



# Assessing Legal and Political Compatibility between the European Union Engagement Strategies and Membership of the Eurasian Economic Union

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No. 07 | November 2017

**EU-STRAT Working Paper Series**

**Edited by the EU-STRAT Project ‘The EU and Eastern Partnership Countries – An Inside-Out Analysis and Strategic Assessment’ (EU-STRAT)**

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Rilka Dragneva, Laure Delcour and Laurynas Jonavicius: Assessing Legal and Political Compatibility between the European Union Engagement Strategies and Membership of the Eurasian Economic Union, EU-STRAT Working Paper No. 07, November 2017, ‘The EU and Eastern Partnership Countries – An Inside-Out Analysis and Strategic Assessment’ (EU-STRAT).

ISSN 2510-084X

This publication has been funded by the European Union under the Horizon 2020 research and innovation programme.

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This project has received funding from the European Union’s Horizon 2020 research and innovative programme under grant agreement no. 693382.

# Assessing Legal and Political Compatibility between the European Union Engagement Strategies and Membership of the Eurasian Economic Union<sup>1</sup>

Rilka Dragneva, Laure Delcour and Laurynas Jonavicius

## Abstract

One of the challenges to EU's Eastern Partnership (EaP) policy relates to structuring cooperation with countries that have opted for membership in the Eurasian Economic Union (EAEU), such as Belarus and Armenia, while avoiding the problems faced in the Ukraine crisis of 2013-2014. Acting on its revised European Neighbourhood Policy, the EU has sought to develop differentiated and flexible tools of engagement with the EaP countries, including a new type of agreement with Armenia, the Comprehensive and Enhanced Partnership Agreement (CEPA). Delivering on this agenda, however, requires clarity on the constraints and limits imposed by membership in the EAEU. The EU has tended to establish such limits by reliance on the technocratic analysis of current obligations contained in formal legal agreements. Yet, as revealed by the Ukraine crisis, this approach has not necessarily reflected the geopolitical realities in the region and Russia's view of integration and its compatibility with EU's policies, in particular. This paper argues that establishing the limits imposed by EAEU membership requires an assessment of the range of legal as well as non-legal levers at play in individual member states in relation to Russia's integration projects. What matters is how Russia as well as its Eurasian partners play the 'integration game', and the degree to which political elites in Belarus and Armenia can manoeuvre a space for independent engagement with the EU. This is necessary because of the particular nature of the EAEU, defined by a mixture between current and future commitments, problematic institutional boundaries between delegated powers and members' commitments, and the prevalence of power relations within a highly asymmetric hub-and-spoke context. In this context, Russia has a continued ability to interpret the nature of the commitments undertaken and their compatibility with overlapping international agreements, and enforce it using critical interdependencies of the members. We examine how the 'compatibility space' is negotiated by elites in Belarus and Armenia, and elaborate on the case of CEPA as the most recent test to complementarity of integration engagements in the region.

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<sup>1</sup> The authors would like to thank Peter van Elsuwege, Ramūnas Vilpišauskas, and Kataryna Wolczuk for their comments and suggestions for the improvement of this paper.

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## 1. Introduction

Until recently, the issue of the relationship between the European Union's (EU) engagement strategies in the Eastern neighbourhood and Russia's regional integration initiatives in the post-Soviet space has attracted little academic attention (Malfliet et al. 2007; Averre 2009). This was not surprising given that for most of the last two and a half decades such initiatives, though grand in symbolism, proved to be still-born and ineffective (Brill Olcott et al. 1999). This began to change with the launch of the Customs Union between Russia, Kazakhstan and Belarus in 2010 (Dragneva and Wolczuk 2012), becoming a pressing issue as the Customs Union sought to expand in the direction of the countries participating in the EU's Eastern Partnership (EaP) initiative.

Ukraine became the first testing ground for establishing the limits of co-existence of the EU's and Russia's integration strategies (Shumylo-Tapiola 2012; Vilpisauskas et al. 2012; Dragneva and Wolczuk 2012; Delcour and Wolczuk 2013b). It rejected the offer to become a member of the Customs Union in favour of concluding an Association Agreement (AA) with the EU. In the face of Russia's pressure to dissuade it from this course, Ukraine's President Viktor Yanukovich sought to steer a middle way, yet ultimately succumbed to Russian demands, committing a U-turn in November 2013. This step proved to be short-lived, with Ukraine successfully signing the AA in 2014, but also unlocking a cluster of domestic political changes and a range of coercive measures applied by Russia in response to them, broadly described as 'the Ukraine crisis'. Russia was more successful in Armenia, which despite its progress towards concluding an AA with the EU, abandoned it in September 2013 and started preparing for membership in the Eurasian Economic Union (EAEU),<sup>2</sup> the successor of the Customs Union (Delcour and Wolczuk 2015a).

At the same time, Russia's punitive actions in the context of the Ukraine crisis awoke sovereignty sensitivities in the region with a profound effect on the EAEU and its members (Vieira 2016; Dragneva and Wolczuk 2017). Both Armenia and Belarus – along with Kazakhstan – sought to increase their room for manoeuvre in relation to Russia and the EAEU, including by advancing relations with the EU. These complex and shifting conditions in the neighbourhood brought forth the realization of the differing integration demands and positions of the EaP countries, including the preference of Armenia and Belarus for engagement with the EU while being members of the EAEU.

The changed realities were recognized by the EU in the 2015 review of the European Neighbourhood Policy (ENP) (European Commission 2015). The revised ENP emphasized the use of pragmatic approaches and differentiated tools of engagement with the neighbours. The EU recognized the importance of addressing the varying cooperation needs and interests of the partners rather than imposing a 'one-size-fits-all' policy. Its turn to flexibility is notable particularly in comparison with the 'take-it-or-leave-it' approach adopted towards the Eastern partners in negotiating the AAs during 2010-2013 (Delcour 2013; Delcour and Wolczuk 2013a).

Delivering on this flexibility entails establishing the constraints and limits on EU engagement imposed by membership in the EAEU. Yet, it can be argued that despite the pressing policy context, this has been a dimension that has remained highly underdeveloped. Following the Ukraine crisis, there was strong interest in the implications of the launch of the EAEU for the EU's EaP and the possibilities for their coexistence (De Micco 2015; Delcour et al. 2015; Togt et al. 2015; De Jong 2016). Yet, the EU's focus has tended to centre on the EaP countries

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<sup>2</sup> The EAEU was formally launched at the start of 2015. It currently consists of Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan.

that concluded AAs with the EU (Ukraine, Moldova and Georgia) but suffered penalties imposed by Russia, including loss of some preferences typically reserved for its integration allies.<sup>3</sup> Arguably, this was also in response to the critique that the EU was the culprit in the crisis: by offering a far-reaching integration agreement and ignoring Russia-led integration projects, the EU was seen as forcing a choice upon the neighbours (Bordachev 2015; Sakwa 2015). In this context, much attention was given to the advantages and disadvantages of meta solutions, such as the direct engagement between the EU and the EAEU as a way to order the region, relieve the predicament of the countries 'in between', and offer a constructive way out of the Ukraine crisis (Krastev and Leonard 2014; Delcour et al. 2015; Toghiani et al. 2015; Dragneva and Wolczuk 2015a; Bertelsmann Stiftung 2016; Liik 2017). The drive towards engagement as a way of overcoming the downturn in relations with Russia has been particularly pronounced in some EU member states, such as Germany. Yet, given the focus on finding a 'win-win' formula, the debate has often proceeded by either ignoring the issue of compatibility or deciding it on the basis of formal criteria, assuming the functional equivalence of the EU and EAEU as integration groupings. This has also echoed Russia's effort to present Eurasian integration as a multilateral, rule-based project for economic integration 'like the EU' (Dragneva and Wolczuk 2017). As a consequence, the *sui generis* nature of the EAEU, especially the primacy of Russia-dominated power relation, is easily obscured.

Thus, there tends to be a missing link in debating the EU's engagement, that is, unpacking compatibility and understanding the complex factors that determine the constraints imposed by membership in the Eurasian project. This is essential because of the nature of the EAEU, particularly the complex interplay between formal and informal power dimensions of Eurasian integration. This paper argues that these constraints cannot be defined by analysing the EAEU treaties but need to be understood with reference to the range of legal and non-legal levers at play on a country-by-country basis. What matters is how Russia as well as its Eurasian partners play the 'integration game', and the degree to which political elites in Belarus and Armenia can manoeuvre a space for independent engagement with the EU. To this end, we draw some key lessons from the Ukraine crisis where the limits of EU engagement were critically tested. Despite Ukraine's unique importance to Russia's integration plans, these issues point to some underlying differences in how the EU and Russia view compatibility. Given the characteristics of the EAEU, these differences are maximized in the context of membership in the EAEU, reinforcing the policy challenges. The paper starts by outlining the legal as well as extra-legal, power-based dimensions of membership in the EAEU in general, before analysing the country-specific situations of Armenia and Belarus. It concludes by discussing the imperatives that the EU needs to account for in structuring its engagement with the EaP countries, which are also members of the EAEU.

## 2. Problematizing Compatibility

Overlapping economic cooperation or trade agreements are increasingly the norm in a world of growing regionalization. In most cases, establishing the compatibility or conflict between regimes is a matter of interpretation of rules, rarely making the headlines. Yet, it can be argued that the EU faces particular difficulties in establishing the margin of compatibility between its engagement in the region and membership in the Russia-led Eurasian Economic Union. These difficulties were exemplified but also exacerbated by the Ukraine crisis and its aftermath. The crisis revealed the deeply diverging views of the EU and Russia on their respective roles in the neighbourhood and globally (OSCE 2015), but also some key differences in the understanding and practice of

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<sup>3</sup> We recognize the importance of the question as to when the EU became aware of the problem, but do not engage with it in this paper.

regional integration. These issues crystallized particularly in the trilateral talks between the EU, Russia and Ukraine over the AA, launched in 2014 and lasting into late 2015 (Van der Loo 2015). While a comprehensive analysis of the lessons is beyond the task of this paper, there are several aspects that can be instructive for the cases of Armenia and Belarus.

First, the EU's engagement policies were premised on the sovereign right of the countries in the common neighbourhood to freely determine their integration path. The EU viewed itself as responding to demand for integration, whereas Russia was seen as obstructing this choice.<sup>4</sup> In this sense, the EU accepted Armenia's U-turn and was unwilling to compete with Russia in coaxing President Yanukovich back to the negotiating table (Dragneva and Wolczuk 2015b). Similarly, the EU saw the future of its agreement with Ukraine as the province of bilateral relations based on the sovereign decision-making of each negotiating party. While the EU agreed to trilateral talks including Russia, it ultimately ruled out changes outside the bilateral context (Van der Loo 2015). On the contrary, Russia's regional strategy has been premised on a conception of the limited sovereignty of the countries in its immediate neighbourhood (Deyermund 2016). Moscow saw itself as a 'gatekeeper' of Ukraine's external relations, with a legitimate right to a veto over its engagement with third parties. 'To Europe with Russia' was a long-standing formula promoted in Ukraine by the Kremlin (Kuzio 2002), which resurfaced in the context of Russia's objections to the AA. Indeed, Moscow favoured the conclusion of a mega trade deal between the EAEU and the EU over the EU's bilateral engagement with its neighbours, deeming them to be inherently divisive.<sup>5</sup>

Second, the EU was guided by Ukraine's current formal commitments, which did not include membership in the then Customs Union, but only in the Commonwealth of Independent States (CIS) Free Trade Agreement of 2011. Russia, however, was concerned not just about Ukraine's existing obligations. As strongly expressed in its objections to the AA, what mattered was Ukraine's ability to join future integration groupings (Dragneva and Wolczuk 2014). For Russia, Ukraine's integration trajectory was sealed by virtue of its pre-existing participation in post-Soviet integration, regardless of how limited, vague or flexible it was in formal legal terms.

Tellingly, what mattered most was Russia's interpretation of commitment; in this sense, its Customs Union partners were not a constraining influence. While Russia invoked the violation of multilateral agreements, such as the 2011 CIS FTA and sought to trigger penalties envisaged by it in favour of the Customs Union as a whole, it acted unilaterally. It was clear that it did not require more than the nominal acquiescence of its Customs Union partners, who did not share its perception of harm or willingness to impose sanctions, and have suffered from those developments (Dragneva and Wolczuk 2017).

Third, the conflict demonstrated the clear differences in Russia's and the EU's perceptions of the costs and benefits of economic integration. The EU focused on the benefits of trade liberalization, seeing them as outweighing its costs in terms of trade reorientation and delivering overall benefits for the region.<sup>6</sup> For Russia, its perception of harm was linked to the disturbance of existing business connections, including the system of political economy and patronage related to them. Even more importantly, harm was associated with the

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<sup>4</sup> E.g. see European Parliament, Resolution of 12 September 2013 on the pressure exerted by Russia on Eastern Partnership countries, 2013/2826(RSP), available at <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0383+0+DOC+XML+V0//EN>.

<sup>5</sup> Proposals for a free trade agreement between the EU and the EAEU were made early on by Russian President Vladimir Putin at the Russia-EU summit on 28 January 2014, <http://en.kremlin.ru/events/president/news/20113>.

<sup>6</sup> Interviews with policy officials, DG Trade and EEAS, June 2014.



perceived loss of Ukraine as a member considered vital for the success of the Eurasian project, which was key for Russia's global ambitions (Lo 2015). It was also linked to perceptions of security, amplified by Russia's growing view of the EU not as an economic but rather a geopolitical actor, akin to the North Atlantic Treaty Organization (NATO) (Gretskiy et al. 2014). Indeed, Russia perceived the EU's EaP as an encroachment to its sphere of influence (Zagorsky 2011; Gretskiy et al. 2014), entitling it to defensive measures.

In this context, the EU's focus on technocratic solutions during the negotiation process was doomed to fail.<sup>7</sup> While Russia seemed to engage with such proposals for a while, it became clear that they do not address its core agenda. As the trilateral talks collapsed in late 2015, the EU's approach of relying on legal interpretation, trade liberalization arguments and functional solutions reached its limits. In line with these findings, it can be argued that the consideration of the EU's engagement strategies needs to go beyond the formal analysis of legal obligations. Instead, what is required is understanding of how Eurasian integration reflects the compatibility tensions observed already, and accounting for the constraints imposed by a range of extra-legal factors and relationships.

To that purpose we follow Dragneva and Dimitrova (2007) in conceptualizing compatibility as a complex category with three interlinked dimensions. First, it is delineated by legal commitments typically embodied in international agreements. Second, it is important to consider less institutionalized forms of cooperation and policy constraint. Some of the resulting constraints may attract legal sanctions, hence identifying clear areas of conflict of obligations. Others may lack enforceable penalties attached to them, yet be equally problematic in attracting reciprocal action, including the use of economic conditionality. Given the dense interactions between Armenia and Belarus, on the one hand, and Russia on the other, such 'softer' constraints are of high significance. Third, it is essential to recognize the actors' understanding of the 'rules of the game' as well as their core preferences for specific integration offers. This understanding – that of the EaP countries but critically also Russia – can amount to a conscious framing of policies or to less tangible but no less potent elite perceptions and narratives. In both cases, there are consequences for the policy options policy-makers think they have at their disposal in engaging with the EU, but also for Russia's propensity to apply penalizing actions. Ultimately, we shift the focus of analysis to the ability and interest of domestic policy-makers in the respective EAEU member states to exercise autonomous foreign policy and engage in economic cooperation with the EU.

In the next section, we apply this lens to examine the nature of the EAEU and the membership in it, before zooming in on the specific country cases of Armenia and Belarus.

### **3. EAEU Membership: Terms and Practices**

The formal terms of membership in the EAEU are embodied in the founding treaty of the organization, signed by Russia, Belarus and Kazakhstan in Astana on 29 May 2014 (hereafter 'the Astana Treaty').<sup>8</sup> Talks with Armenia went in parallel with the final stages of the drafting of the Treaty. Armenia's membership, however, was framed

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<sup>7</sup> The trilateral meetings identified a number of practical areas, such as customs cooperation, technical standards and SPS, where developments could be made in order to address Russia's concerns, see European Commission, Statement on the Outcome of the Trilateral Talks on the Implementation of the EU-Ukraine AA/DCFTA, Brussels, 18 May 2015, [http://europa.eu/rapid/press-release\\_STATEMENT-15-4992\\_en.htm](http://europa.eu/rapid/press-release_STATEMENT-15-4992_en.htm).

<sup>8</sup> The Treaty on the Eurasian Economic Union was signed by Russia, Belarus, and Kazakhstan and entered into force on 1 January 2015.

as accession to the organization, with the key institutional terms negotiated by the founding members.<sup>9</sup> Drafting a comprehensive Treaty on the EAEU was an improvement relative to the disparate legal frameworks characterizing previous post-Soviet integration regimes (Dragneva 2013). Nonetheless, establishing the scope and nature of membership undertakings is not necessarily easy. This is not just due to the vagaries of legal drafting characterizing complex international agreements. The Treaty was completed in the shadow of the Ukraine crisis, which unnerved Russia's partners who sought to limit the draft's integrationist reach, guard their sovereignty, and enhance the scope for institutional flexibility (Dragneva 2016). The resulting compromise leaves much room for inter-state bargaining rendering the formal terms of integration of limited use in defining the scope of integration commitments.

First, the EAEU was established with the purpose of achieving far-reaching objectives in the realm of 'deep' economic integration. The achievement of these objectives, however, is not underpinned by a clear division of competences. Notably, during the drafting process, the rejection of providing a list of distinct 'Union' competences was one of the clear signs of sovereignty sensitivity (Dragneva 2016). Instead, the scope of competences attributed to the Union is to be identified by analysing the provisions of the Treaty, its voluminous appendices and any subsequent agreements that may be added (Article 5(1), Astana Treaty). Some areas of Union powers can be defined relatively easily by reference to the powers delegated to its common institutions. For example, the Eurasian Economic Commission (EEC) as the permanent regulator of the EAEU is charged with exercising the external customs policy of the Union. Thus, in this area, the member states have transferred the power to determine their external tariffs or impose trade protection measures to the EAEU. The situation is less clear in other policy areas, defined as 'coordinated' and 'harmonized' policies (Article 5(2), Astana Treaty), where the nature of the resulting obligation and level of commonality remains insufficiently defined. In fact, some policies, such as transport, are confusingly defined as 'coordinated (harmonized)' (Article 86, Astana Treaty).

Second, even in areas of explicit attribution of powers, the institutional boundaries between the Union and the member states are porous and flexible. The EEC functions as a locus of inter-state coordination, with little ability to exercise initiative of its own. Despite the fact that it is legally endowed with certain powers, this delegation is in effect reversible: member states can object to any Commission decision they disagree with by elevating it to the highest body of the Union, the Supreme Council of the EAEU, which consists of heads of the member states (Section 30, Annex 2, Astana Treaty). Thus, the technocratic decision-making process can easily be marginalized and subjected to the dynamics of highest-level interstate bargaining.

In legal terms, the Commission's ability to foster integration and carry out the Union's common powers rests on its right to issue binding, directly applicable decisions (Section 13, Annex 2, Astana Treaty). Yet, this 'bindingness' is more symbolic than real, given the restrictive or vague constitutional provisions of most EAEU member states (Karliuk 2017). It is notable that none other than the Russian Constitutional Court challenged the notions of 'direct applicability' and 'supremacy' of the Commission's decisions (Petrov and Kalinichenko 2016). Thus, member states remain key to the application of the common regime. Similarly, the Commission has little power to compel domestic compliance. In fact, the Astana Treaty restricted the enforcement power of the Commission by removing its previous right to refer a country to the Court of the Union for non-compliance (Dragneva 2016). This leaves much to the members' commitment and capacity as well as 'softer' constraints, such as peer pressure.

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<sup>9</sup> Armenia signed a treaty acceding to the EAEU on 10 October 2014, which entered into force on 2 January 2015. The Kyrgyz Republic signed an accession treaty on 23 December 2014, coming into force on 12 August 2015.

Critically, despite the formal equality of members within the organization, Russia has been particularly well placed to influence the common institutions. For example, the Kazakh President Nursultan Nazarbayev spoke openly of Russia's practices violating the presumed independence of ministers and civil servants within the EEC as well as the use of bureaucratic process to dominate the Commission's work (Kazinform 2013).<sup>10</sup>

Third, the substantive analysis of the Astana Treaty shows the EAEU at its present phase to be a very incomplete project. Currently, the EAEU is a free trade area and a customs union. The customs union, however, is a partial one: it covers only import duties, but also includes a large number of exemptions related to the WTO-membership of Kazakhstan, Armenia and Kyrgyzstan (Dragneva and Wolczuk 2017). Furthermore, other areas of integration do not entail current obligations, but rather an undertaking to achieve certain objectives. In this sense, the Astana Treaty is more akin to a blueprint for integration rather than a framework for specific and immediate commitments. Notable examples are: the creation of a common market for goods, services, capital and labour, the removal of non-tariff barriers, or the harmonization of policies, such as transport or investment. While member states retain competences in such areas, they have committed to future action. Some of the objectives, such as the market for energy, are subject to agreed timetables and a broad sequence of measures. Others remain undefined. The ultimate fulfilment of these goals is not certain, especially in light of the waning commitment to integration. What is clear is that progression will be as much subject to complex interstate bargaining as the formation of the EAEU and its predecessors was. Thus, there will be numerous opportunities for renegotiation, but also possible divergence in the interpretation of the nature of the commitments made.

Fourth, in areas where powers have been transferred to the EAEU, it is the EEC that has the power to deal with any third parties, subject to a mandate by the Supreme Council of Heads of State (Article 7, Astana Treaty). In other areas, member states retain the formal right to negotiate individually. Yet, Russia has clearly exercised a strong leadership in relation to the external relations of the EAEU: initiatives are announced by the Kremlin and subsequently supported, more or less enthusiastically, by the other members. As noted, for example, Russia's partners did not share its view on the EU-Ukraine AA. Importantly, Russia has sought to ensure that it has a continuous say over the members' external dealings with key partners. This pattern is evident not only vis-à-vis the EU but also with regard to China's Belt and Road Initiative, where an agreement to coordinate the members' positions was sought at the EAEU summit in October 2015. A similar 'gatekeeper' approach is at play in the planned negotiation of free trade agreements with partners, such as India, Israel, Singapore and Iran: in matters of current member state competence, such as services and investment, negotiations will be held under Russia's general leadership (EADB 2017).

Notwithstanding the formal design of the EAEU, which suggests a multilateral format of interactions, the interstate bargaining between states is characterized by a hub-and-spoke pattern of bilateral dealings with Russia as the hub. The importance of this dynamic was particularly evident in the formation of the EAEU, where membership in the organization was procured via high-level, non-transparent bargains centred on member states' existing dependencies on Russia for energy, labour migration, finance and security (Dragneva and Wolczuk 2017). Tellingly, these bargains often fall outside the scope of the current undertakings envisaged in the Astana Treaty. In this sense, such bilateral arrangements critically supplement, but also often supersede, the multilateral framework of the EAEU. Indeed, to some countries, the multilateral framework may offer few benefits in addition

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<sup>10</sup> President Nazarbayev referred to the participation of the EEC Ministers appointed by Russia in meetings of the Russian government, thereby enabling them to receive instruction on specific issues. He also protested against the minimal time given to evaluate the lengthy drafts prior to their tabling for approval.

to the bilateral format. The subscription and loyalty to the Eurasian project, however, is clearly prized by Russia in line with its regional and global ambitions. Importantly, Russia has had a final say on the bilateral deals, showing a degree of generosity concomitant with the importance of the partner to its interests.

This dynamic has also defined the functioning of the EAEU since its launch, facilitated by the flexibility of the institutional design and the large scope for institutional bargaining. Russia's primacy within the organization has been notable and it has not hesitated to put its strategic geopolitical interests over the integration achievements within the EAEU. This was revealed in the context of Russia's departure from the common external policy through the unilateral use of external trade protection measures vis-à-vis the EU and Ukraine (Cenusa et al. 2014). Moscow's actions exposed the hollowness of the common economic project and gave license to its partners to deviate from their commitments by seeking to profit from the sanctions, as will be discussed below in relation to Belarus. Thus, Russia has not shied from imposing penalties or indeed, undertaking measures with a clear added cost for its partners.<sup>11</sup> This dynamic only underscores the limits to the ability or motivation of EAEU members to engage in external relations without Russia's approval.

All this has profound implications for EU's engagement strategies. The Astana Treaty allows its members to conclude international agreements with third parties as long as they "do not contradict that objectives and principles of the Treaty" (Article 114, Astana Treaty). Yet, establishing contradiction or compatibility is complicated by several important characteristics of the EAEU, namely: the mixture between current and future commitments, the problematic institutional boundaries between the members' commitments and delegated powers, and the prevalence of power relations within a highly asymmetric hub-and-spoke context. Ultimately, a paramount importance is placed on Russia's perception of the objectives of integration and the obligations agreed upon, as well as its ability to impose its own interpretations and conditionality to extract compliance. This makes Russia a potential veto player to any significant external engagement that the EaP countries might be willing to pursue. Similarly, given the hub-and-spoke pattern of relations, what matters is understanding the country-specific dynamics rather than remaining focused on the EAEU. Thus, it is critical to examine how Armenia and Belarus play the 'integration game' with Russia and what this means for their interest and ability to deal with the EU.

#### **4. Armenia: Testing Complementarity**

In recent years, Armenia has emerged as the most important test case with respect to the ability of EAEU members to engage in an autonomous foreign policy (Delcour and Wolczuk 2015b). This is due to three intertwined factors.

First, unlike Belarus, Armenia did not engage in the Eurasian integration process from its outset but instead chose in the early 2010s to step up its cooperation with the EU by negotiating an AA together with a Deep and Comprehensive Free-Trade Area (DCFTA). In contrast to the EAEU, the EU was regarded as a legitimate model for Armenia's much needed economic modernization in a sharply deteriorating regional context (Delcour and Wolczuk 2015a). The substantial regulatory and institutional reforms carried out in 2010-2013 to comply with EU demands were also premised on the perceived compatibility with a security alliance with Russia.

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<sup>11</sup> A notable example relates to the transit restrictions Russia imposed on Ukraine, which has had a strong negative effect on Kazakhstan, given that Ukraine is one of its top five import partners (Putz 2016).

Second, Armenia's decision to join the EAEU (a few weeks before initialling the AA/DCFTA at the EaP Summit in Vilnius) was arguably made 'under the gun' (Grigoryan 2014: 98). Until 2013, the country's political elites (not least Tigran Sargsyan, the then Prime Minister, now ironically serving as the Chairman of the Board of the EEC) explicitly ruled out EAEU membership (Arevian 2013; Grigoryan 2014: 98). This was due to the fact that EAEU membership offered limited economic benefits (if any) for Armenia. The country would have to adopt a higher external tariff as a result of EAEU accession, thereby increasing the price of imported goods while Armenia would gain only limited benefits from the redistribution of common customs duties (Ghazaryan and Delcour 2017). The promise of increased exports of Armenian goods to EAEU markets after accession (Devyatkov 2017) was intended to act as a substitute for modernization, given that Armenia exports low-quality goods to Russia; yet by engaging in DCFTA negotiations with the EU, Armenian authorities had made an opposite choice, premised on an enhanced competitiveness of the country's economy in the medium to long term as a result of regulatory convergence with the EU's advanced technical standards. The shift in Armenia's integration choice, announced by Armenian President Serzh Sargsyan in a joint statement with President Putin (President of the Republic of Armenia 2013a) was made in the wake of increasing Russian pressure on the country since early 2013. The Russian Federation then concluded a massive arms sale deal (four billion USD) with Azerbaijan, Armenia's adversary in the Nagorno-Karabakh conflict (Ananicz 2013). This was a clear signal to the Armenian authorities that Russia's South Caucasus policy (premised on a strategic alliance with Armenia) could change, should Armenia's further integration with the EU materialize. In addition, Russia threatened to substantially increase energy prices for Armenia and to expulse Armenian migrants working on its territory. It also allegedly warned of possible political upheavals in the country if Armenia signed the AA with the EU. Therefore, Russia's exploitation of Armenia's dependencies and regional vulnerability crucially explains the country's decision to backtrack from the AA/DCFTA. Even if hardly visible to the public and broadly unnoticed in Brussels, Russia's bargains were made sufficiently clear to Armenian top officials in order to sway their position in favour of EAEU accession.

Third, upon joining the EAEU, Armenia tried to preserve some degree of autonomy by seeking new arrangements with the EU. Since the early 2000s, Armenia had pursued a policy of complementarity which did not come to an end with the decision to join the EAEU. Initiated by the then Minister of Foreign Affairs Vartan Oskanian, this policy was premised upon a strategic alliance with Russia complemented by the search for new partnerships with NATO and the EU. Admittedly, accession to the EAEU put an end to any hope of combining Russia's security umbrella with an adherence to the EU's economic model. However, it only made the search for complementarity more relevant (even if only to hedge Armenia against an overwhelming dependence on Russia). A few weeks after its decision to join the EAEU was made public, the Armenian president announced that his country would be seeking a far-reaching new agreement with the EU and reiterated the pivotal role of the European model for Armenia:

"Building and strengthening Armenian nationhood upon a European model has been a conscious choice of ours, and that process is hence irreversible. Our major objective is to form such mechanisms with the EU that on the one hand would reflect the deep nature of our social, political and economic relationship, and on the other – would be compatible with other formats of co-operation" (President of the Republic of Armenia 2013b).

While both the EU and Armenia agreed on the need to redefine their relationship, a key challenge was to identify the possible scope for a new EU-Armenia agreement, taking into account the country's commitments under the EAEU. In fact, the scoping exercise undertaken in 2014-15 turned out to be more difficult than expected

(Kostanyan 2015). This is because the scope of Armenia's obligations vis-à-vis the EAEU remains unclear. Upon joining the EAEU, Armenia has signed up to a comprehensive agenda of integration. However, the country also secured some 800 exemptions during accession negotiations, as a result of which it will not have to fully comply with EAEU tariffs before 2022.<sup>12</sup>

In this context, it is perhaps unsurprising that the new agreement with the EU was shaped not only by Armenia's commitments as an EAEU member, but also by the country's quest for complementarity. The Comprehensive and Enhanced Partnership Agreement (CEPA) which was negotiated in 2015-2017, initialled on 27 March 2017 and signed on 24 November 2017 is expected to be "an important step to broaden the scope of bilateral relations" between the EU and Armenia (Delegation of the EU to Armenia 2017). Admittedly, other EAEU members have signed agreements with the EU after the accession to the EAEU, as is the case for Kazakhstan with the Enhanced Partnership and Cooperation Agreement signed in 2015. However, the CEPA is much more wide-ranging and ambitious (as also reflected in its title).<sup>13</sup> It covers all key chapters of the draft Association Agreement, including almost all chapters which were part of the trade title under the draft EU-Armenia DCFTA. Yet the scope of commitments taken by Armenia as part of the CEPA varies substantially depending upon its obligations as an EAEU member.

The differences with an AA/DCFTA are especially visible in the trade part of CEPA (Title VI), where Armenia's commitments as an EAEU member are the strongest. Notably, given that EAEU membership entails delegating sovereignty to the Union in customs and tariffs matters, CEPA does not set up a free trade area. Moreover, in core trade policy areas, CEPA commitments are drastically reduced as compared to those included in the draft EU-Armenia DCFTA. For instance, sanitary and phyto-sanitary (SPS) measures envisaged as part of CEPA aim primarily at exchanging information and avoiding disguised restrictions to trade, based upon basic international standards such as those developed by the Codex Alimentarius Commission and the World Organisation of Animal Health (Article 135, European Commission/High Representative 2017). Unlike DCFTAs, CEPA does not envisage any legal approximation with EU SPS *acquis*. This is due to the fact that the EAEU provides for the joint development, adoption and implementation of sanitary, veterinary-sanitary and phytosanitary quarantine measures, on the basis of international and regional standards and acts of the Eurasian Economic Commission (Article 56, Astana Treaty 2014). Likewise, CEPA does not go beyond WTO arrangements on technical barriers to trade (TBT). In this field, Armenia does not undertake the extensive obligations for legislative approximation and unification of standards of the DCFTA, which proved highly problematic for Russia in the Ukraine context (Dragneva and Wolczuk 2014). Instead, CEPA only requires that 'the Parties shall endeavour to establish and maintain a process through which gradual approximation of the technical regulations, standards and conformity assessment procedures of the Republic of Armenia to those of the European Union can be achieved' (Article 30 (3) of the draft CEPA, European Commission/High Representative 2017). This provision avoids any immediate problems and opens the possibility to look for functional solutions in the future.

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<sup>12</sup> Interestingly, some of these exemptions are meant to secure the economic interests of powerful oligarchs linked to the political elite, as is the case for raw sugar – a product that is at the core of Samvel Aleksanyan's business (one of Armenia's major oligarchs and a member of the Parliament) (Delcour 2017). The exemption was granted until 2025, i.e. three years longer than most other exemptions negotiated in the Accession Treaty. During this period, raw sugar processed in Armenia will not be re-exported to other EAEU countries (Paragraph 42, Annex 3, Treaty on the Accession of the Republic of Armenia to the Agreement on the Eurasian Economic Union 2014).

<sup>13</sup> The text of the CEPA was not publicly available at the time of writing. Therefore, all comments on the substance of the agreement are based upon interviews conducted with EU and Armenian officials in Yerevan between 2015 and 2017.

Importantly, limitations to the commitments taken by Armenia as part of CEPA are not circumscribed to the trade area. Cooperation in foreign and security policy, an area of particular sensitivity for Russia, is subject to only a commitment to ‘intensify dialogue and cooperation’, ‘recognizing the importance that the Republic of Armenia attaches to its participation in international organizations and cooperation formats and its existing obligations arising therefrom’ (Article 5 of the draft CEPA, European Commission/High Representative 2017). This is in contrast to ‘gradual convergence in the area of foreign and security policy, including the common security and defence policy’, envisaged as part of the AAs (Article 5 of the EU-Georgia AA, article 7 of the EU-Ukraine AA).

Nonetheless, the scope of cooperation in other trade-related matters is extensive. This is the case in areas such as public procurement (with CEPA providing for further mutual access to both sides, Chapter 8 of the draft CEPA, European Commission/High Representative 2017), and to some extent services (with CEPA providing for mutual access, with some exceptions though; Chapter 5 of the draft CEPA, European Commission/High Representative 2017). This is despite the fact that these policy areas are part of the EAEU’s agenda. CEPA also provides for important commitments on sectoral cooperation (Title V), for example, in relation to energy, including nuclear safety, the environment, consumer protection, employment and social policy, where Armenia commits to approximating its legislation to that of the EU, pursuant to lists agreed in Annexes to CEPA, as in the case of the AA.<sup>14</sup> At the same time, demonstrating complex balancing, the obligation to approximate legislation in these fields is general and future-oriented. E.g. in relation to transport service, the parties only ‘recognize the importance of gradual approximation of the legislation of the Republic of Armenia on transport services to that of the European Union (Article 192 of the draft CEPA, European Commission/High Representative 2017).

Importantly, the legislative approximation undertakings in the various Annexes, as in the AA before it, have an open-ended aspect in that the Partnership Council, the main body of integration under CEPA, can amend them by adopting a binding decision (Article 362(8) of the draft CEPA, European Commission/High Representative 2017). Certainly, the power of the Association bodies of integration to adopt binding decisions in shaping the future directions of integration was something that Russia deemed deeply problematic in the Ukraine context (Dragneva and Wolczuk 2014). The open-ended nature of a number of CEPA provisions suggests that, despite the effort to ensure compatibility, Armenia has interpreted its EAEU commitments in a way that would enable the country to increase its autonomy and expand ties with the EU to the greatest possible extent.

The strengthening of EU-Armenia cooperation seems to be endorsed officially by Russia. Upon the launch of EU-Armenia negotiations in 2015, the Russian Ministry of Foreign Affairs stated that a new agreement between the EU and Armenia would not contradict cooperation with the EAEU and Russia, provided that it is compatible with the commitments taken by Armenia as part of the EAEU (RIA Novosti 2015). While the legal importance of this caveat is problematic, as discussed earlier, it seems to indicate Russia’s readiness to accept some degree of autonomy for post-Soviet countries’ foreign policy once they have engaged in the Eurasian integration process, thereby contributing to the achievement of Russia’s overarching foreign policy priority. The EAEU Commission also stressed that there was no contradiction between CEPA and Armenia’s membership in the EAEU, and therefore no reason for CEPA to oppose the new agreement (Eurasia Daily 2017a).

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<sup>14</sup> Annexes are still not publicly available, so the scope of this obligation is still difficult to determine. As with the AA, however, the common body set up under CEPA, the Partnership Council, can update the Annexes, thus varying the scope of obligations without the need for a new agreement to be concluded.

Nevertheless, it can be argued that the issue of compatibility between Armenia's cooperation with the EU and Armenia's commitments as an EAEU member remains open. This is because of the discrepancy between the EAEU's proclaimed rule-based integration and Russia's actual predominance over the process, as discussed above. Armenia's ability to pursue a wide-ranging cooperation with the EU hinges crucially on Russia's interpretation of its commitments as an EAEU member. Russia's 'green light' to a new EU-Armenia agreement suggests that Moscow regards Armenia's integration choice in favour of the EAEU as a sufficient guarantee of loyalty. In fact, Armenia's EAEU membership is not the sole factor behind Russia's leniency. Armenia regained strategic importance for Russia when, in late 2015, tensions abruptly mounted with Turkey as the result of a serious incident in the context of the war in Syria. However, after the Turkish president apologized to Russia, the hostility between the two countries evolved into pledges of renewed cooperation, thereby limiting again the importance of Armenia for Russia. By contrast, Russia has sought to develop trilateral cooperation with Azerbaijan (Armenia's adversary over Nagorno-Karabakh) and Iran (Armenia's neighbour and partner) (President of the Russian Federation 2017), a format which only reinforces Armenia's regional vulnerability. Moreover, while it has been lenient so far, Russia has multiple levers at its disposal to impose constraints on Armenia's future cooperation with the EU. In essence, even after the CEPA was signed, Russia could use the Eurasian integration process to limit Armenia's economic rapprochement with the EU, for instance by targeting those areas which are both included on the EAEU's agenda and in the CEPA. This would require a substantial push for further integration within the EAEU on the part of Russia, though – an effort that it has not been ready to make in recent years (Dragneva and Wolczuk 2017).

Therefore, Russia is more likely to rely upon bilateral ties in order to influence Armenia's foreign policy choices. Armenia's interdependencies with Russia are deep and multifaceted. Even though the strategic alliance is not exempt from tensions,<sup>15</sup> Armenia is heavily dependent on Russia to ensure its security; in 2010, the country agreed to extend the lease on the Gyumri base until 2044, where approximately 3000 Russian soldiers are stationed. At the same time, the flare-up of the conflict with Azerbaijan in April 2016 testifies to the fact that the strategic alliance with Russia (and the alleged additional political guarantees offered by Moscow to induce Yerevan into the EAEU, Devyatkov 2017) does not act as a deterrent against possible attempts by Azerbaijan to regain the territories lost in the 1990s. Armenia's economic dependence on Russia is slightly less prominent. The EU is still a major trading partner for the country, yet its share in Armenia's total trade is decreasing.<sup>16</sup> In fact, Russian companies own Armenia's few strategic assets.<sup>17</sup> Crucially, Russia's stranglehold over Armenia's economy is primarily based upon energy supply<sup>18</sup> and remittances<sup>19</sup>. As a consequence, Russia is in a position to block key cooperation projects between Armenia and other external actors, as was the case for a railway project

<sup>15</sup> These tensions culminated in January 2015, when a Russian soldier murdered an Armenian family in Gyumri. More recently, the Armenian president also openly expressed his discontent with Russia's arms sales to Azerbaijan.

<sup>16</sup> The EU accounted for 29.7 % of Armenia's total trade in goods in 2012 and 23.6 % in 2016. By contrast, Russia's share has increased from 23.5 % in 2012 to 27.1 % in 2016. However, the country still exports more to the EU than to Russia (European Commission 2013, 2017).

<sup>17</sup> For instance, in telecommunications, with Russian shares in mobile operators VivaCell-MTC and ArmenTel-BeeLine; in railways, with the concession awarded by Armenian railways to Russian railways; or crucially in energy, with the Metsamor nuclear plant being managed by Russian United Energy System after its being upgraded by Rosatom.

<sup>18</sup> Armenia imports 80 % of its gas from Russia, at a lower price than Russia charges most other countries (i.e. approximate \$ 277 per thousand cubic meters). Cf. <https://www.armenianow.com/en/economy/2016/05/02/armenia-economy-gas-russia-gazprom-prices/2293/>.

<sup>19</sup> According to the World Bank, remittances from the Russian Federation represent approximately 65 % of the total remittances received in Armenia and they make up for roughly 9 % of the country's GDP (World Bank 2014).



initiated by Iran. Accession to the EAEU has allegedly protected Armenia (even if only in the short-term) from the retaliatory measures that Russia would have introduced if the AA/DCFTA had been initialled and signed (as was the case in Moldova and Ukraine). These 'benefits' (in fact, the mere possibility of maintaining economic links with Russia) are regarded as key by the Armenian authorities in light of the country's wide-ranging ties with Russia.

However, they also perpetuate and even contribute to expanding dependence on Russia. Russia's hold over the Armenian economy has only grown in recent years, especially after EAEU accession. The steps taken by Moscow allegedly to ensure Armenia's energy security (e.g. agreement on duty-free supplies of gas and petrochemicals; proposal to extend the operation of Armenia's nuclear power plant until 2026 and offer of a loan of USD 270 million) come at a price: In December 2013 Armenia signed a deal which grants Gazprom a monopoly in operating pipelines and prevents the country from making regulatory changes in this area until 31 December 2043 (Kostanyan and Giragosian 2016). Therefore, Armenia's cooperation with the EU (including energy commitments made as part of CEPA) is also constrained by Russia's use of bilateral ties.

In the future, Russia may (again) use its multifaceted interdependencies with Armenia in order to ensure the country's loyalty. Importantly, while divided among various factions (Kostanyan and Giragosian 2016), the current Armenian political elite is sensitive to interdependencies with Russia.<sup>20</sup> Russia's use of these interdependencies with a view to exerting pressure on Armenia may therefore put their political survival at risk. To some extent, the possibility of future Russian pressure using Armenia's vulnerability has been considered during CEPA negotiations. Armenia initially asked for a carve-out clause to be included in the new agreement (Kostanyan and Giragosian 2016). This provision would enable Armenia to opt out of the implementation of those CEPA provisions which may come into conflict with the new commitments that the country might make in the framework of the EAEU. While being flexible on other issues,<sup>21</sup> the EU, however, rejected this proposal and insisted that the CEPA must be fully implemented. This is a clear signal that the implementation of CEPA will not be subordinated to unexpected future developments in either Armenian-Russian bilateral relations or the Eurasian integration process. However, perhaps paradoxically, this strong political signal may increase Armenia's vulnerability to Russia's pressure should the latter decide to undermine CEPA's implementation. For instance, Russia could contest Armenia's legal interpretation of its EAEU commitment and push for the implementation of the EAEU agenda in those areas where Armenia also expects to deepen cooperation with the EU as part of CEPA's implementation (e.g. services). This would *de facto* prevent Armenia from applying those CEPA provisions contradicting the new EAEU commitments. Alternatively, Russia could again use bilateral dependencies (most likely in the security realm) to exert pressure on Armenia in order to deter the country from applying the CEPA.

In sum, the inconsistencies of the Eurasian integration process have thus far enabled Armenia to retain a relatively strong degree of discretion in its foreign policy, as illustrated by the broad scope of its new agreement with the EU. If anything, the open-ended nature of CEPA paves the way for deeper cooperation with the EU wherever possible. However, Armenia's license is highly precarious, as it is essentially contingent upon Russia's use (or lack thereof) of both the multifaceted bilateral ties and the Eurasian integration process.

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<sup>20</sup> While the current Armenian Prime Minister (in office since autumn 2016) is a former Gazprom executive, President Sargsyan is the last representative of a series of Armenian political leaders originally from Nagorno-Karabakh. These leaders came into power because of the conflict, yet they have also used it as a justification for the slowness of reforms (Kostanyan and Giragosian 2016).

<sup>21</sup> For instance, the EU agreed to a long transition period (24 years) on the use of the 'cognac' appellation for Armenian brandy, provided that such use is limited to the Russian market.

## 5. Belarus: The Logic of Political Survival

Belarus has always been a consistent but highly unpredictable supporter of integration under the Russian aegis in the post-Soviet space. Observers have witnessed the repeated twists in the cooperation with Moscow, interlaced with periods of seeking close relations with the EU. The trajectory of Belarusian relations with external partners is critically shaped by a nexus of three main foreign policy goals: (1) preserving the sovereignty of Belarus; (2) maintaining a special relationship with Russia as the main source of rents; and (3) securing a freedom of manoeuvre in relations with Russia and the EU as the most appropriate model for maintaining sovereignty and taking advantage of the cooperation with two integration projects without becoming overly dependent on any of them (Belei and Rumer 2017). These three objectives constitute the foundation of Belarusian behaviour and to a significant degree affect the compatibility between the Eurasian integration and EU engagement.

Historically, culturally, politically, and institutionally Belarus has had a close-knit relationship with Russia-dominated organizations<sup>22</sup> and formally is part of the Union State with Russia. However, Belarus is not willing to abandon its sovereignty and pursues a multi-vector foreign policy.<sup>23</sup> In light of its (economic) dependence on Russia<sup>24</sup>, Minsk has always been very careful about committing to integration processes (Frear 2013: 122) and balanced various external forces against each other. This has never been an easy task because the ineffective economic model and low domestic resilience make Belarus highly vulnerable to (external) shocks, dependent on *ad hoc* external support (IMF 2015), cheap Russian energy resources and the Russian market for the sales of uncompetitive goods<sup>25</sup> (Dobrinsky et al. 2016). These factors have always made Belarus' stability and its model of economic development dependent on good relations with Russia.

At the same time, Belarus' dependence on Russia has always been balanced by its own importance to Russia. President Alexander Lukashenko plays a strong (geo-)political role as the most reliable political and military ally in the face of increasing competition between Russia and the West. Such status increases Belarusian manoeuvrability because Russia is afraid to lose a country of such crucial importance for its balancing policies against NATO and the EU and may serve as a military-political base in a possible conflict with the West (Kamiński and Kamiński 2017; Sivitsky and Tsarik 2017).

The specific status quo in relations with Russia has had a significant impact on Belarus' approach to cooperation with both the EAEU and the EU. Being overwhelmingly dependent on economic relations with Russia, Belarus has had no other choice than to support Moscow's integration initiatives officially. However, the history of hesitation by Belarus regarding the deepening of Eurasian integration raises questions about Minsk's sincere

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<sup>22</sup> Belarus is a founding member of all post-soviet organizations: CIS, Customs Union, Collective Security Treaty Organization, and the EAEU.

<sup>23</sup> According to the Minister of Foreign affairs of Belarus, "the most important achievement of Belarusian foreign policy of the period of independence was the realization of the principle of multi-vector foreign policy even despite the persistent pressures from both East and the West to make a final geopolitical choice" (Makey 2017).

<sup>24</sup> For example, in the energy sector, preferential prices for Russian oil and gas are the main sources of the regime's rents (Balmaceda 2014a: 9-11; 2014b; Tarr 2016). Minsk receives Russian oil without duty and keeps in its budget the revenues from re-exported oil and refined oil products, sold to the West at market prices. They constitute about 40-42 % of Belarus' commodity exports and are the main source of budget revenues (Bolkunets 2017).

<sup>25</sup> The global competitiveness of Belarusian industries is mostly concentrated in agricultural and food products, which are usually the most vulnerable to non-tariff barriers applied by Russia. Chemicals (refined oil products) are another competitive product, which remains the only globally tradable good.

desire for a full assimilation with Russia and the organizations controlled by it (Jarábik and Marin 2014). Belarus' caution only deepened after the Ukraine crisis and the growing use of the EAEU as Russia's geopolitical tool (ICG 2016). Belarus did not join Russian contra-sanctions against the EU and did not support Moscow's policies towards Crimea and Donbas. Also, the ongoing geopolitical tensions and global changes in the world energy market had important negative consequences for the Russian economy, which considerably decreased Russian economic attractiveness and contributed to an increased protectionism of the Russian market (Movchan 2017). These trends negatively affected Moscow's capabilities to provide external financial support to its allies and consequently prompted the reconsideration of its partners' attitude towards the EAEU. In the situation of the integration process being 'greased' with subsidies, discounted prices and other self-serving considerations, the hegemon's decreasing attractiveness inevitably pushes its partners to look for alternatives.

Along with these trends, the relations between Minsk and Moscow have additionally been strained by increasing Russian military pressure, renewed disagreements on oil and gas trade, and rumours regarding a coup against President Lukashenko planned in the Kremlin (Sivitsky and Tsarik 2016). Being preoccupied with the sovereignty and survival of the regime's stability, Belarus inevitably started to look for a way out of such an alarming situation. Being aware of the fact that a higher dependence on Moscow would eventually translate into a higher level of vulnerability, Minsk became much more cautious and conditional regarding further integration. The joint efforts of President Lukashenko and Kazakh President Nazarbayev limited the scope of the EAEU only to *economic* functions and prevented the creation of a *political* union, which has been a long-term goal of the Kremlin (Delcour et al. 2015: 15). Minsk also declared the aim of implementing a so-called '30-30-30' principle for its economic relations,<sup>26</sup> which would mean reducing trade volumes with Russia, accounting for 45.5 % of exports and more than 58 % of imports in 2017 (MFA of Belarus 2017). This illustrated Minsk's reservations regarding the relationship with Moscow and the interest in having an 'exit strategy' in case the Kremlin pushes too hard.

The appeal of Eurasian integration diminished further when strong divergences of member states' interests were exposed and Belarus's priorities were implemented only to a limited extent (Vinokurov 2017). For example, Minsk, which would benefit most from the reduction of exemptions and non-tariff barriers among the EAEU partners (Vinokurov 2017: 60), has been interested in their prompt removal and harmonization. Russia's unilateral manipulation of the various regulations that formally fall under the competence of the EEC, in order to protect its own market, illustrated Moscow's self-serving attitude to the process of integration. The initial expectation that the launch of the EAEU would harmonize customs policies, provide unrestricted access to the Russian market and increase bilateral trade, failed after Russia imposed sanctions on the EU and Ukraine. Moscow expected Belarus to follow the Kremlin's path, but instead Lukashenko took advantage of the situation and intensified the re-export of banned products to Russia, which caused restrictive counter-measures (Delcour et al. 2015). Therefore, the progress of economic integration within the EAEU has been subjected to (geo)political logic. Russia's unilateral moves, which ignored the common rules, justified the circumvention of rules by other members, as previously mentioned. The formal framework of integration lost its imperative, underscoring the importance of bilateral and power-based calculations. Importantly, EAEU's legal ambiguity allowed Belarus to resume cooperation with the EU in areas of standardization, energy efficiency, and some others (Glod and Youngs 2014).

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<sup>26</sup> The '30-30-30' strategy means that Belarussian exports should be diversified according to the logic that one third of it goes to the EAEU, the second third to the EU, and the last third to 'far abroad'.

Although the Astana Treaty includes provisions to ensure equality between member states, this is ignored by Russia in practice as soon as important foreign policy issues are concerned (Dragneva and Wolczuk 2017; Giucci and Mdinardze 2017). It was a problem for Belarus, which expected the development and strengthening of the supra-national EAEU institutions (the EEC) to balance bilaterally asymmetrical relations with Russia. The first years of the EAEU did not change the logic of decision-making among the member countries – it remained personalized and bilateral instead of consensual and multilateral. If this continues, Belarus will not be able to mitigate its dependence on Russia by using the multilateral framework of the EAEU and the remaining disagreements (abolishment of exemptions from the Common Customs Tariff; removal of internal trade barriers and border controls; strengthening of the competencies of the EEC) would have to be negotiated bilaterally. Importantly, this trend sets the limits of the EAEU's attraction for Belarus and encourages Minsk to balance Russian influence, which naturally means more attention to cooperation with the EU.

There also remain important disagreements regarding the pace of integration in the energy sphere, which is crucial for Belarus. Minsk would benefit from the creation of a common gas and oil market because of the unification of tariffs on and the free flow of energy resources within the Union (Manenok 2017; Makhovsky and Golubkova 2016). That would mean equalization of gas and oil prices on internal Russian and EAEU markets, which energy importers like Belarus, Kyrgyzstan, and Armenia would benefit from. Belarus explicitly demands the creation of a common oil and gas market before the common electricity market is tackled – throwing a spanner into the ongoing negotiations over the latter (Pastukhova and Westphal 2016: 4; Manenok 2017; EurAsia Daily 2017b). However, the creation of a common oil and gas market is only foreseen by 2025, while Russia pushes for the creation of a common electricity market by 2019, which means that Moscow does not care about its partners' interests. It is a sign to Belarus that its priorities are not fully respected. It is also an indicator that the existing asymmetric Russian-Belarusian relations in the energy sphere are a very strong extra-legal instrument in Moscow's hands to punish or reward Belarus and, thus, control the scope of Lukashenko's 'flirtation' with the EU. Having control over the main source of rents in Belarus puts the Kremlin in a position of an informal 'gate-keeper' in Belarus-EU relations.

The same factors which hinder integration within the EAEU – the protection of sovereignty, the promotion of purely economic rather than political integration, and the predominance of national instead of multilateral interests – constitute both an opportunity and obstacle for a deeper Belarusian cooperation with the EU. The geopolitical nature of the EAEU, along with a preference for sovereignty in Belarus, makes compatibility dependent on the informal and extra-legal logic of power politics. The EAEU membership does not deprive Belarus of formal or informal opportunities to cooperate with the EU. However, compatibility is best seen as the outcome of a power balancing game rather than an assessment of the extent of the required formal harmonization of standards or policies. In this sense, the official support of the Belarusian authorities to the idea of the "integration of integrations"<sup>27</sup> and Lukashenko's resolution "to develop cooperation with the East and the West without making a choice between them" (Lukashenko 2017) is also a balancing act. Both Russia and Belarus

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<sup>27</sup> According to the Deputy Minister of Foreign Affairs, "Belarus actively promotes compatibility in a broader context. As a member of the Eurasian Economic Union and the Eastern Partnership, Belarus proposes to create a bridge between the two largest markets on the continent. We are convinced that the 'integration of integration', as we call it in Belarus, is part of the natural order of things in our region. We ask for greater support for cooperation between the Eurasian Economic Union and the EU, at least on an expert level" (Belta.by 2017).

are players in this strategy.<sup>28</sup> What really matters is how the alignment with either Russia or the EU affects Minsk's autonomy. Because this is a game of power politics, Russia has a much stronger hand to tilt the course of events to its advantage by exploiting the asymmetric dependence in energy and military spheres and relying on informal instruments of pressure.

On the positive side, the diverging perceptions and expectations regarding the Eurasian integration among its participants leave Belarus open for cooperation with the EU. Minsk will continue to look for possibilities of engagement as long as it meets its preference of strengthening the regime's stability. The recent attempts by Minsk to find new channels of cooperation with the EU<sup>29</sup> fit with an established pattern of using the 'thaw' in relations with the EU as a balance against Russia. However, the different perception of the rules of the game in Minsk and Moscow as compared to Brussels creates very different incentives for seeking compatibility. Minsk and Moscow, which follow a zero-sum and strongly de-formalized logic of interaction, assess the increase of compatibility as an instrument of control, while the EU's formalized 'win-win' perception of cooperation aims at increasing mutual benefit. This difference in perceptions leads to different conclusions when the benefits of integration are evaluated. Under the Belarusian logic, it may decrease autonomy and should be assessed with a caution, while under the European logic it is a tool to open new opportunities for cooperation.

As long as relations with Russia do not endanger the stability of Lukashenko's regime, Minsk will continue to consider the relationship with the EU not as a genuine partnership but rather as an instrument to manage and mitigate Russian pressure. Depoliticized and technical cooperation will remain on the agenda and Lukashenko will take any opportunity to profit from it. Having said that, EAEU membership and the current state of the relationship between Minsk and Moscow makes the scope of compatibility between the EAEU and the EU dependent on a set of very specific factors: the state of the Russian economy, the Kremlin's political will to continue subsidizing Lukashenko, Lukashenko's preoccupation with the regime's stability, and the predominance of personal relations over the institutionalized ones. Up until now, the predominance of Russia's geopolitical considerations makes any idea of equal and mutually beneficial cooperation of Belarus with both the EAEU and the EU negligible. Any attempt to find a more tangible form of the EU–Belarus cooperation may call up aggressive Russian reaction (as it happened in the cases of Ukraine and Armenia). Given Belarus' high dependence on Russia, Moscow remains confident in its ability to prevent any serious steps westwards. Recent examples, such as Russia's reintroduction of border controls on the Russian–Belarusian border after Minsk unilaterally granted a five-day visa-free regime for citizens of more than 80 countries (including the EU and the United States), have been a sign that Moscow would not hesitate to break its commitments within the EAEU in order to keep Minsk away from the West, which also indicates the limits of the EU–EAEU compatibility for Belarus.

In sum, the survival strategy of Lukashenko leaves some room for seeking compatibility between Eurasian integration and cooperation with the EU. However, the same factors, which force Lukashenko to look for alternatives, also limit the margin of compatibility. Possibilities for practical cooperation remain even under the framework of membership in the EAEU but its scope is limited by, among other things, the imperatives of regime stability, which favour allegiance to Russia's interests.

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<sup>28</sup> Paradoxically, both Russia and Belarus pursue an inter-bloc agreement between the EAEU and the EU but for opposite reasons. Russia seeks to enhance its control over the neighbourhood by asserting its role of a regional gatekeeper, whereas Belarus hopes to limit Russia's control.

<sup>29</sup> In 2016 Belarus agreed to the establishment of the EU–Belarus Coordination Group, the first round of trade dialogue took place, the EU–Belarus Mobility partnership was launched in October, and Belarus unilaterally introduced a visa-free regime for European countries in February 2017.

## 6. Conclusions

This paper set out to examine the limits and constraints imposed on the EU's engagement strategies by the membership of its partners in the EAEU, arguing that the space of compatibility needs to be delineated by more than formal terms and integration commitments. Belarus and Armenia present two different cases for testing the limits of EU engagement. Belarus has been a long-term participant in Eurasian integration, whereas Armenia joined in the last round, when the EAEU was launched. Over the last two decades Belarus has had a low level of engagement with the EU for reasons beyond membership in the Eurasian project (Korosteleva 2009), whereas Armenia was on the path to becoming 'an ideal neighbour' and a key association partner of the EU (Delcour and Wolczuk 2015a). While both countries are currently seeking to expand the scope of their relations with the EU, Armenia's aims are more ambitious, including the conclusion of a new agreement. Yet, both cases tell a consistent story of the problems presented to the EU in determining the compatibility of its engagement strategy with the membership of its partners in the EAEU.

Importantly, it has to be recognized that in policy terms this is a difficult task in its own right. As such, it deserves particular consideration in determining the parameters of EU engagement. The difficulty stems from the nature of the EAEU, defined by future-oriented commitments, institutional flexibility, unclear division of competences, and weak common institutions and enforcement mechanisms. This favours continuous interstate bargaining as the primary coordinating mechanism with regard to determining the specific nature of commitments, the progress of integration as well as motivation for implementation of any of the obligations undertaken. Importantly, the formal multilateral framework masks a hub-and-spoke pattern of relations, whereby Russia is able to impose its interpretations and extract compliance. Indeed, as demonstrated, the multilateral framework adds little to the benefits derived from bilateral relations and, contrary to expectations, has helped little to balance Russia's dominance. In these conditions, determining compatibility requires understanding of the bilateral power space within which it is negotiated.

Clearly, both Belarus and Armenia are motivated to balance Russia's dominance by simultaneously engaging with the EU. In the case of Armenia, the attempt to interpret the scope for such engagement in the broadest possible terms is particularly notable. It is based on its current formal undertakings within the EAEU, which leaves large scope for cooperation with the EU in areas like services or investment. Given the incomplete nature of the Eurasian project, however, this strategy is contingent not only on Russia's initial blessing but also on its continued consent. Even though Russia has signalled its current approval of the new agreement with the EU, the lack of bright-line formal boundaries within the EAEU give it license to block implementation in the future, should the geopolitical context shift.

In this sense, it is important to recognize that influencing compatibility is another mechanism in Russia's regional toolbox. Moscow's policy affects compatibility by allowing its Eurasian partners a margin of flexibility, partly subject to their loyalty to the Eurasian project, but also to their strategic importance, particularly in geopolitical and security terms. Russia's goodwill has not been necessarily consistent or unlimited: the Kremlin has been increasingly assertive in applying varied mechanisms to prevent unwanted deviation, including at the expense of its multilateral undertakings.

One of Russia's favoured levers has been the use of key interdependencies. Thus, compatibility is critically affected by the extent and evolutionary pattern of interdependencies between Russia and its Eurasian partners.<sup>30</sup> As the case of Belarus shows, the potency of the interdependence lever is maximized in light of its importance for the survival of the political regime. In this sense, negotiating compatibility is also affected by the vulnerability of domestic elites to Russia's continued support.<sup>31</sup> In the case of Armenia, it is the prominence of security interdependence in the perception of the national interest that is of critical importance.

The pattern of Eurasian integration favours an approach tailored by the EU according to the particular terms of membership of Armenia and Belarus. In this sense, the EU's drive towards differentiation between country-specific situations is an appropriate policy response. Solutions such as the conclusion of an inter-bloc agreement between the EU and the EAEU, though desirable from certain points of view, are unlikely to replace the need for engaging with compatibility on a country-by-country basis. On the contrary, far from resolving the underlying problems, such actions might obscure them further. At the same time, the discussion here demonstrates the difficulties faced by the EU in structuring relations with the Eastern partners outside of the context of developing EU-Russia relations.

Finally, it can be argued that a technocratic legalistic approach to compatibility, such as the one taken in the case of Ukraine's AA, is likely to be problematic. Even if Armenia's agreement survives, compatibility can be redefined at the stage of implementation. These difficulties support the need for developing an explicit political strategy within the EU (Liik 2017) to take into account the power realities in the region, but also one that has a long-term dimension and is thus capable of reacting swiftly to developments in Eurasian integration or the patterns of interdependence.

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<sup>30</sup> This dimension and its policy implications for the EU are explored further in other EU-STRAT papers.

<sup>31</sup> This indicates the importance of the nature of domestic political regimes, a dimension subject to further investigation in EU-STRAT research.

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## **The EU and Eastern Partnership Countries An Inside-Out Analysis and Strategic Assessment**

Against the background of the war in Ukraine and the rising tensions with Russia, a reassessment of the European Neighborhood Policy has become both more urgent and more challenging. Adopting an inside-out perspective on the challenges of transformation the Eastern Partnership (EaP) countries and the European Union face, the research project EU-STRAT seeks to understand varieties of social orders in EaP countries and to explain the propensity of domestic actors to engage in change. EU-STRAT also investigates how bilateral, regional and global interdependencies shape domestic actors' preferences and scope of action. Featuring an eleven-partner consortium of academic, policy, and management excellence, EU-STRAT creates new and strengthens existing links within and between the academic and the policy world on matters relating to current and future relations with EaP countries.

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