional organisation. From an EU perspective, there is a clear pitfall that a formalization of the EU-EAEU dialogue creates a ‘bloc’ to ‘bloc’ dynamic, which is potentially detrimental for the EU’s bilateral relations with the countries in the region.

Already in September 2013, European Commissioner for enlargement and neighbourhood policy Stefan Füle declared that “the development of the Eurasian Economic Union project must respect our partner’s sovereign decisions”¹. This statement must be seen against the background of the pressure exercised by Russia on the EaP countries in anticipation of the November 2013 Vilnius summit and has been repeated consistently afterwards. It may thus well be argued that the right of every country to freely choose the level of ambition and the goals, to which it aspires in its relations with the EU is of fundamental significance in the context of EU-Russia and, by extension, EU-EAEU relations. In this respect, it is also noteworthy that one of the “five guiding principles” for the EU’s policy towards Russia, adopted in March 2016, concerns the strengthening of bilateral relations with the former Soviet Republics in the EU’s eastern neighbourhood and Central Asia².

Hence, the fear that a formal recognition of the EAEU would undermine the EU’s bilateral approach to countries in the post-Soviet space is the main reason explaining the Union’s reluctance of engaging with the EAEU as an actor in its own right. On the other hand, of course, the reality cannot be ignored and this reality is that the EAEU exists as an international organisation with a separate legal personality and with significant competences, particularly in the area of trade policy. As

a result, some kind of technical cooperation on customs and product standards seems unavoidable and recommendable. This was also the conclusion of an ‘Issues Paper on Relations with Russia’, drafted by the EU’s External Action Service (EEAS) in January 2015, which suggested “some level of engagement with the EAEU” but warned, at the same time, that this should not affect “the non-negotiable principle of free choice for all partners in the common neighbourhood”1. This quite accurately summarises the EU’s policy dilemma with respect to the EAEU: how to deal with this new reality without affecting its own neighbourhood strategy?

The search for this balance between accepting the EAEU as a new reality and a matter of fact without undermining the scope for the development of differentiated bilateral relations with the countries of the post-Soviet space determines the EU’s strategy to the region. In this respect, the conclusion of new bilateral agreements with the EAEU countries Kazakhstan and Armenia is of particular significance in the sense that it illustrates that EAEU membership is reconcilable with close bilateral links with the EU. With Kazakhstan, the enhanced Partnership and Cooperation Agreement (EPCA) significantly upgrades the bilateral relationship in comparison to the old PCA that entered into force in 19992. Of particular significance are the extensive rules on trade and trade-related matters dealing with issues such as customs cooperation, technical barriers to trade; Sanitary and Phytosanitary Standards (SPS), the protection of intellectual property rights and government procurement. Those areas are also covered within the EAEU. In order to avoid any collision between Kazakhstan’s obligations under the EAEU and its commitments under the EPCA, the standards applicable within the WTO are used as a common denominator.

Similar references to WTO law can also be found in the more recently concluded Comprehensive and Enhanced Partnership Agreement (CEPA) between the EU

2 The text of the agreement is available at: https://eeas.europa.eu/delegations/kazakhstan/18499/enhanced-partnership-and-cooperation-agreement-between-european-union-and-republic-kazakhstan_en
and Armenia\(^1\). Moreover, this agreement includes remarkably detailed provisions related to the gradual regulatory approximation of Armenia’s domestic legislation with key elements of the EU *acquis* in areas such as energy, environment and consumer protection. Without entering into the details of the agreement and its annexes, it suffices to recall that the CEPA may be regarded as an alternative to the planned Association Agreement between the EU and Armenia. The latter was never initialled due to the decision of Armenian President Serzh Sargsyan in September 2013 to seek membership in the EAEU. As is well known, the latter is legally incompatible with certain parts of the envisaged AA, in particular, as far the establishment of a Deep and Comprehensive Free Trade Area (DCFTA) is concerned. It is, for instance, not possible to abolish customs tariffs within the framework of the DCFTA and at the same time apply the common customs tariff applicable within the EAEU. In order to overcome this legal incompatibility, the EU-Armenia CEPA does not include any commitments regarding bilateral tariff liberalisation and reaffirms a general reconfirmation of WTO principles. Nevertheless, also without the DCFTA part, the EU-Armenia CEPA remains a very ambitious and detailed agreement with commitments in a wide range of areas such as justice, freedom and security, environment protection and climate change, trade and trade-related matters, transport etc. Hence, it may be regarded as an *association agreement lite*, which opens the gates to a strengthened institutional and legal relationship between the EU and Armenia\(^2\).

Significantly, such a relationship is formally compatible with Armenia’s EAEU membership taking into account that Article 114 of the Astana Treaty allows EAEU members to conclude international agreements with third parties as long as they do not contradict the purposes and principles of that Treaty\(^3\). Proceeding from the observation that the EU-Armenia CEPA does not entail any commitments concerning tariff liberalisation or standardisation in contravention to EAEU

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3 The text of the Astana Treaty is available at: [https://www.wto.org/english/thewto_e/acc_e/kaz_e/WTACCKAZ85_LEG_1.pdf](https://www.wto.org/english/thewto_e/acc_e/kaz_e/WTACCKAZ85_LEG_1.pdf)
rules, there is no problem from a legal point of view. It is noteworthy that also at the political level, Russia and the EU explicitly acknowledged Armenia’s foreign policy as well domestic policy choices illustrating that their divergent neighbourhood paradigms should not necessarily result in a ‘zero-sum’ game\(^1\).

At the other end of the spectrum, the recent developments in Moldova are a significant test case for the further development of EU-EAEU relations. This country has concluded an association agreement, including a DCFTA, with the EU, which fully entered into force on 1 July 2016. At the same time, Moldova pursues a special relationship with the EAEU, which is based upon the conclusion of a Memorandum of cooperation and the acquisition of an observer status in May 2018\(^2\). Pursuant to Article 109 of the Astana Treaty, this implies that Moldova may be present by invitation at meetings of the EAEU bodies and may receive non-confidential documents from these bodies. It does not include any decision-making powers but entails a loyalty obligation in the sense that it is obligated to refrain from actions that could harm the interests of the EAEU and its member states. Whereas the precise implications of this obligation remain rather unclear, the granting of an observer status to Moldova is a remarkable evolution particularly because the suggestion of former Ukrainian President Yanukovych to obtain a similar position for Ukraine within the (at that time) Eurasian customs union of Russia, Belarus and Kazakhstan (the so-called 3+1 formula) had been firmly rejected in the past. Hence, both the evolutions of relations with countries such as Armenia, Moldova and Kazakhstan point in the direction of an increased differentiation in the framework of the broader EU-EAEU relationship. This offers certain opportunities. For instance, the process of legislative approximation under the EU-Armenia CEPA may open the door to a broader process of approximation between the EU and the EAEU. Of course, there are also significant challenges involved. The domestic situation in several EaP countries remains rather fragile and the upcoming parliamentary elections in Moldova scheduled for November 2018 may provide another test case for stability in the region.

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In any event, it appears that a certain level of engagement between the EU and the EAEU seems unavoidable. This is particularly the case with regard to technical issues such as product standards and SPS requirements. Constructive consultations on regulatory convergence at technical level may help to solve these issues and may be regarded as ‘confidence building measures’. Taking into account the lack of trust between the parties after everything what happened in the recent past, one cannot realistically expect a formal engagement between the EU and the EAEU in the near future. In order to proceed, the EAEU needs to deal with its own internal development. Only when it has further developed into a genuine rule-based legal order, the option of a formal bilateral relationship with the EU could be put on the agenda. In the meantime, some pragmatic form of cooperation and dialogue may be helpful even though the failed trilateral dialogue between the EU, Russia and Ukraine regarding the implications of Ukraine’s DCFTA illustrates that this is not an easy exercise.
EUROPEAN UNION – EURASIAN ECONOMIC UNION:
POTENTIAL FOR COOPERATION

The interaction between the Eurasian Economic Union (EAEU) and the European Union (EU) is a highly crucial issue both for political and for academic research due to significant role of regional integration in the contemporary international system and growing cooperation between various regions¹.

Should we set cooperation against competition? Cooperative competition or competitive cooperation would be a very positive scenario for the EU-Eurasian Union relation, if only competition is fair, without artificial barriers, which are mainly political and geopolitical. In the dialogue with the European Union Russia has proposed and consistently promoted equal and mutually beneficial cooperation together with the idea of a common economic and humanitarian space from the Atlantic to the Pacific. Practical cooperation between the EAEU and the EU could become an economic basis for the implementation of such a project. It would allow to avoid a choice either/or, when the country “in-between” is actually faced with an alternative: either with the EU or with Russia – both/and looks much better².

The high degree of economic complementarity and the adherence to the uniform trade rules based on WTO standards ensure the necessary conditions for stable and transparent contacts between the EAEU and the European Union. It is clear that the EU example has been and remains a model for Eurasian economic integration. In the process of constructing the Eurasian Economic Union, its Member States are interested to apply all the best European practices adjusted to their own national realities. Thus, the similar principles of market liberalization form today the basis of both EU and EAEU models – new trade flows; freedom of movement of goods, services, capital, labor; improvement of quality of life through perfecting quality of goods and services; establishing an institutional system, which is independent of the Member States; elaboration of common rules and monitoring their application.

Public as well as business community of the EAEU Member States have no objections against internal norms and standards harmonization, upgrading inefficient standards to the level of the advanced ones, health and labour protection, etc. Therefore, it seems that the economically European and Eurasian regions are interested in cooperation, because they successfully complement each other. However, two of the integration project still cannot find a basis for cooperation. As Natalia Zaslavskaya shows, there is a number of obstacles1.

- **Conceptual differences.** From the EU side, Wider Europe and European Neighbourhood Policy give main initiative to the European Union, and perceive the countries of the Eurasian region as the objects of EU policy. On the contrary, Russia has interpreted “the Greater Europe” as a “common space from Lisbon to Vladivostok” with the possibility of implementing common economic and other projects. The same idea is a basis for the “integrating integrations” promoted by Alexander Lukashenko, the President of Belarus, and the TRANS-Eurasian partnership supported by the Eurasian Economic Commission (EEC).

- **Political disagreements.** There exist different approaches to the situations inside the Eurasian region (Abkhazia and South Ossetia, Ukraine), as well as outside the region (Syria). It seems that political and economic issues could be separated, if to focus only on common interests, take pragmatic decisions and promote

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1 Kondratieva N. The EU-EAEU relations: peculiarities of the contemporary stage//Sovremennaya Evropa, N 3, 2018.
trade relations, without paying attention to political differences. However, the reality demonstrates that it is not true. Russia has attempted to establish EAEU-EU cooperation in 2015. The Position Paper on the EAEU, which outlined the views and possible forms of cooperation, was handed to the EU Commission. In the response letter, the EU leadership noted that the European Union takes a decision on the possibility of cooperation on the basis of wider political context and implementation of the Minsk agreements. So in this case the EU conditionality principles hinder the constructive approach to cooperation.

– **Institutional problems.** On the part of the EU, there is a lack of understanding – which official or institution negotiate with in the EAEU. Europeans believe that the Eurasian project is developing mainly due to the support of Russia; therefore, fundamental negotiations are likely to be conducted not with the colleagues from the EEC, but with the Russian leadership. That is why in 2015 the President of the European Commission J. - C. Juncker sent a letter dealing with communication between the regional integration blocs to President Vladimir Putin, and not to the EAEU institutions¹.

Actually, the EU-EAEU cooperation should not be subject to any conditionality. In fact, the EAEU existence has become an objective reality that is difficult to ignore. Wider competencies that have been transferred to the EAEU, modify conditions of foreign trade operations for the EU companies in such areas as customs and tariff regulation, technical regulation, protection of internal measures, phyto-sanitary and veterinary regulation. That is why the establishment of direct links between the European Commission and the EEC would be of practical benefit. The EU partners show interest in cooperation with the EEC on regulatory issues (standardization and technical regulation) at the expert level.

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closer integration processes in the Euro-Atlantic and Eurasia. A number of important events have recently proved this interest. The meeting between the Eurasian Economic Commission and the Foreign Ministries of Austria and France took place at the EEC Commission’s HQ in Moscow. “Vienna process 2017” was launched; Thessaloniki Forum took place in September 2017. “Eurasian Economic Forum: in Search of New Balanced Relations” was held in Verona, where the current developments in the EAEU and the prospects for Eurasian economic integration were discussed. Worth mentioning is the Joint Declaration on the cooperation between the Government of Greece and the EEC on 24 June, 2017, which provides for cooperation on a broad economic agenda while considering obligations of Greece as the EU Member State.

Therefore, in general, the contacts are sufficient. Initially, they serve to inform the EU business about the Eurasian Economic Union activities: application of sanitary, veterinary and phytosanitary measures, public procurement, financial markets, intellectual property, trade and competition policy, antitrust regulation. In 2016, the President of Kazakhstan N. Nazarbayev launched the initiative – to hold an international conference in Brussels with participation of the high-ranking officials. The aim of this proposal was to find possibilities for interaction between the EAEU and the EU. Regrettably, it remains unrealised.

The Organisation for Security and Co-operation in Europe (OSCE) can become a framework for productive contacts via its Platform for Cooperative Security, as this European organization includes both EU Member States and the EAEU. In this regard, it is important to develop the dialogue on regional and sub-regional integration and cooperation in the relevant OSCE structures, as well as the development of Eurasian transport links and corridors. For example, for the EAEU it looks very attractive to connect its transport infrastructure with the Trans-European corridors No 2 and No 9, as well as with the Eurasian corridors “East-West” and “North-South”. Besides, joint EAEU-OSCE projects might be developed on digital transport corridors, digital industrial cooperation, traceability of

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products, goods, and on harmonization of digital infrastructures, creation of zone
docking digital infrastructures\(^1\).

The EAEU and its Members are interested to strengthen further the regulatory
framework for cooperation with the EU candidate countries and European-perspective states of the Western Balkans in areas where this does not contradict
their EU integration commitments. It seems that such an approach would be benef-
cicial for those states; it would allow them to pursue a multi-vector trade and eco-
nomic policy, without sacrificing their interests and their choice in favor of join-
ing the EU. The most relevant example is Serbia, which is interested in the free
trade deal with the EAEU. This new free trade agreement is supposed to replace
older bilateral Free Trade Agreements (FTAs), which Serbia has with Russia,
Belarus, and Kazakhstan and expand the market for its products to Armenia and
Kyrgyzstan that is beneficial for Serbian economy. However the EU does not
demonstrate enthusiasm towards Serbia’s plans and intentions in this direction
and, on the contrary, worries about several points – is this unified trade regime
compatible with the SAA between the EU and Serbia? Taking into consideration
relevant issues stemming from the accession negotiations, is the unified trade re-
gime with the EAEU compatible with the candidate country status of Serbia?\(^2\)
The normal businesslike relations presuppose discussing the issues of concern and
searching for the way out; but the confrontational agenda would suggest the un-
pleasant choice: either with the EU or with the Eurasian Union.

It should be borne in mind that the EAEU Member States pursue fully independ-
ent foreign policy, as well as external trade with third countries in relation to ser-
vices, establishment and activities of legal bodies and investments. In accordance
with the Treaty on the EAEU, supranational regulation covers external trade poli-
cy of the Union Members only in respect of trade.

\(^1\) Minasyan K, Minister for Internal Markets, Informatization and ICT. Eurasian Economic

available at:https://www.osce.org/chairmanship/373513?download=true (Accessed on
30 July 2018)

\(^2\) European Parliament. Parliamentary Questions. Serbia and unified trade regime with
EAEU available at: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-
//EP//TEXT+WQ+E-2016-005020+0+DOC+XML+V0//EN&language=pt
Bilateral cooperation between the countries of the Eurasian Union and the EU can involve much wider range of spheres than trade in goods, and, as a rule, no conflict arise with the EAEU law. In addition, Member States will coordinate their external economic initiatives with each other. The examples are the EU-Kazakhstan’s Enhanced Partnership and Cooperation Agreement (2015) and EU-Armenia’s Comprehensive and Enhanced Partnership Agreement (2017) that take into account their obligations to the EAEU.

The EAEU states need more diversification in their external relations, not only with the EU, but also with China, Iran, the Arab countries etc. At the same time, among the Eurasian economic integration priorities there is a study of the options for interconnection between the Eurasian Economic Union and the Silk Road Economic Belt (SREB) or One Belt, One Road (OBOR). The Agreement on Trade and Economic Cooperation between the EAEU and China as well as the interim FTAs with China and Iran were signed at the Astana Economic Forum in May 2018. FTA between the Eurasian Economic Union and Vietnam has already allowed to increase trade turnover by 36%. In the long term, these agreements could serve as the basis for a new integration framework – the Great Eurasian Partnership, which is designed to harmonize interaction in the regional multilateral institutions.
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Для заметок
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THE EU – RUSSIA: THE WAY OUT OR THE WAY DOWN?