

## GLOBALIZATION AND GEOPOLITICS

## EASTERN PARTNERSHIP FROM PRAGUE TO VILNIUS. WHAT WENT WRONG?

Grant MIKAELIAN

*Research Fellow at the Institute of the Caucasus  
(Erevan, Armenia)*

### ABSTRACT

**O**n 28-29 November, 2013, Vilnius hosted the 3rd Eastern Partnership Summit, at which several former Soviet republics were expected to ascend to a higher institutional level in their relations with the European Union. Belarus and Azerbaijan preferred to step aside, while two other members (Armenia and Ukraine) left the program in the fall of 2013 when the talks were over. Georgia and Moldova initialed, but did not sign, the Association Agreement with the EU.<sup>1</sup> This means that four-and-a-half years of this highly ambitious program produced very modest results, to say the least, very much due to the fact that Ukraine, the region's biggest player, excused itself from signing.

<sup>1</sup> The article was written before 27 June, 2014, the date Georgia signed the Association Agreement with the EU.

*This did not put a full-stop to the relations between the Eastern Partnership (EP) members and the EU, however the Vilnius Summit marked an intermediate finish of sorts. The old strategy ran into a dead end, leaving Brussels without a new strategy for its relations with its Eastern neighbors. To move forward, the EU should try to find out what went wrong.*

*We should analyze what has happened and why. Here I have tried to comprehend how the relations between the EU and Soviet successor-states developed under the project to provide (probably delayed) answers to the following questions:*

- 1. Did the summit fail because Russia was very skeptical about the results of European integration for its neighbors?*

2. *Why did this problem come to the fore in mid-2013 rather than in 2008 when it all started?*

3. *Why did the Russian factor (described as an imminent threat to the European programs on the post-Soviet space) remain neglected?*

*To correctly understand the motivation of what has been done and to avoid unsubstantiated assessments, we need to look at what happened in Vilnius from the perspective of Brussels, Moscow, and the post-Soviet capitals involved.*

*I will rely on the chronology of the EP project divided into three key periods:*

*—from May 2008 when the program was announced to May 2009 when it started;*

*—repeated actualization of the program, which stretched from the summer of 2010 to the summer of 2011;*

*—speeding up the talks in preparation for the Vilnius Summit and the zero sum game between Russia and the EU (2013).*

**KEYWORDS:** *Eastern Partnership, the European Union, Customs Union, Armenia, Georgia, Ukraine, Moldova.*

## *A Very Necessary Introduction*

### *European Integration: Pro et Contra*

The end of the Cold War stirred up hopes that the dividing lines would disappear to make the continent a union of all European countries. The Maastricht Treaty was signed in February 1992; during the next twenty years, the European Union steadily went eastward.<sup>2</sup> The relations between the EU and former Soviet republics within the Council of Europe were based on expectations of continued expansion.<sup>3</sup>

We have to bear in mind that the European Union has brought together countries that are very close politically and economically. Indeed, the economic development level is as important as what is said about democratic standards and human rights.

The Brussels bureaucracy, which plays an important role in the EU, issues numerous directives to be invariably followed in all spheres of social and economic life.

The legal and regulatory framework is vast and continues to expand<sup>4</sup>; any country talking about EU membership should be ready to accept, without a murmur, all the technical standards and regulations issued by Brussels—not a cheap (not to say costly) procedure. It is wrong to say that European integration tolerates a selective approach to its rules and regulations, even though certain exceptions are possible.

There are supporters and opponents of integration in the partner countries.

The opponents object to the alien social standards, diffusion of sovereignty, and open markets, which, they argue, infringe on the rights of national producers and increase the dependence of the partner states on the common European economy.

<sup>2</sup> Before 1995, the EU consisted of 12 countries; by the end of 2013, there were 28 members.

<sup>3</sup> Today, 47 countries belong to the Council of Europe; Belarus is the only European country (if we do not count the European microstates) to be left outside it.

<sup>4</sup> Regulatory documents go into the minutest details regarding agricultural production, including the angle at which cucumbers should grow on their stems and the size of apples; there are obligatory quotas on the products sold by any specific country (overproduction is condemned). This makes the European economy short of planned.

The supporters, in turn, point out that implementation of European legislation will consolidate human rights, enhance the anti-corruption struggle, and upgrade the quality of governance through new laws and political reforms. They look at the European market (the world's largest) as a source of future prosperity.

These two opposite views cannot meet halfway: those who hold the first are best described as conservatives, while those who adhere to the second can be considered globalization supporters.

The expert community, likewise, is divided and is, therefore, unable to bring together the arguments of the skeptics and optimists to answer their questions.

Those who talk about the standard of living tend to oversimplify the situation: EU membership per se will not make a newcomer as economically developed as Denmark.

It should be said that the opponents have never offered any alternative to the EU economic model.

The "European values" invigorate confrontation over European integration. Today, all values normally described as European across the post-Soviet space are universal; they are present in most of the U.N. documents, accepted by the majority of democratic states all over the world, and meet with no more or less obvious ideological opposition.

Inside the European Union, however, values are developing and transforming; approaches to many issues of social importance are constantly changing.

### ***Did Participation in the EP Project Transform Post-Soviet States into "Eastern Partners?"***

We have to agree on terms. Can we speak of the six EP participants as *the post-Soviet space*? I am convinced that the term has exhausted its relevance and no longer suits reality: the former Soviet republics have parted ways.

Today, the geographic, albeit politicized, term Eurasia is used as a synonym for the post-Soviet space.

Brussels called the former Soviet republics its "*Eastern partners*," but from the point of view of the "partners," this term is hardly correct.

According to Russian political scientist Dmitry Trenin, there are three regions in the post-Soviet space (apart from Russia): New Eastern Europe (Belarus, Ukraine, and Moldova), the Southern Caucasus, and Central Asia.<sup>5</sup> Poland's *Novaya Polsha* writes about a wider region—Central and Eastern Europe and Central Asia (the former includes the Southern Caucasus).<sup>6</sup>

Extremes can be forgotten: New Eastern Europe (NEE) includes Ukraine, Belarus, Moldova, and the Southern Caucasus, which cannot be described as a political entity. This term is very much needed because what was described as Eastern Europe has become Central Europe.

## **1. Eastern Partnership: From Announcement to Launching**

All the NEE countries followed a more or less identical pattern in their relations with the EU; the differences were mostly chronological.

<sup>5</sup> See: D. Trenin, "Rossia i Novaya Vostochnaya Evropa," *Polit.ru*, 22 April, 2010, available at [<http://polit.ru/article/2010/04/22/trenin/>].

<sup>6</sup> See: K. Burnetko, "Novaya Vostochnaya Evropa," *Novaya Polsha*, No. 7-8, 2010, available at [<http://www.novpol.ru/index.php?id=1354>].

In 1994, Ukraine and Moldova signed the Partnership and Cooperation Agreements with the European Union. Each of them outlined the framework of cooperation and consisted of about 100 articles.<sup>7</sup>

In 1995, Belarus joined the Partnership and Cooperation Agreement, followed in 1996 by the three South Caucasian countries.

These agreements were practically identical,<sup>8</sup> which means that at the first stage the process was more or less synchronous with minor chronological deviations.

In 2004, the EU launched the European Neighborhood Policy for 16 of its neighbors, including the NEE countries. In 2008, when the high economic growth rates made it much easier to deal with the political problems, Brussels decided to set up the Union for the Mediterranean and the Northern Dimension to differentiate its cooperation with its closest neighbors.

Finally, on 26 May, 2008, the European Council on Foreign Relations in Brussels baptized Eastern Partnership; the idea belonged to Poland and Sweden. While Warsaw treated the idea as its own political project, it was Foreign Minister of Sweden Carl Bildt who drew his country into it. Germany, which showed no enthusiasm over the Mediterranean project, hailed the Eastern Partnership initiative.<sup>9</sup>

It was expected that the EP would offer the NEE countries, or at least those that would implement European legislation, good prospects of EU membership. In bureaucratic parlance, this meant that the countries involved should do their “homework” and implement European laws under the formula “more for more;” the “best pupils” would progress on toward European integration.<sup>10</sup>

Poland wanted to expand the EU at the expense of the NEE countries<sup>11</sup> to gain more consequence within the division of Europe into New and Old firmly established in 2008. None of the EU members objected to EP in its initial form; Rumania and Bulgaria merely pointed out that they would prefer to keep the structures of the Black Sea states intact, the Organization of Black Sea Cooperation in particular.<sup>12</sup>

### ***Eastern Partnership: A Flop from the Beginning***

The EP constituent congress in Prague proved to be disappointing. Seven pages of the joint declaration signed by the EU and its new “Eastern partners” (Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine) said nothing about enlargement; the term “prospects” meant nothing more but a chance to join, some time in the future, the DCFTA and an Association Agreement<sup>13</sup>; membership was not mentioned.

<sup>7</sup> The text of an agreement with Ukraine, *Partnership and Co-operation Agreement between the European Communities and Their Member States, and Ukraine*, is available at [[http://trade.ec.europa.eu/doclib/docs/2003/october/tradoc\\_111612.pdf](http://trade.ec.europa.eu/doclib/docs/2003/october/tradoc_111612.pdf)].

<sup>8</sup> Compare the text of agreement with Armenia: *The European Union and the Republic of Armenia. Partnership and Cooperation Agreement*, available at [[http://www.mineconomy.am/uploads/PCA\\_EU-Armenia.pdf](http://www.mineconomy.am/uploads/PCA_EU-Armenia.pdf)].

<sup>9</sup> See: “Poland, Sweden Defend ‘Eastern Initiative’,” Euractiv.com-EU News & Policy Debates, 26 May, 2008, available at [<http://www.euractiv.com/central-europe/poland-sweden-defend-eastern-ini-news-219864>].

<sup>10</sup> See: N. Popescu, “More for More in the Neighborhood,” *EUObserver*, 22 March, 2011, available at [<http://blogs.euobserver.com/popescu/2011/04/04/more-for-more-in-the-neighbourhood/>].

<sup>11</sup> See: R. Goldirova, “‘Eastern Partnership’ Could Lead to Enlargement, Poland Says,” *EUObserver*, 27 May, 2008, available at [<http://euobserver.com/foreign/26211>].

<sup>12</sup> See: Y. Nashed, “TEPSA Brief: Eastern Partnership,” Trans European Policy Studies Association, July 2008, available at [<http://www.tepsa.eu/download/publications/Eastern%20Partnership.pdf>].

<sup>13</sup> See: *Joint Declaration of the Prague Eastern Partnership Summit*, Brussels, 7 May, 2009, available at [[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/er/107589.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/107589.pdf)].

There were even more unpleasant discoveries in store: a week before the summit, the text of the declaration drafted by the Czechs was truncated once more: “An earlier Czech EU presidency text of 29 April referred to the 27 EU states plus Ukraine, Belarus, Moldova, Armenia, Azerbaijan, and Georgia as ‘European countries.’ It also spoke of ‘visa-liberalization.’ The latest document, rubber-stamped by EU diplomats in Brussels on Wednesday (6 May), renamed the six as ‘Eastern European Partners’ and ‘partner countries.’ It added that the visa move is a ‘long-term goal.’” The FRG and the Netherlands insisted on these changes.<sup>14</sup>

The changes were probably caused by fears that immigrants from Eastern Europe would pour into the EU, in which unemployment was high anyway and rising.<sup>15</sup>

Most of the European leaders did not attend the summit; this came as another far from pleasant surprise and “deflated” the summit to a certain extent.<sup>16</sup>

The proposed funding was very modest, to say the least: between 2009 and 2013 the six “partners” could count on a meager €600 million. Divided between the six aspirants, the sum was too small for the planned reforms, especially in view of the fact that Ukraine should have received more than the others for objective reasons.

This shortened EP agenda meant that Brussels had lost interest in the program. The Vilnius failure was predetermined: EU membership (even if merely declared) remained out of reach.

It should be said that the candidate status of the Balkan countries and Turkey does not mean that they will join the EU any time soon; this low level of expectations may lower the program’s priority among the New East European countries. The EP countries will have to cope with economic modernization and introduction of European standards on their own with no funding from the EU.

### ***Why the EU is Losing Interest in the EP Project***

Why did the EU change its attitude toward the project between May 2008 and May 2009 and why did Brussels revise its previous plans? There were three main factors behind the U-turn:

- (1) *Russia’s position.* Warsaw spared no effort to stress that the EP was not spearheaded against Russia, which remained convinced that it threatened its influence,<sup>17</sup> while the EU members more loyal to Moscow carefully avoided irritating statements.<sup>18</sup>

There was a growing awareness that the post-Soviet space might be a source of problems in relations with Russia. The August 2008 events and the Russian-Ukrainian “gas war” four months later strengthened the position of skeptics, who insisted that the New East European countries remained far removed from the EU and should cherish no hope of joining it even in the distant future.

It should be said that Russia’s efforts were not strong enough to disrupt the EP process; it produced a psychological impact and remained one of several factors.

---

<sup>14</sup> A. Rettman, “EU Summit Text Loaded with Eastern Tension,” *EUObserver*, 7 May, 2009, available at [<http://euobserver.com/foreign/28081>].

<sup>15</sup> In Estonia, for example, unemployment increased from 5.5% in 2008 to 16.9% in 2010; in Ireland, it rose from 6.4% to 13.9% in the same period; and in Spain from 11.3% to 20.1%. This went on everywhere across the EU, Germany being the only exception (see: *Eurostat, Unemployment Rate by Sex and Age Groups—Annual Average, %*).

<sup>16</sup> See: A. Rettman, “Absent Leaders Deflate EU’s ‘Eastern’ Summit,” *EUObserver*, 7 May, 2009, available at [<http://euobserver.com/foreign/28088>].

<sup>17</sup> See: Y. Nasshoven, *op. cit.*

<sup>18</sup> See: “Glava MID Italii opasaetsia antirossiyskoy napravlenosti programmy ES ‘Vostochnoe partnerstvo,’” 16 March, 2009, available at [<http://www.regnum.ru/news/1137757.html>].

- (2) *The skepticism of part of the European bureaucracy with respect to the post-Soviet space and expansion of the EU in general.* Brussels looks at the post-Soviet space as a source of never-ending conflicts and instability, a Pandora's Box of sorts. This explains why the EU preferred to avoid any resolute steps in general.

The mounting anti-post-Soviet skepticism has internal sources as well. In the 2000s, the EU was enlarging too fast: in 2004, it acquired 10 new members and in 2007, 2 more. This meant that in three years the EU had grown 1.5-fold; many of its members proved unable to discuss issues related to the recent acquisitions.

Some of the European countries were not prepared to embrace the EP project: France, which had initiated the Union for the Mediterranean, and Bulgaria and Rumania concerned about the health of their Black Sea projects. Other countries, far removed from Eastern Europe, remained indifferent to the EU eastward expansion. At the same time, isolationism was growing more and more obvious in the United States: Barack Obama was less interested in New Eastern Europe than George W. Bush, his predecessor in the White House.

- (3) *The world economic crisis.* It badly hit the EU economy and played into the hands of the Euroskeptics and isolationists. Estonia, Latvia, and Lithuania, which suffered more than others, received no more or less considerable aid; the Bulgarian and Rumanian economies declined, and the economies of several countries of old Europe (Ireland, Italy, Spain, and Greece) proved to be especially vulnerable. The new EU members were accused of the crisis.

## 2. EP Actualized

For some time, the economic crisis loomed too high to keep the EP and related subjects in the center of attention. By 2010, however, the favorable EP-related context invigorated its implementation. The economic crisis, which was a negative, albeit indirect, political factor, retreated to an extent that allowed the EP to be gradually revived; the negative subjective factors disappeared to improve the context of interaction between the EU and the NEE countries.

*The economy.* In late 2009, economic growth, which had hit bottom in the summer of 2009 in all countries, including those more badly hit than others by the world economic crisis, revived in many of the EU members; by 2010, the positive trend became obvious.

*Georgia: end of isolation.* After the Russian-Georgian war of 2008, Tbilisi found itself in international isolation because the West shifted part of the blame onto its Georgian partners, which meant no invitations for President Saakashvili. Those who instituted this semblance of blockade believed that his chances of remaining in power were few and weak: between November 2007 and September 2009, the country was shattered by massive protests. We all know that the Western leaders invariably try to move to the "right side of history." In the summer of 2009, Saakashvili resumed the initiative; in June 2010 he was invited to France on an official visit where he said that this visit "buried Russia's efforts to isolate Georgia."<sup>19</sup>

*Russia: passivity.* To avoid international attention, the Kremlin refrained from harsh statements: many observers compared August 2008 with the Soviet Union's attacks on Finland, Czechoslovakia, etc. The lower and lowering oil prices somewhat dampened the self-confidence of Russian leaders.

*Belarus: normalizing relations with the EU.* Significantly, in 2010, even Minsk started moving toward normal relations with the West. Before the crisis, Russia allowed Belarus to sell the hydrocar-

<sup>19</sup> S. Ortola, "Mikheil Saakashvili: 'Ma visite enterre les efforts de la Russie pour isoler'," 8 June, 2010, available at [<http://www.20minutes.fr/monde/russie/576147-mikheil-saakashvili-ma-visite-enterre-efforts-russie-isoler-pays>].



bons it received from Russia for preferential prices to Europe for world prices in order to use the money thus obtained for developing its economy. Amid the crisis, Russia was inclined to discontinue this practice. President Lukashenko turned to the West and was promptly offered considerable financial aid. The time that remained until the presidential election was the best in the country's recent history<sup>20</sup>; the honeymoon with the EU, however, was spoiled by the vote counting after the presidential election.<sup>21</sup>

The mass protests that followed the elections and vote counting showed Lukhashenko that the West probably did not associate his country's "bright future" with him and that what had been done was merely ignored.

The protesters were dispersed; the contacts with the EU were severed, but until December 2010 many hoped that Minsk would continue to contemplate closer cooperation with the EU.

*Ukraine: new leader, old priorities.* In January 2010, the democratic elections in Ukraine brought Victor Yanukovich, a nominally pro-Russian candidate, to power. Very soon, however, he announced that Ukraine remained devoted to European integration as its strategic priority.<sup>22</sup> In November 2010, at the Ukraine-EU summit, the sides signed a protocol on the Association Agreement and Action Plan toward visa liberalization for Ukraine and other cooperation trends.<sup>23</sup>

*The Arab Spring: summing up.* The chaos in North Africa and stronger position of the Islamists caused by the Arab Spring buried the Union for the Mediterranean.

The previously popular opinion that the EU periphery could not and should not be divided into European and non-European (this division was viewed as cultural racism) retreated under the pressure of the differences that, by 2011, had become too obvious to be further ignored. The bloody revolutions in North Africa were too different from the "velvet revolutions" in Central and Eastern Europe and in the former Soviet republics that formulated the modernization agenda.

In the final analysis, most of the revolutions in Central and Eastern Europe produced no positive results, while the attempts at democratization in North Africa either brought to power or strengthened the anti-modernization forces that had previously stood opposed to the military authoritarian regimes inclined toward modernization. It turned out that the EU was not prepared for this turn: so far, it remains unclear who rules in North Africa.

The EP new external context added to its topicality and imbibed it with new meaning; the Ukrainian integration model became a standard: all the other NEE countries were invited to sign Association Agreements with the EU.

### 3. Eastern Partnership: Entangled in the Web of Its Successes

By mid-2011 and for the above reasons, the EU and the NEE countries concentrated on the EP project. The talks were gaining momentum: in 2011, Ukraine, without much trouble, coordinated the

<sup>20</sup> See: "Hundreds of Protesters Arrested in Belarus," BBC, 20 December, 2010, available at [<http://www.bbc.co.uk/news/world-europe-12037486>].

<sup>21</sup> See: "Prezidentskie vybory v Respublike Belarus," 22 February, 2011, Office for Democratic Institutions and Human Rights (ODIHR), available at [<http://www.osce.org/ru/odihr/76092>].

<sup>22</sup> See: "Yanukovich: Evrointegratsia—glavnyy prioritet Ukrainy," *Podrobnosti*, 1 March, 2010, available at [<http://podrobnosti.ua/power/2010/03/01/669091.html>].

<sup>23</sup> See: *Joint Press Statement*, available at [[https://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/er/117912.pdf](https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/117912.pdf)]; *EU-Ukraine Summit Factsheet*, available at [[https://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/er/117751.pdf](https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/117751.pdf)].

text of the Association Agreement; initialing (which proved to be a technical procedure that went on without much ado)<sup>24</sup> was postponed because of the arrest of former prime minister Yulia Timoshenko, who was brought to court and sentenced to a prison term.

Other NEE countries, likewise, were involved in negotiations on Association Agreements: Moldova joined the process in January 2010; Georgia, Armenia, and Azerbaijan in July of the same year. A year later Ukraine, Georgia, and Moldova were treated as favorites; Armenia joined them in 2012.

I do not feel it necessary to follow the process step by step and describe all the summits and other meetings that took place in 2011 and 2012. It should be said, however, that in 2012 many of the NEE countries held general elections, which slowed down the integration process. Nobody doubted that integration would go on,<sup>25</sup> and by 2013 all the “i’s” had been dotted.

Table 1 shows the EP rating by years.<sup>26</sup> The rating for 2011 used a different methodology, which means that the countries’ rank rather than their absolute figures are important.

Table 1

## Integration Rating of Eastern Partnership

	2011*	2012**	2013***	Dynamics <sup>a</sup>
<b>Armenia</b>	<b>0.44</b>	<b>0.50</b>	<b>0.53</b>	<b>0.18</b>
<b>Azerbaijan</b>	<b>0.36</b>	<b>0.38</b>	<b>0.39</b>	<b>0.12</b>
<b>Belarus</b>	<b>0.25</b>	<b>0.26</b>	<b>0.29</b>	<b>0.13</b>
<b>Georgia</b>	<b>0.68</b>	<b>0.56</b>	<b>0.60</b>	<b>0.01</b>
<b>Moldova</b>	<b>0.75</b>	<b>0.65</b>	<b>0.66</b>	<b>—</b>
<b>Ukraine</b>	<b>0.62</b>	<b>0.58</b>	<b>0.59</b>	<b>0.06</b>

<sup>a</sup> Dynamics in relation to the leader in 2011-2013.

**Sources:**  
 \*European Integration Index for Eastern Partnership Countries, 2011 // International Renaissance Foundation, November 2011, available at [<http://www.eap-index.eu/sites/default/files/EaP%20Index%202011.pdf>].  
 \*\*European Integration Index for Eastern Partnership Countries, 2012 // International Renaissance Foundation, May 2012, available at [[http://www.eap-index.eu/sites/default/files/EaP%20Index%202012\\_0.pdf](http://www.eap-index.eu/sites/default/files/EaP%20Index%202012_0.pdf)].  
 \*\*\*European Integration Index for Eastern Partnership Countries, 2013 // International Renaissance Foundation, available at [[http://www.eap-index.eu/sites/default/files/EaP\\_Index\\_2013\\_0.pdf](http://www.eap-index.eu/sites/default/files/EaP_Index_2013_0.pdf)].

Table 1 shows that in 2012 Armenia demonstrated a slightly better performance, while the leading countries remained comparatively passive. In 2013, Armenia and Georgia showed certain progress (Belarus’ performance looked well, mainly because of the corrected assessment methods); Ukraine, Moldova, and Azerbaijan were trailing behind with indifferent indices.

<sup>24</sup> See: *European Union and Ukrainian Negotiators Initial Association Agreement, including Deep and Comprehensive Free Trade Area*, European Commission — MEMO/12/238, 30 March, 2012, available at [[http://europa.eu/rapid/press-release\\_MEMO-12-238\\_en.htm?locale=en](http://europa.eu/rapid/press-release_MEMO-12-238_en.htm?locale=en)].

<sup>25</sup> After the parliamentary elections of October 2012 in Georgia, many foreign observers doubted the country’s further foreign policy orientation. The new people in power confirmed that it would remain the same (see: *Address of the Prime Minister of Georgia H.E. Bidzina Ivanishvili to the Parliamentary Assembly of the Council of Europe*, available at [[http://www.government.gov.ge/index.php?lang\\_id=ENG&sec\\_id=270&info\\_id=36672](http://www.government.gov.ge/index.php?lang_id=ENG&sec_id=270&info_id=36672)]).

<sup>26</sup> Average by “linkage”, “approximation” and “management.”



By the early 2013, all the details of the future Agreements had been discussed and coordinated. The upcoming summit in Vilnius “of epochal importance” riveted general attention, while the progress made (mainly of a technical nature) was hailed as a “civilizational choice.” And there was a choice: by that time the Customs Union had been functioning as an alternative project.

## 4. Customs Union

Because of the very different styles of work of Russia and the EU, the public knew next to nothing of how the Customs Union was being formed. The Generalized Scheme of Preferences (GSP/GSP+) that the EU offered the NEE countries was well known, while the 50% tax rebate in the CIS countries was not actively discussed.

In 2010, Russia, Belarus, and Kazakhstan set up the Customs Union of EurAsEC; they reduced customs duties to naught at their borders and raised them for all other countries. At that time, Russia expected Ukraine to join the Customs Union sooner or later.<sup>27</sup>

Russia hoped that Eurasian integration would attract many of the former Soviet republics, Ukraine in particular,<sup>28</sup> to the Customs Union; this would have made it the first efficient association in the post-Soviet space. The Ukrainian leaders were evasive, while other countries showed no enthusiasm either.

In 2011, Russia suggested that a Free Trade Area should be set up in the CIS within which customs duties should be slashed by one quarter. In September-December 2012, Russia, Ukraine, Belarus, Armenia, Kazakhstan, and Moldova joined it, followed by Kyrgyzstan in January 2014.

How, from the point of view of the NEE countries, does the Customs Union differ from the Association Agreement?

The Association Agreement (the published text of the Association Agreement between Ukraine and the EU) consists of 1,000 pages; three-quarters of it deal with economic regulations. This is, in fact, a detailed Deep and Comprehensive Free Trade Agreement (DCFTA) that lowers customs duties to practically zero.<sup>29</sup> If we put aside the political part of the Agreement, we can safely describe it as being absolutely identical to the first stage of economic integration of Ukraine, Moldova, and Armenia with the countries of the Customs Union within the Free Trade Area of the CIS.

The document’s remaining quarter is a political and mainly declarative document; it, however, establishes much closer relations up to and including joint commissions on cooperation with third countries.

At the same time, the Customs Union is the second stage of integration, which explains why the technical parameters of joining the Customs Union and DCFTA are different. The EurAsEC is skillfully using protectionist measures to dampen competition with external players in its markets. In other words, the members of Customs Union pay no customs duties when trading among themselves and claim higher customs duties from the producers of third countries.

This means that one and the same country cannot simultaneously reduce to naught its tariffs for the EU and EurAsEC countries. In other words, members of the Association with the EU should leave it to join the Customs Union and vice versa.

---

<sup>27</sup> See: “Putin predlozhit Ukraine vstupit v Tamozhenny soiuz,” *RIA-Novosti*, 5 March, 2010, available at [<http://ria.ru/politics/20100305/212412980.html>].

<sup>28</sup> See: F. Lukyanov, “Nastoiashchaya Evrazia,” *Gazeta.ru*, 24 October, 2013, available at [<http://www.gazeta.ru/comments/column/lukyanov/5721721.shtml>].

<sup>29</sup> See: O. Sushko, “A Fork in the Road? Ukraine between EU Association and the Eurasian Customs Union,” PONARS Eurasia Policy Memo, No. 293, September 2013, available at [[http://www.ponarseurasia.org/sites/default/files/policy-memos-pdf/Peprm\\_293\\_Sushko\\_Sept2013.pdf](http://www.ponarseurasia.org/sites/default/files/policy-memos-pdf/Peprm_293_Sushko_Sept2013.pdf)].

In view of the fact that the Free Trade Area of the CIS had been operating for some time, the choice was not an easy one. The larger part of preferences that the NEE countries had already acquired within the CIS could have been increased thanks to trade with the EU. Meanwhile, Moscow concluded that in preferential conditions for the NEE countries the less competitive producers (post-Soviet, including Russian) would lose; it had no choice but announce that the preferential regimes with Russia and the EU could not be saved; this argument was used to put pressure on Ukraine and partly on Armenia because the NEE countries export agricultural products to Russia and raw materials to the EU.

There was another no less important consideration: the Association Agreement made trade a one-way street: the quotas on products remained, while transfer to the EU technical standards was very expensive.

It should be said that there are no detailed and profound studies of which of the two solutions will be most profitable in the short-, mid- and long-term perspective.

Today, the NEE countries are not so concerned about duties, incomes and losses as about ideological and reputational gains.

## 5. The Customs Union and Association with the EU: Zero-Sum Game

Until the early 2013, Russia did not herd its partners into the Customs Union. The EP, on the other hand, fell victim to its own popularity among, at least, some of the public and political elites of the NEE countries and in the EU: it became a “civilizational” project that drew a line between the “imperial past” and “European future,” etc.

One of the rivaling projects, therefore, was doomed to failure. The Russian elites, the interests of which were ignored, did not like this; Moscow launched a much more active campaign in favor of the Customs Union; the European bureaucracy responded in kind. Contrary to their usual self-assuredness (it is believed that the EU neighbors are striving for European integration), the top figures in Brussels had no choice but to insist on their integration model<sup>30</sup>; Moscow did the same.<sup>31</sup>

The fact that on the eve of the Vilnius Summit, the EU removed the demand to release Yulia Timoshenko from prison speaks volumes about the scope of politicization of the EP and its involvement in the geopolitical game with Russia.<sup>32</sup>

The competition is caused by the fact that the two projects offer two different models of integration, which means that there is no sense in putting the blame on one of the sides and finding the culprit for the zero-sum game.

For a long time, the NEE countries remained unconcerned about the projects’ incompatibility and took their time to make the final choice. Very much in line with its complementarity (“and-and”

<sup>30</sup> See: Š. Füle, “Ambitions of EU and East Partners for the Vilnius Summit,” 28 May, 2013, available at [[http://europa.eu/rapid/press-release\\_SPEECH-13-477\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-13-477_en.htm)]; “Ukraine Must Choose Russia’s Customs Union or EU Trade Agreement—President Grybauskaitė,” *The Lithuania Tribune*, 6 February, 2013, available at [<http://www.lithuaniantribune.com/28813/ukraine-must-choose-russias-customs-union-or-eu-trade-agreement-president-grybauskaite-201328813/>].

<sup>31</sup> See: “Assotsiatsia s ES i Tamozhenny soiuz nesovmestimy—sovetnik Putina,” *NBNews.ua*, 27 July, 2013, available at [<http://nbnews.com.ua/ru/news/95061/>].

<sup>32</sup> See: A. Nosovich, “U razbitogo koryta: itogi Vilniusskogo sammita Vostochnogo partnerstva,” Analytical portal about the Baltic Region, 2 December, 2013, available at [<http://www.rubaltic.ru/article/politika-i-obshchestvo/u-razbitogo-koryta-itogi-vilnyusskogo-sammita-vostochnogo-partnerstva-02122013/>].

against “either-or”) policy, Armenia tried to bring the two projects together<sup>33</sup>; in an effort to avoid confrontation with Moscow, Ukraine sought an observer status in the Customs Union to be able to sign the Association Agreement; Azerbaijan did nothing to move closer to either of the projects, while Georgia and Belarus remained absolutely sure of their (different) preferences.

Moldova proved to be the “boldest” among the Soviet-successor states; as distinct from most of the post-Soviet countries, it was ruled by the Alliance for European Integration, rather than by an “omnivorous party.” It was the only republic in which the Association Agreement ran into a serious confrontation caused by the unwavering choice that allowed no options.

It should be said that the zero-sum game perfectly fit the Cold War mentality that is still alive in Russia and the EU, albeit to a lesser degree,<sup>34</sup> and in the NEE countries. To some extent, the Customs Union/Eastern Partnership confrontation was a self-fulfilling forecast caused by increasingly frequent and increasingly loud alarmist statements coming from the NEE states about Russia’s allegedly strong pressure, which did nothing but increase the pressure even more.

The leaders of the four NEE countries (Armenia and Ukraine included) were engaged in an active PR campaign designed to justify their own civilizational choice, which Russia perceived as a threat to its own influence.

By the beginning 2013, the Association Agreement and DCFTA had been drafted; the minutest details of the programs of action caused no serious public opposition in any of the NEE countries (Moldova was the only exception) and were adopted by the governments.

Judging by the Russian leaders’ rhetoric that became public in July 2013, Russia was determined, at least, to prevent its neighbors from the signing the free trade agreement with the EU, which excluded their integration with the Customs Union. Strange as it may seem, Moscow’s determination was affected by the course of events unrelated to European integration of Russia’s neighbors. I have in mind the expected military operation against Syria and the trade conflict with Belarus over the Belaruskaliy company, launched by the detention in Minsk of Vladislav Baumgartner, a Russian businessman and the company’s general director.<sup>35</sup>

This was the first time that the EU expansion project ran into opposition from Russia, which had so far never objected to European integration of its former satellites. The EU, which had no previous experience in games of this kind, limited itself to statements about Moscow’s policies.

## 6. Moscow: Blackmail Based on High-Pressure Arguments?

Moscow relied on three arguments to dissuade its neighbors from joining the EP.

- First, harsh security-related decisions up to high-pressure arguments invariably used across the post-Soviet space. In the summer of 2013, they were used against Moldova and Armenia; and in February 2014 against Ukraine. This stirred up secessionist forces in Moldova

---

<sup>33</sup> See: R. Stepanian, “Armenia deystvuet po printsipu ‘i-i’,” Radio Freedom-Armenia, 26 June, 2013, available at [<http://rus.azatutyun.am/content/article/25028736.html>].

<sup>34</sup> For example, Carl Bildt, one of the authors of the EP project, says that it was devised to remove the borders in Europe, one of the ideas popular in Europe during the Cold War (see: C. Bildt, “Vostochnoe partnerstvo—Evropa bez razmezhevatelynykh granits,” Den-Kiev, 3 October, 2013, available at [<http://day.kiev.ua/ru/article/den-planety/vostochnoe-partnerstvo-evropa-bez-razmezhevatelynyh-granic>].

<sup>35</sup> See: “Interpol podtverdil vydachu mezhdunarodnogo ordera na arest top-menedzherov ‘Belaruskaliya’,” Stolichnoe televidenie, 27 August, 2013, available at [<http://www.ctv.by/novosti-minska-i-minskoy-oblasti/interpol-podtverdil-vidachu-mezhdunarodnogo-ordera-na-arest-top>].

(probably) and in Ukraine (obviously). Armenia was warned that Russia had sold a large batch of weapons to Azerbaijan, its enemy.<sup>36</sup> The EU could not offer Armenia any alternative security methods, leaving the country with no leeway. In 2008, Russia lost all levers of pressure on Georgia (even though there were absolutely unfounded rumors that Russia wanted to capture Tbilisi in 2008 and later).

- Second, gas prices as an equally strong argument. Gas prices for Armenia were increased, while Russia had promised earlier to lower them if it moved away from European integration. Moldova and Ukraine received similar offers, that is, considerably lower gas prices if they rejected the Association Agreement in favor of the Customs Union. Russia could not raise the price because both countries were paying world prices anyway: about \$400 per 1,000 cu m, while Armenia paid \$270 per 1,000 cu m after the price was raised. It appeared that for Ukraine these tactics were more efficient. Georgia, which received its gas from Azerbaijan, no longer depended on Russia.
- Third, foreign trade. Ukraine, Moldova, and Armenia were informed that they might lose their privileges within the Free Trade Area of the CIS, which would cost them a share of the Russian market. Ukrainian commodities were detained at the border, a de-facto embargo, a heavy blow to the Ukrainian economy.

Moscow's opponents accused it of blackmailing, however its measures (with the exception of encouraging separatism and blocking Ukrainian cargos at the border) could hardly be called blackmail.

The thing is that Russia offers Armenia security guarantees itself and can retreat from them if it so wishes, which will hardly please Erevan. The same applies to gas: it is its privileged price, and not the world price, that is "political;" this also applies to access to the Russian market. The Free Trade rules as applied to the NEE countries are a privilege extended on conditions of closer integration rather than because of "friendship among peoples." In fact, Russia's capacious market, which is less demanding than the EU market, makes the Free Trade regime much more attractive for the NEE countries than for Russia.

Moscow's attempts to rely on pro-Russian public movements and public discontent over the current policies failed probably because these factors must be active for a long time and be supported by the active minority rather than the passive majority, Russia's normal social basis; otherwise no desirable results can be expected.

The pro-Russian politicians of Moldova managed to exert pressure on the people in power, but it was not enough to force them to change the decision.<sup>37</sup> In Ukraine, where supporters of Eurasian integration predominated, such results proved impossible.

## 7. The NEE Countries Part Ways

Russia's pressure destroyed the NEE quartet; the leaders had nothing to do with it: their objective situations were too different.

Russia's arguments proved to be very convincing in Armenia: its military security was at stake.<sup>38</sup> On 3 September, the Armenian president arrived in Moscow to announce that his country intended to join the Customs Union. Many were taken by surprise; the decision meant rejection of European in-

<sup>36</sup> See: Z. Agayev, "Azeri-Russian Arms Trade \$4 Billion amid Tension with Armenia," Bloomberg, 13 August, 2013, available at [<http://www.bloomberg.com/news/2013-08-13/azeri-russian-arms-trade-4-billion-amid-tension-with-armenia.html>].

<sup>37</sup> The ruling coalition in Moldova is called Alliance for European Integration.

<sup>38</sup> See: "Shchit vazhnee. Mezhdru Evropeyskim i Tamozhennym soiuзами Armenia vybrala ODKB," *Vzgliad*, 3 September, 2013, available at [<http://www.vz.ru/politics/2013/9/3/648340.html>].

tegration. Russia, in turn, was able to show that other countries would join Eurasian integration and that it could win the “race” with the EU. After it rejected European integration, Erevan tried to convert this decision into economic advantages.

On 5 November, the Ukrainian leaders still believed that signing the Association Agreement had been decided<sup>39</sup>; ten days later, they changed their minds.<sup>40</sup> Armenia retreated because of the security issue, while Ukraine, because of the problems connected with the energy industry, foreign trade, gas prices, and the need to pay debts.

Ukraine, which resisted right up until the end, explained that its decision was economically motivated. Prime Minister Nikolai Azarov said that the country would need €150-165 billion to modernize its economy to meet the EU standards<sup>41</sup>; no calculation methodology was presented. In fact, it was absolutely clear that Ukraine could not afford the luxury of European integration; its economy was lingering at the brink of a default, harsh financial crisis, and loss of the Russian market.

Georgia found itself in a strange situation: access to the Russian market had been closed for a long time; all agreements within the CIS had been discontinued that deprived Russia of pressure levers. Moscow had no choice but to normalize relations with Georgia and gradually open its market to Georgian products throughout 2013. This strengthened Georgia’s position in general, as well as at the talks with the EU.

The situation around Moldova was even more interesting: Russia had numerous pressure levers at its disposal, but when applied they did nothing to force Moldova to retreat from its political decisions. Moldova was the only NEE country in which there was a fairly massive political movement in favor of Eurasian integration organized by the Party of Communists of the Republic of Moldova with the highest rating among the country’s political forces.

With the Gagauz autonomy and a large Russian-Ukrainian community in the north, Moldova is fairly sensitive to separatist sentiments. Economic arguments could have been fairly convincing, but after being used once (Moscow introduced an embargo on Moldavian wines in 2006), this measure no longer worked. The republic borders on ethnically close Rumania, while pro-Western sentiments of its political elites are fed by irredentism (unionism).

We all know how the Vilnius Summit ended: no agreements were signed, although Georgia and Moldova initialed theirs. Agreements on simplified visa regimes were signed with Armenia and Azerbaijan. Ukraine, the key player among the NEE states, was an observer.

## Conclusion

The failure of the Vilnius Summit is not the end: Ukraine might come back to discuss the Association Agreement; Armenia might try to negotiate less strict terms; Moldova and Georgia will probably sign the Agreement in 2014: there are factors that might dissuade them. The EU will give money to Moldova to make it the hero of a success story in the EP space.

If the EU gives money to Moldova and, possibly, to Ukraine, the EP will acquire a different image: in 2009-2013, the project suggested that while moving toward European integration, these countries should be relying on their internal resources.

---

<sup>39</sup> See: “Azarov ne somnevaetsia v uspehnosti Vilniusskogo sammita dlia Ukrainy,” *Obozrevatel*, 5 November, 2013, available at [<http://obozrevatel.com/politics/56392-azarov-ne-somnevaetsya-v-uspehnosti-vilnyusskogo-sammita-dlya-ukrainyi.htm>].

<sup>40</sup> See: “V Evroparlamente poniali, chto Yanukovich uzhe ne khochet assotsiatsii s ES,” *Vlasti.net*, 16 November, 2013, available at [<http://vlasti.net/news/179240>].

<sup>41</sup> See: “Dlia modernizatsii pod standarty ES nuzhno 165 mlrd Evro—Azarov,” *LIGABiznesInform*, 23 November, 2013, available at [[http://news.liga.net/news/politics/928309-dlya\\_modernizatsii\\_pod\\_standarty\\_es\\_nuzhno\\_165\\_mlrd\\_evro\\_azarov.htm](http://news.liga.net/news/politics/928309-dlya_modernizatsii_pod_standarty_es_nuzhno_165_mlrd_evro_azarov.htm)].

The positions of Russia and the EU differ in one, yet very important, respect: Russia is ready to pay for integration with money and its image on the world arena, while the EU refused to pay for what it has little need for.

To correct the mistakes, the sides should understand what caused the failure in the first place: first the NEE countries (Moldova, Armenia, and Ukraine) were confronted with a hard choice fraught with risks and paying a high price for political and economic stability. There was no clear alternative in the form of EU funding of economic modernization and guaranteed EU membership, even in the distant future.

The mutual misunderstanding between Moscow and Brussels played a negative role. Moscow is frightened by Brussels pursuing an active public policy to which it cannot respond in kind. The EU, in turn, cannot stand opposed to Russia's pressure tactics.

It seems that the NEE countries would benefit most from cooperating with both Russia and the EU; this means that these two strongest players should listen to each other more often.

---