

# Russie.Nei.Visions n°74

## Note du Cerfa n°109

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### The EU, Russia and the Eastern Partnership: What Dynamics under the New German Government?

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Dominik Tolksdorf

*February 2014*



Russia/NIS Center  
CERFA

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## Abstract

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The Eastern Partnership summit in Vilnius in November 2013 demonstrated that the European Union's policy toward its eastern neighbors has developed into a highly contentious issue between the EU and Russia. The summit was overshadowed by the decision of the Ukrainian government not to sign an Association Agreement with the EU and the following mass demonstrations in Kyiv.

This paper analyses the EU's relations with the EaP countries and illustrates that all of them are torn between intensified relations with the EU and joining the Russian dominated Customs Union. Although the EU is rather reluctant to start a power game with Russia in the "shared neighborhood", the EaP has without doubt led to strained EU-Russia relations. As will be illustrated, it is difficult on the EU level to constitute a clearly unified position on Russia. Among the explanatory factors is Germany, which has in the past often not aligned its position on Russia with its EU partners. German-Russian political relations, however, underwent a change since 2012, as the Merkel government has become more critical about political developments in Russia. Although the new "grand coalition" with Frank-Walter Steinmeier as foreign minister will pursue a more conciliatory tone toward the Kremlin than in the past two years, the German government is nevertheless likely to more closely align its position on Russia with its EU partners, and will also not shy away from criticizing the Kremlin if the Russian government attempts to undermine the EaP.

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## Introduction

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In late November 2013, representatives from 28 member states and partner countries gathered in Vilnius to review the first four years of the Eastern Partnership (EaP) and initial Association Agreements (AAs) with Georgia and Moldova. The summit was overshadowed by the decision of the Ukrainian government not to sign an agreement with the EU. This turn of events resulted from trade pressure and offers by the Russian government, which has become increasingly proactive in thwarting the EU's efforts to gain influence in its eastern neighborhood.

This paper analyses the EU's relations with the EaP countries and illustrates that all of them are torn between keeping intensified relations with the EU and joining the Russian dominated Customs Union. Although the EU is rather reluctant to start a power game with Russia in the "shared neighborhood", the EaP has without doubt led to strained EU-Russia relations. As will be illustrated, it is difficult to constitute a clearly unified position on Russia on the EU level. Among the explanatory factors is Germany, which has in the past often not aligned its position on Russia with its EU partners. German-Russian political relations, however, underwent a change since 2012, as the Merkel government has become more critical of political developments in Russia. Although the new "grand coalition" with Frank-Walter Steinmeier as foreign minister will pursue a more conciliatory tone toward the Kremlin than in the past two years, the German government is nevertheless likely to more closely align its position on Russia with its EU partners, and will also not shy away from criticizing the Kremlin if the Russian government attempts to undermine the EaP.

The paper argues that the EU should remain committed to the EaP and continue to strengthen it with regards to Moldova and Georgia, which might lead to a policy change in Kyiv toward closer relations with the EU. The efforts to make the EaP more effective must not necessarily lead to more confrontations between the EU and Russia.

## The Eastern Partnership Countries: Torn between the EU and Russia

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Following the Russia-Georgia War in 2008 and the gas conflict between Ukraine and Russia in early 2009, the EU in May 2009 launched the EaP to accelerate political association and economic integration between the EU and Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. <sup>1</sup> An intermediate step of the process is the signature of Association Agreements (AA) with the EU, which specify future reform priorities and include a “Deep and Comprehensive Free Trade Area” (DCFTA), which aims to promote trade by gradually eliminating tariffs and trade quotas between the EU and the partner countries.

The main incentives for partner countries to participate in the EaP are the expected mid- and long-term benefits of free trade and visa liberalization within the EU.<sup>2</sup> The prospect of EU membership would be a strong incentive for some of the partner countries to adopt and implement reforms that are in compliance with the EU’s *acquis communautaire*. In fact, Poland, the Baltic States and Sweden, in particular, have advocated the prospect of EU membership for years. However, several EU member states are currently not willing to offer a membership perspective to the partner countries. This is mainly due to growing “enlargement fatigue” in various EU member states, whose governments are more interested in “consolidating” than enlarging the Union. Their diplomats therefore carefully ensure that a reference to a “European perspective” is avoided in EU documents that deal with the EaP countries.<sup>3</sup> EU officials regard Moldova’s and Georgia’s initialing of Association Agreements as the first tangible results of the EaP, but most observers agree that a real turning point of the EU’s relations with its eastern neighbors would have been the

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<sup>1</sup> “Joint Declaration of the Eastern Partnership Summit, Vilnius, 28-29 November 2013”, <[www.eu2013.lt/en/news/statements/-joint-declaration-of-the-eastern-partnership-summit-vilnius-28-29-november-2013](http://www.eu2013.lt/en/news/statements/-joint-declaration-of-the-eastern-partnership-summit-vilnius-28-29-november-2013)>.

<sup>2</sup> In addition, the EU supports reforms in the region through various projects and funds. Between 2010 and 2013, €1.9 billion was allocated to support EaP implementation. See Council of the EU, Background Foreign Affairs Council, 19 July 2013, <[www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/EN/foraff/138178.pdf](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/138178.pdf)>. Further EU incentives include support for the improvement of energy efficiency with the objective of making the energy sector, which places a heavy burden on the economies of some EaP countries, less expensive. In the long run, this will also make the EaP countries less dependent on Russian gas imports.

<sup>3</sup> “EU-Georgia Treaty Highlights Enlargement Fatigue,” EU Observer, 8 July 2013.

signing of an AA with Ukraine, by far the biggest and—with a population of 46 million—the most populated EaP partner country. While Kyiv initially showed great interest in fostering relations with the EU, the U-turn prior to the Vilnius summit came as a surprise to many observers. The following mass protests in Kyiv against the government and its foreign policy direction, the greatest demonstrations since the Orange Revolution in 2004, show that a large part of the Ukrainian population, particularly in the western part of the country, is indeed interested in intensifying relations with the EU.<sup>4</sup>

While the Russian government initially had little interest in the EaP, it has grown increasingly mistrustful of it over the years. Today, Moscow outrightly opposes this EU policy and has applied various means to stop the EaP countries from intensifying their relations with the EU in the past months. To offer the countries in the post-Soviet space an alternative to the EU, President Vladimir Putin in 2012 initiated a competing scheme of political and economic integration, the Eurasian Union (EaU), to be implemented by January 2015. The EaU is supposed to become the continuation of the Customs Union (CU) between Belarus, Kazakhstan and Russia. The latter, in operation since 2010, installed common external customs and is to further eliminate tariffs and non-tariff barriers to trade within the union. By establishing a single economic space in January 2012 with a common market of goods, capital and labor, the CU has already advanced economic integration between the three countries. While Russia, the country with by far the largest population (143 million inhabitants) and strongest economy in the post-Soviet space, has clearly been the driver of the CU, Belarus and Kazakhstan have voluntarily joined the project.<sup>5</sup> Although Belarus has received benefits from its membership in the CU in the form of discounted prices for Russian oil and gas, the project has recently been criticized by Belarusian officials as being dominated by Russia.<sup>6</sup>

The Kremlin puts pressure on states in the post-Soviet space to join the CU and, as will be illustrated below, has applied punitive measures against all states attempting to intensify their association with the EU. Recent developments in Ukraine and Armenia have shown that Russia still retains a high degree of influence in the countries of the former Soviet Union, which is also the result of the deep historical and cultural links of most of these states with Russia. The EaP has therefore gradually become the most contentious issue between the EU and Russia.

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<sup>4</sup> According to a survey of October 2013, 45% of Ukrainians think that the country should sign the Association Agreement, while 14% would prefer that Ukraine joins the Customs Union. Bloomberg News, “Merkel Rules Out Ukraine-EU Accord at Summit as Optimism Cooled”, 29 November 2013.

<sup>5</sup> Kyrgyzstan and Tajikistan also want to become members of the CU.

<sup>6</sup> “Belarusian Officials Criticize Eurasian Integration”, Belarus Digest, 13 November 2013.

## Tough Decision for Ukraine Prior to Vilnius Summit

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Discussions on Ukraine's signing of an Association Agreement dominated media reporting on the EaP prior to the Vilnius summit. Ukraine has been negotiating the agreement since 2007 and had initialed it in 2012. In December 2012, the EU's Foreign Affairs Council asked Ukraine to take action in three areas before the agreement could be signed: the problem of "selective justice" and preventing its recurrence; the democratic shortcomings in the electoral system, and additional steps on judicial reform.<sup>7</sup> The first area was in reference to the imprisonment of former prime minister Yulia Tymoshenko, the icon of the Orange Revolution and the center of attention during a series of trials against former government officials that followed Viktor Yanukovich's presidential election in 2010. According to the EU, these trials "did not respect international standards as regards fair, transparent and independent legal processes".<sup>8</sup>

The EU requested Tymoshenko's release from prison, but President Yanukovich agreed merely to release her for medical treatment in Germany without pardoning her, thereby keeping her from running for public office in the next presidential elections in February 2015. The EU's interference in the case of Yulia Tymoshenko has been a controversial subject among the member states: Germany, the UK, the Benelux countries, Sweden, Denmark and Finland regard the case as a perfect example of "selective justice" in Ukraine and have supported requests for Tymoshenko's release as a condition of signing the Association Agreement.<sup>9</sup> Other member states have maintained that not all of Ukraine should be penalized over the Tymoshenko case. In particular, Poland and the Baltic states, for which Ukraine's association with the EU is of high strategic importance, argue that Ukraine's reforms have been

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<sup>7</sup> Council of the EU, "3209<sup>th</sup> Council Meeting Foreign Affairs", press release, document no. 17438/12, 10 December 2012, p. 13-14.

<sup>8</sup> Council of the EU, 2012.

<sup>9</sup> FAZ, "EU uneins über den Umgang mit der Ukraine", 22 October 2013. The German government was also asked by the German Bundestag to only agree to the AA if Ukraine abolishes the practice of "selective justice". Particularly since Ukraine is a highly strategic issue, it would be very unwise to bend the rules at this specific moment. Interview by author with member of the German parliament, November 2013.

sufficient for it to sign the AA—irrespective of Tymoshenko’s release. However, their attempts to convince the other member states of this position failed at the foreign minister meetings prior to the Vilnius summit. Despite the efforts of Pat Cox, former President of the European Parliament, and Aleksander Kwaśniewski, former President of Poland, who sought a compromise solution between the EU and Kyiv, the Ukrainian parliament decided not to sign the AA with the EU on 21 November.

Ukraine’s decision not to sign the AA is mainly the result of intensified pressure and incentives from the Kremlin over recent months in an effort to prevent Ukraine from forming a closer relationship with the EU. Many Russian officials share Vladimir Putin’s view that Russians and Ukrainians are “one people”,<sup>10</sup> a reference to the countries’ intertwined history. The Kremlin has thus an interest in preventing Ukraine’s potential Euro-Atlantic integration and even in “neutralizing” it.<sup>11</sup>

After a surprise visit by President Yanukovich to Moscow in early November, observers speculated that Putin had offered fast and cheap loans for the Ukrainian economy in exchange for Ukraine’s rejection of the AA.<sup>12</sup> Russia has also reportedly offered a price cut on Russian gas. On the other hand, Russia imposed import restrictions on Ukrainian freight trains and chocolate, and threatened a new visa regime for Ukrainian citizens who travel to Russia. In addition, Gazprom warned that Ukraine might not have enough gas to cover EU transit customers in the winter.<sup>13</sup> Russia’s threats proved their effectiveness when a group of Ukrainian businessmen and oligarchs, fearing Russian retaliation measures, requested President Yanukovich not to sign the AA in November.<sup>14</sup> Following a meeting with Yanukovich on 17 December 2013, Putin declared that the Russian government would invest about \$15 billion in Ukrainian government bonds and that Gazprom would reduce the price for Russian gas from \$430 to \$268 per 1,000 cubic meters.<sup>15</sup> While Putin announced that the assistance was not “tied to any conditions”, it remains unclear if both presidents had also negotiated on Ukraine’s entry into the Customs Union (CU). The Kremlin’s efforts to prevent Ukraine from being drawn into the “orbit” of the EU were thus successful, for now. The likelihood of Ukraine joining the CU is

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<sup>10</sup> See A. Motyl, “Deconstructing Putin on Ukraine”, 11 September 2013, <[www.worldaffairsjournal.org/blog/alexander-j-motyl/deconstructing-putin-ukraine](http://www.worldaffairsjournal.org/blog/alexander-j-motyl/deconstructing-putin-ukraine)>.

<sup>11</sup> T. Gomart, “Europe in Russian Foreign Policy: Important but no Longer Pivotal”, *Russie.Nei.Visions*, No. 50, May 2010, <[www.ifri.org/?page=contribution-detail&id=6050](http://www.ifri.org/?page=contribution-detail&id=6050)>, p. 21.

<sup>12</sup> Euractiv, “Ukrainian Parliament Pours Cold Water over the Country’s EU Prospects”, 13 November 2013.

<sup>13</sup> EU Observer, “Gazprom Warns EU of Winter ‘Catastrophe’”, 15 November 2013.

<sup>14</sup> FAZ, “Timoschenko womöglich nächste Woche frei”, 14 November 2013.

<sup>15</sup> BBC News Europe, “Russia Offers Ukraine Major Economic Assistance”, 17 December 2013.

nevertheless still rather small.<sup>16</sup> First, its overall trade is more or less balanced between the EU and Russia. Second, many Ukrainian companies in direct competition with Russian enterprises (e.g. in the chemicals, car and metal sectors) fear that they will be disadvantaged in the CU.<sup>17</sup>

At the same time, the benefits to Ukraine of a DCFTA with the EU remain controversial. Experts agree that the DCFTA is likely to provide Ukraine with long-term benefits.<sup>18</sup> Some industries, including the automobile and agriculture industries, oppose the DCFTA in an effort to protect domestic producers and to stop unrestricted EU exports from overflowing Ukrainian markets.<sup>19</sup> The unknown factors of joining the DCFTA are the compliance costs that Ukraine would have to bear in the short and medium term when agreeing on a DCFTA. These costs are related to reforms that Ukraine would have to implement in order to comply with EU sanitary standards, for example, which would also involve the modernization of key economic sectors in Ukraine, including steel and agricultural production. A general assessment of these compliance costs is difficult as they are apparently sector- and industry-specific.<sup>20</sup> Large Ukrainian producers and exporters might not be negatively affected by the DCFTA, whereas small and medium enterprises might encounter tough competition from EU exports.<sup>21</sup>

For now, Ukraine has chosen not to ignore its short-term needs. In this respect, Russia simply had more to offer. To be sure, Ukraine's dependence on gas supplies from Russia was likely the decisive factor in its decision not to sign the AA. Even though the EU has offered financial support amounting to €600 to €700 million to assist the transitional period, Viktor Yanukovich has maintained that these offers do not adequately cover the losses from likely Russian trade sanctions. With presidential elections in 2015, Yanukovich simply cannot ignore Ukraine's precarious economic situation. To avoid having to make a rigid choice in favor of either the EU or Russia, the Ukrainian government has proposed a trilateral dialogue between Ukraine, Russia and the EU, with the objective of achieving free trade with the EU and the Customs Union.<sup>22</sup> While this option was rejected by EU officials on the grounds that association

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<sup>16</sup> According to Vladimir Putin, Ukraine's free trade agreement with the EU would pose a "big threat" to Russia's economy. See Bloomberg News, 29 November 2013.

<sup>17</sup> L. Kasčiūnas, "Warum sich die Ukraine für Europa entscheidet", 7 October 2013, <[www.presseurop.eu/de/content/article/4207701-warum-sich-die-ukraine-fuer-europa-entscheidet](http://www.presseurop.eu/de/content/article/4207701-warum-sich-die-ukraine-fuer-europa-entscheidet)>.

<sup>18</sup> Euractiv, "Vilnius Summit: Ukraine and the Russian Factor" (opinion by Y. Kochevenko), 27 November 2013.

<sup>19</sup> O. Shumylo-Tapiola, "Ukraine at the Crossroads: Between the EU DCFTA & Customs Union", *Russie.Nei.Reports*, No. 11, April 2012, <[www.ifri.org/?page=contribution-detail&id=7104](http://www.ifri.org/?page=contribution-detail&id=7104)>, p. 11.

<sup>20</sup> *Ibid*, p. 8-9.

<sup>21</sup> *Ibid*, p. 14.

<sup>22</sup> Euractiv, 27 November 2013.

agreements are of a “bilateral nature” and that there is “no room for involving third countries”,<sup>23</sup> some EU member states, according to Russian Foreign Minister Sergei Lavrov, support a trilateral approach to resolve the conflict over Ukraine.<sup>24</sup>

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<sup>23</sup> Euractiv.com, “EU ‘Refines its Thinking’ on its Ukraine-Russia Relations”, 28 November 2013.

<sup>24</sup> Voice of Russia, “Many in EU Support Trilateral Discussion Regarding Ukraine”, 16 December 2013.

## Moldova and Georgia as Preliminary “Success Stories” of the Eastern Partnership

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Despite recent setbacks with Ukraine, there are some preliminary “success stories” relating to the Eastern Partnership, as it enabled the EU to intensify its relations with Moldova and Georgia. Many observers have been especially surprised about developments in Moldova, where a pro-European governing coalition, the Alliance for European Integration, has adopted a number of reforms since 2009. This enabled the government to start negotiations on an Association Agreement with the EU in March 2012, which could be completed in spring 2014. In addition, the EU might soon allow Moldovan citizens with biometric passports (or “e-passports”) to enter visa-free into the EU. Since 2011, the Moldovan government has implemented reforms requested in the EU’s “Visa liberalisation action plan”, and, following a positive assessment of the process by the European Commission a few days before the Vilnius summit, the Council of the EU and the European Parliament could take a decision on visa-free travel in 2014.<sup>25</sup>

However, optimism about these political developments in Moldova was dampened in early 2013 following the government crisis that resulted when then Prime Minister Vlad Filat resigned from office after disputes with his coalition partners over corruption cases in the country. The parties of the former governing coalition formed a new coalition under Prime Minister Iurie Leancă, but many observers view the new government as unstable. In addition, diplomats are concerned that many of the reforms of the past years have not led to structural changes in public administration and have not improved its capacity to effectively fight corruption. They also fear that the political elites in Chişinău lack real interest in thoroughly implementing the reforms.<sup>26</sup>

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<sup>25</sup> European Commission, “Commission Proposes Visa-free Regime to Moldova”, press release, document No. IP/13/1170, 27 November 2013.

<sup>26</sup> D. Rinnert, “The Republic of Moldova in the Eastern Partnership: From ‘Poster Child’ to ‘Problem Child’?”, Friedrich Ebert Foundation, 2013; A. Sobjak, “Is Moldova Tired of Being the Success Story of the Eastern Partnership?”, Polish Institute of International Affairs, 2013.

However, Moldova's political realities with respect to Russia illustrate how its future association with the EU is far from self-evident. Prior to the Vilnius summit, the Russian government increased pressure on Moldova by extending the ban on Moldovan wine from entering the Russian market on health grounds. Without making a direct reference to the AA with the EU, the Kremlin also threatened Chişinău with a ban on Moldovan fruit and vegetable imports, with restrictions on visas for labor migration to Russia, and with potential gas cuts in winter—a serious concern in Moldova, which is almost entirely dependent on Russian gas. Finally, Moscow has indirectly used the unresolved Transnistria Conflict as an instrument to prevent Chişinău from intensifying its relations with the EU. The Transnistrian government, which is backed by Moscow, seeks to join the Customs Union. By fostering relations with the EU instead of remaining in a position between the EU and Russia, the Moldovan government reduces the likelihood that the breakaway territory Transnistria would one day become integrated into the Republic of Moldova. Finally, intensifying relations with the EU is controversial among Moldovan politicians, and the Communist Party under former prime minister Vladimir Voronin, which is the strongest party in parliament, is in favor of joining the Customs Union.<sup>27</sup>

In Georgia, by contrast, Euro-Atlantic integration as foreign policy priority is questioned by only a few prominent politicians. Foreign Minister Maia Panjikidze recently argued that the initialing of the Association Agreement is a “point of no return” on Georgia's path to become a “normal European country”.<sup>28</sup> At the same time, the government under Prime Minister Bidzina Ivanishvili, in office between October 2012 and November 2013, increased its efforts to relax relations with the Kremlin, which have been frozen since the 2008 war. It is likely that this approach will be maintained under the new Prime Minister Irakli Garibashvili, who entered office in November 2013. Also the new President Giorgi Margvelashvili, elected in October 2013, is in favor of improving Tbilisi's relations with Moscow. As a first result of this approach, the Russian government in summer 2013 lifted a trade embargo on Georgian wines that had been in force since 2006. This was, however, also a result of Russia's entry into the World Trade Organization (WTO) in August 2012.

Besides the initialing of the agreement with the EU, another important step in Georgia's association with the EU is gradual visa liberalization. The success of this process, however, also depends on developments in Georgia's justice arena, particularly with respect to the rule of law. Since 2012, several ministers of the former government have been put on trial on charges that include abuse of

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<sup>27</sup> Voronin's re-election as head of government might also affect relations between Romania and Moldova, which have been often under strain since Moldova's independence in 1991.

<sup>28</sup> FAZ, “Präsidentenschaftswahl in Georgien: Das Ende des Rosenrevolutionärs”, 25 October 2013.

power and embezzlement. In October 2013, EU Commission President José Manuel Barroso warned the Georgian government about tolerating “selective justice” in the case of former President Mikheil Saakashvili and others.<sup>29</sup> As a result, the EU will closely follow how Georgia deals with the possible prosecution of former government officials.

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<sup>29</sup> European Commission, “Statement by President Barroso Following his Meeting with the President of Georgia, Mikheil Saakashvili”, document SPEECH/13/870, 29 October 2013.

## Limited Interest in the Eastern Partnership in Armenia, Azerbaijan and Belarus

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While there has been some tangible progress in the EU's relations with Moldova and Georgia, the EaP has not influenced politics in Belarus and Azerbaijan in any significant way. For different reasons both countries have only limited interest in strengthening relations with the EU.

Particularly disappointing for the EU was the decision of Armenia's President to reject the initialing of an Association Agreement with the EU. The Armenian government has for long been trying to find a way to maneuver between an economic partnership with the EU and a military alliance with Russia. Yerevan historically maintains close relations with Russia, which guarantees Armenia's security through supplying it with weaponry and stationing troops in the country.<sup>30</sup> This military presence has prevented Azerbaijan from using force to regain the territories surrounding Nagorno-Karabakh. In addition, Russian companies are involved in and often control major economic areas in Armenia, including airlines, the railway system, and the telecommunications sector. Transfers from the Armenian diaspora in Russia account for one-third of Armenia's gross domestic product.<sup>31</sup> To retain these strong economic and social relations, Moscow regularly uses a combination of pressure and incentives. For example, the Russian government was able to ensure that the Russian company Gazprom, which is controlled by the Kremlin, will be involved in the operation of a new pipeline that supplies natural gas from Iran to Armenia, which is intended to reduce Armenia's dependence on Russia for energy.<sup>32</sup>

Due to Russia's strong influence on Armenian politics, Yerevan's initial interest in the Eastern Partnership and its three-year negotiations on an Association Agreement was especially

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<sup>30</sup> Both countries also extended the contract of the Russian troop stationing until the year 2044.

<sup>31</sup> FAZ, "Ein hoher Preis: Weshalb Armenien Russland der EU vorzieht", 8 October 2013.

<sup>32</sup> "Russia Pressured Armenia over Iran Gas, Says Official", 21 May 2013, <<http://asbarez.com/110189/russia-pressured-armenia-over-iran-gas-says-official/>>.

surprising.<sup>33</sup> In July 2013, Foreign Minister Edward Nalbandian stressed the importance of cooperation with the EU in the framework of the EaP for triggering reforms in Armenia.<sup>34</sup> In September 2013, however, President Sersch Sarkisjan declared that Armenia would not initial the AA and would instead join the Customs Union, arguing that Armenia was already integrated into the Collective Security Treaty Organization (CSTO), a military alliance under Russia's lead, and also could not stand aside if its members also integrated in economic terms. For the EU, Armenia's decision not to initial an AA was a slap in the face, and illustrates the challenges faced by countries in the post-Soviet space to evade Russia's influence. Apart from economic relations, the EU has apparently little to offer Armenia so long as EU members continue to deny it a long-term membership perspective.

Azerbaijan is the only country in the EaP that does not have any intention of joining the EU, and is therefore not keen on complying with the rules and norms set by the EU through the EaP framework. The country is blessed with hydrocarbon resources, and the EU has identified Azerbaijan as a key player in its quest to reduce its dependency on Russian gas and oil imports. Many EU member states have economic interests in Azerbaijan, and are especially interested in promoting deeper energy cooperation. Governments of some EU member states therefore tend to ignore the system of patronage and corruption and the suppression of political opposition in the country.<sup>35</sup> President Ilham Aliyev's regime can therefore ignore most of the EU's requests for more democratization.<sup>36</sup> At the same time, Baku is not particularly interested in joining the Customs Union.

Similar to Azerbaijan, the EU has limited influence on the government in Belarus. The EU imposed a visa ban on more than 200 Belarusian individuals and froze their assets within the EU after a violent crackdown on the political opposition following the presidential elections in December 2010 and the imprisonment of protesters and political opposition leaders. This policy of targeted restrictive measures against the regime of President Alexander Lukashenko has not yet led to results.<sup>37</sup> Belarus's economy is heavily dependent on

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<sup>33</sup> Interview by author with EU officials, Brussels, November 2013.

<sup>34</sup> Ministry of Foreign Affairs of the Republic of Armenia, "The Minister of Foreign Affairs of Armenia Participated in the EU and Eastern Partnership Foreign Ministerial Meeting", Press Release, 22 November 2013.

<sup>35</sup> J. Kobzova and L. Alieva, "The EU and Azerbaijan: Beyond Oil", European Council on Foreign Relations, 2012, p. 2-3. According to Transparency International, Azerbaijan is "plagued by endemic corruption that prevents ordinary Azerbaijanis from sharing in their country's natural wealth and is a significant barrier to Azerbaijan's development". See Transparency International, "Azerbaijan: out of Tune?", <[www.transparency.org/news/feature/azerbaijan\\_out\\_of\\_tune](http://www.transparency.org/news/feature/azerbaijan_out_of_tune)>.

<sup>36</sup> J. Kobzova and L. Alieva, *op. cit.* [39], p. 5.

<sup>37</sup> The policy is officially called by EU a "policy of critical engagement with Belarus". Council of the EU, "EU Sanctions against Belarus Extended", document No. 15513/13, 29 October 2013.

Russia's subsidized energy imports, which limits Lukashenko's political options. Despite Belarus' dependence on Russia, Lukashenko has an ambiguous political relationship with the Kremlin. In September, Belarus was in a trade conflict with Russia over potash exports, in which Russia threatened sanctions on agricultural products from Belarus.<sup>38</sup> Nevertheless, since political relations with the EU are frozen, Minsk did not have many alternatives to the Customs Union. EU officials assume that the country will seek closer relations with the EU once Lukashenko, who is often referred to as "Europe's last dictator", has left office.<sup>39</sup> It is, however, unpredictable when this will happen.

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<sup>38</sup> EU Observer, "Doing Business in Belarus: Beware of Hostage-takers" (opinion by J. Forbrig), 2 September 2013.

<sup>39</sup> Interview by author with EU officials, Brussels, November 2013.

## The Eastern Partnership's Impact on EU-Russia Relations

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Armenia and Ukraine's rejection of the Association Agreements with the EU can be considered as resulting from successful disruptive action by the Kremlin against the Eastern Partnership. As Moscow's suspicion of the policy has gradually increased, it is likely that it will remain the most contentious issue between Russia and the EU in the coming years. A further commitment to the EaP by the EU and its member states could contribute to more confrontation with the Kremlin in 2014 and beyond. This is all the more likely since the member states will probably align their positions on Russia more closely than in previous years.

In the past, positions on Russia among the member states have often been diverse. In particular, Germany, Italy and, to a lesser but growing extent France, retain strong economic interests in Russia. In contrast, the UK has traditionally pursued a relatively tough policy on Russia. Most skeptical on developments in Russia are Poland and the Baltic states, whose officials frequently refer to a geopolitical struggle with Russia over the "shared neighborhood".<sup>40</sup> Among their key foreign policy objectives there is bringing Ukraine closer to the EU. The recent decision in Ukraine not to sign the AA is therefore a harsh setback for those states.

However, one reason why the EU often could not agree on a common position on Russia was the stance of the German government, although this has changed significantly since 2012. Russia has traditionally been an important trade partner for Germany, which imports 36% of its gas from Russia. The government under chancellor Gerhard Schröder (1998 to 2005) pursued a policy that had a strong focus on cooperation with Russia. Based on the "partnership for modernization" concept, the German government assumed that political and social transformation in Russia toward democracy and the rule of law could be achieved through close economic cooperation. Many member states in Central and Eastern Europe have for long been skeptical about this approach. Berlin also pursued policies that were not aligned with its EU partners; for example, the much criticized agreement between Berlin and Gazprom

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<sup>40</sup> K. Raik, "Lithuania's Presidency Gamble: The Activeness of Vilnius is Pushing the EU's Eastern Partnership Forward", Finnish Institute of International Affairs, November 2013.

on the construction of the Nord Stream pipeline. In 2007 and 2008, the German government, against the will of many EU and NATO allies, blocked Ukraine and Georgia's membership in NATO's Membership Action Plan due to Russian opposition on the issue.

Following Vladimir Putin's victory in the presidential elections in May 2012 and his increasingly authoritarian rule, the German government has become more critical about political developments in Russia, and many German politicians doubt that the "partnership for modernization" approach really contributes to changes toward more democratization and rule of law in Russia.. Berlin has since gradually stepped out of its role as "Russian ally" in Europe and has also opposed a quick visa liberalization process with Russia.<sup>41</sup> This policy change can only partly be explained by the reportedly bad relationship between Angela Merkel and Vladimir Putin.<sup>42</sup> Equally important is the role of the German Bundestag, which has often criticized the Kremlin's treatment of the political opposition and minority groups. In the coalition treaty of November 2013, the parties of the "grand coalition" agreed that the German government would openly discuss with the Russian government how to expand the "partnership for modernization", and intensify the bilateral contacts with representatives of civil society and the middle class in Russia. Russia would be requested to respect democratic and rule-of-law standards. The German government also wants to push for a more coherent EU position on Russia, for negotiations on an EU-Russia partnership agreement, and for a trilateral dialogue between Germany, Poland and Russia.<sup>43</sup> This indicates that the new government will closely follow political developments in Russia and—although in a more conciliatory tone than in the past two years—refer to human rights violations if they occur.

It will be interesting to see if the German position on Russia will be shaped more by the Chancellery or the foreign office, which is regarded as traditionally less critical on Russia. In this respect, much depends on the new Foreign Minister Frank-Walter Steinmeier of the Social Democratic Party, who in his first term as foreign minister (between 2005 and 2009) often pursued a "Russia-friendly" stance.<sup>44</sup> In his first speech as Foreign Minister, Steinmeier criticized not only the Kremlin's but also the EU's approach on Ukraine. He said it was

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<sup>41</sup> S. Meister, "Germany's Russia Policy: Bolder towards Moscow?", European Council on Foreign Relations, October 2013.

<sup>42</sup> "Between Putin and Merkel, There's a Chill in the Air", *New York Times*, 16 November 2012.

<sup>43</sup> In close cooperation with Russia, Germany plans to increase efforts in conflict resolution in the common neighborhood, and specifically hopes for progress with regard to the Transnistria conflict. See "Deutschlands Zukunft gestalten: Koalitionsvertrag zwischen CDU, CSU und SPD, 18. Legislaturperiode", p. 169-170.

<sup>44</sup> J. Franzke, "Wertepolitik versus Realpolitik: Die Russlandpolitik der Regierung Merkel/Steinmeier", *WeltTrends*, No. 67, 2009. However, as a member of the Bundestag has pointed out, Steinmeier will have to respect the coalition treaty. Interview by author with member of the German Parliament, November 2013.

“scandalous” how the Kremlin had used the dire economic situation in Ukraine in order to prevent its government from signing the Association Agreement with the EU. At the same time, Steinmeier said politicians in the EU would have to ask themselves if they had underestimated how divided Ukraine was and if it had been overburdened by being pressed to decide between Europe and Russia, and also whether they had underestimated Russia’s determination with regard to Ukraine.<sup>45</sup> Another development that hints to a more conciliatory tone in Berlin toward the Kremlin is the decision of the new government to appoint Gernot Erler (Social Democrats) as the new Coordinator of German-Russian Intersocietal Cooperation. While his predecessor Andreas Schockenhoff (Christian Democratic Union) openly spoke out against human rights violations and a lack of rule of law in Russia, Erler has criticized this “Russia bashing” approach and will likely attempt to improve the atmosphere between German and Russian governments in the coming months.<sup>46</sup>

Despite its frequent critique of political developments in Russia since 2012, the German government has not been very proactive in fostering the EaP. There are, however, some indications that this could change in the future:<sup>47</sup> First, many German politicians, particularly of the Christian Democratic Union, openly support the opposition in Ukraine and hope that it will intensify relations with the EU. These politicians have high expectations of Vitali Klitschko, one of the opposition leaders in Ukraine, particularly popular in Germany for his career as a heavyweight boxing champion. Secondly, prior to the Vilnius summit, Merkel called upon Russia not to interfere in countries that want to enter into a closer association with the EU. At the same time, she made clear that Germany regards Russia a strategic partner with which the EU wants to cooperate, and that the EaP would not be “directed against Russia”. However, if the Kremlin continues to put pressure on its Western neighbors when they intensify their relations with the EU, this could lead to a more critical position of the German government, which would be likely to affect the EU’s position on Russia.

Besides the disputes on the Eastern Partnership, other issues are likely to become contentious in EU-Russia relations in the coming months, including energy policies. Russia is the largest exporter of oil and natural gas to the EU, and most eastern European countries are highly dependent on Russian gas. In addition, Russian companies play a significant role in the European energy sector, with Gazprom

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<sup>45</sup> Auswärtiges Amt, 2013.

<sup>46</sup> G. Erler, “Schluss mit dem Russland-Bashing!”, *Die Zeit*, 9 June 2013.

<sup>47</sup> In a joint paper, some German foreign policy experts argued that it is legitimate for the German government to regard the EaP through geostrategic lenses, and therefore called upon it to focus more strongly on close coordination with Poland in the EaP. See “Deutsche Außenpolitik und Östliche Partnerschaft: Positionspapier der Expertengruppe Östliche Partnerschaft”, 6 February 2012, <<https://dgap.org/de/think-tank/publikationen/dgapstandpunkt/deutsche-au%C3%9Fenpolitik-und-%C3%B6stliche-östliche-partnerschaft>>.

controlling various subsidiaries and energy infrastructure assets in member states. Being criticized for lack of transparency in its structure and business practices, Gazprom has frequently been accused of consolidating control of energy infrastructure throughout Europe. For years, the European Commission was asked to take legal action against Gazprom due to its monopolistic and anti-competition practices. In October 2012, the Commission opened formal proceedings to investigate whether or not Gazprom is abusing its dominant market position by hindering competition in the gas markets of Bulgaria, the Baltic states, the Czech Republic, Hungary and Poland.<sup>48</sup> If the Commission finds in its investigations—which are not expected to be completed before spring 2014—that Gazprom has breached EU competition rules, it can fine the company up to 10% of its annual turnover. Gazprom is therefore currently trying to find a “mutually acceptable solution” to change its operating practices before the Commission issues formal anti-trust charges against it.<sup>49</sup>

Another contentious issue in EU-Russia relations concerns the Kremlin’s trade practices with its neighbors. Despite its WTO membership, Russia seeks to protect its vulnerable agricultural sector; for example, by prohibiting the import of potatoes from the EU. In addition, Russia has in the past banned various products from the EU, including frozen meat from Germany and the Netherlands, meat and dairy products from some German regions, and recently dairy products from Lithuania. The latter might provoke the EU to launch proceedings against Russia on the WTO level in 2014.<sup>50</sup>

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<sup>48</sup> European Commission, “Antitrust: Commission Opens Proceedings against Gazprom”, Press Release, 4 September 2012.

<sup>49</sup> “Gazprom Pushes for Peace with Europe”, *Financial Times*, 4 December 2013.

<sup>50</sup> V. Socor, “Russia Conducts Trade Warfare on Multiple Fronts”, *Eurasia Daily Monitor*, 16 October 2013.

## Outlook

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Prior to the Vilnius summit, the EaP had developed into a highly contentious issue likely to affect EU-Russia relations. Russian diplomacy achieved success when it prevented Ukraine and Armenia from signing and initialing Association Agreements with the EU. The past weeks have illustrated that most countries in the EU's eastern neighborhood are still undecided on which direction they want to take—whether to intensify their relations with the EU, join Russia's Customs Union, or remain indecisive on the issue. At the same time, the EU member states disagree on the final objectives of the EaP; that is, whether the policy should lead merely to deeper association of the partner countries with the EU, or if at some point an EU membership perspective should be offered.

The EU is reluctant to start a power game with Russia in the “shared neighborhood”. However, it has become apparent that its EaP contributes to strained relations with Russia. This tendency is likely to increase if the European Commission takes legal action against Gazprom and launches proceedings against Russia at the WTO.

The EU is, however, aware that it is not well-equipped for a power struggle with Russia, nor does it want to engage in it. It should therefore remain committed to the EaP and continue to strengthen it without politicizing it unnecessarily. EU officials should make clear that the EaP is not directed against Russia, and by no means aims to push back Russian interests in the shared neighborhood, but that it is legitimate for the EU to strengthen its relations with states in the post-Soviet space.

Ukraine's recent rejection of the AA does not mean that it cannot be signed at a later stage. If the Ukrainian government, with or without Yanukovich as president, sees that Georgia and Moldova benefit from the DCFTA, it might revise its current position. The EU and its member states should therefore ensure that the AA with Georgia and Moldova are signed and ratified as soon as possible. The ratification process can be delayed by any EU member state if it has reservations about political developments in the partner country. In addition, Russia is likely to continue to put pressure on Tbilisi and Chişinău not to sign the agreements, by applying trade and energy-related instruments. The EU should be prepared to support Georgia and Moldova in this difficult period; for example, by stepping up with financial support through the European Neighbourhood and Partnership Instrument, and by helping both countries to invoke the

WTO dispute settlement system in order to unblock Russia's ban on imports from Georgia and Moldova. In return for its support, the EU should ensure that both countries fulfill the conditions set by the EU before the agreements are signed.

Once the agreements are in force, Moldova and Georgia will have to gradually adopt and implement EU regulations and standards before fully benefiting from the DCFTA. This transitional period will involve compliance costs that should not be underestimated, and which will probably be exploited by local politicians to put the countries' association with the EU into question. The EU should be prepared to assist both countries with financial and technical support. Demonstration of real commitment from the EU and its member states to the EaP might lead to a change of attitude and policies in Kyiv, which might seek closer relations with the EU before the next EaP summit in Riga in 2015.