



# Europe's Eurasian Challenge

PONARS Eurasia Policy Perspectives

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EURASIA

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# **Europe's Eurasian Challenge**

PONARS Eurasia  
POLICY PERSPECTIVES  
SEPTEMBER 2017

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Program Directors: Henry E. Hale and Marlene Laruelle  
Managing Editor: Alexander Schmemmann  
Senior Research Associate: Sufian Zhemukhov  
Research Assistant: Minhaj Abdullah

PONARS Eurasia  
Institute for European, Russian and Eurasian Studies  
(IERES) Elliott School of International Affairs  
The George Washington University  
1957 E Street NW, Suite 412  
Washington, DC 20052  
Tel: (202) 994-6340  
[www.ponarseurasia.org](http://www.ponarseurasia.org)

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# About the Authors

Pavel K. Baev is Research Professor at the Peace Research Institute Oslo (PRIO), Norway.

Samuel A. Greene is Director of the Russia Institute and Senior Lecturer in Russian Politics at King's College London.

Sergei Golunov is Professor at the Center for Asia-Pacific Future Studies at Kyushu University, Japan.

Olexiy Haran is Professor at the National University of Kyiv-Mohyla Academy and Head of Research at the Democratic Initiatives Foundation, Ukraine. Mariia Zolkina is Analyst at the Democratic Initiatives Foundation, Ukraine.

Sergey Markedonov is Associate Professor at the Russian State University for the Humanities.

Sergey Minasyan is Deputy Director and Head of Political Studies at the Caucasus Institute, Armenia

Arkady Moshes is Program Director of the EU Eastern Neighborhood and Russia research program at the Finnish Institute of International Affairs.

Sebastien Peyrouse is Research Professor of International Affairs at the George Washington University.

Maria Popova is Associate Professor in the Department of Political Science, McGill University.

Polina Sinovets is Associate Professor in the Department of International Relations, Mechnikov National University, Odessa, Ukraine.

Anar Valiyev is Associate Provost at ADA University, Baku, Azerbaijan.

Elizabeth Wishnick is Professor of Political Science at Montclair State University and Senior Research Scholar at the Weatherhead East Asian Institute, Columbia University.



# Foreword

Marlene Laruelle

*George Washington University*

Europe's interactions with Eurasian countries have been deeply shaken not only by the 2014 Ukrainian crisis, but also by the decline of EU soft power in the whole region. This was produced by a series of sequential crises starting with the debt and financial crisis and continuing with crises over Syria and refugees. In these conditions, Europe-Russia interactions, and more globally Europe's toward its "Eastern Neighborhood" and post-Soviet countries, have been challenging.

In this volume, PONARS Eurasia experts address the issue of reshaping the Europe-Russia relationship beyond sanctions policy, for instance by delivering direct benefits to ordinary Russian citizens that would be unavailable to elites. A renewed East-West dialogue could follow different trajectories, depending how each actor reacts to its environment, with potential paths for improvement, stagnation, or deterioration. If the ongoing asymmetric war in the Donbas remains a critical point of contention, the Syrian war and Russia's engagement in it plays a driving role in reshaping the balance between Moscow and European capitals, alongside the Kremlin's trying to accentuate the disunity in and lack of strategy from Western countries toward the Middle East. Mutual mistrust and suspicion have increased. Still, Russia continues to adhere to strategic deterrence theory, but has developed a new generation of precision-guided conventional weapons that may alter NATO's balance. At a more micro level, the picture is also more grey than black-and-white: Russian-European cross-border cooperation has been harmed, but some cross-border activities have continued, with some neighbors such as Norway, Finland, and Poland maintaining joint projects with Russia.

The EU has seen a more complicated picture in Ukraine. If the idea of joining NATO seems to be on the rise in Ukrainian public opinion, the relationship to Europe is more complex, with many Ukrainians being disappointed by what they see as a lack of European involvement. Moreover, it is hard for EU institutions to reform Ukraine's judiciary and battle corruption when the EU itself cannot adhere to its own "stick and carrot" principles. Belarus does not find itself in an easier position, with increasing mistrust in the Minsk-Moscow relationship.

In southern Eurasia, Europe's influence has also diminished and its image partly damaged. Russia has reinforced its position both in Armenia and in Azerbaijan, limiting room for maneuvering by Brussels and European capitals in the South Caucasus. Yet, Yerevan still looks for more interaction with the EU while Baku is worried about the UK's Brexit referendum and what it may signify for the EU presence in the Caspian region. In Central Asia, Europe's status as the main aid donor and a major trade partner has not really translated into structured political influence, while the region's leaders continue to see themselves as sandwiched between Moscow and Beijing.



## **I. Rethinking the Russia-Europe Relationship**



# Conditionality Beyond Sanctions

## IDENTIFYING AND PURSUING INTERESTS IN THE EU-RUSSIA RELATIONSHIP

PONARS Eurasia Policy Memo No. 460

February 2017

Samuel A. Greene\*

*King's College London*

Within the next 24 months, the international sanctions imposed on Russia after the annexation of Crimea and the instigation of conflict in the Donbas will likely weaken—despite the near certainty that neither Moscow's policies toward Ukraine nor its domestic politics will have significantly improved in Europe's view. The ascent of Donald Trump in the United States, the emergence of "Brexit," the likely election of a new French president skeptical about sanctions, combined with growing fatigue over the intractability of the conflict in the Donbas and Kyiv's own evident inability to pursue structural reform, all augur for a drawdown in the West's stance vis-à-vis Moscow.

This is a challenge, first and foremost, for Europe—because it is Europe that Russia is mobilized against. Despite misgivings in Washington and within parts of Trump's Cabinet, the trajectory in Washington and Moscow is clearly toward normalization or, at least, de-escalation. The Kremlin's overriding policy goal in the Euro-Atlantic space—halting the expansion of NATO and the European integration project—cuts across core European interests without doing significant damage to U.S. objectives, at least in the near [term](#). While disagreements will remain, over Iran, missile defenses, and other core elements of U.S. foreign policy, Washington seems set to abandon the European Eastern Neighborhood to its fate. Doing so has the potential benefit, from the Trump Administration's position, of freeing up resources to devote to China, the Middle East, and other challenges, while the costs of abdication are borne primarily by Europe. That is not, however, a position so easily taken in Europe itself. It was, after all, contestation in the Eastern Neighborhood that led to war on the European continent—and the simple abandonment of sanctions does nothing to solve the present conflict or prevent the emergence of new ones.

The impending reelection of President Vladimir Putin, moreover, underscores the crux of the problem: the European Union has not yet found effective means of leverage vis-à-vis a geopolitical competitor whose aims for the governance of the European continent

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\* [Samuel Greene](#) is Director of the Russia Institute and Senior Lecturer in Russian Politics at King's College London.

are very much at odds with those found in Brussels, Berlin, and most EU capitals. Contrary to much of the public debate, this lack of leverage stems neither from European weakness, nor from Putin's strength, but from a double failure of analysis. The first is Europe's reticence to formulate its Russia policy in terms of the EU's own strategic interests in Moscow and in the region, seeking instead to latch onto what Brussels has perceived (mistakenly, in many cases) to be Moscow's own interests. The second failure has been the tendency to see the relationship in predominantly elite-centric terms.

The result is that, 25 years after the end of the Soviet Union, the institutional relationship between Russia and the EU is remarkably thin. Even when sanctions erode, there is very little precedent of "business as usual" to which to return. Trade may resume, of course, but there is neither the trust nor the inclination to pursue any of the grand bargains or strategic relationships that have been discussed in the past. The post-sanctions relationship with Russia, then, risks drifting back into potentially violent confrontation.

A different approach—one that takes greater stock of Europe's own interests and that understands the potential for a socially and economically deeper relationship with Russia—could yield a more effective conditionality and, while not devoid of conflict, would potentially lay the foundation for a more robust and genuinely strategic EU-Russia relationship.

### **What Went Wrong?**

There has been no shortage of engagement in the EU-Russia relationship. The 1994 Partnership and Cooperation Agreement set out a broad agenda of cooperation, underpinned initially by a large program of technical assistance, aimed from the outset to lay the groundwork for a free-trade area. In 2003, the two sides agreed to work towards the creation of "Four Common Spaces," to cover economics; freedom, security and justice; external security; and research, education and culture. Despite failing to make meaningful progress toward any of these goals, Russia and the EU launched in 2010 a new "Partnership for Modernization," which committed Moscow—at least rhetorically—to using European integration as a means toward its own domestic transformation.

None of this—and not some €330 billion in goods [traded](#) annually—prevented Russia from using military force in 2014 to try to block the implementation of a Deep and Comprehensive Free Trade Agreement (DCFTA) between the EU and Ukraine. The reasons for Russia's reactions are a matter of considerable debate, ranging from concern that the DCFTA would lead eventually to NATO membership and the loss of Russia's strategic position in the Black Sea, to a more general sense of, as professors Tuomas Forsberg and Hiski Haukkala [write](#), "Russia's growing exasperation with being the junior partner in its relations with the West and being forced to accept *diktats* coming

from that direction.” Where one comes down is often a matter of taste, as much as of analysis.

The root cause of the conflict, however, seems to lie in Europe’s own misunderstanding of the relationship it was building with Russia. The overarching EU-Russia frameworks were either entirely elite-focused and elite-driven (such as the Partnership for Modernization, the justification for which began and ended with then-President Dmitry Medvedev’s ostensibly modernizing platform), or else made mass-oriented benefits contingent on elite behavior (such as the Four Common Spaces), predicated on the increasingly untenable premise that Russian elites were beholden to their electorate.

Two failures help illustrate the cognitive gap between Moscow and Brussels. One is the long-running discussion of visa facilitation, which eventually broke down in 2012 over Moscow’s insistence that elites traveling on service passports [receive](#) special dispensation. Another was a proposal that surfaced repeatedly in the 1990s and early 2000s—but was never implemented—to replace Russia’s own technical standards with those issued by the EU, in order both to modernize Russian industry and to ease the free movement of goods. As Russian trade envoy Dmitry Polyansky [told](#) a U.K. parliamentary inquiry in 2015, the cost was deemed to be too great, both to the Russian government and to key (mostly state-owned) industries.

In both cases, as in the relationship as a whole, the conclusion drawn by the EU was that, given enough strategic patience in Brussels, Russia would eventually come around. In the meantime, believing that Moscow could have no reasonable objection, Brussels turned its attention to what became known as the Eastern Neighborhood—Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine—and pursued piecemeal integration with countries whose publics often enjoyed comparatively more leverage over their elites than in Russia.

The conclusions drawn in Moscow, however, were quite different. The aforementioned “exasperation,” coupled with an unwillingness to upend the rent flows generated in inefficient industries, helped feed a growing belief within Russian economic and foreign policy circles that the country needed larger captive markets in order not only to trade, but to maintain the viability of its own political and economic system. This, in turn, helped justify the drive to [create](#) the Customs Union and Eurasian Economic Union (EEU), several years before the current crisis in Ukraine.

Thus, even as the EU operated on assumptions of commonality of interest, the irrelevance of geopolitics, and the absence of geo-economic competition—seeing the European project fundamentally as a non-zero-sum game—it found itself facing in Russia not a reticent partner, but a challenging power for whom the expansion of Europe’s economic influence was an existential threat. Far from being a red herring to

distract from some other hidden agenda, the Ukrainian DCFTA was for Russia very much a *casus belli*.

### What Now?

The road forward for Europe vis-à-vis Russia must begin with the recognition that the relationship is geopolitical, and that the primary field of competition is—and will remain for the foreseeable future—the Eastern Neighborhood. Left in a security vacuum and in developmental limbo, the space between the EU and Russia has the potential both to destabilize the security situation on the continent indefinitely, and to threaten the very existence of the EU. Moreover, the rising cost of maintaining a robust security posture towards Russia undermines the sustainability of NATO, which Europe is neither willing nor able to replace.

This challenge will persist as long as the Eastern Neighborhood states are not on a solid integration path either with the EU or the EEU. Given Russia's demonstrated willingness to bring military force to bear, some may be tempted simply to cede the region, concluding that the costs of both supporting reform and containing Russia are too great for Europe to manage. If the experience of the Euromaidan has taught policymakers anything, however, it should be that publics are ignored at our own peril. Integration with the EEU, while providing a stable equilibrium for policymakers and an attractive deal for many elites, brings fewer public goods for ordinary citizens and thus comes at the risk of domestic destabilization. In the mid to long term, then, the EU's best viable option for pursuing stability and security is to "win" in the Eastern Neighborhood.

That said, the costs of geo-economic and geopolitical competition with Moscow will be unsustainable, as long as Moscow is willing to countenance military confrontation and Europe is not. Thus, from a European policy perspective, the only viable route to a stable and secure settlement in the Eastern Neighborhood involves creating change in Russia itself. This is, perhaps, a surprising and uncomfortable conclusion. Europe's prior attempts at leverage in Russia (and in other countries where EU membership has not been a viable option) have largely failed to bring results. Moreover, the Kremlin is, as mentioned before, famously allergic to anything that would smack of a subordinate relationship.

A closer look at the source of the conflict, however, suggests a new approach to leverage and conditionality. If the foregoing analysis is correct, then Russia went to war over a trade treaty not because Putin's sensibilities were offended or because it is pursuing an ideologically driven revanchist agenda, but because the logic of its own political economy demanded it: Russia needed access to a greater pool of rents in order for the system to survive, and thus the Ukrainian DCFTA was a threat that needed to be

countered. (Whether the countermeasures were counter-productive is a separate question; once launched, however, such policies often become path dependent.)

The change that Europe needs to see in Russia, then, consists in helping the Russian political economy gradually function more like Europe's, such that Russia's rulers—whoever they may be—discover an abiding interest in integration and harmonization, rather than competition. This can be achieved by thinking about conditionality in two new ways: designing it not to reward governments for good behavior, but to shift the balance of power between the Kremlin and those whose policy agendas are more in line with Europe's; and extending the reach of conditionality to Europe's own institutional spaces.

The traditional approach to conditionality—offering “carrots” such as economic integration or visa-free travel to publics in return for policy cooperation by their governments—does not work when governments are not accountable to their citizens. In fact, traditional conditionality creates a perverse outcome in autocratic settings, as the EU and national elites essentially collude to disenfranchise further already beleaguered publics, while governments easily shift the blame to Brussels.

A new approach to conditionality would be designed to empower those constituencies who would be best served by furthering Russian integration with Europe. Within Russia itself, this involves **reversing the logic of conditionality**. Brussels should deliver direct benefits to ordinary Russian citizens that are unavailable to elites, without the usual up-front *quid pro quo*. These benefits could, for example, include visa-free travel (to everyone except holders of service passports), access to education, and even access to financial services and freer movement of goods and capital exclusively for small and medium-sized enterprises (monitored through beneficial ownership registries). The object would be to make Europe genuinely useful to increasing numbers of Russians. Further leverage might—but not necessarily need—be created by making renewal of these benefits contingent on progress towards harmonization and integration made by the government, thus forcing the Kremlin to inflict very real pain on ordinary Russians if it wants to avoid compliance.

In the broader neighborhood, the same sort of strategy could be pursued **by co-opting the EEU**. Russia's core partners—Belarus and Kazakhstan—have [protested](#) against Russia's unilateral imposition of so-called “counter-sanctions” on Western imports, in violation of the terms of their customs union. Moreover, while maintaining close ties with Moscow, Minsk and Astana have not shown a willingness to forego a closer relationship with Europe. The EU might offer trade coordination with the EEU on a multilateral-to-multilateral basis, conditioned on the institutionalization of EEU norms, procedures and enforcement, thus strengthening the leverage of regional powers vis-à-vis Moscow.

For this new approach to be effective, however, conditionality must not begin and end at the EU's eastern border. Demand for rule of law in Russia and other countries of the region (and beyond) has been weakened not only through the disenfranchisement of popular constituencies, but also by empowering elites to benefit from what amounts to privileged access to the EU. The goal, then, must be to **disrupt the use of institutional arbitrage**. Russian elites have benefited from their ability to earn money in their weakly regulated domestic markets, while [protecting their gains](#) in strong rule-of-law systems in the West, thus effectively removing demand for the rule of law at home. Through the use of robust beneficial ownership registries and increased oversight capacity, the EU could allow the domiciling of assets only from sources that are verifiably regulated to a globally acceptable standard, while monitoring and preventing leakage of public-sector capital, thus creating elite-level pressure for harmonization.

These and other initiatives in the same vein will neither produce immediate change in Russia nor ensure the absence of conflict in the near term. They may, in fact, make the Kremlin and even some European constituencies profoundly uncomfortable. But if Europe is not content to see the extension of Russian norms and patterns of governance in the Eastern Neighborhood, then the alternative may be more outright confrontation – without, for the foreseeable future, the support of Washington. With patience and creativity, however, one of Europe's greatest challenges might yet become one of its greatest strategic opportunities.

# Pressure Points

## THE SYRIA INTERVENTION AS AN INSTRUMENT OF RUSSIA'S EU POLICY

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April 2017

Pavel K. Baev\*

*Peace Research Institute Oslo (PRIO)*

The U.S. missile strike on Syria's al-Shayrat airbase may not signify a major change in the course of the tragic civil war (as it had momentarily seemed), but it certainly revealed weaknesses in Russia's positions in the war zone and in the Middle East. As regional stakeholders with which Moscow had cultivated ties—from Turkey to Israel to Saudi Arabia—rushed to praise the U.S. show of force, questions about the rationale of the uncharacteristically bold Russian intervention in Syria launched in the last days of September 2015 gained new relevance. Hindsight conveniently supplies many reasons for that experiment in power projection: Russia wanted to re-establish a strategic dialogue with the United States “as an equal,” prove to China its value as a strategic partner, divert domestic attention away from the inglorious deadlock in the Donbas, and prop up a failing client state. I would say that a factor near the very top of the list is that Moscow [sought](#) to use the Syrian conflict as a pressure point for increasing disunity in the West—specifically to aggravate discord in the EU and to get sanctions relief. The problem for Moscow is that it took its game too far. Despite a host of openings for cooperation, it invariably missed them in its aim to demonstrate the U.S. retreat from the Middle East and the irrelevance of the EU.

### A Tangle of Interests and Events

The swift and surprising start of the Russian Syrian intervention produced a heavy international resonance in October 2015 and a strong impression on the EU. In fact, Russia did not aim to bring the hugely complex civil war in Syria to an end, so its actions had limited impact on its course —that is, until the fall of Aleppo in December 2016.

Russia's air war did not produce any noticeable change in refugee flows, but rather coincided with a massive increase in the number of refugees heading to the Greek islands via Turkey in the fall of 2015. Russia's National Security Strategy, approved by President Vladimir Putin in the last days of 2015, duly noted the refugee phenomenon and [offered](#) an interpretation: “The increase in migration flows from African and Near

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\* [Pavel K. Baev](#) is Research Professor at the Peace Research Institute Oslo (PRIO), Norway.

Eastern countries to Europe has demonstrated the non-viability of the regional security system in the Euro-Atlantic Region based on NATO and the European Union.”

Moscow tried to utilize this outlook to cultivate ties with various anti-migrant parties in Europe and to put pressure on neighboring states such as [Finland](#) and [Norway](#). The response to that pressure, in most European capitals, was nervously negative. Russia was even accused, most directly by NATO Commander General Philip Breedlove, of “[weaponizing](#)” the refugee crisis. In reality, however, Russia had very little control over the movement of Syrians fleeing the humanitarian catastrophe—the real player in that game was Turkey.

In the passionate breakdown of Russian-Turkish relations following the shoot-down of a Russian bomber by a Turkish fighter in late November 2015, Moscow missed a key nuance about its attempts to exploit the refugee crisis—the flows were playing into Turkey’s hand in its [bargaining](#) with the EU. It was only when the Ankara-Brussels “refugee deal” was struck in early March 2016 and the cross-Anatolian corridor for migrants was effectively closed that Russian diplomats discovered that they had unwillingly helped Turkey to [re-energize](#) its rapprochement with and accession to the EU. However, the pendulum of luck soon swung back Russia’s way, when Turkey and the EU experienced a serious [deterioration](#) of ties after the failed coup attempt in Turkey in July 2016 and the ensuing crackdown on human rights and press freedoms by President Recep Tayyip Erdoğan. Putin expressed unreserved support for Erdogan seeking to exploit his grievances with the EU in order to re-forge the “[axis of the excluded](#).”

Moscow actually knows migrant issues well, even if its own migration policy is incoherent and ineffectual. It completely ignores the problem of Russian urban middle class outflows to the West—on a scale three to four times greater than the [official statistics](#)—and has no instruments to effectively regulate the inflow of migrants from Central Asia, which has made Moscow the [largest](#) Muslim city in Europe (with the obvious exception of Istanbul). While public anxiety about this problem gradually subsided in 2014-2016, the terrorist attack in St. Petersburg on April 3, 2017, revealed its hidden depth.

The preamble to Russia’s Syria intervention was Putin’s speech at the 2015 UN General Assembly in which he suggested building a broad anti-terrorist coalition. He addressed not the Arab states, which were appalled by Russia’s readiness to build an alliance with Iran, but primarily the major European powers. Indeed, not two months after the first Russian air strikes in Syria, France was shocked by the well-planned terrorist [attack](#) in Paris, which created a political imperative to join “global” efforts against extremists and any further spillover of the Syrian war into Europe. What made it difficult for the West to work together with Russia was the need for France and its European allies to concentrate their efforts on defeating the main threat, ISIS, while Moscow insisted on a

wider campaign targeting “any” terrorist groups, defining every force vehemently opposed to the Bashar Al-Assad regime as such.

Russia’s fierce quarrel with Turkey waned when Moscow decided to temporarily focus its air campaign on ISIS in early 2017. This helped Assad’s forces recapture the strategically unimportant but symbolically significant town of [Palmyra](#), which was “liberated” in April 2016 with great public relations fanfare and even a [classical concerto](#), but which fell again to ISIS in December 2016. Despite Russia’s efforts to win over European leaders to its post-Aleppo campaign, they still felt that Russia’s main aim in Syria was to ensure victory for the Assad regime. This aim was modified somewhat in the course of building a trilateral proto-coalition uniting Russia, Iran, and Turkey on the condition that Moscow recognize the Syrian Kurdish militia YPG (a key U.S. [ally](#)) as a terrorist organization. Russia has abandoned this promise, so [tensions](#) with Turkey have been again on the rise since March 2017. The point is that Moscow had ample opportunity to join the global actors [aligning](#) against ISIS, but opted to abstain—and so was never able to get Brussels to shake its Russia-skepticism regarding Syria. The denial of the Assad regime’s responsibility for the April 2017 chemical attack on Khan Sheikhoun in the rebel-controlled Idlib province, to all intents and purposes, made Russia an accomplice in that war crime, resulting in actions such as UK Foreign Minister Boris Johnson [canceling](#) his visit to Moscow.

One particular issue in Russia’s stance on counter-terrorism has been its propagandistic emphasis on fighting Islamists in Syria rather than in Russia. This meant that Russia opened exit [channels](#) from the North Caucasus for fighters to head to the Middle East. This created the risk that they would return to Russia as battled-hardened rebels. This risk has not come to pass, but the [terrorist attack](#) on the National Guard barracks in March 2017 showed unpreparedness for facing the threat. For the European states, however, Russia’s policy of exporting its terrorist cadre and relying on brutal regional rulers like Chechnya’s Ramzan Kadyrov to guarantee domestic security remains deeply disagreeable—and stands in the way of developing working Russia-West counter-terrorism cooperation.

### **Conflict Manipulation and Alleged War Crimes**

When Iraqi forces and the Kurdish *Peshmerga*, along with U.S. advisors, began to encircle ISIS around Mosul, Moscow focused its political game in Syria on hard bargaining with Washington. The Europeans had no reservations about the narrowing of multi-party talks to the Lavrov-Kerry channel, and felt content not to shoulder any responsibility for managing the Syrian war—especially when the flow of refugees dried up. Their doubts about the [implementability](#) of the Lavrov-Kerry deals were amplified when it became clear that there were too many incompatible agendas. The [collapse](#) of the painstakingly negotiated Syrian ceasefire in mid-September 2016 still took the European states by

surprise, particularly as no alternative framework was available. The short resumption of the [Geneva talks](#) under UN auspices in spring 2017 was predictably fruitless.

In hindsight, it is possible to suggest that Moscow never planned the “battle for Aleppo” as a decisive turn in the protracted Syrian civil war. Rather it [sought](#) to use it as a convenient pressure point where an increase in the intensity of air strikes could secure an extra step in the U.S. readiness to accept a compromise. With the breakdown of the ceasefire in September and brutal Russian-Syrian bombing of civilians, it was clear Russia was taking its game too far. European politicians and NGOs [accused](#) Russia of “war crimes” and decried its bombing runs as “barbaric,” and Germany started to [develop](#) a proposal for new sanctions on Russia, even while support for the sanctions regime in the EU was eroding. French President François Hollande [declared](#) at the UN General Assembly that “enough is enough” in the Syrian tragedy; France then introduced a draft UN Security Council resolution, which Russia duly [vetoed](#). Moscow realized it had crossed too many lines and opted to back off for a few weeks and attempted to introduce several unilateral ceasefires for the beleaguered inhabitants of Aleppo.

In that pause, Moscow tried to squeeze another Western pressure point—while monitoring the progress of the offensive on Mosul and waiting for the outcome of the U.S. elections—when it [deployed](#) its aged aircraft carrier *Admiral Kuznetsov* to the eastern Mediterranean. This was aimed not at the United States, which has far more powerful navy platforms, but at the Europeans, who do not. The effect was rather mixed, and Spain, as well as Malta, [refused to refuel](#) the slow-moving, pollution-belching carrier in their ports. Neither the air squadron on its deck nor its P-700 *Granit* cruise missile could have added any significant new capabilities to Russia’s air forces based at the Hmeimim airbase outside Latakia, and crashes of [Mig-29K](#) and [Su-33](#) fighter jets during one month of its combat deployment proved that *Kuznetsov* was hardly a major asset for the policy of power projection. Another ambitious design fallen flat.

Russia resumed its assault on Aleppo in mid-November 2016 and by mid-December the devastated city was conquered, with a rather muted reaction in Europe. Trying to build on this victory, Moscow [launched](#) a new format for negotiating the pacification of Syria, co-sponsored by Iran and Turkey, without any participation of Western stakeholders. Already by mid-March, this [Astana format](#) failed, and the April chemical attack followed by the U.S. missile strike destroyed what little credibility Russia had as a mediator.

## Conclusion

Russia’s intervention in Syria was launched with a set of poorly compatible objectives, but these evolved far during the 18 months of execution, and the situation is presently in

limbo for Moscow with neither a plan for victory nor an exit strategy. The need for [rethinking](#) a way out of its self-made trap is obvious, but the capacity for such critical self-assessment is limited by the punctured ambitions of the intervenor-in-chief. What is clear beyond doubt is the failure to turn this experimentation in conflict manipulation into political leverage for transforming its troubled relations with the EU and its key member-states. Russian attempts to exploit the dire migration crisis in late 2015 were awkward and discontinued in 2016. Russia's persistent suggestions to join efforts in the fight against terrorism in Syria were undermined by its firm priority on treating—and targeting—all opposition forces as if they were ISIS. Moscow's responsibility for the April 2017 chemical attack makes it impossible for Europeans to contemplate a joint effort.

Moscow expected that its massive support would eliminate all doubt about the staying-power of Assad's regime. Putin wanted to convince the Europeans (and Turkey) that the Assad government was legitimate and the only solution to the problem of violent anarchy in Syria. This expectation was reinforced by some [ambivalence](#) in the U.S. stance. Presently, however, Assad's brutal dictatorship is an entirely unacceptable option to European leaders. Always looking for new pressure points, Moscow is now banking on the lack of a comprehensible U.S. strategy for reconfiguring the geopolitical setting of the Iraq-Syria war zone after the expected victories at Mosul and Raqqa. The hope is pinned on the proposition that in the ensuing violent chaos, the Europeans will abandon their high moral ground and return to hard-power-centric *realpolitik*.

It is rather improbable that Washington could make yet another turnaround and accept the Assad regime as a "[natural ally](#)" in the fight against terrorism and as a part of the mechanism to bring peace to Syria. It is, at the same time, perfectly capable of abandoning responsibility for the post-war reconstruction. A wild card, when we speak of swinging pendulums, is what the new U.S. administration will do about the Iran nuclear deal, which President Donald Trump said he would [cancel](#)—to the consternation of many European stakeholders.

Assuming that the U.S. leadership has no stomach for an engagement in Syria and leadership in the Middle East, the Kremlin remains stuck with its high-risk open-ended Syrian intervention, even if it has delivered Russia into deepening [international isolation](#). What Moscow could aim for in continuing this failure-prone enterprise, is aggravating differences and disunity in the transatlantic relationship and among NATO members. The messy state failure in Libya might open some opportunities of this kind, but Russia is unlikely to take chances with another intervention due to an elementary shortage of deployable assets. Moscow has chances for playing on Western confusion, considering the deepening policy disarray at the White House, but its own confusion is deepening fast.



# EU-Russia Relations: *Quo Vadis?*

## MUDDLING, NORMALIZATION, OR DETERIORATION

PONARS Eurasia Policy Memo No. 454

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Arkady Moshes\*

*Finnish Institute of International Affairs*

The Ukraine crisis became a major driver of the centrifugal relationship between Russia and the European Union, but it was not the starting point. The relationship had been essentially stagnant since the EU eastern enlargement at the beginning of the 2000s and Ukraine's Orange revolution of 2004. Significant trade volumes could not compensate for the increasing geopolitical rivalry between Brussels and Moscow. The EU has been promoting a reform agenda in the common neighborhood (from a position of reluctant revisionism) while Russia has desired to maintain its privileged sphere of interest.

The year 2014 was a game-changer in the sense that from that moment the EU could no longer keep up appearances of the transactional cooperative model. The death of several hundred EU citizens in the Malaysian MH-17 flight tragedy in eastern Ukraine was a tipping point, making it impossible even for the most Russia-friendly EU member states to block the imposition of meaningful economic sanctions against Moscow, which acted reciprocally.

What are the key developments in the EU-Russia relationship since the 2014 tipping point? What scenarios lie ahead for bilateral relations over the next three to five years? One may foresee three main possibilities: improvement, muddling through at the present level of conflict, or worsening of relations. The outlook is hazy and it is likely that none of the three options will materialize in full.<sup>†</sup>

### **European Union: Looking for a “Both-And” Solution**

The EU is deeply conflicted with Russia over Ukraine. Germany and France, the main sponsors of the peace process in eastern Ukraine, have diplomatic prestige at stake. Although the extension of the regime of reciprocal sanctions incurred noticeable economic losses on some EU member states, the EU Council in March 2015 decided that

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\* [Arkady Moshes](#) is Program Director of the EU Eastern Neighborhood and Russia research program at the Finnish Institute of International Affairs (Finland).

† For an overview of existing scenarios of EU-Russian relations, see: T. Forsberg and H. Haukkala, [The European Union and Russia](#) (Palgrave-Macmillan), 2016, pp. 247-250.

the sanctions should stay in force until the Minsk II peace plan is implemented. This implies that Ukraine should restore sovereign control over its border with Russia *before* sanctions are lifted.

In the larger picture, however, Brussels appears to be at a loss in regards to its Russia policy. Recent EU programmatic documents on the subject are inconclusive. They reveal a desperate search for a consensus formula acceptable to member states that provides a vision or action plan. Review of the European Neighborhood Policy, EU Commission document from November 2015, limits itself to stating that whereas the “EU’s relations with the Russian Federation have deteriorated as a result of the illegal annexation of Crimea and Sevastopol and the destabilization of eastern Ukraine,” the “constructive cooperation” on several regional issues “would be helpful ... when conditions allow.” The European Union Global Strategy from June 2016 contains a slightly longer statement, but essentially repeats that while the EU will expect from Russia “full respect for international law and the principles underpinning the European security order” and will not recognize the annexation of Crimea, it will engage Russia “to cooperate if and when our interests overlap.”

Based on the same logic is the more practice-oriented “five guiding principles” of EU policy toward Russia offered by the EU Foreign Affairs Council (from March 2016). On the one hand, Brussels reiterates the demand of the full implementation of the Minsk agreements, confirms its readiness to develop relations with Eastern Partnership countries, to build resilience “in view of energy security, hybrid threats,” and to support Russian civil society. But on the other hand, it underlines a consensus that seeks selective engagement with Russia.

Such an ambiguous and indecisive attitude is apparently the *highest* possible common denominator for EU member states for the foreseeable future. Whether this is “much” or “little” in practical terms can be debated, but most observers agree that the EU demonstrated more unity than could be expected initially.

Various EU member states act differently toward Russia, with divergent national positions, which are then harmonized at the EU level. It is noteworthy that there is only a weak correlation between whether a state took a principled position during the crisis and the closeness of its relations with Russia before the crisis. For instance, Germany, a country where the term *Putinverstehher* (“Putin’s understander”) was originally coined, took a tough stance toward Moscow despite deep links with Russia.

One of the most fundamental questions is whether Ukraine is worth fighting for and ruining relations with Russia. Originally, providing a direct answer was unnecessary. Russia’s actions to undermine Ukraine’s territorial integrity were found unacceptable by the majority, and raised European sympathies to Ukraine. But eventually, and especially in connection with Ukraine’s procrastination with reforms and the difficulties the

Poroshenko government has had in fighting corruption, the question became more pressing. The failure of the referendum in the Netherlands in April 2016 to give a green light to the ratification of the EU Association and Free Trade Agreement with Ukraine (DCFTA) evidenced some significant doubt about Ukraine's future among some part of the European public opinion.

The same can be said about the EU Eastern Neighborhood at large. Although European capitals would not like to see the region dominated by Russia, there is no, and there has never been, appetite to offer it a membership prospective or embark on a policy of incremental de facto integration with significant funds. On the contrary, EU ambitions in the region are currently being scaled down and channeled through amorphous "partnerships" and "dialogues," "co-owned" by local actors, which often gives them a decisive say on what the goal of interaction should be.

Another question is to what extent the crisis over Ukraine can be separated from other areas of EU-Russian interaction (counter-terrorism, the Middle East, the Arctic, energy issues). The "we-need-Russia" perspective, which considers Moscow a primary partner in addressing problems of terrorism and migration, is particularly strong in some southern EU member states and goes hand in hand with their parallel strong economic interests in trade with Russia. Thus far, the "compartmentalist" approach does not seem to have worked due to Europe's fundamental disagreements with Russia on Syria, but this perspective as such will not disappear. In the same vein, although economic motivations have not been powerful enough to determine EU policy, they keep surfacing all the time, favoring a new partnership with Russia.

### **Russia: Determined to Win**

In comparison, the Russian position is much more cohesive and visionary. Tactical objectives may vary, but strategically Moscow would clearly like to avoid a frontal collision with/isolation by the West. It would prefer to conclude a new compromise legitimizing its gains in Crimea, structurally weaken Ukraine by providing the separatist entities with significant constitutional powers, and then turn the page. Importantly, Moscow is also very explicit that it does not want to go back to the old pattern of EU-Russia relations, when Brussels was a norm-giver. There is a genuine refusal, both among the Russian elites and the general population, to follow the example of an "economically stagnant," "morally decadent," and "politically non-sovereign" EU grouping, which, furthermore, may be already disintegrating.

However, the conflict paradigm has taken root regardless of what the real or potential plans of Russia's leadership might be. To begin with, it has been observed many times that it is conflict with the West that has provided Vladimir Putin with a new legitimacy in times of economic downturn, and it is this "rally around the flag" effect that props his ratings. Normalization with the West, and Europe in particular, could make the

domestic positions of the regime look shakier. Massive defense expenditure would be more difficult to justify, whereas cuts could provoke discontent among those directly benefitting from it, from professional military and security agencies to workers in the defense industry.

The vision of the EU as a collapsing political project has given birth to euphoric sentiment in regard to Russia's own position and status. For instance, Russia's Council on Foreign and Defence Policy, in its report "Strategy for Russia" (2016), assessed Russia's current course as highly successful, primarily because the country, in the authors' view, was able to stop "the expansion of Western structures and alliances toward territories that are considered in Russia as vital for its security," and "to partly stop and, possibly, reverse the disintegration of the post-Soviet and historic Russian imperial space." According to the opinion polls of the reputed Levada Center, a stable majority of 58 percent both in August 2015 and in August 2016 thought that the Russian food import ban (from Europe and the United States) was effective and had given positive political results, namely that Russia was more respected in the world and its interests were taken into account. Less than a quarter of respondents believed the ban was "pointless, absurd, harmful, and primarily damaging the population of Russia."

Whether these allegations are correct in economic terms is secondary; symbolically Moscow definitely has advantages over the EU in terms of the speed and unity of decision-making. The Kremlin has the ability to prioritize and concentrate resources, surprise opponents, and maintain initiative. It is ready to take risks, and, most importantly, it has the necessary resolve. The signal from Russia is that it will not concede anything, thus leaving it for the EU to make overtures.

### Mapping Out the Possibilities

There are three hypothetical scenarios of EU-Russia relations that are conceivable in the short-to-medium term. As explained below, the key factor that would allow a shift to the most positive scenario is "rethinking" in Moscow. Without this, any other possible changes (softening of the EU approach or a "deal" with the new U.S. administration) are not likely to guarantee a resolution to the relationship crisis. The most negative scenario, on the contrary, may occur either as a result of deliberate or unintentional actions from either side, or if certain trends (such as military build-up) simply get out of control.

If no change of the political direction happens in Moscow, the EU-Russia relationship will be **muddling through**, or rather "muddling down." This is the most probable scenario, as Moscow does not seem to be ready yet to change its line. In this approach, both sides will continue to "manage" the current political and diplomatic conflict. Economic interdependence will continue playing a certain stabilizing role. Meanwhile, however, mutual diversification of energy flows may accelerate, and several European countries will make an effort to overcome their critical energy dependence on Russia.

Russia, in turn, will stick to its proclaimed “pivot to Asia,” whether this turns out to be beneficial or not. The security situation in Europe will not worsen. The conflict in the east of Ukraine will slightly de-escalate compared to the present situation, the ceasefire will be generally observed, but no political solution will be in sight. There will be no destabilization of the situation in Transnistria, no attempted “re-unification” between Russia and Belarus, and so forth, let alone direct Russian military provocation against the Baltic States. The political interaction on Syria and the Middle East will have ups and downs, but will not be interrupted altogether. At the same time, trust between the European leaders and the Kremlin will not be restored, which will lower hopes in Europe and in the West in general that a durable improvement in relations could be eventually reached. Meanwhile, European non-energy businesses will lose interest in Russia due its weakening economy and growing unpredictability.

A **normalization** and gradual improvement in EU-Russian relations can occur if Russia comes to realize that the current stalemate does not serve Russia’s interests and gradually weakens its options/positions—in other words, if it decides that time does not play on Moscow’s side and that it would be better off making trade-offs earlier rather than later. Economic and financial considerations have a role to play, as do the views of those Russian elites who want to stay connected with Europe. Unsatisfactory results of Russia’s rapprochement with China would also be a factor. In this scenario, Europe would be expected to respond positively and quickly, especially if its moves are coordinated with Washington. However, if Europe decides to take the initiative, for instance if there are leadership changes in countries like Germany and France and sanctions are softened *before* Moscow comes to this realization, the results will be temporary at best, as this would only reinforce the “victor mentality” that permeates Russian policymakers.

A sustainable normalization would imply some combination of progress on the following issues. First, the Ukraine conflict would have to be partly resolved, not simply frozen. A realistic perspective of the reintegration of the separatist territories into Ukraine on terms acceptable for Kyiv would have to emerge in response to the lifting of Western sanctions, with guarantees of European economic assistance to help with reconstruction in eastern Ukraine. Second, a *modus operandi* on Syria would have to be found. Third, a new comprehensive agreement on energy would have to be reached, securing Russian gas transit through Ukraine, which is important for several EU member states such as Slovakia, and acceptance by Russia of non-monopolistic rules of the game on European gas markets in exchange for preserving its share of those markets. All this could quickly revitalize the existing bureaucratic and business structures of cooperation, which would underpin the political process.

A **worsening** of relations cannot be fully ruled out either. If there is a new protracted round of escalation in eastern Ukraine, the EU would be required to react—especially since Washington appears less likely to intervene directly. (An escalation in Syria,

however, would not have the same effect, as proven by the inability of the EU summit in October 2016 to agree on new sanctions in response to Russia's massive bombing of Aleppo.) There would be a continuing rise of Russian military activity at its western borders, deployment of new striking capabilities, violations of EU airspace, etc. EU countries in NATO would react to these developments and increase defense expenditures—leading to, perhaps eventually, a military stand-off that would be the prime determinant. Bridges between (most) ruling elites will be finally burnt if Russia is perceived as a country able and willing to interfere in the domestic political processes in (leading) EU states to affect the outcome of national elections, to fund anti-establishment radical parties and movements, and/or undermine cyber-security in the EU. In turn, a similar effect may follow if European leaders take actions, prompting Moscow to see intended provocations—for instance if a public trial on MH-17 with Russia as a defendant is launched and publicized.

### **Conclusion**

EU-Russian relations are path-dependent, and currently they are on a path toward conflict, even if the situation is still generally under control. The longer this path continues, the more effort will be required in order to change courses for the better.

# The European Missile Defense System and Russia

## CAN THERE BE DIALOGUE RATHER THAN AN ARMS RACE?

PONARS Eurasia Policy Memo No.  
February 2017

Polina Sinovets\*  
*Odessa Mechnikov National University*

The official inauguration of a European missile defense (MD) site in Romania in the spring of 2016 triggered a new wave of anti-Western rhetoric in Russia. President Vladimir Putin declared that the system being deployed in Romania and Poland was not defensive, but part of the U.S. strategic nuclear capability. Therefore, he [said in May 2016](#), Moscow “will be forced to think about neutralizing the emerging threats to Russia's security.”

Assessing the seriousness of Russian concerns and therefore the chances for East-West dialogue on the issue requires a clear differentiation between the political and technical elements of the Russian position. The political elements are primarily the increasingly confrontational relationship with the United States and NATO that Russia had pursued during the U.S. presidency of Barack Obama, with which, Russia's leadership apparently concluded, dialogue was impossible and useless. Russian domestic politics have been a factor in the Russian stance; the Kremlin has a need to present the public with an external enemy. The technical element is the apparent adherence of the Russian military to the fundamentals of strategic deterrence theory – paying attention to whether the future system (including the US-based component) is capable of undermining Russia's deterrence capability, with this latter parameter determining the degree of urgency of the concern. A new feature of the technical military relationship is the increasingly important non-nuclear stand-off between Russia and NATO over whether Russia and NATO can intercept precision-guided conventional weapons launched by the other side. This new element represents a “wild card” in the decades-old stand-off around missile defense.

In order to explore the credibility of Russian threats and possible actions and the ways of addressing them, it is necessary to unpack the Russian position. This can lead to an understanding of whether dialogue between Russia and the United States is possible. Although much depends on the new U.S. administration, MD continues to be an issue

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\* [Polina Sinovets](#) is Associate Professor at Odessa Mechnikov National University. This policy memo is derived from the September 2016 PONARS Eurasia annual conference.

that unites Congress (Democrats and Republicans) in its determination to resist foreign pressure and binding agreements over the future placement and capabilities of the MD system.

### **The Sources of the Russian Position**

Confrontation between Russia and the United States over MD is more than 35 years old. Friction began with the Strategic Defense Initiative (SDI, also known as “Star Wars”) that was launched by former president Ronald Reagan and has continued unabated during several iterations of the MD program. Throughout those years, the Russian position was informed by the logic of mutual deterrence that underlined the 1972 Anti-Ballistic Missile (ABM) Treaty, which Moscow always calls “the cornerstone of strategic stability.”\*

The current stage of the U.S.-Russian argument began in the late 1990s when Washington launched internal discussions about a national MD system. The situation went from exacerbation to full-fledged enmity (on Moscow’s part) when the United States abrogated the Soviet-era ABM Treaty in 2002 and the George W. Bush administration then set forth a plan to deploy strategic missile defenses (Ground Based Interceptors, GBI) in Hungary and Poland in 2004-2008. Moscow never believed the official reasons for this deployment – the threat of Iranian missiles – and considered it an effort to neutralize Russia’s deterrence shield. U.S. assurances that the system would remain limited were not believed and Moscow insisted on legally binding guarantees that would put official limitations on the capabilities and placement of the European MD system.

The situation somewhat abated in 2009, when the United States rejected a plan for GBI strategic MD deployment in Europe and switched to a Phased Adaptive Approach (PAA), which presupposed theater missile defense and theoretically would not be usable against Russian strategic ICBMs. The first three phases of the plan (Aegis systems in Romania and Poland as well as on ships in the Mediterranean Sea and the Baltic Sea) apparently encountered relatively less resistance from the Russian military. The controversy centered on the fourth phase (deployment of Standard Missile-3 (SM-3) IIB interceptors in Poland), which, Moscow claimed, could have capability against its strategic missiles. In 2013, because of a North Korean nuclear test, the United States abandoned the fourth stage of the plan and decided instead to deploy additional interceptors on U.S. territory and limit the European component to SM-3 IIA interceptors with non-strategic capabilities. Moscow expressed its disappointment again. The main reason remained the absence of officially binding limits on MD capability,

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\* Igor Ivanov, [\*Novaya Rossiyskaya Diplomatiya. Desyat let vneshney politiki strany\*](#) [New Russian Diplomacy. Ten Years of Foreign Policy], Olma Press, Moscow, 2002, p. 72.

which could guarantee that in the future it would not be able to undermine Russian offensive capability vis-a-vis the United States.

Russian efforts to “restore strategic stability” have been predictable. Moscow is actively developing a new generation of missiles capable of penetrating the MD system. Most of its programs have been resurrected from the Cold War, when the Soviet Union invested in the development of missile defense penetration systems in response to the SDI program. In particular, the new Russian intercontinental ballistic missiles (ICMBs), such as the *Yars* or *Sarmat*, feature multiple independently targetable vehicles, each able to alter its trajectory. Russia also plans for the *Sarmat* to use a new type of fuel that provides high-speed performance, reducing the time the missile is in the active stage of its trajectory. These types of missile developments, along with the use of decoys on ICBMs, make them far more capable of confusing MD systems.

Whereas the military-technical component of the Russian position (concern about the stability of strategic deterrence) has remained virtually unchanged through the years, political tensions have grown considerably, with Western capabilities initially appearing as a distant, almost theoretical challenge but now appearing to constitute an immediate threat of apocalyptic proportions. This anxiety can be traced to several reasons. One is that high Russian threat perceptions are based on a deep feeling of insecurity and a generally geopolitical interpretation of international affairs. Russians are still very fond of the geopolitical concepts of Halford Mackinder, who theorized Eurasia as “heartland,” or strategic territory, the possession of which can be the key to world dominance. Moscow therefore harbors ideas that as soon as Russia gets weaker, it might be blackmailed (by the threat of overwhelming power) or even invaded by the West in an effort to take over the heartland. The other reason comes from the Kremlin’s efforts to maintain domestic stability by presenting NATO, and especially the United States, to its public as an enemy. In fact, NATO’s military deployments in Europe inadvertently strengthen Putin’s regime, feeding Moscow’s propagandistic declarations that it was the West who first started aggressive preparations along Russia’s borders. Therefore, today all problems of domestic and international development (including the arms race and Russian military adventures) are justified by the Kremlin’s “struggle with the American drive for world dominance.”

### **New Developments**

Russia is deploying high-precision weapons that are capable of defeating the European and potentially US-based MD components. This idea is elaborated by Prime Minister Dmitry Medvedev’s speech [describing](#) the deployment of offensive systems in southern and western Russia as a possible response to European MD so as “to ensure Russia’s capability to take out any part of the U.S. MD system in Europe.”

On the surface, the logic of Russian opposition to the new MD sites is the same as that regarding strategic defense—those sites could theoretically deny Russia the capability to strike targets in European NATO. This contingency is becoming more tangible as Russia is deploying long-range conventional weapons that can thwart the scenario (long a central concern for the military) of the United States and NATO using precision-guided conventional assets from long distance. While the MD sites in Poland and Romania can be used effectively against Russian strategic missiles remains contested, they are certainly usable against Russian theater-range systems. Russian officials suggest that the MK-41 vertical launchers for the SM-3 system are capable of launching cruise missiles, which could in the future affect Russian long-range conventional capability.

Countering the Russian long-range conventional capabilities could present a challenge to NATO: existing missile defense systems were not designed to intercept cruise missiles, such as *Kalibr* submarine-launched cruise missile (SLCMs) or Kh-101 (conventional warhead)/102 (nuclear warhead) ALCMs (Airfield lighting control and monitoring system), both of which were successfully demonstrated by Moscow during its military operation in Syria. In particular, the location of the MD site in Deveselu, Romania is theoretically well suited to intercept *Kalibrs* deployed from the Black Sea (from which they can reach targets across most of Europe), but such a mission would require serious research and development work before SLCMs could be intercepted. For now, it is expected that Russia will deploy *Kalibr* at its naval bases in Sebastopol and Novorossiysk to overcome the MD SM-3 site in Deveselu. A successful *Kalibr* deployment can be supported by the deployment of new ALCM Kh-101/102 (conventional/nuclear) systems and the deployment of *Iskander* missiles in Kaliningrad. The latter can reach almost all of Poland and parts of Germany, which means the European MD sites will be endangered and can be potentially destroyed.

For its part, Russia has long pursued its own missile defense capability. Its S-300 and S-400 as well as lower-level systems (such as *Redut*, which still has several construction [problems](#)) are designed to [deny](#) NATO the ability to strike targets inside Russia. Russia has successfully tested these systems against aircraft and missiles, including against cruise missiles (the Soviet Union began work on this in the early 1980s), and Moscow believes that the systems are now at least as efficient as those of NATO. Russian missiles and air defense systems were created to protect against U.S./NATO long-range conventional superiority. This has been much more urgent for Moscow than the MD issue. For now, both sides have similar conventional long strike assets and defensive capabilities.

It is worth mentioning that there are no current treaties limiting the development of long-range conventional missile capabilities or missile defenses, so in these conditions the potential for a future arms race is very high. There is the potential, therefore, for the United States and Russia to engage in bargaining about missile defenses and long-strike

conventional capabilities in one package, which could help both countries (and other states) avoid a massive arms race.

### **What Can be Done to Reduce Friction?**

The current level of dialogue between Russia and the West allows two options to be considered.

The first one addresses a gradually unfolding arms race, which is developing now and which can be aggravated if Russia deploys its missiles or defensive systems along NATO's southern and western flanks (in Crimea and Kaliningrad) NATO is likely to contribute to the race by enhancing the offensive and the defensive elements of its deterrence posture.

There are three moves that could potentially be used as bargaining tools in the West's dialogue with Russia, though each with a significant measure of risk:

(a) NATO could enhance its MD capabilities in Poland to be able to intercept Russian conventional long-range missiles (which are aimed at Europe). This potential capability could be helpful as a bargaining chip to influence further Russian military deployments.

(b) Russia might be influenced by a threat to move American tactical nuclear weapons eastward (to the territories of Poland or the Baltic states, for example) to confront the deployment of *Iskanders*, for example.

(c) Ukraine and Georgia could be invited to participate in NATO military preparations, such as providing territory for the Alliance's military deployments. In this case, military cooperation with these two states could be used as a bargaining chip with Russia.

The risk is that any of these potential actions could trigger more assertive Russian policies and deployments. Military initiatives by both sides, at present, seem prone to fostering an arms-race scenario.

A second broad option is to resume arms control efforts, which happened in the 1960s when there was a spiraling nuclear arms race.

There is the distinct possibility that a high level of NATO-Russia military preparedness creates a stability-instability paradox, whereby a major war becomes impossible due to the growing conventional offense and defense capabilities of both sides (a Cold War-like situation).

An arms control regime is missing at present. If this situation remains unregulated, there is a high probability of a full-scale arms race and an unintended "hot" conflict. Moscow

continues to demand meaningful limitations on missile defenses and long-range conventional strike weapons—the West could leverage this interest in negotiations. Russia could lose this interest in the near future, however, as it goes about rapidly pursuing capabilities of its own. The first step would be to put long-range conventional strike assets on the table before they are massively produced and deployed by Russia. This concerns not only the *Kalibr* and “Kh – 101/102” families, but also the future destiny of tactical nuclear weapons, in the realm of which Russia retains a major advantage in Europe. If NATO officially defines some limits on the development of missile defenses, Russia might be more prone to dialogue and the negotiating table.

## Conclusion

At present, the prospects for arms control look bleak. Neither side is prepared to seriously engage in such discussions. NATO seems concentrated on deterring Russia and has been providing only lip service about cooperation. For its part, Russian calls for arms control, based on concerns about the deployment of European MD, appear half-hearted, with Moscow concentrating on enhancing its own deterrence capacity. Moreover, Russia’s successful conclusion of a series of research and development programs makes it less interested in arms control. In the past, Russia loudly insisted on including long-range conventional weapons in negotiations, but these demands have lost intensity. Reversing the trajectory of today’s budding arms race, which has been gathering steam over a long period of time, and which sharply accelerated due to the Ukraine conflict, appears slim. However, both sides can calm the situation if either chooses to do so.

# Not All Is Lost in Russian-EU Cross-Border Cooperation

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Serghei Golunov\*  
*Kyushu University (Japan)*

Russian-EU relations have dramatically worsened since Russia's involvement in Ukrainian affairs in 2014. Mutual mistrust and suspicion have rapidly increased and many cooperative efforts have been canceled. Russia-NATO tensions have escalated and each side has sanctioned the other while the Russian economy has faltered. What have been the precise effects of these dynamics on the Russian-EU borderland regions? Which spheres have been damaged and which have proven resilient? Although Russian-EU cross-border cooperation has been seriously harmed, some cross-border activities have survived, particularly those involving well-established Russian-Finnish and Russian-Polish connections.

## Cross-Border Relations before 2014: Steady and Improving

The EU acquired its common border with Russia as a result of two waves of EU enlargement: when Finland joined in 1995, and when Estonia, Latvia, Lithuania, and Poland joined in 2004. Before these five countries joined the EU, Russia's cross-border cooperation with each of them was influenced by the EU's "Euroregion" programmatic and funding approach as administered by the EU's [Interreg](#) and [TACIS](#) programs. Russia was initially considered a minor partner that would adapt to EU development patterns, which were based on decentralization and region-building. The approach was regarded as progressive and was bolstered by lavish, competitive EU funding.

While Russia was eager to foster trade with the EU, particularly to attract large investments for its north-west border regions, it was reluctant to grant them additional powers. Moscow was afraid that decentralization and increased foreign influence could foster regional separatism. It also felt that granting the regions more economic autonomy could be misused for the evasion of large-scale tax and customs duties (as happened before in other free economic zones, such as in Kaliningrad). For its part, the EU was reluctant to open its borders with Russia mostly out of concern about

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\* [Serghei Golunov](#) is Professor at the Center for Asia-Pacific Future Studies at Kyushu University, Japan.

uncontrolled population flows, which it sought to address by establishing visa-issuing consulates in most Russian borderland regions.

In the 1990s and early 2000s, many regional administrations, especially the Russian-Finnish area of Karelia, were content to pursue practical cross-border cooperation projects. They tried to provide institutional networks for obtaining EU funding for joint projects, maintained cross-border business and social networks, and occasionally lobbied their central governments for increased funding.

The EU programs systematically evaluated all the border regions it shared with Russia, with planning consideration given to the borderland regions in the soon-to-be EU member states. The first wave of EU programs, between 2000 and 2006, involved Russian participation on technical assistance and official exchange visits. In 2009, the EU and Russia reshaped their cross-border cooperation and five main programs were modified: Kolarctic-Russia (involving the EU, Finland, Norway, Russia, and Sweden), Karelia-Russia, South-East Finland-Russia, Estonia-Latvia-Russia, and Lithuania-Poland-Russia. All of the cooperative programs were funded by both the EU and Russia, although the Russian contribution was less than a quarter. Most of the cross-border cooperation was focused on regional development and sustainable cross-border partnerships. For many small-scale projects, EU funding was often the main or only monetary source.

#### **Damaging Influences from 2014**

The fervent conflict in Ukraine fueled a sharp rise in tension between the EU and Russia. Cross-border cooperation was impaired in many ways. Militarization took place in border regions on both sides and the mutual sanctions and Russia's worsening economic condition impacted cross-border trade and interactions. Many official high-level bilateral meetings were [cancelled](#), including ones that were going to discuss cross-border cooperation issues.

The EU sanctions on Russia directly prohibited or seriously challenged the activities of the European Investment Bank and the European Bank for Reconstruction and Development, which were involved in financing the border regions. The EU sanctions targeted five leading Russian banks, which also complicated some trans-border transactions. Investment risks rose for European entrepreneurs who were considering projects in those regions. The Russian food embargo limited to 5 kg per person the amount of foodstuffs that Russian tourists and travelers could bring back from Europe. The devaluation of the ruble in the second half of 2014 further decreased Russian purchases in neighboring EU regions.

The Baltic countries and Poland were particularly wary of Russian actions toward Ukraine. Lithuanian president Dalia Grybauskaite made some especially harsh public comments about Vladimir Putin's methods and policies. Shortly after her November

2014 statement calling Russia a terrorist state, the Russian authorities introduced firm customs controls on all Lithuanian trucks (supposedly targeting unscrupulous carriers), which produced a bilateral customs war that lasted for several months.

In September 2014, Estonia claimed that one of its Internal Security Service Officers, Eston Kohver, was abducted from Estonian territory by Russian agents. Russia claimed that Kohver was arrested for crossing the border illegally. Kohver was sentenced to fifteen years in jail, but was exchanged for an imprisoned Estonian security officer in September 2015. The incident induced Estonia to begin to delineate and securitize its border with Russia, which was strongly condemned by Moscow. Estonia also created a new border task force, proclaimed its intention of building a border fence, and refused to participate in the planned Zapad-2015 joint border guard training exercises. The other two Baltic states followed Estonia's lead in most of these respects.

Estonia and Latvia were particularly afraid that Russia could try to repeat the "Crimean scenario" in Estonia's Ida-Viru county or in Latvia's Latgale region, areas that have serious socio-economic problems and large Russian-speaking populations. In some cases, Russian aircraft and warships were accused of violating Baltic state borders, particularly Latvia's. The perceived threats led to escalating militarization and NATO and Russia both began to hold large-scale military exercises and reconnaissance maneuvers in the region.

In 2015-2016, Russia was [accused](#) of using refugees entering the EU from Russia as part of its "hybrid warfare" against the West. The claim was that Russia was soliciting refugees to travel to the EU and was not cooperating with neighboring EU states on deportation measures. Finland, as a result of bilateral presidential talks in March 2016, ultimately managed to get Russia to cooperate on cross-border migration flows. Estonia and Latvia took unilateral measures and began to solidify their borders and increase the numbers of border guards.

The Russian enclave of Kaliningrad, surrounded by EU states, was not immune to problems. Worsening Russian-Polish relations over Ukraine and the election of hardliner nationalist President Andrzej Duda in August 2015 did not initially damage bilateral cooperation. Despite some pessimistic predictions, population flows between the two did not decrease. The two have a transit visa regime; Kaliningraders and Poles have special cards allowing Poles to travel anywhere in the Kaliningrad province (but not to mainland Russia) and Kaliningraders can travel to Poland's Warmia-Mazuria province (but not beyond). Eventually, however, high politics influenced local cooperation. In July 2016, Poland suspended this transit regime due to the NATO Warsaw summit and the visit of Pope Francis, and they have not been fully lifted since. Polish Interior Minister Mariusz Blaszczak [claimed](#) in September 2016 that the suspension of small border traffic with Russia was due to several "strong prerequisites" threatening Polish and EU security. In March 2017, a representative of the Ministry of the Interior specified

that Poland was afraid of Russian special services' increasing activity and of Kaliningrad province's ongoing militarization.

Russian propaganda and nationalistic Russian activities were (and are) present in the borderland areas. For example, to justify its "struggle against fascism" in Ukraine, Russia has persistently exploited its victorious role in World War II in its media messaging. For many in the EU borderland states, issues involving World War II are highly emotional, and they have seen the Russian propagandistic narratives as attempts to meddle in their internal affairs. There have also been cases when Russian passenger cars decorated with St. George Ribbons, identified as a pro-Putin symbol since the Donbas insurgency, were not allowed to enter into the EU, or were subjected to nitpicking inspection by EU border guards. In 2015 and 2016, in celebration of May 9 Victory Day, members of the Russian pro-Putin and nationalistic Night Wolves motorcycle club tried to ride across the Russian-Polish and Belarus-Lithuanian borders, but many of them were denied entry. In some areas, Russian border authorities tried to help Night Wolves riders cross the border, often to the irritation of officials on the EU side. It did not go unnoticed that Kaliningrad's governor, Nikolai Tsukanov, [took part](#) in a 2015 Night Wolves ride into Poland. In another example, Estonian border guards in May 2016 did [not allow](#) a Pskov city delegation headed by the city's vice-mayor across the border to celebrate "the 71st anniversary of the Great Victory" in Tartu.

### **Some Cooperation Currents Continued**

Despite the assorted tensions and problems, Russian-EU cross-border cooperation never completely ceased. For Russia, the EU is too important a partner to cut all existing ties, while for the EU, curtailing cross-border cooperation would contradict its good neighborhood policies, and it generally does not want its longest land border to become an absolutely hostile zone. It is no wonder that in 2014, the European Commission decided to uphold the cooperation programs, though the option of suspending them was [discussed](#). The most visible continued projects involve the modernization of checkpoints and roadways, environmental protection measures, and the development of tourist routes and repairing important tourist sites. Dozens of small-scale projects continued, which have created a pretext for local officials on both sides to continue to meet with each other and maintain contact between local governments and security services.

The EU and Russia have even launched several new programs, although most of these build on existent ones. While the Kolarctic-Russia, Karelia-Russia, and South-East Finland-Russia programs were mostly kept in their previous forms, the Estonia-Latvia-Russia and the Lithuania-Poland-Russia programs were updated—essentially they were divided into binational programs. This resulted in some local Russian border-region officials being invited to participate directly in some joint programming segments, for example on Black Sea issues. On paper, many of the joint programs are marked as

running to 2020, though several are currently waiting to be ratified by the Russian parliament.

In 2015, Russia and Finland agreed to create the Saimaa Free Economic Zone. The project, however, was [suspended](#) in 2016 when the Russian government became disappointed with the performance of free economic zones in general and decided to re-evaluate their regulatory frameworks. Nonetheless, the wider St. Petersburg region and Finland [are](#) primary trading partners and continue to pursue a range of joint projects. In general, Russian relations with Finland and Poland were damaged far less than Russian relations with the Baltic states. But even in the Baltics, interactions never fully ceased because all parties want to prevent cross-border crime and alleviate times of high commercial traffic congestion.

### **Conclusions and Future Prospects**

Russian-EU relations have experienced a sharp downturn in 2014 due to the Russia-Ukraine conflict, resulting in damage to Russian-EU cross-border cooperation activities. The Baltic states have fared worse than have Poland and Finland, but even to this day, all remain highly vulnerable to worsening political relations. Some areas of cross-border cooperation have survived during the height of the tensions due to localized connections and the idea that a wholly unwelcoming border would be devastating to trade and local transborder communities both in the EU and in Russia. It would be in Russia's interests to proceed with the EU's regional cooperation programs, iron out the technicalities of the Saimaa Free Economic Zone with Finland, and resolve travel and transport issues between Kaliningrad and its neighbors. The successful implementation of joint programs, even if relatively small, would contribute to improving everyday relations between Russians and Europeans, even during a time of ongoing turmoil in "high politics."



## **II. Ukraine and Belarus as “Shared Neighborhood”**



# The Demise of Ukraine's "Eurasian Vector"

## AND THE RISE OF PRO-NATO SENTIMENT

PONARS Eurasia Policy Memo No. 458  
February 2017

Olexiy Haran\*  
*University of Kyiv-Mohyla Academy*

Mariia Zolkina†  
*Democratic Initiatives Foundation*

Before 2014, the majority of Ukrainians did not view the goal of European integration as a "national idea." Even so, most Ukrainians had positive views about developing relations with and integrating into the EU. And even though former Ukrainian president Viktor Yanukovych refused to accept the idea of joining NATO, he officially maintained EU integration as a priority. In fact, the Yanukovych administration helped finalize and initialed the text of the EU-Ukraine Association Agreement. Yanukovych's sudden refusal to actually sign it, under Russian pressure, was the spark that set off the mass protests in late 2013 that would become the Euromaidan revolution. The success of the Euromaidan and the ensuing long-awaited signing of the Association Agreement signaled a shift among Ukrainians at both the national and regional level in favor of the EU. In addition, after Russia's annexation of Crimea, Ukrainians came to favor joining NATO for the first time since independence. Simultaneously, support plummeted for Ukraine's "Eurasia vector," i.e., joining Russia-led institutions like the Customs Union/Eurasian Economic Union (EEU).‡

### Ukraine's Foreign Policy Dualism Has Now Disappeared

Ukraine's dilemma, whether to pursue a European or Eurasian vector in its foreign policy, is now off the agenda. The share of EU supporters in Ukraine has increased in recent years, despite some ups and downs (see **Figure 1**). Support for the Eurasian vector has decreased dramatically in Ukraine, as indicated by the low preference for joining the EEU. The percentage of those in favor of non-alignment has increased, and given Ukraine's ongoing conflict with Russia, it is unlikely this segment would return to

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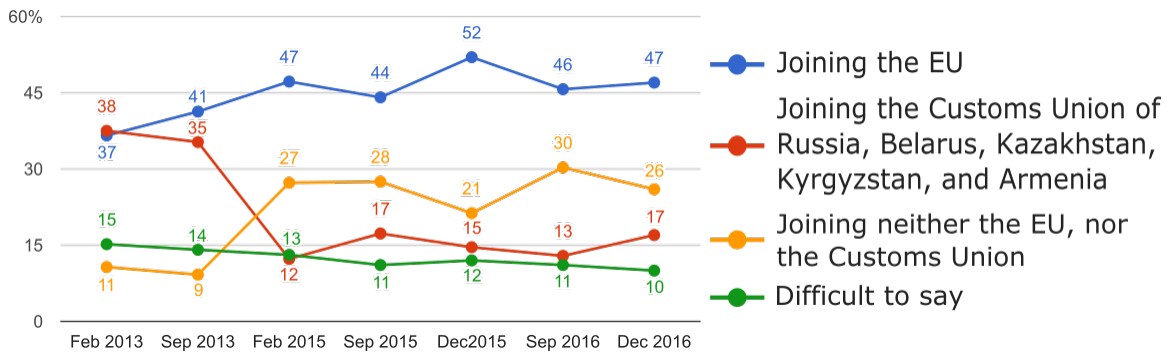
\* [Olexiy Haran](#) is Professor at the National University of Kyiv-Mohyla Academy and Head of Research at the Democratic Initiatives Foundation, Ukraine. This policy memo is derived from the September 2016 PONARS Eurasia annual conference.

† [Mariia Zolkina](#) is Analyst at the Democratic Initiatives Foundation, Ukraine.

‡ EEU members are Russia, Belarus, Kazakhstan, Kyrgyzstan, and Armenia. Before 2014, it was the Customs Union of Russia, Belarus, and Kazakhstan.

choosing the Eurasian vector. In general, mistrust of Russian geopolitical projects pervades.

**Figure 1. What Foreign Policy Path Should Ukraine Choose? (% , Feb. 2013–Dec. 2016)**



Source: Kyiv International Institute of Sociology ([KIIS](#))

Before 2014, only among respondents in the 18- to 29-year-old age group was there an absolute majority in favor of joining the EU. By May 2014, according to polls by the Democratic Initiative Foundation ([DIF](#)), more than 50 percent of respondents in all age groups were in favor (with the exception of those over 60 years old, where the number of supporters was slightly less).

### The Hope for Simultaneously Joining Both Integrationist Projects Is Ruined

Before the end of 2013, geopolitical ambivalence existed among Ukrainians. Part of Ukrainian society did not understand that integration in both directions—with the EU and Customs Union with Russia, Belarus, and Kazakhstan—was not possible. Half of Ukrainians would say “yes” to joining the EU and also “yes” to joining the CU.\* This situation has completely changed. Already in 2014, polls showed that the idea of membership in the CU/EEU was being strongly rejected. A poll conducted by the Kyiv International Institute of Sociology ([KIIS](#)) in December 2016 showed that if there was a referendum on joining the EU, 50 percent would vote in favor and 29 percent would vote against. If there was a referendum on joining the EEU, only 26 percent would be in favor and 59 percent would be against. In practical terms, public support for the multi-vector stance, which was also once popular among Ukrainian officials and politicians, has collapsed.

\* See: Olexiy Haran and Mariia Zolkina, “[Ukraine’s Long Road to European Integration](#),” PONARS Eurasia Policy Memo No. 311, February 2014.

As a sidenote, Ukrainians are responsive to the European vector when they sense the EU is having a positive impact on sectorial reforms (the EU recently and directly supported reforms in public services, anti-corruption, judiciary, and budget transparency). The recent recognition by the European Commission that Ukraine had fulfilled all of the preconditions for implementing a visa-free regime with the EU opens the way for the introduction in summer 2017 of a "short travel" visa-free regime for Ukrainians going to the EU.

### The Most Dramatic Change in Ukraine's Outlook about the Eurasian Vector Has Been in Eastern and Southern Regions

The traditional division of Ukraine into two parts—one strongly in favor of European integration and the other for "Eurasia"—has changed. In the South, East, and Ukraine-controlled Donbas, despite some fluctuations, the populations that supported EEU integration substantially decreased between 2013 and 2016, and those who took a non-allied position toward both unions grew by a factor of three (see **Table 1**).

**Table 1. What Foreign Policy Path Should Ukraine Choose? (Regional Dynamics, 2013-2016)**

	South			East			Donbas (under Ukrainian control)		
	Sep. 2013	Sep. 2015	Dec. 2016	Sep. 2013	Sep. 2015	Dec. 2016	Sep. 2013	Sep. 2015	Dec. 2016
<b>Join the EU</b>	26	21	23	26	29	34	18	19	12
<b>Join the CU/EEU</b>	46	27	28	47	27	38	61	39	28
<b>Join neither the EU nor the CU/EEU</b>	12	46	37	9	30	23	10	30	41
<b>Difficult to say</b>	17	7	12	18	15	6	11	12	19

Source: Kyiv International Institute of Sociology polls ([KIIS](#)). Data for Table 1 was recalculated by Tetyana Petrenko and Tetyana Piaskovska from KIIS according to Ukraine's "macroregions," which, as defined by DIF, are: Western: Volynska, Zakarpatska, Ivano-Frankivska, Lvivska, Rivnenska, Ternopil'ska, and Chernivetska; Central: Kyiv city, Kyiv region, Vinnytska, Zhytomyrska, Kirovohradska, Khmelnytska, Poltav'ska, Sum'ska, Cherkaska, and Chernihiv'ska; South: Mykolaiv'ska, Odessa, and Kherson'ska; Eastern: Dnipropetrov'ska, Zaporizka, and Kharkiv'ska; and Donbas: two-thirds of the Donetsk and Luhansk regions are controlled by Ukraine.

It is apparent that in the South and East, support for the EU and EEU are now close. Even with the difficulties of polling in the war-torn Donbas, the number one choice there is not for the EU or EEU, but for the non-aligned category.

### **After the Euromaidan's "Euro-Euphoria," the Number of EU Supporters in Ukraine Slightly Decreased and Then Stabilized**

The primary factors that have most likely contributed to the slight decrease and then stabilization in Ukraine's public attitudes toward the EU include:

- The Association Agreement may be somewhat connected in public opinion to domestic economic hardships.
- Crises within the EU (Brexit, refugees, etc.).
- Disappointment with the EU on various issues, such as:
  - The negative vote in the Netherlands' consultative referendum on the EU-Ukraine Association Agreement.
  - Delays in introducing an EU visa-free regime for Ukraine.
  - Frequent media coverage of the possibility that the EU might reduce or even lift the economic sectorial sanctions that had been imposed on Russia after its intervention in Donbas.

The fluctuations in the pro-European integration attitudes should be treated as logical and normal when taking the above factors into consideration as well as Ukraine's current difficulties with its economy and the war. Even so, a core of supporters for European integration has already formed in the South and East.

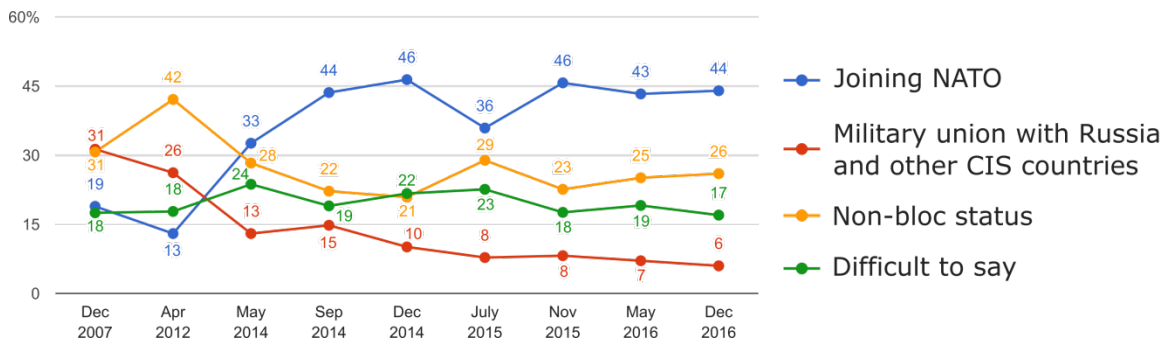
As 2017 begins, the general sense is that European integration for Ukrainians is becoming more practical, visible, and directly related to concrete domestic policies and reforms. This follows the Euromaidan, the partial implementation of the Association Agreement, and, perhaps most tangibly, the final stage of the EU-Ukraine visa-free plan.

### **How Would NATO Fare in a Ukrainian Referendum?**

The most dramatic changes in Ukrainian foreign policy outlook since 2013 concern NATO. Supporters of joining NATO have always been in the minority in Ukraine. At some point prior to 2014, polls found that support for NATO was even lower than support for a military union with Russia (although the latter was never considered seriously by Ukrainian policymakers or experts). The option that has historically been most supported by the Ukrainian public has been non-bloc status—belonging neither to Western nor Russia-led military alliances. However, the official goal adopted by the Ukrainian parliament in 2003 during the presidency of Leonid Kuchma was to join the EU and NATO while "preserving strategic partnership" with Russia.

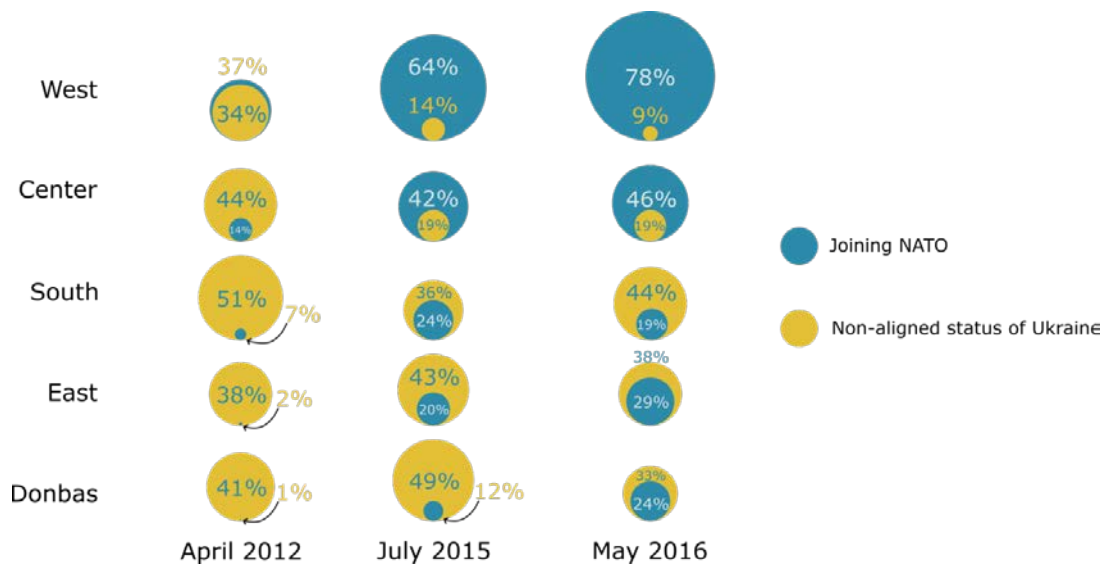
In July 2010, Yanukovych broke with this course. The Ukrainian parliament adopted a new law on the fundamentals of Ukraine's foreign and domestic policy that excluded integration with NATO and established a policy of "non-alignment" aimed at appeasing the Kremlin. At the same time, EU membership was kept as a priority. However, this approach did not prevent Russia's unprecedented economic and information attack against Ukraine in the summer-fall of 2013 when Yanukovych was working on signing the Association Agreement. Since Russia's annexation of Crimea and aggression in the Donbas, the number of NATO supporters among Ukrainians has grown dramatically (see **Figure 2**).

**Figure 2. Which Way of Guaranteeing the National Security of Ukraine Would Be Best? (% , Dec. 2007–Dec. 2016)**



Source: Democratic Initiatives Foundation polls ([DIF](#))

The most dramatic increase in views favoring NATO between 2013 and 2016 happened in the East and South of the country. From April 2012 to May 2016 supporters of NATO in the East increased from 2 percent to 29 percent, in the South from 7 percent to 19 percent, and in Ukrainian-controlled Donbas from 1 percent to 24 percent (see **Figure 3**).

**Figure 3. Regional Support for Joining NATO (% , 2012–2016)**

Source: Democratic Initiatives Foundation polls ([DIF](#))

In these regions, the supporters of non-bloc status still dominate (38, 44, and 33 percent, respectively). However, they are largely demoralized and not politically active. According to a poll by DIF, if a referendum on NATO membership were held in May 2016, for those who would vote, 72 percent of those in the South would vote “yes” with 24 percent “against,” while in the East the breakdown would be 64 percent vs. 31 percent, and in Ukrainian-controlled Donbas the votes would be equally divided. Not surprisingly, in the whole country, 78 percent of those who would participate in a referendum on the matter would say “yes” to NATO and 17 percent would be “against.”

However, joining NATO is hypothetical. The problem is that although supporters of NATO prevail, a potential campaign to do so may lead to the mobilization of the anti-NATO camp, which is currently silent because of the Russian aggression in Donbas. If a NATO referendum is announced, they may become more active, and an intensive debate in the mass media may increase the turnout of those who are against NATO. Furthermore, freezing or de-escalating the conflict in the East may lessen pro-NATO attitudes. Finally, the ongoing lack of support from NATO to Ukraine in its conflict with Russia, especially if conditions worsen, could also decrease support for joining NATO.

It is safe to say that Russia's incursions have led to changes in Ukraine's official position about NATO. In December 2014, the new parliament (which was seated in October 2014) cancelled Ukraine's non-bloc status and incorporated the goal of reaching the criteria necessary for NATO membership. However, Ukrainian officials are quite cautious

regarding a referendum on NATO. They sense that holding it would increase the polarization of the country and catalyze anti-NATO eruptions.

There is also EU politics to consider. Kyiv does not want to irritate European decision-makers (namely in Berlin and Paris) as much as it does not want to irritate Moscow. Ukrainian officials like to point to Georgia's experience as an impediment. In 2008, Georgians overwhelmingly said "yes" to NATO but the country, to date, has still not received a NATO Membership Action Plan (MAP). Critics of Poroshenko (and his reluctance) point out that at the July 2016 NATO summit in Warsaw, and at Georgia's insistence, NATO reaffirmed the statement it made at the 2008 Bucharest summit that Georgia "would become a NATO member" (the same provision from Bucharest regarding Ukraine was not mentioned at the 2016 summit). The 2016 summit stressed that Georgia would receive, at some point, a MAP. In September 2016, Ukraine sent NATO an official request to join its Enhanced Opportunities Programme (which includes Australia, Finland, Georgia, Jordan, and Sweden.).

## **Conclusion**

Before 2014, Ukrainian citizens were rather indecisive about their country's geopolitical orientation. Many simultaneously supported deepening ties with both the EU and the Customs Union with Russia, Belarus, and Kazakhstan. However, the Euromaidan and Russia's military campaign against Ukraine led to the collapse of support for the Eurasian vector. At present, the prevalent division in outlook is between the pro-EU camp, which is now supported by a majority of Ukrainians, and the non-aligned camp. Ukrainians are generally responsive to the European vector as they sense the EU is having a positive impact on domestic reforms. Support for NATO in Ukraine has dramatically increased. If a referendum was held today on the issue, results would show, for the first time in Ukraine's history, significant favorability for joining NATO. This change in outlook has occurred in all regions of Ukraine, although regional differences certainly remain. For its part, the Ukrainian government officially stresses that membership in both the EU and NATO are strategic priorities. However, it is currently concentrating on what it deems to be pragmatically reachable: deepening programs of cooperation with NATO and implementing the stipulations of the Association Agreement.



# How Can the EU Help Ukraine Build the Rule of Law and Fight Corruption?

## ROMANIA AND BULGARIA AS GUIDEPOSTS

PONARS Eurasia Policy Memo No. 469

April 2017

Maria Popova\*

*McGill University*

There has been overwhelming rhetorical commitment in post-Euromaidan Ukraine to reforming the judiciary and battling corruption. However, despite the adoption of numerous new relevant laws and constitutional amendments, and the creation of a slew of new institutions, there has been no breakthrough in these critical domains. Nearly three years after the Euromaidan, the Ukrainian judiciary has not been emancipated from political control and public trust in it is at a historic low. An effective anti-corruption campaign is still not under way. Can the EU nudge forward much-needed reforms? Can it help distinguish the real reformers from the ersatz ones? One expedient instrument could be the EU Cooperation and Verification Mechanism (CVM), which the EU applied with some success in Bulgaria and Romania and which could be adapted and applied to Ukraine.

### **Reform-makers and Reform-fakers**

Why is there so much talk about reform but so few results? One possibility is that actors who want to pursue judicial reform and anti-corruption in earnest (reform-makers) are outnumbered and overpowered by actors who feign commitment to these causes to please the electorate and the international institutions that demand reforms (reform-fakers).

The reform-makers struggle to achieve results and are marginalized. The reform-fakers pay lip service to the goals of the Euromaidan but reap the benefits of a dependent judiciary and political corruption. Self-interested calculations and the pursuit of political clout stymie progress; reform-fakers perceive that the status quo best protects their interests. Could the EU empower reform-makers and expose and undermine reform-fakers?

There are limits to what the EU can achieve due to obstacles associated with rule-of-law promotion efforts, the nature and mechanisms of EU conditionality, and Ukraine's

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\* [Maria Popova](#) is Associate Professor in the Department of Political Science, McGill University.

specific situation. But the EU can push things forward. Its [track record](#) of promoting judicial reform and anti-corruption efforts in Bulgaria and Romania suggests a number of lessons for Ukraine. Specifically, the Cooperation and Verification Mechanism (CVM) that the EU applied in Bulgaria and Romania since 2007 can be adapted to Ukraine. The EU can use levers like this to extend political protection to reform-makers who inevitably come under attack by threatened elites. Concretely, the [Bulgarian](#) and [Romanian](#) experience suggests that the EU's top priority should be the identification and protection of reform-makers in prosecutorial institutions, rather than in the judiciary or in the Ministry of Justice. It also suggests that the proliferation of new institutions tasked with different aspects of anti-corruption campaigns helps reform-fakers avoid accountability by blaming the lack of results on institutional rivals. What the EU cannot do is use its soft power to create reform-makers out of thin air or use its levers to make reform-fakers behave as if they were reform-makers.

### Why is Rule-of-Law Reform so Hard?

Expectations of what the EU can achieve in Ukraine should be tempered by the realization that rule of law promotion rarely works wonders. Independent courts cannot be created through institutional engineering. A [comparative study](#) of judicial institutions has found weak correlations between judicial institutions, which conform to supposed best practices, and de facto judicial independence and power. In the area of anti-corruption, reform-fakers can easily feign activity by conducting sloppy investigations and taking weak cases to court. Responsibility can be diffused because judges, prosecutors, and the Ministry of Justice can all blame each other for the failure to tackle political corruption.

To complicate matters further, the EU has no unified position on what a good judiciary should look like or how countries should best tackle corruption. As we know, there is a high-level of institutional diversity within the EU. Only in 2011 did EU member states agree on a method to evaluate the status of corruption and progress when it comes to rule of law. Efforts to [create](#) an EU-wide [European Public Prosecutor's Office](#) have been unsuccessful so far. There is no *acquis communautaire* toward rule of law and anti-corruption that the EU could push Ukraine to adopt. For these reasons, EU conditionality vis-à-vis central and southeast Europe has lacked effectiveness in these areas.

Finally, Ukraine is not subject to membership conditionality and is unlikely to be, which limits what the EU can achieve there.\* Ukrainian stakeholders in judicial reform and anti-corruption efforts do not have the long-term benefits of EU membership to justify short-term sacrifices of rents. Ukraine's political corruption problem is also larger than

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\* See: Hilary Appel, "[The Long-Term Prospects for Ukraine's Accession to the European Union: A Focus on EU-Level Constraints](#)," PONARS Eurasia Policy Memo No. 330, August 2014.

that of post-Soviet EU members. Anti-corruption reform-makers face a particularly well-entrenched network of corrupt elites who are unlikely to give up their rents without a serious fight. The Ukrainian judiciary tends to display unambiguous political subservience, so judicial reform-makers face an especially complicated task.

### **What Can the EU Do to Push Ukraine toward the Rule of Law?**

#### *Adapt and apply the Cooperation and Verification Mechanism (CVM) instrument*

When Romania and Bulgaria joined the EU in 2007, Brussels was worried that both countries did not meet the Copenhagen criterion on rule of law. As a result, both countries were given roadmaps with judicial reform and anti-corruption measures that they were supposed to continue implementing even after officially joining the EU. In order to monitor the implementation of these steps, the European Commission introduced the CVM. Under the CVM, each country was assigned a team of European Commission experts who were tasked with producing semi-annual reports assessing progress. The experts made routine visits to each country and met with a wide range of stakeholders in the government, the judiciary, and civil society. They requested and analyzed data from local institutions—for example, the number of anti-corruption cases opened in a time period, the number of judges disciplined by supreme judiciaries, and data (from NGOs) about the harassment of judges. In the area of anti-corruption, CVM experts monitored the movement of high-profile cases through the criminal court process.

#### *Use the CVM instrument to help distinguish between reform-makers and reform-fakers*

In Bulgaria and Romania, the level of cooperation by different local actors revealed their commitment to reform. Reform-makers were dramatically more transparent and willing to share data on activities than the reform-fakers. The reform-makers see the CVM missions as opportunities for useful knowledge transfer to improve local reform strategies. They routinely advocate for the continuation of CVM instruments since they see them as supportive of their goals. Reform-fakers, on the other hand, approach CVM missions with suspicion, try to present certain reforms as complete, and generally seek to terminate the CVM. Distinguishing between reform-makers and reform-fakers is a crucial first step in effectively moving reforms forward. To its credit, the EU has adjusted its strategies to bolster reform-makers. In Romania, for example, when the National Anti-Corruption Directorate needed a new head in 2013, the EU pushed for the appointment of Laura Kovesi, whom it had identified as a reform-maker.

#### *Extend political protection to reform-makers*

Reform-makers in government are bound to be in a precarious situation. The political elites that they target are likely to try to unseat them. The EU can help by

communicating to leaders that this kind of retribution is unacceptable and carries direct consequences. The EU has done this repeatedly in Romania. In 2008, EU ambassadors and EC representatives in Bucharest put intense pressure on the Romanian government to reappoint Daniel Morar to lead the country's National Anti-Corruption Directorate (DNA). Morar had been singled out for praise in the CVM report but had found himself under intense attack by the governing parties. Without the EU's backing, Morar would likely have lost his job. As DNA's anti-corruption drive kicked into high gear in the early 2010s, first under Morar and then under his successor Laura Kovesi, politicians started openly criticizing the DNA for overstepping its powers and there were several attempts at curtailing it. Through CVM reports and purportedly through direct conversations, the EU communicated to the Romanian government that such steps would be unacceptable and the DNA's mandate remained intact.

*Recognize that it cannot shape the reform process in Ukraine because it has insufficient knowledge of who the reform-makers and reform-fakers are*

By now, potential reform-makers in Ukraine's Office of the Prosecutor General have been pushed out and various reform-makers in government are under attack. Two deputy prosecutors, Vitaly Kas'ko and David Sakvarelidze, were ousted and criminal cases opened against them. Serhii Leshchenko, a vocal anti-corruption legislator, is under scrutiny by the Prosecutor's Office. The EU has not intervened in any way in these cases. If the EU had a CVM-like instrument in Ukraine, it would have been able to form an opinion as to whether Kas'ko, Sakvarelidze, and Leshchenko are indeed reform-makers and should have support.

*Push for the appointment of reform-makers at the Office of the Prosecutor General*

One of the lessons that can be drawn from the Romanian and Bulgarian experience with anti-corruption reform is that reform-makers in the Prosecutor's Office can make the largest difference because they build and bring cases to court. Reform-maker prosecutors put together cases that can stand up in court, while reform-faker prosecutors bring cases full of holes that even a reform-maker judge would feel compelled to dismiss. Romania's DNA has received high praise from the EU and Romanian civil society actors for building airtight cases against high-level politicians and oligarchs. Its conviction success rate in court is about 90 percent. By contrast, the Bulgarian prosecution has often been the subject of criticism in CVM reports for lack of transparency and will to take on political corruption in earnest. Under intense EU pressure to show results, the Bulgarian prosecution filed roughly the same number of indictments against high-level politicians, organized crime, and major business figures as its Romanian counterpart. However, the Bulgarian prosecution is yet to achieve a single final conviction.

Identifying reform-fakers among judges is a waste of resources without first making sure that Ukraine's Prosecutor General's Office is led by reform-makers. Judges can only rule on what the prosecution gives them. If there are reform-fakers among judges, who dismiss good cases for political/corrupt reasons, the reform-makers at the prosecution can eventually expose them and make such behavior unattractive for other judges. This is what happened in Romania in 2010-2012 when a few judges who had previously delivered acquittals or dismissals in high-profile corruption cases were themselves prosecuted for corruption. Judges cannot do anything about corruption in the prosecution, so supporting reform-makers within the judiciary should be a secondary priority for the EU. Furthermore, the EU's job would be easier if a reform-maker was in charge of the Ministry of Justice (but this is not essential). A reform-maker Minister of Justice can draft and push for the adoption of quality laws and enhanced institutions—as Bulgarian Minister of Justice Hristo Ivanov did in 2014-2015. Still, a justice system cannot achieve much if there are reform-fakers at the court level. All in all, laws can be circumvented by reform-fakers in the institutions that are supposed to implement these laws.

*Discourage the proliferation of anti-corruption and judicial governance institutions*

It may seem like a good idea to have multiple institutions that control different aspects of anti-corruption or judicial reform efforts. The first rationale is that institutions can provide checks and balances on each other: if one gets taken over by reform-fakers, the other can expose them. The second rationale is that the institutions could compete with each other for the EU's stamp of approval and thus push each other toward more effectiveness. However, the dangers of institutional proliferation seem to outweigh the potential benefits. Corruption networks are extremely complicated to uncover and prosecute effectively even without the danger from reform-fakers seeking to undermine the activities. If an investigation is not coordinated under one roof, the danger of moles compromising the process increases. Also, jurisdictional power and turf disputes become more likely, which further reduces the chances of success. Competition for power erodes both the effectiveness and popular legitimacy of all institutions. The Romanian and Bulgarian cases suggest that a single independent institution—Romania's National Anti-Corruption Directorate—is more effective than multiple departments in different institutions that are supposed to work together. In Ukraine, there is already evidence of institutional rivalry and a power struggle between two of the new institutions: the National Anti-Corruption Bureau headed by Artem Sytnik and the Special Anti-Corruption Prosecution headed by Nazar Kholodnytski. The introduction of the State Bureau of Investigation in 2017 will likely only complicate matters further.

*Use visa-free travel as a lever*

Once reform-makers are identified, the EU can use the cancellation of visa-free travel as a "stick" to beat off attacks by reform-fakers on the reform-makers. Visa-free travel can

be a powerful lever regardless of EU membership status. First, it directly affects the electorate. The Ukrainian elites know that the public will feel the consequences if the EU grants or withdraws freedom-of-movement benefits. There is little that the government could do to spin such a decision or diffuse responsibility. Second, visa-free travel is a more flexible instrument than membership conditionality—it can be granted and canceled multiple times. Bulgarian and Romanian rule-of-law reform trajectories illustrate the power of visa-free travel as a conditionality instrument. The biggest success story of how the EU pushed rule of law reform—Romania’s DNA-led anti-corruption drive—happened after Romania joined the EU rather than before. Indeed, the EU’s main lever with Romania and Bulgaria after 2007 [pertained](#) to inclusion in the European free-travel Schengen zone.

## Conclusion

The EU can use its experience in promoting the rule of law in Bulgaria and Romania to devise a strategy to push Ukraine in the right direction. However, the EU’s potential for impact is highly contingent on domestic factors. The success of reforms in Romania shows that the EU can support and bolster the political position of Ukrainian reform-makers. The failure of reforms in Bulgaria shows that the EU cannot always use soft power or leverage to create reform-makers or turn reform-fakers into reform-makers. Nonetheless, the EU could step in and use its clout and hands-on experience to shine a light on Ukraine’s reform dysfunctions. In the process, it could empower domestic forces to weed out the reform-fakers in Ukraine’s government and courts.

# Lukashenko's "Drift To The West"

## WHY MOSCOW SHOULD NOT BE WORRIED

PONARS Eurasia Policy Memo No. 440

September 2016

Arkady Moshes\*

*Finnish Institute of International Affairs*

In February 2016, the Council of the European Union lifted sanctions on Belarus. It had imposed them in 2010 in response to the regime's brutal oppression of the opposition after that year's presidential election. Since very little domestic political liberalization has occurred in Belarus since then, the decision must have been driven by geopolitical motivations. Most likely, the EU sought to reward Minsk for its reluctance to bandwagon fully with Moscow in the Ukraine conflict and, more generally, saw an opportunity to weaken Belarus' alliance with Russia.

The lifting of sanctions is both a result and symbol of ongoing attempts to normalize EU- Belarus relations.<sup>†</sup> In what seemed like some progress, a new format for structured bilateral dialogue was launched in April, the so-called Belarus-EU Coordination Group. Minsk also officially expressed interest in concluding a Partnership and Cooperation Agreement, which the EU usually grants only to priority partners. In May, Belarusian President Alexander Lukashenko, until recently banned from traveling to the EU, paid an official visit to Italy. In the bi-monthly Belarusian Foreign Policy Index compiled by the Belarusian Institute for Strategic Studies, the EU now consistently outscores Russia in terms of general favorability: the EU received a rating of +31 versus Russia's +24 in January-February, +28 versus +26 in March-April, and +34 versus +21 in May-June (a very significant lead).

All of this has produced some anxiety among certain segments of Russia's analytical community and media. For example, Russia's Regnum information agency ran a series of highly critical publications on Belarus' current policy. Other sources have expressed suspicion and discontent in regard to "Lukashenko's drift to the West."

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\* [Arkady Moshes](#) is Program Director for the EU Eastern Neighborhood and Russia research program at the Finnish Institute of International Affairs. This policy memo is derived from the September 2016 PONARS Eurasia annual conference.

<sup>†</sup> Washington did not follow suit and lift sanctions, but this could still happen after Belarus' recent parliamentary elections. See Arkady Moshes, "[Parliamentary Elections in Belarus: A Couple Holes Patched, but Bucket Still Leaking](#)," PONARS Eurasia Commentary, September 12, 2016.

A closer look at developments, however, offers little reason to believe that Belarus is undergoing a major geopolitical reorientation. True, Minsk's positions on issues of European security, the Ukraine conflict, and Crimea's incorporation into Russia are not identical to that of the Kremlin. Yet Russia and Belarus remain much closer to each other than they ever could to the West. The regimes are united by a rejection of liberal democracy and fear of internal destabilization and color revolution. Both are deeply connected in their security and defense arrangements. All of this at least balances, if not outweighs, Minsk's concerns in regard to Moscow's potential assertiveness. At the same time, Minsk is clearly frustrated by its failure to receive tangible economic benefits from its normalization with the West. In his April 2016 address to the nation and parliament, Lukashenko described Belarus' current stage of relations with the West as *govorilnya* – "talking shop."

In reality, Belarus' traditional structural dependence on Russia is increasing, and Minsk's freedom of maneuver continues to shrink. In the post-Crimea context, Belarus' formal sovereignty and territorial integrity can no longer be considered untouchable, nor can the longevity of Lukashenko's personalist regime be guaranteed. Flirting with the West (as Minsk is prone to do periodically) only erodes trust and confidence in Belarus-Russia relations and leads the Kremlin to exert new forms of pressure, all while failing to establish a true balancing act.

### **The Belarus-Russia Defense Alliance – A "Single Whole"**

The most convincing argument in the debate on whether or not Belarus' military-political distancing from Russia is bearing fruit—or is possible at all—can be found in professional analyses of the security situation on NATO's eastern flank.

A report co-authored by former NATO Supreme Allied Commander General Wesley Clark [concluded](#), "in the event of conflict, Russia's land forces operating from the Kaliningrad exclave and Belarus could attempt to close the so-called 'Suwalki Gap'" (a 65-km-long land corridor between Lithuania and Poland). Without the perception of Russia's guaranteed access to Belarusian territory and air space, drawing such a conclusion would not be possible. Furthermore, during the NATO summit in Warsaw in July 2016, Lithuania's Foreign Minister Linas Linkevicius [confirmed](#) that due to tight integration between Belarusian and Russian military forces, NATO views the two countries as a "single whole."

A new Belarusian Military Doctrine, which entered into force in July 2016, provides further evidence of this dependence. Article 20.1 of the document lists among the priorities of the "coalition military policy" the strengthening of relations with Russia on matters of maintaining the necessary defense potential, joint measures on preventing military threats to the bilateral Union State (a unique format of Russian-Belarusian integration), repelling of aggression against their joint defense

space, and maintaining a regional group of forces of the Republic of Belarus and the Russian Federation.

The two countries have a shared threat perception. Although Minsk repeatedly states that it does not view NATO's decision to deploy new contingents in Poland and the Baltic States as an immediate threat, it does not welcome them and perceives them as a challenge in the military sphere. The same military doctrine (article 11.3) refers to "enlargement (creation) in the European region of military-political alliances of which Belarus is not a member, or an assumption by them of global functions" as a source of military risks and dangers, which is quite close to analogous Russian formulations.

Practical cooperation between Russia and Belarus develops and intensifies accordingly. In addition to regular large-scale bilateral maneuvers, such as "Union Shield" and the CSTO multilateral exercises "Unbreakable Brotherhood," in 2016, 38 joint exercises and trainings are being held by Russian airborne units and Belarusian special operations forces (as compared with 26 in 2015). The Russian Air Force regularly uses Belarusian airfields when practicing. Belarusian Defense Minister Andrei Ravkov said last June that his country was considering multiple new arms purchases in Russia, including a battery of Tor-M2 air defense missiles.

The only noticeable security controversy between the two allies arose on the issue of the deployment of a new Russian Air Force base in Belarus. In September 2015, Russian President Vladimir Putin publicly tasked the government to negotiate an agreement. However, the proposal was rejected by Lukashenko, and Minsk has stayed firm ever since. Politically, this must be embarrassing for Moscow, but from the military point of view the gains may simply not be worth bargaining for. Military experts have reached a consensus that the formal absence of the base does not prevent a quick redeployment of Russian planes to Belarus when necessary. At the same time, it is often hinted that a deployment in Belarus of Russian Iskander missiles is possible.

At the same time, regardless of the state of affairs in relations between the two allies, Russia's general reinforcement of its military potential along its western borders lessens its dependence on Belarus. Lukashenko's earlier argument that "in the West Russia has nothing but the Belarusian army" no longer holds. Furthermore, certain developments, such as the redeployment of the 28<sup>th</sup> Motor Rifle brigade from the Urals to Russia's Bryansk region in May 2016, may be viewed as affecting the security situation of not only Ukraine but Belarus as well, and serve as potential leverage against the latter.

## Growing Economic Dependence

Neither the EU nor Western financial institutions show any appetite for rendering Belarus massive economic assistance. On missions in November 2015 and June 2016, International Monetary Fund representatives could not reach agreement with the government, evidently due to the latter's reluctance to support needed market reforms. In the absence of a deal with the IMF, other sources of Western funding are bound to stay limited.

This makes securing Russian financial subsidies a necessity for Minsk. In 2015, [according](#) to the calculations of Belarusian expert Irina Krylovich, Belarus borrowed \$1.6 billion from the Russian state and banks. In March 2016, the Eurasian Development Bank, an institution of the Moscow-dominated Eurasian Economic Union (EEU), agreed to grant Belarus a loan of \$2 billion for 2016-18 (\$500 million arrived in March and another \$300 million in July). Given Belarus' worsening macroeconomic situation, however, this money may not suffice even to refinance earlier debts, whereas the payment of the entire sum is not even guaranteed as Moscow may wish to attach strings to future installments.

Cheap energy has been another component of the Belarusian "economic miracle." Yet, at this time of low global energy prices, extracting energy rents has become more complicated. In spring 2016, Belarus sparked a gas controversy with Russia. It refused to pay the price of \$132 per thousand cubic meters in accordance with a 2011 intergovernmental agreement. Instead, Belarus began paying only \$73 per thousand cubic meters. By July, Belarusian debt reached \$270 million, and negotiations brought no results. Russia went a step further and cut oil deliveries to Belarus by 37 percent. Since refined oil products are among Belarus' main export commodities, this move was expected to be quite painful, depriving Belarus of \$200 million per quarter. As of early September 2016, the controversy is not settled, although experts predict a deal involving payment of the debt in exchange for future price discounts.

Meanwhile, Russia continues to protect itself from illegal imports of food products, which it believes go through Belarus. In June 2016, Moscow banned food imports from several African countries, claiming that Belarusian certificates of origin may be false. Protectionism, as it relates to Belarus' own exports to Russia, also continues. In July, Russia deemed dry milk from 15 Belarusian producers "dangerous," thus opening a new "milk war." Through these types of economic issues, the mechanisms of the EEU, as well as those of the bilateral Union State, do little to address the problem of Russian protectionism.

In general, Belarus' well-known structural weaknesses in its economic relations with Russia are growing. Full cessation of direct and indirect subsidies is, of course, not to be expected, but maintaining the previous level of subsidization is hardly

affordable for Russia either, taking into account its own crisis situation. In these circumstances, a new struggle for control of Belarusian state-owned enterprises in the petrochemical industry, machine building, and the banking sector is probable. Russia may try this in exchange for loans or other assistance to Belarus. However, Moscow may also be supportive of a Belarusian deal with the IMF, not only because this would free Russia from the immediate need to finance Minsk but also because an overall economic liberalization in Belarus could be beneficial for Russian economic actors.

### **Asymmetry in Soft Power**

A noticeable change took place recently in Minsk's PR vis-à-vis Moscow. Earlier, Lukashenko did not hesitate to accuse Moscow of "unfriendly" behavior during bilateral quarrels, and he often benefitted from such rhetoric.\* However, during the aforementioned gas conflict, Lukashenko stayed unusually quiet. Officials in Minsk limited themselves to expressing traditional, yet mild, criticism of the EEU and the Union State. An [explanation](#) for this by Belarusian analyst Yuri Drakokhrust is that in the post-Crimea situation, with Putin's skyrocketing domestic ratings and Russian society's turn away from post-Soviet nostalgia, Lukashenko cannot easily gain the sympathy of Russian public opinion the way he used to.

Belarus remains under the heavy information influence of Russia. Deputy Head of the Presidential Administration of Belarus Igor Buzovski has said that up to 65 percent of the content in Belarusian media comes from Russia and that from the point of view of national culture and information security this should be a matter of concern. In May, a gathering of a Parliamentary Assembly of Belarus and Russia adopted a plan to create a single information space for the Union State, which, if implemented, would further strengthen Russian information dominance.

Information cohesion builds upon the natural proximity and mutually-friendly attitudes between Russians and Belarusians. It affects the geopolitical preferences of Belarusians, even though those remain volatile. According to June 2016 data by the Vilnius-based Independent Institute of Socioeconomic and Political Studies, in case of a hypothetical choice whether to join Russia or the EU, 42 percent of Belarusians would choose Russia and 34, the EU; in March, the ratio was 48 to 31 percent. As of June 2016, in case of a military conflict between Russia and the West, 34 percent of Belarusians would support Russia and only 13 the West (although 44 percent, remarkably, would support neither side).

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\* See Arkady Moshes, "[Russian-Belarusian Relations after Vilnius: Old Wine in New Bottles?](#)" PONARS Eurasia Policy Memo No. 304, December 2013.

## Conclusion

Lukashenko's "drift to the West," whether limited to bureaucratic diplomacy or intended to go further, appears to have its limits. On the one hand, the boundaries of what is possible in Russia's neighborhood have been redrawn by the Ukraine conflict; everyone now has to keep in mind the potential appearance of "polite green men." On the other hand, the EU has dramatically lowered the level of its regional ambitions for a number of reasons. Taking into account Belarus' integration into Russia-led structures, its economic dependence on Russia, and their shared rejection of the liberal political model, rapprochement between Belarus and the EU can have only marginal effects. Whether this is worth the rejection of a values-based approach to Belarus by the EU is a question that at some point Brussels will have to answer for a number of reasons. Taking into account Belarus' integration into Russia-led structures, its economic dependence on Russia, and their shared rejection of the liberal political model, rapprochement between Belarus and the EU can have only marginal effects. Whether this is worth the rejection of a values-based approach to Belarus by the EU is a question that at some point Brussels will have to answer.

### **III. The EU's Limited Options in Southern Eurasia**



# Are China and Russia Teaming Up in Southern Europe?

PONARS Eurasia Policy Memo No. 479

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Elizabeth Wishnick\*

*Montclair State University*

Southern Europe has been a new area of focus for the Sino-Russian partnership in recent years. Cultural and religious ties with Orthodox majority states have long given Russia a [special role](#) in the region, but China is a newer player. Although each country has its own independent reasons for engaging economically with southern Europe—for China, it is the destination for its Belt and Road Initiative, while for Russia, the region provides a potential alternative to gas supply via Ukraine—increasingly the two countries are pursuing parallel agendas, involving promoting their own interests at the expense of European unity.

## China and Southern Europe

Much of the attention to China's Belt and Road Initiative, launched in 2013 and initially known as "One Belt, One Road," has focused on China's infrastructure development plans for Central and South Asia, but Southern Europe is a key destination for both the maritime and transcontinental routes. High level [participation](#) in the May 14-15, 2017, Belt and Road Forum from Italy, Greece, Serbia, Spain, and Turkey attests to Southern Europe's interest in developing economic ties with China. Chinese investments there have proceeded somewhat under the radar and in a piecemeal fashion, but they bear scrutiny as the trend toward increased Chinese economic involvement in the region will have important political and security implications for Europe and the United States.

During former Prime Minister Wen Jiabao's visit to Poland in 2012, the Chinese government introduced a new economic initiative, the 16+1 process, which involves investment, concessionary loans, trade promotion, and annual summits in Central and Eastern Europe. The 16 countries involved include 11 EU and 5 non-EU countries from Central Europe and the Baltics.<sup>†</sup> Cooperative projects have been outlined in a series of summits in recent years. In particular, the 2014 Belgrade summit called for a link

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\* [Elizabeth Wishnick](#) is Professor of Political Science at Montclair State University and Senior Research Scholar at the Weatherhead East Asian Institute, Columbia University

<sup>†</sup> The EU countries involved are Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Poland, Romania, Slovak Republic, Slovenia, and the non-EU are Albania, Bosnia and Herzegovina, Macedonia, Montenegro, Serbia. All of the latter except Bosnia Herzegovina are EU candidate countries.

between the 16+1 process and Chinese funds for investments in the Belt and Road Initiative, including for rail links and other infrastructure. The 2015 Suzhou summit focused on maritime Silk Road links, connecting China to Europe via the Baltic, Adriatic, and Black Seas. The 2016 summit, which took place in November 2016 in Riga, Latvia, further developed the [Three Seas Initiative](#) to create infrastructure links connecting the three seas.

China's investment in the Greek port of Piraeus, the center of Greece's shipping industry, shows how the Chinese initiative seeks to combine maritime and land-based infrastructure development. The Chinese state-owned company, COSCO, acquired a 35-year concession for the port of Piraeus, which will turn it into a hub for China's trade in Europe. In August 2016, COSCO [bought](#) a 51 percent stake in the port for \$311.5 million and will increase its stake to 67 percent in the next five years, assuming required investments of €300 million (\$326 million) are made. The port will be connected to railroads in Central and Eastern Europe, which the China Railway and Construction Corporation will build by 2017 to create a high-speed rail connection from Piraeus to Budapest. These improvements will reduce shipping times from China to Europe by 10 days—now goods go from Suez Canal through the Mediterranean and then up to the Atlantic coast to Northern European cities; with new connections they will go directly from the Suez Canal (recently doubled in capacity) to Piraeus. Piraeus is the closest European port to the Suez Canal and China has also been investing in Egypt and [Djibouti](#), where it acquired its first naval base and plans to station 10,000 troops.

This is just one example of the recent surge in Chinese investment in southeastern Europe since 2008. Chinese state-owned firms have sought new markets given the slowdown at home and post-crisis opportunities overseas. In addition to investments in transport in Greece, Chinese companies have acquired stakes in many other ports around the [Mediterranean](#), including Genoa, Naples, and Istanbul. Chinese firms have targeted energy projects, mostly in Italy and Portugal. Over the past few years in Portugal 90 percent of investment in sell-offs in the energy sector has come from China, while in Italy China has [become](#) the largest foreign investor in the energy sector, with investment over €4 billion (\$4.35 billion).

### **Russia and Southern Europe**

The economic crisis in Greece initially fueled speculation that Moscow would take advantage of the situation to develop closer ties with Athens. Russian economic woes, actions in Ukraine, and the resulting EU sanctions set limits to any rapprochement, despite a series of meetings with Russian President Vladimir Putin following the election of Greek Prime Minister Alexis Tsipras in 2015. Greece's Russian [diplomacy](#), especially in the energy sector, has frustrated European attempts to limit Moscow's efforts to circumvent Ukraine in energy exports to Europe. Moreover, the governing Syriza party in Greece has [criticized](#) the EU's imposition of sanctions on Russia. Indeed

Putin's May 2016 visit to Athens was one of the few the Russian President has made to an EU country since the imposition of sanctions in 2014. For its part, Greece has looked to Russia for investment in newly privatized sectors and the two countries are exploring cooperation in tourism and transportation as well as deepening cultural and religious ties.

After President Recep Tayyip Erdoğan apologized in June 2016 for shooting down a Russian aircraft in Syria, Putin has revived the Turkish Stream project, originally proposed in December 2014, now involving the construction of two underwater gas lines from Russia to Turkey. The two countries signed an agreement on the project in October 2016. After Turkish President Erdoğan's visit to Moscow in August 2016, Turkey proposed connecting Turkish Stream to the Trans-Anatolian Pipeline (TANAP), which would ship gas from Azerbaijan to the border between Greece and Turkey. Turkish Stream could also be connected to Greece and Italy, via the Poseidon pipeline.

All of this works against [efforts](#) by the EU and the United States to reduce European dependence on Russian gas and prevent Greece from expanding energy cooperation with Russia. The EU has been building a pipeline between Greece and Bulgaria (Interconnector Greece-Bulgaria or ICGB), which would be connected to Azerbaijan's gas fields through the Southern corridor. The pipeline has a reverse flow capability, meaning it can ship gas in either direction, thereby preventing Russia from using gas flows to Europe as political leverage.

Moreover, Russia and Turkey have been developing military cooperation, posing a challenge to NATO unity. As Erdoğan has faced growing criticism for his concentration of political power and wide-scale purges of supposed supporters of the failed coup against him last summer, Turkey has sought to demonstrate that it has other options and drawn closer to Russia. For its part, Russia has [ended the sanctions](#) imposed on Turkey in the aftermath of their shooting of the Russian aircraft and Ankara has opted to [purchase](#) the Russian S-400 missile defense system instead of a comparable U.S.-EU system. The two countries [held](#) joint naval exercises in the Black Sea in early April 2017, just two months after Turkey joined other NATO countries in the [Black Shield 2017](#) naval exercise in the region.

### **Sino-Russian Coordination?**

Thus far, China and Russia have been involved in parallel efforts to engage Greece and Turkey, but they have not coordinated their policies. In the long term, if Greece and Turkey develop their economic cooperation/integration with BRICS countries (Brazil, Russia, India, China, and South Africa), there may be some opportunity for coordination. Any future coordination between the Eurasian Economic Union (EEU) and the Belt and Road Initiative may provide opportunity for some joint efforts in southern Europe, but this would assume that countries from the region are willing and able to

cooperate with the EEU, which is unrealistic at present. Turkey is currently the only Southern European country to be involved with the Shanghai Cooperation Organization (SCO), though still only as a dialogue partner.

## **BRICS**

In 2015, Russia invited Greece to join the BRICS New Development Bank, just as Greece was in the midst of economic negotiations with the EU. It seemed unlikely that Greece could come up with the \$10 billion euros required of founding members as it struggled to emerge from economic crisis, but in the end Athens came to terms with the EU and never joined BRICS.

By contrast, Turkey, which has been described as a near-BRICS state, has never been invited to join and has never expressed interest in doing so. Unlike Greece, Turkey does not face the constraint of EU membership though both are NATO members. As one Turkish analyst [argued](#), if Turkey joined BRICS it would be reframing itself as a revisionist power. In the aftermath of the political shifts in Turkey since the July 2016 coup attempt, this may seem like a more attractive prospect, but there are no indications that BRICS membership for Turkey is likely.

## **Eurasian Economic Union-Belt and Road Initiative**

The agreement last year to integrate the EEU and the Belt and Road Initiative has yet to translate into a concrete agenda for cooperation. Given China's related infrastructure investments in southern Europe, if Greece and Turkey joined the EEU in some capacity, as some Russian officials have [proposed](#), this could create a basis for coordination between Russia and China. However, Greece's membership in the EU and Turkey's customs agreement with it now prevent the two from pursuing such a course of action.

## **Shanghai Cooperation Organization (SCO)**

Turkey became an SCO dialogue partner in 2012 and since then President Erdoğan has periodically expressed interest in [membership](#), though no formal application has yet been made. SCO members unanimously [elected](#) Turkey to chair the SCO's Energy Club in 2017, the first time a non-member has been granted this role. China has welcomed the possibility of Turkish membership in the SCO and has sought to [pressure](#) Turkey to restrict the political activities of its Uyghur minority.

Public opinion in Turkey appears divided between East and West. One year before the July 2016 coup attempt, the Pew Research Center [reported](#) that 55 percent of respondents favored EU membership, though 47 percent stated that Turkey should not participate in any NATO action against Russia. Interestingly, considering that Turkey is a long-time NATO ally, both Russia and Iran receive higher favorability ratings than the

United States or the EU. In the aftermath of the wide-scale arrests since the coup and EU criticism of human rights violations in Turkey, the likelihood of its membership in the EU has further diminished.

Greece, also a NATO member, is not affiliated with the SCO. However, Greece and Russia have discussed some military cooperation in recent years, though this would only be possible if sanctions were lifted. In July 2016, Athens and Moscow [explored](#) the possibility of co-producing Kalashnikov rifles in Greece. In 2015, they also [discussed](#) Greece's potential purchase of missiles for the S-300 missile defense system it acquired from Cyprus in the late 1990s.

### **Implications**

China and Russia are pursuing parallel agendas to cooperate economically with southern European countries such as Greece and Turkey. These efforts come at a time of economic and political crisis within the EU and within the context of ongoing sanctions against Russia over Ukraine. While the Russian and Chinese policies have different motives, their parallel efforts together compound certain problems for the EU and the United States.

- Maintaining Ukraine's role as a gas transit country: the EU has opposed efforts by Russia to build gas pipelines that circumvent Ukraine, such as Turkish Stream.
- Keeping EU countries united on sanctions against Russia: Greece has been critical of sanctions and Moscow has sought to use its ties to Athens to erode EU unity on the policy.
- Preventing individual companies from controlling European infrastructure: China's majority stake in Piraeus has fueled concern in the EU about the ability of a company to exert monopoly control over a port or other infrastructure.
- Accelerating China's transformation into a global naval power: the growth of China's economic interests in the Mediterranean region has led to greater investments in ports in the region and the development of China's first naval base in Djibouti.

The EU has faced a multitude of threats on its peripheries, including waves of migration from the Middle East and Africa and economic crisis. The parallel efforts by Russia and China to engage these countries create new concerns about the unity of the EU and NATO. Moreover, in light of the election of Donald Trump as president of the United States, the commitment of the United States to either organization may be subject to review given Trump's stated view that U.S. allies take economic advantage of the United States.

It is possible that Russian and Chinese efforts to engage southern Europe develop a competitive dimension, at least over infrastructure investments. The weakness of the Russian economy, however, will set limits to Russian efforts and may lead to some coordinated efforts with Beijing to invest in European infrastructure, assuming these investments serve the needs of both the EEU and the Belt and Road Initiative. Such coordination in southern Europe may finally provide some concrete evidence of the cooperation between the two initiatives.

Moreover, the appeal of Russian and Chinese overtures to southern European states may wane. Already there are indications that European countries are [concerned](#) about some of the consequences of Chinese investment through the 16+1 framework, including the required use of Chinese sub-contractors and purchases of Chinese-made equipment, as well as rising European trade deficits with China. Given Russia's economic crisis, it [appears](#) over-committed by opting to construct two other major gas pipelines in addition to Turkish Stream: Nordstream that connects the Baltics to Germany, and Power of Siberia that connects Russia to China. If Turkey aims to be a [gas hub](#), this will lead it to avoid excessive dependence on Russia, from which it now receives 56.3 percent of its gas, even though relations between the two are now much improved.

# A Donor without Influence

## THE EUROPEAN UNION IN CENTRAL ASIA

PONARS Eurasia Policy Memo No. 478

June 2017

Sebastien Peyrouse\*

*George Washington University*

Over the past fifteen years, the EU has sought to gain visibility and influence in Central Asia. It has pressed soft power strategies and a values agenda, but mostly has structured its approach along pragmatic lines focusing on economic and security issues. Its policies toward the region take into account Russia's "near abroad" interests, Afghanistan security, drug trafficking, migrants, refugees, and subsoil riches that Europe would benefit from accessing. The EU is a major commercial partner of Central Asian states, but it does not have the means or internal consensus for high ambitions. Moreover, Central Asia is not among its highest priorities, with a (relatively limited) budget [allocation](#) for the region of about \$1.2 billion for 2014 to 2020. Nonetheless, the EU has long-term social, technical, cultural, educational, and quality-of-life advantages to offer. Central Asia remains receptive to advances from Europe, which creates the potential for increasing a variety of mutually-beneficial ties.

### **A Double Challenge: Elaborating Strategies, Delivering Messages**

At the beginning of the 1990s, Brussels only had moderate interest in Central Asia and many EU member states left Central Asian affairs to their embassies in Moscow and Ankara. In summer 2007, the German government ratified a "Strategy for a New Partnership with Central Asia," which was designed to give impetus for relations between the two regions. With this strategy, the EU made provisions for increasing its aid to Central Asia to €750 million for 2007-2013 under three major objectives: stability/security, poverty reduction, and regional cooperation, with the latter covering the domains of energy, transportation, higher education, and environment.

However, even dynamized, the EU Strategy in Central Asia remained without measure compared to its attention to Eastern Partnership states, namely Ukraine, Belarus, Moldova, and the three South Caucasian countries. Central Asia is not meant to be a part

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\* [Sebastien Peyrouse](#) is Research Professor at the Institute for European, Russian and Eurasian Studies at the George Washington University.

of the Eastern Partnership and the EU's normative impact on the region is therefore destined to remain limited.

The EU involves many actors, which lends it diversity and new ideas, but also limits its capability to act as a unified player, thereby inhibiting its visibility and impact, particularly on foreign policy issues. The EU is a complex structure with multiple spokespeople and three heads: the Commission, the Council, and the Parliament. Individual member states have conflicting perceptions of their interests in the Central Asian region. Germany in particular, but also Italy and to a lesser degree France, have advocated for a clearly utilitarian view of Central Asia, promoting economic cooperation and energy-centered projects, while the UK and the Nordic countries lean toward emphasizing a values agenda. In addition, the EU collaborates closely with other transatlantic organizations such as the OSCE and with international donors such as the UNDP, and it delegates some of its activities to them.

Three elements have been competing within the European interest in Central Asia: 1) the promotion of human rights, civil society, and the rule of law, which are fundamental to EU values as a basis for engagement; 2) energy interests that aim to link Turkmenistan to the Southern Corridor; and 3) fostering security in "Greater Central Asia," first through NATO's military engagement in Afghanistan from 2001 to 2014, and since then by continuing to equip and train Afghan border posts. In practice, these objectives have sometimes contradicted one another and the EU often lacks the means to resolve internal contradictions. The economic and financial crisis in several EU countries as well as the ongoing refugee crisis diverted attention from non-priority areas such as Central Asia. EU policy has remained torn between these different approaches, with a visible trend to prioritize energy and security over a values agenda.

The 2007 "EU Strategy for a New Partnership with Central Asia" mentions security among its goals, especially Afghanistan-related border management and drug trafficking. The Border Management in Central Asia (BOMCA) and Central Asia Drug Action Program (CADAP), implemented by the UNDP are the most well-known EU programs on border securitization. However, the EU does not position itself on the international scene as a hard security actor, and its security assistance is often associated with other institutions. Hard security is the domain of NATO, which has its own strategy of engagement with the Central Asian states. The member states also have their own bilateral programs (for example, police training), while soft security is mainly managed by the OSCE (for example, border guard training). Because of both the multiplicity of European actors and the fact that EU security mechanisms are too limited and dispersed to be effective, there is no European "grand narrative" on Central Asian security that could compete with those of Russia, China, or the United States.

## **Bureaucratic Complexities and Limited Effectiveness**

In contrast with programs that preceded the 2007 “EU Strategy for a New Partnership with Central Asia,” which included the five Central Asian states within the same regional approach, the EU turned its focus toward bilateral relations in order to better target the specific issues of each country.

European aid is structured around the Development Cooperation Instrument (DCI), which concentrates mostly on the two poorest states, Kyrgyzstan (rule of law, education, and rural development) and Tajikistan (health, education, and rural development). Apart from the DCI, EU assistance is grounded in four thematic programs: democracy and human rights, nuclear safety, stability, and humanitarian. The Humanitarian Office of the European Commission has been assigned the mission of helping the victims of natural and human catastrophes. The European Union runs some specific economic programs for the region: the Central Asia Invest Program—designed to promote sustainable economic development in the private sector and among small- and medium-size companies; Interstate Oil and Gas Transport to Europe (INOGATE)—responsible for facilitating the establishment of an international legal regime around the Caspian Sea and the Black Sea; and the Transport Corridor Europe-Caucasus-Asia (TRACECA)—aimed at opening up Central Asia and the Caucasus through the creation of a vast transport and communications corridor along an east-west axis.

Despite this multitude of instruments, paradoxically, the EU is not highly visible as a political entity in Central Asia. The EU (like Japan) is one of the largest donors to the region but one of the least known. Several EU projects, like TRACECA, have been nearly forgotten. Infrastructure projects are today clearly dominated by Chinese investment, especially by the Belt and Road Initiative in which Beijing is investing tens of billions of dollars. Although most EU program publications are conventionally upbeat about successes, numerous observers have given reserved, even critical, assessments of the results obtained and the visibility of the EU. One major issue is that the human rights [situation](#) in all five Central Asian states has continued to deteriorate and the institutionalized dialogue on human rights has not been having an impact local realities.

Many European programs have been roundly criticized by Central Asian actors, both official and unofficial, with different motives. For example, some critiques are that: they have grandiose objectives but only modest means, there is an absence of transparency in the recruitment of European companies to work on EU programs in the region, there are disproportionate salary levels offered to European expatriates, a lack of monitoring of allocated funds (which favors misappropriation), and an overly opaque bureaucracy for NGOs and social activists who wish to benefit from offered opportunities. Broad-ranging [EU aspirations](#) therefore tend to work against the focused pursuit of achievable and measurable objectives.

## Fostering the European Commitment through Trade and Investments?

Although EU institutions all but ignored Central Asian economic issues in the 1990s and regarded them as best dealt with by individual member states or the private sector, the EU is now increasingly focusing on Central Asia's economic potential as a driver for its involvement in the region.

Taken as an entity, the EU is the second highest [trading partner](#) of the Central Asian region after China and before Russia. Since the beginning of the 1990s, [Kazakhstan](#) emerged as the principal Central Asian partner of the EU, with trade rising exponentially, from \$6.2 billion in 2003 to \$38.2 billion in 2014, despite a sharp decline in 2015 and 2016 (\$22-23 billion). Uzbekistan and Turkmenistan [follow](#) in second place (\$1.9 billion each in 2016), far behind their Kazakh competitor. Trade with Kyrgyzstan (\$0.32 billion) and Tajikistan (\$0.27 billion) remained minuscule in 2016 and the settlement of European companies in these two countries is still very limited and often linked to EU assistance programs.

EU-Central Asia trade is driven by the energy sector. About 80 percent of EU imports from Kazakhstan are oil products. After hydrocarbons, the nuclear sector constitutes a major portion of Europe's presence in Central Asia, whether through the extraction of Kazakh and Uzbek uranium, or the construction of nuclear power plants. The military industry also has a rising influence since Central Asian military budgets have been growing steadily since 2007. To this group of drivers can be added the extraction of precious minerals and metallurgy as well as Central Asia's electricity sector, in which European firms are established despite strong international competition.

Commercial involvement may foster wider European values/goals in the region, such as to: consolidate the overall EU-Central Asian relationship; prevent the Central Asian countries from having to rely too heavily on a few markets; help strengthen civil society and good governance; and address poverty as the root cause of instability. In theory, the EU could make use of its business potential to help disseminate the societal model that it wishes to embody, and choose to privilege business relations that commit to respecting the rights of local workers, the fight against corruption, promoting fair competition and good corporate governance, and recognizing the importance of contracts. The long-term objective would be to augment the social responsibility of Central Asian enterprises, something that is supposed to have indirect repercussions on the societies themselves insofar as it favors the emergence of a middle class with potential political clout.

However, in a globalized world, Central Asia is not a profitable area for European enterprises. The cost of labor is relatively high, the technical specializations developed in the Soviet era are in the process of disappearing, the investment climate is negative, and political contexts are fragile. The EU cannot oblige private actors to be involved if they do not consider Central Asia to be profitable. Moreover, large firms, mainly in the

energy sector, which shape European economic engagement in Central Asia, do not seek to promote EU values but rather to build strong alliances with Central Asian leaders to secure their investments.

This raises several questions, the answers to which are not unequivocal. Can energy be the driver of EU engagement if energy firms do not support the EU global agenda in the region? Can the promotion of the business sector find a place in the EU's overall strategy without contradicting its value objectives? Should the aim be to promote a sort of committed, holistic business strategy, proving that it is possible to respect social rights, principles of good governance, and support the emergence of a middle class? Should the EU lend its support to business that is principally oriented toward the fight against poverty and sectors involving important ethical issues? As is often the case, the envisaged solutions do not so much depend on the type of relations built with Central Asia, but much more on choices internal to the EU and on the ability of member states and European private actors to reconcile their divergent interests.

## Conclusion

In twenty years, despite the EU's objectives to engage Central Asia—to promote stability, development, and democratization—local political authorities have viewed democracy as a threat, and the situation of human rights has been worsening. Despite its status as a major trading partner of Central Asia, the EU remains insufficiently visible as an independent actor and is sometimes challenged by its own member states that do not necessarily seek to coordinate their activities with each other or with Brussels. On the other side, the Central Asian governments are disappointed by Brussels' lack of enthusiasm, by the small amounts of financing it offers in comparison with the sums invested by China and Russia, and by what they interpret as political "blackmail" in terms of human rights and democratization. Central Asian leaders always give preference to bilateral over multilateral relations, and seek to build direct personal connections with the heads of European states rather than institutionalize contacts between bureaucracies. Moreover, for nearly two decades, the European approach has been fragmented and aimed at financing multiple projects, rather than at elaborating a genuine strategy.

The EU's Strategy for Central Asia was last reviewed in 2015, and the recommendations in the resulting [report](#) could be used to spur the EU to increase its influence. The report, prepared for the Committee on Foreign Affairs by Tamás Meszerics (Hungary), reiterated that the long-term priority areas defined therein remain relevant for European engagement in the region. It notes, however, that the EU's strategic approach to date has demonstrated only limited viability and success. The EU should therefore seek to have more of an impact by focusing in a few specific areas and making better use of its prestige in Central Asia, which admires its culture, education, know-how, and quality of life. In focusing on long-term development and on the security-development nexus,

Europe may acquire the means to [influence](#) the reshaping of Central Asian societies, perhaps rather slowly but without any geopolitical jolts.

# Why Tensions in the South Caucasus Remain Unresolved

PONARS Eurasia Policy Memo No. 465

March 2017

Sergey Markedonov\*

*Russian State University for the Humanities*

Although the South Caucasus has been overshadowed by events in the Middle East and Ukraine, the region continues to be strategically important, especially for Russia and the EU. The ethno-political conflicts in Abkhazia, South Ossetia, and Nagorno-Karabagh (NK), as well as the spread of Islamist views, have direct bearing on Russia's internal security.<sup>†</sup> The EU has been seeking to diversify energy supplies by promoting South Caucasian transport routes and it monitors security conditions across the Black Sea region as part of its Eastern Neighborhood program. Armenia, Georgia, and Azerbaijan often benefit from being a perpetual strategic bridge between Europe and Asia but they also face constant external and internal pressures, not least of which is to fully orient toward one political-economic bloc or the other. Decades after the fall of the USSR, a range of territorial conflicts still need resolution and regional cooperation is elusive. The pressures Armenia, Azerbaijan, and Georgia face could be alleviated, security and stability improved, and conflicts in the region pacified (even solved) if Russia and the West had a more cooperative approach toward the region.

## **A Festering Issue: Nagorno-Karabakh**

The outbreak of fighting between Armenians and Azerbaijanis in the NK conflict zone in early April 2016 ushered in a new period of uncertainty and confrontation in the South Caucasus. This challenge to the status quo was not wholly unexpected. There has been an uptick in violent incidents along the line of contact as well as at the internationally recognized Armenia-Azerbaijan border. Ceasefire violations have steadily increased, culminating in the 2016 flare-ups, the worst since the ceasefire era of May 1994. Violence may recur at any time. The conflict zone has no peacekeepers and the ceasefire has so far only held because of a balance of forces, which may change in the future. Both Yerevan and Baku still stick to their maximum demands in order to resolve the conflict, while the three OSCE Minsk Group co-chairs mediating the conflict—France, Russia, and the United States—lack the unity to coerce the parties into making concessions.

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\* [Sergey Markedonov](#) is Associate Professor at Russian State University for the Humanities, Russia.

<sup>†</sup> Russia is partly a "Caucasian" country; the aggregate territory of Russia's North Caucasian republics is larger than the three independent South Caucasian states.

## **A Region in Need of Peacemakers**

The Donbas and Greater Caucasus region is the most dangerous and unpredictable hotbed in the former Soviet Union. The area accounts for six of nine armed conflicts and half of all of the de facto (limited recognition) states of the post-Soviet space.\* It was in the Caucasus that the precedent of recognizing former autonomies within Soviet republics as independent states began in August 2008 when Abkhazia and Ossetia sought independence. Furthermore, the Caucasus is the only part of the former USSR where neighboring states have no diplomatic relations with each other (Armenia and Azerbaijan, Russia and Georgia, and Armenia and Turkey). Armenia's borders with Turkey and Azerbaijan are closed. The inauguration of the regional Baku-Tbilisi-Kars railway, currently under construction, will only increase Armenia's isolation. Since the dissolution of the USSR, all parties in the region have not demonstrated the willingness to find compromises, enhance regional cooperation, or ensure an effective model of security for their common area. They have preferred to address external partners—to obtain foreign policy and economic resources—rather than each other.

## **Caught Between Europe and Eurasia**

The three South Caucasus states face intense competition between European and Eurasian integration projects.

### *Georgia*

The Georgian authorities (Georgian Dream party) adhered to the strategic approaches of Mikheil Saakashvili's government, namely the continuation and reinforcement of integrating with the EU and NATO. The Georgian Dream launched in 2013 and signed in 2014 the EU-Georgia Association Agreement. It also obtained a visa-free regime in 2016 for Georgians to travel to the EU Schengen zone. These tasks seemed almost unattainable during Saakashvili's rule. Tbilisi maintained a course that was seemingly ruled out following the Five-Day War with Russia in August 2008. It forged cooperation with NATO (despite the low chance of Georgia joining the Alliance) and developed bilateral military-political ties with the United States (above and beyond NATO projects). The Georgian Dream administration used different tactics than did the Saakashvili administration. Its strategic objective of joining NATO and the EU was perceived through the prism of "normalization" rather than through that of a head-on confrontation with Russia and the "rekindling" of two ethnic political conflicts. Accordingly, Tbilisi's strategic vector still pertains to a consensus shared by all of Georgia's leading political forces no matter whether they support the ruling party or the opposition. At the same time, in recent years, there has been growing Euroskepticism in

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\* They are Georgia-Ossetia, Georgia-Abkhazia, Nagorno Karabakh, the Civil War in Georgia in 1991-1993, and two conflicts in Russia's North Caucasus: Ossetia-Ingushetia and Chechnya.

the country. There are several reasons for this. First, the fostering of cooperation with NATO and the EU does not assist Georgia in solving its issues of territorial integrity. Despite its confrontation with Moscow, the West is not interested in having another face-off front with Russia (for its part, Russia has reinforced its military-political presence in Abkhazia and South Ossetia). Second, not only does the popularity of Eurasian integration exist in Georgian society, it is burgeoning. For example, Georgia's Alliance of Patriots party, which exploited issues of Islamophobia and reconciliation with Russia, overcame the five-percent entrance barrier during the parliamentary elections of 2016.

### *Armenia*

In comparison with its neighbors, Armenia has the highest degree of integration with Russia. It is Moscow's priority partner in the South Caucasus. Armenia is the sole country in the region to be a member of the Collective Security Treaty Organization (CSTO), which is unofficially called the "Eurasian NATO." In January 2015, Yerevan officially joined the Eurasian Economic Union (EEU). Moscow plays an extremely important role in the NK peace process as a peace broker co-chairing the OSCE Minsk Group and as a regular organizer of bilateral consultations between Yerevan and Baku.

Simultaneously, however, Yerevan strives to keep a high degree of partnership with the West. First, Armenia seeks to prevent Azerbaijan's monopoly on the interpretation of the NK conflict. Second, Armenia has a vested interest in cooperation with Washington and Paris because they serve as co-chairs of the OSCE Minsk Group. Third, Yerevan hopes to use the Armenian diaspora's influential resources for the promotion of its objectives such as recognition of the Armenian Genocide, support for self-determination in NK, and international declarations about Azerbaijan and Turkey. Fourth, Yerevan wants economic rapprochement with the EU; notably, it was ready to sign the economic section of the EU Association Agreement (the political segment would contradict Moscow's interests).

At the same time, neither the United States nor the EU is ready to offer Armenia anything more in the security realm than what Russia provides it. CSTO membership allows Armenia to rely on military help from Russia (for example if there is an incursion into Armenian territory). Armenia has access to Russian weapons at privileged, Russian domestic prices. The United States and the EU do not have alternative initiatives for the settlement of the NK conflict from the jointly formulated approach with Russia. These factors shrink Yerevan's room for maneuver and give it practically no alternatives to Russia as an ally, especially given that Turkey has NATO membership and the second largest armed forces in the Alliance.

*Azerbaijan*

Multi-vectorism is a distinct feature of Azerbaijan's foreign policy. While Armenia is a member of the CSTO and EEU, and Georgia is a partner of the United States, NATO, and the EU, Azerbaijan has not positioned itself at either "extreme." Azerbaijan's foreign policy multi-vectorism is a clear-cut example of this type of approach among post-Soviet countries.

In September 2014, Baku celebrated the 20th anniversary of the so-called Contract of the Century (an agreement between Azerbaijan and twelve Western petroleum majors). The jumbo deal became one of the largest commercial contracts of the past two decades and, in many regards, remains the foundation of Azerbaijan's external trade and foreign policy. Baku managed to adjust its strategy when Europe (and the United States) felt insecure about Russia's monopoly on energy flows to Europe. For Baku, the advantages of cooperation with the West are evident. First, it minimizes Western criticism of Azerbaijan's domestic politics (human rights violations and authoritarian tendencies). Second, Azerbaijan seeks a counterweight to Moscow and the Armenian lobby in the United States and Europe by securing support from Western politicians. Azerbaijan's contribution to the EU-led Eastern Partnership should also be taken into consideration, even though Baku does not seek EU membership.

Azerbaijan, unlike Georgia, does not aim to join NATO. At present, it is a member of the non-alignment movement and is extremely cautious about Western policies that seek to democratize the Caucasus and the broader Middle East. Democracy does not bode well for the Aliyev political monopoly and Baku is wary about situations such as the U.S. intervention in Iraq (and potential entanglements with neighboring Iran). As a result, Azerbaijan maintains cooperation with Russia. It values trans-border cooperation with Russia on combating terrorism (they share a border at Dagestan). Both have a common approach toward the status of the Caspian Sea. Baku's active purchases of Russian arms are, in essence, solid financial compensation to Moscow for Azerbaijan's pro-Western policy elements. They also indicate that Russia is not Azerbaijan's potential adversary in the NK conflict, despite Russian security guarantees to Armenia (both at the bilateral level and within the CSTO). Unlike the West, Moscow does not criticize Azerbaijan's domestic political standards. Russia's approach is an important factor for the Baku elite's international legitimization.

Azerbaijan is an example of savvy maneuvering between the West and Russia. It did not seek to join either of the rival integration projects—neither an association with the EU nor accession to the EEU. It supports one side or the other when it deems it useful or necessary and its diplomats are well versed in refraining from crossing any "red lines."

## Conclusion

The three South Caucasian states exemplify post-Soviet geopolitical confliotions. Armenia, Azerbaijan, and Georgia have shown no sincere willingness to promote regional common ground or to reconcile and find compromise on security and economic developments. They value external partners more than their own neighbors. But even toward their external partners of choice, they all prefer to hedge their bets and stave off making an eternal choice about an integration union. Pro-Western Georgia is interested in normalization with Russia though it seeks to unify with the West. Pro-Russian Armenia sees the EU as a key vector in its foreign policy diversification but stays close to Russia. Azerbaijan has excelled at being a post-Soviet “swing state.” Certainly one way for each to overcome their orientation challenges would be the commencement of reconciliation between Russia and the West. This would be the most important prerequisite for the South Caucasus to gain regional stability.



# Brexit and its Impact on Azerbaijan

## WILL EAST-WEST INTEGRATION BE HARMED?

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Anar Valiyev\*  
*ADA University, Baku*

The unexpected results of last summer's UK Brexit referendum significantly impacted the perception of Azerbaijanis about their country's future cooperation with the EU. Britain is a major investor in Azerbaijan and has played the role of Baku's EU champion. London has been the preeminent defender of Baku initiatives from within the EU, among other things advocating for the Baku-Ceyhan gas pipeline to Turkey and Europe as well as several other large projects. Britain's energy interests in Azerbaijan have allowed Baku, in turn, to better promote its own interests to EU members and obtain pro-Azerbaijani resolutions or statements from the EU on the Nagorno-Karabakh (NK) issue. Obviously, Britain's decision to leave the EU does not mean that Baku will stop cooperating with Brussels. However, London's absence as a major player and supporter will make it difficult for Azerbaijan to receive the same level of EU support on a range of projects. What are the Brexit's potential negative economic, political, and cultural repercussions on Azerbaijan over the next couple of years?

### Political Implications

The Brexit phenomenon sent an encouraging signal for separatist movements across Europe. For instance, a new referendum on Scottish independence was initiated. Baku carefully watched the 2014 Scottish referendum, fearing that if the referendum passed it might ignite a similar chain reaction across Europe, which could very well result in the undermining of Azerbaijan's stance about "separatism" in NK. Thus far, most European countries have not changed their policy outlook about the NK issue and continue to support principles of territorial integrity over self-determination. Nonetheless, there is unease, and as the April 2016 clashes between Azerbaijan and Armenia in NK indicate, there are hawks in the region who seek to solve the issue through military means and might try to do so again if key support for the status quo stalemate wanes.

Another issue is that the EU may decide to concentrate more on internal problems than on expanding its influence eastward. Baku and Brussels have recently been experiencing

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\* [Anar Valiyev](#) is Assistant Professor at ADA University, Baku, Azerbaijan

warm relations (on many issues), but skepticism by EU members regarding cooperation with non-EU members could create policy changes, such as making the Eastern Partnership Initiative (launched in 2009 and consistently ill-fated) even more problematic. A reverse view also exists, whereby Eastern Partnership countries, and Azerbaijan in particular, express skepticism about EU institutions over, for example, the EU's inability to cope with its internal problems (migration crisis, debt issues, etc.).

### **Economic Implications**

British companies play an important role in Azerbaijan's economy. In the oil sector, British Petroleum is the leading partner in all major projects in the country. The UK is the second largest investor in Azerbaijan's non-oil sector comprising up to 16 percent of foreign investment portfolios. Approximately 473 companies have been established with the assistance of British investments. In 2014, British investments in Azerbaijan amounted to \$153.3 million and British exports to Azerbaijan were worth about \$1.2 billion. Over the past 25 years, the UK has invested about \$25 billion in Azerbaijan.

It is fair to say that the number of British companies in Azerbaijan will not decrease nor will trade turnover plummet if Brexit takes place. Actually, British investments may increase to Azerbaijan if the UK loses ground in other European markets. So even though it is highly unlikely that Brexit will affect trade and economic relations with Azerbaijan, the problem is it may lead to decreasing interest from the EU, particularly in regards to the over-arching, long-standing European initiative of implementing an East-West transportation corridor. Over the past decade, Baku has invested billions of dollars into commercial infrastructure and transportation projects to position itself as a lucrative link between Central Asia, the South Caucasus, and Europe. Aware that its hydrocarbon reserves are depleting, Azerbaijan has tried to diversify its economy and be more of a multi-purpose hub, certainly with the EU as a key node.

In the region, Azerbaijan is considered a key territory for many integration projects. It is currently at the center of three major integration initiatives—the EU, the Eurasian Economic Union, and the recently-established Chinese “One Belt One Road.” Baku pinned a lot of hope on the East-West corridor as a way to amalgamate with the large EU market. At the start of August 2015, for example, the first container along the route arrived from China in record time at the newly-constructed Baku International Sea Trade Port. The container traveled more than 4,000 kilometers and reached Baku in just six days. This event signaled a new era in regional transportation links. China, Azerbaijan, and Kazakhstan were the major players implementing the project. It showed China that cargo can reach Europe much faster through the “Silk Road” route than by sea or through Russia. Both Kazakhstan and Azerbaijan sought to lure Chinese planners into using their infrastructure for the export of Chinese goods. Azerbaijani authorities estimated that by 2020 about 300,000-400,000 containers could be transported via this route—bringing in billions in profits.

However, the EU's participation is the most important link in this equation. The share of EU countries in Azerbaijan's foreign trade was 46.96 percent—far larger than its trade with any other partner. Currently, for Azerbaijan, 31.92 percent of imports and 59.1 percent of exports involve EU countries. For Baku, it will be extremely difficult to lobby for gas and other transportation projects going to Europe if London is absent from EU institutions.

### **Cultural Implications**

The UK has consequential influence in Azerbaijan and in the South Caucasus in general. Besides the English language, the British education system is a major destination for Azerbaijani students. About 570 Azerbaijani students have received education or are currently studying at British universities through government-sponsored programs, and many more (hundreds) study there through other means. It is hard to anticipate how Brexit may impact this, but the expectation is that it would be more difficult for Azerbaijani students to study in the UK because they came through programs involving consortia of European universities (such as Erasmus). Brexit would halt such cooperation; it would be difficult to get funding from the EU for any joint projects involving British universities.

Perhaps the most important implication of Brexit on Azerbaijan is symbolic. For years, the trust of Azerbaijanis toward EU institutions was comparatively high and a majority of the population was willing to integrate into EU institutions. Brexit was the second biggest blow to Azerbaijan's trust toward EU (the first was the Russian-Georgian War in 2008). Most people in Azerbaijan observing Brexit see a possible disintegration processes happening, which makes them hesitant about seeking further integration with the EU. In parallel, there is the rise of Moscow's Eurasian Economic Union, which further decreases pro-European sentiments among Azerbaijanis, both citizens and politicians.

### **Conclusion and Recommendation**

Despite the common perception of the negative consequences of Brexit on Azerbaijan, there are some voices arguing that there may be some positive implications. Some analysts argue that British foreign policy may become more independent from the EU, leading London to be more active in solving issues in the South Caucasus. Britain may thus play a positive and important role in resolving the NK conflict, if it decides to prioritize this. And, as mentioned, there is the chance that UK investments in Azerbaijan will increase. Still, the most important effect would be diminishing trust and belief in the EU as a model of integration and institutions worth emulating. There has already occurred a decrease in trust levels among Azerbaijanis toward EU institutions following the crisis in Greece. Brexit thus appears to be a new blow for the pro-European orientation of Azerbaijan.

If Brexit occurs, Brussels will need to increase engagement with Azerbaijan (and the region) on a range of issues, otherwise a further erosion of faith is likely. One positive sign is that in November 2016, the European Council [adopted a mandate](#) for the European Commission and the High Representative for Foreign Affairs and Security Policy to negotiate (on behalf of the EU and its member states) a comprehensive agreement with Azerbaijan. The new agreement will replace the 1996 partnership and cooperation agreement and should better account for shared EU-Azerbaijan objectives and challenges. If the EU is able to neutralize the Brexit impact swiftly—by fully engaging with Azerbaijan—then the effects of Brexit will be lessened. If Brussels vacillates, then Azerbaijan may easily fall prey to the pro-Russian Eurasian Economic Union, wiping out decades of trust built by European policymakers.

# New Opportunities in Armenian-EU Relations

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Sergey Minasyan\*

*Caucasus Institute (Yerevan)*

Since the first days of Armenia's independence, one of its top foreign policy priorities has been the European dimension. At the same time, Russia has always held a large role in South Caucasus politics, especially in Armenia, affecting Yerevan's relations with Brussels. Once the Ukraine conflict erupted and Russia-West relations dramatically worsened, Armenia's cooperation with Europe stalled. However, as has often been the case, relations quietly resumed. This past March, Yerevan and Brussels initialed an enhanced partnership agreement, and in April the EU [stated](#) that Armenia's parliamentary elections were "well administered" and that it looked forward to "strengthening bilateral political dialogue."

The fact that Armenia is part of the Eurasian Economic Union (EEU) and the Collective Security Treaty Organization (CSTO) rather surprisingly serves to assist the Yerevan-EU interconnection. It allows for a type of stability through which the two can explore and follow enhanced interactions. Yerevan policymakers see the EU as the partner most able to improve the country's economic and institutional development. At the same time, there is an acceptance that Russia remains the key security ally, though some dissatisfaction with Moscow has recently emerged among Armenia's political elite and society. This stems from Russia's ongoing selling of modern armaments to Azerbaijan, bouts of recent Russian-Turkish reconciliation, and the Russian economic downturn that hampers EEU economic benefits.

## Generating Frameworks Around Obstacles

Armenia's failure in 2013 to sign an Association Agreement and Deep and Comprehensive Free Trade Area (AA/DCFTA) with the EU was one of the first repercussions of increasing tensions between Moscow and Brussels over Ukraine. That September, following his meeting with Russian President Vladimir Putin in Moscow, Armenian President Serzh Sargsyan unexpectedly announced that Armenia would join the Russia-led Customs Union (which became the EEU). Thus, Armenian-European relations entered a state of stagnation.

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\* [Sergey Minasyan](#) is Deputy Director and Head of Political Studies at the Caucasus Institute, Armenia.

However, after a period of uncertainty, both Yerevan and Brussels resumed dialogue. They held bilateral negotiations about the fulfillment of obligations that were agreed upon prior to the abandonment of the AA/DCFTA. In January 2014, when the Euromaidan was intensifying, the Armenia-EU Visa Facilitation and Readmission Agreements came into effect, followed by the Protocol to the Partnership and Cooperation Agreement. The latter provides a basis for enhancing sectoral cooperation between Armenia and the EU, fostering Armenian participation in a broad range of EU programs, allowing for cooperation with EU agencies in areas such as culture, education, environment, aviation, medicine, and science.

After Armenia became a full-fledged member of the EEU in January 2015, the framework, opportunities, and limitations of Armenian-EU relations received some clarity, and the two were able to further institutionalize trade and economic processes with a long-term perspective. Armenia continues to have the EU as one of its main trade partners. Gains from either the AA/DCFTA or the EEU are difficult to demonstrate. The example of Georgia is illustrative when a year after its 2014 AA/DCFTA came into force, a survey by USAID [found](#) that “90 percent of Georgian companies (and 70 percent of exporters) said they had not used the DCFTA.” On the flip side, after Tbilisi signed the DCFTA, the volume of European investments into the Georgian economy dramatically increased. For Armenia, the lack of foreign investments remains one of its main economic problems.

The new Comprehensive and Enhanced Partnership Agreement (CEPA) now replaces the outdated 1999 EU-Armenia Partnership and Cooperation Agreement (PCA). CEPA can be seen as a “lite” version of the AA/DCFTA; the main substantial difference is that the former provides Armenia “generalised tariff preferences” ([GSP+](#)) with the EU while the latter would have a provision about Armenia’s accession to the EU free-trade zone. The bilateral negotiations for CEPA were concluded in February 2017, the documents were initialed in March 2017, and the signing is expected take place at the next EU Eastern Partnership summit in Brussels in November 2017. The CEPA framework creates a productive basis for steps regarding greater mobility between Armenia and the EU. In November 2016, the Council of the EU [mentioned](#) that it “looks forward to consideration in due course of the possible opening of a visa dialogue with Armenia.” Further steps on this would probably take place during the upcoming [Brussels summit](#) on November 24, 2017.

The international acceptability of the Armenian parliamentary elections on April 2 also provided for the effective continuation of Armenian-EU relations. It should be noted that for the first time in the history of post-Soviet Armenia, there were no so-called “post-electoral processes.” Practically all political parties recognized the results. Only the Armenian National Congress, which did not pass the electoral threshold, lodged a complaint with the Constitutional Court of Armenia. [According](#) to an EU statement, during the elections “fundamental freedoms were generally respected.” The statement

goes on to say that the EU looks “forward to working with the democratically elected new Parliament and Government to strengthen our political dialogue and continue our support to economic and social reform including on the basis of the recently initialed EU-Armenia CEPA and within the larger framework of revised European Neighborhood Policy and the Eastern Partnership.”

Of course, Armenia also faces challenges linked to geopolitical restrictions based on Russia-EU relations. In this context, it is crucial for the country to remain prudent in its relations with both Moscow and Brussels and to avoid sensitive foreign and security policy issues. For Armenia, Russia remains the main security provider, a role that the EU is not ready to play in the region (as seen by the Ukraine situation). This division of labor allows Yerevan to play well between Moscow and Brussels, avoiding any direct confrontation. At the same time, in light of the intensification of Russia-West tensions, some circles in Armenia perceive possible Russian threats to Armenia’s sovereignty.

The only security-oriented role that the EU could play in this sense in the region would be to help the OSCE Minsk group efforts [trying to resolve](#) the Nagorno-Karabakh conflict. A policy of “engagement without recognition” from Brussels would help the population of the non-recognized Nagorno-Karabakh Republic break out of its detrimental isolation.

All in all, though one might think that the EU’s crises of late—institutional, refugee, migration, Brexit—appear to be a drawback for engagements between post-Soviet states and Brussels, in the case of Armenia, the EU’s bureaucratic inertia provides some benefits. It allows Yerevan and Brussels to go into standby mode, as happened during the Ukraine conflict.

### **The Current Stage of Armenian-Russian Relations**

The Russian-Armenian relationship is not free of tensions and issues. Undoubtedly, key elements of Armenia’s defense and security policy are its military cooperation with Russia and its membership in the Collective Security Treaty Organization (CSTO). However, current military relations are considered to be problematic. Large-scale transfers of modern Russian weapons to Azerbaijan (\$4-5 billion worth since 2008) have had an impact on the Armenian public and elite perceptions of Russia. Moscow tried to contribute to a military balance by making preferential arms transfers to Armenia, but Yerevan remain suspicious of Russia’s growing military ties with Baku.

The escalation in Nagorno-Karabakh in April 2016 brought these concerns into focus more so than ever before. During the clashes, Azerbaijan used various types of modern weapons that it had recently received from Russia. Formally, Russia does not have military obligations to Armenia in the case of military actions in Nagorno-Karabakh; Russia’s and the CSTO’s security guarantees only apply to the territory of the Republic

of Armenia, not to the non-recognized Nagorno-Karabakh Republic. Nonetheless, the wider perception in Armenia was that Russia did not deliver tangible military and political assistance during a time of warfare. The April hostilities stopped after four days through the mediation of Moscow and therefore Russia's readiness to provide direct support to Armenia was not fully tested. Still, the rounds of escalation resulted in a deepening of Armenian mistrust toward Moscow. According to a [survey](#) by the Eurasian Development Bank, the "friendliness index" of Armenians toward Russia decreased from 86 percent in 2015 to 69 percent in 2016, a 17 percent drop.

Moscow has tried to mitigate any negative Armenian perceptions by increasing arms supplies to Yerevan. In September 2016, during the military parade in Yerevan, the Armenian authorities revealed several new types of modern Russian arms, including the 9K58 "Smerch" MLRS, "Buk-M1-2" SAM, "Avtobaza" radar jamming system, and "Infauna" electronic warfare system. These were prescribed in the framework of a Russian-Armenian soft loan package worth \$200 million. Perhaps most importantly, Armenia recently demonstrated the 9K720 "Iskander-E" short-range ballistic missile, which were delivered at the end of 2015 and Armenia was the first country in the world to import them from Russia. It can be assumed that this weapon, to a large extent, deterred Azerbaijan from turning the April skirmishes into a full-scale war. The Azerbaijani leadership was aware that Armenia possessed "Iskanders-Es," which can eliminate command and energy infrastructure in Azerbaijan. However, only during the Independence Day parade held on September 21, 2016, were the "Iskander-Es" publicly [demonstrated](#).

There is another aspect that degrades Armenian public perceptions of Russia: the recent rounds of Russia-Turkey reconciliation. These serve to rekindle Armenian fears stemming from historic events, specifically the 1920 carve-up of Armenia by the Russian Bolsheviks and the Turkish Kemalists. Armenians are wary that any deal between Ankara and Moscow could come at their expense.

Apart from the military and political sphere, Armenian-Russian cooperation also faces challenges in the economic domain. Armenia's accession to the EEU has not yet brought about significant positive economic changes. This is due to the economic crisis in Russia (partially linked to Western sanctions) and the institutional weakness of the EEU itself. Thus, the volume of direct investments from Russia to Armenia has been decreasing and Yerevan has not yet seriously benefited from its membership in EEU. This gives fodder to those seeking enhanced economic relations with Europe.\*

Moscow's perception of Armenia is still dominated by Nagorno-Karabakh stratagems and the generally complicated regional geopolitical, military-strategic, and economic context. The Kremlin essentially feels that Armenia does not have an alternative to their

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\* See: Sergey Minasyan, "[Armenia Keeps on Balancing: Between the European Union and Eurasian Economic Union](#)," PONARS Eurasia Policy Memo No. 377, August 2015.

special relationships. Assuredly, this arrangement will continue until Yerevan no longer needs Russia's security guarantees, cheap arms, and energy resources. Moscow in turn benefits from having a strategic partner in the Caucasus region to secure its military and political presence in the face of a reluctant Georgia and a hesitant Azerbaijan.

## **Conclusion**

Russia remains an important security partner for Armenia and possesses significant levers of influence on its foreign policies, including Yerevan's cooperation with the EU. Armenia continues to avoid becoming a center of geopolitical confrontation between the West and Russia (as happened to Georgia and Ukraine) and tries to remain the only EU Eastern Partnership member, apart from Belarus, to maintain full control of its territory. What Yerevan seeks from Brussels is a stable, methodical, transparent, mostly economic framework for cooperation. The EU is able to most effectively enhance Armenia's economic and institutional development, provide foreign investment and economic development, and contribute to democratization and rule of law. The EU's capacity to provide these benefits are gaining favor among both the Armenian elites and society, and this could visibly affect the country's foreign policy priorities in the near future.





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