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Thinking ahead for Europe

Towards a Fragmented Neighbourhood: Policies of the EU and Russia and their consequences for the area that lies in between

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The ongoing crisis in Ukraine not only challenges the country's stability, sovereignty and integrity, it is also the culmination of the increasingly open rivalry between the European Union and Russia over their 'common' neighbourhood. Competition between Brussels and Moscow has crystallised in the region around two mutually exclusive integration projects, the Eastern Partnership and the Eurasian Customs Union.

The current crisis involves much more than just the rivalry between two economic integration projects, however. It has its roots in two interconnected factors. First, the (mis-)perceptions that developed between Russia and the West (the EU, especially NATO and the US) after the collapse of the USSR paved the way for confrontation rather than cooperation. Second, the crisis stems from actions taken by Russia as a result of these perceptions. In other words, Russia has made systematic attempts to destabilise the countries seeking closer integration with the EU and NATO, and has increasingly used coercion to safeguard its influence in the post-Soviet space.

While the outcome of current events in Ukraine remains uncertain, the escalation of the conflict is not only likely to damage the EU-Russia partnership, it will also lead to a 'lose-lose' situation in the region that divides countries between those choosing EU integration and those engaging in the Russian-led Eurasian integration project.

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The EU-Russia ‘common’ neighbourhood has never truly been a ‘shared’ neighbourhood. Over the past year, it seems to have already turned into a divided neighbourhood where partner countries are compelled to choose between two actors competing for influence. But ultimately, the Ukrainian crisis is likely to turn the area into a fragmented neighbourhood; a highly unstable and volatile region with changing and overlapping external influences and shifting loyalties.

From suspicion to confrontation in the common neighbourhood: Russian and EU (mis)perceptions

The newly appointed EU foreign affairs chief, Federica Mogherini, indicated recently that because of its role in the Ukrainian crisis Russia is no longer a strategic partner for the EU.¹ But has Russia ever been a strategic partner in the common neighbourhood? While the confrontation between the EU and Russia came to a head in Ukraine last year, Russia has not always acted with intent to thwart the EU’s initiatives in the post-Soviet space and the former Eastern bloc. In particular, Russia initially perceived the EU as being decoupled from other Western organisations widely viewed as hostile, such as NATO.

After the collapse of the USSR, while NATO was viewed as an unnecessary legacy of the past, the EU came to be seen as a major partner in Russia’s reform process. True, even before the EU’s 2004 enlargement was complete Russia pointed out the possible negative consequences of EU expansion for its economic interests, and viewed its impact with ambivalence.² However, while Russia fiercely opposed NATO’s enlargement towards its borders, it did not resist the expansion of the EU with the same degree of vehemence. Instead, in the early 2000s Moscow showed considerable interest in developing a strategic partnership with the EU.³ Russia’s interests were not confined to trade and energy. Clearly, by that time the EU was also perceived in Moscow as a potential partner to establish an effective system of collective security in Europe “on the basis of equality without dividing lines”;⁴ something that in Russia’s view has failed to happen since the collapse of the Soviet Union.

Nevertheless, the partnership that developed with Brussels in the early 2000s was underpinned by false premises⁵ and misperceptions. From the outset the EU-Russia strategic partnership has been fraught with inherent tensions and misperceptions regarding the common neighbourhood. From the EU side, it was based on the assumption that Russia was a soon-to-be democracy sharing EU values and interests and that it could act as a responsible partner in the common neighbourhood. From Russia’s side, it was premised on two connected postulates: the weakness of the EU as a security actor and its low profile in the post-Soviet space. The creation of the European Neighbourhood Policy (ENP) in 2004

¹ “Mogherini: Russia is no longer the EU’s strategic partner”, *Euractiv*, 02 September 2014 (<http://www.euractiv.com/sections/global-europe/mogherini-russia-no-longer-eus-strategic-partner-308152>).

² Ministry of Foreign Affairs of the Russian Federation (1999), “Russia’s Middle-Term Strategy towards the EU (2000-2010)”.

³ *Ibid.* and “Joint Statement of the EU-Russia Summit”, Saint-Petersburg, 31 May 2003 (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/75969.pdf).

⁴ Ministry of Foreign Affairs of the Russian Federation (1999), “Russia’s Middle-Term Strategy towards the EU (2000-2010)”.

⁵ H. Haukkala (2008), “False Premises, Sound Principles: The Way Forward in EU-Russia relations”, FIIA Briefing Paper No. 20.

was the first blow to the latter. Russia initially criticised the ENP for being founded on EU norms and conditionality, which the country has clearly rejected in its own relationship with the EU. The Rose, and especially the Orange, revolutions set off alarm bells in Russia, signalling a loss of influence in the post-Soviet sphere and a corresponding (in Moscow's eyes) Western assertiveness in the region. The ENP thus came to be seen as an intrusion into Russia's 'near abroad' - an area that the country was clearly not prepared to discuss with the EU under the *Roadmap on External Security* established in 2005 as part of the strategic partnership.

The Eastern Partnership clearly marked a shift in Russia's perceptions of the EU. The initiative was launched by Poland and Sweden in 2008 in a context of marked deterioration in relations between Russia, the US and NATO over the latter's possible expansion to Georgia and Ukraine; the independence of Kosovo; and finally the war in Georgia. Against this backdrop, the shift to hard-law integration under the Eastern Partnership has been perceived in Moscow as a bold move bearing potential regional integration effects. This is because Deep and Comprehensive Free Trade Agreements (DCFTAs) and many sectoral chapters of the Association Agreements (AAs), in particular, imply a drastic shift towards the EU's legal framework, and ultimately integration into the EU's internal market. Clearly, the breadth and depth of the integration process foreseen by the Eastern Partnership has been a major source of concern to Russia ever since the initiative was launched. For Russia, converging with the *acquis* also means a shift away from what ties these countries have with Moscow. The EU thus became increasingly coupled with NATO in Russia's perception. When the Eastern Partnership's offer materialised, with the negotiation of four AAs and DCFTAs, Russia adopted an overtly confrontational position vis-à-vis the EU.

Russia's policies in the common neighbourhood: from reluctant observer to active saboteur

In recent years, Russia's actions in Ukraine, Moldova and the South Caucasus have been driven by one overarching goal: retaining influence in the former Soviet Republics. Yet the way in which Moscow has sought to achieve this goal has substantially evolved in response to the EU's growing attractiveness. A decade ago, when the EU was still a newcomer in the region, Russia did little more than rely on existing ties between post-Soviet countries to maintain its stronghold. In contrast to the 1990s and early 2000s, Russia is now systematically using these ties coercively, either as a mechanism to block further progress in the integration process with the European Union, or as a lever to induce post-Soviet countries into the Eurasian integration project. In essence, over the past few months Russia has been creating instability in countries of the common neighbourhood with a view to (re)gaining long-term control over the region, inter alia through Eurasian integration.

Russia's hegemony in the post-Soviet space: embedded in the past

Arguably, retaining its hold over the former Soviet Republics should be an easy task for Moscow. As a result of their shared tsarist and Soviet past, Russia is immensely influential in the region. The Russian language is still, and will remain for some time, the lingua franca there. Its predominance is further sustained by the widespread dissemination of Russian media. Russia is a key trading partner for most, if not all, post-Soviet states. At present, its market is broadly accessible to countries that share the legacy of Soviet standards and struggle to meet World Trade Organisation (WTO) requirements. Mobility and migration are still other instruments of Russian influence. Over the past two decades Russia's neighbourhood has largely remained visa-free and Russia's labour market is attractive both

because of its size and the lack of obstacles to mobility. Remittances from migrants working in Russia significantly contribute to their countries' economies, as is the case in Armenia, Moldova and Tajikistan, for instance. Last but not least, Russia has a military presence in a number of post-Soviet countries, including in most countries of the common neighbourhood.

In essence, Russia could effectively maintain its hegemony by doing nothing more than rely upon its capital of influence. While the bulk of this capital derives from the past, in the common neighbourhood *path dependence* provides Russia with a strong lever compared to the EU. Beyond the narrow circle of policy-makers and experts who negotiated the association agreements, citizens in partner countries actually know very little of the EU, whereas they are wholly familiar with Russia. In contrast to the EU, the lack of the above-mentioned obstacles to trade and mobility (i.e. different standards, quotas, visas) makes it (theoretically) very easy for these countries to export to Russia and to travel there. In other words, EU trade and mobility barriers, as well as exacting requirements in the short term are only likely to result in boosting Russia's immediate leverage over its partner countries.

Nevertheless, Russia has little credibility in the region as a model of development – a feature that is also connected to the shortcomings of its own transformation process; this is precisely what the EU offers to the common neighbourhood with the European Neighbourhood Policy and the Eastern Partnership.⁶ While these initiatives do not include a membership perspective at the moment, they could have a transformative effect and offer guidance and support in the reform process. In the region, the EU is thus widely seen as a template for modernisation and prosperity,⁷ while Russia has little legitimacy in this respect. In Moscow's view, this gap constitutes a threat, since the EU's growing attractiveness entails (from Russia's perspective) decreasing Russian influence.

Eurasian integration as a long-term project to (re)gain control over the post-Soviet space

This has moved the issue of the post-Soviet region to the very top of Russia's foreign policy agenda and prompted the Kremlin to give a strong impetus to its own integration project, namely the Customs Union and the future Eurasian Economic Union. In essence, the Customs Union (initiated in 2006 and launched in 2010)⁸ is a major turning point in Russia's policies in its neighbourhood. Whereas until then Russia conducted pragmatic policies driven by short-term motivations and instruments, the future Eurasian Economic Union⁹ was conceived as a long-term project meant to cement ties among post-Soviet countries

⁶ L. Delcour and K. Wolczuk (2013), "Beyond the Vilnius Summit. Challenges for deeper economic integration with Eastern Europe", European Policy Centre, Brussels.

⁷ See e.g. the discourse by President Sargsyan at the Eastern Partnership Vilnius summit: 'Building and strengthening Armenian nationhood upon a European model has been the conscious choice of ours and that process is hence irreversible. Our major objective is to form such mechanisms with the European Union that on the one hand would reflect the deep nature of our social-political and economic relationship, and on the other – would be compatible with other formats of co-operation'. Speech at the 3rd Eastern Partnership Summit, Vilnius, 29 November 2013 (<http://www.president.am/en/press-release/item/2013/11/29/President-Serzh-Sargsyan-speech-at-the-third-Eastern-Partnership-summit/>).

⁸ N. Popescu (2014), "Eurasian Union: the Real, the Imaginary and the Likely", Chaillot Paper No. 132, September.

⁹ The Treaty creating the Eurasian Economic Union was signed on 29 May 2014. The Union will be launched in January 2015.

through wide-ranging and far-reaching integration. In other words, it is an initiative that draws upon post-Soviet legacies and ties, yet embeds them in the present to build a common future.¹⁰ Undoubtedly, the Customs Union differs in scope, depth and pace from previous attempts at regional cooperation in the post-Soviet sphere.¹¹ It aims to create a Eurasian Economic Union only five years after the Customs Union between Russia, Belarus and Kazakhstan was launched and three years after the Common Economic Space between the three countries came into force.

While much remains to be done to consolidate and expand Eurasian integration, the way in which Russia has tried to expand the Customs Union is undoubtedly an attempt to thwart the EU's Eastern Partnership. Indeed, the Eurasian Customs Union cannot be combined with DCFTAs. In principle, the countries in the EU-Russia common neighbourhood can sign the DCFTA with the EU and negotiate and sign another free trade agreement with the Russian-led Customs Union. However, the Kremlin pressured post-Soviet countries for full membership of the Eurasian Customs Union instead of a mere free trade agreement. Yet, full membership in the Customs Union and a DCFTA with the EU are mutually exclusive. This is primarily because membership of the Customs Union implies a loss of sovereignty of member countries over trade policy and sets common tariffs that are incompatible with the elimination of tariffs planned under the DCFTA. With the Eurasian integration project Russia is de facto compelling countries in the common neighbourhood to choose between the two projects.

Coercion at the core of Russian power

The Eurasian project adopted the language of the EU integration process, yet differences are substantial in terms of institutions, legal bases and policies. An assessment of background, formation and process conditions of economic integration reveals that conditions for EU-like integration are not favourable in the post-Soviet region.¹² However, the main difference between the two projects lies in the method of, and approach to, integration. The European integration process has been of a voluntary nature and enlargement, in particular, derives from the EU's attractiveness for non-members. In contrast, Russia has extensively used coercion to induce new members to join and to deter Eastern partners from progressing further towards EU integration.

Clearly, the Kremlin does not run the Eurasian integration process as a mutually beneficial partnership for all member states. While Russia is in principle constrained by multilateral arrangements, since it cannot impose any decisions alone, the Customs Union is to a large extent asymmetrical. Even though Belarus and Kazakhstan have a say in the Eurasian Customs Union's institutional arrangements, they have de facto limited latitude to oppose Russia, given the latter's leverage both in the Eurasian Customs Union's multilateral framework and in its bilateral relations with Astana and Minsk. Yet while participation in the Customs Union may ultimately lead to some economic modernisation for Belarus (owing to the adoption of WTO-compliant standards), it results in increased tariffs and some

¹⁰ V. Putin (2011) «Новый интеграционный проект для Евразии – будущее, которое рождается сегодня», [‘New integration project for Eurasia – A future born today’], 3 October (<http://izvestia.ru/news/502761>).

¹¹ R. Dragneva and K. Wolczuk (2012), “The Eurasian Customs Union and the EU: Cooperation, Stagnation or Rivalry?”, Chatham House Briefing Paper.

¹² S. Blockmans, H. Kostanyan and E. Vorobiov (2012), “Towards a Eurasian Economic Union: The challenge of integration and unity”, CEPS Special Report No. 75, Brussels, December.

evidence of trade diversion¹³ for Kazakhstan. Both Minsk and Astana are also reluctant to lose their political autonomy and opposed the inclusion of political clauses in the Treaty of the Eurasian Economic Union, scheduled to kick off on 1 January 2015.

Moreover, the quest to expand the membership of the Eurasian Customs Union has also been driven by Russia's power vis-à-vis prospective members. This is particularly the case in Central Asia. In principle, Russia is in a good position to induce Bishkek and Dushanbe to join the Customs Union. It can rely upon powerful leverages, inter alia the remittances of Tajik and Kyrgyz migrant workers from Russia, which in 2012 amounted to 19.6% and 45% of their GDP respectively. Yet in December last year Kyrgyzstan made it clear that it would not join the Customs Union based upon a roadmap that was "prepared without its involvement"¹⁴, thus implying that the document was imposed by Moscow. Kyrgyzstan requested a new roadmap, taking into account the country's interests. Nowhere has Russia used more coercion than in its common neighbourhood. In the run-up to the Vilnius summit, tangible progress toward EU integration (with negotiations for Association Agreements and the Deep and Comprehensive Free Trade Agreements being finalised with Armenia, Georgia and Moldova, signature expected with Ukraine) prompted Russia to destabilise these countries with a view to actively undermining the Eastern Partnership.

Generating instability in the common neighbourhood

Armenia, whose president signed an agreement to join the Eurasian Economic Union on 10 October 2014, has drastically altered its foreign policy under Russian pressure. The country successfully negotiated an Association Agreement including the DCFTA with the EU, which was supposed to act as a blueprint for modernisation. However, Russia's leverage (based on a combination of its role as security 'guarantor' for Armenia and as an insecurity-provider through massive arms deliveries to Azerbaijan, the threat of increased energy prices and political pressures on the Armenian president) was instrumental in the country's decision to join the Eurasian Customs Union instead. Armenia will now have to increase its external tariff from an average 2.9 % to 7.02 % after its entry into the Eurasian Economic Union; it will also have to reconsider its WTO commitments. The Armenian government asked for almost 900 exemptions from external tariffs. This high number reflects Armenian concerns about the economic consequences of Eurasian Union accession. Moreover, if the exemptions are not granted, Armenian membership to the Russia-led Custom Union will greatly add to its economic difficulties.

In the run-up to, and in the wake of, the Vilnius summit Russia has also used pressure to undermine further progress of EU integration in Georgia, such as through threatening to suspend the 1994 free trade agreement and through 'borderisation', namely the construction of barricades along the administrative border with South Ossetia and the gradual expansion of the territory by moving the fences. For Moldova the pressure amounts to introducing an embargo on Moldovan wine in September 2013, and on fruit and vegetables in July 2014; supporting the organisation of a referendum on EU integration and Eurasian Customs Union in the autonomous region of Gagauzia in February 2014; instrumentalising the Transnistrian conflict and introducing amendments to migration law that may result in the return of the Moldovan migrants working in Russia.

¹³ I. Dreyer and N. Popescu (2014), "The Eurasian Customs Union: the economics and the politics", EUISS Brief No. 11.

¹⁴ "Kyrgyz President Rejects Current Customs-Union Road Map", RFERL, 08 October 2014 (<http://www.rferl.org/content/kyrgyzstan-rejects-customs-union-map/25202148.html>).

But it is in Ukraine that Russia has pushed the destabilisation process to its limits. As early as in August 2013 Moscow started deploying instruments (custom checks, trade blockades) to push Ukraine towards joining the Eurasian Customs Union and to counter what it perceived as Ukraine's irreversible move towards the EU through the signature of the Association Agreement. Yet with the ousting of President Yanukovich and the appointment of an interim government perceived to be hostile, Russia changed tactics and shifted towards undermining the country's integrity and sovereignty – first by annexing Crimea and second by providing military support to separatists in south-eastern regions.

Clearly, destabilisation has borne fruit in the short term. Russia has been able to counter the EU integration process in Armenia; it acts as a spoiler in Georgia and especially in Moldova and it has deeply undermined Ukraine's stability and sovereignty. As a result the common neighbourhood now looks deeply divided between EU and Russian regional initiatives. In response to the signature of Association Agreements with the EU, Russia has retaliated by banning Moldovan meat and Ukrainian dairy products. Yet the methods currently used by Moscow are ultimately likely to damage Russia's main instrument to (re)gain control in the long term, i.e. the Eurasian integration process. By using coercion Russia also alienates those partner countries (e.g. Georgia and Moldova) that have so far been able to resist its pressure to further engage in the European integration process. By resorting to punitive measures like embargos and deporting migrants, Russia also endangers the existing ties with post-Soviet countries, which are forced to look for new markets elsewhere.¹⁵ And by cutting off gas supplies to Ukraine, it prompts the country to diversify energy sources (e.g. by studying the feasibility of reverse flows from the EU) and to engage further in energy savings.

Moscow's involvement in the war in Ukraine and the manipulation of the crisis allowed the Kremlin to force Kyiv to divert resources away from the implementation of reforms agreed with the EU. Meanwhile, the ceasefire remains fragile and is under daily threat of collapse. More importantly, through the 'Minsk Memorandum' the Kremlin even managed to push Kyiv and Brussels into an agreement to delay the implementation (in part) of the DCFTA. Having obtained this concession, Moscow insisted that any future reform in Ukraine in line with the DCFTA would be considered as a violation of the Minsk Memorandum. The Kremlin was successful in annexing Crimea and stirring up conflict in parts of Donbas. However, the upcoming elections in Ukraine are likely to result in an anti-Russian parliament and Russia's relationship with Ukraine has been severely damaged. In sum, by fomenting instability in Ukraine and the rest of the neighbourhood in the short term, Russia may act against its own interests in the long term. Victory in several small battles may well result in the loss of the war.

A two dimensional strategy for the EU in its Eastern Neighbourhood

The EU should respond to Russia's role as a spoiler through becoming both more self-critical; more 'reflexive' vis-à-vis its own policies and more responsive vis-à-vis Russia's initiatives.

¹⁵ D. Cenusă, M. Emerson, T. Kovziridse and V. Movchan (2014), "Russia's Punitive Trade Policy Measures towards Ukraine, Moldova and Georgia", CEPS Working Document No. 400, Brussels.

A more flexible EU

A key parameter for the effectiveness of the ENP/EaP is for the EU to critically analyse both the effects of its policies on partner countries and the way in which they interact with existing regional ties.

The Eastern Partnership initiative comes laden with a massive legal approximation with EU *acquis* under the AAs/DCFTAs, requiring the adoption of more than 300 EU directives and regulations, including most of the EU trade-related *acquis communautaire*.¹⁶ However, the requirements put forward by the EU carry broader economic and societal implications for the countries where the level of development is significantly lower. For instance, while likely to result in increased food security and modernisation for the agricultural sector over the long term, EU demands in terms of food safety standards also imply a complete transformation of partner countries' approach to food safety in a very short time span.¹⁷ Clearly, both the focus on regulatory approximation and the substance of EU requirements are not well suited to partner countries' current development needs. The *acquis* was designed by EU member states for their own needs, i.e. for economies with a different level of development. Therefore, its effectiveness beyond the enlargement context - i.e. as a foreign policy tool - may be questioned if it is used without flexibility towards partner countries. Moreover, the EU's financial support and technical assistance are not likely to offer sufficient compensation for the short-term losses. The amount of EU aid per capita (ENPI commitments, 2007-13) ranges from between approximately €3 for Ukraine and €19 for Moldova annually;¹⁸ and the main recipients have been partner countries' administrations, while the private sector (which has to implement most of DCFTA obligations) has been overlooked.¹⁹ This mismatch actually weakens the EU's offer and only makes it more vulnerable to domestic shifts or regional pressure. Domestically the short-term costs to be incurred as part of the reforms might create socio-economic problems for the current political elites among the Eastern neighbours, which in turn will make them more vulnerable to Russian pressure. The EU's lack of sensitivity to domestic needs and contexts only makes it more difficult for partner countries in a complex regional environment. The EU has recently understood this, as demonstrated by the decisions to lift its quotas on Moldovan wines in response to the Russian embargo, as well as all restrictions on the accession of Ukrainian goods to EU markets.

Flexibility thus starts with the national context in which EU policies are embedded. Instead of imposing a one-size-fits-all conditionality that does not take into account partners' specificities, the EU should aim at a profound diversification of its relations with all the countries in its neighbourhood. Arguably, the Eastern Partnership now includes a degree of differentiation, with three countries having signed AAs and DCFTAs while the three remaining countries have not. Yet this differentiation is still too rough and there are major differences within each group. Ukraine, Moldova and Georgia are at very different stages of economic and political reform and they face different problems. However, the AAs and the DCFTAs signed with them are largely similar and do not take into account the specificities of the partners. This calls for increased EU attention and adjustment during the

¹⁶ M. Emerson (2014), "Trade policy issues in the wider Europe - that led to war and not yet peace", CEPS Working Document No. 398, Brussels.

¹⁷ EU-Moldova Association Agreement, Title 5, Chapter 4.

¹⁸ L. Delcour (2012), "Improving EU Aid to its Neighbours", briefing for the European Parliament AFET Committee.

¹⁹ L. Delcour and K. Wolczuk (2013), "Beyond the Vilnius Summit", op. cit.

implementation phase. Even more striking are differences between Armenia, Azerbaijan and Belarus. Yet they are now lumped together in the group of unwilling Eastern partners, while the factors behind their reluctance differ substantially. Tailored proposals and tangible offers are needed for those Eastern Partnership countries that are unwilling and/or unable to embark on the path of comprehensive association with the EU. The EU will enhance the effectiveness of its policies by taking into account the specific context in which they are embedded.

A more responsive EU

Ultimately, what the European Neighbourhood Policy and the Eastern Partnership offer is a long-term development model. Nonetheless, the EU is likely to be influential in its neighbourhood in the long term only if it is able to constantly adjust to its environment and address short-term challenges in a timely manner. Current developments in the Eastern neighbourhood, either domestically or as a result of Russia's policies, require an immediate response. However, too often the EU sticks to its long-term approach without being able to adjust its policies when developments in the field require either prompt or firm reactions.

Ukraine is a case in point. Under the Yanukovich presidency, even though it became increasingly harsh, the EU only belatedly resorted to conditionality in response to the growing authoritarian trends. It was also at a very late stage (second half of February 2014) that it decided to introduce sanctions against the former Ukrainian authorities, while the police had been making an excessive use of force since the *Euromaidan* started at the end of November 2013. This weakened both the EU's leverage over the country's authorities and its credibility among protesters.

Presently, the EU's long-term policies towards the neighbourhood and the EU's short-term crisis management and common security and defence policy (CSDP) remain separate and in need of better integration.²⁰ Clearly, the specific features of EU foreign policy (e.g. its multilateral character) make it more difficult to respond quickly to unanticipated events. Nevertheless, under the ENP, and especially the Eastern Partnership, the EU has both intensified the level of dialogue with Eastern partner governments and introduced new formats of cooperation and dialogue with a wide range of non-governmental actors in partner countries. Without doubt, the EU is now in a better position to monitor developments closely in the field. However, it needs to incorporate the outcomes of such monitoring more effectively and promptly in its policy approach.

Conclusions

Following the recent crisis in the EU-Russia common neighbourhood, the picture that emerges is one of confrontation, leading to a parting of the ways between the EU and Russia. Firstly, today's Russia and the EU have little in common, while ten years ago their partnership was launched on the premise that the EU's and Russia's "common values and shared interests" would develop along the same lines. Secondly, both Russia and the EU are increasingly turning to other partners. As a consequence the EU-Russian strategic partnership is bereft of substance, which is likely to remain unchanged for years to come. While the estrangement between the EU and Russia is apparent, an outright split would be much more problematic because of the close interdependence of the two partners.

²⁰ S. Blockmans (2014), "Priorities for the Next Legislature: EU external action", CEPS Commentary, Brussels, September.

Divisions between the EU and Russia have been mirrored by deepening fault lines in their common neighbourhood. Three Eastern Partnership countries signed the Association Agreements including DCFTAs (Moldova, Ukraine and Georgia); others are part of (Belarus) or are planning to join (Armenia) the Eurasian integration project, and a partner (Azerbaijan) shows no interest in either of the integration formats. While this suggests a clear-cut division between those countries favouring deep economic integration with the EU and those remaining inside the Russian hub, the picture in the region is actually much more complex. As a result of Russia's attempts to undermine progress towards further integration with the EU and NATO, in some cases dividing lines pass through partner countries such as Georgia (with South Ossetia and Abkhazia), Moldova (with Transnistria) and Ukraine (with Crimea). Moreover, the lines dividing the neighbourhood are by no means immutable. They are likely to fluctuate as a result of the simultaneous deployment of two competing offers which, to a large extent, are still in the making. Thus, new lines may appear in the future, such as through Gagauzia and eastern/southern Ukraine. In addition, the continuity and solidity of partner countries' commitments in either the Eurasian integration or the EU integration process is yet to be ascertained, given the highly volatile domestic and regional environment. There are serious questions about the ability and/or willingness of Ukraine, Moldova and Georgia to implement the commitments they have undertaken through signing the Association Agreements and the DCFTAs with the EU. The reluctant participation of Armenia in the Eurasian project, and Belarus' and Kazakhstan's opposition to including political aspects in the Eurasian integration are not to be underestimated either.

The EU and Russia will remain key powers in all the countries of the increasingly fragmented neighbourhood, yet the extent of their influence and the way in which they exert it will vary considerably across countries. On the one hand, the Kremlin's perception of the AAs and the DCFTAs as tools preparing the ground for the countries of the post-Soviet space to join the EU and NATO is likely to continue to drive its policies in the region. On the other hand, in the EU's view the countries included in the Eastern Partnership are sovereign states that are entitled to negotiate and sign agreements with any international actor without the intervention of third countries. For Russia, however, these are merely abstract concepts and it has shown a great willingness to counter what it sees as the 'Westernisation' of its neighbours.

In the current volatile climate, the EU needs a strategy towards Russia that goes beyond sanctions. In reviewing the European Neighbourhood Policy and the Eastern Partnership, the EU's incoming leadership should be more sensitive towards the existing political, diplomatic, economic, energy and military ties between Russia and the countries in the common neighbourhood. After all, it is by exploiting these ties that Russia was able to turn the common neighbourhood into an area of destructive competition – the primary victim of which is Ukraine. Understanding Russia's perceptions and being sensitive to these longstanding ties does not mean justifying their use by the Kremlin. Nevertheless, factoring these ties into the EU's policies vis-à-vis its Eastern neighbourhood is a prerequisite for more reflective, responsive and effective EU policies.