UNREWARDING CROSSROADS?
The Black Sea Region amidst the European Union and Russia

EDITED BY:
ANAHIT SHIRINYAN
LOUISA SLAVKOVA
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About Sofia Platform

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Introduction

The clashes over the commemorations of the 70th anniversary of the end of World War II once again brought up the very subject of conflicting worldviews between Russia and the European Union (EU). While the memory of war devastations kept the post-Cold War world order together, in 2015 its building blocks were seriously compromised. Those developments, particularly the Russian annexation of Crimea, caught the EU by surprise and left it unable to go back to its ‘business as usual’ approach. This publication comes out at a critical juncture, when drastic events unfolding within and around the Black Sea region are at the centre of attention in the broader context of what is widely considered to be a new post-Cold War world order in the making.

The Black Sea region, a construct open to debate, gained popularity in the early 1990s and designated an area of both challenges and opportunities for cooperation and development for regional and outside actors. Yet, political, economic, security and governance challenges overhauling the region turned out to be out-weighing and at times blocking the opportunities at hand.

Soon enough, the region found itself locked in-between divisive lines and geopolitical contention. Over the past decade in particular, this pattern has been simmering for most of the Black Sea countries, adding up to the plethora of domestic and regional challenges. More assertive engagement with their common
neighbourhood had, inadvertently or not, dragged the two regional centres – the EU and Russia – into a fierce competition within the region.

In the wake of the Big Bang enlargement of 2004 and the enlargement fatigue that was substantially enhanced by the financial and economic crisis, the pressure of engaging with a new circle of neighbours without necessarily offering the enlargement prospect emerged within the EU. In this context, in 2009, as a more targeted addition to its European Neighbourhood Policy (ENP), the European Union came up with its Eastern Partnership (EaP) initiative as a framework to support reform and foster closer political association and economic integration with its Eastern neighbours – Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine. Since then, the initiative has significantly altered the foreign policy choices of the EU’s European neighbours. Over the last few years, many of them have embarked upon the course of developing closer economic and political partnership with the EU. Others have chosen to stay close to Moscow, be it for security or economic concerns.

Reinventing its special role in the same neighbourhood has also been an issue of dire concern for another power centre – Russia. Grand foreign policy ambitions have pushed Moscow to follow its own, ‘Eurasian’ path of development, and place its integration initiatives in the post-Soviet space in exclusive opposition to the European project. Considering its neighbourhood a ‘traditional sphere of influence’, Moscow saw the EU initiative as encroachment over its interests and started countering the EU’s ‘soft power’ with more coercive policy tactics in the neighbourhood. Led by its ‘Russian world’ doctrine it went as far as to annex
(Crimea) and effectively invade (Eastern Ukraine) a sovereign country’s territory only to prevent it from gravitating towards the perceived ‘Western’ sphere of influence.

In the interests of EaP countries would be to maintain well-balanced relations with both of these big neighbours and important trade partners while determining the level of cooperation with each based on their needs. However, attempts to achieve such a balance have too often proven to be counterproductive: these countries have found themselves at an unrewarding crossroads, facing the difficult and costly dilemma of making a geopolitical choice between what now looks like two irreconcilable projects - the European one and the Russian one.

Determinant for this ‘choice’ would often be not the economic and political benefits from the one or the other integration path but rather the price tag that comes with making the ‘wrong’ choice – be that considerations over gas prices, product embargos or hard security. Moreover, the choice would often have implications on whether a country will go forward or risk to slide back in terms of democratic development.

As a result, only Georgia, Moldova and Ukraine were able to sign their Association Agreements by the summer of 2014. Ukraine was forced to abandon its European integration agenda in the autumn of 2013 and was only able to return to it at the price of losing a considerable part of its territory to Russia in a hybrid war. At the same time Armenia’s tricky geostrategic environment (with two out of four borders sealed and pressing security concerns) was leveraged to pressure the country into abandoning its successful European integration course in a sudden U-turn in the autumn of 2013 and joining the Eurasian Economic Union.
instead. In contrast to all others, and by virtue of its energy card, Azerbaijan has so far sought to keep a ‘safe distance’ from both the EU and Russia and maintain a balance between them.

Policy perspectives in relation to the EU-Russia dichotomy from five Eastern Partnership countries part of the Black Sea region, as well as the EU and Russia are featured in this publication. In what we see as an important addition to the debate, this publication also brings forth policy perspectives from the other Black Sea countries – Bulgaria, Romania, and Turkey.

Since 2007, Bulgaria and Romania, the two relatively new EU member states of the Black Sea region, have been mostly learning how to play the ‘Brussels game’. They joined the EU under the Cooperation and Verification Mechanism with institutions not fully reformed and domestic challenges not sufficiently addressed. This, together with the emergent at the time financial crisis, pushed the two ex-Communist states to the periphery of European affairs. Trapped in its own search of identity between legacies from the Soviet past and the West, Bulgaria has missed a number of opportunities to develop a strategic blueprint for its relations to the Black Sea countries, especially those of the EaP. With a number of other foreign policy challenges at its doorstep, Romania has likewise kept a relatively low profile in the region, except its rather active engagement in respect to Moldova.

In the meantime, Turkey has found itself on a difficult path, divided between the stated need for a zero-problem course with its neighbours with not so favourable realities on the ground, another consuming neighbourhood in the MENA region and a steadily diminishing hope for EU membership in the long term.
In the Black Sea region, Turkey itself is part of the geostrategic contention with its own neighbourhood policy ambitions, for which the EU-Russia dichotomy presents opportunities and challenges alike. Affecting this is Turkey’s role as an important ally for the West and, in parallel, Ankara’s special partnership with Moscow.

As the EU-Russia rivalry is altering the geostrategic and security environment of the region, countries and actors part of it are busy reassessing the geopolitical, economic and security realities so as to revise their policies accordingly. The EU, in particular is currently undergoing an overhaul of its European Neighbourhood Policy in order to make it more efficient and viable to the new realities on the ground. It remains to be seen, however, whether the ENP Review will bring about a policy shift that can address not only EU support for democratic reforms and development in the East, but also possibly offer solutions for traditional areas of regional concern like energy, security and stability, without inadvertently antagonising the situation even more.

Meanwhile, Russia appears determined to keep its course of assertive, if not aggressive, neighbourhood policy, increasingly approved on the part of its own population, notwithstanding sanctions, shrinking economy, obvious economic and political downsides inside the Eurasian Economic Union, and mistrust on the part of its closest allies.

The time ahead is especially difficult for the Eastern partners: going down the reform path is a long-term process and an uneasy challenge in itself, even more so when a consuming geostrategic contention poses immediate economic, political and security threats for these countries.
Introduction

When the idea of this collection of policy essays was conceived over a year ago, our primary aim was to offer a well-informed perspective of the challenging geopolitical environment in the Black Sea region to policy-makers and analysts alike.

With the situation caught up in what appears to be a crisis and a stalemate all at once, our goal seems to be even timelier. At this time of policy suspense, we hope this publication will offer a modest contribution to an improved and strategic policy-formulation and decision-making that will eventually serve to the benefit of the whole region.

Anahit Shirinyan
Yerevan

Louisa Slavkova
Sofia
Part I
The Common Neighbourhood:
Vying for an Independent Choice
Introduction

Since gaining a rather sudden independence in the abrupt wake of the collapse of the Soviet Union, the three states of the South Caucasus region, Armenia, Azerbaijan and Georgia were ill-prepared and generally ill-equipped to manage the early period of state-building. Over time, each of these three states has pursued a difficult course of economic and political reform, systemic transition and state-building, with a widening variance in consistency and commitment. As a region, these countries also continue to struggle to overcome the legacy of constraints and challenges stemming from seven decades of Soviet rule.

For Armenia, the struggle to overcome a daunting set of challenges, ranging from the inherent limits of its small size and landlocked geography to a virtual “state of war” with Azerbaijan over the unresolved Nagorno-Karabakh conflict, was especially difficult. Equally daunting, Armenia embarked on a difficult path of state-building, bolstered by ambitious economic and political

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1 Richard Giragosian is the Founding Director of the Regional Studies Center (RSC), an independent “think tank” located in Yerevan, Armenia. He also serves as a Visiting Professor and as a Senior Expert at the Yerevan State University’s Centre for European Studies (CES) and is a contributing analyst for Oxford Analytica.
reforms. Even well before independence, Armenia was beset by two seminal events: the eruption of the Nagorno-Karabakh conflict and the subsequent outbreak of war with Azerbaijan in February 1988 and a devastating earthquake in December 1989. Against that backdrop, the sudden and unexpected collapse of the Soviet Union Armenia left Armenia largely unprepared for the urgency of independence.

Armenia’s threats of isolation and insignificance

From a broader strategic perspective, the most serious threats to Armenia centre on the challenges of isolation and insignificance. For a landlocked country limited by its small size in both terms of demography and territory, the threat of isolation stems from the constraints of closed borders, the collapse of regional trade and transport and an exclusion of all regional development projects. With its borders with Azerbaijan and Turkey both sealed since the early 1990s, the imperative for Armenia is to overcome the limits of geography.

This threat of isolation involves the danger of becoming disconnected from the globalised marketplace and from the technological and economic changes inherent in the process of globalisation. In addition to the relative isolation of the country, Armenia also faces a second, related threat of insignificance, defined by the limits of a small, landlocked country with two of its four borders closed.

The burden of unresolved conflict

In addition, Armenia also continues to struggle to manage the burden of unresolved conflict. Since a 1994 ceasefire suspended
hostilities between Armenian and Azerbaijani forces, the unresolved Nagorno-Karabakh conflict has been subject to an international mediation effort aimed at forging a negotiation resolution capable of solving the inherent contradiction between the principles of self-determination and territorial integrity. The mediation effort has been managed since 1992 by the Commission on Security and Cooperation in Europe (CSCE) - now the Organization for Security and Cooperation in Europe (OSCE) - through the so-called Minsk Group, a tripartite body co-chaired by France, Russia and the United States working in close and effective co-operation with the parties to the conflict. More recently, there has been little progress in the negotiations over Nagorno-Karabakh, as the two sides are simply too far apart. Aside from the broader contradiction between two relevant provisions of international law (the opposing principles of self-determination vs. territorial integrity), the Karabakh conflict is viewed quite differently by each of the contesting parties. For Armenia, anything short of outright independence or unification with Armenia for Karabakh is unacceptable, although there has been some flexibility on the Armenian side over the terms and duration of a possible transition stage toward final status of Karabakh. On the other hand, Azerbaijan offers little more than a degree of autonomy for Karabakh, but premised on the return of Karabakh to Azerbaijan.

Fortunately, and to its credit, Armenia’s position regarding the return of the Armenian-held areas of Azerbaijan outside of Karabakh (the so-called “occupied territories”) is both moderate and prudent, viewing the return of those areas as inevitable, but only as part of a larger peace deal regarding Karabakh directly. Given this divide, the real challenge now stems more from the maximalist position of Azerbaijan, which demands the return of
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both Karabakh and the occupied territories, but remains unwilling or unable to offer any reasonable compromise.

Yet the broader context is also dangerous, as Russia is clearly exploiting the unresolved Karabakh conflict in order to further consolidate its power and influence in the region. Within this context, Russia has not only emerged as the leading arms provider to Azerbaijan\(^2\), but also continues to deepen its military support and cooperation with Armenia\(^3\). For Armenia, its external security guarantees stem from both the bilateral partnership with Russia and membership in the Russian-led Collective Security Treaty Organization (CSTO). And as the only CSTO member in the region, Armenia enjoys preferential discounts for arms purchases, as well as financial and technical support for its modernisation programme\(^4\).

In addition, the 102nd Russian base at Armenia’s second largest city Gyumri has been upgraded and hosts a force of roughly 5000

\(^2\) More specifically, the recent announcement of a new $1 billion Russian arms delivery to Azerbaijan is particularly disturbing given the nature of this latest procurement by Azerbaijan. The delivery of battle tanks, heavy artillery pieces and multiple rocket launchers stems from bilateral contracts first signed in 2011-2012. But according to Russian sources, the shipment also includes nearly 100 T-90C tanks, Smerch and TOS-1A multiple rocket launchers and Msta-A and Vena artillery cannons. See “Russia starts delivering $1 billion arms package to Azerbaijan,” Reuters, 18 June 2013.


Russian troops and a squadron of MiG-29 fighter jets. Nevertheless, there are concerns over the terms of the Russian base agreement that was renegotiated with Armenia in 2010, which extended the lease up to the year 2044. More specifically, the agreement is largely seen as a one-sided deal, stemming from the fact that as the host country, Armenia not only fails to receive any leasing payment from Russia, but also covers all of the costs of the base itself, including all services, such as electricity, water and infrastructural expenses.

A shifting balance of power

Thus, there is now a clear imperative for greater concern over the now shifting balance of power in the South Caucasus, which is driven by three specific trends. The first trend is defined by an increasingly tense and shifting balance of power that has only been exacerbated by what has now become a pronounced and escalating “arms race”. But it is not a classical “arms race” that is now underway, however, as the traditional Cold War-era concept of an arms race implies a degree of symmetry, as two opposing sides increase defence spending and pursue an arms buildup from a position of proximity. Rather, the current trend of an arms race is more one-sided, driven by a serious surge in defence spending and a new pattern of procurement by Azerbaijan, with Armenia compelled to try to keep pace. Clearly, Azerbaijan has moved farthest and fastest, steadily increasing its defence budget over the past several years, from $175 million in 2004 to $4.8 billion in 2015, including targeted spending for modernization through the purchase of up-to-date equipment and weaponry (see chart below).

The second driving trend is rooted in a substantial increase in the procurement of modern offensive weapons by Azerbaijan. More specifically, the danger from the first trend of a virtual arms race is not simply in terms of the scale of the surging Azerbaijan’s defence budget, but where the funding has been directed and how it is spent. Within the context of analysing the impact of rising defence spending, there is a new trend in procurement,
with Azerbaijani purchases of new, modern offensive weapons systems. Unlike past procurement deals, which were largely limited to limited deals with arms producers in Belarus and Ukraine, these more recent acquisitions involved modern offensive weapon systems.

Moreover, over the past several years, a number of new arms suppliers have replaced Turkey as the traditional source of arms for Azerbaijan. And for most of these new suppliers, the arms sales to Azerbaijan are driven by profit, with little concern for the danger of renewed hostilities. As one of the key actors in this new group of arms suppliers, Israel sold Azerbaijan some $1.6 billion in arms in 2012, including unmanned aerial vehicles (UAVs) and missile defence systems, with a subsequent $300 million contract for several dozen more UAVs. And according to the Stockholm International Peace Research Institute (SIPRI), the volume of Azerbaijan’s imports of major conventional weapons increased by 164 per cent between 2002–2006 and 2007–11, making it the 38th largest recipient of weapons.

Yet there is an inherent limit to the impact of this trend procurement. This stems from the absence of serious defence reform, which only hinders improvements in weapons systems or even training. In addition, the sharp decline in global oil prices will tend to only discourage and deter expensive buying sprees by the Azerbaijani government. As the combination of falling oil

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prices and decreasing oil reserves in Azerbaijan suggests, such an expanded and expensive procurement program will be difficult to sustain.

Moreover, there is a third trend now underway. This trend follows a serious pattern of increased Azerbaijani attacks, expanded probes of Karabakh defensive positions and even cross-border incursions targeting Armenia proper, as well as Nagorno-Karabakh. Each of these tactical developments is an element of a new, broader Azerbaijani military strategy that is seeking to attain an improved and impressive state of “operational combat readiness.” Overall, this greater operational tempo of attacks, incursions and probes of Armenian defensive positions has now emerged as a major threat to regional security and stability.

More specifically, over the past two years, clashes along the so-called “line of contact” separating Karabakh forces from Azerbaijani troops have notably increased. And the approximately 1000 kilometre-long Armenian-Azerbaijani border has also seen a spike in sniper fire and sporadic cross-border attacks. This only demonstrates the fragility of the security situation and the danger in the region stems from the risk of a possible “war by accident,” based on threat misperception and miscalculation rather than any official declaration of war, which may quickly spiral out of control and could trigger direct Russian involvement, as well as a response by Turkey and Iran⁹.

⁸ SIPRI Fact Sheet, Trends in International Arms Transfers, SIPRI, 2011.
⁹ For a deeper threat assessment, see: RSC Special Analysis, Cause for Concern. The Shifting Balance of Power in the South Caucasus, Regional Studies Centre (RSC), Yerevan, Armenia, 12 June 2013. Available at: www.regional-studies.org/en/publications/analytical/238-250613
Finally, there are also disturbing signs that Azerbaijan is actively preparing for an escalation. A serious pattern of increased Azerbaijani attacks, expanded probes of Karabakh defensive positions and even cross-border incursions have all increased significantly in the past several years. Each of these tactical developments is an element of a new, broader Azerbaijani military strategy that seeks to attain an improved state of operational readiness. Overall, this trend of a greater operational series of attacks, incursions and probes of Armenian defensive positions has made the “frozen” Karabakh much more of a “hot” conflict, with clashes expanding both in terms of scale and intensity, including the use of artillery, and in terms of scope, with attacks widening beyond Karabakh to the roughly 1000 km-long Armenian-Azerbaijani border.

**The imperative to regain strategic balance**

Thus, in a broader sense, for Armenia, there has been little opportunity for longer term strategic vision or planning. After more than two decades of independence, however, there is now an obvious imperative for Armenian leaders to recognise and respond to the need for garnering greater strategic options. And despite the burden of unresolved conflict, insufficient democratic institutions and incomplete economic reform, Armenia is endowed with a significantly wider range of strategic options and greater flexibility in overcoming its isolation. These opportunities are neither immediate nor easy, and require political will, vision and statesmanship. But in light of the country’s geographic, economic and geopolitical isolation, there is no longer any excuse or luxury for failing to recognise the changing regional environment and adopt the dynamic policy initiatives that may be initiated by the Armenian government.
For much of the past two decades, Armenia sought to maximise its strategic options, based on the imperative to surmount the deeper threat of isolation, exacerbated by the closure of two of the country’s four borders. And, for example, in the broader context of foreign policy, Armenia has always pursued a “small state” strategy of pursuing policies designed to maximise its options and expand its room to manoeuvre amid much larger regional powers.

More specifically, for much of the past decade, Armenian foreign policy has successfully bridged the division between its “strategic partnership” with Russia and its deepening of ties and orientation with the West. This particular foreign policy, termed “complementarity,” incorporates Armenia’s strategic imperative of security, based on a reliance on its strategic alliance with Russia and a positive relationship with Iran, while simultaneously expanding its role within Western and Euro-Atlantic security structures.

Moreover, this policy of complementarity, although seemingly contradictory, is in fact a natural result of Armenia’s historical and geopolitical considerations. The strategic partnership with Russia is both rooted in history and necessity, especially given the closure of the country’s Turkish and Azerbaijani borders, which has forced Armenia to look beyond its traditional trade and export routes, thereby encouraging ties with Iran. Although these inherently contradictory impulses have at times seemed insurmountable, the Armenian policy of complementarity offers an enhanced degree of security based on accommodating and exploiting the interests of traditionally competing powers.
Challenges and limits

This imperative to regain a degree of strategic balance is limited by several challenges, however. First, and most recently, the war in Ukraine has also challenged the Armenian government, especially as it has threatened to only further isolate Armenia as a more subservient Russian supplicant state. Moreover, throughout the crisis, the Armenian government has been especially cautious, largely due to a policy decision to refrain from doing or saying anything that would anger or alienate Armenia’s “strategic partner” Russia. At the same time, however, the broader context of the Ukraine conflict has significant implications for Armenia, especially in terms of Russian power and influence in the so-called “near abroad”.

A second challenge stems from a sudden and unexpected crisis in Armenian-Russian relations. This was sparked by the murder of an Armenian family by a Russian soldier stationed at the nearby Russian military base, which triggered a surprisingly intense debate over Armenia’s security relationship with Russia. For Armenia, its role as a reliable partner and ally of Russia has never faced any real challenge. Much of this reliance on Russia stems from security and economic ties. Armenian’s security reliance on Russia is rooted in the Karabakh conflict, and only exacerbated by the absence of “normal” diplomatic relations and the closed border with Turkey. For Armenia, a strategic alliance with Russia is generally accepted as essential for security. And beyond security, Armenia also depends on Russia as a crucial source of remittances, or money sent home by large numbers of Armenians living and working in Russia. Yet there is a surprisingly intense debate now underway within Armenia that seriously questions the Armenian-Russian relationship.
The timing of this tragedy could not be much worse, for several reasons. First, back in 2013, in what many perceived as Russian pressure on its so-called “strategic partner,” Armenia was forced to scrap its planned free trade deal with the European Union in favour of joining the Russian-led Eurasian Union in 2013. Additionally, Russia supplies arms and advanced weapons systems to Azerbaijan that are subsequently used against Armenia. This has sparked a sense of outrage within Armenia and has even triggered a rare rebuke by the Armenian president. And most recently, the negative impact on the Armenian economy from Western sanctions imposed on Russia, evident in the steep depreciation of the Armenian currency and by the substantial decline in remittances, has only revealed the asymmetry and lack of parity in Armenia’s “partnership” with Russia. More specifically, the decline in remittances, estimated to have fallen by one-third for the first quarter of 2015, have hurt a large number of Armenians who depend on such inflows for basic living expenses. This year’s decline was on top of an earlier decrease, when private remittances to Armenia fell by 7.7 percent in 2014. A related negative impact is already evident in terms of falling exports and imports, compared to January 2014, with exports decreasing by 22 percent and imports down by one-third, representing the worst figures since 2010. Thus, it seems clear that this unexpected challenge to Armenia’s reliance on Russia will not end any time soon.

A third challenge stems from Armenia’s move to join the Eurasian Union, which is especially negative for Armenia as a missed opportunity to move closer to the European Union (EU). More specifically, in the wake of Moscow’s seemingly effortless success in forcing Yerevan to backtrack on its intention to finalise pending agreements with the EU, the country clearly has missed
an opportunity for overcoming the challenges of geographic isolation, marked by the closure of two of its four borders, and of economic insignificance, where its small size, marginal market and entrenched corruption have impeded its longer-term development. In the short-term, the Armenian government remains hard pressed to regain confidence and restore credibility after retreating and reneging on its planned “initialling” of an Association Agreement and related Deep and Comprehensive Free Trade Area (DCFTA).

Moreover, the retreat also sacrificed years of difficult negotiations and imperilled reform, with its decision to join the Eurasian Union actually offering meagre, if any, trade or economic benefits. And when Armenia actually becomes a member of the Eurasian Union, the net result will be even more damaging, as it would constrain Armenia even more firmly within the Russian orbit and limit its future to little more than a captive of Russia. Further, even the potential economic incentives are fairly weak, with membership offering rather meagre and marginal economic benefits, while gains would mostly accrue to Russia. But in many ways most significant, the “loss” of Ukraine, adds a perhaps insurmountable obstacle to the viability of the Eurasian Union, as well as seriously questioning the utility of the Eurasian Union.

Clearly, the shift in Armenian policy to join the Eurasian Union was a serious strategic setback. Moscow’s apparent success in forcing Yerevan to retreat and back down from its stated goal of forging deeper ties with the EU was largely a result of pressure and coercion. While the pressure was rooted in Armenian security considerations, with Russian officials implying a “reconsideration” of its security partnership if Armenia went
ahead with its EU Association Agreement, the situation reveals three deeper problems. First, for Armenia, such Russian pressure and coercion were not the actions of an ally or partner. And despite the generally pro-Russian feeling in Armenia, Moscow’s pressure tended to spark a new sense of resentment and insult within the Armenian public at large.

A second problem was that the policy shift imposed significant challenges on Armenia. In the short-term, the Armenian government was clearly embarrassed, and lost a significant degree of confidence and credibility in the eyes of the West. Further, the move not only sacrificed nearly four years of difficult negotiations and reform, but also offered Armenia little in return. Its stated commitment to join the Customs Union only suggested a deepening of its already serious over-dependence on Russia and in economic terms, offered little real benefits, especially as Armenian tariffs would have to be significantly raised to confirm to the Customs Union standards, thereby decreasing competitiveness and dissuading foreign investment. Third, the handling of such a sudden and unilateral policy shift by the president reveals a deeper deficiency in the Armenian government’s decision-making process. In this way, the decision only exacerbated the country’s already closed and opaque public policy process and revealed the pronounced absence of adequate strategic planning.

But in a broader context, and especially in the wake of the Russian invasion of Ukraine and annexation of Crimea, there is now a clear trend of a new Russian policy toward “pushing back” and “pushing out” EU engagement in the “post-Soviet space,” or as what Moscow defines as its so-called “near abroad” or natural sphere of influence. More specifically, it is now clear that there
was a belated shift or “U-turn” in policy in Moscow, with a new, much more assertive Russian reaction to the EU’s Eastern Partnership (EaP) and the Association Agreements that were negotiated with several EaP member states.

The case of Armenia’s unexpected last minute decision to forgo the planned initialling of its Association Agreement with the EU also confirms such a belated shift in Russian policy, evident by the absence of any opposition from Moscow throughout Yerevan’s nearly four-year process of negotiations with Brussels. It would also seem that Moscow seriously underestimated the EU, both in terms of its “seductive appeal” attracting former Soviet states and regarding its resolve to forge significant ties with the Eastern partnership countries.

In this way, Russia tended to mistakenly perceive the EU as an insignificant geopolitical actor incapable of becoming a serious rival within Moscow’s “sphere of influence”. And this shift was further demonstrated by the imposition of coercive measures and trade sanctions against Ukraine and Moldova, with Armenia relegated to serving as little more than a “sacrificial pawn,” whose surrender and submission was designed to send a more important message of Russian strength and deterrence against European aspirations elsewhere.

Thus, in the aftermath of Russia’s military annexation of Crimea, it seems likely that Moscow will renew its focus on consolidating its “sphere of influence” through the use of the coercive economic and restrictive trade measures of the Eurasian Union, as a foundation for a revamped “Eurasian Union” project of “reintegration” within the former Soviet space. Although such a move can be seen as a natural expansion of existing Russian-led
projects of reintegration, based on the Commonwealth of Independent States (CIS) and the Russian-dominated Eurasian Union, the concept of the Eurasian Union is both incoherent and undefined, marked more by its lack of practical benefits and absence of substance.

**Conclusion**

Despite the rather bleak outlook for Armenia, the country also has a second opportunity- to regain a degree of balance by salvaging a relationship with the EU. Reflecting a degree of sincerity in both Brussels and Yerevan, the Armenian government has been able to rebuild much of its lost credibility and has embarked on new talks on a draft “legal framework” as a foundation for Armenian-European Union relations. At the same time, Armenia also has been cautious in presenting its re-engagement of the EU, seeking to pre-empt any Russian pressure by highlighting (and exaggerating) its role as a “bridge” between the Eurasian Economic Union and the European Union. Thus, given the combination of rising costs and meagre benefits of the Eurasian Union, Armenia’s only real hope at this point rests on containing the fallout from the economic contagion and seeking a prudent but quiet “exit strategy” from a dangerous over-dependence on Russia.
Azerbaijan: Striking a Balance between Russia and the West

Arzu Geybullayeva

Introduction

Russia’s aspirations in the Caucasus were always clear – these territories remained Russia’s backyard despite post-Soviet developments and the will of these states to further detach themselves from Russia’s sphere of influence. Azerbaijan was and remains no exception. It is part of the once “Big Caucasus”. It is no surprise that Russia’s current president Putin is assertive in trying to keep Western influence out of his “back yard”, as he restores the former Soviet Union territories, given that a similar policy was pursued during Yeltsin’s presidency, too. The difference is that Putin invests much more resources in the policy.

But unlike some of Russia’s neighbours in the south, Azerbaijan, a former Soviet Union state, has been playing a balanced if not cautious game from the very start of its independence. During the first years of Azerbaijan’s independence, there were no exchanges of official visits between the two countries. It was only in January 2001 that President Putin finally came to Azerbaijan. The Azerbaijani leadership was aware that Russia’s intentions were nothing but hostile from the start (with the exception of

1 Arzu Geybullayeva is an analyst and freelance correspondent based in Istanbul. She is the recipient of Vaclav Havel Journalism Fellowship 2014/2015.
Part I
The Common Neighbourhood: Vying for an Independent Choice

Dmitry Medvedev who did far more than his predecessors in mediating the conflict between Armenia and Azerbaijan), given the history of the relationship and involvement especially as “Russia remained faithful to the traditional policies of ‘divide and rule’”\(^2\).

Despite the Russian influence, the Azerbaijani leadership centred its foreign policy on closer ties to the West. In contrast to the era of Elchibey (president in 1992/93, who underestimated Russia’s interest in the region as a whole), Heydar Aliyev, in power from 1993 to 2003, focused on consolidating and centralising power. This gave him the space to design a balanced foreign policy but not without concessions to Russia. During Heydar Aliyev’s initial years as president, “balancing the interests of the regional as well as other world powers was, according to Aliyev, the main way of securing Azerbaijan’s independence. By resisting Russian military presence in the Republic and signing the 1994 oil contract, Azerbaijani leadership provided the foundation for Western presence in the Caspian region and thus, substantially contributed to the realisation of the major projects in the region: TRASEC, the Great Silk Road, alternative pipelines and GUAM”\(^3\).

In an article titled “The Former Soviet Union Two Decades On”, Azerbaijan is included in the “Neutral Bloc” as opposed to “Pro-Western Bloc” and “Pro-Russian Bloc”. Along with Azerbaijan, the countries on the list of the “Neutral Bloc” also include Uzbekistan and Turkmenistan. The article argues that all three coun-


\(^3\) Ibid, p. 24.
tries included in this group were and are energy producers, which allows them to exercise independence in economic and foreign policy and while each has some energy tie with Russia, it does not limit itself to partnership just with Russia nor does it engage in military alliances or allow the presence of foreign troops4.

So far, Azerbaijan has managed to keep the Kremlin happy and Brussels engaged. Azerbaijan opted for the Trans Adriatic Pipeline (TAP) instead of the ambitious and strategic Nabucco; the country’s leadership also stayed out of the Russia-backed Eurasian Economic Union (ECU) and even pushed out Russia’s last standing military presence out of the country by not renewing the lease over an old radar plant in Gabala. Azerbaijan also decided to stay out of the Common Security Treaty Organization (CSTO) and initiatives that focused on protecting the common borders of the CIS states.

However, none of these decisions is based solely on the motive of keeping Russia happy. There are other nuances at stake. Azerbaijan is in a state of conflict with its neighbour Armenia over Nagorno Karabakh, and Moscow so far has supported Armenia despite Russia’s involvement as co-chair of the OSCE Minsk Group. Russia sells weapons both to Armenia and Azerbaijan, which also buys military equipment from Israel.

Azerbaijan’s dim human rights record and the mounting crackdown on its civil society keeps it on the radar of the Western countries and its institutions – close enough to know the reality on the ground, and yet far enough to play the energy and security cards when needed.

Unhappy with the verbal pressure, Baku wants to have an exit door in case the West decides to apply sanctions rather than continue to issue what until now have been generic statements of concern. But an exit door to where remains a bigger question. On 1 May 2015, Shahmar Movsumov, executive director of the State Oil Fund, said after the Extractive Industries Transparency Initiative (EITI) decided to downgrade Azerbaijan from “full-fledged member” to “candidate”, that the country’s leadership was considering withdrawing from membership of the organisation. What will exiting the EITI give Azerbaijan? And will Azerbaijan start exiting all international organisations it has joined over the years, once harsher measures are taken against the country as a result of the dismal rights record, on-going crackdown and corruption levels?

Neither/nor

Azerbaijan’s foreign policy approach can be characterised as “cordial”. It stands neither with the West, nor does it see itself anywhere close to Russia. In his analysis, Salvatore Freni describes Azerbaijan as “the only former Soviet republic that can neither be described as ‘pro-Russian’ nor as ‘pro-Western’. Azerbaijan managed to maintain cordial relations with Moscow, without having to sacrifice its economy, politics and foreign policy to Kremlin demands” writes Freni. While this last argument can be checked against present day political reality in Baku - the atmosphere in the capital has been rather balanced, especially in terms of economic, political and foreign policy related matters - Azerbaijani leadership has been very careful in its statements and policies towards Russia, as well as its sentiments with the West. This is evident in what Amanda Paul describes as “choosing not to choose” strategy. “Azerbaijan is the only one [of the six countries in the EU’s Eastern Partnership (EaP)] that has not chosen to definitely
align itself with either the EU or Russia”\textsuperscript{5}. This decision however, stems from Azerbaijan’s strategic geographic location and its potential energy route to Europe and beyond, Paul says.

While Azerbaijan refused to renew the lease on the Gabala Radar Station with Russia, which served as the latter’s early warning missile defence system, the country signed up to establish a system of collective security following a visit by Russian Defence Minister Sergei Shoigu on 14 October 2014. At numerous international events and gatherings, the country’s leadership has asserted its position, leveraging the country’s pivotal location, energy resources, and other assets, while building a state independent from foreign leverage and a capital that would become the centre for regional commerce\textsuperscript{6}.

\textbf{Mother Russia}

In a speech at the Russian-Armenian Interregional forum in December 2013, Russian President Vladimir Putin spoke highly of the long-standing co-operation between the two countries. He spoke of traditions, friendship and bilateral relations. But it was his closing remarks that really highlighted Russia’s influence not just in Armenia but also in the Post-Soviet space at large. “As for the Trans-Caucasus region, Russia will never leave this region. On the contrary, we will make our place here even stronger. We will strengthen our position here, drawing on the best of what


our forebears left us and with the support of good relations with all countries in the region, including Armenia”7. Surely Putin was not just being sentimental.

While it could be argued there is less Russian soft power in Azerbaijan, Russian leverage on the country and its leadership is still very strong. Russia plays an important role in negotiating a peace deal with Armenia over Nagorno-Karabakh and so far (for 21 years) it has demonstrated a strong interest in maintaining its influence in the region vis-a-vis Nagorno-Karabakh, a priority for Russia higher than ensuring a conflict-free region. Why else would it not object to the changes in the make-up of the Minsk Group? While there is no fully-fledged guarantee that Russia will back up Armenia in the event of full-scale war between Armenia and Azerbaijan, the uncertainty keeps Aliyev restrained (even though military spending has been increasing).

Perhaps if it were not for Russia’s open and on-going support and ties with Armenia, the relationship between Russia and Azerbaijan would go beyond gas deals and the human relations aspect. It is not news that official Baku has been unhappy for a while now with Russia’s role in the conflict and its role in the OSCE Minsk Group.

The most recent case of the power game between the two neighbours was the closure, after Azerbaijan declined to renew the lease, of the Russian-operated Gabala radar station. The two countries had been expected to renew the lease in December 2012. Russia had paid $7 million annually for the previous lease. However, Azerbaijan thought to hike up the rent by tenfold,

7 “Putin’s speech at meeting of the Russian-Armenian Interregional Forum”, kremlin.ru, 2 December 2013. Available at: http://eng.kremlin.ru/transcripts/6355
which would have increased the cost to about $300 million a year. This was not a deal Russia would accept. And despite year-long negotiations, the two neighbours failed to come to a mutually satisfying agreement. It is likely Azerbaijani authorities wanted Russia’s one last standing presence out of its territory. Eventually Russia withdrew and, to save face, argued the plant was outdated anyway. Some at home saw this as a minor victory. But by kicking out the remaining Russian presence, Azerbaijan also lost its chance to use the plant as a means of pressure on the Kremlin in pushing for resolution of the Karabakh conflict.

Further, Russia remains Azerbaijan’s second-largest trading partner. The largest energy companies of the two countries, SOCAR and Gazprom, signed an agreement in 2009 on the basis of which Azerbaijan exports its natural gas to Russia.

There was also the “five day war” of August 2008 between Russia and Georgia: Azerbaijan chose not to side with Georgia because of concern about Russian wrath toward Azerbaijan. The country’s leadership was aware that siding with Georgia could potentially result in border closures, persecution of Azerbaijani migrants and provoking of anti-Azerbaijan hysteria in Russia. Perhaps Putin’s overdue second visit to Baku took place in August 2013, seven years after his previous visit, is the result of such “balance” in the relationship.

So energy is not the only source of ties. As Putin said during his August 2013 visit, human ties are the most vital. Further still, there are other factors in the relationship. Russia’s greatest leverage in Azerbaijan is Azerbaijan’s large migrant worker commu-

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nity in Russia – over two million migrants. Already Russia has threatened to introduce a visa system and deport illegal migrants. There is also Kremlin’s satisfaction with the current leadership in Azerbaijan – it is much easier to deal with an autocrat like Putin himself rather than a more democratically oriented pro-Western leadership.

Azerbaijan and the West

Having explained the difficult relationship and the balance that Azerbaijan is trying to achieve and maintain with Russia, it would be fair to conclude that in Azerbaijan, there is an “equidistance” approach - neither with nor without Russia. Baku is careful in trying not to confront Moscow, knowing the possible consequences of a closed-door policy. The most dangerous of the possible outcomes being Russia’s unconditional and immediate support of Armenian troops in the frozen Nagorno-Karabakh conflict and the escalation of the conflict into a full-blown war especially in the light of the most recent deadliest clashes of August 2014.

The country’s relationship with the West is of a different nature. Official Baku does not want to distance itself from Europe or the US. The country’s leadership puts a lot of effort into portraying itself as an increasingly European - culturally, economically and politically. Whether it is succeeding at this is another question, but it is certainly trying very hard to come across as European and yet to strike a balance between the two political powers, in the meantime acting as an independent state.

In fact, Azerbaijan can be described as a hybrid of the two worlds - unlike Russia, Azerbaijan certainly wants to modernise, especially visually, and in particular in Baku with its high-rise buildings, architecture and infrastructural development. Much is
invested in revamping the image of the country abroad through cultural events, with a focus on modernisation and the quickly changing nature of the country. And yet domestically, official Baku in many ways mimics Russia’s internal crackdown, absence of the rule of law and political suffocation, and just like Russia, Azerbaijan is failing to modernise politically. In just a little less than a year, the Azerbaijani government has managed to lock behind bars the country’s most prominent representatives of civil society, journalists, rights activist and bloggers. Many rights watchdogs estimate the current number of political prisoners in Azerbaijan at more than 90 - which is more than Belarus and Russia, combined. There are currently 20 prisoners of conscience recognised by Amnesty International. The Committee to Protect Journalists included Azerbaijan on the list of the 10 most censored countries.

The country’s leadership is very well aware that up until now, shipping natural gas from Azerbaijan to Europe was a commercial issue, not to mention a strategy of Aliyev senior but in the light of recent events and the escalation of tension with Russia, it is becoming a strategically critical issue as well, with Azerbaijan being perhaps the only feasible major energy alternative to Russia. If all goes according to the current deal between the EU and Azerbaijan, the EU will rely on Azerbaijan for more than 70% of its energy supply by 2030. However, in the long term, once relations with Iran normalise and that country becomes an important hub for energy, Azerbaijan’s role might be undermined.

Azerbaijan’s interest in the West is not a new phenomenon. The country’s kindled relationship with the West was already visible in the early years of its energy exploration. The 1994 signing of the “Contract of the Century”, where most of the companies involved were of Western origin, was one of the initial attempts to become different from the rest of the post-Soviet states. And what better way to achieve this goal than by tapping into the country’s vast energy resources.

Yet, that was the only Western partnership in which the country was interested. Fast forward to present day Azerbaijan and the country’s current leadership is still interested only in very minimal and specific sectoral co-operation - certainly there is no debate about joining the EU or NATO. Instead there are discussions about opting for just visa facilitation and a strategic partnership. Clearly, the country’s leadership wants to act on its own, striking a careful balance, which might eventually prove difficult to maintain.

What now?

Azerbaijan, aware of its potential as an energy alternative to Russia, is keen on providing the necessary supply, so long as its dismal human rights record at home is not criticised by the potential partner in the energy deal, namely the EU.

While the EU is also interested in having Azerbaijan as its partner, the criticism by international human rights watchdogs, the country’s visible and deteriorating rights record, and the lack of action to tackle these grievances put the Union into a questionable position – does the EU concern itself with the autocratic regime of its partner and with the 90 political prisoners in jail, or is it merely following its energy interest?
Azerbaijan has learnt if not mastered, how to respond to growing international criticism. Often it responds to the criticism by pointing out EU’s lack of engagement with Azerbaijan in the context of Nagorno Karabakh. This, according to Amanda Paul, is a “thorn in relations”\textsuperscript{11}.

The unwillingness on behalf of Azerbaijani authorities to implement any of the political commitments and their insistence on cherry-picking areas of collaboration is underlined in the government’s refusal to sign the Association Agreement with the EU. “What kind of a partner is it – ‘associated member’?” President Aliyev said during the World Economic Forum in Davos. This was his response following European Commission refusal in 2013 to sign an agreement on Strategic Modernisation Partnership without signing an Association Agreement\textsuperscript{12}.

In reality, Azerbaijan did not want to sign the Association Agreement because the country did not want to be closer to EU standards and norms, but rather - as President Aliyev said - to pursue its own independent policy, standards and norms. The US, as a big supporter of the Baku-Tbilisi-Ceyhan pipeline, is cautious – again as a result of Azerbaijan’s poor human rights record – and cares more about avoiding the emergence of a new hegemonic state. It is not surprising that already in 2012, US Secretary of State Hilary Clinton described Putin’s Eurasian Union as “a move to re-Sovietize the region”\textsuperscript{13}.


\textsuperscript{12} “President Aliyev: Azerbaijan refused from EU Association for the higher level of partnership”, abc.az, 21 January 2015. Available at: http://abc.az/eng/news/78895.html
Policy recommendations

Russia’s insecurity means that Putin will always be ready to take risks, Ukraine being the best example of this. In the context of the Russia–Azerbaijan relationship, Putin can go back to the traditional “divide and rule” policy and stir the conflict over Karabakh. Therefore a combined action must be taken by the EU to contain Russia’s further plans to expand its ‘empire’ and continue destabilizing the region. Especially when the security and stability of countries like Azerbaijan is at stake as a result of the on-going Karabakh conflict and Russia’s leverage over this conflict. Azerbaijan’s economic model is not sustainable. Despite promises to diversify its economy, so far the country’s leadership has failed. The EU should push the country’s leadership towards more diversification and away from dependence on the country’s hydrocarbon reserves.

The EU should enhance its measures to hold the country’s strategic interest accountable to democratic values and human rights. The “hugging” vs. “holding” policy should shift – the EU should continue to engage with Azerbaijan and assist the country in areas that are important for its modernisation such as governance and the rule of law but it should not dismiss the deteriorating rights record and should push for accountability.

13 “Clinton calls Eurasian Integration an Effort to Re-Sovietize”, Radio Liberty, 7 December 2012. Available at: http://www.rferl.org/content/clinton-calls-eurasian-integration-effort-to-resovietize/24791921.html
Georgia: Reducing Anti-Russian Rhetoric, Accelerating Co-operation with the European Union

Mariam Naskidashvili

Executive summary

Georgia has recently signed and ratified an Association Agreement with the European Union. While some work still needs to be done before Georgians fully enjoy the benefits of the agreement, it serves as clear identification that the newly-elected government of Georgia has remained dedicated to its pro-European foreign policy. Simultaneously, the current governing coalition, Georgian Dream, has shown milder rhetoric towards Russia compared to its predecessor the United National Movement. While certain steps have been made to stabilise relations with Russia, diplomatic missions have not been re-established and the relationship remains rather fragile. Moreover, the ratification of the Association Agreement has already caused some tensions and, as Russian Prime Minister Dmitry Medvedev has claimed, may be followed by “protective measures”.

1 Mariam Naskidashvili is a junior researcher at the Tbilisi State University and the Yerevan State University. Her ongoing project examines the influence of national identity on foreign policy formation.
2 For example, Georgia needs to apply food safety regulations to benefit from the Deep and Comprehensive Free Trade Agreement (DCFTA), harmonize legislation with EU regulations, adopt new anti-monopoly laws, etc.
This paper looks into the costs and benefits of Georgian foreign policy choices and the reasoning behind its aspiration towards joining the EU structures vis-à-vis the membership of the Russian-led Eurasian Economic Union. Furthermore, it explores the leverages Russia may use to pressure Georgia into its sphere of influence. Lastly, it examines existing public opinion of Georgia’s pro-European foreign policy, analyses the role of national identity in EU/Russia dichotomy and ends on a number of policy recommendations.

**Introduction**

On 27 June 2014, Georgia signed and shortly after ratified an Association Agreement with the European Union (EU). The agreement envisages the creation of a Deep and Comprehensive Free Trade Area (DCFTA) with the EU, which holds great socio-economic and political importance for Georgia. Not long before the agreement was signed, then-president Mikheil Saakashvili’s openly pro-Western government lost the parliamentary and presidential elections to the newly emerged coalition of Georgian Dream. Bidzina Ivanishvili, a controversial multi-billionaire, who accumulated his fortune in Russia, led the coalition. His statements signalled that the new government meant to settle relations with the northern neighbour. For example, in September of 2013, at a press conference and, later, during an interview, he confirmed that the government did not exclude the possibility of joining the Eurasian Customs Union: “We are looking into it and examining whether this will be useful for the country and if so, why not?” Simultaneously, he highlighted that European values were important and Georgia would seek closer relations and,

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3 “Georgia, EU sign association agreement”, Civil.ge, 27 June 2014. Available at: http://www.civil.ge/eng/article.php?id=27417
possibly, integration with the European Union. This statement led to speculation in Georgian media and among the political opposition that the new government was keeping its options open. Nevertheless, despite such speculation, Georgia has never rejected signing the Association Agreement, as Armenia or Ukrainian former president Yanukovich did.

While Tbilisi’s foreign policy remains pro-Western, its anti-Russian rhetoric is significantly reduced in an attempt to keep both sides pleased. As an MP of the ruling coalition puts it, “[d]emand of the Georgian population is Euro integration, visa liberalisation, membership of the EU and improving relations with Russia. It is a very difficult demand [...] like going to McDonalds and ordering everything that is on the menu and things that are not even there”.

The question, however, is the plausibility of such expectations. That is, is it truly possible to follow the European path without juxtaposing Russia’s interests and upsetting the political elite in the Kremlin? With Russia’s recent actions in Ukraine, together with its accelerated efforts to make the Eurasian Economic Union functional, it is clear that Russia is not going to go back on its claim on the “near abroad” (if it was not already clear enough after Russia engaged in a military conflict with Georgia in 2008 and recognised South Ossetia and Abkhazia, the breakaway regions of Georgia, as independent states).

4 Koba Liklikadze, “Ivanishvili: Russia will become member of the EU and NATO as well”, Radio Free Europe Radio Liberty, 7 September 2013. Available at: http://www.radiotavisupleba.ge/content/interview-bidzina-ivanishvili/25099372.html
5 Interview with Mr. Levan Berdzenishvili, MP (Georgian Dream Coalition), Parliament of Georgia, Kutaisi, 22 July 2014.
Georgia’s foreign policy choices since the independence: a brief overview

Ever since the breakup of the Soviet Union, Georgia’s foreign policy has aimed to counter Russia’s power at large. The first President, Zviad Gamsakhurdia pushed for a pan-Caucasian policy vis-à-vis a pro-Russian or pro-Western approach. However he was quickly ousted from his post and replaced by former USSR Foreign Affairs Minister, Eduard Shevardnadze, who attempted to find a balance between West and North. Shevardnadze reached out to the United States as well as to European structures and simultaneously joined the Russian-dominated Commonwealth of Independent States (CIS). It was during his presidency that the Chairman of the Parliament, Zurab Zhvania, famously stated at the Council of Europe: “I am Georgian, and therefore I am European” 6. With this approach Shevardnadze managed to maintain the status quo; conflicts with South Ossetia and Abkhazia were frozen and Russia formally (however not practically) supported Georgia’s sovereignty and territorial integrity.

Soon after the Rose Revolution in 2003, Georgia’s foreign policy makers abandoned the idea of a Russo-European balance and unequivocally opted for a pro Euro-Atlantic policy. Nonetheless, this shift in policy did not occur suddenly. Initially, the “revolutionary” government attempted to maintain amicable relations with Russia. For example, in February 2004, then-President Saakashvili held his first meeting with Putin, telling him: “I want to become friends with you” 7. A few months later, Saakashvili

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told Russian newspaper Izvestia: “I trusted him [President Putin] and I was not mistaken. He kept his promises... Putin’s style of thinking is more pragmatic than most of the Western leaders”\(^8\). However relations came to a halt after the Georgian central government restored its control over the Autonomous Republic of Adjara later that year\(^9\). As Moskovskaya Pravda wrote: “The events were not a victory for Saakashvili over Abashidze, but for America over Russia. The USA is effectively continuing a carve-up of the Caucasus using its puppets in the region”\(^10\). Clashes between Georgian soldiers and Ossetian militants in August of 2004 brought Georgia to the brink of war with the breakaway region and dealt a final blow to Russo-Georgian relations. In response, Putin cancelled his visit to Georgia that had been planned for September.

Following these events, the Georgian government began to form an ideology that offered to cut any connections with the Soviet past and hence, with Russia. A study of political elites indicates that the ideology of the revolutionary government consisted of three main ideas: firstly, that Georgia was “no longer a post-Soviet” country, secondly, that their post-Revolutionary project was

\(^{8}\) “Mikheil Saakashvili: Shevardnadze always laid to Putin,” Izvestie, April 12 2004, Izvestie. Available at: http://izvestia.ru/news/289012#ixzz3PoXoAhDV

\(^{9}\) President of A/R Adjaria Aslan Abashidze who ruled in 1992-2004, refused to submit to the new government. He nearly sparked civil war as he created military groupings and had Cholokhi Bridge, connecting Adjara to central Georgia, blown up. Debacles resulted in the “Second Rose Revolution” as the president of A/R Adjara fled to Moscow (where he, reportedly, still resides) and Saakashvili celebrated victory by splashing himself with some seawater in Adjara as he was surrounded by crowds of people.

\(^{10}\) Quoted in Welan, S., Georgian authorities wrest back control of Adjaria. Available at: http://www.wsws.org/en/articles/2004/05/geor-m11.html
to build Georgia into a modern Western state, and lastly, that this could only be achieved through close ties with Euro-Atlantic military and political structures. These hypotheses are reflected in the National Security Concept (2012-2015) as well as the Foreign Policy Strategy of Georgia. According to the National Security Concept: “Georgia strives to become a member of European and Euro-Atlantic Structures, which will enable the country to consolidate democracy, strengthen well-being and security.” At the same time, the Concept lists threats coming from Russia among its top challenges (the list includes terrorist attacks organised within the territories occupied by Russia, and the possibility of further occupation). While a great deal of the document highlights the importance of relations with European and Euro-Atlantic structures, it only briefly mentions Russia “[it] is a desire of Georgia to have good neighbourly relations with Russia based on the principles of equality, which cannot happen without the Russian Federation acknowledging Georgian sovereignty, territorial integrity and de-occupation [of Georgia].” Likewise, the Georgian Foreign Policy Strategy of 2012-2015 highlights the weight laid on Euro-Atlantic integration while downgrading the importance of ties with Russia.
The government’s striving towards Euro-Atlantic structures was not merely expressed in public speeches or official documents. For instance, one of the major achievements was its fight against petty corruption. By reforming the police and introducing university entrance exams, corruption levels have plummeted. According to a poll in 2013, only 4% of Georgians paid bribes to get public services. Moreover, efforts were made to eliminate bureaucratic hurdles to starting a business in Georgia (for example 84 per cent of licensing requirements were eliminated) and the privatisation process was accelerated. Furthermore, before the war in 2008, Saakashvili’s administration doubled the number of Georgian troops in Iraq and continued to keep military forces in Kosovo and Afghanistan, hoping these actions would lead to NATO membership. Despite the government’s high hopes, Georgia was not granted the Membership Action Plan (MAP). Meanwhile, the Kremlin’s ambitions to maintain control over its “near abroad” alongside “sloppy” decision-making by Saakashvili’s “revolutionary” government finally escalated into the war of August 2008.

Unlike Saakashvili’s administration, the current government is pursuing more subtle politics, which bears a resemblance to Shevardnadze’s foreign policy. While the country maintains its pro-European (and generally, pro-Western) direction, it is more willing and open to negotiations with Russia. The government rarely opts for anti-Russian rhetoric, and avoids provoking the Kremlin. As a result of this policy, some economic ties were re-established. Nevertheless, progress has been limited and diplomatic missions between the countries have not been re-

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16 Department of State, 2014 Investment Climate Statement, Department of State, June 2014.
stored. Furthermore, situations might worsen after the signing of the Association Agreement; as Russian Prime Minister Dmitry Medvedev highlighted, Russia might undertake “protection measures” if the deal affects its economy\(^\text{19}\). While Medvedev only mentioned measures in regard to trade and economic relations, in light of the recent re-entry of Georgian products on the Russian market, this could mean re-occurrence of sanctions on Georgian goods, which would jeopardise relations between the countries even further. Anti-Russian sentiments may also accelerate among the Georgian population as many sympathise with the Ukrainians while the dramatic events take place in Eastern Ukraine. This sentiment may complicate the process of stabilisation of relations with Russia, as the Georgian government will be more conscious in making friendly gestures towards Russia.

**The role of national identity in forming foreign policy**

For the past two decades, Georgia’s foreign policy makers have been trying to bypass Russian interests and pursue Georgia’s legitimate choice of a European future. The pragmatism of such behaviour can be debated. According to Alexander Rondeli “attempts to integrate their country into European structures is

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\(^\text{18}\) For instance, as a result of Karasin-Abashidze talks Georgian wine export to Russia resumed in 2013. See “Russia receives first batch of Georgian wine after seven year break”, *Radio Free Europe Radio Liberty*, 15 June 2013. Available at: [http://www.rferl.org/content/russia-georgia-wine-returns/25017834.html](http://www.rferl.org/content/russia-georgia-wine-returns/25017834.html)

often seen as strategic idealism which goes against all geopolitical arguments and even common sense.” Arguably, the national identity of Georgians and moreover, Georgian political elites influence the foreign policy choices of the Government. Due to its geographical location, the influence of Roman and Byzantine civilisations, and of Christianity which was adopted in the 4th century, many Georgians identify with Europe. This self-perception has influenced the formulation of national interests and foreign policy; “[the] notion that Georgia belonged in “the West” provides a certain foundation for Georgia’s pro-Western orientation and its identity-driven foreign policy.” The discourse of the “return to Europe” is reflected in public speeches of political leaders, as well as official documents. The Georgian Foreign Policy Strategy of 2012-2015 states: “in terms of geographic, political, cultural and value system, Georgia is an inseparable part of Europe.” In accordance with the political elites, the Georgian population is also supportive of this course. About 70% of Georgians back NATO and the European Union, and only 10% oppose it.

22 Ibid, p.53.
While the theory that national identity impacts foreign policy choices could be applicable to a certain extent, one should not overlook the impact that the political elites have in shaping this very identity, especially when it comes to transitional countries. According to Lane, in the process of transition elites are the major actors in “constructing and deconstructing collective identities”\(^{25}\). And, admittedly, a large majority of the Georgian political elite (except marginalised parties with little public support\(^{26}\)) have been actively engaged in forging this European identity.

Arguably, political elites and, especially, decision-makers have more pragmatic reasons for their foreign policy choices and their behavior is not merely identity driven, therefore it is of a crucial importance to look into the pros and cons of close ties with Russia and the EU (without the assumption of membership in the near future).

**What could Russia offer Georgia?**

The geo-political order formed after the collapse of the Soviet Union has been unsatisfactory for the Kremlin. After the breakup of the USSR, the Baltic States promptly slipped away from Moscow’s influence and joined NATO and the EU. Efforts by Ukraine, Moldova and Georgia to do the same were perceived by the Kremlin as an attempt by the “West” to gain control over Russia’s sphere of influence, which in turn would threaten its national security. Moscow uses “carrots” (subsidies, reduced prices


\(^{26}\) For example “Free Georgia” which was promoting the idea of Georgia officially rejecting the policy of Euro-Atlantic integration, gained only 0.3% at the parliamentary elections of 2012.
on energy resources for its allies) as well as “sticks” (support for military insurgents in Ukraine, deployment of military forces in Abkhazia and South Ossetia) to make sure that the post-Soviet countries remain under Russia’s “patronage”. As Olcott et al point out “Moscow’s bilateral and multilateral ties with the [USSR] successor states, which it chose to call the ‘near abroad’, have proven to be paternalistic at best and clearly adversarial at worst”\textsuperscript{27}. To maintain control, Moscow has repeatedly tried to create organisations set to counter the European Union (the CIS could serve as one example) drawing a border between the West and the East - the Eurasian Customs Union is the most recent attempt.

The Eurasian Customs Union (initially consisting of Russia, Belarus and Kazakhstan and as of 1 January 2015 Armenia and Kyrgyzstan as well) was created in 2010 and would become fully operational in 2015. Unlike its predecessor organisations some authors deem the union more viable “in a region where border management practices and bureaucracies are notoriously inefficient, the union already works reasonably well”\textsuperscript{28}. About 85% of import duties have been already harmonised and the Eurasian Economic Commission has been running the Union since 2012. However the overwhelming economic and political dominance of Russia, which underpins the union, might hamper its further development. It accounts for 86% of the bloc’s GDP and 84% of its population\textsuperscript{29}. Politically as well, Russia lures


\textsuperscript{29} Ibid, p.2.
potential members with subsidies and coercion as most of the post-Soviet countries are still quite conscious to join the Eurasian Customs Union. Moreover, the Union is already experiencing obstacles; in December 2014, Belorussian customs officers resumed checking Russian trucks on the border as a response to Russia’s tightened control on Belorussian products entering or transiting Russia30.

If successful, the Eurasian Economic Union could be somewhat beneficial for Georgia economically. After all, Russia used to be its top trading partner, accounting for almost 20% of the total trade before 2006. It also used to be the major supplier of energy resources31. Opening up the market would boost the country’s economy. However due to recent history, Russia seems an unreliable partner to Georgians and for a reason. In the winter of 2006, due to sudden explosions of the pipelines in Southern Russia (which were speculated to be pre-arranged32), the gas supply was suspended causing an energy crisis in Georgia. It was followed by a full economic embargo the same year. Transportation and postal transfers were also cancelled which hit Georgia’s economy dramatically, as a large portion of Georgians depended on remittances sent by their relatives. It took 4 years to recover the pre-embargo mineral water export levels and wine export has not fully caught up yet33. More importantly, after the war of

2008 Russia has stationed offensive military forces, some of them only about 40 kilometres from Tbilisi. In total, there are about 10 000 Russian soldiers on Georgian territory, ballistic missiles with ranges capable of reaching most of Georgia, and an air defence system that could reach all the major airports of Georgia34.

Despite clear messages from the newly elected Georgian government that Tbilisi was willing to settle relations, Russia’s response was restricted. Moreover, it started installing barbed wires along the administrative boundary lines of South Ossetia. The gesture signalled that Moscow would not renegotiate its stance on the occupied territories. Russia’s recent activities in Eastern Ukraine and Crimea were deeply alarming for its neighbours. In fact, it might be due to the crisis in Ukraine, that the Georgian government has not been more pro-active towards Russia.

If relations with Russia become “brotherly” again, Georgia can count only on maintaining the status quo with no further interventions from Russia. Moreover, at this stage, allying with Russia would be a risky and unpopular move for the Georgian government. First of all, it would be perceived that Georgia has accepted defeat over Abkhazia and South Ossetia, as Russia recognises these territories as independent countries. Secondly, for Georgians, Russia represents the continuation of the Soviet Union or even the Russian empire, which dominates little nations. Hence, choosing Russia over Europe is neither an attrac-

33 Yigal Schleifer, “Georgia: lifting Russian embargo to have limited economic impact?” Eurasianet.org, 14 August 2013. Available at: http://www.eurasianet.org/node/67391
tive nor a financially beneficial foreign policy choice for the Georgian government. Nevertheless, without stable relations with Moscow, security and territorial integrity can yet again be at stake. Without careful political considerations and support from the EU member states those will be rather difficult to achieve.

Benefits from the EU and the Association Agreement

For more than two decades, the EU has been assisting Georgia to reform and run public institutions, to build capacity of state employees, recover the conflict-affected economy, rejuvenate agriculture, etc. Following the war of 2008, the EU allocated 500 million euro to support the country’s recovery. It has also sent the only international monitoring mission to Georgia, which remains in the country and oversees the ceasefire. From 2007 to 2013, Georgia received 452.1 million euro of EU assistance, and is promised to get additionally about 410 million euro until 2017. For a country with a population of less than five million and a fragile economy, this is substantial support.

The Association Agreement that was signed in June of 2014 promises greater benefits. The document covers a variety of areas such as legislation, trade, economic co-operation, and financial assistance. One of the most significant aspects of the agreement is that it envisages the creation of a Deep and Com-
prehensive Free Trade Agreement (DCFTA). After the DCFTA becomes operational, Georgia and the EU will eliminate duties on imports from each other. As a result, Georgia will save 84.2 million euro on imports from the EU. Additionally, Georgian agricultural goods would become more attractive for the European market as the elimination of duties would result in the reduction of prices and the easing of the bureaucracy on the border would stimulate bigger volumes of trade. According to the Memo of the European Commission on the Association Agreement, the EU will be removing customs duties on basic agricultural goods worth of 5.7 million euro and on half a million euro worth of processed agricultural products\(^38\). The 2012 report commissioned by the EU estimates that Georgia’s exports to the EU will increase by 12% and imports from the EU by 7.5%. Moreover, the EU has adopted a 101 million euro package to support implementation of the DCFTA and medium and small enterprises\(^39\).

The financial and political support from the EU even without the promise of immediate membership is substantial. Furthermore, the EU accepts and recognises Georgia’s sovereignty and territorial integrity and remains a promoter of human rights, freedom of speech and democracy. Georgia’s pro-Western policy should remain firm, however the government should avoid upsetting


\(^{39}\) “Georgia, EU sign association agreement”, *Civil.ge*, 27 June 2014. Available at: http://www.civil.ge/eng/article.php?id=27417
the Kremlin with unnecessary ‘poking in the eye’, which previous governments often failed not to do. For example Saakashvili has referred to Russia in public speeches as “the last authoritarian empire in the world” and often has referred to Putin as a KGB agent\textsuperscript{40}.

Admittedly, it is a very fine line, and will be harder to pursue this goal as Moscow might intensify its pressure on Tbilisi. Without Europe’s firm stance and uncompromising support by it for Georgia, it will be a mission impossible for the government to keep walking this slippery slope. And this would mean moving beyond rhetoric on Russian actions and engaging in negotiations with Moscow, on where the EU stands on specific issues related to Georgia or other Eastern European countries. After all, Europe still has the bargaining chip of a large market where many Russian companies operate as well and which could provide even larger benefits for the Russian economy.

**Conclusion**

Georgia has proved that it remains dedicated to its pro-Western foreign policy. Despite the fact that the new government demonstrated willingness for dialogue with Russia, limited success has been achieved. The relationship with the northern neighbour remains fragile and the recently signed Association Agreement with the EU might upset the process even further. It is extremely difficult for a small country like Georgia to pursue its own foreign policy goals while Russia aims to strengthen its domination over what the Kremlin defines as its “near abroad”.

At this stage:

- Changing the foreign policy direction would be a neither popular nor advantageous move for Georgia as the geo-political interests of Russia make it an unreliable partner. Hitching its star to Russia would confine Georgia to the post-Soviet space for the long-term (if not for good).

- On the other hand, if Georgia remains an economically stable country, dedicated to its pro-Western policy and, more importantly, to European values, it stands a chance of developing into a modern, democratic, European state.

- It will be increasingly difficult for Georgia to retain its pro-Western policy. Therefore, it is of crucial importance that the EU and its member states continue their support and use their diplomatic and economic leverages more efficiently in cases of Russian pressure on Georgia against its will.
The Origins of Foreign Policy Shifts in Moldova

Executive summary

This article argues that Moldova’s foreign policy has witnessed important shifts that have led to the end of the multi-vector policy of recent years and to embarking on the path of European integration. Despite the relatively good results in some reforms and a few deliverables as an outcome of advanced co-operation with Brussels, public support for European integration has decreased on the background of corruption scandals and society is more polarised. The difficult relations between Moscow and the EU over the Eastern Partnership states have created a situation of a zero-sum game that forces states in the region to take sides.

Several factors influenced the Moldovan orientation towards the EU and the polarisation of society, but above all, the fear of Russia - given the previous mostly negative experience and historical legacies- has created a propensity for Chisinau to look westward.

1 Leonid Litra is Senior Research Fellow at the Institute of World Policy, previously served as Deputy Director at the Institute for Development and Social Initiatives “Viitorul” in Chisinau (Moldova) where he is now an Associate Fellow. He has co-authored many publications on democratization of the post-Soviet area, European integration and frozen conflicts.
The Origins of Foreign Policy Shifts in Moldova

The significant shift in public opinion came from the fact that in moments of critical choice, the public is rather cautious and because of the events in Ukraine, puts higher value on personal security than on state strategies. Thus, new challenges in the region, depending on the outcomes of relations between Russia and the West, are likely to have implications for Moldova’s foreign policy - and a potential return to a multi-vector policy should not be excluded.

Introduction

As the competing integration projects in the “common neighbourhood” of the EU and Russia became more nuanced, the options for Moldovan foreign policy were narrowed and partly predetermined. Formerly a country with limited willingness to conduct a dynamic foreign policy, today Moldova is playing an active role in shaping what some have called a “success story” in the Eastern Partnership. Despite the significant shortcomings of the Moldovan “success story” and the regress in many reforms, it is still among the best in the region in terms of the path to European integration so far.²

Yet, as European integration became the only game in town for the governing alliance, both in terms of internal and foreign policy, aggressive Russian criticism and actions have followed, intended to put on hold Moldova’s plans to sign the Association Agreement with the EU. Moscow’s efforts to roll back Moldova’s European integration plans, however, have not had the effect that Russia desired on the foreign policy of Chisinau. Under threat from Moscow that Moldova would lose Transnistria and that

² For a detailed comparison of Eastern Partnership states in terms of European integration, please see Index of European Integration for Eastern Partnership States 2014, available at: http://www.eap-index.eu
Russia would fuel separatist movements in the autonomous region of Gagauzia, the government of Moldova signed the agreement with the EU and pursued closer relations with the bloc. Nevertheless, the irreversibility of the process of European integration is not assured, especially taking into account the Russian-Ukrainian conflict.

**Moldova’s foreign policy trends and causes**

Moldova’s foreign policy has experienced several trends since independence, but in general three key directions could be underlined. The first that was inherited from the Soviet Union past is a foreign policy carried out within the parameters shaped by Moscow and which does not require a proactive position, because it is based on the principle that Moldova complies with the rules imposed by Russia and Moscow defends Moldova’s interests in relation to other actors. Such a policy was in place after 1994 when the first wave of disappointment about independence swept through. This model is of some significance today because it is informally implemented through the creation of the Customs Union. The trade-off is to unofficially surrender to Russia a degree of sovereignty, and Moscow will take care of the country’s political, economic and trade regime when negotiating with other actors such as the EU or the WTO. The second trend that was based rather on emotions than on practical issues was the Romania-centered foreign policy. This trend was shaped simultaneously with the National Liberation Movement in Moldova but lost momentum in the mid-1990s because of lack of substance (concrete projects) in the dialogue. The Romania-centered policy has been returning to the agenda because of the strengthening of Romania and the subsequent increase of its ca-

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3 For instance, before the war, Russia proposed to cover the financial obligations of Ukraine to the WTO if Kyiv would join the Customs Union.
pacity, both political and economic, the inefficiency of Moldovan government, but also through people-to-people contacts and projects carried out by Bucharest, making the latter more capable of influencing the agenda of the government in Moldova. The failure of the Romania-centered policy in the mid-1990s created strong momentum for developing a foreign policy orientated towards the EU. The model of foreign policy focused on the EU could be simplified to the following definition: the country undertakes reforms and takes the responsibility on its own shoulders, and the EU provides support and advances political co-operation. Given that the EU became a very important actor in defining and implementing foreign policy, and because of a partial overlap with Romania’s interests in Moldova, the EU option absorbed and neutralised to a great extent the Romania-centered foreign policy model. Basically, the combination of the three foreign policy trends created in the late 1990s and early 2000s the so-called multi-vector policy. This means a policy lacking strategic direction and results, and of balancing between the West and Russia, trying to use differences between them to its advantage. Other countries in the region, such as Ukraine, Georgia and Armenia, have used this approach in the past.

Since the start of the new governing coalition in 2009 to the present day, 2014, there have been two important changes in Moldova’s foreign policy. First, the foreign policy of Moldova has witnessed a sharp transformation to making European integration top priority, meaning an end to the multi-vector policy. This became obvious when Moldova’s authorities signed the Association Agreement that includes the DCFTA and which excludes

4 “President Yanukovych Returns to Multi-Vector Foreign Policy”, Eurasia Daily Monitor, Vol.7, Issue 106. Available at: http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=36446#.VCSN_r4it3Y
the possibility of joining other integration formats such as the Customs Union. Second, once European integration became the main priority, the consensus on European integration that was in place from 2005 to 2012, that saw it as the only and the best option, has come into question among some of the political elite and among half of the public. At the same time, there is a growing polarisation in society on the issue. Although the two changes seem not to be connected, it is likely that both have the same cause – fear of Russia. However difficult to prove a clear-cut connection, the historical legacies of Moldova show that many policies chosen by decision-makers were guided by fears and today’s rearrangement of foreign policy is the result of the same principle. The mainly negative experience of Moldova’s “participation” in the Soviet Union, the Russian-backed breakaway region of Transnistria and the bitter relations with Russia in the 23 years of independence cannot be overlooked. The two actors, Russia and the West, around which Moldova gravitates currently, have applied different models of policy towards Chisinau. The EU’s positive conditionality was implemented in accordance with the model by which Moldova carries out reforms and gets rewards in return. If Moldova does not implement reforms, then no support follows, but also no punishment. In contrast, Russia’s approach is a combination of hard and soft security tools, often applying negative conditionality such as energy tools or trade restrictions, which means that if Moldova acts to the detriment of Russian interest, it is punished⁵.

Domestic disagreement in Moldovan society over the foreign policy options was exacerbated by the rivalry between the EU

⁵ For detailed research on positive and negative conditionality, see Frank Schimmelfennig, Europeanization beyond the member states, 2010. Available at: http://www.eup.ethz.ch/people/schimmelfennig/publications/10_ZSE_Europeanization__manuscript_.pdf
and Russia in the common neighbourhood. Therefore, in addition to the negotiations of EaP countries with Russia and the EU, a second level of negotiations between Brussels and Moscow emerged, where Chisinau, unfortunately, has little, if nothing, to say. The polarisation leaves no room to manoeuvre and Moldova, alike other countries in the region, in particular Ukraine and Georgia, had to choose between the EU and Russia. This means that neutrality in terms of integration projects is almost impossible. The choice in favour of the EU was a semi-conscious decision based on the fear that choosing Russia might result in a total loss of capacity to take strategic decisions independently. At the same time, in the case of the EU, even if the choice is unpleasant for the political elite because of Brussels’ insistence on reform and fighting corruption, the conditions are still better because of moderate independence to take decisions.

The choice made by Moldova led to the conclusion and provisional implementation of the Association Agreement, entry into force of merit-based visa liberalisation, significant funding for upgrading infrastructure, liberalisation of the aviation market and many other benefits that bring Moldova closer to the EU. But surprisingly, due to corruption scandals that emerged in the banking sector, all the benefits have not created more support for European integration among the population. On the contrary, euro-skepticism has risen, the EU being supported by 35% and the Customs Union by 38%6. There are many reasons for this, including the fear of losing stability (even if it is a bad stability).

7 For detailed research of post-Soviet patterns, see How to get Rid of Post-Sovietness, Institute of World Policy, Kyiv, 2013. Available at: http://pasos.org/9072/how-to-get-rid-of-post-sovietness/
This fear has been an important factor and has been one of the key attributes of the post-Soviet patterns of behaviour. Because of the EU-Russia enmity, the erosion of the regional status quo through the Russian invasion of Ukraine and the creation of a zero-sum game atmosphere, the citizens of Moldova had to make a real choice and not a theoretical one. The difference is that a few years ago, the question of the choice between integration into the EU and integration into the Customs Union (CU) was still an abstract issue for ordinary citizens. The choices were not necessarily mutually exclusive, but now, the same question has a different weight and meaning because of reaching the moment of critical choice when Moldova was squeezed between the EU and Russia. Reaching the moment of critical choice means having to reassess the risks and threats also from the personal (individual) perspective. The “picture” of Russia’s aggression in Ukraine has meant that more people’s opinions are shaped by their feelings about their personal security. This is in contrast to decision-makers whose choices must be based on the benefits for the country, ahead of considerations of personal security. Opinion polls carried out in Moldova in May 2014 show how society reassesses attitudes at moments of critical choice. The questions focused on 19 criteria that are among the most important for the population, including life expectancy, crime levels, the fight against corruption, prices, poverty, salary levels and unemployment, etc. Those polled were asked to say which was better, the EU or CU. On 17 criteria, the EU significantly outdid the CU, results regarding one criterion

were close to even and on one criterion, the CU considerably outdid the EU. But although most of those polled saw the EU as more attractive in almost all areas, they said that the most important questions that the country was facing could be solved by joining the Customs Union. Such cognitive dissonance among the public is the result of fear, insufficient information and limited capacity to reach evidence-based judgments, as well as the aggressive Russian propaganda.

**Be brave or surrender**

The countries in the Eastern Partnership have a clear list of advantages and disadvantages from integration into the EU or CU. While Brussels offers midterm sustainable development through the path of reforms and free trade, financial assistance and political support, Moscow’s offer is cheap gas and non-escalation of the territorial conflicts within the country that would have an immediate impact but grim perspectives in the future.

The regional context does not allow Moldova to deal alone with the challenges ahead and therefore Chisinau will have to adjust its foreign policy in the direction of balancing between the East and the West if pressures emanating from Moscow continue. Ideally, the best option for Moldova would be to apply for EU membership in 2015-2016. But with current developments, this scenario is less realistic, especially given that the results of the November 2014 parliamentary elections informally brought the communist party to governance, a party that traditionally has significant euro-skeptic attitudes⁹. In this context, the basic task or the emergency plan for Moldova would be to slow the Euro-

⁹ The Party of Communists is not officially part of the governing alliance. However, de facto it supports the current alliance.
pean integration process and to return to a multi-vector policy. This is a wasteful policy in terms of economic development, but at least it keeps the security status quo until a new environment is formed that makes it viable to continue the integration project. Certainly, the outcome of the Russia-EU conflict on Ukraine will play a significant role in how Moldova adjusts its foreign policy. The decision, taken at the insistence of Russia, to postpone until 2016\(^\text{10}\) the implementation of the economic part (DCFTA) of the Association Agreement between the EU and Ukraine is a sign that “European irreversibility” can be negotiated. The EU has done disfavour to Moldova and Georgia by negotiating the “non-negotiable” in a situation where Russia was not able to prove the potential losses and damage to the Russian economy that the Kremlin claimed as a result of DCFTA implementation in Georgia, Ukraine and Moldova. Because it has accepted the postponement of the DCFTA with Ukraine, Brussels will have to convince Moscow that the DCFTA is not damaging to the Russian economy, while previously the Kremlin would have had to convince the EU that it is bad for its economy. But the EU-Russia debate and the changes in the DCFTA requested by Moscow\(^\text{11}\) show that the real fear, this time on the part of Russia, is the loss of political and economic control over Ukraine and other countries that have


\(^{11}\) “Россия выдвинула Украине и ЕС свой список изменений в Соглашение об ассоциации” [Russia put forward to Ukraine and the EU its list of amendments to the Association Agreement], ZN.UA Novosti, 10 September 2014. Available at: http://zn.ua/POLITICS/rossiya-vydvinula-ukraine-i-es-svoy-spisok-izmeneniy-v-soglashenie-ob-associacii-152721_.html
embarked on the association process with the EU. A further issue is that the EU is no longer an inoffensive organisation for Russian interests in the region because it creates significant problems for Moscow’s seeking to project its influence in the respective countries.

Conclusions and recommendations

Moldova will continue its efforts to conduct an active and broadly independent foreign policy. However, in the current regional context, Chisinau is not going to be able to do this alone. The support of the EU is crucial, while greater interest on the part of the US, which was largely absent from the region in the past decade, would fortify Moldova’s capacity to withstand. A failure by the West to stand behind countries such as Ukraine, Georgia and Moldova would seriously discourage the democratisation processes in the post-Soviet area.

Moldova’s fear of Russia and the willingness to get closer to the EU has prompted a dynamic reform process and a courageous foreign policy but the corrupted political elite and the lack of wider public support will create additional challenges. Therefore, if the outcome of the war in Ukraine will be in favour of Russia, the Moldovan government will most likely have to adjust its policy in order to avoid Russian-backed diversions and violent confrontations on its territory. At the same time, the West should help Moldova’s citizens in moments of critical choice to choose development over dependence.
Ukraine’s EU-Russia Dilemma: the Essence of the Choice

Iryna Solonenko

Executive summary

After Ukraine’s former President Viktor Yanukovych refused in November 2013 to sign the country’s Association Agreement (AA) with the EU, a series of events unfolded that have dramatically changed the relationship in the EU-Ukraine-Russia triangle. The outcome of the Euromaidan protests – a transition of power from Yanukovych to the opposition, led to military intervention by Russia, first with the illegal invasion and annexation of Crimea and then the rise of insurgent militia in Donbas. By February 2015 the war had left more than 6000 people dead and more than a million displaced. Another outcome of the Euromaidan was that the AA between the EU and Ukraine was eventually signed and ratified. Russia failed to bring about the revision of the AA, but succeeded in demanding postponement of the Deep and Comprehensive Free Trade Agreement (DCFTA) implementation.

Iryna Solonenko is a DAAD/OSF scholar at the European University Viadrina, Frankfurt/Oder. She is working on the topic of state-business relations in hybrid regimes, focusing on the political role of Ukrainian oligarchs.

for a year - an event that reconfirmed that Russia does have a certain veto power in EU-Ukraine relations. By having signed and ratified the AA, Ukraine formally made a choice in favour of European integration and the option of joining the Eurasian Economic Union can effectively be ruled out\(^3\). Yet, Ukraine’s relations with Russia are disrupted on many levels. The territory of Donbas controlled by pro-Russian insurgents might evolve into a frozen conflict that will have repercussions for years to come. Moreover, Russia has continuously interrupted supplies of gas to Ukraine, exercised pressure on some EU member states who agreed to transport gas to Ukraine from the EU and blocked import of Ukrainian products. This is not to mention the mutual perception between Ukrainians and Russians, which has worsened in recent months. There is however, another dimension to the choice between the EU and Russia – that of the normative order and governance model. In practical terms, departure from the Russian or post-Soviet model, which Russia is currently reproducing and even exporting, means transformation of Ukraine from a “captured” state to a system with the “open access order”\(^4\). The Maidan fought for this transformation and there are signs that Ukraine might be embarking on this path. Yet, the outcome of this process is still undefined. It is important for Ukraine to undergo this domestic transformation, change the social con-

\(^3\) Joining the Eurasian Economic Union would mean that Ukraine will have to opt out of the Association Agreement and re-establish the tariffs imposed by the Eurasian Economic Union to trade with the EU. Moreover, AA implementation implies large-scale *acquis* approximation – a process, which is difficult to reverse or just stop, once it has been launched.

\(^4\) Douglass North, John Wallis, and Barry Weingast, *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History*, Cambridge University Press, 2009. The authors developed the conceptual framework of transition from a limited access order to an open access order.
tract, and launch implementation of the AA, which is mostly about the domestic reform process. Only this transformation or, in other words, profound Europeanisation of Ukraine will bring about the system the Maidan demanded. This will also reduce Russian leverage, which is informal in nature and is based on non-transparent elite networks.

Introduction

Ukraine is an example of a country of the Eastern Partnership where the EU/Russia dichotomy not only is acute, but is in a very open confrontation. Having experienced the refusal of the Ukrainian leadership to sign the AA in November 2013 and the Euromaidan protests, Ukraine finds itself in a state of war with Russia. Although Russia denies its role in the proxy war that is taking place in Donbas, ample evidence points in the direction of Russia’s direct involvement and Ukrainians overwhelmingly perceive the situation the same way\(^5\). Crimea was annexed within less than a month in March 2014, while a part of Ukraine’s territory bordering Russia in Lugansk and Donetsk regions remains out of Ukraine’s control.

This situation has already had, and will still have, a defining effect on Ukraine-Russia relations for years to come. Ukraine used to balance between the EU and Russia, avoiding a situation where a choice would have to be made. This balancing act was

\(^5\) According to a public opinion conducted by the Democratic Initiatives Foundation in September 2014, 75% of those polled all over Ukraine agreed that Russia directly supports ‘pro-Russian’ insurgents in Donbas, while 52% agreed that Russia is responsible for bloodshed in Eastern Ukraine and 70% agreed that the war between Ukraine and Russia is taking place. Public Opinion Poll of the Democratic Initiatives Foundation, September 2014. Available at:
also reflected in the protracted post-communist transformation and a lack of reforms that would Europeanise Ukraine. The prospect of the AA with the EU on the one hand and pressure on the part of Russia to join the Customs Union (which, as of 2015, has become the Eurasian Economic Union) on the other hand created a situation when a choice in favour of one integration project had to be made. To be precise, Russia created a zero-sum situation, whereby Ukraine, had it joined the Customs Union, would not have been able to have a free trade area with the EU. In September 2014, by having ratified the AA, Ukraine made a choice in favour of the EU. Yet, Russia still retains numerous leverages on Ukraine, creating the potential for this choice to be jeopardised. At the same time, the Russian aggression has accelerated the process of formation of the political nation in Ukraine, whereby most of the Ukrainian population (including the Russian-speaking part) has become unprecedentedly patriotic and proud to be Ukrainian citizens; moreover, support for the EU and NATO has increased dramatically.

The choice between the EU and Russia, importantly, is not only a foreign policy choice or a choice between two integration models. Much more so, it is a choice between two normative orders or two different value systems that are reflected in the social contract between the state and society, that is, a choice between democracy, respect for human rights, free media or a “captured” authoritarian state. If Ukraine succeeds in pursuing the European model, the Russian leverage in Ukraine, which has been based on non-transparent informal networks with the Ukrainian political establishment, will also diminish. Therefore, undertaking this transformation is of crucial, if not existential, importance for Ukraine. The very survival of Ukraine as a state will depend on it.
EU-Ukraine-Russia triangle relations: a short overview

Before looking in more detail at the EU/Russia dichotomy in Ukraine, it makes sense to give a brief overview of how the relations in the Ukraine-Russia-EU triangle developed and how the current situation arose. One can define several phases since the collapse of the Soviet Union.

The first and rather long period lasted well until the European Neighbourhood Policy (ENP) in 2004 and its Eastern pillar – the Eastern Partnership in 2009 - were launched. During this period the EU pursued what was known as a “Russia-first” policy. Different policy tools and arrangements were first offered to Russia and only afterwards to Ukraine. Moreover, the EU was a mere foreign policy actor, meaning that it did not play any significant role in Ukraine’s domestic developments. At the same time Russia attempted to reinvigorate the Soviet Union through offering different integration projects, which Ukraine successfully refused.

It was with the launch of the ENP that the EU appeared as an actor in Ukraine’s domestic reform process. With the ENP and, more specifically, through the signing of the EU-Ukraine Action Plan in February 2005, the EU offered to Ukraine a comprehensive list of reforms. Despite being too long and not properly prioritised, this was the first time that the EU offered Ukraine some sort of “homework”. Although the Action Plan and its successor

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6 Russia consistently attempted to deepen integration within the Commonwealth of Independent States (CIS), which was created in December 1991 as a part of the collapse of the Soviet Union and in 2000 created the Eurasian Economic Community (EEC). Ukraine refused to become a fully-fledged member of CIS, since it never ratified its Treaty and became an observer of the EEC instead of joining it.
document - the Association Agenda – were largely ignored by political elites, they became important reference documents for civil society and served as guidance for action for mid-level bureaucracy\textsuperscript{8}. Moreover, it was due to the ENP that the EU’s Ukraine policy was decoupled from that towards Russia, with whom the EU developed a separate policy framework.

The launch of the Eastern Partnership in 2009 marks a third period of the EU-Ukraine-Russia triangle relationship. This was the first time that the Russian leadership objected to an EU initiative within the post-Soviet space\textsuperscript{9}. Although EaP did not bring anything new to Ukraine – it simply offered to the other EU’s Eastern neighbours the instruments Ukraine had anyway as a part of EU-Ukraine bilateral agenda, the initiative signalled to Russia that the EU has a clear strategic interest in the region. Russia’s stance

\textsuperscript{9} For instance, Russian Foreign Minister Sergey Lavrov said that the EaP initiative meant the EU was trying to establish its sphere of influence in the Eastern Neighbourhood, while other voices from Russia said that the EU should consult Russia when it comes to initiatives that effect Russia’s ‘traditional interests’. See Arkadi Moshes, “Russia’s European Policy under Medvedev: How Sustainable is a New Compromise?”, \textit{International Affairs}, Vol. 88, No. 1 2012. See also Susann Stewart, “Russia and the Eastern Partnership. Loud Criticism. Quite Interest in Cooperation”, \textit{SWP Comments} 7, May 2009. Available at: http://www.swp-berlin.org/fileadmin/contents/products/comments/2009Co7_stw_ks.pdf
softened over time as Russia saw that the EU’s offer was rather vague and of a long-term nature. Yet, one can say that the launch of the EaP provided a strong impetus for a rethink of Russia’s strategy in the “near abroad”, which developed into the formation of the Eurasian Economic Union (ECU).

The fourth period was marked by Russia’s intensive engagement aimed at preventing Ukraine from signing the AA and persuading Ukraine to join the ECU. This began from 2011 when Ukraine and the EU initialled the AA, but intensified in the summer and autumn of 2013 when the prospect of having the AA signed in Vilnius was becoming realistic. During this period the EU promoted reforms in Ukraine that would enable the signing of the AA. In December 2012 it formalised the conditions: end selective justice (this concerned the former opposition leader Yulia Tymoshenko whom Viktor Yanukovych kept in jail), improve conduct of elections, and undertake a number of steps to enhance the rule of law, fight corruption and improve the business climate – all reform areas listed in the Association Agenda. A special EU mission under the leadership of Pat Cox, the former President of the European Parliament, and Alexander Kwasniewski, the former President of Poland, visited Ukraine 27 times within the 18 months preceding the Vilnius Summit. Eventually, Russia undercut the EU by offering an effective combination of sticks (threat of a full-scale trade war in the event that Yanukovych decided to sign the AA) and carrots (the promise of a large loan, $15 billion of which was delivered soon after the Euromaidan started, and discounted gas prices). Yanukovych refused to sign the AA, despite the fact that on the last day of the Vilnius Summit the EU agreed to lift all the conditions. The Euromaidan protests

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10 Rilka Dragneva and Kataryna Wolczuk, “Russia, the Eurasian Customs Union and the EU: Cooperation, Stagnation or Rivalry?”, Chatham House Briefing Paper REP BP 2012/01, 6 August 2012.
that lasted from November 2013 until February 2014 eventually changed the scenario Yanukovych opted for.

The new phase, which started with the appearance of the so-called “green men” in Crimea, with the subsequent annexation of Crimea and the conflict in Eastern Ukraine, is still underway. Although Russia continues endeavouring to disrupt Ukraine’s European choice, it so far has not succeeded. It failed to impose revision of the AA, although it succeeded in postponement of DCFTA implementation until 2016. Two of its projects aimed at destabilising Ukraine – federalisation (giving autonomy to regions in Ukraine and in this way, through the control of certain regions, a potential veto of various domestic and foreign policy initiatives of the central authorities in Ukraine) and “Novorossiya” (the historical notion of the Russian-speaking South and Eastern Ukraine, which supposedly would want to break away from Ukraine failed. Instead Russia succeeded in annexing Crimea and occupying parts of Donetsk and Luhansk regions. Although Russia still possesses a number of leverages to destabilise Ukraine and stall its European integration, what it has managed to achieve so far is much less than was expected.

Importantly, for most of the time after Ukraine’s independence, Ukrainian political elites did little to make a clear European choice and subordinate the domestic reform process to this choice. The status quo of partial reforms used to be the preferred option that enabled corruption, poor governance and lack of rule of law. This situation limited the EU’s leverage to influence the reform process and at the same time enabled Russian meddling in domestic developments in Ukraine. It is therefore very important that the Ukrainian political elites and the Ukrainian society in general use the window of opportunity, opened by the Euromaidan, to carry out the necessary reforms.
A(n) (un)natural choice?

In many ways, the dilemma for Ukraine of choosing between the EU and Russia is an artificial one. Ukraine shares with both Russia and the EU a lot of common history. It has a common border with Russia, 2295 kilometres long (of which 321 km is a sea border) and with the EU, 1390 kilometres long. The EU and Russia are Ukraine’s two biggest trade partners. Moreover, Ukraine is the main transit country for the supply of natural gas to Europe from Russia. The Russian language is widely spoken in Ukraine. Therefore, co-operation with both partners should be natural.

Yet, this would be an ideal world situation. In reality there are three dimensions, which require a choice to be made if Ukraine aspires to become a sovereign and democratic country.

The first dimension has been artificially created by Russia, while the other two follow from the experience of Ukraine’s relations with Russia so far. To start with the first dimension, Russia created a situation when Ukraine was supposed to make a very real choice - the choice between the AA with the EU and the Eurasia Economic Union (EEU) driven by Russia. In fact, by having created the Customs Union, which has been transformed into the EEU, as an alternative to European integration, Russia created a zero-sum situation. The countries in the common neighbourhood, if they decide to join the EEU of Russia, Belarus, Kazakhstan and Armenia, will not be able to have a free trade area with the EU independently from the EEU as a whole. These are legally mutually exclusive options. Unlike the Russian approach, what the EU offered was a win-win situation. Signing an AA with its DCFTA provisions does not preclude the EaP countries from
joining free trade arrangements with other countries all over the world. Having free trade areas and friendly neighbourhood relations with both the EU and Russia would be in the interest of any country in the common neighbourhood. However, until recently Russia prevented this positive scenario from happening. Moreover, if the neighbours were not willing to comply, they were threatened with trade embargoes by Russia, which violated the free trade area signed within the CIS.

In purely economic terms, the Russian offer would not benefit Ukraine. A number of studies showed that in many ways the Ukrainian economy would benefit from the DCFTA, while it would lose from joining the Eurasian Economic Union. First, by joining the EEU, Ukraine would have to increase its average import tariffs from the current 2.7% to the Customs Union’s level of 9.4%, which would mean transforming from being a liberal economy into a much more protectionist one. This would lead to sanctions by the WTO, since this would breach the conditions on which Ukraine joined the WTO, not to mention that the prices of imported goods would rise. Second, in the longer run (some 10 years) the DCFTA with the EU would result in Ukraine’s GDP increasing by 14.1% and in the case of a full-scale trade embargo by Russia, by 5.9%, whereas joining the EEU would lead to a decline in GDP. Third, a DCFTA with the EU will

lead to modernisation of Ukraine’s economy, making it more technology- rather than resource-based, which will also increase Ukraine’s export potential. These are just a few reasons mentioned by such studies.

The second dimension has to do with the de-facto post-colonial situation of Ukraine in its relations with Russia. Looking back at Ukraine-Russia relations since Ukraine’s independence in 1991 shows that although Ukraine existed as a sovereign state, Russia has never been a truly external partner for Ukraine. Russia has continuously meddled in the internal affairs of Ukraine either by clearly favouring certain candidates in the elections or making statements about different aspects of domestic politics. Russia has claimed that it should have been consulted when the negotiations on the AA between the EU and Ukraine were taking place. This approach stems from the perception in Russia, that Ukraine (or parts of it) is still a part of Russia or, at the very least, Russia has a legitimate interest in those parts of Ukraine, which are predominantly Russian-speaking. In March 2015 Vladimir Putin said that “Russians and Ukrainians are one people”\(^\text{13}\). Such policy on the side of Russia would have been less of a problem if Ukrainian political leaders in the past 25 years had pursued state-building objectives and reforms that would make policy-making transparent. This has not been the case. For instance, a Ukrainian-Russian state border has until now not really existed: neither has it been demarcated, nor proper border infrastructure developed. This was an important factor that enabled Russia to insert insurgent militia and weapons into

Ukraine that ultimately provoked the conflict in Donbas. According to some sources, Russia even had access to information and decision-making through institutions like the Security Service or the Ministry of Defence of Ukraine during Yanukovych’s presidency\textsuperscript{14}. In sum, Ukraine has so far remained a post-colonial state. Unless Ukraine becomes de-facto a sovereign state and develops its relations with Russia from this standpoint, its statehood and subsequently European integration or any other choice will be jeopardised.

Third, Russia (at least in its current policy) and the EU not only represent two different value systems and types of social contract, but both sides pro-actively promote their model of governance in Ukraine. The EU through AA promotes democracy and rule of law, whereas Russia promotes non-transparent and non-accountable governance. In this respect, the tools through which those values and models are promoted play a very important role. The EU’s overall transparent involvement is confronted by Russia’s non-transparent involvement backed up by financial resources, which are equally non-transparent. Ukraine has to make a choice between these two models. A choice in favour of an accountable, transparent and equitable European system of governance will by definition limit Russia’s leverage in Ukraine.

If one views the choice in the terms outlined above, the narratives that have to do with historical legacies and identity lose their viability. Ukraine’s dilemma between the EU and Russia

\textsuperscript{14} The Head of Ukraine’s Security Service Valentyn Nalyvaichenko claimed this was the case in April 2015. Earlier, in July 2014, the Head of the special committee in the Parliament of Ukraine that investigated the mass murder at Maidan in February 2014. Gennadiy Moskal claimed that violence at Maidan was supervised by Russia.
is often viewed from the perspective of the latter narrative. It is argued that the regions of Ukraine that have historically belonged to Russia and are predominantly Russian-speaking would suffer from the broken ties with Russia. At the same time, it is argued, the Western regions of Ukraine that before the First World War belonged to the Austrian-Hungarian Empire aspire to closer ties with the EU. Public opinion polls since Ukraine’s independence (with the exception of recent months, as will be seen below) confirm this division. The latter, however, has much to do with the fact that the latter narrative has prevailed in domestic politics in Ukraine and was reproduced by the Ukrainian media. Different political parties exploited these regional differences and therefore the pro-Russian versus pro-European narrative was always strong in successive election campaigns. At the same time open discussions about real choice, which is about values and the domestic reform process were rare. Similarly, the Western media has predominantly reproduced the narrative of the choice between co-operation or closer ties with one partner or another, emphasising regional identity and language differences, while ignoring the dimension of values.

The Euromaidan protests and the Russian military intervention have both provoked and revealed the shift of the paradigm or the portrayal of the choice. First, a lot of Russian-speaking citizens of Ukraine joined the protests. Moreover, Crimean Tatar and Jewish communities in Ukraine actively supported the protests. Although the protests initially started as a reaction to the failure of the Ukrainian leadership to sign the AA, by and large the

protests were against the old system of governance of the “captured state”\textsuperscript{15}. Apart from that, the protests took place all over Ukraine, including in the Eastern and Southern regions that used to be the electoral base of then-President Viktor Yanukovych. Second, one can clearly see the growth of civic rather than regional identity in Ukraine. According to public opinion polls, civic identity clearly prevails all over Ukraine with the exception of Donbas where regional identity is still rather strong. In the same line, 63\% of citizens feel very proud of being citizens of Ukraine (as compared to 48\% a year before) and this situation is similar all over Ukraine. Third, growth of support for European integration has dramatically increased in recent months. Whereas support for joining the “Union with Russia and Belarus” prevailed over the support for joining the EU most of the time in the past 10 years, today 57\% support joining the EU, while only 16\% would favour joining the “Union with Russia and Belarus”. These figures show that despite regional, language and ethnic differences, the Euromaidan protesters were united on the platform of common values. Coupled with the growth of civic identity and patriotic sentiments one can indeed talk about the formation of the political nation in Ukraine with a clear sense of direction towards the EU.

These societal trends have found expression in the political landscape of Ukraine. The Russia versus the EU dilemma was almost absent from the political discourse during the early parliamentary elections of October 2014. Even the Oppositional Block – the new party that was created to mobilise the voters of Yanukovych’s Party of Regions and that received a lot of support in the East and

\textsuperscript{16} The respective voting in the Parliament of Ukraine took place on 27 January 2015. Oppositional Block was the only faction that did not take part in the voting.
the South of Ukraine, although it refused to recognise Russia as the aggressor, stands for Ukraine’s territorial integrity. Indeed, given Russian military aggression, being pro-Russian very clearly means supporting the annexation of Crimea and insurgent militia in Donbas. Therefore, current Russian policy has changed popular attitudes in Ukraine and its political scene to the extent that EU-Russia dichotomy ceased to exist in the sense that it did before (as a choice of a favoured integration partner).

In sum, while ideally Ukraine would not have to choose between the EU and Russia, but instead would enjoy the benefits of cooperation and free trade with both partners, the reality requires that Ukraine has to make a choice. This is reinforced by Russia’s coercive policies, which attempt to destabilise Ukraine and create a threat to its security.

**The EU-Russia dichotomy from the perspective of instruments**

Apart from projecting different value systems and offering different integration arrangements, the EU and Russia pursue their objectives through different instruments. While the EU aims at supporting the reform process in Ukraine through conditionality, assistance and increased economic and societal links, Russia seems to be aiming at increasing its influence in the neighbourhood by supporting anti-reform domestic actors in Ukraine and applying a set of coercive policies aimed at preventing countries like Ukraine from pursuing European integration. Importantly, while the EU’s instruments are transparent, Russia’s tools are largely non-transparent, which complicates providing the evidence.
Assertive policy by Russia

Russian assertiveness has revealed itself on different levels. First, Russia has consistently unilaterally violated the free trade arrangement between Ukraine and Russia within CIS, which was signed in 2001. A number of Ukrainian products, such as cheese, meat, sweets and metal were blocked by the Russian Customs Service. The trade wars particularly intensified in spring-summer ahead of the Vilnius Summit in 2013 and Russia threatened Ukraine with a full-scale trade war in the event that the AA with the EU would be signed. Given that Ukraine’s exports to Russia amounted to 24% of Ukraine’s total exports, this would damage Ukraine’s economy. Some commodities are especially vulnerable. Export of Ukraine’s iron and steel (14%); machinery and mechanical equipment, nuclear reactors (14%); railway or tram locomotives, rolling stock (12%); electrical machinery and equipment (7%); and iron or steel products (6%) accounts to 53% of Ukraine’s exports to Russia. In the event that Russian markets will be lost to Ukraine, Ukraine will have to look for alternatives. Second, Russia has used energy supply and energy transit as a tool for exercising political pressure on Ukraine. Although before 2005 Ukraine also purchased Turkmen gas, as of 2005 Russia gained a monopoly over gas imports by Ukraine. In January 2006 and again in January 2009, Russia unexpectedly cut off its gas supply, which also affected EU member states that depended on Russian gas passing through Ukraine’s territory. Russia accused Ukraine of using the gas intended for transit for domestic consumption or of not paying for gas. The accusations might have had some basis, but the truth is difficult to establish given

that Ukraine-Russia energy relations have always lacked transparency and offered enormous opportunities for corruption on both sides. In June 2014 Russia cut off energy supply to Ukraine completely. The supply was restored only following the trilateral negotiations with the EU, which took months to reach a compromise.

Third, Russia has consistently delayed the delimitation and the demarcation of the Ukrainian-Russian common border, which is the longest border in Europe. It was not until 1997 (when the Ukraine-Russia Treaty of Friendship, Co-operation and Partnership was signed) and 2003 (when the Agreement on Ukraine-Russia State Border was signed) that the land border between the countries was delimited. The full-fledged demarcation of the border and development of proper border infrastructure continues to be a problem until now. Although in 2010 a treaty on the demarcation of the common border was signed and came into force, demarcation never took place. The lack of a proper border, which is visible and protected, has been one of the reasons why Russian intervention in the Donbas has succeeded. It was only in June 2014, already in the midst of the military conflict, that the National Security and Defence Council of Ukraine ordered the government to carry out one-side demarcation of the border “in terms of existing threats to national security“. The Russian side immediately proclaimed that such a unilateral demarcation is illegal.

Fourth, Russia has exercised its leverage over Ukraine through instruments known as “soft power”. Russian TV used to be popular in Ukraine and although it was banned in Ukraine in March 2014 due to propaganda, some TV providers did not really comply. Moreover, Kremlin has funded illiberal “civil society” groups,
some of them working well at the grassroots level. In 2012 Victor Medvedchuk, a former head of Ukraine’s presidential administration and a family friend of Putin, started promoting the Ukrainian Choice civic movement, which united more than 150 regional groups. This initiative advocated a referendum on joining the Eurasian Economic Union and the federalisation of Ukraine, particularly in the context of the 2012 parliamentary elections and before the Vilnius Summit in 2013. The exact number and scope of activities of such groups funded by Russia is difficult to establish due to lack of transparency.

Finally, Russia has its “agents” or the so-called “fifth column” in Ukraine. These are politicians, regional and local leaders, business actors who promote the Kremlin’s objectives in Ukraine. Allegedly, as mentioned earlier, such agents can also be found in the army, security service, prosecutor-general’s office and other institutions that play a vital role in promoting Ukraine’s national security.

All these leverages on the Russian side constitute a problem as long as reforms that promote accountable and transparent governance, fighting corruption, furthering the independence of the judiciary fail to be carried out. The problem of the “captured” state, whereby certain individuals have privileged access to public resources and decision-making, will also persist unless certain democratic institutional safeguards will be established. In short, the reforms and Europeanisation of Ukraine are the key to solving deficiencies that enable Russian leverage and favour particular interests.

The EU’s ‘low politics’ approach – support for the long term reform process

As noted before, the EU appeared as an actor in the domestic reform process in Ukraine only as of 2004 when the European Neighbourhood Policy was launched. Not only did the EU start setting the agenda for domestic reforms jointly with Ukrainian partners, it also monitored the process of implementation of the agreed commitments. Apart from that, the EU and its member states offered financial and expert assistance. The offer of the AA including DCFTA along with the visa liberalisation process have made the EU much more present in Ukraine. Implementation of the AA and meeting the conditions for visa-free travel require profound domestic reforms that will Europeanise Ukraine. The scope of reform areas ranges from human rights and non-discrimination to technical standards of products. Successful implementation of those reforms will also require reform of the judiciary, civil service and fighting corruption as indispensable elements of a functioning state. The EU’s engagement is rather long-term and technocratic, while the information about funding and projects is available online.

As Russia has intensified its pressure on Ukraine, the EU has managed to partially respond with adequate measures. For instance, it managed to defend the AA, although Russia aimed at revising it. The only concession that was made was the postponement of DCFTA implementation, which is Chapter IV of the AA, for one year. Despite this, Ukraine included the DCFTA implementation in the domestic Action Plan for the implementation of the AA.

The EU was also swift in reacting to cutting off gas supply to Ukraine by Russia in June 2014. The EU offered the trilateral ne-
gotiations, which recently resulted in a solution according to which gas supply was restored. Simultaneously the EU organised the reverse supply of gas to Ukraine through Slovak Republic, Hungary and Poland.

The EU has also launched unilateral Autonomous Trade Measures for Ukrainian goods already in April 2014. This has helped to partially compensate for the loss of the Russian market resulting from the trade war: in 2014 Ukraine’s export to Russia decreased by 23%. In May-June Ukraine’s export to the EU increased by 25% compared to the same period last year. This indicates that compensatory measures do work.

Yet, the EU’s role in promoting security and stability in the situation when the conflict erupted has been marginal. Individual member states, such as Germany, have played a much more prominent role. The EU was also quite slow in reacting to Euro-maidan protests, for instance with sanctions against people close to Yanukovych. Such sanctions were decided upon only after the death toll at Maidan reached almost 100 people. Similarly, the EU was slow in lifting the embargo on the supply of non-lethal weapons and military equipment, which was imposed together with sanctions when Yanukovych was still the president.

The EU’s technocratic nature and inability to react quickly and flexibly in certain situations, diminishes the EU’s potential impact on the developments in Ukraine. In particular, the EU is not able to neutralise Russian leverage, which undermines the objectives the EU sets in its policies towards Ukraine. The EU’s

impact has a long-term nature, while Russia has a potential to destabilise the situation and jeopardise pro-European developments in the short run. This aspect makes the EU’s involvement with the Eastern Partnership countries different from its experience with the enlargement process in the 1990s–early 2000s, which means that the EU still have to develop certain tools that would take the Russian factor into account.

**Conclusion and recommendations**

By now Ukraine has made a choice in favour of the AA and Ukraine’s membership in the Eurasian Economic Union can be excluded. Nevertheless the unfinished process of state-building and protracted pro-European reforms do not guarantee the sustainability of the pro-European course. Although the pro-European coalition, which has a constitutional majority in the parliament, was formed following the early parliamentary elections of 2014, the war in Donbas, poor economic situation and the lack of political will to undertake some reforms put the chance to use the window of opportunity that opened after the Euromaidan protests, at risk. Russia plays a destabilising role in Ukraine and still possesses many levers to continue doing so. Only certain reforms in Ukraine that disable Russia’s non-transparent meddling in domestic developments in Ukraine will be able to diminish the Russian leverage.

In this context, the recommendations that are outlined below are aimed at 1) stopping military actions in Ukraine and containing Russia and 2) promoting reforms in Ukraine that would ensure its transformation from the “captured” state into a democratically governed and efficient state. Such reforms would manifest that Ukraine indeed opted for the European choice and
ensure sustainability of such a choice, simultaneously serving as safeguards against Russian destabilising leverage.

First, the EU should sustain sanctions against Russia and be ready to toughen them as long as Russia continues supplying weapons and militants to Ukraine. Lifting sanctions would only be possible in the event that Russia moves out from the Donbas and Crimea completely. Sanctions are supposed to weaken Putin's power base among the population and political and economic elites in Russia and eventually make him retreat. At the same time diplomatic engagement with Russia should continue in order to follow the plans that might be unfolding in the Kremlin and bring across the message about the red lines Russia has already crossed and which the EU will protect.

Second, the EU should continue providing support in dealing with the internally displaced persons, over a million of which are all over Ukraine. It should also provide assistance in rebuilding the territories that were freed from the occupation.

Third, the EU should toughen its conditionality with respect to Ukraine. Due to the poor economic situation the Ukrainian government depends on external assistance. This is a chance for the EU to push for certain priority reforms that require only political will. Such reforms would include a new election code that would, inter alia, provide for the proportional system and open party lists; state funding for political parties; transparency of media ownership; an independent anti-corruption agency with extensive powers; an independent judiciary and effective public administration.
Fourth, the EU should closely follow the reform process in Ukraine, identify reform-minded actors and veto-players in each reform area and support the former, while limiting the space for manoeuvring by the latter. In many cases civil society organisations are those reform-minded actors who exercise control and pressure on the public authorities. They need to be supported on permanent basis.

Fifth, the EU should be more aware of the Russian leverage in Ukraine, which is based on informal networks and is backed up by significant financial resources. Through this leverage Russia has the potential to encourage the already existing veto-players to be more active and broaden the circle of such veto-players. This Russia’s involvement can disrupt the reform-process promoted by the EU. Thus, along with the long-term policy of promoting reforms that would limit the options for such actors in the future, the EU should work more closely on the ground with various actors in order to prevent reforms from being blocked.
Part II
The EU and Russia: A Contest for the Neighbourhood?
Executive summary

The simultaneous deployment of two mutually exclusive economic projects by the EU and Russia has to a large extent shaped recent developments in the Black Sea Region. Over the past few months in particular, Russia has increasingly sought to destabilise partner countries with a view to derailing further integration with the EU. At a time when the EU was about to conclude association agreements with its Eastern partners, the EU’s Eastern policy has been caught in a geopolitical trap as a result of Russia’s countervailing actions. Business as usual (a strategy often used in the past vis-à-vis Russia) is not an option for the Union after the annexation of Crimea and destabilisation of eastern Ukraine. Yet the EU is both unwilling and unable to engage in a geopolitical game which would entail substantial costs for the region and perpetuate current fragmentation. In this context, the best option for the EU is to maintain economic sanctions on Russia for as long as the conflict in Ukraine continues, while not breaking off the dialogue with Moscow and relying upon its transformative power in the ‘common

1 Laure Delcour is Scientific Coordinator of EU-FP7 project CASCADE, FMSH (France) and Senior Research Fellow at IRIS.
neighbourhood’. This entails expanding the EU’s involvement with a wide range of stakeholders in the region with the view to fostering change there.

Introduction

In the Black Sea Region, the European Union (EU) is not the only game in town. This is a major difference with the EU’s enlargement policy on Central European countries and the Western Balkans, and to a lesser extent with the southern component of the European Neighbourhood Policy (ENP). In the eastern neighbourhood, the EU has to cope with a regional hegemon – Russia – which, especially over the past five years, has increasingly challenged the EU’s growing influence in the post-Soviet space. While partner countries’ engagement with either the EU or Russia is not just the outcome of external actors’ stimuli and pressures, the simultaneous deployment of two mutually exclusive projects (an Association Agreement together with a Deep and Comprehensive Free-Trade Agreement under the EU’s Eastern Partnership and the Russia-led Eurasian Customs Union, respectively) has to a large extent shaped recent developments in the Black Sea Region. In particular, the concretisation of the EU’s offer (through the opening in 2012 of negotiations for AAs/DCFTAs with three countries in addition to Ukraine) prompted Russia to increase pressure on partner countries with a view to counteracting the Union’s growing influence in what Russia perceives as its near abroad. If anything, Armenia’s decision to join the ECU (a few weeks after completing negotiations for an AA/DCFTA with the EU) signalled a shift toward an open rivalry between the EU and Russia. This was confirmed by the sequence of events which unfolded in Ukraine during 2013-14, starting with the ‘trade war’ triggered by Moscow in
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summer 2013, followed by massive protests in response to the then president Yanukovych’s decision to suspend the signature of the association agreement with the EU and the hybrid war waged by Russia in eastern Ukraine in 2014. In essence, Russia used geopolitical leverage to thwart the EU’s low-key policies. Paradoxically, at a time when it is moving toward implementation, the EU’s Eastern policy has thus been caught in a geopolitical trap as a result of Russia’s countervailing actions.

How, then, do the EU and its Member States view the increasingly sharp rivalry with Russia in their ‘common’ neighbourhood and how do they respond to Moscow’s attempts to regain influence over the Black Sea region? To what extent has competition in the region influenced the Eastern Partnership and altered the EU-Russia bilateral partnership?

This paper argues that developments in the Black Sea region so far have had mixed effects on EU policies. On the one hand, Russia’s attempts to spoil the Eastern Partnership (in particular, by pressurising partner countries into Eurasian integration and/or undermining their territorial integrity) have indeed disrupted the EU’s policy at a time when it was about to concretise. On the other hand, while conducive (even if temporarily) to a (minimal) consensus within the EU on measures to be taken vis-à-vis Moscow, Russia’s attempts to destabilise the region have both strengthened the engagement of those countries which are now associated with the EU and triggered (or strengthened) a sense of reluctance among those involved in the Eurasian inte-

2 Laure Delcour and Hrant Kostanyan, “Towards a Fragmented Neighbourhood: Policies of the EU and Russia and their consequences for the area that lies in between”, CEPS, 2014.
gration process. In essence, the EU is now acutely aware of Russia’s destabilisation potential in the post-Soviet space, yet it is strongly constrained by its own internal situation and specificities as a foreign policy actor and thus hardly able to produce the paradigm shift that the situation calls for. At the same time, while unwilling and unable to move openly toward a geopolitical contest, the EU has gained significant leverage in the region, not least because of its consistently high attractiveness for partner countries.

**Coping with a regional hegemon:**
the (defining) puzzle of EU Eastern policies

As compared to other external players, the EU is a newcomer in the Black Sea Region. Until the early 2000s, the region (still perceived as remote from Brussels) ranked low on the Union’s agenda. The 2004 and 2007 enlargements, as well as the design of an EU security strategy in 2003, were instrumental in strengthening the EU’s engagement in the region. The Black Sea Synergy was launched in 2007 to increase co-operation with and between countries of the region. It was designed as a flexible and inclusive framework complementary to the EU’s existing bilateral policies. The ENP created in 2004 and, to a greater extent, the Eastern Partnership (EaP) launched in 2009, were unprecedented EU attempts to shape developments in the Black Sea Region by diffusing its policy and institutional templates.

However, while the EU has both significantly strengthened its offer to partner countries and gained substantial influence around the Black Sea region over the past decade, it has struggled to properly factor into its policies key elements inherited from the Soviet past, namely the role of Russia as a regional hegemon and the multifaceted and complex interdependencies
still linking together post-Soviet countries. After Russia refused to take part in the ENP in the early 2000s, the EU introduced two distinct policy frameworks, to advance its partnership with Moscow, on the one hand, and to develop its relationship with Ukraine, Moldova, and South Caucasus countries (the ENP) on the other hand. Yet it also tried to foster links between its strategic partnership with Russia and its policy in the ‘common neighbourhood’, among others on issues related to security and conflict resolution\(^3\). In essence, the EU perceived Russia as an indispensable partner to promote stability. Nevertheless, the close dialogue envisaged with Russia with the view “to creating a greater Europe without dividing lines” did not materialise\(^4\).

Clearly, Russia’s reticence about the growing involvement of external actors in (what it sees as) its ‘near abroad’ is a major factor hampering the EU’s efforts to establish linkages between its various policies around the Black Sea region. With the Black Sea Synergy launched in 2007, the EU went beyond existing policy frameworks and promoted an inclusive approach involving all regional players. Yet this attempt to develop a depoliticised, project-based approach stumbled against unresolved conflicts in the region and especially Russia’s perceptions of being threatened by the growing role of (what it sees as) external players around the Black Sea\(^5\).

Russia’s suspicion vis-à-vis EU policies only expanded with the launch of the Eastern Partnership. The impact of this EU initia-

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\(^4\) EU-Russia Road Maps, *Road Map for the Common Space on External Security*, Moscow, 2005, p.34.

tive on domestic change is potentially much deeper and broader than previous EU policies. While the ENP was initially premised on vague and remote incentives (e.g. ‘gradually obtaining a stake in the EU’s Internal Market’), the Eastern Partnership offered more tangible incentives with a shift toward legally binding commitments and extensive sector-specific conditionality. The association agreements, DCFTAs and visa liberalisation processes are premised on extensive legal approximation with the *acquis communautaire* and EU and international standards. Thus, the Eastern Partnership clearly bears major implications in terms of anchoring partner countries to the EU’s legal framework, norms and practices – especially for the three countries that signed an association agreement with the EU in June 2014 (Georgia, Moldova and Ukraine). Yet in Russia’s view, the EU’s functional and low-key approach is underpinned by the Union’s geopolitical interests and desire to expand its influence beyond its eastern borders.

Russia’s perception of the Eastern Partnership as a threat to its own influence prompted a two-track response combining functional and geopolitical approaches. On the one hand, Russia re-activated its own project of hard-law integration in the post-Soviet space - the Eurasian Customs Union, which cannot be combined with the EU’s offer for a DCFTA as it implies a loss of sovereignty over (among others) trade tariffs. On the other

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7 These include: an upgrading of the contractual framework through association agreements, gradual integration in the EU’s economy (in particular through enhanced movement of goods with the DCFTAs); progressive visa liberalisation and enhanced sectoral cooperation. European Commission, *Eastern Partnership*, European Commission, Brussels, 2008.
hand, Russia relied upon interdependences inherited from the Soviet past to exert pressure on partner countries with a view to either ‘inducing’ them into full membership of the Eurasian integration project or punishing them for choosing association with the EU. As a result of Russia’s actions, the ‘common neighbourhood’ is not only contested and divided, but also fragmented since Moscow has been (re)activating the secessionist card. Starting from summer 2013 (with the trade war in Ukraine and Armenia’s U-turn), the potential destabilising impact of Russia’s policies was acknowledged by EU actors. However, Russia’s shift toward geopolitics emerged as a major problem for the EU. This is because of two interconnected factors. First, the EU views Russia’s move as the anachronistic expression of a 19th century power. Second, the EU itself is ill-equipped to respond to Russia’s blunt moves, as illustrated in the wake of the annexation of Crimea.

9 Delcour and Kostanyan, Towards a Fragmented Neighbourhood: Policies of the EU and Russia and their consequences for the area that lies in between.
10 “It is not at all a trade dispute, but a very serious political conflict with a geopolitical background. It might endanger the whole Eastern Partnership project of the EU, undermine the commitment and determination of our Eastern Neighbours and it risks to provoke a domino effect.” Statement by members of the European Parliament Elmar Brok and Jacek Saryusz-Wolski, 20 August 2013. Available at: http://www.elmar-brok.de/archives/russia-ukraine-trade-war-eu-must-act-and-defend-ukraine-elman-brok-mep-and-jacek-saryusz-wolski-mep
11 “In today’s ever-more-competitive global economy, we cannot afford to waste our efforts on a regional geopolitical rivalry”. Štefan Füle, Statement on the pressure exercised by Russia on countries of the Eastern Partnership, 11 September 2013. Available at: http://europa.eu/rapid/press-release_SPEECH-13-687_en.htm
Getting out of the trap. What policy options for the EU?

In essence, the EU is currently confronted by two major issues which are both distinct and closely connected. Whatever policy option it selects, the EU will have to address both issues. First, the EU should define a way forward for its Eastern policy in a challenging regional context which combines engagement in competing regional integration projects and threats of state destabilisation and disintegration. To that end, the EU has initiated a revision of the ENP/EaP based upon a broad consultation process. Second (and equally difficult), the EU has to agree on how to deal with Russia, both bilaterally and in the contested neighbourhood.

**Option 1. Entering the geopolitical game**

This scenario is based on the assumption that the EU’s and Russia’s interests in, and approaches to, their neighbourhood cannot be reconciled. In this scenario, the EU would maintain or expand its sanctions on Russia and keep the dialogue with Moscow to a minimum. It also rests on the premise that those Eastern partners which have signed an association agreement will actually implement EU-demanded reforms. In this scenario, the EU would also substantially increase support for, and expand cooperation with, those Eastern Partnership countries which are receptive to its offer, in order to buttress their autonomy from

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Moscow. This could be done by acknowledging their aspirations to join the Union and setting EU membership as a clear goal over the mid to long-term, at least for those countries which have signed association agreements.

The effective implementation of the commitments taken under the AAs/DCFTAs by Georgia, Moldova and Ukraine still needs to be ascertained. In the event that it materialises, this option (which roughly coincides with Poland’s, Sweden’s and Baltic countries’ views) would certainly strengthen the EU’s credibility in Eastern Partnership countries, enhance their perception of security and provide them with a major incentive to reform further. However, envisaging new waves of enlargement seems hardly feasible in light of the Union’s current difficulties, be they related to the economic crisis or to the complexities of the decision-making process in a 28-member organisation. If anything, the rise of Eurosceptic movements illustrates how thorny the enlargement question is for the EU.

From the perspective of EU-Russia relations, this option would also entail potentially negative implications for the EU, starting with reduced trade flows. Most importantly, this option would not lead to any improvement in the ‘common neighbourhood’. In this scenario the EU would indeed apply the zero-sum game approach which it has been consistently criticising in Russia’s policy over the past decade. In the absence of any substantial dialogue with Russia, this option would only perpetuate the current state of play around the Black Sea region, i.e. a neighbourhood divided between the EU’s and Russia’s offer and break-away regions being used by Russia as pressure points over those countries associated with the EU.
**Option 2. Back to ‘business as usual’**

The second option follows an opposite logic, whereby Russia is primarily seen as a partner, not as a threat. This option rests on the premise that partnership with Russia should prevail given the EU’s strong political and especially economic interests in the country. This option would not only lift the sanctions imposed on Russia (as Italy has advocated, for instance), but also seek to neutralise the major irritants in EU-Russia relations, including in the ‘common neighbourhood’. The Eastern Partnership would *de facto* lose prominence on the EU’s agenda. The Union would continue protesting against Russia’s attempts to destabilise the region, while *de facto* considering the annexation of Crimea and any such moves as *faits accomplis*. Taking into account realities on the ground, the EU would also engage in a bloc-to-bloc dialogue (and possibly negotiations on an agreement) with the newly-launched Eurasian Economic Union. As compared to the first option, this second scenario would preserve economic and trade flows with Russia, but it would entail high political and security costs for the EU in its Eastern neighbourhood (not least a [long-lasting] loss of credibility).

The major argument against going back to ‘business as usual’ is that it would *de facto* endorse Russia’s recent violations of international law in Ukraine, not least the annexation of Crimea. Another key argument is that this approach has failed in the past. The sanctions introduced in spring 2014 are not the first measures introduced by the EU against Russia. In the wake of the 2008 conflict in Georgia, the EU froze talks on a new agreement with Russia. In all three cases, the EU was soon back to business as usual and the measures taken had little (if any) effect on Russia. The country’s violation of Ukraine’s sovereignty, six years after
its military intervention in Georgia, is the best example of this. Therefore, this option cannot be seriously envisaged by any of the largest EU Member States as long as the crisis in Ukraine continues. In a similar vein, the EU cannot envisage launching a bloc-to-bloc dialogue with the Eurasian Economic Union as long as Russia’s geopolitical interests prevail over rule-based integration.

**Option 3. Combining short-term targeted responses with the EU’s long-term transformative power**

In contrast to the two scenarios discussed above, while being actively engaged in the region the EU would not play the geopolitical card. In this scenario the EU would not support Eastern Partnership countries with a view to detaching them from Russia (first scenario) and it would not deliberately seek to prioritise relations with Russia over the Eastern Partnership (second scenario). Instead, the third option gives a major role to the EU’s transformative power. It is based on the premise that the EU’s policies will (in the mid- to long-term) help transform and modernise countries around the Black Sea region. As a consequence, these will also become more attractive for break-away regions in the long run. In this scenario, the EU would provide continuous support to Eastern Partnership countries while also closely monitoring the implementation of the association agreements, DCFTA and visa liberalisation process. The EU would uphold sanctions on Russia for as long as Moscow keeps destabilising Ukraine, but it would not strengthen them. As indicated by the German Foreign Minister, tougher sanctions would result in Russia’s complete and long-lasting isolation – something which, as pointed out by the former president of the European Commission Jacques Delors in the early 1990s, has ‘never been
good for anybody throughout history’.¹⁴ This option is best suited to the EU’s capacities and practices as a foreign policy actor. It also bears the greatest potential to prevent further destabilisation in the region in the long term. The steps which should be taken in line with this option are detailed in the section below.

**Conclusion and recommendations**

The EU’s influence in the Black Sea region can be significantly strengthened if the EU engages with all actors in the region, yet adopts a differentiated and targeted policy reflecting both its own values and partner countries’ expectations.

In order to effectively foster systemic reforms in Eastern partnership countries, the EU needs to address two interconnected shortcomings which may hamper the effective implementation of association agreements. The EU needs to review the way in which it conducts its policies, be more inclusive and adjust to local and societal concerns. First, the EU needs to address the lack of awareness of its policies among the general public in partner countries. While AAs and DCFTAs have been negotiated with small groups of experts, most citizens have only a vague idea of their concrete implications. This is something that Russia has been exploiting to undermine the EU’s credibility. The EU has started addressing this gap (e.g. through training of journalists, preparation of DCFTA guides in Eastern partnership countries), yet it needs to substantially strengthen its awareness-raising campaign in the current context.


Second, while it has prioritised dialogue with governments (especially during the negotiations on association agreements), the EU needs to engage with a broader range of stakeholders and empower drivers of change in order to ensure an effective implementation of commitments taken:

- Civil society should be more closely involved in EU-partner countries’ dialogue. In particular, the EU should encourage more systematically its involvement in the supervision of budget support programmes.

- The EU needs to increase support to the private sector. The bulk of EU assistance has so far concentrated on public institutions/administration. However, the implementation of DCFTAs will primarily involve the private sector and entail costly reforms in key economic sectors. With the introduction of sector-specific programmes such as ENPARD, the EU started supporting small farmers and farmers’ co-operatives. The EU now needs to expand its support to small businesses to all key economic sectors.

Moreover, the EU needs to develop a clear strategy for those countries without a DCFTA perspective. The EU should not give the impression (even if unintentionally) that these countries (especially those which have joined the Eurasian integration project) do not matter for Brussels. At the same time, Armenia, Azerbaijan and Belarus have diverse expectations vis-à-vis the EU and this should clearly be reflected in the Union’s policies.

The EU should apply the two-track approach developed in the wake of the 2008 conflict in Georgia, i.e. engagement without recognition, to those break-away entities where Russia has a

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strong and direct influence (i.e. Abkhazia, South Ossetia and Transnistria). The EU’s Special Representative for the South Caucasus has recently confirmed this approach for Abkhazia, where the EU will seek to strengthen its presence. While standing firm on the respect of territorial integrity, this policy would enable the Union to strengthen its leverage in these unrecognised entities and ‘provide an alternative perspective to the predominant Russian one’. The latter has only been strengthened with the signature of treaties on “Alliance and Integration” with Abkhazia and South Ossetia at the end of 2014 and early 2015. In Abkhazia and South Ossetia, in Transnistria and in Donbas, the EU should expand contacts with civil society and engage in concrete co-operation projects in selected sectors, e.g. education.

Last but not least, while maintaining the bulk of sanctions on Russia, the EU should also consider making an exception and re-opening talks on visa liberalisation. While contributing to strengthening people-to-people contacts, visa liberalisation also entails comprehensive reforms on the part of partner countries. Ultimately, it is a major expectation shared by countries around the Black Sea, and therefore the biggest EU leverage in the region.


17 Presentation by the EU Special Representative for the South Caucasus, Peter Semneby, „Perspectives for engagement, dialogue and cooperation to address the consequences of the war between Russia and Georgia: a forward looking approach“, European Council, Paris, 2011. Available at: http://www.consilium.europa.eu/media/1252985/speech-pace%20mc-paris-110117-final.pdf
Russia and Its Neighbours: Possessive Love, Abusive Friendship?

Andrey Makarychev

Introduction

The crisis in Ukraine and Russia’s reaction to it made questions related to the geographical periphery of Europe central for the EU both institutionally and normatively. For EU member states the most important issues raised in this conflictual context - such as the future of the Eastern Partnership (EaP), the perspective of European solidarity, the institutional commitments of the EU and NATO - are deeply political, as are the dilemmas of engaging with Russia versus containing Russia, or playing a Cold War-like power balancing game, as opposed to promoting democracy. Both economic rationale and legal considerations fall victims to the ongoing politicisation, thus putting many theories on trial, especially those grounded in the supposedly diminishing importance of borders in a globalising world and the seemingly positive effects of economic interdependence.

The political content of the bilateral EU- Russia relationship is especially obvious as seen from the perspective of approaching both parties as two communities-in-the-making with blurred identities and futures. The two are in the process of a painful (re)negotiating/bargaining over the contours of their bound-

1 Andrey Makarychev is Professor at University of Tartu.
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aries, both political (including spheres of influence and “red lines”), cultural /civilisational/ and on the question of identity. The EU-Russia collision of interests and values reconfigures the choices faced by actors located in between the two competing poles and forming a group of borderland regions, to include Eastern Europe, the South Caucasus, and the Black Sea region.

In this article I seek to unpack the content of the conflict-ridden Russia’s policy towards the EU and those neighbouring countries that display pro-Western intentions. I will describe EU-Russia relations from a structural viewpoint, then explicate the controversies of Russia’s policies towards its both EU and non-EU neighbours, and finally address implications of the dominating trends for borderland countries in general and the Black Sea region in particular.

**Structural features of Russia - EU conflictual communication**

Political dynamics in the whole realm of EU-Russia relations is predominantly defined by the irreconcilable competition of two universalistic projects, each one sustained by its own vision of global normative order. Of course, the EU and Russia might coincide on certain points – such as, for example, the desirability and benefits of a multi-polar structure of global relations, or on de-bordering policies towards their neighbours, yet on most accounts positions taken by the two competing poles are drastically dissimilar. Seen from this perspective, the current EU-Russia confrontation can be explained by the collision of two “politics of truth-seeking”, to borrow a concept from the French political philosopher Alain Badiou. Russia’s defence of moral and political conservatism and its obsession with combatting “falsifications
of historical truth” are in disharmony with the European normative project in which the key nodal points are liberal emancipation, tolerance, multiculturalism, transparency and democratic accountability. For both hegemonic projects external othering of each other on normative grounds is a core condition of their functioning.

In openly contesting the EU normative hegemony, Russia plays a role of politicising actor, having challenged the conventional perception of the 1989–1991 events as a watershed in the history of Europe, and intentionally revitalises many Soviet-era practices. The debate on international democracy dating back to the end of the 1990s had become perhaps the first sign of the growing detachment of Moscow from an earlier largely depoliticised vision of international relations during Boris Yeltsin’s presidency in the 1990s. In the context of post-Kosovo political rifts between Russia and the West, the idea of international democracy was supposed to bear two chief meanings. First, it was meant to lambast the Western-centric (and thus US-led) world order as undemocratic not only formally (by equating democracy with a mere plurality of meaningful policy positions), but also substantially and qualitatively as allegedly conducive to structural imbalances dangerously disruptive for global security. Second, the international democracy concept, as promoted by the Kremlin, has as its effect de-valorisation of liberal democracy as the globally hegemonic discourse, and the de facto acceptance of each national subjectivity, regardless of the nature of domestic regimes. All key elements of Russian foreign policy under Putin’s presidency – the fierce resistance to NATO enlargement, the fear of colour revolutions, and claims for Russian sphere of influence reminiscent of a new edition of Russian imperial momentum - embrace these two key points of reference.
Russia’s soft power project for Europe

Soft power has to be understood as an ideational phenomenon, grounded in operationalisation of attractive ideas for engaging with other members of the international society and getting responsive feedback from them. In the meantime, soft and hard types of power can often be complementary rather than antithetical instruments, and soft power resources can be converted into hard power gains, which Russia demonstrated by annexing Crimea in the immediate aftermath of the Sochi Olympics, an event that was designed - and widely perceived - as the heyday of Russia’s soft power exposure.

In this respect Russia conceptually differs from the EU. The latter uses its soft power resources to expand the scope of choices and alternatives for countries of the common neighbourhood, and acts in accordance with the concept of governmentality, conceived by Michel Foucault as a de-politicised and mostly technocratic form of power, that presupposes empowering, rather than dominating. “Instead of direct governance, the state steps back and encourages people to become more active, enterprising and responsible for their own decisions and life choices”. Russia’s soft power, on the contrary, is meant to reduce and limit the scope of free choice for neighbouring countries. The EU soft power is predominantly of liberal background, while its Russian equivalent is inherently conservative and in many respects retrospective. Being explicitly illiberal, Russian soft power project aims to reach audiences in neighbouring countries and EU member states that share anti-EU, anti-multiculturalism, anti-tolerance, and anti-globalist policy tenets.

In so doing, Russia portrays itself as a global harbinger of the comeback of the era of sovereign nation states. Yet in Putin’s Russia, sovereignty is very limited economically and financially, as epitomised by the fall of the ruble and the critical deterioration of market conditions in Russia as a result of its policy in Ukraine. Russia is simply too weak to challenge the West, and economically has every chance of turning into a junior partner of China, thus indirectly losing its sovereignty.

Against this backdrop, normative issues play a key role in substantiating Russian ambitions. In the past decade Moscow did its best to infuse Russia-specific meanings into Western concepts of democracy and human rights. Thus, democracy in the hegemonic Russian discourse is domestically associated with majority rule (which does not prevent Moscow from harshly lambasting Baltic countries for their alleged policies of discriminating against Russian minorities living there); human rights are mostly seen through an economic and social - rather than political - prism; and the ideas of responsibility to protect and solidarity are congruent with the “Russian world” ideology that presupposes the support for military rebellions in neighbouring countries (as the experience of Ukraine made clear). By the same token, the most controversial steps undertaken domestically and internationally are always justified by the Kremlin through references to supposedly similar Western experiences (the recognition of independence of Abkhazia and South Ossetia as a political equivalent of the recognition of Kosovo; the annexation of Crimea as being allegedly symmetric with the reunification of Germany; the infamous “foreign agents” legislation as having its precedents in the US, and the idea of “sovereign democracy” as rooted in European political traditions).
Yet the third presidential term of Vladimir Putin was marked by the direct contestation of the Western-centric normative order. Kremlin’s reaction to the crisis in Ukraine made clear that Russia’s soft power contains a strong geopolitical component inherited from its imperial and Soviet past, almost completely rehabilitated by Putin, as exemplified by the de facto renaming of Volgograd as Stalingrad for national holidays, the justification of the war the USSR waged in Afghanistan, along with the “normalisation” of the Molotov-Ribbentrop pact. The moral apology for Russia’s involvement in the crisis in Ukraine betrays an essential point in the Kremlin’s foreign policy philosophy that is bent on legitimising imperial impositions as justifiable and conducive to the reproduction of traditionally successful, in Moscow’s eyes, patterns of international relations.

In the long run, Russia’s strategy aims to split Europe apart and thus question the rationale of the European project, or at least to make the EU react to the unexpectedly sharpened hard security problems, to which the EU by its very design is functionally not up to effectively respond. Two elements of Russia’s strategy play the most important roles. First, Russia intends to de-legitimise the EU and NATO, to this end using contacts with far-right and far-left parties in many European countries. Second, Russia is eager to detach neighbouring countries from the EU and NATO, and for this purpose tries to publicly expose an institutional futility of both the EU and NATO by demonstrating a) their operational weakness and inability to protect interests of their members, and b) undue dependence on the US. The Russia-spurred politicisation of relations with the EU is conducive to the reproduction of the binary logic of “either – or” confrontation reminiscent of the Cold War, which ultimately leads to the dangerous securitisation of the relationship.
Russia’s recourse to ideological rhetoric as a pivotal element of its diplomacy is inherently reactive, and is grounded in a comprehension of its own inability to meet high standards of EU-centred normative order, which unleashed a self-inflicted discourse of marginalisation and victimisation. Yet paradoxically, this “enforced ideologisation” makes Russia a rather trans-ideological type of actor that feels free to pragmatically transcend, if not disregard, all possible ideological divides. Russia’s regime is not a source of a strong ideological project of its own - it only plays with political ideologies and pragmatically uses them. Thus, Russia can exploit the widely spread pro-Russian/anti-sanctions sentiments among “Russia understanders” who articulate their policies in explicitly ideological terms (far left and far right), being happy to appease and accommodate Moscow’s neo-imperial momentum. Moscow can also take advantage of political and ideological rifts within Europe that are based on geography (“old” and “new” EU member states), and on different historical experiences of dealing with Russia. And, of course, the Kremlin may profit a lot from policies of bracketing Ukraine out of the European context, which potentially may be conducive to the de facto acceptance of Russia’s sphere of influence. EU’s Eastern Partnership fatigue and uncertainty with its prospects contributes to this.

Problems for Russian integrationist policy towards its “near abroad” are further exacerbated by an apparent discrepancy between the ideas of the Russian world and Eurasianism. The distinction between the two is substantial: the Russian world is a biopolitical doctrine premised on protecting an imagined trans-territorial community of Russian speaking population allegedly sharing a common macro-identity, while Eurasianism is a set of geopolitical ideas more focused on governing and managing ter-
ritories than on articulating identity discourses. We shall dwell on each of these concepts in further analysis. Both doctrines are bent on the idea of representation (i.e. Russia representing something that stretches beyond its borders - either the global community of Russian speakers, or a group of Russia’s neighbours), yet this idea is differently articulated and thus might bring different effects.

The “Russian world” as a soft power tool

So far Russia has failed to use its soft power resources to strengthen its positions in the post-Soviet area. The Eurasian Union is a particularly problematic case for Russia: within the Eurasian project the ruptures and rifts are so significant that it is hard to find a good example of these countries co-ordinating their policies in issues of primordial importance for Russia. In particular, Alexandr Lukashenko’s illustrative remark that Belarus is not part of the “Russian world” is quite telling of how self-defeating Russia’s neo-imperial policies can be.

The roots of the troubles are to be sought in the grounding of the “Russian world” idea in a mixture of misperceptions, reductive primordialism and post-imperial nostalgia. All these components were particularly exposed by prime minister Dmitry Medvedev who claimed that there are “natural”, “objective” factors sustaining Russian hegemony in Eastern Europe - a commonality of cultures, beliefs, historical experiences, etc. In other words, the cultural affinity is not a constructed phenomenon for Medvedev, but an asset that has to be taken for granted as a supposed part of “reality”. The cultural proximity between Russia and Ukraine, the Russian prime minister believes, is unique - a statement that not simply discards other cases of countries shar-
ing cultural similarities (Estonia and Finland, Azerbaijan and Turkey, Canada and USA, Austria and Germany, etc.), but politically is meant to regard Ukraine as an exception and thus legitimise the way Russia treats it. The obvious Russia-centrism of the official Moscow discourse is perfectly manifest in a series of self-exposed misperceptions from the Russian side, which betrays the degree of insensitivity inherent in the Russian discourse. Thus, in Medvedev’s words, “we perceived Ukrainian songs as ours”, “we read the same books, admired same artists, watched same movies, spoke one language” (which is obviously Russian), and “we thought that there will be no boundaries in cultural and spiritual communication between us”\(^3\). Yet Russia’s intentions to use soft power arguments in its policy toward Ukraine are dramatically damaged by the self-exclusion of Russia itself from the conversations over the topical issues of power, history, and cultural identity. This discursive strategy is fully grounded in a misperception that is central for Russia’s concept of soft power, namely that one distinguishing between a “good reality” of Russia’s policies and a “bad image” that is artificially created by its ill-wishers.

The concept of the “Russian world”, a key ideological tool in Russia’s support for the military insurgency in eastern Ukraine, might in many respects be detrimental for the implementation of the Eurasian project, especially given the fact that it was exactly the “Russian world” mythology that justified the military rebellion in Donbas. It also rendered two controversial effects for a wider Moscow’s policy in the entire post-Soviet area. First, the “Russian world” concept is grounded in cultural and religious


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tenets of identity. The earlier versions of this doctrine, based on the technocratic logic of using human capital as a competitive advantage, were superseded by political reasoning that contained strong exclusionary notes. In particular, Central Asia is gradually bracketed out of Russian foreign policy calculations, which is definitely an important factor in the changing balance of power between Russia and China. Besides, Central Asia might become an object of growing interest from the EU, as manifested by the Latvian presidency priority list in 2015.

Second, being a biopolitical doctrine, the Russian world does not serve the practical purposes of governance and lacks a clear and consistent picture of Russia’s regional policies. This is especially the case of regions (such as the South Caucasus) where the ethnically Russian population is statistically miniscule and cannot constitute a viable political resource for imperial impositions.

The Eurasian temptation: a solitary actor in search for collective action

The concept of Eurasianism that in many respects constitutes an alternative to the “Russian world” can be interpreted as an attempt to provide an institutional response to the Achilles heel of Russian foreign policy, which is chronic unilateralism. By promoting the idea of Eurasian integration, Russia tries to overcome its diplomatic solitude - if not isolation - by institutionally binding those post-Soviet states that need security protection (Armenia), are susceptible to Eurasianist ideology (Kazakhstan), are economically dependent on Russia (Belarus) or vulnerable to Russia’s military pressure (Ukraine).
There are at least three explanations for the weakness of Russia’s multilateralism. The first one is of a historical nature: it was from the first years after the fall of the Soviet Union that Russia - as the legal and political successor of the USSR - has had to deal alone with security challenges in Transnistria, South Caucasus and Central Asia. Secondly, there is a conceptual reason: Russia sticks to a thin concept of international society, as opposed to a thick one, which means that it often disfavours institutional commitments as too binding and potentially detrimental to sovereignty as the most cherished political concept in Moscow. The feeling of false self-sufficiency has certainly contributed to this mistrust in international institutions where Russia cannot play the leading role. Thirdly, there is a structural explanation: it is impossible to build sustainable multilateralism without a clear understanding of the nature of relations of friendship and enmity. Yet this is exactly what characterises Russia’s foreign policy - a blurred line between “partners”, “allies”, “rivals”, “competitors” and “opponents”. For instance, what is on paper – “strategic partnership” between NATO and Russia - does not correspond to reality. Ukraine might be called a “brother nation” and an enemy simultaneously. The distinctions between “trustworthy” and “untrustworthy” is “a line in the sand”, which definitely complicates the building of multilateral coalitions.

The resulting problem is not only that Russia is predominantly a solitary actor. The problem is also that in relatively rare cases of multilateral diplomacy Russia fails to capitalise on its potential. There are no convincing examples of Russia-led multilateral diplomacy initiatives conducive to either enhancing Russia’s legitimacy on the international scene, or developing its soft power resources. Vice versa - being unable to act multilaterally, Russia
only de-legitimises its stand in the collision with Ukraine, and fails to strengthen its soft power resources, even in the post-Soviet area.

A good example is the German–Polish–Russian trialogue, which was basically part of Germany’s Ostpolitik. Its only tangible result was the visa-free arrangement for Kaliningrad oblast and the neighbouring Polish voivodships. But Russia failed to convert the trialogue into a sustainable and self-reproducing springboard for reaching beyond the issue of Kaliningrad. Neither Warsaw nor Berlin are any more among Russian lobbyists in Europe, and the intention of the state Duma to question the legitimacy of the German reunification is a good sign of the deep crisis in Russian-German relations.

The Baltic Sea region is another example. As a direct impact of its policy in Ukraine, Russia is de facto isolated within the regional institutions and lost credibility among its Baltic and Nordic neighbours, which resulted in the cancellation of the Council of Baltic Sea States summit in June 2014 in the aftermath of the annexation of Crimea.

Seen from this perspective, for Russia the dilemma unilateralism vs. multilateralism resonates much stronger than for most European countries. Indeed, it is hard to give an example of a unilateral action taken by an EU member state in a substantial foreign policy/security issue. Russia in this sense is a drastically dissimilar example of a country that has a long record of acting unilaterally on policy issues of high importance and relevance for Russia, being only capable of forming anti-Western counter-coalitions in the UN. One of illustrations of this can be the conflict with Estonia over the Bronze soldier monument in 2007, in
which Russia defended the historical heritage of all post-Soviet states, but no country joined Russia in lambasting Estonia for “rewriting history”. Russia’s war with Georgia in August 2008 can serve another example: despite Moscow’s description of the Georgian attack against Russian troops as a direct security threat, Russia had to react unilaterally, despite its membership of the Collective Security Treaty Organisation and the Shanghai Cooperation Organisation. Finally, in its confrontation with Ukraine that started in 2014, Russia has no coalition behind either.

Against this backdrop, Eurasian multilateralism is not a purely technical blueprint: it contains political meanings related to both Russia’s identity and its foreign policy strategies. Multilateralism is definitely one of the sources of soft power, since it is only through communication and persuasion that Russia can make others do what it wants, to refer to the famous definition by Joseph Nye. Eurasian integration is one of the few mechanisms of international socialisation available for Moscow, even if takes the form of claims for spheres of influence. The Eurasian Union might also be seen as a tool for enhancing Russia’s international legitimacy.

Yet multilateralism is not a norm that Russian diplomacy adheres to on principled grounds, but rather a situational policy tool that the Kremlin uses for a rather limited set of purposes. Basically these goals boil down to forcing the West (the EU in particular) to accept the role of Russia as a great power, which includes Russia’s claims for its sphere of influence and a voice in solving issues of global importance.
Conclusions and implications for borderland regions

The conflict between Russia and the EU - over Ukraine, but also in a wider sense - not only represents an existential challenge to countries constituting their common neighbourhood. It also signals a serious crisis of the models of regionalism that have been designed after the end of the Cold War and introduced as important elements of the building of a wider Europe through gradually engaging Russia and other EU partner countries into a European normative order. Russia’s Ukraine policy made clear that Russia’s valorisation of multipolarity as a key concept in its foreign policy does not go as far as accepting the values of multiregionalism that is one of the pivotal concepts for EU diplomacy. There is little doubt that Russia is not a committed region-builder even in those EU-Russia borderlands (such as the Baltic Sea region) where co-operation with neighbours brings it tangible benefits.

It is basically to the revisionist policy of the Kremlin that borderlands that were supposed to suture Russia and the EU, first of all the Baltic Sea and the Black Sea regions, are increasingly securitised and militarised. Putin’s open declaration of Russia’s readiness to use nuclear weapons to defend the annexation of Crimea is illustrative of the dangers of Moscow policies. Russia shows its high sensitivity to any signs of NATO-related military activity in the Black Sea region, refusing to accept its reactive nature and causal relations between Russia’s policy in Ukraine and the ensuing feeling of insecurity among many of Russia’s neighbours. This attests to Russia’s penchant to treat regions of the common neighbourhood not only as Russia’s geopolitical “backyard”, but also as playgrounds for a new balance-of-power game initiated by the Kremlin.
The dilemma for countries located in-between Russia and the EU (like Ukraine or Georgia), as well as at the EU’s eastern periphery (like Bulgaria and Romania), is that regionalism without Russia would be incomplete, but with Russia it is dysfunctional. Under these conditions, borderland regions can produce a model of relations that might be dubbed anarchic regionalism, i.e. that one lacking strong integrative institutions and common normative basis. It can be polycentric, giving to regional powers (like Turkey in the Black Sea region) their say. But still regional arrangements in this scenario are to rather reflect than assuage or mitigate rivalries and collisions between key actors – the EU and NATO on the one hand, and Russia on the other.
Part III
The East of Europe, West of Russia: What Role for Bulgaria, Romania and Turkey?
Elusive Identity: Duality and Missed Opportunities in Bulgarian Foreign Policy in the Black Sea Region

Stefan Ralchev

Executive summary

Bulgaria lacks a coherent, if any, foreign policy in the region of the Black Sea. As a littoral Black Sea country, a former part of the Soviet power system and a current member state on the European Union’s Eastern flank, Bulgaria has all the prerequisites for a more active economic and political engagement with the countries in this part of the world. However, for various reasons, this potential has been greatly underused. Bulgaria is in search of its own identity: on the one hand, it is formally part of the Western family of nations (confirmed with its 2004 NATO and 2007 EU accessions), which has been evident in numerous foreign policy choices; on the other hand, the historical legacy of its relations with Russia, the vassal position during the Soviet years and the current total dependence on energy resources from Moscow have driven Bulgarian leadership to take foreign policy decisions vis-à-vis the Black Sea area hardly in line with its own or EU interests and conforming more to a desire not to be in Russia’s way. This

1 Stefan Ralchev is Programme Director and Policy Analyst at the Institute for Regional and International Studies (IRIS) in Sofia, Bulgaria. His work focuses on regional relations, security, democracy and domestic political developments in the Balkans and the Black Sea region in the context of European integration.
behaviour has resulted in a growing number of missed opportunities for strengthening Bulgaria's political, economic and cultural ties with the Black Sea countries, especially given the presence of compact Bulgarian minorities in some of them (Moldova and Ukraine), the traditionally good relations with others (Georgia and Armenia) and the potential for developing vitally important energy relations with Azerbaijan. With the turbulent developments in Crimea and Eastern Ukraine throughout 2014 and the re-emerging importance of the Black Sea region on the international arena, Bulgaria should: 1) adopt a strategic blueprint for a coherent and consistent foreign policy in the Black Sea region, to be followed by alternating governments; 2) work toward a solid economic base for an effective foreign policy, first by decreasing energy dependence on Russia; 3) work with Central and Eastern European states within the EU for a unified EU approach to the Eastern Neighbourhood; 4) step up trade and economic ties with individual Black Sea countries; 5) establish mechanisms for sharing of good practices in political and economic transition; 6) step up cultural and educational co-operation.

Introduction and overview of Bulgarian policies in the Black Sea region

The idea of the Black Sea region (the Black Sea littoral states plus Armenia, Azerbaijan, Greece and Moldova) as a compact region with its own historical, cultural or economic characteristics is open to debate but nonetheless gained popularity in the 1990s, when Russia was self-absorbed and undergoing painful reforms, Turkey was increasingly looking to stepping up ties with the Turkic world in the Caucasus and Central Asia and the United States was devoted to guaranteeing European security via new energy routes along the ancient Silk Road. The Black Sea region was more of a
construct which aimed to fill in some vacuums and justify power play along various vectors. With the redirection of the United States’ attention to the Middle East after the September 11 2001 terrorist attacks and the “pivot to Asia” under US President Barack Obama, the Black Sea as a spot on the map of global affairs lost its appeal. Not for long: after the resurgence of Russia during the Putin years and its assertion of influence over the ex-Soviet space (the 2008 Georgian and 2014 Crimean and Eastern Ukrainian invasions and the establishment of the so-called Eurasian Union), the Black Sea region has again become relevant on the international stage.

It is in this context that Bulgarian foreign policy towards the Black Sea region, after the re-establishment of full sovereignty with the fall of the communist regime in 1989, should be viewed. And in general, this policy has been non-existent at worst and inconsistent at best. For one, Bulgaria has barely employed the concept, and has had in practice, a regional policy towards other parts of the world, probably in line with the tradition of Soviet diplomacy; it has relied predominantly on developing bilateral relations. Also, even policies towards individual states in the Black Sea region, including Russia, have not been consistent or in line with some form of strategic blueprint that outlives successive governments and is more or less observed by all institutions in the land. And thirdly, the Russian factor, with its perceived historical, cultural and economic dimensions, has had a defining, or put more precisely, inhibiting, role in the shaping and workings of Bulgarian policy in the ex-Soviet space, including the countries of the Black Sea region.

A quick chronological account of foreign relations in the Black Sea region after 1989 helps to illustrate the complexity of Bulgaria’s current policies. In the early 1990s, the predominant
moods in Bulgarian foreign policy were shaped by four basic characteristics: 1) an assumption that Bulgaria is a “bridge” between Russia and the West and should keep its unique geopolitical position by keeping neutrality vis-à-vis strategic alliances; 2) a belief that Bulgaria has already established energy relations, economic ties and markets in Russia and the ex-USSR and no new partners, like the West, are advisable; 3) a belief that in dealing with the ex-USSR, “we deal with Russia first, then Russia deals with the others”; 4) and a fact on the ground: the presence of individuals who had a key role in Bulgarian institutions and in shaping Bulgaria’s public opinion on foreign policy, but who at the same time had vested interests: former State Security officers and members of the communist establishment with strong business and political ties to Russia. This entire construction, however, started to gradually crumble, triggered by several key events: 1) the fall of the second Andrey Lukanov government of the Bulgarian Socialist (ex-Communist) Party, BSP, in late 1990 allegedly caused by the failure of the then-Soviet Union to help financially; under Lukanov’s two tenures, Bulgaria had to introduce a rationing system for the population and call for a moratorium on foreign debt payments; 2) Russia’s ceasing to accept rubles in its foreign trade exchange with Bulgaria and the shift to hard currency at the time of the collapse of the ruble zone in 1992-93; and 3) the severe financial and economic crisis of 1996-97 under the socialist government of Zhan Videnov, which proved to the Bulgarian public that the ‘Eastern’ societal model, epitomised by BSP and the Soviet Union/Russia, was simply not working and an alternative model was needed. Thus in 1996-1997 a nominally pro-Western political elite was formed after mass street protests, represented by the newly-elected President Petar Stoyanov and the United

2 Interview with former Chief of the Political Cabinet, Ministry of Foreign Affairs, Republic of Bulgaria, Sofia, 21 July 2014.

3 Ibid.
Democratic Forces (UDF) government of Prime Minister Ivan Kostov. Bulgaria formally applied for NATO and EU membership, reforms were seriously embarked on and the country moved toward the Western family of nations, or made its “choice of civilisation,” as President Stoyanov put it. But the new posture was far from unambiguous: while the Kostov government proved to be a reliable ally of the West – it joined the Western coalition on Kosovo by granting NATO aircraft access to its airspace and started cracking down on Russian spies active in Bulgaria – it also sold strategic assets of the Bulgarian economy in the then accelerated privatisation to Russian companies (for example, the sole Neftochim oil refinery to Lukoil). It signed an opaque gas supply contract with Russia’s monopoly Gazprom in 1998, though it presented it as a success⁴. Thus a dichotomy in the policy of Western-oriented Bulgaria towards Russia started to emerge even back then. Bulgaria joined NATO in 2004 and the EU in 2007, but these formal treaties did not change the country’s policy towards the Black Sea region fundamentally: it was cautious, lacking in substance, inconsistent, with sporadic episodes of declarative awakening such as on Georgia in 2008 and Ukraine in 2014⁵.

In terms of relations with individual countries over the past couple of decades, Russia has of course been the key counterpart, both in trade and political relations, based on historical and economic (energy) realities. Turkey has lately emerged as an equally important partner of Bulgaria in the region, due to its proximity, growing economic power and historical (Ottoman) legacy. Relations with Turkey, however, have been more pragmatic and not a victim of ideology and power balances like those with Russia,

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⁵ Interview with former Chief of the Political Cabinet, MFA.
despite the presence of a compact Turkish minority in Bulgaria. Bulgarian policy toward Romania has been either absent or inert, often characterised by the phenomenon of the “negative mirror image” – whatever bad is seen in oneself is projected on to the other side⁶. Bulgaria and Romania have always been treated as a tandem regarding EU membership and reforms, resulting in an unhealthy competition and envy in bilateral relations. An example was the long-delayed construction of a second bridge over the Danube between the two countries, impossible without EU mediation⁷. Ties, however, have been improving, with increasing numbers of Romanian tourists visiting Bulgaria and Bulgarians from the North of the country working temporarily in Bucharest. Bulgaria has had traditionally good but somewhat shallow and declarative relations with Ukraine and Moldova, where compact Bulgarian minorities live; economic relations with Ukraine before the crisis of 2014 were significant. Ties with the South Caucasus countries, Armenia, Azerbaijan and Georgia, have been generally friendly but cautious and based on reciprocity in order not to intrude on the gentle balances dictated by the frozen conflicts of Nagorno-Karabakh, Abkhazia and South Ossetia⁸.

Bulgaria has also engaged in multilateral formats in the Black Sea region. It was a founding member of the Turkey-led Organisation of Black Sea Economic Cooperation (BSEC) and joined the 2004 Turkish military initiative Black Sea Harmony. However, Bulgaria has generally viewed Turkish multilateral projects in the region suspiciously⁹. One positive element of Bulgaria’s multi-

⁶ Interview with independent expert on foreign policy and security in the Black Sea region (Expert 1), Sofia. 25 July 2014.
⁸ Interview with former Chief of the Political Cabinet, MFA.
lateral engagement with the region is its service as a NATO contact country. As the Defence Ministry boasts, “Bulgaria, as the contact embassy for NATO in the period 2004–2008, actively contributed to the deepening of the political dialogue with Georgia and the strengthening of the Euro-Atlantic orientation of the country. Bulgaria, together with other NATO allies, is an active participant in the South Caucasus Clearing House mechanism providing expert and technical assistance for defence reform in the countries of the South Caucasus”\textsuperscript{10}. However, Bulgaria did not capitalise on this experience afterwards\textsuperscript{11}.

And last but not least, Bulgarian civil society organisations have established a very positive and reliable co-operation record with counterparts from all Black Sea countries, giving the so-called Track II diplomacy a significant role in bilateral and multilateral relations. Regrettably, NGO interactions have decreased in intensity in recent years, largely due to the dwindling official state support for civil society development and co-operation\textsuperscript{12}.

**Shortcomings of Bulgarian foreign policy in the Black Sea Region**

*Identified problems*

*Lack of a consistent approach*

One fundamental issue about Bulgaria’s approach toward the Black Sea region is its inconsistency, its ad hoc nature and the

\textsuperscript{9} Ibid.

\textsuperscript{10} Ministry of Defence, “Bulgaria in NATO”. Available at: http://www.mod.bg/en/cooperation_NATO.html

\textsuperscript{11} Interview with independent foreign policy expert (Expert 2), Sofia, 2 September 2014.

\textsuperscript{12} Ibid.
absence of any kind of blueprint. On the one hand, Bulgarian foreign policy has no tradition of regionalism – constructing a regional approach to groups of countries which represent a geographic or economic entity or pattern, stand for similar values or pursue similar interests: groups that can potentially be targets of a common approach by Bulgaria. Of course, larger groupings exist in the form of departments in the foreign ministry, such as “Eastern Europe and Central Asia” or “Asia, Australia and Oceania”, but these are too broad to represent a target of a truly regional nature. On the other hand, even bilateral relations in the Black Sea area have not been based on some form of thought-out strategy or strategic outline: they have changed from government to government and had an ad hoc nature, defined by the individual priorities of the various foreign ministers rather than by some national policy line. There are objective and subjective reasons for this (see sections below), but this lack of consistency is perhaps the most defining element of Bulgarian policy toward the Black Sea area. As a former official from the policy-making apparatus in the MFA said, “Bulgarian policy towards the region is based on official positions. But a position is only an element of foreign policy... There is no plan or strategy because the carriers of our policy are incidental. This is no Sweden or Poland even. Here, one foreign minister can be active in this direction, but his predecessor or successor will as a rule be just the opposite”.

One group of reasons for this incoherence and changeability is endogenic. Depending on what parties are in power, the position of Bulgaria shifts more toward the Western or toward the Russian view respectively. Centre-right parties in power such as the UDF or the Citizens for European Development of Bulgaria (GERB) have been more allied with pro-Western perceptions of the Black

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13 Interview with former Chief of the Political Cabinet, MFA.
Sea region, whereas the BSP tends to be more attentive to the positions and interests of Russia. Another group of reasons is exogenous: Bulgaria complies with the balance of power in the Black Sea region that exists (and fluctuates) among the European Union, Russia, Turkey and, to some extent, the United States. “Bulgarian foreign policy is inert and tries not to contradict European or Russian foreign policy. Most of the time it is dominated by corporate and geopolitical interests which are against the Bulgarian national interest: Russian lobbying for energy influence, Turkish lobbying for communities and regions, etc. Bulgaria is also a victim of Russian expansion – not only towards the ex-USSR but also towards the EU’s eastern periphery, its attempts to destabilise it”\textsuperscript{14}. This is closely related to the second major issue in Bulgarian foreign policy in the Black Sea: its dualism vis-à-vis the West and Russia.

\textit{Duality of priorities - EU/NATO and Russia}

Bulgaria is bound by its NATO (2004) and EU (2007) membership treaties and has been a reliable Western partner before and after joining those organisations. However, its historically close relations with Russia after gaining autonomy from the Ottoman Empire, the vassal position towards Moscow during the Soviet years and the energy dependence and informal business ties connecting powerful circles in the two countries since 1989, render Russia an influential factor with which all Bulgarian governments have more or less complied. This is not to say that Bulgaria has had to choose between two opposing policy options whenever the official lines of the West and Moscow diverge: rather, Bulgaria has implemented its obligations under EU and NATO, while at the same time engaging in contradictory actions

\textsuperscript{14} Interview with Expert 1.
that may be interpreted as complying with Russian interests. This infuses Bulgarian foreign policy with an odd duality, which sometimes has confused both its Western allies and Russian counterparts. Specifically in the Black Sea area – a geographic region which Russia has tried to portray as one within its “sphere of interests” – this duality has led to a host of missed opportunities regarding relations with individual countries there.

The defining dichotomy in Bulgarian identity and hence foreign policy is: NATO and EU membership on the one hand, yet heavy dependence on Russia on the other. This dependence is expressed in the areas of energy (Bulgaria imports 90-100% of its natural gas from Russia; its sole oil refinery is owned by Russian giant Lukoil; and it imports and exports waste nuclear fuel for its Kozloduy NPP from and to Russia\(^{15}\)); defence (Bulgaria is highly dependent on spare parts and maintenance of its military equipment, most of it Russian-made, on Russia\(^{16}\)); and tourism (Russian tourists are the most numerous and relatively well-off foreign tourists on the Bulgarian Black Sea coast, with increasing numbers of them buying real estate to settle in the country for a longer period of time\(^{17}\)). This dichotomy has had numerous manifestations in policies towards the Black Sea region and Russia

\(^{15}\) See “US urges Bulgaria to end energy dependence on Russia”, Reuters, 9 February 2012. Available at: http://www.reuters.com/article/2012/02/09/bulgaria-us-energy-idUSL5E8D97I120120209


over the past decades. First, as mentioned above, it can be observed in the domestic political scene, with centre-right parties taking a clear pro-NATO and the EU position, and the BSP leaning toward milder, more Russia-friendly stances. Divisions exist even within the parties: GERB, for example, has teetered between a position in favour of building a second nuclear plant at Belene (a Russian project highly dubious in terms of profitability and feasibility, that would lead to even higher dependence on Russia in the energy sector) and against it, before finally dropping the project in March 2012; and the BSP’s most recent foreign minister Kristian Vigenin (2013-14), acting unlike a BSP representative, visited Kyiv after the ouster of Viktor Yanukovych, expressing his support for the new government, only to be “welcomed” with severe criticism by his fellow party members in Sofia on his return from the visit.

Second, the division line, particularly in the past couple of years and in view of the developments in Ukraine, is visible also within and between institutions. Foreign Minister Nickolay Mladenov (2010-13), Vigenin’s predecessor, stood in contrast to Vigenin in terms of substance and form of the policy conducted: apart from being active to an unprecedented degree both towards the EU’s Eastern and Southern Neighbourhoods, centre-right Mladenov embarked on a thorough clean-up of the MFA of former com-

19 See Clive Leviev-Sawyer, “Controversy over foreign minister’s visit to Ukraine highlights Bulgaria’s policy complexities”, The Sofia Globe, 6 March 2014. Available at: http://sofiaglobe.com/2014/03/06/controversy-over-foreign-ministers-visit-to-ukraine-highlights-bulgarias-policy-complexities/
munist State Security agents as a way to rebuild trust in Bulgaria by its Western partners. His predecessor Ivailo Kalfin (2005-09) and successor Vigenin, however, generally followed a line that was accommodating to Russia and its Black Sea interests, illustrating how duality has existed in time within Bulgaria’s major institution responsible for foreign policy. As of late, duality exists between institutions, too. While the presidency, represented by Rosen Plevneliev, has been a stronghold of EU and NATO values in Bulgaria, the parliament has failed to adopt a declaration on condemning developments in Crimea because of lack of unanimity (parties such as the nominally ultra-‘nationalist’ but de facto pro-Russian Ataka pledged to boycott such a declaration). A clear declaration on Ukraine, however, was produced by the Consultative Council on National Security – an advisory body under the President comprising all political party leaders and heads of the relevant institutions (interior minister, head of intelligence, etc.). Ataka’s leader did not subscribe to the declaration, but no unanimity was required here anyway.

And third, the dualism in Bulgarian foreign policy towards Russia and the Black Sea region is best observed on particular issues arising on the foreign policy agenda, such as ones concerning Russia’s South Stream gas pipeline project or the 2014 crisis in Ukraine. On the former, initially Bulgaria acted inexplicably and in contradictory fashion from the perspective of its EU allies: despite the obvious, and stated on numerous occasions by the European Commission (EC), non-compliance of the South Stream project with internal EU rules on competition and energy, Bulgaria has proceeded with construction preparation (under pressure from Russia), despite prospects of heavy fines that could be imposed by the EC for violation of those rules. It even went as far as to try to change its legislation in order to exempt South Stream from the common EU laws – unsuccessfully. Eventually, with the onset of the second Borissov government, Bulgaria vocally denounced the implementation of the project citing non-compliance with EU rules as the main...
argument, expressing its readiness to resume it as soon as it complies with EU legislation. Despite the belatedness of this principled position and the negative reaction from Moscow, which aims to launch the so-called Turkish Stream in an open attempt to challenge Bulgarian obstructionism, the government’s decision has harvested support and attention from Brussels. In the aftermath of the South Stream cancellation turmoil, the Bulgarian government has tried to promote the idea of Bulgaria as an EU energy hub – with building infrastructure and capacity for redistributing gas to a common European network from a variety of importers as the key entry point of energy resources to the European energy market. These plans coincide with the role delegated to South East Europe and respectively Bulgaria according to the EC Communication on the Energy Union. With regard to the crisis in Ukraine, Bulgaria’s position has been ambiguous, too. As mentioned above, the then-foreign minister Vigenin visited Kyiv after the flight of Yanukovych in

an unexpected move designed to demonstrate some Bulgarian activity on Ukraine. However, after the powerful scolding Vigenin received from his party (BSP), he declared Bulgaria was in fact against sanctions on Russia\textsuperscript{30}. Again, with the fall of the BSP-led Oresharski government, the Bulgarian position was reversed with the new foreign minister adhering to the common EU position and expressing criticism of Russian aggression\textsuperscript{31}. Still, all these inconsistencies and dualism have done no good to Bulgaria’s overall policies towards the region and have contributed to missed opportunities.

\textit{Missed opportunities}

Bulgaria’s foreign policy line in the early 1990s, to deal with Russia first when it wants to engage with the ex-USSR countries, and the inconsistent policies of the past decade or so in the Black Sea region, have led to the missing of a host of opportunities to intensify diplomatic and especially economic relations with the countries there. As one foreign policy and security expert said, “The fixation on Russia has made Bulgaria miss the opportunity for a full-fledged economic co-operation with Ukraine – a nation of 45 million which is to become a true factor in the Black Sea region”\textsuperscript{32}. In Moldova, there exists a certain trust in Bulgaria as a potential partner in EU integration and economic development which no other EU country can boast: for


\textsuperscript{31} “Bulgarian Foreign Minister: Russian aggression can lead to a new Cold War”, \textit{The Sofia Globe}, 13 November 2014. Available at: http://sofiaglobe.com/2014/11/13/bulgarian-foreign-minister-russian-aggression-can-lead-to-a-new-cold-war

\textsuperscript{32} Interview with Expert 1.
one, the Bulgarian minority in Moldova has proven itself as a loyal state-building and economic factor, which certainly contributes to the image of Bulgaria and Bulgarian businesses in Moldova as a whole; and second, Bulgaria is not viewed with the suspicion with which Romania or Ukraine are viewed, at least by some segments of Moldovan society. These openings for more active Bulgarian foreign policy in Moldova and more active business engagement of its companies have, regrettably, been squandered so far. Bulgarian companies have also been invited to be more active in Azerbaijan, and the traditionally good relations with Armenia (partly based on the existence of a fully integrated Armenian minority in Bulgaria) have not been capitalised on. Although relations with Turkey have been pragmatic and fruitful, especially in terms of trade and investment, Bulgaria has not made adequate use of the fact that it is one of Turkey’s two EU neighbours, arguably the “better” one, given the historical suspicion in Ankara's relations with Greece. This would translate into a more active Bulgarian role within the EU vis-à-vis Turkey’s membership aspirations and overall ties with the bloc. Also, not all highways of interaction between the two countries are smooth. For example, road transport regulations between Bulgaria and Turkey are still harsh, causing frequent fallouts between shipping companies and authorities and even blockages of the border; and more importantly, there is no progress as regards the construction of a natural gas intercon-

33 Personal observations after informal conversations with representatives of Moldova’s civil society. Collected during a visit to Chisinau, 22-24 May 2014.
35 Burcu Purtul Uçar, “Bulgaria-Turkey border gates blocked by trucks”, Hürriyet Daily News, 11 October 2013. Available at:
nector, which would make possible Bulgarian access to the Turkish gas system and further on to the gas coming from the Caspian via the Trans-Anatolian Pipeline. And last but not least, the accumulated trust and the exchange of good practices in the relations between Bulgarian and Black Sea civil society organisations seems to be left to fade, as contacts have been gradually on the wane over the past decade due to decreasing funding and official government engagement.

**Causes**

The causes for the shortcomings in Bulgaria’s foreign policy in the Black Sea region can be roughly grouped into: legacy of Soviet diplomacy; lack of an economic base; Russian influence: dependence on Russian energy supplies and corruption; and lack of a coherent EU approach.

**Legacy of Soviet diplomacy**

The operational and technical cause of Bulgaria’s inability to form a consistent policy towards the region is the legacy of Soviet diplomacy practiced for the entire period of the country’s existence within the Soviet bloc. As one former policy-maker in the foreign ministry said, “The term ‘regional policy’ does not exist in Bulgarian foreign policy. There may be objective


36 Vladislava Peeva, “Газовите връзки със съседите се бавят и няма да намалят зависимостта ни от Русия [Gas interconnectors with neighbours delayed, not to reduce dependence on Russia]”, Mediapool.bg, 12 September 2013. Available at: http://www.mediapool.bg/gazovite-vrazki-sas-sasedite-se-bavyat-i-nyama-da-namalyat-zavisimostta-ni-ot-rusiya-news211020.html
and cultural reasons for that, but most of all this is result of the Soviet tradition in Bulgarian diplomacy: Soviet diplomacy is bilateral, not multilateral. Even formations such as the Warsaw Pact were not authentic but came as a reaction to multilateral efforts like NATO. A huge portion of Bulgaria’s foreign policy establishment, those above 50 years of age, graduated in Moscow – it’s a culture. So, we had to create entirely new teams to work with the EU and NATO for example – the MGIMO [Russia’s top educational institution on international relations] school cannot produce such cadres” 37. The Soviet legacy has had concrete expressions in current policy actions, though not necessarily connected with regionalism. For example, foreign minister Vigenin refused to award the ambassador of France with the highest state honours (the Stara Planina Order) upon H.E. Philippe Autié’s departure at the end of his term of office, as has been the practice with all outgoing envoys; the reason: the ambassador joined informally a civic protest in the summer of 2013 against the BSP-led government of which Vigenin was part – a protest that was the largest popular action for democracy, transparency and public accountability that had taken place in Bulgaria since 1997 38. Also, in August 2014 the Bulgarian authorities detained a well-known Russian opposition figure at Moscow’s request with a demand for extradition. The Bulgarian court, however, acted in contrast to the law enforcement institutions and released Nikolay Koblyakov in October 2014 and refused to extradite him to Russia 39.

37 Interview with former Chief of the Political Cabinet, MFA.
Lack of an economic base

Lack of economic base here means the absence of an adequate basis of economic achievement (growth) and interactions (openness of the economy, trade and investment), on which a more pragmatic and efficient foreign policy can be built. Bulgaria is the poorest EU member state in terms of gross domestic product levels per capita and most of its foreign trade is done with the EU. Where there is substantial trade with Black Sea countries, it is with huge deficits: energy imports make the trade balance with Russia extremely tilted in Moscow’s favour, and trade relations with the booming and export-oriented Turkish economy are also imbalanced. While richer and economically more self-sufficient countries such as Germany, Sweden, or even Poland, can afford a more visible and clearly outlined Eastern policy, from which their businesses can benefit, poorer countries find it harder to commit those resources. This position of being a victim to economic realities is most conspicuous in Bulgaria’s relations with Russia, of course (see section below). “Bulgaria cannot make any foreign policy that is inconsistent with its economic base; if it wants European foreign policy, it has to have a European base of the economy. This means above all independence from Russia – not limiting itself with concerns about what would Russia think in every attempted move” \(^{40}\).


\(^{40}\) Interview with former Chief of the Political Cabinet, MFA.
Russian influence: dependence on Russian energy supplies and corruption

As already mentioned, inability or unwillingness to stand up to Russian influence is one of the key factors resulting in Bulgarian policy in the Black Sea region being less than prominent. The Russian influence takes two key forms which are interconnected: retaining Bulgarian energy dependence on Russian sources thwarting attempts at diversification; and infiltration of the institutions via corruption of decision-makers and public officials for the sake of business interests. A manifestation of the former is the negligible progress made by Bulgaria since the last Russo-Ukrainian gas crisis (2009) in securing alternative gas supply sources via development of own resources or construction of interconnectors with neighbouring countries – above all Greece and Romania, but also Turkey and Serbia. Examples of the latter are the proposed parliamentary bill by two BSP MPs to exclude South Stream from EU legislation and the last-minute decision by the Bulgarian Energy Holding to take a multimillion euro loan from Gazprom for South Stream, despite the official suspension of the project by the government months before. As a foreign policy and security analyst in Sofia commented, “There is an extremely powerful Russian lobby. The co-operation between former Bulgarian and Soviet state security apparatuses has transformed into business co-operation now... Bulgaria’s weak institutions are thus influenced by lobbyist and corporate interests. Russia cannot be

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41 See Peeva, op.cit.
42 See “Amendments to the Bulgarian Energy Act Pushed by Gazprom”, op.cit.
blamed for pursuing its interests: it is just finding a propitious environment in Bulgaria, and corrupting it is easy. In Bulgarian institutions, there is less and less loyalty to the national interest and to the country”\textsuperscript{44}.

\textit{Lack of a coherent EU approach}

While an autonomous and visible national Bulgarian policy in the Black Sea region has been absent or hardly achievable, one could exist as part of a targeted, coherent policy of the powerful and prosperous supranational organisation of which the country is a member, the EU. But the bloc is far from boasting such policy, and not only with regard to the Black Sea area. Some arguably successful attempts have been made such as the formulation of the European Neighbourhood Policy (ENP), the Black Sea Synergy and the Eastern Partnership (EaP). But those were mostly the result of efforts of individual member states, who have displayed heightened interest in the region: Poland, Sweden and to an extent Germany. And with the crisis in Ukraine the success of these policies has been brought into question. The fundamental problem is that not all EU member states have the same stake in a more active Eastern policy: it is logical to conclude that Estonia or Romania have a bigger interest in a stable and prosperous neighbourhood in the East than Ireland or Portugal, for example. As one expert in Sofia put it, “There is no such thing as EU policy towards the region. It is made up of individual propositions of member states, which are interested in concrete outcomes: Poland and Sweden for the EaP and Germany for the Black Sea Synergy. Romania has also shown interest in becoming a bigger factor. But big member states generally are not interested in stepping up the ENP because of their mutually beneficial relations

\textsuperscript{44} Interview with Expert 1.
with Russia – business or energy”\textsuperscript{45}. Another problem, specifically linked to the EaP, is that it was built on the assumption that it would be more powerful and effective in dealing with the neighbourhood than, alternatively, using Eastern European member states as propellers of the policy themselves: “EaP tries to ‘jump over’ Eastern member states and land in the EaP countries, where it aims to create a friendly, democratic space. But this kind of geopolitics cannot be effective – you must place the compass on the map and gradually start moving it eastward. No strategic depth can be ensured otherwise... Regionalism in the EU is lacking: while in the North it exists in some form (the Nordic grouping of nations, or the nations around Germany in Central Europe, or even Poland and the Baltic states), such a regional formation is non-existent among Bulgaria, Romania and Greece, for example”\textsuperscript{46}.

### Recommendations for policy actions and directions

Based on the above analysis of the shortcomings of Bulgarian foreign policy in the Black Sea region and their causes, the following recommendations can be made:

**Adopt a coherent and consistent approach to the Black Sea region as a basis for a future regional strategy**

Bulgaria should devise a foreign policy framework – a blueprint – which can later transform into a more distinct strategy towards Russia and the Black Sea region that would be endorsed by all key institutions and be pursued by successive governments. It will inevitably have nuances, depending on which po-

\textsuperscript{45} Ibid.

\textsuperscript{46} Interview with former Chief of the Political Cabinet, MFA.
political party is in power, but it should not go outside a certain set of rules and priorities. This will ensure continuity and efficiency and make the country a more reliable EU and NATO ally, especially in the context of the crisis in Ukraine; very importantly, it will also make Bulgaria a more assertive partner in relations with Russia and the other Black Sea countries. Based on this initial framework, an official regional policy should be constructed in the Black Sea area, in line with Bulgaria’s security, economic and energy priorities. The existing policies involving simple symmetries (‘If there is an official visit to Baku, there should be one to Yerevan, too, in the same trip’) should develop into a regional approach whose fundamental fabric will be the bond between economic and foreign policy. The new consistent approach will also comprise unwavering support for territorial integrity, statehood and democratic emancipation in the region, including an active role in the rebuilding of Ukraine; intensified relations with Black Sea countries who have explicitly stated aims and priorities coinciding with Bulgaria’s Euro-Atlantic values; and relations with Russia that are pragmatic and unburdened with ideology, based, however, on effectively reduced energy dependence and clearly identified by both sides, and not swept under the rug, spheres of coincidence and conflict of interests.

**Change the economic base and diversify energy supply**

Bulgaria should develop an economic base on which a substantive, solid and realistic foreign policy can be constructed towards the Black Sea region. This base will include stable economic growth, openness of Bulgarian companies for trade and investment abroad and utilisation of traditional ties with the Eastern

\[\text{Ibid.}\]
neighbours. However, the most important element of this new economic foundation for foreign policy would be a reduced energy dependence on Russia via diversification of natural gas supply. As noted above, diversification has not been progressing with the planned speed ever since the 2009 Russian-Ukrainian gas row. A positive prospect in this direction is the planned construction and launch in 2020 of the Trans-Adriatic Pipeline (TAP) from the Turkish-Greek border to Italy, which is to bring via a branch (and an interconnector with Greece) some 1.0 billion cubic metres of Caspian gas to Bulgaria annually\(^\text{48}\). But some concrete steps towards reduction of dependence on Russia are needed, such as: 1) an increase in the capacity of gas storage facilities; 2) completion of the gas interconnectors with Greece, Turkey, Romania and Serbia; 3) development of the already discovered own resources in the Black Sea shelf; 4) removal of the existing moratorium on shale gas exploration (officially proved resources of shale gas can be used as leverage in talks on gas prices with Moscow, even if no shale gas is actually being extracted); 5) co-operation with Greece and Croatia on the construction (backed by EU funds) of LNG terminals near Kavala (Northern Greece) and on the Krk island in the Northern Adriatic. Diversification can happen in other sectors, too: for example, the tendency in Bulgarian tourism in recent years has been to rely excessively on attracting tourists from Russia\(^\text{49}\); a new strategy should be to target traditional but currently waning markets such as Britain, Germany, Austria, the Czech Republic, Poland, Slovakia, and Hungary.


\(^{49}\) See Ministry of Economy and Energy.
Work with Eastern European member states within the EU

Bulgaria should join forces with other EU member states, especially those from Central and Eastern Europe, to become a motor for a more unified and active EU policy towards the Eastern neighbours in the Black Sea region. The approach – and the policies implemented – by foreign minister Mladenov (2010-13) can serve as an example for successful initial steps towards a co-ordinated EU policy based on “clusters”, or “triangles” in which Bulgaria plays an essential part. Mladenov engaged in active diplomacy, jointly with his counterparts from Poland, Radoslaw Sikorski, and Sweden, Carl Bildt, to promote more intense ties of the EU with the EaP countries. Mladenov, Sikorski and Bildt went on joint trips to Armenia, Azerbaijan and Georgia, which were highly appreciated by their Caucasian colleagues. (In the same vein, a joint visit was made by Bildt, Sikorski and British foreign minister William Hague to Moldova. The best recent example of a successful joint effort by ‘clusters’ of member states was, of course, the mediation mission to Kyiv in February 2014 by Sikorski and his German and French colleagues Frank-Walter Steinmeier and Laurent Fabius. The latter two instances obviously did not include Bulgaria but are good examples of the structure of a successful new approach.) Bulgaria, as a former Soviet bloc country historically and culturally close to the Black Sea

51 Ministry of Foreign Affairs of Sweden, “Carl Bildt to visit Moldova”, Press release, 18 February 2013. Available at: http://www.regeringen.se/sb/d/713/a/209405
region states and currently a EU member state strategically situated on its Eastern flank, should be one of the main generators of ideas for EU policies towards the region, to be implemented in association with (for lack of sufficient own national resources) member states such as Romania, Greece, Poland, the Baltics, Germany, Slovakia, the Czech Republic, and Hungary. More specifically, Sofia can push for thematic coalitions of Central and Eastern European and other interested EU member states for: support for territorial integrity, stability, democracy and development in the Black Sea region; more open EU market for EaP countries; an accelerated visa liberalisation process for Georgia, Ukraine, Armenia and Azerbaijan to follow in the successful steps of Moldova; more funding for civil society in the region and for NGOs in EU member states which have successful record of co-operation with organisations in the region. “European regionalism in the East should finally start happening, like it does in Scandinavia, Germany and Central Europe, and France and the Southwest. Until regionalism takes place here, no strong policy from individual countries can thrive. Regionalism in the North is working because cohesion there is stronger. In other words, there is no way the individualism of separate countries can be stronger than their regionalism. You can’t expect Bulgaria to be on its own a bright ray of light of Europeanism projecting towards the East, no way”\(^{53}\).

Apart from the format, the essence of the EU’s policy towards the Eastern Neighbourhood should change. The current ENP rests on the premise of “good intentions” – every side to the process in the region has a fundamental interest in cooperation, and most countries want to take advantage of the huge capacity of the EU by engaging positively with it. Unfortunately, this

\(^{53}\) Interview with former Chief of the Political Cabinet, MFA.
proved to be essentially wrong, even if it might not have been the case in the early 2000s. “European security is no more what it used to be. With the crises in Georgia and especially Ukraine, all ten articles of the Helsinki Final Act have been violated. A basic rethink is needed in order to make better use of the EU’s resources vis-à-vis the Black Sea region”\textsuperscript{54}. Bulgaria, as a strategically situated member state, should play an active part in this rethinking. “EU member states may want to have an adequate position or strategy towards the region, now that we are in the post-Crimea era, but they either do not have sufficient interest or capacity to formulate them – or both. Countries such as Bulgaria, Romania and Poland can do the job”\textsuperscript{55}.

And last but not least, Bulgaria can try to represent the positions of particular EaP countries within the EU, after acquiring sufficient knowledge and experience in co-operating with them. These countries will naturally be the ones displaying more ambition for endorsing the European model – Moldova, Georgia and Ukraine. But for that to happen, Bulgaria has to demonstrate to its EU partners that it can fill any policy proposal with essence: input based on capacity and expertise\textsuperscript{56}.

\textit{Step up trade and economic ties with individual Black Sea countries}

A policy line complementary to building a stable economic base for foreign policy is stepping up trade and investment ties with the Eastern Neighbours. As already noted by a former policy-maker in Bulgaria’s MFA, the key to a successful approach is close integration of foreign policy and economics: “The private sector

\textsuperscript{54} Ibid.
\textsuperscript{55} Interview with Expert 1.
\textsuperscript{56} Interview with former Chief of the Political Cabinet, MFA.
is already ahead of the foreign policy apparatus in contacts with the ex-USSR countries: there are Bulgarian investments even beyond the Black Sea in Kazakhstan and Uzbekistan. This thread should be followed. The state should promote exports of strong Bulgarian companies to the region (chemicals, electricity, etc.) and participation of Bulgarian companies in public tenders, especially in sectors where there is an established tradition and expertise (construction of power transmission lines, motorways, etc.). Ambassadors should serve as salesmen for Bulgarian output and know-how, similar to the foreign policy pursued by EU countries like Germany and even Slovenia (in the former Yugoslav states). A good recent example of a private enterprise clearly promoting Bulgarian interests in the region (of the type that should receive official state support) is the re-launch of the ferry line to Georgia across the Black Sea.

**Share good practices in political and economic transition**

Bulgaria should capitalise on its unique position as a former communist country that was part of the Soviet bloc and a current EU member state that has gone through all the difficult reforms to become eligible for membership. In practice, this would mean a more targeted and intense effort at sharing the good practices (and failures) of transition with countries from the Black Sea region. As a former foreign ministry official puts it, “From my personal experience, this specific matter has been very well taken by our post-Soviet colleagues: first, because Bulgarians do not allow themselves to talk from a superior, mentoring position; and

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second, because we have had so many bad experiences, that our counterparts can spot in every word we say a similar case in their own practice, a repetition. All this practice should be somehow transformed into a mechanism for aid and consultation, on million topics: political parties, security, military-civil relations, civil society, etc.59” A very important point, mentioned above, is the official support for Track II diplomacy, or co-operation and sharing of good practices between and among civil society organisations in Bulgaria and the Black Sea countries.

**Step up cultural ties on the basis of common legacy and Bulgarian minorities**

Bulgaria should use its unique position vis-à-vis some countries in the Black Sea region based on shared minorities: Bulgarian minorities live in Moldova and Ukraine, and an Armenian minority is very well integrated in Bulgaria. This should translate into stepping up educational, scientific and cultural co-operation between Bulgaria and those countries. For example, the Bulgarian government should increase scholarships for Bulgarians from Taraclia or Odessa wishing to study in Sofia or for Bulgarians from Bulgaria-proper interested in specialising in Chisinau or Kyiv. Affiliate universities should be opened in the Black Sea capitals where there is interest in such kind of co-operation. This is a way in which real expertise is formed about specific regions which can be employed by the foreign policy apparatus at a later stage.

59 Interview with former Chief of the Political Cabinet, MFA.
Romania’s unique position in the region can be better understood if observed in close relation to its neighbours. A map of foreign policy relations in the region and of bilateral relations would show that Romania, while actively engaged with the EU, has hardly any direct contact with Russia. Nonetheless, as part of the eastern border of NATO and the EU, the country has border situations that engage it by proxy with the foreign policy of the Russian Federation. The Republic of Moldova, once a champion of the Eastern Partnership, is now drifting further away from European values following parliamentary elections in which the lack of coherence of right-wing parties led to a minority government supported by the Communist Party. The result is a potentially disastrous one for Chisinau, as necessary reforms could be blocked in parliament, which would be followed by a suspension of financial aid from Brussels. In such a scenario, the implications for Romania would be severe as Moldova has been the flagship of Bucharest’s foreign policy for more than two decades (during which time Russia has managed to keep Moldova in check and away from Chisinau’s foreign policy goals).

1 Bogdan Nedea is a strategic analyst with the Global Focus Centre in Bucharest and a correspondent for Foreign Policy Romania. His area of expertise is the former Soviet Union countries.
Second is Hungary, a member of both NATO and the EU, whose leadership has adopted what it calls a “non-liberal democracy”, and in the past two years has pursued closer ties with the Russian Federation, mainly for economic motives. This framework, along with the growing nationalistic movement of Hungarians in Romania, has resulted in deterioration in Romanian-Hungarian bilateral relations.

Third, but not least important, is Ukraine, a country at war by proxy with the Russian Federation. Ukraine’s territorial losses affect Romania (Russia’s border with Romania is now just 300km away, by sea) and its stance in the region. The common denominator in all three cases is Russia. The position of Romania, although a NATO and EU member, is far from comfortable. It is caught between a country at war, one which is an ally but that has lost its predictability in the long run and, a failing democracy unable to commit to the European path. Furthermore, as an Eastern border of NATO (where a NATO command centre will be established in the summer of 2015 and where a part of the Ballistic Missile Defence (BMD) Shield is already being constructed), Romania has become the target of direct military threats from a Kremlin-associated think-tank and the target of Moscow for agreeing to be part of the BMD Shield, situations that turned the proxy implication into a direct one.

Romania without the Western lens

In the past 10 years, Romania has tied its development as a country to the status of being a member of Western alliances, and has

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2 “Russia threatens to aim nuclear missiles at Denmark ships if it joins NATO shield”, Reuters, 3 March 2015. Available at: http://www.reuters.com/article/2015/03/22/us-denmark-russia-idUSKBN0MIoML20150322
conducted its economic, defence and foreign policies accordingly. Romania’s will to break with communist practices has been demonstrated through absolute compliance with Western practices and its resolve to oust political elements of the old regime. The past 25 years of continuous changes have led to a democratic status quo that is, at first glance, in line with the values promoted by the West. But, when the annexation of a territory of a state by another state turns from theory to precedent, when a military invasion turns from historical example to realpolitik, and when security guarantees become subject to pecuniary interests, the moment comes when a generation raised within a system developed around post-war treaties finds itself hostage to a contemporary reality for which it was never prepared. And when such a situation occurs at the borders of Europe, re-assessing priorities becomes a priority. In the same 25 years, the eastern region of Europe changed its status from a border for the West, into a border for the East which created vulnerabilities in the security perception of Russia. On the one hand, Russia sees “the biggest military alliance in history”\textsuperscript{3}, built as a defensive alliance and purposed to prevent major threats (like another World War), as having overstepped its defensive mandate in the past decade, and as deploying against regimes and into regions in a way that threatens its neighbourhood. These internationally approved interventions took place, most of the time, in what the Kremlin calls “its near abroad” or against (some) traditional partners of Russia and were followed by a regime change, an increase in Western influence in the region and a sudden shift in bilateral relations between Moscow and the country in question. Furthermore, from Russia’s point of view, NATO is expanding increasingly closer to

its borders or is providing military equipment and know-how to countries in its immediate vicinity, while constantly rejecting their objections and threat perceptions as archaic and unfounded. Continuing the “defence” rhetoric, the same alliance has begun building the BMD (which is after all still a cluster of missiles capable of going in any direction, not only up) and has been taking up positions in Eastern Europe.

The question arises if NATO has created the impression of developing a policy of isolation of Russia or if the West has actively participated in the evolution of current events in Ukraine (or of past events in Georgia, Moldova, Armenia or Azerbaijan), by placing Russia in a strategically vulnerable position and by holding it captive to the capabilities or any possible intentions of the alliance. Those looking from the West might be confident of the peaceful intentions of the alliance and could find it difficult to understand some of the actions that Russia undertakes, but as far as Russian national security threats go, good intentions are the last thing taken into consideration by Kremlin’s strategists⁴.

On the other hand, the EU, although condemning transgressions against democracy in Russia, has enforced Moscow’s ambitions on the European scene through close economic co-operation. In the end, the commercial interests of influential players on the European market came head-to-head with the necessity of sanctions against Russia and drove a wedge between EU members (France and the Mistral deal could serve as one such example).

Even if the sanctions against Russia’s transgressions were unanimously supported by all EU members, a precedent was set regarding the balance between the political will of Europe and commercial interests. If dependency on Russian gas was a problem Brussels had already acknowledged (and was working on finding a solution to), Russian investments in Europe and European investments in Russia proved to be a game-changer when the question of sanctions was raised. In this matter, individual national interests appeared to have prevailed over homogenous EU policy and especially over timely responses. This has left border countries (the Baltics, Romania, Poland, Bulgaria), the ones closest to the situation in Ukraine, fearing repercussions. Within this general context is Romania, a country that has aspired to Western values and has sacrificed some of its immediate interests in order to gain accession to the Euro-Atlantic community. Under the international paradigms that existed until late 2013, the benefits of this kind of membership were obviously higher than the costs, but 2014 brought about a series of changes that the international environment was hardly prepared for, which could raise the stakes for the member states as the unity of the Western systems may be put to the test.

In this respect, Romania’s unique position in the region can be better understood if observed in close relation to its neighbours. Romania finds itself encircled by the effects produced by the economic and cultural ties between its neighbours and Russia.

One such effect was on the Republic of Moldova, a country that for the past year and a half has found itself in an economic tight spot because of the exports embargo enforced by Russia and by the abrupt decrease in money coming into the country from Moldovan workers whose access to the Russian job market was
limited by Moscow (the decreases in exports and revenues from workers abroad amount to approximately 46% of Moldova’s GDP). These elements, along with economic reforms that created austerity and high-level corruption among officials, have led to a significant drop in public trust in the pro-European parties. The new government, formed after the 2014 elections, is a minority one and is backed in parliament by the Communist Party that had been ousted from governance in 2009 following violent protests. In this new political framework, Moldova, once the flagship country of the Eastern Partnership, may be led astray from the European path. For Romania, Moldova’s democratic success was the main foreign policy objective for the past fifteen years and its main lobbying topic in Brussels ever since Romania joined the EU. This means that any steps backwards taken by Chisinau have a direct impact on Bucharest’s image on the international scene. This is a direct consequence of the fact that Romania has adopted a parent-like attitude towards Moldova, granting it social, economic and political benefits, despite the fact that sometimes such gestures were interpreted as interference or a policy of expansionism.


6 Ludmila Gamurari and Cristian Ghinea, It has only just begun: EU and anticorruption institutions in Moldova, EPC, 1 August 2014. Available at: http://www.epc.eu/documents/uploads/pub_4683_eu_and_anticorruption_institutions_in_moldova.pdf

Continuing south, we find an EU and NATO member whose traditional ties with Russia were closer than any other state in the region. Bulgaria has come a long way from the times of Todor Zhivkov (the communist leader of Bulgaria from 1954 to 1989) and his “indestructible bond” – as he used to call it - to Soviet Russia, but the Russian influence still lingers in Sofia in the form of lobbies. The country’s dependence on Russian gas imports (more than 90%) and for raw material for the Kozloduy nuclear power plant, as well as the fact that Lukoil controls most of the oil trade in the country, has put pressure on Sofia governments to solve the energy security problem of the country. This had led Bulgaria to sign on to being the access point of Russia’s South Stream gas pipeline project into Europe, a deal scuttled by the EU, which forced Sofia to suspend work on a vital part of the project on penalty of breaking the competition law. The episode attracted the attention of both the US and the EU and led to high-profile visits (US Secretary of State John Kerry and British foreign secretary Phillip Hammond) in mid-January 2015 and appears to have sped up the process of finding solutions for the country’s energy vulnerability. Due to its geography, Bulgaria could be a key energy player and in regard to the situation developing in Eastern Europe, is becoming a key political player as well. Sofia’s historical sympathetic view of Moscow as well as

the pressure Russia can exert by playing the energy card could make it a potential weak link for Europe, which is trying to present a united front against Russia over Moscow’s violation of international law in Ukraine. Even though Sofia has a direct interest in seeing the conflict in Ukraine come to an end – in the form of the large community of Bulgarians in Ukraine living close to the conflict area\textsuperscript{11} - there are some political forces that continue to treasure its relations with Russia while the same political forces still hope for a positive outcome regarding Bulgaria’s participation in South Stream\textsuperscript{12}. With almost 37\% of the population preferring the Eurasian Union over the EU\textsuperscript{13}, with pressure from companies that benefit from Russian gas monopoly\textsuperscript{14} and a constant victim of Russian soft power, backing up the pro-Western government in Sofia is a test for Brussels, which has to match the influence that the Kremlin has traditionally had in Sofia\textsuperscript{15}.

\textsuperscript{11} “Bulgaria Facilitates Issuing of Visas for Ethnic Bulgarians in Ukraine”, 

\textsuperscript{12} Kerin Hope, “Bulgarians see Russian hand in anti-shale protests”, 

\textsuperscript{13} “22\% of Bulgarians want to join Russia’s ‘Eurasian Union’, 

\textsuperscript{14} Keith Johnson, “Sofia’s Choice”, 

\textsuperscript{15} Jim Yardley and Jo Becker, “How Putin Forged a Pipeline Deal That Derailed”, 
The intricate picture of Bulgaria is completed by Russian investments in the country that add up to the pressure: about $5 billion worth of property bought by Russians in Bulgaria in the past two years and the sale of six Bulgarian strategic companies (among them Vivacom, the largest Bulgarian telecom company, the Dunarit Ruse explosives factory, Avionams Plovdiv airplane factory, TV7 television channel) by the fugitive businessman Tsvetan Vassilev\textsuperscript{16}, for the sum of one euro to the LIC 33 company, associated to the Russian oligarch Konstantin Malofeev (part of the Siloviky and alleged sponsor to Ukraine separatists)\textsuperscript{17}. At the same time, the notion of Bulgaria as a potential weak link need not be overstated, given that the traditional pro-Russian parties currently are on the back foot and the current centre-right government appears, going by the more reliable opinion polls, as having every chance of remaining in office for the remainder of the four-year term in office that it began in late 2014.

So, with Hungary as an example of an EU member that put its energy interests over its membership status, Romania has reason to remain watchful for any theoretical effects of the former “traditional” relation between Bulgaria and Russia. In this situation, the most compelling case is made not by the EU but by the Rus-

\textsuperscript{16} “Interview given by Russian Foreign Minister Sergey Lavrov”, Focus Bulgarian News Agency, 7 July 2014. Available at: http://www.mid.ru/brp_4.nsf/0/9622873A34AD5F5C44257D10002F049D


\textsuperscript{18} Vessela Tcherneva, View from Sofia: A difficult choice between Russia and the West, European Council on Foreign Relations, 9 March 2015. Available at: http://www.ecfr.eu/article/commentary_view_from_sofia_a_difficult_choice_between_russia_and_the_west
sians: in 2006 Russian Ambassador to the EU Vladimir Chizhov stated that “Bulgaria is the Trojan horse of Russia in the EU”\textsuperscript{18}.

To the south-west, Serbia, one of Romania’s strategic partners and a country aspiring to EU membership, is also a traditional ally of the Russian Federation, especially after the refusal of Moscow to recognise the independence of Kosovo (which was not recognised by Romania either). Moreover, in 2008, Serbia signed an agreement with Russia on energy imports (Gazprom owns 56\% of the national company of Serbia, NIS) and in 2009 another one from which it received a billion euro loan from Moscow\textsuperscript{19}. President Nikolic has openly declared that he intends to develop relations with both the EU and Russia but the main steps he has undertaken have been primarily towards the East: from announcing new joint military exercises with Russia (the first exercises of this kind took place in November 2014), in 2015, to receiving both president Putin and State Duma president Sergey Narashkin (who is on the sanctions list and is banned from travelling to the EU), with military honours\textsuperscript{20}. The Serbian president appears to have the support of the population in his endeavours, as more than 50\% of Serbians have favourable opinions about Russia and more than half are not favourable towards NATO while only 46\% of the population supports the EU membership of the country\textsuperscript{21}.

\textsuperscript{19} Ibid, p. 5
Among all of Romania’s neighbours there is one whose actions and attitude could generate immediate effects for Romania: Hungary. The tensions generated in recent years in bilateral relations were created around the Hungarian minority in Romania and their claims for autonomy.

Minority issues had not created substantial problems in bilateral relations and Hungary as such had not been a major problem for Romania up to this point. The problem is that Hungary is no longer alone as it appears to have found an ally in Moscow. For the past two years, prime minister Orban has been promoting a national policy in which the country’s interests should be achieved regardless of violations of EU regulations, and he has come to harshly criticise Brussels’ practices and even question its democratic values. Orban’s new political paradigm, which includes a lack of transparency in state affairs and limitations of the rights of the media and the population, has been called “illiberal democracy”\(^2\). According to the prime minister himself, the policy is centred on making his country more competitive and more economically viable. The extent of this policy included a sudden rapprochement towards Russia that culminated with a visit by President Vladimir Putin to Budapest in early 2015\(^2\). Putting aside the historical transgressions by Russia, Budapest welcomed Putin with the highest honours and during his visit, the two signed five bilateral treaties. The two most important


of these refer to the extension of gas imports (without any mention of the price) and the expansion of the nuclear power plant in Peks (In early March, the Hungarian parliament voted to keep details of this deal secret for 30 years\textsuperscript{24}) by Russian company Atomstroyexport\textsuperscript{25}. Also, in late March 2015, Budapest received the first part of a $10 billion loan from Moscow apparently for the same Peks project, although it is widely believed that this is just an attempt from the Kremlin to buy favour with an EU member\textsuperscript{26}. Hungary, lacking any domestic production, is totally dependent on Russian energy imports. Further, more than 15\% of the production of the Hungarian oil company MOL comes from Western Siberia gas fields. Putin vowed during his Budapest visit to support the activity of both MOL and Richter (Hungary’s largest pharmaceutical producer), which exports 30\% of its production to Russia\textsuperscript{27}. Orban is not the first Central European leader to maintain close relations with Moscow (the Czech, Slovak and Slovenian leaders are among those who do

\textsuperscript{24} “Ungaria va secretiza pentru 30 de ani acordul nuclear încheiat cu Rusia”, \textit{gandul.info}, 3 March 2015. Available at: http://www.gandul.info/international/ungaria-va-secretiza-pentru-30-de-ani-acordul-nuclear-incheiat-cu-rusia-13925138


\textsuperscript{26} Krisztina Than “Special Report: Inside Hungary’s $10.8 billion nuclear deal with Russia”, \textit{Reuters}, 30 March 2015. Available at: http://mobile.reuters.com/article/idUSKBN0MQoMP20150330?irpc=932


the same) but he is notable as a prime minister of an EU member state willing to openly adopt a dualistic policy and criticise Brussels from inside the Union\textsuperscript{28}. Budapest alone did not represent a major European problem. But Budapest assisted by Moscow represents a threat to Bucharest as it could be a serious destabilising factor. Moreover, Budapest assisted by Moscow and unsanctioned within the EU could represent a regional threat for European unity, especially in the current situation where encouraging attitudes towards Russia are dangerous. We should not overlook the fact that Putin’s first European visit since the outbreak of the conflict in Ukraine was to Hungary and the message he conveyed was not only strong but was strongly supported by Budapest.

To the north-west there is Ukraine. Aside from the dreadful situation the country finds itself in at the moment, which requires special attention from Bucharest, relations with Kyiv could never be described as close. Romania and Ukraine have gone through two international court actions (one over the continental platform of Serpent Island and one over Bystroe canal) that have chilled bilateral relations. The matter of the Romanian minority in Cernauti has added to the problem, even if relations appeared to thaw during Yushchenko’s term of office as president of Ukraine. Ukraine’s interests in Russia are extensive and its dependence (energy and economic) even more so.

So, with a neighbour that has shown Putin that he is welcome in Europe while rejecting the premise of the system of which it is part (Hungary), one neighbour that is strongly drawn to the economic prospects presented by Russia (Bulgaria), another (with which Romania has a 600 km border) caught in a proxy war with Russia (Ukraine), one whose political will is almost evaporated
and whose economy is almost entirely dependent on Russia (Republic of Moldova), and one that finds more political advantages with Moscow than the EU and agrees to hold military exercises with it in spite of its aggression (Serbia), Romania seems to be caught in the centre of a landslide of Russian interests and intrigues. These countries, displeased to varying extents by the EU political system and its requirements, are drawn by the “easy” policies of Moscow that offer energy and economic advantages without asking for reforms and transparency. Brussels, constrained by the notion of policy transparency, fundamental to the democratic values it is built on, lacks the option of “bribes” (economic advantages or loans with very little demand for reforms and policy changes) as it has to account for the money it spends. Moscow is free of such social dependencies and political accountability. That is why you will often encounter the perception that Brussels carries a stick bigger than its carrots (especially for the political elites forced to undertake unpopular reforms), while Moscow does carry a stick (not in plain sight anyway) and hands out huge amounts of large carrots to some countries.

In this context, Romania, whose relations with Russia are close to frozen, may be faced with possible destabilisation attempts, hostile policies by neighbours and even military threats. Even as a member of the EU, Romania may find itself faced with the “multi-speed Europe” concept, and its effects. In this respect, Romania’s relations with the US stand out (as a result of interdependencies, ergo a friendship with interests and subject to the limitations of benefits), but it nonetheless is a long distance one, which means that the country is more or less alone.

Economic diplomacy, or what does Russian money buy?

As we have seen so far, soft power is Russia’s middle name and Moscow has the means to exert economic pressure in Europe in retaliation for international sanctions. Romania is partly in the same situation as other countries in the region, although not as dire, due to its minimal dependence on Russian energy imports. Nevertheless these imports will continue to be controlled until 2030 by companies that are subsidiaries of Gazprom or Kremlin-affiliated Russian businessmen. Ever since 1993, Romania has stopped importing Russian gas directly and has done so through intermediaries. In 2007, WIEE and Conef, the two companies that intermediate gas deliveries to Romania, have renewed their contracts for a further 23 years. WIEE is a joint venture company between Gazprom and Wintershall. It is controlled by the German group BASF and under its contract it delivers about 80% of the energy imports of Romania (around 5 bcm in 10 years). The second company, Conef, with its direct subsidiary, Imex Oil, is a Romanian company owned by Russian oligarch Vitali Matitsky, who also owns the largest raw and aluminium products producer in Romania and Eastern Europe – ALRO Slatina. The company was privatised in 2002 - under a shady arrangement, now being investigated by the Romanian authorities - by Vimetco company, which is owned by Matitsky. More than 90% of the gas Romania imports comes from the

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Russian Federation although the percentage of the imports is just 13% of domestic consumption (December 2013)\(^{33}\). Nonetheless, the monopoly on gas imports controlled by Russian companies represents a risk for the Romanian economy as it has the power of raising prices (especially since the government doesn’t negotiate directly with Gazprom) and also closes the market to any other companies. The gas crises of 2006 and 2009 affected Romania very little (even though at the time Romania imported almost 30% of its domestic consumption) as the country has gas reserves sufficient for 90 days (at average rates of consumption). The year 2014 was the first that gas imports have dropped below 10% due to low industrial consumption\(^{34}\). The downside is that this figure will start rising with accelerated industrial growth.

The situation is more unnerving when it comes to the oil industry of Romania: two of the largest refineries in Romania are also owned by companies from abroad: in 1998 Lukoil entered the Romanian market by buying a majority share of the Petrotel Ploiesti refinery, while in 2007 the Rompetrol company, which owns the largest oil refinery in Romania, was taken over by Kaz-


MunaiGaz, the national oil and gas company of Kazakhstan\textsuperscript{35}. Another major Romanian producer of oil is Petrom, the majority share of which is owned by Austrian group OMV, a company that is also involved in exploration and extraction of onshore and offshore gas fields in Romania. Given its privileged relations with OMV, Gazprom managed to buy a share of Petrom gas stations through its Serbian subsidy NIS\textsuperscript{36}.

In this intricate web, Romania stands to lose the most: besides the gas imports, which are under Russian ownership, Lukoil owns one Romanian refinery while the other is owned by Kaz-MunaiGaz, a company highly susceptible to Moscow’s influences as it depends on Russian transport infrastructure to deliver its gas to the West. In this respect, Lukoil owns a market share of about 20\% (including 300 gas stations and exploration rights for an oil field in the Black Sea), Rompetrol (KazMunaiGaz) the same NIS an approximate of 10\%, thus amounting to almost 50\% of the oil market in Romania\textsuperscript{37}. On the other hand, OMV can decide to export the gas it extracts (and will extract from the Black Sea), to Gazprom or its subsidies. Another major risk is that OMV, in order to get significant concessions from Gazprom in Russia, could decide to sell (as it did with its share in Hungarian company MOL), the Petrom network. Moreover, the Russian-owned companies are major employers in Romania and a suspension of activity by Moscow as retaliation for sanctions could mean technical unemployment for thousands of employees.

\textsuperscript{36} Ibid, p.10.
\textsuperscript{37} Ibid, p.10.
Overall, the Russian ownership in Romania could, in time, constitute a critical mass, that would be able to influence prices, block access of other companies to the market and even exert pressure on political or strategic decisions.

Last but not least, 2013 brought forth a very important change in Romania’s threat perception: following the Crimea annexation by Russia, Romania and Russia now share a common maritime border. In these circumstances, Russia may choose not to heed the 2009 decision by the International Court of Justice regarding the maritime border after a court dispute between Romania and Ukraine (which Romania won)\(^{38}\). Such an action could be challenged in court but that could take years and there are no mechanisms to enforce it. Meanwhile, the effects produced by such an action could have serious effects on Romania’s economic climate, discouraging investors and creating insecurity on the border.

**Romania’s priorities and policy**

Many are talking about a hybrid war in Ukraine. For Romania it is time to realise that this hybrid war is happening a few hundred kilometres from its border and that there is no containment for the unknown. Ukraine was a sitting duck for this war that employs all methods from media to social harassment, because it was a weak state. A weak state is the perfect victim of this kind of aggression. Unless counter-measures are taken, it will not be long before the effects of this hybrid war are seen in Romania. One problem is that the political elites are still easily seduced by the opportunity to achieve personal goals and wealth.

\(^{38}\) “Analiză Foreign Policy: are Rusia poate lovi România”, *Adevarul*, 15 June 2014. Available at: http://adevarul.ro/news/eveniment/cum-rusia-atace-romania-1_539dcaaaoa133766a89a6c34/index.html
rather than leaving a rich heritage. The system is still corrupt, even though there have been significant improvements in the justice system. The past few years, in which the justice system prosecuted and convicted a growing number of previously “untouchable” former officials, have made it riskier to be corrupt and have only raised the cost of bribes, but have not eliminated the problem.

• In this respect, the first recommendation is that Romanian decision-makers need to understand the international situation. The Romanian leaders have created a comfort zone out of a lack of initiative and conformism, the result being that Romania’s foreign policy has been at times incoherent, timid, lacking a quick reaction and even contradictory. Given these aspects, it is important to realise that Romania could be a key player in the situation developing in Eastern Europe by becoming involved in the European debates regarding the situation and better capitalising on its stabilising role as a NATO member and US partner.

• Second, Romania should begin developing a multi-layered foreign policy (as opposed to the single-layered at the moment, focused on the Republic of Moldova): on the first layer should be the Republic of Moldova and Ukraine, second layer Turkey, Poland and Bulgaria, third Georgia, Azerbaijan and Armenia and fourth, reviving its connections to Middle East countries with which it had substantial commercial links during the communist period (e.g. Iran, Iraq).

• Third, Bucharest should begin reviving its projects that would have brought both political and economic advantages: The Black Sea Synergy (BSS) - a project that was put aside when the Eastern
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Partnership (EaP) was started. Now that the EaP has more or less failed, the BSS could serve as its potentially more successful replacement. With such a project, Romania could put the regional partnerships (with Poland for example) to good use and find ways to approach issues like EU-Turkey (with which Romania has had a strategic partnership with since 2011) relations or promoting stability in the South Caucasus. The BSS becomes even more relevant as the Black Sea has changed its dynamic due to the annexation of Crimea.

The Azerbaijan-Georgia-Romania Interconnector (AGRI) is another project that should be brought back to the table as it has the power to reduce gas imports from Russia for Romania and other European countries.

Threat perception

Two or three years ago, no one could have imagined a more intricate picture for Romania. Surrounded by states that not only build partnerships with Russia but also capitalise on them, Romania appears to be unable to make use of the same kind of assets. The only strategic partnership that produces some result for Romania at the moment is the one with the United States. But that is not the only option for Bucharest: there is a strategic partnership with Poland that never has been put to use and has enormous potential for the situation with which Eastern Europe is faced. Two NATO countries neighbouring Ukraine, able to understand the “occupationist” culture better than any American strategist, are an added value for a region at war. Both countries have sufficient resources to provide analysis and intelligence of the situation on the ground, as well as real solutions for the Ukrainian government.
In this respect both Romania and Poland could become the spearhead for analysis in the region. Creating a state-funded joint think-tank in which Romanian and Polish experts could produce analysis on the situation in Eastern Europe.

**Experience donor**

The fact of the matter is that we are not ready to approach a situation where individual partnerships that EU member countries in Central and Eastern Europe have with Russia come to have a higher net value than their partnerships with Brussels. Even at this point, the Czech Republic, Slovenia, Slovakia, Hungary, Cyprus (which has a deal to house a Russian naval base), Greece (openly pro-Russian under the new Syriza government), and even Germany (which has an exclusive gas pipeline), Italy (that recently signed a XX billion-dollar investment agreement with Russia) or France (the Mistral deal that jumpstarts the French economy) stand more to lose than gain from opposing Moscow. How long will it be until these countries cease to reach an accord on “stopping Russia”? What Romania can do, as an EU member and a country with national interests, is to provide experience. Some of these countries break EU ranks because the transition and adaptation conditions appear too difficult. In this respect, Serbia is the perfect candidate. Such aspiring members can be assisted in the process by a country that has had a similar history, a similar cultural heritage and that has faced similar obstacles in the transition and pre-accession period. These countries can learn from the mistakes that have already been made and find ways not to repeat them.

Experience is not the only thing Romania has to offer: through the use of its rich natural resources, the country could become
an energy provider for its neighbours, and given enough time, even break the imports monopoly from Russia. We are witnessing such a case with the Republic of Moldova to which Romania started exporting natural gas in early March 2015\textsuperscript{39}. The Iasi-Ungheni pipeline will transport, in the first phase of the project, a million cubic metres at a price of 255$\times 1000$ cubic metres, a price $70$ lower than the gas imported from Russia\textsuperscript{40}. At the moment, Romania is exploring ten areas in the Black Sea with potential underground natural resources. Only two have reached the extraction phase and it is predicted that five will reach extraction by 2020. This would turn Romania into an energy exporter in the region and, in turn, this would provide more foreign policy options for neighbours that are dependent on Russian gas.

\textit{The need to strengthen the army}

The Romanian army, although a professional one, is severely lacking the proper equipment as the defence budget has been neglected by the authorities in the past ten years. Romania is spending less than 2\% of its GDP on the army and even though a political decision has been made to increase that percentage, two years on it has not been implemented. The same decision was taken recently as a result of a political accord between the president and the prime minister. The only problem is that this defence spending will most likely begin taking place in 2016 at the earliest. Until then, Romania will lack military equipment,


\textsuperscript{40} \textit{Ibid}, p.14.

\textsuperscript{41} \textit{Ibid}, p.5.
will be using fighter jets that should have been decommissioned over 10 years ago and has a small fleet, which the Russians threatened to destroy if need be\textsuperscript{41}.

On the other side is the Russian Black Sea fleet, just 300km away from Romania’s borders that will receive new submarines and warships in 2015\textsuperscript{42}. Moreover, the “front line” scenario is becoming increasingly feasible if we look at the latest developments: Russia, through its Deputy Minister of External Affairs and other officials, has stated that the missile clusters in Romania and Poland (part of the BMD) are a violation of the Intermediate Nuclear Forces agreement that the US and USSR signed in 1987\textsuperscript{43}. Also, Russia’s NATO emissary has warned that these parts of the BMD in Poland and Romania can severely affect the “military security and contributes to the creation of an unstable Europe”\textsuperscript{44}. The situation developed further escalated by the Russian side:

on April 15, 2015, Russian officials once again reiterated their stance towards Romania. Russian foreign minister Sergey Lavrov and army chief of staff Valery Gerasimov declared that despite the new nuclear deal between Iran and the US, the BMD Shield continues to be developed, thus threatening the strategic balance in the region. Furthermore, the two said that non-nuclear powers hosting the BMD Shield would become primary targets of “Russian military response”\textsuperscript{45}. NATO responded by reiterating that the BMD Shield is defensive and that Moscow is using nuclear weapons as an intimidation mechanism.

Under these circumstances it is necessary that Bucharest should be more involved in the foreign policy decisions that directly affect its future and work with other countries (like Poland in this case) to create a strong voice with its allies in these circumstances. This need is highlighted now, more than ever especially in a moment when threats become more nuanced and directed. And Romania is one of the threatened.

What Should Turkey Do to Stabilise the Black Sea Region?

Özgür Özdamar ¹

Executive summary

With the end of Cold War and the attacks of 11 September 2001, the Black Sea region has been at the intersection of three global players’ respective regional points of view. These powers and their approaches are the Russian Federation and its Near Abroad Policy (NAP), the EU and its European Neighbourhood Policy (ENP), and the U.S. and its Broader Middle East and North Africa (BMENA) and the Wider Black Sea Region (WBSR) policy. The current destabilisation of the region’s status quo as has happened in the form of the Ukrainian crisis is due to EU-Russian rivalry and their approaches to the region in the forms, respectively, of the EU’s Eastern Partnership and Russia’s Near Abroad Policy. I propose four foreign policy options for Turkey to pursue stability in the Black Sea region. These are: advancement of the frameworks laid out by the Organization of the Black Sea Economic Cooperation (BSEC); development of existing bilateral cooperation with Russia in sectors such as energy and as well as expanding into other possible fields such as security; inclusion of Russia in all multilateral plans of action in the Black Sea region while balancing the great power rivalries and serving as mediator in the regional conflicts. Given the low likelihood of EU membership for Turkey and international and Transatlantic institutions’

¹ Dr. Özgür Özdamar is Director of Fortuna Consulting|Political & Economic Forecasting. He is lecturing at the Department of International Relations at Bilkent University.
poor conflict resolution record, these options are the optimal policy choices for Turkey in the region. Turkey should not take sides in the east-west conflict in the region but should rather act as a “balancer” for regional stability.

**Introduction**

Labelled a “passive geography” that lies on the outskirts of three major power blocs – the Russian Federation, the European Union (EU), and the Republic of Turkey – the Black Sea region’s status within global players’ geopolitical and geo-economic reckonings has undergone transformations towards a region that has seen increased conflict since the 1990s.² There have been two factors behind this development. The first factor is the end of the Cold War where the power gap produced by the collapse of the Soviet Union has paved the way for a politico-economic and a military Euro-Atlantic presence in the region. This was exemplified by the incorporation of Romania and Bulgaria into NATO and the EU, the Orange Revolution in Ukraine and the Rose Revolution in Georgia.³

The second factor is the September 11 attacks that have expanded the focus of U.S. national security projections into the Broader Middle East and North Africa (BMENA), including the Black Sea.


This picture has been worsened by Russia increasingly seeing a threat in the expansion of a Euro-Atlantic presence in an environment where energy security was prioritised, as well as by the continuing frozen conflicts in Abkhazia, Ajaria, Chechnya, Nagorno-Karabakh, South Ossetia and Transnistria, while challenges in the post-Soviet littoral states to build functioning market economy infrastructure and viable state mechanisms created a window of opportunity for external influences. Therefore, starting with the Russia-Georgia War of 2008, the annexation of Crimea by Russia in March 2014 and the armed conflicts between the government and separatist groups in eastern Ukraine, the stability and balance of power in the Black Sea region have been further disturbed.

These turns of events have had three ramifications: (1) the process of democratisation and economic liberalisation in the Black Sea region under the sponsorship of the EU and the U.S. has come to a standstill because of open resistance from Russia, (2) the use of military force either in the form of inter-state or of proxy war holds a significant place in Russia's foreign policy repertoire, and (3) the fiscal, monetary and military limits of Transatlantic endeavours to penetrate into the Black Sea by going beyond Central and Eastern Europe have been revealed. Notwithstanding the priority given to the Middle East after Israeli military operations in Gaza in 2009 and the Arab Spring of 2011 in the foreign policy decision-making agenda, Turkish foreign policy makers have been also forced to pursue a certain type of policy - “policy of caution” - vis-à-vis the great power rivalries in the Black Sea region. This, in turn, has made it an ardent supporter of the status quo in the regional balance of power due to

5 Ibid., pp. 353-354.
the aforementioned geopolitical and geo-economic points of view. The alternative would be for Turkey to have to deal with the implications of this new state of affairs on its own given the low likelihood of becoming an EU member and U.S. indecision about becoming involved in conflict resolution.

Problem description from a contextual perspective

The end of Cold War and the September 11 attacks compelled major powers to turn towards regionalisation specifically to be able to compensate for the absence of governance in the field of security at the global level. Therefore, in the Black Sea region, there are three contending regionalisation schemes of three power blocs—the Russian Federation and its Near Abroad Policy (NAP), the EU and its European Neighbourhood Policy (ENP), and the U.S. and its BMENA and the Wider Black Sea Region (WBSR).

Keeping up its competition for global power against the U.S. required Russia to narrow the focus of its attention to the area that it refers to as the “near abroad.” By encompassing “all the non-Russian ex-Soviet republics in the region,” this policy espouses the Russian cause of possessing certain rights and obligations to sustain security in the area, especially in the South Caucasus, Ukraine, and Moldova, on the basis of military, economic, and historical connections. To fulfil that aim, Russia’s modus operandi is one of bilateralism, with co-operation

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7 Aydın, “Contending Agendas”, p. 49.
arrangements tailored for each country’s specific policies. As a consequence, Russian interference in the domestic affairs of Ukraine and Georgia, annexation of Crimea, act of capitalising on the region’s frozen conflicts, pragmatic use of natural gas as a trump card in dealing with the EU, Georgia, and Ukraine, and venture for a Customs Union made up of Belarus, Kazakhstan, and Russia are prime aspects of the NAP. Any incursion into one those facets by the EU or the U.S. is interpreted as a considerable threat.

In order to guarantee the transit and security of energy from the region and to prevent security threats of “instability, conflict, and terrorism’s” spillover from the fragile post-Soviet republics, the EU’s ENP put forward a form of privileged partnership for cementing “political association and economic integration” on the condition of undertaking genuine democratisation and liberalisation reforms.

Originally, the policy covered the EU’s neighbours Algeria, Belarus, Egypt, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Authority, Syria, Tunisia, and Ukraine and later on encapsulated the South Caucasian countries Armenia, Azer-

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baijan, and Georgia through the European Neighbourhood Policy Strategy paper\(^{14}\). Furthermore, two more programmes have been initiated to bolster the essence of the ENP: the Eastern Partnership and the Black Sea Synergy. The first is between the EU and six countries from the Eastern Europe and South Caucasus regions: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. The project is about furthering the above-mentioned political association and economic integration through the instruments of comprehensive free trade agreements and visa liberalisation\(^{15}\). The second is about promoting better co-operation with all littoral states in the region by adding to the already existent policy objectives of the Organization of the Black Sea Economic Cooperation (BSEC) and the Black Sea Commission in the fields of “transportation, energy, and environment” and is open to all these relevant countries\(^{16}\).

After the September 11 attacks, the U.S. decision makers’ changing mindset over threat perceptions defined the WBSR as the “backdoor to the Broader Middle East and North Africa region” where the war on terrorism could be further intensified through controlling the northern flank of the BMENA\(^{17}\). Moreover, in this way, European energy security could be assured by enlarging the EU, NATO, and the U.S. presence beyond the western coast of the Black Sea to the Caspian arena along with Armenia, Azerbaijan, Georgia, Ukraine, and Moldova\(^{18}\). Accordingly, in addition to NATO’s Partnership for Peace programme that includes 12

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15 EUROPA the Official website of the European Union, “Black Sea Synergy”, *op. cit.*
16 Ibid.
post-Soviet states and works to increase the level of co-operation and transparency particularly in military affairs, the U.S. has sought to broaden the range of the Operation Active Endeavor from the Mediterranean Sea to the Black Sea to guard against terrorist activities\textsuperscript{19}.

With the Black Sea being at the crossroads of these three regionalisation schemes, stability and the balance of power in the region have been disrupted, as has been seen in the Ukrainian crisis that began in 2013. The collision between the EU’s ENP and Russia’s NAP poses threats to the region. This conflict is also directly related to Turkey’s major concern to prevent any regional or international power’s call to revise the Montreux Convention (1936)\textsuperscript{20}. Turkey has been the champion of regional economic and security co-operation initiatives like the BSEC, Black Sea Naval Task Force, and Black Sea Harmony and of the status quo in the region since the end of the Cold War\textsuperscript{21}. Turkey has no prospect of becoming an EU member in the coming five years (perhaps never) but still has ongoing engagements with Russia in naval security, economic and energy projects. Turkey would want to be the “balancer” of the EU-Russian rivalry in the region\textsuperscript{22}. On the

\textsuperscript{19} Ibid.
one hand, Turkey is a NATO member. On the other hand, Turkey benefits from the Turkish-Russian tourism trade, Turkish construction projects in Russia, Russian direct investment in the energy and tourism sectors in Turkey, co-operation in energy infrastructure projects such as the Mersin Akkuyu power plant and Turkish trade in Russian natural gas. It follows that Turkey should continue to hold a multilateral perspective on Black Sea regional economy and security and oppose any proposition on maritime security that does not include all littoral states. Turkey would be especially against excluding Russia, as was the case when the US proposal to expand Operation Active Endeavor into the Black Sea was countered by the initiation of Black Sea Harmony with the participation of all littoral states to sustain maritime security and to patrol the Black Sea.

**Turkey’s interests in the region in light of EU/US/Russia rivalry**

Although issues about the Black Sea region have always been significant in Turkish foreign policy, the importance of the region has intensified due to recent developments. Changing dynamics in the Black Sea have led to various dilemmas and challenges for Turkey. However, Turkey has managed to profit from some of those dilemmas by adopting a balanced policy. In this section, the challenges Turkey faces and its balanced approach vis-à-vis those challenges are elaborated.

Turkish interests in the Black Sea region have been affected in several ways by the existing EU-Russia rivalry. Turkey has re-

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23 Ibid., pp. 13-16.
acted to these developments by favouring taking no sides in this rivalry, as seen in its recent foreign policy decisions and actions regarding the region. In fact, Turkey tries to maintain stable relations with both the EU and Russia, and to balance the two. This aim of being a “balancer” might not be a deliberately formulated policy option, but rather a natural result of a need to protect its interests vis-à-vis two great powers on the coastline of the Black Sea, these interests being Turkey’s EU membership candidacy and Turkey’s trade and energy interests in its relations with Russia.

In fact, Turkey has been playing the “balancer” role for more than a decade. In the first 10 years after the Cold War, Western powers and the Russian Federation formed better relations on security and economic issues. At the time, Turkey’s balancing policies were not needed. However, with the radical developments in the Black Sea region starting with Putin’s assuming the presidency in Russia in 2000, the historical conflict between the West and Russia has become clear enough to persuade the parties to take action. On the one side, the EU has begun to look for ways to decrease its natural gas dependency on Russia by initiating new natural gas pipeline projects through the Caspian Sea. Russia has increased and intensified its interventions in the domestic affairs of regional states like Georgia and Ukraine. With the annexation of Crimea in March 2014, Russia gave a direct display of its reaction to the possible new EU and US impacts on the former USSR countries, and accordingly on the Black Sea region, and to initiatives to build and use new pipeline routes to bypass the Russian Federation. Between these increasingly tense relations, Turkey’s importance

as a “balancer” has increased. As one of the most influential actors in the region, Turkey has to protect its interests in this atmosphere of conflict and it could manage this only by pursuing a balanced policy towards the EU and Russia. While ensuring Turkey’s active participation in Black Sea regional politics, assuming a “balancer” role means some challenges as well as some opportunities for Turkey.

Turkey faces serious challenges and risks in the form of dilemmas regarding the achievement of the respective aims of the EU and Russia in the region. Turkey approaches these dilemmas within the framework of its national interests and without disrupting either its relations with the EU or with Russia. One of the biggest challenges that Turkey has had to deal with in relation to the Black Sea agenda and the Western world was Turkey’s refusal to support the proposal by the US (with EU support) to expand Operation Active Endeavor into the Black Sea. Turkey opposes this on the grounds that allowing permanent deployment of non-regional ships in the Black Sea would violate the Montreux Convention. Needless to say such an expansion would also disrupt relations with Russia. Thus, to protect its interests and to maintain good relations with Russia, Turkey may risk its relations with the West. On the other hand, despite aiming to maintain good relations with Russia, Turkey clearly condemned Russia’s annexation of Crimea in March 2014 and sided with Ukraine which is also supported by the EU. This decision to oppose Russia has helped Turkey to balance its relations with the EU; however, this act risked natural gas imports from Russia and other economic relations with Russia regarding trade and tourism. Dilemmas in the region such as

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26 Council of Wise Men Report, Black Sea Developments and Turkey. The document is not publicly available.
expansion of Operation Active Endeavor into the Black Sea and Russia’s annexation of Crimea have risks for Turkey, as outlined above. Thus, to deal with those risks and challenges, Turkey has employed a balanced policy taking into consideration its own national interests.

Despite these risks, Turkey might actually have several opportunities by acting as a “balancer” between the EU and Russia. In this context, Turkey apparently continues to be a key actor in the Black Sea region and one that the interested parties in the region such as the EU and Russia cannot readily disregard. Turkey’s strategy on the Black Sea region could be considered mainly a policy of developing trade co-operation with the states of region and of avoiding rivalry against any country in the field of energy. On the one hand, Turkey co-operates with the EU to look for alternative natural gas routes, and accordingly puts a lot of effort towards implementing pipeline projects that exclude Russia such as the TANAP and Trans-Caspian pipeline projects. On the other hand, Turkey collaborates with Russia on some other pipeline projects such as the Blue Stream and South Stream pipeline projects. In this context, Turkey plays a “bridge” role in the energy relations of the region in the context of EU-Russia rivalry; in that, Turkey agrees to help the conveyance of natural gas to the EU from sources other than Russia, and at the same time, Turkey supports construction of certain parts of Russian natural gas pipelines within Turkish territory and the Turkish exclusive economic zone. In this way, Turkey both continues to export natural gas from Russia and helps Russia to move its natural gas into the European territories. Playing a “bridge” role in this respect not only allows Turkey to preserve its active participation

in regional energy relations but also to guarantee itself in relation to its current and future natural gas needs. To put it another way, Turkey forms its policy in the Black Sea region based on its economic interests.

In addition to Turkey’s bilateral interests in relation to these two powers, Turkey has certain interests specifically related to the Black Sea region. Turkey holds a significant status among the countries surrounding the Black Sea because Turkey has the longest shoreline and the major maritime jurisdiction in the region and controls two straits, namely, the Bosphorus and Dardanelles. These two straits are very important because they connect the landlocked Black Sea to the open sea. Counting on such privileged status in the region, Turkey has initiated various regional co-operation programmes from security issues to economic ones such as Black Sea Naval Force (BLACKSEAFOR), Operation Black Sea Harmony and Black Sea Economic Cooperation (BSEC). In these projects, Turkey acted as a founder and invited other regional actors to join the venture. This means that Turkey is aware of its privileged status in the Black Sea region and in line with this belief, wants to take the initiative regarding the current relations of the regional actors and their clashing interests. Turkey has chosen not to take sides either with the EU or Russia because Turkey does not want to give up its privileged status in the region. Turkey, as a middle power, does not favour falling under the influence of either of these two great powers or letting those powers take control and lead the regional politics in the region. Turkey should indeed continue to pursue this balanced as well as active policy in the region to deal with the current problems related to the Black Sea region and to protect its interests insecurity and energy issues.


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Policy options

There are four policy options for Turkey, which are maintenance of the frameworks laid out by the BSEC, advancement of bilateral co-operation with Russia both in the current set of sectors and in other possible fields, endorsement of the inclusion of Russia in all multilateral plans of action in the Black Sea, and being the “balancer” in the great power rivalries and mediator in the local conflicts in the Black Sea region. First, the Black Sea Ring Highway, Development of the Motorways of the Sea in the Black Sea Region, and visa liberalisation policies for business environment initiatives should be promoted. Accordingly, networks would emerge to harmonise national trade regulation practices and structures to adjust transportation and environmental protection. Moreover, an opportunity could emerge to incorporate the resources of the EU peacefully into these frameworks through the Black Sea Synergy.

Second, new fields of co-operation such as transportation, agriculture, banking, and finance should accompany the improvements in the bilateral engagements with Russia in the sectors of tourism, energy trade, and construction. With regard to maritime security, Russia and all other littoral states should be incorporated into the future programmes, as in the examples of BLACKSEAFOR and Black Sea Harmony.

Third, to offset adverse results of the EU’s and Russia’s clashing regional plans, Turkey should conduct “an evenhanded ap-

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34 Ibid., p. 9.
35 Ibid.
“Approach” via active diplomacy in which Turkey’s position in Transatlantic institutions and its support for free market economy and democratised governance in the region should not give the impression of zero-sum game with Russian national considerations. Instead, the policy should be balanced among the three power blocs – the EU, Russian and the U.S. – and it should be supplemented by efficient use of communication through the media.

Fourth, given regional players’ militarisation, which is illustrated by the increasing ratio of the defence budgets in each, and international and transatlantic institutions’ indecisive approach to conflict resolution, Turkey should denounce the use of or the threat to use military force in the region. The role of “balancer” in the clashing regional schemes and of mediator in the region’s frozen conflicts would be appropriate to maintain equilibrium in the regional balance of power.

Conclusion and recommendations

With the end of Cold War and the attacks of September 11, the Black Sea region has been at the intersection of three global players’ regional policies. These are the Russian Federation and its Near Abroad Policy (NAP), the EU and its European Neighbourhood Policy (ENP), and the U.S. and its Broader Middle East and North Africa (BMENA) and the Wider Black Sea Region (WBSR). The current destabilisation in the region’s status quo is due to the Transatlantic-Russian rivalry. In this rather bleak picture,

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What Should Turkey Do to Stabilise the Black Sea Region?

Turkey must act as a balancing power between the US/EU vs. Russia conflict and help region stabilise. Since some member states and EU decision-makers have chosen to isolate and exclude Turkey from various EU arrangements, Turkey has no choice but to focus on its own interests. Turkey’s stable bilateral engagements with Russia must also be protected if Turkey plans to act as a “balancer” against the east-west rivalry and its destabilising effects in the region. Turkey should focus on the task of being a “balancer” in the clashing regional schemes and mediator in the region’s frozen conflicts.

For Turkish foreign policy decision-makers, the room to manoeuvre from the EU-Russia rivalry and to soothe the severity of its consequences seems to be the search for the creation of joint mechanisms between the Black Sea Synergy and the BSEC. Maintenance of the frameworks laid out by the BSEC, advancement of bilateral co-operation with Russia both in the current set of sectors and in other possible fields, and endorsement of including Russia in all multilateral plans of action in the Black Sea should be the complementary steps taken to sustain equilibrium in the regional balance.
Part IV
Energy and Security in the Black Sea Region: (Re)-emerging Trends
Game of Pipelines: the Future of the Energy Sector in the Black Sea Region beyond the Pipeline Knot

Anna Dimitrova

Executive summary

In the grip of two clashing positions, states in the Black Sea region are struggling to develop resilient, competitive and sustainable energy sectors. Transit fees, rent seeking and discounted prices of natural gas have determined the course of energy policies in the region. Failure to understand the impeding effect of this on the efficiency and development of economies in the long term has resulted in political turmoil on both national and regional levels. In these conditions, market-based reforms along with policies promoting energy efficiency and regional energy cooperation could allow states in the Black Sea region to develop more independent and ultimately efficient energy sectors. Yet, the political, geopolitical, historical and economic factors in the region prevent decision makers from following through this uneasy political agenda.

Introduction

For decades discussions on energy issues in the Black Sea region have revolved around natural gas pipelines transiting through

1 Anna Dimitrova is a Research Assistant at the Energy and Climate Unit of the Centre for European Policy Studies, based in Brussels. She is currently working on issues related to the emerging Energy Union and regional energy policy cooperation in the EU.
the region. This limited view on the challenges faced by the energy sectors in the states bordering the Black Sea has impacted their ability to reform and evolve at the pace needed to guarantee economic competitiveness. Reducing the role of Black Sea states to transit states for cross-border natural gas pipelines has not only delayed their economic development but has limited their ability to pursue national interest-based policies and foreign relations. Instead, those states remained entrapped between two conflicting geopolitical agendas.

Over the course of a decade, the Black Sea region has been the forecourt for several strategic infrastructural energy projects aiming to change the routes of natural gas imports to Europe. On the surface these projects addressed specific economic needs - linking suppliers of natural gas with consumers and de-risking the delivery process for both groups. However, the resulting competition over a dominant position in Europe’s Southern Gas Corridor was a reflection of the geopolitical interests and aspirations of the major players exerting their influence over the region, Russia and the EU. The two conflicting projects, namely South Stream and Nabucco, were the result of two differing visions on the Black Sea region’s role in the strategies of these two actors.

To Russia, trans-border pipeline projects were a political leverage tool to block off potential competitors from access to the EU market and a geostrategic manoeuvre guaranteeing political influence over traditional areas of control, such as South East Europe. On the other hand, the EU viewed the Black Sea region as the road to its long-recognised need for both route and source diversification particularly of natural gas imports. The distance between these two conflicting viewpoints grew further apart as political turmoil divided Ukraine and revived the possibility of cuts of natural gas deliveries to Europe.
Yet, while the EU and Russia were attempting to align states around the Black Sea with either of their two competing views vis-à-vis the energy future of the region, both actors failed to recognize these states’ strife for more self-centred and national interest driven energy strategies. By remaining focused on their rivalry, neither Russia nor the EU succeed in offering an attractive, coherent and systematic strategy to assist the Black Sea region states in tackling some of the fundamental challenges to their energy systems. As a result, the inherently malfunctioning energy sectors of these states generated system risks that challenged even the most basic level of political stability needed to secure investments in cross-border energy projects. To add to an already strained geopolitical environment, the development of the region’s energy sectors is further hindered by its historical, economic and political heritage making much needed energy reforms an undesirable way forward for current political elites.

**Opportunities and challenges to energy sectors in the Black Sea region**

All states in the Black Sea region apart from Turkey faced identical challenges to their national energy markets and systems in the early 1990s following the collapse of the Soviet Union. Electricity transmission lines and generation capacity were integrated in a regional arrangement and were managed through central planning in order to meet electricity demands for the entire Eastern bloc of the USSR as well as supply electricity and natural gas for energy intensive industries in the region\(^2\). Natural gas was distributed through fully integrated pipeline connec-

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tions. This system was characterised by high levels of energy in-
efficiency, energy intensity and transmission losses. Moreover,
as energy sectors were organised around a centrally planned
economy, none of the electricity generating capacities or trans-
mission infrastructures were based on market-supported capital
investments. The transition to a market-based economy ampli-
fied these distortions and generated financial losses unbearable
for the regulated, and to a large extent, publicly owned energy
sectors. In these cases, states were forced to subsidize the pro-
duction of electricity by inefficient power plants and then dis-
distribute this electricity to consumers at a price lower than its
actual cost to the public budget. This is still the case in Bulgaria,
Romania, Ukraine and Turkey.

Twenty five years later, after a series of attempts to modernise
their energy sectors, not much has changed. The post-Soviet
states are still leaders in energy inefficiency and energy intensity
among other European states. Furthermore, the crash of energy-
intensive industries in many post-Soviet states has left them with
economically inefficient, old and yet still operational generating
capacity and hence an oversupply of either electricity or natural
gas. The lack of effective strategies on decoupling and privatising
in both the electricity and gas sectors has led to the development
of sub-optimal markets and national energy systems unable to
deliver cost-efficient energy for industries thus damaging their
competitiveness. While de facto electricity generation prices have
increased, prices were artificially depressed by national regulators
in order to avoid politically unpopular moves (e.g. an increase in
electricity prices). This naturally led to an exponential deficit level

3 Rabindra Nepal and Tooraj Jamasb, Reforming the Power Sector in
Transition: Do Institutions Matter, EPRG, University of Cambridge, 2011,
pp. 1-48. Available at:
increase in the budgets of national energy companies. Yet, what should be of even greater concern, is that despite being amongst the lowest electricity prices in Europe⁴, a large portion of the region’s population is energy poor and unable to afford such commodities even at regulated prices⁵. Bulgaria is a strong example with nearly 60% of its population being energy poor⁶.

Moreover, these fragmented national energy systems become more exposed to external economic and political pressures. Corrupted national energy companies saw opportunities in diverting public funds through large scale but redundant energy infrastructure projects such as financially unviable pipeline developments, nuclear power stations as well as signing contracts with international investors for buy-out rates of generated electricity at marginal profits much higher than the costs of production. In addition to this, previously agreed energy deals were not discussed at the start of the new emerging economic and political realities and ambiguities led to inter-state conflicts and public funds losses.

Furthermore, any fruitful measures to reform energy sectors in the region are obstructed by the different tools of energy policies

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governance applied in these states according to their national legislation as well as inter-governmental agreements and participation in international organisations. Along these formal instruments, various tools of geopolitical influence exert pressure. Whereas Bulgaria and Romania can be seen to have similar long-term energy policy objectives as EU members, Turkey as an Energy Community observer is not bound to them and has other priorities dictated by its growing young population. Ukraine, on the other hand, has several crucial uncertainties to resolve before ensuring even short-term economic stability.

Nevertheless, energy is the sector that holds immense potential for states in the region to embark on a path of economic development and nurture a degree of resilience to external political and economic pressures. A stable, modernised and competitive energy sector is a prerequisite for competitive economies and sustainable development. However, as energy investments require a sound and stable investment climate, real developments in the energy sectors of Black Sea states are trapped in a vicious cycle. The way forward lies in finding modes of regional energy policy cooperation beyond natural gas projects and under the governance structure of existing bilateral agreements or regional cooperation frameworks.

The success of this regional approach depends on the dedication of governments across the Black Sea region to reform their energy sectors internally bringing them in line with the requirements of their contemporary demography and economies. This step, however, must not be taken in isolation from the main stakeholders in the region, Russia and the EU. Black Sea states should seek to align, both politically and practically, with an energy agenda which offers them group benefits instead of opting
to cooperate with major players based purely on national interest. The second step to sustainable energy sectors in the region is an ambitious approach to renewables, energy efficiency and de-carbonisation strategies going beyond mere compliance with international frameworks. The following state by state analysis, with a focus on Turkey and Ukraine, offers a brief overview of the opportunities and challenges faced by the energy markets and sectors of each of the states around the Black Sea region.

**Turkey**

Of all those states, Turkey has a rapidly developing economy when compared to the rest, a scenario which puts a different type of pressure on its energy sector. The International Energy Agency (IEA) in its country report on Turkey from 2009 underlines some of the issues faced by the then looming Turkish economy. The report projected that Turkey’s growth rate in demand for primary energy and electricity will be amongst the highest within IEA member states and will be doubled in the forthcoming decade. Consequently, it has been concluded that Turkey’s future security of energy supply is a matter of primary political concern.

At this time, Turkish authorities are seen to be responding to the need for affordable energy by unfolding an ambitious renewable energy deployment agenda. The reason to focus on renewable energy is its potential to address the growing concern over Turkey’s ability to guarantee a security of electricity supply. Its young demographic has increasing energy demands due primarily to income growth which puts a significant pressure on a country that is already highly dependent on fossil fuels to produce the required amounts of electricity. Turkey has placed special attention to develop its vast hydro power, wind, solar and
geothermal potential. Among countries in South East Europe, Turkey has the highest realisable potential (30 GWh) to develop by 2030 its large hydro power sector with an even higher potential for small hydro\(^7\). Its renewables agenda focuses on fully tapping hydro power potential by 2023\(^8\). Until then, Turkey relies on fuelling its renewables potential through natural gas. In 2009, Turkey imported 98% of its gas with 52% coming from Russia and Azerbaijan while Iran and Algeria exported to Turkey nearly 15% each\(^9\). The imported natural gas was used primarily for power generation (some 50%) and the produced electricity was then consumed mostly by the residential sector\(^{10}\).

In 2014, Turkey’s dependence on natural gas imported from Russia grew to 58% while Turkey’s overall demand for natural gas, as projected in 2009, also kept growing making Turkey’s energy dependence on Russia ever more pronounced. Both the power generation sector and the residential sector remained the key consumers of natural gas, both directly and indirectly. Turkey’s realized energy dependency on natural gas and its expected

\(^7\) André Ortner, Gustav Resch, Andreas Tuerk, Christoph Zehetner, Policy Brief: Indigenous energy resources of South East Europe – Feasibility of enhanced RES-E deployment, Vienna University of Technology, Institute of Energy systems and Electric Drives, Energy Economics Group (EEG), November 2014.

\(^8\) Salih Burak Akat, Renewable Energy in Turkey, Ministry of Energy and Natural Resources, Turkey. Available at: http://better-project.net/sites/default/files/Renewable%20Energy%20in%20Turkey_Directorate%20General%20for%20Renewable%20Energy.pdf


\(^{10}\) Ibid.
growth in demand has led the country to improve its energy security development strategy. While still having significant contractual responsibilities based on long-term arrangements with its top importers such as Russia, Turkey has put a significant stress on diversifying its energy supply in terms of importers. Also, it is trying to limit the importance of natural gas by diversifying its power generation sector through nuclear and renewable energy. In doing so, however, it has chosen cooperation with Russia over the construction of several nuclear power plants. Turkey’s government has stressed on several occasions its determination to foster Turkey’s participation in its region’s energy trade by investing in and facilitating the construction of the required energy infrastructure needed to achieve this. Turkey is seen as a potential energy hub, serving as the centre of a regional energy market, providing financial services related to energy trading and serving as an infrastructure interconnector for gas deliveries from the Caspian Sea and the Middle East to Europe as well as becoming an LNG trading hub in the future.\footnote{International Energy Agency, Oil and Gas Emergency Policy: Turkey 2013 Update, International Energy Agency, Paris, 2013, pp. 2-17. Available at: http://www.iea.org/publications/freepublications/publication/2013_Turkey_Country_Chapterfinal_with_last_page.pdf}

Up until recently, Turkey’s aim to diversify its “contractual portfolio” has fully coincided with the EU’s quest to guarantee its own energy dependency by diversifying away from Russian imports ever since the 2009 Russia-Ukraine gas dispute and the pressing concerns following the EU-Russia standoff over Ukraine. Turkey was seen as a key strategic partner in guaranteeing energy stability for the EU as it would introduce the ever more needed supply competition especially for countries in Eastern Europe, six of which still depend almost entirely on Russia for their gas exports:
Bulgaria, Lithuania, Latvia, Estonia, Finland and Sweden while another six import over 50% of their gas supplies from Russia. Having access to a reliable alternative southern route would allow all of these states to negotiate better prices on natural gas supplies using spot pricing (market driven price formation) as opposed to long-term, fixed quantity and oil-indexed gas deliveries from Russia\textsuperscript{12}. Yet, the attempt to limit Gazprom’s presence in the region or at least subdue it to European regulations on natural gas trade, part of the Third European Energy Liberalization Package, failed when the company decided to resort to a partnership with Turkey.

The above aides in understanding Turkey’s future aspirations to become a regional hub for natural gas. The first step undertaken by Turkey in the direction of achieving this objective is participating in Gazprom’s decision to reroute the South Stream project through a new pipeline, already referred to as Turkish Stream and announced at a governmental meeting between then Turkish Prime Minister and now President Recep Tayyip Erdoğan and Russian President Vladimir Putin in December 2014. Even if this is a momentous bluff on Russia’s part aimed at pushing the European Union towards constructing the South Stream project void of any EU regulations, it is a move that helps Turkey advance its energy objectives.

This endeavour will increase Turkey’s dependence on Russia’s natural gas deliveries, albeit reduce the risk of deliveries to Turkey transiting through Ukraine, affecting Turkey’s position vis-à-vis its European partners in geopolitical terms. Yet, the po-

potential rent income that could be realised through allowing Russian natural gas transit and the foreseen economic benefits from the planned construction works are a lucrative offer. In the case of Turkish Stream being constructed, Turkey will become a physical and potentially rewarding crossroad of natural gas deliveries destined for the European market. To add to this, the upcoming TANAP project and potential future infrastructural projects with other regional suppliers such as Iran and Iraq offer further opportunities for the Turkish economy to benefit from access to abundant supplies of natural gas at competitive prices.

A detailed understanding of Turkey’s current energy challenges along with its objectives in terms of regional energy cooperation as a source of political leverage in dealing with the EU, as well as an opportunity to secure the competitiveness of its economy through access to cheap energy resources, is the context through which to understand the challenges faced by other states in the Black Sea region. Moreover, this is an opportunity for Turkey to materialise its vision of becoming a gas hub, a vision it has promoted both on regional and European levels. In terms of energy, Turkey has a unique role in the region as it is a market with an expected increase in demand at a time when all other states exhibit stagnating levels of demand while also having a large import dependency on another state in the region. Turkey also has a sizeable political leverage power in terms of its key position for any large scale cross-border pipelines aiming to supply the European market with natural gas. An additional geopolitical objective in favour of Turkey’s partnership with Russia is that of avoiding a potential request from the EU for Turkey to compromise over its position on Cyprus as a key to the energy chapter of its accession negotiations. Russia is further attracted to the possibility of partnering with Turkey as the latter is only an observer to the Energy
Community and as such has not move forward in ratifying any agreements with the EU leading to an implementation of the Third European Energy Liberalization Package, the main source of disputes between the EU and Russia over South Stream.

**Ukraine**

The effects of Turkey’s actions across the energy sectors of other states in the Black Sea region are best observed by looking at Ukraine. Apart from the obvious interrelation of both the Russian and Ukrainian energy sectors, one of the greatest challenges in the region is manifested in the way Turkey’s decision to partner with Russia will resonate on the future of Ukraine’s energy sector. This situation reflects the lack of cooperative arrangements on a regional level in the field of energy policies that would motivate states to seek a mutually beneficial strategy to develop their energy sectors as opposed to opting for solutions which serve national interests alone. The lack of a sense of belonging and community between Black Sea states is fuelled by both their diverging and sometimes competing roles in terms of energy supplies (consumers – Bulgaria, Moldova, Transnistria, Georgia, Armenia; transit states – Ukraine, Turkey; exporting states – Russia, Romania, Azerbaijan) as well as their various affiliations (EU member states and candidates, Energy Community members and observers, and numerous bilateral governmental agreements on energy trade).

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Although national governments are largely to blame for the lack of regional cooperation mechanisms on energy issues, there are two forces leading to this outcome in the region: centripetal and centrifugal. The EU seeks to apply a centripetal force and converge states in the region around EU energy policy objectives through legal (acquis communautaire) and governance structures (Energy Community). Simultaneously, Russia exerts a centrifugal force aiming to achieve its objectives through fostering disunity in the region. This was the case when it attempted to push Bulgarian legislative institutions to disregard the state’s commitment to the Third Energy Package in order to allow Gazprom to retain full control of South Stream. This force was also at the bottom of preventing the EU-Ukraine Trade Association and creating the Eurasian Union. Lastly, it was this force that brought Turkey into Russia’s new geostrategic project.

Turkey’s decision to partner with Russia on Turkish Stream puts Ukraine’s role as a transit state and the country’s short to long-term energy security at direct risk. Currently nearly 83 bcm of natural gas deliveries destined for Europe transit through Ukraine. In 2014 Europe, including Turkey, imported 163 bcm of Russian gas meaning that 50% of total Russian imports passed through Ukraine. With an annual gas demand of 45 bcm and reverse flow capacity through Slovakia of just 10 bcm, Ukraine has very limited alternatives to Russian natural gas imports (just over 25 bcm). If Gazprom is indeed planning to reroute any natural gas transiting through Ukraine, the state will lose any income based on transit fees. In addition, if Ukraine’s importance as a transit state is destroyed as a result of this

rerouting, Gazprom would have the opportunity to seize deliveries of natural gas for domestic use thus compromising the security and stability of Ukraine’s energy system as a whole. In that case, the only alternatives to Russian gas could be supplied through Europe. Yet this would result in far greater costs and would require the construction of additional infrastructure. In a series of press releases, Gazprom has identified this course of action as a potential solution to the company’s unreliable commercial relations with the Ukrainian Naftogaz. The latest of these statements emphasises that commercial relations between Naftogaz and Gazprom officially terminate in 2019 with the current discounted Winter Package expiring in the end of March 2015. As outlined by Aleksey Miller, head of Gazprom, potential rerouting of deliveries to Europe through Turkish Stream could take place gradually from the moment the new project is completed in 2019.

However, this rather bleak scenario for Ukraine may prove to be both a technically and financially unfeasible venture for Gazprom. Technically, Ukraine has 32 bcm of underground storage facilities allowing Gazprom to balance and monitor its deliveries of natural gas markets and successfully respond to demand peaks\textsuperscript{15}. Yet Turkey has just under 2 bcm (with a plan to increase that to 5.3 bcm\textsuperscript{16}) making it impossible to secure and balance natural gas transit the way Ukrainian storage allowed. Constructing the required infrastructure by the ambitious dead-


line of 2019 might be technically and financially challenging. In addition to this, South East Europe currently does not have the infrastructure capacity to distribute 50 bcm of Russian natural gas imports delivered to the Turkish border up to Northern and Western Europe. Whereas the inability to distribute bought gas might be an issue for Europe and Ukraine to solve, it is also a challenge for Gazprom as it would lose access to the European market as a result of infrastructural inefficiency. In this case, continuing cooperation with Ukraine as a transit state could be a potential solution. Lastly, Gazprom’s change in its business model from delivering goods directly to consumers to delivering them to a set point outside of the EU may result in a breach of existing Gazprom contracts with its European clients, some of which run until the 2030s.

Regardless of Gazprom’s decision on how to continue its deliveries to Europe, Ukraine faces a historic opportunity to revitalise and reform its energy market in order to improve the competitiveness of its energy-intensive economy and decrease its reliance on energy imports. A socially painful price deregulation reform must be performed to ensure only competitive and efficient energy generators are operating and to stimulate consumers to be more energy efficient. While this challenge is faced by both Bulgaria and Romania (EU member states), the current military and political crisis in Ukraine opens a window of opportunity to justify any previously socially unpopular reforms as a solution to external threats. There are several ways for Ukraine to ensure a stable future for its energy system. The first and foremost is ensuring the energy it consumes is not wasted and both industries and households have high levels of energy efficiency. This would be partly achieved through an end to subsidising prices on electricity and natural gas, which in turn would lead to a more con-
scious and conservative use of these resources. Furthermore, the energy-intensive industries in the east have to be modernised in order for them to secure their competitiveness through innovation and not through publicly funded cheap energy prices.

The role of the EU in stabilising Ukraine’s future energy sector is crucial. Offering institutional support and requiring Ukraine to become a full member of the Energy Community by ratifying EU’s acquis on electricity and gas markets will create stability for investments in the energy sector. Apart from energy efficiency improvements, this will also result in the development of Ukraine’s conventional and unconventional natural gas reserves. Ukraine’s electricity sector, today largely dependent on nuclear power and coal, could also be transformed by applying EU decarbonisation strategies and allowing a greater share of renewables in the state’s energy mix. It has been estimated that the complete modernization of Ukraine’s energy system may cost as much as $4 billion. The European Investment Bank and the European Reconstruction and Development Bank have expressed willingness to cooperate with Ukrainian authorities on a project that addressing the most pressing issues. The success of these efforts will largely rest on the ability of the Ukrainian government

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to execute the necessary measures without any suspicion of corruption and/or lack of transparency. This would also determine the ability of the state to attract other foreign investments in this sector. As a result, the impact of Russian energy imports in the form of nuclear fuel, natural gas and cheap coal will be further reduced.

**Moldova**

The case of Moldova offers similar examples of development in the energy sector. With energy efficiency figures almost triple compared to the EU average, the country relies on old and under-invested energy infrastructure with consumers paying both electricity and gas prices well under the actual market value\(^{21}\). While its electricity prices are fully deregulated, its natural gas demand of 1.2 bcm is met exclusively through Russian imports\(^{22}\). Thus, any potential disruptions of deliveries to Ukraine will lead to an excess of gas in Moldova and the region of Transnistria. Moreover, 77% of the electricity consumed in Moldova is imported from Ukraine and Transnistria, making this state even more vulnerable to crises in neighbouring Ukraine\(^{23}\). While Moldova’s energy sector is a good example of the degree of integration of the

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\(^{23}\) Ibid.
region’s energy markets, it is also an example of the complex challenges that would arise as the EU attempts to converge the energy regulations of these states with its own. Drastic reforms have to be undertaken to ensure the independence of Ukraine’s energy sector and consequently that of Moldova from Russian energy imports. Failing to do so, the challenges currently faced by Ukraine (coal shortages and electricity black outs) will spread across its neighbourhood. Therefore, any measures offered by the EU should take into consideration the particularities of existing regional arrangements.

**Romania**

The next in line to be affected by energy dis-balances in Ukraine as well as by Russia’s decision to stop transiting its natural gas deliveries through Ukraine, is Romania. High energy efficiency and energy intensity coupled with regulated electricity prices are two characteristics of its energy sector. Despite Romania’s primary reliance on domestic production (11 bcm) to satisfy its 12.5 bcm annual natural gas demand, the state is vulnerable to cuts in Russian natural gas deliveries as Gazprom is its only current supplier and as a consequence is also its only source of revenue vis-à-vis transit fees[^24]. High hopes of abundant oil and natural gas deposits in Romania’s territorial waters of the Black Sea are a source of opportunity for both the state and the region but also for the EU at large[^25]. However, this potential could remain untapped due to the increase of investment risks in the region as a result of the Ukrainian crisis.

Furthermore, in order to be able to become a net exporter of either natural gas or oil to the EU, Romania will have to improve its interconnections with neighbouring states and modernise its extractive industry. Without investments in either of these, Romania risks a deterioration of the stability of its domestic energy system as well as a decline in its domestic extraction of fossil fuels, thus increasing the need for energy imports. Romania’s national gas company, Romgaz, is also a member of an ambitious energy consortium planning to deliver Azeri liquefied natural gas through a liquefying terminal in Georgia and regasification terminal in Romania\textsuperscript{26}.

Romania is one of the states in the Black Sea region that could significantly consider its potential for a renewables fuelled energy sector as a way to mitigate and decrease its dependency on fossil fuels and energy imports. Home to Europe’s largest onshore wind farm, Romania has further untapped potential currently unrealisable primarily due to non-economic barriers such as inefficient support schemes and unpredictable political commitment to the deployment of renewable energy\textsuperscript{27}.

**Bulgaria**

In the case of Bulgaria, little has changed in terms of improving the country’s resilience to natural gas delivery cuts similar to the one experienced in 2009. Interconnectors with Romania, Greece and Turkey are still in their planning stages. Unlike Romania, Bulgaria has a negligible percentage of domestic production,


\textsuperscript{27} Ortner, Resch, Tuerk and Zehetner, *Indigenous energy resources of South East Europe – Feasibility of enhanced RES-E deployment*. 
hence its annual demand of 2.8 bcm is supplied by Gazprom through Ukraine. With an enacted moratorium on shale gas exploration and extraction and little prospects to develop any such resources due to the specific underground water network, Bulgaria has little hopes to sustain its demand through domestic production. It has purchased 1 bcm of natural gas to be delivered by TANAP when it becomes operational in 2019 thus cutting its energy dependency by 33%. Despite Bulgaria importing its gas from Russia, its overall energy mix is dependent on gas for only 13%28. Yet Russia is also Bulgaria’s main supplier of oil and nuclear fuel making Russian resources responsible for a sizeable share of Bulgaria’s energy.

Unlike other Black Sea states, Bulgaria and Romania have an obligation to bring their energy markets in line with EU regulations and the Third Energy package in particular. While this will introduce much needed market competition to Bulgaria’s energy system, the resulting increase in energy prices as a consequence of price regulations, will have a shocking effect on the public budget or in the case of price liberalisation reforms, unbearable for consumers. In 2013, while electricity prices in Bulgaria were among the lowest, nearly 60% of consumers were assessed as being energy poor (spending more than 10% of their monthly income on energy). Any future reforms in the energy sector will have to aim at optimising the production of electricity and use of natural gas (primarily by district heating companies) while simultaneously ensuring that the price rise is bearable for consumers. Failure to achieve this could lead to political instability as was the case in early 2013.

Bulgaria’s energy sector potential lies in an ambitious deployment of renewables and cross-border electricity trade in order to optimise the use of its current overcapacity. Yet, as is the case in Romania and other post-socialist states, energy efficiency improvements and renewables offer an alternative to the energy mix. However, this potential is only realisable through committed and predictable renewables policies. The country’s position vis-à-vis Russia’s plan to deliver its natural gas supply to Europe at the Turkish-Greek border, opens an opportunity to participate in the construction of the infrastructure required to deliver this gas to Central and Western Europe. Bulgaria could also aim to improve its stand on energy issues in the region by initiating a regional energy policy cooperation union that would create the political and legal framework for creating a physical natural gas hub most logically in Turkey, where several pipelines will cross.

**Georgia and Armenia**

Georgia and Armenia share similar characteristics in terms of energy profiles: high energy intensity and energy inefficiency as well as import dependency on Azerbaijan for natural gas deliveries in the case of Georgia and on Iran and Russia in the case of Armenia. Georgia, however, exports electricity to Russia and produces most of it through hydro power plants. As mentioned above, Georgia could play a role in alternative pipeline and LNG projects bringing Azeri natural gas to Europe.

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29 Ortner, Resch, Tuerk and Zehetner, *op. cit.*
To a large extent these could be viable projects if the state proves to be a reliable investment partner, political risk is low and none of them significantly undermine Russia’s political or financial interests in the region. Meanwhile, military activity in conflict zones such as Abkhazia, South Ossetia and Nagorno-Karabakh could significantly hamper any progress even in considering such projects.

Both states have well integrated electricity networks with their neighbours, allowing them to export electricity regionally and benefit from energy cooperation with Turkey, Iran and Azerbaijan. Georgia and Armenia are also members of the EU INOGATE programme providing them with access to funds and policy instruments to foster renewable energy deployment and energy efficiency measures. The greatest challenge for these two states as elsewhere across the region remains the timely execution of necessary price reforms and the modernization of key energy infrastructure. While Georgia has taken more resolute actions to decrease its dependency on Russian energy imports, Armenia is still a consumer of Russian natural gas and depends on Russian nuclear fuel for its nuclear power plant, key to the state’s security of electricity supply. The cases of Georgia and Armenia offer an example of the polar variations in the energy sectors of states across the region, one of the key reasons leading to a difficulty in the convergence of energy policies, practices and interests amongst those states.

Azerbaijan’s role amongst other states in the Black Sea region is peculiar as it is the only one with natural gas deposits allowing it to be a net exporter to the European market. The Trans Anatolian pipeline with a capacity of 30 bcm will slowly bring Azeri gas to Europe by delivering around 10 bcm in 2019. The successful completion of the project and future developments of deposits in Azerbaijan could lead to an increase of imports via this route. The Shah Deniz II gas field is the most promising development allowing Azerbaijan to export nearly 6 bcm in 2013\(^3\). The country’s other major source of income comes from oil exports through the BTC pipeline at a rate of nearly 850 barrels a day, placing Azerbaijan amongst the twenty largest oil exporters in the world\(^4\). Yet, economic expansion and the increase of the country’s middle class, also increases its electricity demand posing challenges to the energy sector similar to those in Turkey.

Azerbaijan is 100% energy independent, but this comes at a higher cost in terms of its energy efficiency and climate impact as it uses primarily its domestic fossil fuel deposits to meet its demands\(^5\). While hopes for the future expansion of fossil fuels exports are high, Azerbaijan faces the demanding challenge to modernise its economy and ensure through energy efficiency that it would be able to use its domestic deposits as a source of revenue instead of fuel for an inefficient economy\(^6\). Falling prices on crude oil globally also pose a threat to the financial vi-

ability of further extraction projects in the country potentially failing Azerbaijan’s prospects of a major exporter.

**Conclusion**

As the above state-by-state analysis has shown, energy issues across states in the Black Sea region differ but share a common cause – the inability of these states to assume independent energy related decisions is mainly due to their dependency on Russian energy imports. While some states have implemented the EU’s soft political measures to converge the region’s energy policies and objectives, others feel attracted or pressured into cooperating with Russia on energy related issues. This disunity can be addressed by tackling the flaws in the states’ energy systems by ensuring that the latter are operated on market principles while energy consumption is optimised through measures improving energy efficiency and energy intensity. Cross-border regional cooperation, both in infrastructural projects and policy coordination, could also lead to a more optimal distribution of the energy resources produced in the region across it. In light of Russia being the region’s main importer of natural gas while the majority of other states are consumers, energy security must be regarded not as a national priority but a regional one. Changing the region’s perception of a mere transit route for natural gas deliveries to an electricity producing and gas extracting region able to deliver an alternative to Russian imports depends on the degree of regional energy policy cooperation Black Sea states are willing to implement in their energy agendas.

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Building up resilience to energy security threats as a result of high dependency on energy imports would be thus achieved by following one of two paths: regional energy cooperation or regional energy cooperation under the newly announced Energy Union. Whereas the first is more open to embracing regional differences whilst focusing on endogenous solutions, the latter recommends for Black Sea states to align their energy policies with EU energy objectives. The attractiveness of the second option relies particularly on the ability of the EU to offer Black Sea region states an active role in the Energy Union besides being mere passive recipients of EU energy legislation, thus recognising the specificity of the challenges faced in the region and the importance of all actors beyond member states. Failing to offer these solutions to the region may lead to further alienation from the EU’s energy objectives and an increase in the political and economic leverage of Russia vis-à-vis energy supply. The final decision will result in successful actions only if it is reached through mutual understanding and trust, which in turn depend on the ability of states in the Black Sea region to engage and commit to practical political discussions in the first place.
Trapped between Two Visions: the Black Sea, Ukraine, and Regional Security

Kevork Oskanian 1

Executive summary

The crisis in Ukraine has highlighted the ongoing competition of two competing regional projects and their commensurate approaches to ‘security’ in the Black Sea region. The European Union and Russia do not only differ in their nature as security actors, with the former being a supra-national entity and the latter a conventional state power. They also hold greatly diverging conceptualisations of security, with the EU seeing it as emerging from liberal integration processes, and the Russian Federation holding a much more conventional and realist geopolitical view. Such conventional balance-of-power views of security become more relevant as one moves towards the East of the continent, among the newer EU members and the former Soviet states, for whom the NATO alliance and the regional balance remain of utmost importance. This makes the outcome of the Ukraine crisis essential to the perception of the balance of power in Europe, which, considering the relative commitments and methods of both the EU and Russia, is liable to become the major dividing line for the continent’s security. Policymakers must thus be prepared for an unwelcome return to a realist, power-political view – including a revalidation of NATO - in their attempts to understand the new dynamics and potential scenarios in the Balkans, Turkey, and the South Caucasus.

1 Kevork Oskanian is Research Fellow at University of Birmingham.
Two competing logics of security

Over the past year, events in Ukraine have eliminated some of the last certainties that governed the politics of Eurasia since the fall of the Soviet Union: the apparently inevitable trajectory of many post-Soviet states towards further integration with the European Union, a constant feature in much of the region since at least the end of the 1990s, is now in question. Whatever its outcome, the current crisis will have repercussions for all the countries surrounding the Black Sea, post-Soviet or not, and that may very well last decades. These include their strategic alignments, their political economies, the very nature of their statehood, but also going beyond bare material realities and their respective fundamental value-systems.

This chapter focuses on how the competing European and Russian regional projects will affect security in the Black Sea region: how will the clash of two very different powers impact the various existing and potential sources of friction around what remains a strategically situated body of water? Lying at the fault line between the EU/NATO and Russia/Eurasia, the region remains significant for Europe’s energy security, is riddled with separatist ‘frozen conflicts’, and remains important to Russia’s continued naval power. The ongoing confrontation in Ukraine will thus shape a wide range of security issues in this particularly sensitive area of the Eurasian landmass possibly for decades to come, with policy implications for all actors involved.

One first consideration in any analysis of the EU-Russia confrontation must focus on the different conceptualizations of these two very disparate actors in regards to the very idea of ‘security’. Russia is undoubtedly considered a sovereign state in the classi-
cal, Westphalian sense of the word, with an uncontested claim to international agency. Europe’s position as an independent ‘security actor’, on the other hand, is more problematic: its supranational quality, and the complexity of foreign and security policymaking requires an acknowledgment of its status as a non-state entity. Its policies and concepts sit, sometimes uncomfortably, alongside those of its member states. It is important to note that in the realm of ‘hard’ security, Europe lacks an effective and comprehensive military or intelligence capability independent from its constituent members, a major drawback when compared to Russia’s highly centralised and therefore far more responsive institutional makeup.

The very foundations of the European Union were based on security emanating from a distinctly liberal integration project, first centred around Germany and France and later expanded to include both Central and Eastern Europe following the end of the Cold War. Rather than being driven by the security requirements of a single state, the European scheme – and its idea of ‘security’ – relied on the combined liberal logics of functionalism and intergovernmentalism in its expansion. As such, by the end of the Cold War, it had a significant advantage as the only clear, viable, ready-made pathway to modernity for the many former

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communist states that broke away from the Soviet Union’s sphere of influence. Despite imposing its project in a top-down, partly ‘imperial’ manner through the mechanisms of ‘conditionality’, its considerable soft power ensured a ready willingness by states beyond the former Iron Curtain to conform and move towards integration⁴.

By contrast, while present-day Russia has selectively and often-times opportunistically adopted the language of liberalism - including democracy (albeit ‘sovereign’), regional integration, humanitarian intervention, international law, multilateralism and free trade - it remains, at heart, a statist empire with a hard-realist, geopolitical view of ‘security’. Beyond its leadership’s ostensible adoption of a liberal, economistic narrative, its fundamental assumptions and practices remain those of a Mearsheimerian land-based power⁵, with a keen sensitivity to the territorial realities in its direct environs and a hierarchical view of the former Soviet space, largely and quite literally perceived as an accident of history⁶. Russia’s attempt to generate a regional form of ‘soft power’ by portraying itself as a conservative and sovereign alternative has largely failed in itself to sway any of the states involved in the EU’s Eastern Partnership: most attempts to cajole these states back into Russia’s geo-economic orbit through membership of the Eurasian Customs Union have involved the threat of a raft of direct coercive economic and political measures⁷.

This picture of two radically different institutional characteristics and commensurate world-views is further complicated by the existence of a classical, hard-realist alliance in the West: the European Union’s vision of ‘security through integration’ was largely entwined with the parallel existence of the NATO alliance before and after the end of the Cold War. Before 1989, this alliance provided the military cover behind which the then European Economic Community was able to expand and integrate, through its balancing containment of the Soviet bloc. While the Alliance faced a major identity crisis and a partial loss of purpose from 1989 up until 9/11, for states like Poland, Romania, Bulgaria, and the Baltics, it represented the ultimate security guarantee against the potential for Russian revanchism. While formally separate, rapprochement and integration with the European Union became part of a wider process of ‘Europeanisation’, which included NATO membership, and therefore clashed dramatically with Russia’s highly territorialised, geopolitical perspective on regional security. In the current and conflictual environment, being inside or outside of the alliance makes a great difference to the nations straddling the fault line between east and west, including the Black Sea region.

Liberal and realist rationales thus function, to differing degrees, on both sides of the EU-Russia divide. In the EU, the logic of security might be based on the ‘soft’ processes of economic integration, legal approximation and democratisation but the de-facto entwining of EU and NATO-led processes ensures that

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'hard’ balance-of-power politics nevertheless remains relevant, most certainly from the perspective of new and aspiring member states in the Black Sea region. For Russia, lip-service to liberal values serves as a rhetorical device justifying, and at times veiling, crude projections of economic and military power in a sheen of legitimacy. For all the liberal discourse on integration and legality emanating from both Brussels and Moscow, the balance of power, long disregarded by the EU itself, remains pertinent throughout the continent - more so as one moves eastward into the Western parts of the former Soviet Union and towards Moscow itself.

**Ukraine as a source of credibility and perceived power**

This makes the element of credibility particularly important to the outcome of the power-struggle between the Russia and the West. The perceived balance between the two will hinge, in no small part, on the quality of the commitment of either side to regional involvement and power-projection. The credibility of such commitments will be instrumental in shaping the perceived choices open to the disparate range of countries in Ukraine’s immediate vicinity, first of all, those surrounding the Black Sea. Above all, the European Union will no longer be able to purport its narrative that a ‘ring of well-governed states’, sustained by its soft-power attractions, conditionality and economic aid, are all that is necessary in order for security to be maintained in its neighbourhood\(^\text{10}\). The insecurities of states like Ukraine and Georgia can no longer simply be addressed through the promotion of

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good governance and democracy, while instead requiring a hard-nosed awareness of power-political realities in the region – something woefully absent in European policies in previous years\(^\text{11}\).

The relative credibility of Western and Russian commitments to the states of the former Soviet Union, and, consequently, the perceived balance of power between the two, will hinge in no small part on the outcome of the crisis in Ukraine. At present, the divergent conceptualisations of the West and Russia have resulted in similarly divergent policies: for the European Union, a commitment to Ukraine is largely interpreted positively and in terms of financial assurances and aid to an economy apparently in free-fall. As was previously the case, any prospects of outright membership are being kept firmly off the table. By contrast, Russia is undermining its commitments through hybrid warfare and direct coercion. Essentially, the difference in values and interests between the two actors translates into an asymmetric confrontation, with the EU employing liberal policy means and the Kremlin maintaining a hard-realist approach which includes the use of covert and often overt, military force.

As things stand, there are many factors countering the European Union’s goal of preventing a Ukrainian economic implosion with Brussels having pointedly failed to provide the billions of Euros needed for yet another bailout of a non-EU member state. With Ukraine’s industrial areas in the east under separatist control, its long-term economic prosperity is under threat, and despite the IMF agreeing to a $17 billion aid package, reports of a further escalation in hostilities could put this in danger\(^\text{12}\). Moreover, eco-


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nomic aid will not be able to counter Russia’s form of power-projection through its continued support for the secessionist forces that undermine a unified Ukraine, precluding a long-term vision associated with economic aid and conditionality. On this shorter time-scale, Russia’s commitment, the credibility of its power and the attendant threat and use of force, would appear much more pertinent. The reason for this is simple: from Russia and Putin’s perspective, Ukraine is an existential issue and, although important, Ukraine is not vital neither for the European Union nor for NATO.

Russia’s loss of Ukraine to the EU would signify a major geopolitical shift for the former Soviet republics surrounding the Black Sea. From the crudely geopolitical perspective that prevails in many quarters of Russia’s security establishment, such an eventuality would, amongst other things, shift the border between Russia and the West hundreds of kilometres eastwards, towards Moscow. More importantly, it would dent Russia’s authority and credibility as a regional power with the capacity to affect outcomes in the ‘near abroad’, especially given the enormous material and ideational resources it has committed to its Ukrainian project. Thus, the Eurasian Economic Union without Ukraine would come to lack credibility as a regional economic entity to rival the European Union, let alone as a broader, longer-term civilizational-geopolitical scheme\(^\text{13}\).


More directly, a defeat would also most certainly represent a double setback, as any attempts to pressure Moldova into the Kremlin’s orbit would be further complicated by its geographic separation from the Eurasian Union by an irreversibly pro-Western Ukraine. Considering the importance of ‘great power status’ to Russia’s state identity, and the importance of the ‘near abroad’ to its geopolitical/geo-economic definition of ‘great power status’, these potential outcomes would most definitely signify an enormous setback\textsuperscript{14}.

The loss of Ukraine would also undoubtedly have a destabilising effect on the Russian body politic. In essence, Russia would be faced with two choices. It could decide to retrench, abandon its goal of regional hegemony and adapt to new realities by returning to its now long abandoned goal - briefly espoused by its most liberal post-Soviet foreign minister, Andrei Kozyrev, – of turning Russia into a ‘normal’ great power\textsuperscript{15}. Alternatively, Russia could persist in its attempts to assertive its control in the ‘near abroad’ by shifting its attention to other strategically important areas in its neighbourhood. Either way, whether these choices would be made by Putin or perhaps by a more liberal or more likely a nationalist regime, remains open to question. With so much of Putin’s social capital sunk into the notion of a Russian national (or neo-imperial) resurgence, and so much of that resurgence dependent on a success in Ukraine, the survival of his regime may very well fall into doubt in case of failure\textsuperscript{16}.

\textsuperscript{16} Tom Balmforth, „From the Fringes toward Mainstream: Russian Nationalist Broadsheet Basks in Ukraine Conflict“, \textit{RFE-RL}, 17 August 2014. Available at: http://www.rferl.org/content/feature/26534846.html
Russia’s continued commitment to Ukraine thus runs deep - going beyond the obvious interest in Black Sea bases and defence industries – and makes any disengagement from the country highly unlikely. Moreover, the European Union is in itself ill equipped – and quite unwilling – to counter Moscow’s determined projection of raw capabilities. Brussels simply does not have the institutional means to engage in such realist power-projection, and neither do EU member states, on their own, have the military capabilities to provide a response. It must acknowledge the death of the Eastern Partnership as a means towards security in its neighbourhood and a return towards balance-of-power politics. That, in turn, implies a revalidation of the NATO alliance – rather than the more cumbersome and ineffective CSDP – as the West’s counter-point to Russia’s ambitions in Ukraine, the rest of the Black Sea region, and beyond. Such a revalidation of NATO would not imply direct intervention into the former Soviet Union; only an irresponsible fringe in the Western policymaking community would seriously consider such an eventuality in light of Russia’s ‘escalation dominance’ within the region – that is, its ability and willingness to respond militarily to any such intervention. It would, most likely, involve a return to the strategic containment of Russia behind a feasibly defensible ‘red line’ – NATO’s Eastern boundary, something that is arguably already occurring. Again, this has much to do with the relative levels of commitment of the West and Russia on either side of this line. Russia has an existential commitment for power-projection onto Ukraine and other former Soviet Republics that stops at NATO’s border. The opposite is true for the alliance: it stands and falls with its security assurances towards its members, particularly its easternmost states. At some point, Russia might want to test NATO’s resolve - something the West would have to be prepared for – but, provided the Alliance sent
out forceful, yet carefully calibrated deterrent signals in response, it would probably not take these challenges too far. NATO’s ‘red line’ is keenly apparent by states on either side of it as it arguably marks the westernmost boundary of any undeterrable military power-projection by Moscow.

NATO’s thick red line, Russia’s credibility and the Black Sea region

In the Black Sea region, new EU and NATO members namely Bulgaria and Romania, enjoy a treaty-based commitment to their security from their fellow union and alliance members; their strategic alignments would thus appear to be settled. There are, nevertheless, key vulnerabilities that may very well put these NATO and EU commitments to a test in any longer-term confrontation with Russia. First of all, both states – but especially Bulgaria – are dependent on energy supplies from the Russian Federation, mostly supplied through Ukrainian gas pipelines\textsuperscript{17}. Moreover, any alternatives to the now-defunct South Stream pipeline to Russia remain a distant prospect\textsuperscript{18}. Disruptions originating from the Russia-Ukraine confrontation would, moreover, prove particularly costly for both of their economies, especially in the absence of compensation or remediation from Brussels. Secondly, a serious deterioration of the situation in Ukraine


could have spill-over effects – especially on Romania – in terms of possible westward refugee flows and a destabilisation of neighbouring Moldova (see below). Thirdly, while the Baltics would appear to be more vulnerable to some kind of Russian test of NATO determination – through, for instance, a large-scale cyber-attack or violations of their air space or territorial waters – such an eventuality might still manifest itself in these coastal states of the Black Sea.

Both the EU and NATO would thus have to devise an adequate response to allay fears that are quite similar across Eastern Europe. As in the Baltics, more than verbal assurances will be needed, from both the European Union and NATO, to address the security concerns and fears of both these states. A clear strategy to diversify energy sources, aid in compensation for economic losses, preparation for trans-border security issues and, especially, the forceful signalling of continued security for both allies, are a crucial ‘red line’ that the Kremlin could only cross at unacceptable risk. The EU’s Energy Union, and the creation of NATO’s Very High Readiness Task Force (VJTF) should be seen as welcomed, albeit insufficient, steps in that direction 19.

Turkey is better placed to weather the various potential Ukrainian scenarios. Ankara has so far displayed a deference towards Russian interests in the ‘near abroad’ and has not allowed its relationship with Moscow to suffer from differences surrounding, for instance, Syria or Crimea’s Tatars 20. Moscow’s pressure on Azerbaijan – aimed at, for instance, preventing the emer-

gence of a ‘southern energy corridor’ from Central Asia to Europe, or at forcing Baku’s membership in the Eurasian Customs Union - would certainly test this deference, especially if the situation became complicated by an attempt by a weakened Moscow to cling onto its influence in the South Caucasus or an imposed resolution of the Nagorno-Karabakh conflict in Armenia’s favour (see below). A reassertion of Russian power in the South Caucasus would also deprive Turkey of its status as an alternative to Russian-controlled energy routes towards Central Asia. Whether the hitherto stable Turkey-Russian relationship could withstand these potential shocks remains open to question.

The fate of Ukraine will most directly influence the future of the smaller Soviet republics surrounding the Black Sea, amongst which Georgia and – to a lesser extent – Moldova have until now remained the most pro-Western. Moldova’s vulnerabilities are exemplified by its continued energy dependence on Russia, its reliance on the former USSR as a market for both of its main exports – agricultural produce and migrant labour – the ‘frozen conflict’ in Transnistria and potential separatism in Gagauzia\(^1\). As was mentioned above, the loss of Ukraine by Russia would make it nearly impossible for Moscow to reposition Chisinau into its

\(^{20}\) Ankara’s high-level objective of regime change in Damascus goes directly against Russia’s de-facto alliance with Assad; and the shared ethnicity of the now-embattled Crimean Tatars with Turkey’s population has not led to a deterioration of relations between the two sides. See also: Dorian Jones, „Ukraine Crisis Puts Strain on Turkey-Russia Ties“, Eurasianet, 7 May 2014. Available at: http://www.eurasianet.org/node/68351


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orbit, a move that would prove to be geopolitically pointless for the Kremlin at that point. Conversely, the successful repositioning of Kyiv into the Eurasian orbit could see this small, poor and divided country easily overwhelmed, despite, for example, all of its recent attempts to diversify its energy supplies\textsuperscript{22}. With the post-Soviet balance having firmly swung in Russia’s favour, and with all of the above mentioned vulnerabilities, Moldova would come under intense pressure to realign itself with its former imperial master, except in the case of swift, radical and determined measures (i.e. highly unlikely direct intervention on the part of the European Union and NATO).

There are even fewer prospects of such swift, radical and determined measures in the South Caucasus, which would probably emerge as the most volatile of all the areas under review. Apart from its three frozen conflicts, it encompasses states with quite differing foreign and security policies. Georgia has of course maintained the most consistently Euro-Atlantic approach of all of the former Soviet republics since the Rose Revolution. Meanwhile, Azerbaijan still maintains a multi-vectoral policy perched between the two now confronting camps\textsuperscript{23}. By contrast, its arch-rival Armenia remains firmly within the Russian orbit whilst maintaining a few crucial openings towards both the European Union and NATO as the last remnants of a foreign policy that once aspired to complementarity\textsuperscript{24}. The choices open to these countries will depend largely on how the situation in Ukraine unfolds.

\textsuperscript{22} Victoria Puiu, „Moldova Struggles to Escape Russian Gas“, Eurasianet, 25 September 2014. Available at: http://www.eurasianet.org/node/70161
\textsuperscript{23} Makili-Aliyev,\textit{Azerbaijan’s Foreign Policy: Between East and West...}, Instituto Affari Internazionali, Rome, 2013.
Russia’s repositioning of Ukraine into its sphere of influence would put Tbilisi before a complicated predicament: in effect, maintaining a pro-Western course in the face of an affirmation of Russian regional power and Western incapacity would become an increasingly hapless task. It is possible that, in the wake of its successes in Ukraine, the Kremlin would subsequently shift its attention to this bottleneck promising control over central Asian energy routes while simultaneously placing Azerbaijan at the mercy of Russia's goodwill. Georgia’s European identity – seen by many as the source of its pro-Western policies – would be confronted with the realities of a regionally assertive Russia as well as the many vulnerabilities that remain between both Georgia and its separatist regions and within the remnants of Georgia itself – not least in the Armenian-populated region of Javakheti. Any leadership would be faced with a choice between resisting in the face of hopeless odds or realigning itself with the now demonstrably re-established regional hegemon. A reinforcement of Russian authority in its neighbourhood would, moreover, put both Armenia and Azerbaijan at Russia’s mercy particularly in regards to their dispute over Nagorno-Karabakh. This would, in effect, shift any authority from the Minsk Group to Russia. Despite Yerevan’s explicit alliance with Moscow, a pro-Armenian resolution would be far from assured: with Eurasian Customs Union membership still to be bargained for, Baku would be in a far better position to extract concessions in return for more pro-Russian policies than Yerevan which has already played most of its cards in its dealings with Moscow.

26 Armen Grigoryan, „Armenia’s Increasing Dependence on Russia“, *Central Asia and Caucasus Analyst*, 7 May 2014. Available at: http://www.cacianalyst.org/publications/analytical-articles/item/12972-armenias-increasing-dependence-on-russia.html
Russia’s loss of Ukraine would have a varying demonstrative effect on these three states; much would in turn depend on Russia’s decision on whether to retrench from, or salvage its status as a geopolitical empire. Russian retrenchment would imply a vindication of Georgia’s pro-Western policies while conversely leaving Armenia strategically orphaned. Azerbaijan’s multi-vectoral policy would, by contrast, make its adaptation to new strategic realities relatively straightforward. The de-stabilising potential of such an outcome is easy to see: the generated imbalance could reignite the Nagorno-Karabakh conflict in full force as Azerbaijan becomes tempted to realise its often stated primary policy objective, namely the peaceful, or if necessary, forceful assertion of its sovereignty over the region. There are, therefore, good reasons for Armenia to maintain its openings to both the European Union and NATO despite its currently pro-Russian orientation.

By contrast, a Russian attempt to restore control despite a Ukrainian loss would be by far the most de-stabilising outcome of all. Georgia would be encouraged to resist in the face of a discredited and weakened Russia using its various levers, possibly resulting in long-term instability. Similarly, Armenia – blockaded by both Turkey and Azerbaijan – would find itself in a dangerous predicament: with Yerevan’s main overland supply lines to the outside world and its main ally possibly cut off, Baku might be tempted to once again exploit the occasion in order to retake

Nagorno-Karabakh. Much would depend on Russia’s willingness and ability to uphold its CSTO commitments towards Yerevan and/or sanction Baku, as it would be least interested in losing the now so crucial source of leverage over the region.

The above possibilities and scenarios are, of course, based on ideal-type situations and assumptions. The real world of international security and politics is much more complicated and ambiguous and it is therefore useful to think of the various outcomes described above – of a Russian loss or win in Ukraine and of retrenchment or imperial desperation – as extremes on a variegated scale. Nevertheless, the thought exercise above gives an indication of the pressures faced by the various actors of the Black Sea region as they are confronted with the various possible outcomes of the unfolding crisis in Ukraine. Above all, its effects on the balance of power – real and perceived – will be essential in gauging its consequences for the various states of the region. However unwelcome, a return to a realist power-political view would thus appear to be of the essence in understanding the current and potential political realities in Europe.
Anahit Shirinyan is a researcher focusing on foreign policy, regional relations in the South Caucasus, and the EU’s policy towards the Eastern Neighbourhood. She currently works at the Netherlands Institute for Multiparty Democracy.

Louisa Slavkova is a foreign policy analyst and director of Sofia Platform. She is focusing on transformation processes in EU’s Eastern Neighbourhood and the MENA region.

Vessela Tcherneva is programmes director, head of Sofia office and senior policy fellow at the European Council on Foreign Relations. She is a founding member of the Sofia Platform Board.

Dr. Hrant Kostanyan is a researcher at CEPS ‘Europe in the World’ unit, a senior key expert at the College of Europe Natolin and an associate fellow at the Centre for EU Studies (CEUS) in the department of Political Science at Ghent University.

Jana Kobzova is a senior programme officer at the European Endowment for Democracy and an associate policy fellow at ECFR.

Barçın Yinanç is an opinion editor and a columnist for the English-language Hürriyet Daily News in Turkey.

Dr. Mikayel Hovhannisyan is programme manager at the Eurasia Partnership Foundation in Armenia and the Armenian National Platform coordinator of EaP Civil Society Forum.
UNREWARDING CROSSROADS?
The Black Sea Region amidst the European Union and Russia

Editors:
Anahit Shirinyan and Louisa Slavkova
Co-Editors:
Vessela Tcherneva, Hrant Kostanyan, Jana Kobzova, Barçın Yinanç and Mikayel Hovhannisyan

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