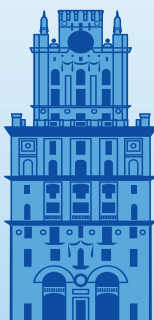


Pan-European Integration Processes: *to be or not to be?*

Discussion paper

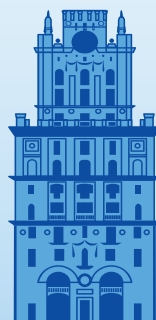
*Yauheni Preiherman
Roza Turarbekova
Elena Korosteleva
Christian Bluth*



Minsk
Dialogue

Мінскі
Дыялог

Минский
диалог



Minsk, 2016

Contents

| | |
|--|----|
| Contributors..... | 4 |
| <i>Yauheni Preiherman</i> | |
| Introduction. Pan-European Integration Processes: a normative necessity ... | 5 |
| <i>Roza Turarbekova</i> | |
| Challenges of Regional Construction in Eurasia..... | 10 |
| <i>Christian Bluth</i> | |
| How to De-Escalate the Tensions between the EU and Russia and Build a Cooperative Relationship..... | 14 |
| <i>Elena Korosteleva</i> | |
| The EU and Eurasian Economic Union: seizing the opportunity? | 21 |
| Conclusions..... | 26 |

*Contributors***Christian Bluth**

Project Manager at the Bertelsmann Foundation (Germany)

Elena Korosteleva

Professor of International Politics at the University of Kent;
Director of Global Europe Centre; LSE Dahrendorf Professorial
Fellow (UK)

Yauheni Preiherman

Head of the Minsk Dialogue Track-II Initiative; Chairman of
Board at the Discussion and Analytical Society *Liberal Club*
(Belarus); PhD researcher at the University of Warwick (UK)

Roza Turarbekova

Assistant Professor at the Belarusian State University (Belarus)

Introduction

Pan-European Integration Processes: a normative necessity

5

*Yauheni
Preiherman*

Yauheni Preiherman

In recent years, not only official but also expert-level discussions about pan-European integration processes have been marred by geopolitical tensions and lack of dialogue between Russia and the EU. This inevitably affects the relations (or lack of them) between the region-building projects promoted by Moscow and Brussels: the Eurasian Economic Union (EEU) and the Eastern Partnership (and, in a broader sense, the European Neighbourhood Policy).

However, the practical need to develop cooperative ties and mutually reinforce integration and interregional effects for the benefit of common people, businesses and governments keeps the issue relevant for researchers' and policy-makers' agenda. Thus, the core challenge today is to go beyond geopolitics-loaded discourses and focus on practical opportunities and challenges to pan-European integration processes.

The idea of this discussion paper is to contribute to the intellectual thinking in this direction, i.e. to support the efforts of those experts who are trying to focus not on the question "why is progress impossible?", but rather on a more complicated question "how to make even minimal progress feasible"?

Analysis, in any way, has to begin with the context, framework conditions and the general atmosphere in Russia-West relations. The latter are highly unfavourable for a discussion about ways to facilitate EU-EEU cooperation. Lack of political will on both sides a priori undermines forward-looking ideas. Nonetheless, the contributors to this paper see pan-European integration processes as a normative necessity. We believe that when political will is missing Track-II initiative can and has to take the lead.

*Yauheni
Preiherman*

The idea of a “Greater Europe from Lisbon to Vladivostok” has been present in discourses on different governmental and non-governmental levels for quite a long time already. The moods around it differ depending on the state of the political dialogue between Russia and the West. But even in the best of times the idea does not seem to have an immediate future – only longer-term prospects at best. At the same time, future-oriented analysis and forecasting have a peculiarity.

In most cases, forecasting simply extrapolates current trends into the future. And this is indeed what usually happens in reality. However, this presents a serious methodological problem: we often find it next to impossible to foresee a critical disjuncture and a reversal of trends before the expected future begins. Where and when is the course of history interrupted by the so-called “Black Swans”, i.e. large-impact and discontinuous events beyond the realm of normal expectations? Or the so-called “Dirty-White Swans” – events that become surprising due to inattentive or biased analysis?

Given the increasing level of unpredictability in the EU, the post-Soviet space and the whole world, disrupting surprises should not be ruled out in various aspects of EU-EEU relations. And their hypothetical impact is hard to predict.

Containment in the Multi-Polar World and Economic Prospects

This is especially relevant against the background of growing plurality in international affairs. Not only are regional powers more assertive in their attempts to exert influence over the global agenda and establish specific regional orders, but non-state actors are also becoming increasingly diverse and difficult to analyse.

In the situation when a large number of actors play an active game in the international arena, and each of them has specific internal and external agenda, classic-style confrontation between geopolitical blocks does not have a clear rational footing. Erecting

political, economic and ideological “barricades” between integration groupings is simply impossible.

7

*Yauheni
Preiherman*

Confrontation between the West and Russia cannot give a strategic edge to either of them. The containment of Russia, which many voices in the West encourage, is hardly feasible in the multi-polar world. In the best-case scenario, attempts to contain Russia will result in hybrid forms of relations with elements of non-systemic cooperation and conflict. And in the worst-case scenario, they will lead to unpredictable effects of the “security dilemma” and actions “on the brink” (in the context of local crises, as well as on the global level).

At the same time, economic agents, both legal and shadow, will permanently look for loopholes in order to circumvent political restrictions on cooperation. This will only undermine political integrity and the legitimacy of supranational decisions in the EU and EEU, as well as highlight other contradictions within the integration groupings. Moreover, the prospects of economic cooperation, and free trade in particular, generally present a strong argument in favour of pan-European integration. The few model-based calculations conducted to date reveal (with certain reservations) multiple advantages for states, companies and individual citizens. For example, Christian Bluth presents in his contribution to this paper data from a recent study, which demonstrates potential gains from a free trade zone in the categories of countries’ exports and per capita income.

It is even more interesting to look at the benefits of EU-EEU cooperation in the emerging geoeconomic context. China’s Silk Road Economic Belt project, if launched on a grand scale, can easily shift the focus of expert and political discussions from the lack of political will to the need for a quick synchronisation of standards, introduction of mutual recognition mechanisms, and adaptation of best regulatory practices in order to improve pan-European competitiveness, as well as logistics infrastructure and investment attractiveness. Otherwise, as Roza Turarbekova argues in her piece, the competitive forces of the US and China-driven megaprojects of higher order “will inevitably tear Eurasia apart”.

*Yauheni
Preiherman*

What the analysis of Russia-West and, by the same token, EEU-EU relations usually misses is the factor of small states that sit in-between – their interests and objective limitations within integration and inter-regional processes. And it is these states that are most sensitive and vulnerable to the challenge of conflict-driven relations between Moscow and Brussels. The higher geopolitical tensions grow the more difficult it is for these states to navigate between the competing region-building blocks.

Elena Korosteleva demonstrates that in her contribution by looking at the case of Belarus through the lenses of public opinion. And Roza Turarbekova makes a similar point explaining the importance of vertical and horizontal contacts between the EU and EEU. Building on their argument, one can argue that the only way to strengthen the sovereignty of the small in-between states is to prevent the overall situation from escalating to the level of grand geopolitical confrontation and look for institutional formats to directly engage these states in EU-EEU negotiations.

It is within the framework of such a negotiation process (on governmental and expert levels) that realistic formats of pan-European integration should be discussed and identified. There can be many more alternatives for developing EU-EEU relations than just a fully-fledged “integration of integrations” or lack of any integration at all. Realities on the ground normally sit somewhere in-between these two extremes, which reflects the multi-layered nature of international relations, as well as the pragmatism of actors.¹

Often, unexpectedly successful forms of cooperation are born and implemented on a local cross-border level, rather than on a high political level. This is particularly important to keep in mind for the future of EU-EEU relations. As studies of Russia-EU cooperation before the current crisis demonstrate, most successful collaboration took place on the lowest possible local

¹ Van der Togt, T., Montesano, F. S., Kozak, I. (2015) ‘From Competition to Compatibility. Striking a Eurasian Balance in EU-Russia Relations’, Clingendael Report. The Hague.

level.² However, a political negotiations process is still important for lowering the overall conflict environment and identifying the limits of the possible.

9

*Yauheni
Preiherman*

² Romanova, T. (2011) 'The Level-of-Analysis Problem in the Past, Present and Future of EU-Russia Relations', CEURUS EU-Russia Paper No. 2. Tartu.

Challenges of Regional Construction in Eurasia

Roza Turarbekova

The rise of conflict relations in Eurasia observed over the last decade (2007-2008) became the result of the disillusionment with the growth of international cooperation. Regional initiatives, such as the Eastern Partnership, One Belt – One Road and the Eurasian Economic Union (EEU) continue to be competitive projects. In addition to the growing economic competition, there is also the problem of the military-political competition. The problem has worsened over the past few years. This results in the overlap of interests known as soft-power and hard-power.

Increased Competition of “Soft” and “Hard” Power

Undoubtedly, Russia is a key player in Eurasia. Therefore, the analysis of regional relations is focused on the strategic and tactical plans of the Russian government. Before 2007-2008, the Russian political elite had a number of expectations about the growing economic potential and opportunities to influence the European economy by means of “energy diplomacy”. However, the subsequent economic crisis devalued the emerging capital of Russia as an energy superpower. There remained an asset of the armed forces’ modernization and, therefore, the hard-power. The first attempt to “convert” the military and political capital in other forms of capital occurred in 2008 in Georgia.

Meanwhile, the activity of different regional and global players began to increase sharply. At the Eurasian regional level, it was the activation of China within the Shanghai Cooperation Organisation (SCO). Hailed by Beijing in 2007, the policy of soft power in Central Asia started to become implemented at an accelerated pace in 2008-2009. The Russian expert and political community became concerned about the possible loss of parity in the SCO and the actual transformation of the organisation into Beijing’s instrument of policy in Central Asia.

The Georgian-South Ossetian and Georgian-Russian military campaign in the summer of 2008 became another aggravating factor of the situation in the former Soviet Union. Support of the breakaway republics caused tensions in Russia's relations with Western countries and put Moscow's allies – Belarus and Kazakhstan, which did not recognise the secessionist entities in the South Caucasus – in a difficult position.

The Eastern Partnership programme, which was launched in May 2009, became the most uncomfortable challenge for Eurasian integration projects within the framework of Russia's foreign policy. In the geopolitical and geo-economic context of the time, the program was perceived as contrary to Russia's interests.

There began an intense competition for the countries of the shared neighbourhood. In 2009-2011, Russia intensified contacts with Belarus, Kazakhstan and Ukraine in order to create greater unity. Thus it proposed the idea of the Eurasian Economic Union, which in 2013 got the One Belt – One Road project as a competitor.

Geopolitical and Geoeconomic Construction

The Collective Security Treaty Organisation (CSTO) became the second pillar of Russia's regional construction. Chronologically, the EEU geoeconomic design activation coincides with the third phase of the CSTO development, when the organisation took concrete steps to build military infrastructure. Especially rich in events were 2009-2011, when the following documents were signed: the Agreement on the Collective Rapid Response Forces (2009), the Agreement on the Status of Forces and Means of Collective Security Systems of the CSTO (2010), the Protocol on the Placement of Military Infrastructure Units on the Territory of CSTO Member States (2011).

The conversion of military and political capital in other forms of capital gets new impetus in 2012-2014, i.e. the transition period of the NATO mission in Afghanistan. It was the CSTO that was positioned at the time as the main donor of regional security in Central Asia. Attempts to imagine the SCO in that role failed. This is evidenced by the Beijing project to create a new regional group of China – Pakistan – Tajikistan – Afghanistan.

In Central Asia, the question of combining, rather than converting, the capital caused a serious set of challenges in the field of regional security. One of them is related to the objective threat of radical Islamism, directly impacting on the domestic and foreign policies of states. Of the five countries in the region two – Kyrgyzstan and Kazakhstan – are already members of the EEU and CSTO. The prospects of Tajikistan, a member of the CSTO, for joining the EEU are under discussion.

Analysis of the international relations in Eurasia seems incomplete without assessing the consequences of the 2011 Arab Spring. One of the worst results of the revolutionary events was a set of political and military crises that actually put all the countries of the region on the brink of a large regional war. In particular, the Syrian military and political crisis evolved first from the internal to the regional and then to a global conflict. It created an additional negative background for the relations of its direct and indirect participants and contributed to the confrontation between Russia and the United States.

Conversion of Capital and the “Integration of Integrations”

By combining its military-political and economic capital, Russia is aiming to consolidate the post-Soviet space, where Moscow will be the main player. However, even in the framework of the CIS, economic capital has limitations due to the deepening crisis of the Russian economy. Therefore, there appears an increasing reliance on military and political capital. At the same time the Russian leadership continues to perceive its actions solely as a response. Why?

Firstly, the shock of the “color revolutions” (2003-2005) was transformed into a specific set of arguments in defence of the status quo. Secondly, despite obvious super-profits from the export of mineral resources and the desire to become a monopolist on the European market, internal modernisation in Russia started slowly and faced numerous challenges from informal institutions and narrow group interests. Thirdly, welfare growth was sharply interrupted by the financial and economic crisis of 2008-2009.

Finally, Russia's negotiations on the WTO accession were actually devalued by the new megaregional projects of the US and China. The problem here is that the megaregional projects of Beijing and Washington are forms of indirect collision of global interests on the Eurasian continent in the framework of soft power. From this perspective, the "integration of integrations" idea can be seen as a mechanism for taking the inter-integrational relations in the constructive and creative direction.

However, the capital conversion game remains the main problem. If the idea of EU-EEU cooperation is not highlighted and reflected upon, competing groups of higher order will inevitably tear Eurasia apart.

At the same time, several extra conditions are required to overcome the problem of mutual perception between the EU and Russia. In particular, all parties should reconsider the Eastern Partnership as a competing region-building project. And the Russian elite's conversion game should be reconsidered as a foreign policy that rejects the EU, Russia's natural geopolitical partner.

Discussion platforms for exchanging views and expert assessments, and, eventually, for negotiations between the EEU and EU can become effective tools to overcome negative mutual perceptions. The formats of such platforms should be both multilateral and bilateral. The combinations of multilateral forums can also be different. The most important characteristic of these formats should be the strengthening of not only the relations between the headquarters of the organisations, but also of the horizontal links between various EU and EEU countries. This way cooperation will be enhanced through a more sustainable basis of an institutional nature.

How to De-Escalate the Tensions between the EU and Russia and Build a Cooperative Relationship

Christian Bluth

Never since the end of the Cold War have tensions between Russia and the EU been higher. But no side is gaining from increased confrontation – it is, in fact, detrimental to both sides. Instead, increased trade between the EU and the Eurasian region has not only the potential for substantial economic gains, it can also help to build a more stable and peaceful security environment.

During their July 2016 meeting, the EU heads of government confirmed the sanctions against Russia, imposed after the annexation of Crimea. Yet, the tone some politicians strike is changing. Politicians such as Angela Merkel or Matteo Renzi have indicated their readiness not only to lift sanctions but to engage in closer economic cooperation with Russia and other Eurasian countries. The prerequisite for this is that the Minsk peace process – intended to deescalate the conflict between Ukraine and pro-Russian rebels – gains traction. Russia plays a decisive role in this process and the perspective of increased trade can be perceived as a further incentive to use this role more actively.

Once this has been achieved, it would make sense to put the relationship between Russia, its Eurasian neighbours and the EU on a new footing. The present confrontational climate is benefitting neither Russia, nor the EU. The renowned security expert and head of the Munich security conference, Wolfgang Ischinger fears that further demonstrations of strength could spark actual military confrontation. He argues that a strategy of only deterring Russia is not sufficient, a second pillar of de-escalation and rebuilding cooperation is required.

The Political Rationale for a New Trade Relationship

A new trade relationship could do exactly this. In the past, trade policies were designed in a confrontational way, thus leading to the

mounting of tensions. The aim of a new trade policy should be to overcome divisions rather than reinforcing them. Over the last years, the EU has used free trade areas as part of its Eastern Neighbourhood Policy, aiming at creating friendly relationships with the countries surrounding the EU. While this policy was not directed against Russia, Russia felt marginalised by the Neighbourhood Policy and was weary of losing market shares in countries with which it traditionally had strong trade links. Russia's response was twofold: The first pillar was to create a Eurasian Economic Union with some of its partner countries. This is a free trade area, also aiming at achieving a high degree of harmonisation in key economic areas. Presently, Russia, Armenia, Belarus, Kazakhstan and Kyrgyzstan are members. The second pillar was a free trade area between the Eurasian Economic Union and the EU. President Putin first proposed this during a state visit in 2001, coining the expression of a free trade area from Lisbon to Vladivostok. However, no concrete steps were taken to put such a free trade area in motion.

On the contrary, the two different trading blocs began to clash. Since membership in the Eurasian Economic Union and having a free trade agreement with the EU was mutually exclusive, conflicts arose. The largest conflict was the one between Russia and Ukraine, once the pro-Russian government decided not to implement the readily negotiated free trade area with the EU. This provoked public outrage and an overthrow of the government – eventually leading to the conflict at the origin of the disruption of trade relationships between the EU and Russia and the introduction of a system of economic sanctions. Also Armenia had completed negotiations with the EU about a free trade agreement and decided not to implement it, in order to preserve the good relationship it enjoys with Russia.

Trade is not only beneficial economically. As researchers in international relations, such as Matthew Jackson of Stanford University, have shown, increased trade helps to prevent conflicts from escalating. This is because firstly it brings people together, thus facilitating cultural exchange and a better mutual understanding and secondly, it creates strong economic disincentives to disrupt trade ties. These positive effects should be exploited to replace confrontation with cooperation. If the rivalry between the Eurasian Economic Union and the EU Neighbourhood Policy ceased to exist, this could contribute to a de-escalation of tensions. Russia would not need to fear being marginalised, as it would enjoy the

same market access as it currently has – and further market access to the EU market in addition to it. It would also be hugely beneficial to countries in Russia's periphery, especially Belarus and Armenia, who due to their geographic location would benefit most from being part of both trading blocs. Nobody would lose from a free trade area from Lisbon to Vladivostok. The economic gains would be even larger if further countries from the Eurasian region beyond the Eurasian Economic Union were to be included.

Economic Benefits of an EU-Eurasian Free Trade Area

As a study the GED team recently commissioned from the ifo Institut¹ shows, the expected growth potential of a free trade area between the EEU and the EU is substantial. These computations are based on the year 2011, preceding the economic sanctions. The actual effects can thus be expected to be even higher than the ones presented here. In the case of a deep agreement, Russia's exports to the EU would grow by about 32 percent in comparison to 2011, Armenia's by more than 80 percent and those of Belarus and Kyrgyzstan would double. The EU would also benefit: Its total exports to EEU countries would rise by about 60 percent, with the growth potential being highest in Slovakia, Finland and Poland. German exports would rise by about 59 percent. Should a potential free trade area comprise more than just the EEU countries and also include some other countries from the former Soviet sphere of influence, the positive effects would be even greater, as can be seen in Tables 1 and 2.

In terms of income per capita, a deep EEU-EU trade agreement would raise Russia's real annual income by 3.1 percent or €34 billion. Belarus would profit even more, with an income rise of 4.9 percent and also the growth effects in the other EEU countries would be positive and significant. Should other CIS countries not be included in such a trade deal, an EEU-EU trade deal would have slight negative consequences for them because of trade diversion effects. In Europe, the Baltic countries stand to gain most, with per-capital income rises of 1.2 to 1.8 percent, which corresponds to 200 Euros per capita. The EU as a whole would increase its real income by ca. €30 billion. Germany could expect a rise between

¹ Bertelsmann Stiftung (2016) 'Free Trade from Lisbon to Vladivostok – a tool for peace and prosperity: The Effects of FTA between the EU and the Eurasian Region', focus paper. Berlin and Brussels.

7 and 9 percent, which corresponds to €90-110 per capita. Even a shallow trade agreement would still generate substantial positive effects. The welfare effects are presented in Table 2.

Table 1. Evolution of Exports under an EU-EEU FTA

| | Total exports | Exports to EU28/former SU | | Evolution of Exports under an EU-EEU FTA | |
|--|---------------|---------------------------|------------|--|-------------------------------------|
| | in Euro m | in Euro m | in percent | total exports, in percent | exports to EU/former SU, in percent |
| Former Soviet Union Countries | | | | | |
| Russia | 410 730 | 223 332 | 54% | 19 | 32 |
| Moldova | 1 941 | 1 020 | 53% | -2 | 2 |
| Azerbaijan | 26 563 | 12 622 | 48% | 0 | -6 |
| Armenia | 1 475 | 657 | 45% | 34 | 81 |
| Kazakhstan | 59 821 | 25 861 | 43% | 10 | 18 |
| Belarus | 19 152 | 7 321 | 38% | 46 | 109 |
| Georgia | 2 527 | 946 | 37% | -1 | 1 |
| Ukraine | 60 028 | 17 225 | 29% | -3 | 2 |
| Kyrgyzstan | 2 068 | 352 | 17% | 20 | 100 |
| Tajikistan, Turkmenistan, Uzbekistan | 23 357 | 3 967 | 17% | -1 | 1 |
| EU 28 | | | | | |
| Lithuania | 18 586 | 3 313 | 18% | 10 | 82 |
| Cyprus | 9 320 | 1 401 | 15% | 6 | 43 |
| Latvia | 9 688 | 1 163 | 12% | 10 | 79 |
| Estonia | 12 696 | 1 362 | 11% | 10 | 81 |
| Finland | 70 053 | 6 903 | 10% | 6 | 78 |
| Poland | 140 875 | 12 136 | 9% | 5 | 69 |
| Bulgaria | 24 474 | 1 528 | 6% | 2 | 42 |
| Romania | 50 152 | 2 940 | 6% | 2 | 30 |
| Hungary | 84 409 | 4 781 | 6% | 3 | 55 |
| Czech Republic | 115 829 | 6 135 | 5% | 3 | 60 |
| Slovenia | 24 228 | 1 268 | 5% | 2 | 45 |
| Slovakia | 57 168 | 2 686 | 5% | 5 | 131 |
| Germany | 1 120 817 | 51 937 | 5% | 2 | 59 |
| Italy | 441 237 | 17 086 | 4% | 2 | 67 |
| Greece | 56 022 | 2 063 | 4% | 5 | 61 |
| Austria | 149 937 | 5 064 | 3% | 1 | 49 |
| Croatia | 21 830 | 663 | 3% | 1 | 54 |
| Sweden | 165 894 | 4 999 | 3% | 1 | 58 |
| UK | 486 034 | 14 189 | 3% | 1 | 59 |
| France | 524 116 | 15 113 | 3% | 2 | 64 |
| Denmark | 113 240 | 3 160 | 3% | 2 | 57 |
| Netherlands | 289 084 | 7 412 | 3% | 2 | 72 |

Table 1 continued

| | Total exports | Exports to EU28/former SU | | Evolution of Exports under an EU-EEU FTA | |
|------------|---------------|---------------------------|------------|--|-------------------------------------|
| | in Euro m | in Euro m | in percent | total exports, in percent | exports to EU/former SU, in percent |
| Spain | 297 450 | 7 003 | 2% | 1 | 65 |
| Malta | 5 979 | 135 | 2% | 1 | 31 |
| Belgium | 292 423 | 5 893 | 2% | 1 | 70 |
| Luxembourg | 54 919 | 935 | 2% | 1 | 34 |
| Ireland | 174 019 | 2 258 | 1% | 0 | 61 |
| Portugal | 58 682 | 640 | 1% | 0 | 56 |
| EU 28 | 4 869 160 | 184 167 | 4% | 2 | 63 |

Table 2. Welfare Effects of an EU-EEU-FTA Under Different Scenarios

| | elimination of tariffs | | | | elimination of tariffs and shallow reduction of NTBs | | | | elimination of tariffs and deep reduction of NTBs | | | |
|---|------------------------|--------------|-------------|--------------|--|--------------|-------------|--------------|---|--------------|-------------|--------------|
| | industry sectors only | | all sectors | | industry sectors only | | all sectors | | industry sectors only | | all sectors | |
| | in percent | € per capita | in percent | € per capita | in percent | € per capita | in percent | € per capita | in percent | € per capita | in percent | € per capita |
| Former Soviet Union sphere of interest countries | | | | | | | | | | | | |
| Belarus | 0 | 1,6 | 0,1 | 6 | 2 | 117,2 | 2,6 | 151,3 | 4 | 234,9 | 4,9 | 289,4 |
| Russia | 0,2 | 18,9 | 0,4 | 28,7 | 1,1 | 86,8 | 1,6 | 122,4 | 2,3 | 173 | 3,1 | 234,5 |
| Armenia | 0 | 0,2 | 0 | -0,4 | 0,7 | 22,2 | 1,1 | 33,8 | 1,6 | 50,6 | 2,3 | 74,7 |
| Kyrgyzstan | 0,1 | 0,7 | 0,2 | 2,2 | 0,6 | 6,1 | 0,8 | 8,8 | 1,7 | 17,8 | 2,3 | 25 |
| Kazakhstan | -0,1 | -9,9 | -0,1 | -9,9 | 0,5 | 49,6 | 0,7 | 69,4 | 1,2 | 120,8 | 1,7 | 165,1 |
| Moldova | 0 | 0,7 | 0 | 0,8 | 0 | 0,6 | 0 | 0,3 | 0,1 | 1,3 | 0,1 | 1,2 |
| Georgia | 0 | 0,8 | 0 | 1,1 | 0 | 0,7 | 0 | 1,1 | 0 | 1,2 | 0,1 | 2 |
| Azerbaijan | -0,1 | -4,3 | -0,1 | -6,2 | 0,1 | 3,4 | 0 | 2 | 0,1 | 6,4 | 0 | 2,9 |
| Tajikistan | -0,1 | -0,8 | -0,1 | -0,9 | -0,1 | -0,7 | -0,1 | -0,8 | -0,1 | -0,7 | -0,1 | -1 |
| Turkmenistan | -0,1 | -6,2 | -0,1 | -7,4 | -0,1 | -5,5 | -0,1 | -6,7 | -0,1 | -5,9 | -0,1 | -8,1 |
| Uzbekistan | -0,1 | -1,8 | -0,1 | -2,1 | -0,1 | -1,6 | -0,1 | -1,9 | -0,1 | -1,7 | -0,1 | -2,3 |
| Ukraine | 0 | -0,8 | 0 | -0,9 | -0,1 | -2,2 | -0,1 | -2,3 | -0,2 | -3,1 | -0,2 | -3,3 |
| Bosnia-Herzegovina | 0 | -0,1 | 0 | 0 | 0 | 0 | 0 | -0,2 | 0 | -0,1 | 0 | -0,1 |
| Macedonia | 0 | -0,1 | 0 | 0 | 0 | 0 | 0 | -0,2 | 0 | -0,2 | 0 | -0,1 |
| Montenegro | 0 | -0,2 | 0 | 0 | 0 | 0 | 0 | -0,2 | 0 | -0,2 | 0 | -0,1 |
| Serbia | 0 | -0,1 | 0 | 0 | 0 | 0 | 0 | -0,2 | 0 | -0,2 | 0 | -0,1 |
| Albania | 0 | -0,4 | 0 | -0,6 | 0 | -0,3 | 0 | -0,6 | 0 | -0,1 | 0 | -0,4 |

Table 2 continued

| | elimination of tariffs | | | | elimination of tariffs and shallow reduction of NTBs | | | | elimination of tariffs and deep reduction of NTBs | | | |
|----------------|------------------------|--------------|-------------|--------------|--|--------------|-------------|--------------|---|--------------|-------------|--------------|
| | industry sectors only | | all sectors | | industry sectors only | | all sectors | | industry sectors only | | all sectors | |
| | in percent | € per capita | in percent | € per capita | in percent | € per capita | in percent | € per capita | in percent | € per capita | in percent | € per capita |
| EU 28 | | | | | | | | | | | | |
| Latvia | 0,1 | 11,1 | 0,2 | 24,6 | 0,8 | 95,7 | 1 | 121,3 | 1,5 | 179,4 | 1,8 | 220,3 |
| Lithuania | 0,2 | 29,1 | 0,3 | 38,5 | 0,6 | 83,2 | 0,9 | 118,1 | 1,2 | 155 | 1,6 | 206,3 |
| Estonia | 0,1 | 12,1 | 0,2 | 23,6 | 0,6 | 94,2 | 0,7 | 112,6 | 1,1 | 169 | 1,2 | 187,2 |
| Cyprus | 0 | -1,2 | 0 | -1,3 | 0,4 | 69,2 | 0,6 | 108,6 | 0,5 | 97 | 1 | 199,9 |
| Slovakia | 0,3 | 48,9 | 0,4 | 51 | 0,5 | 69,1 | 0,5 | 71,2 | 0,7 | 101,3 | 0,7 | 105,8 |
| Hungary | 0,2 | 18,8 | 0,2 | 23,1 | 0,4 | 38,6 | 0,4 | 42,7 | 0,5 | 52,6 | 0,5 | 59,1 |
| Finland | 0,1 | 37,2 | 0,1 | 35,2 | 0,3 | 108,4 | 0,3 | 124 | 0,5 | 182,2 | 0,5 | 197,6 |
| Czech Republic | 0,2 | 24,6 | 0,2 | 27 | 0,3 | 45,7 | 0,3 | 50,1 | 0,5 | 71,4 | 0,5 | 79,9 |
| Greece | 0 | 3,2 | 0 | 4,6 | 0,3 | 54,8 | 0,4 | 61,3 | 0,3 | 52,6 | 0,4 | 66,8 |
| Poland | 0,1 | 10,8 | 0,1 | 13,3 | 0,2 | 25,6 | 0,3 | 30,1 | 0,3 | 39,5 | 0,4 | 47,4 |
| Bulgaria | 0,1 | 3,5 | 0,1 | 4,5 | 0,2 | 10,5 | 0,2 | 13,8 | 0,3 | 16,2 | 0,4 | 22,3 |
| Slovenia | 0,1 | 17,2 | 0,1 | 20,1 | 0,2 | 43,8 | 0,3 | 47 | 0,3 | 59,4 | 0,4 | 65,6 |
| Ireland | 0,1 | 25,3 | 0,1 | 37 | 0,1 | 47,2 | 0,2 | 78,8 | 0,1 | 61,6 | 0,3 | 122,5 |
| Belgium | 0 | 11,6 | 0 | 15,3 | 0,1 | 50,6 | 0,2 | 63,2 | 0,2 | 79,4 | 0,3 | 101,3 |
| Netherlands | 0 | 12,5 | 0,1 | 22,2 | 0,1 | 52,2 | 0,2 | 66,6 | 0,2 | 90,2 | 0,3 | 111 |
| Malta | 0 | 4,7 | 0 | 4,6 | 0,2 | 33,7 | 0,2 | 38,7 | 0,2 | 39,6 | 0,3 | 50,8 |
| Denmark | 0 | -2,4 | 0 | 2,8 | 0,1 | 42,8 | 0,1 | 50,1 | 0,2 | 100,8 | 0,3 | 116,7 |
| Germany | 0,1 | 24,4 | 0,1 | 27,7 | 0,1 | 52,8 | 0,2 | 58,9 | 0,2 | 80,3 | 0,2 | 90,8 |
| Italy | 0 | 8,8 | 0 | 12,5 | 0,1 | 27,1 | 0,1 | 31,9 | 0,2 | 43,6 | 0,2 | 51,3 |
| Romania | 0 | 1,1 | 0 | 1,2 | 0,1 | 6,5 | 0,1 | 6,4 | 0,2 | 12,7 | 0,2 | 13,4 |
| Sweden | 0 | 16,5 | 0 | 17,7 | 0,1 | 35,3 | 0,1 | 41,6 | 0,1 | 59,4 | 0,2 | 73,6 |
| Austria | 0 | 11 | 0 | 14,1 | 0,1 | 28,4 | 0,1 | 39 | 0,1 | 46 | 0,2 | 65,3 |
| Croatia | 0 | 2,4 | 0 | 3,8 | 0,1 | 6,3 | 0,1 | 8,8 | 0,1 | 10 | 0,1 | 15,3 |
| Spain | 0 | 3,1 | 0 | 5,2 | 0,1 | 13,5 | 0,1 | 19,2 | 0,1 | 21,5 | 0,1 | 29,7 |
| France | 0 | 6,6 | 0 | 9,5 | 0,1 | 24,8 | 0,1 | 27,3 | 0,1 | 32,2 | 0,1 | 38,4 |
| UK | 0 | 2,6 | 0 | 2,1 | 0 | 16,8 | 0,1 | 21,8 | 0,1 | 29,6 | 0,1 | 38,9 |
| Luxembourg | 0 | 5,7 | 0 | 7,5 | 0 | 30,6 | 0,1 | 51 | 0 | 41,8 | 0,1 | 87,2 |
| Portugal | 0 | 2 | 0 | 2,3 | 0 | 4,8 | 0 | 7,4 | 0,1 | 9,3 | 0,1 | 11,9 |

Thus, a free trade area between the EU and the Eurasian region has considerable potential. It would help to overcome the divisions of the past and its prospect alone could provide leverage to accelerate the peace project in Ukraine. Once implemented, it would lead to significant rise in exports from both sides, thus making the

populations especially of the Eurasian countries much better off. Also the EU would gain economically, especially the central and eastern European countries. Most important, however, is the additional stability and the de-escalation of tensions that such an economic cooperation would bring. A free trade area between the EU and the Eurasian region would indeed be a tool for more peace and prosperity.

The EU and Eurasian Economic Union: seizing the opportunity?

21

Elena
Korosteleva

Elena Korosteleva

Geopolitics is back on the agenda, manifest not only in political narratives and military actions in Ukraine, but also in altering public perceptions across the post-Soviet region. The conflict in eastern Ukraine has not only changed domestic and regional power configurations, it also turned the hitherto competitive politics of the EU and Russia over the common neighbourhood into a deadlock of allegedly incompatible trade policies exacerbated further by a lack of political dialogue between the two powers. While for the EU ‘managing the relationship with Russia represents a key strategic challenge’, for the peoples of the region it is becoming a source of growing anxiety and deeply embedded insecurity. Belarus is one example. Accustomed to ‘balancing’ and ‘bargaining’ with the two greater neighbours, it also begins to feel the weight of the growing disjuncture in the inter-regional status-quo.

The Public is Concerned with Security Dilemmas that Governments Face

The 2016 survey² has revealed³ the following changes in public attitudes in Belarus.

- While the appreciation of the EU as a strategic partner for the country is steadily rising, this perception comes under strain

¹ European External Action Service (2016). *Shared Vision, Common Action: A Stronger Europe*: a global strategy for the EU’s Foreign and Security Policy available at https://eeas.europa.eu/top_stories/pdf/eugs_review_web.pdf.

² The survey examined public attitudes of the Belarusian respondents towards the European Union (EU) and the Eurasian Customs/Economic Union (ECU/EEU). It was commissioned by the Office for a Democratic Belarus (ODB) and Global Europe Centre/Jean Monnet Chair. The findings are the copyright of the University of Kent.

³ Korosteleva, E. (2016) ‘Belarus between the EU and the EEU: a National Values Survey’, Global Europe Centre survey brief, available at <http://www.kent.ac.uk/politics/gec/research/index.html>.

when faced with competing and now seemingly conflictual policy narratives from the greater powers. If in 2013⁴ almost 40% believed that the cooperation between the EU and Russia/ECU was not only beneficial, but also possible and practical; this number decreased twofold (18%) by 2016. A 51% majority feels the partnership with Russia and the EEU would be a safer bet in times of crisis and uncertainty (a rise by 14% since 2013), which runs against just 11% of those who would prefer expanding partnership with the EU. Only a third believes that multi-vectored policy – the Golden Rule of Lukashenko's Presidency – is now at all implementable. **An acute and caustic sense of rivalry bordering on incompatibility between the EU and the EEU begins to take hold of public perceptions.** They have become increasingly divided on the prospects of possible cooperation and dialogue with both parties, which would make Belarus's conventional 'balancing' ever harder to implement.

- In addition, there is also a **tangible perception of overlapping competencies between the EU and the EEU emerging.** If before there was a strong sense of differentiation and complementarity between the two greater neighbours, from the late 2013 the EU-EEU nexus became to be seen as increasingly irreconcilable. Notably, as our 2013 survey indicated, the EU's main competencies were seen as lying with the 'know-how' for economic development, trade, democracy and good governance; those of the EEU/ECU was seen as complementary and able to deliver primarily on trade, tourism, energy and employment opportunities. Hence, cooperating with both powers was seen as cost-effective and essential for the survival of the Belarusian economy. The 2016 survey, however, revealed that both powers are now perceived as equally able (and thus competitive) of delivering the same benefits for economic reform and trade, with the EEU however favoured over the EU almost by threefold (65%:23%), and nearly by twofold in economic development (56%:33%). These differing and now almost binary associations in relation to the EU and the EEU are profound in their implications, especially for the EU policy

⁴ Korosteleva, E. (2013) 'Belarus and Eastern Partnership: a National Values Survey'. *Global Europe Centre* survey brief, available at <http://www.kent.ac.uk/politics/gec/research/index.html>.

implementation and sustainable dialogue with the country at the strategic level. **The EU and the EEU are no longer seen as complementary projects**, rather they are increasingly **perceived as overlapping and dichotomous** – a trend that became observable as early as 2013.

In light of the still strong pragmatic interest, the newly revised ENP needs to carefully recalibrate the format of its proposed engagement, to gain more traction with the country on sectoral issues (especially those related to health, food, pensions and employment), and remain effective especially in terms of practical measures and instruments to help reinstate a sense of complementary and congruence in the EU-Belarus-EEU cooperation.

How to Make the EU Approach More Compatible?

Urgent measures are required to diffuse the growing disconnection in public perceptions and policy narratives concerning the prospects of cooperation between the EU and the EEU/Russia. The existing ‘incompatibility’ of choice between the two trading blocs causes considerable security imbalance which could negatively affect the domestic status-quo in Belarus and the conflict-torn wider region, as the experience of Ukraine attests.

There is presently a disarray of opinions amongst the EU policy-makers and practitioners, about how to attend to the issue of ‘incompatibility’ and hence, to the prospect of inter-regional cooperation between the trading blocs. The wider issue is to how to reset relations with Russia to make the EaP less conflictual and beneficial for all parties concerned, to which the EU Global Strategy and the revised ENP have not provided the answers.

This brief believes that while there may be different solutions to attend to these issues, they are at the same time intrinsically inter-linked, and could offer a unique opportunity for reconciliation if carefully considered. This is particularly important if Russia continues to be a challenge for the EU (as the EEAS anticipates).

Enhancing EU bilateral links with individual EEU member states is imperative, as it would empower them to realise

their voice and right of veto if need be, across their respective regional structures. Hence, it is important that the EU continues developing its structural relations with both Kazakhstan and Belarus, to ensure these two founding EEU partners would have a stronger clout in the EEU. Empowering these states would give the EU an opportunity to leverage developments within the EEU by making it structurally stronger and *pari passu* in terms of collective decision-making. A sound and equitable EEU would also offer needed stability to the region, as well as harness volatility of individual member states. Finally, it may also serve as ‘back door’ to developing technical dialogue with Russia, important for keeping traction with the country’s developments and strategic engagement in the future.

If the EU were to advance its leverage over the region it would also have to recognise the EEU as a neighbouring regional bloc, with whom it needs to engage in cooperation. In a long-term, inter-regional cooperation could bring substantial benefits especially for the EEU and the neighbouring EU countries. This could offer even greater effect if conflict zones (Transnistria; Abkhazia, Ossetia etc) and other CIS states were co-opted in this trade cooperation initiative. The net effect, as Bertelsmann’s paper argues, would be “of a magnitude that would represent a substantial impact on people’s purchasing power, especially in the EEU states...” (Ibid.:16). Furthermore, “a free trade area between the EU and the EEU has a considerable potential to deescalate tensions”, and serve as a basis for making a greater Europe – from Lisbon to Vladivostok – a reality one day.

Recommendations

First, Belarus, like any other state in the eastern region, is normatively different. While it increasingly perceives the EU as its important strategic partner, it nevertheless sees it as different and almost opposite in terms of its identity and values. As practice shows, a more tailored and low-key technical engagement is more effective and preferable, especially if on continuous basis, as it has a far greater socialising effect⁵ into international norms and

⁵ Cross-temporal evidence of surveys conducted in 2013 and 2016 indicates a steadily growing positive appreciation of the EU as an important strategic partner for Belarus (<http://kent.ac.uk/politics/gec/>

standards, and consequently, an impact on behavioural patterns and expectations than any political conditionality. Hence, a wide-sectoral approach and cooperation would make more traction with the government, and this way, would succeed in bringing about an 'inside-out' change.

Second, for the EU, recognising and engaging with the EEU, is imperative, for a number of reasons: not only would it empower and stabilise the EEU individual member states and socialise them into an international trade community; it would also make them more resilient and independent in the pursuit of their own interests, within the EEU, thus redressing existing security imbalances within the wider region. Furthermore, a better structured and more functional region would bring more stability and prosperity to its recipients, and could lead to the establishment of a new inter-regional dialogue and closer economic convergence between the EU and Russia, in the long-term.

Recognising the above tenets is not about stating the obvious, but rather ensuring a more inclusive and pragmatic approach from the EU, which could engender change and stability in the wider region.

research/index/html), which in large part could be attributed to the EU's continued low-key engagement with the country and the latter's exposure to the benefits of cooperation.

Conclusions

- Trade is not only beneficial economically. Increased trade helps to prevent conflicts from escalating.
- The capital conversion game remains the main problem. If the idea of EU-EEU cooperation is not highlighted and reflected upon, competing groups of higher order will inevitably tear Eurasia apart.
- To overcome the problem of mutual perception between the EU and Russia all parties should reconsider the Eastern Partnership as a competing region-building project. And the Russian elite's conversion game should be reconsidered as a foreign policy that rejects the EU, Russia's natural geopolitical partner.
- The containment of Russia, which many voices in the West encourage, is hardly feasible in the multi-polar world. In the best-case scenario, attempts to contain Russia will result in hybrid forms of relations with elements of non-systemic cooperation and conflict. And in the worst-case scenario, they will lead to unpredictable effects of the "security dilemma" and actions "on the brink" (in the context of local crises, as well as on the global level).
- Economic agents, both legal and shadow, will permanently look for loopholes in order to circumvent political restrictions on cooperation. This will only undermine political integrity and the legitimacy of supranational decisions in the EU and EEU, as well as highlight other contradictions within the integration groupings.
- China's Silk Road Economic Belt project, if launched on a grand scale, can easily shift the focus of expert and political discussions from the lack of political will to the need for a quick synchronisation of standards, introduction of mutual recognition mechanisms, and adaptation of best regulatory practices in order to improve pan-European competitiveness, as well as logistics infrastructure and investment attractiveness.

- What the analysis of Russia-West and, by the same token, EEU-EU relations usually misses is the factor of small states that sit in-between – their interests and objective limitations within integration and inter-regional processes. And it is these states that are most sensitive and vulnerable to the challenge of conflict-driven relations between Moscow and Brussels.
- The only way to strengthen the sovereignty of the small in-between states is to prevent the overall situation from escalating to the level of grand geopolitical confrontation and look for institutional formats to directly engage these states in EU-EEU negotiations.
- Often, unexpectedly successful forms of cooperation are born and implemented on a local cross-border level, rather than on a high political level. This is particularly important to keep in mind for the future of EU-EEU relations.
- An acute and caustic sense of rivalry bordering on incompatibility between the EU and the EEU begins to take hold of public perceptions. They have become increasingly divided on the prospects of possible cooperation and dialogue with both parties, which would make Belarus's conventional 'balancing' ever harder to implement. There is also a tangible perception of overlapping competencies between the EU and the EEU emerging. They are no longer seen as complementary projects, rather they are increasingly perceived as overlapping and dichotomous.
- If the rivalry between the Eurasian Economic Union and the EU Neighbourhood Policy ceased to exist, this could contribute to a de-escalation of tensions. Russia would not need to fear being marginalised, as it would enjoy the same market access as it currently has – and further market access to the EU market in addition to it. It would also be hugely beneficial to countries in Russia's periphery, especially Belarus and Armenia, who due to their geographic location would benefit most from being part of both trading blocs.

