Russia, the West and the Integration Dilemma

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On 28–29 November, the leaders of the six countries designated by the European Union as members of its Eastern Partnership (EaP) programme – Ukraine, Moldova, Belarus, Georgia, Armenia and Azerbaijan – will meet with the European Council in Vilnius, Lithuania. This summit is widely portrayed as the dramatic climax of these countries’ recent history as independent states. They must finally choose, so the narrative goes, between East and West, Russia and the EU, corruption and reform, or even backwardness and modernity.

While the EU offers EaP countries free trade, visa liberalisation and a European future, Russia, we often read, is actively seeking to thwart EU policy and crush the European aspirations of the region’s citizens. Through its Customs Union with Belarus and Kazakhstan, now called the Eurasian Economic Union, Moscow supposedly seeks to reintegrate its neighbours into its ‘sphere of influence’ and re-establish Soviet-style dominance over the region.

This narrative accurately reflects a widespread perception of the problem. However, it is deeply misleading as an analytical framework for understanding the problem’s core drivers. In reality, Russian motives are far more defensive and reactive – and, upon close examination, there is no inherent divergence of agendas between Moscow and Brussels that would make mutually acceptable compromise impossible. Instead of geopoliti-
cal or civilisational struggles, the right framework for understanding the ongoing competition between integration initiatives in post-Soviet Eurasia draws upon the concept of the security dilemma.¹

**Defining dilemmas**

Robert Jervis classically defined the security dilemma as a phenomenon whereby ‘one state’s gain in security often inadvertently threatens others’.² He explained that ‘many of the steps pursued by states to bolster their security have the effect – often unintended and unforeseen – of making other states less secure’.³ One state’s enhancement of its defensive capabilities might easily be seen as threatening by another, in the absence of certainty about the first state’s plans. A security dilemma then materialises: the threatened state must choose between tolerating lessened security or engaging in a defensive build-up, which could trigger another round of insecurity on the part of the first state, leading to an unintended escalatory spiral.

Jervis’s central insight was that one state’s purely defensive actions can easily be considered aggressive by another. The security dilemma highlights the disconnect between intentions and outcomes in international affairs by making clear the role of inadvertency and unintentional blowback in state action. It also captures how the action–reaction dynamic both leads to outcomes that no party originally intended and obscures potential common ground. As Jervis writes, ‘when the security dilemma is at work, international politics can be seen as tragic in the sense that states may desire – or at least be willing to settle for – mutual security, but their own behavior puts this very goal further from their reach.’⁴

A variant of the security dilemma appears in the competition among economic and politico-military regional integration initiatives. We call the analogous concept an integration dilemma, which can be said to occur when one state perceives as a threat to its own security or prosperity its neighbours’ integration into military alliances or economic groupings that are closed to it. This exclusivity is the source of the dilemma: it transforms integration, a positive-sum process by definition, into a zero-sum game for the state that is excluded from the integration initiatives offered to its neighbours. As with the security dilemma, the intentions of the neighbours or the
backers of integration initiatives need not be hostile to the state in question for an integration dilemma to materialise.

Indeed, one state’s dilemma becomes the cause of inter-state conflict as a result of the predisposition to making worst-case assumptions about the motives of other states. Such assumptions can lead to recurrent rounds of escalation – a costly spiral of action and reaction in the context of little or no communication between the rival parties. Under the conditions of the integration dilemma, the leaders of rival blocs both escalate their attempts to induce or compel a country to join their respective groupings and increasingly lash out at one another, diminishing trust between them. The negative impact of this rivalry increases as competition continues to spiral.

**NATO enlargement and the integration dilemma**

The history of post-Cold War European institutional enlargement is fraught with integration dilemmas. Some have argued that the period 1989–91 represented a window during which truly inclusive structures, such as the Conference on Security and Co-operation in Europe (now the Organization for Security and Co-operation in Europe), could have been empowered; however, with the West’s decision to enlarge existing structures, particularly NATO and the EU, Russia has been effectively excluded from integration processes in the region.\(^5\) Clearly, these two institutions would have had to change drastically to integrate Russia, and even then such an attempt might have failed, or even negated their key role in consolidating the transitions of the Eastern and Central European states. Notwithstanding the successes of enlargement in those countries, the integration dilemma has entailed significant costs.

NATO enlargement created the first acute manifestation of the integration dilemma. When it outlined the path towards enlargement in the mid-1990s, NATO did not rule out Russia’s eventual membership of the Alliance. However, the open-door policy was widely considered to apply to Russia only as a formality, for a number of reasons. These included Russia’s own preferences and attitudes, and the reluctance of many NATO members, as well as the immense challenge of interoperability and trust-building between NATO and the Russian armed forces. A genuine path to Russian membership of NATO has always seemed unlikely to both parties.
Meanwhile, that path has been open not only to former Warsaw Pact countries and the Baltic states, but also to the six EaP countries. The representatives of NATO and its largest member states, including the United States, have traditionally argued that membership for the post-communist countries would alleviate their threat perceptions and facilitate their democratic transition and security-sector reform, thereby providing Russia with constructive, stable neighbours. Many in Brussels, Washington and other allied capitals have repeatedly stressed that NATO remains a defensive alliance that would never mount an offensive operation against Russia, and dismissed as dated, manipulative or baseless the stated concerns of Moscow about the implications of NATO enlargement for its interests.

That such statements have not been particularly effective in convincing Moscow, and that the Alliance has refused to accept the logic of Russian objections, should be no surprise to those familiar with the security-dilemma concept. As Jervis writes:

The inability to recognize that one’s own actions could be seen as menacing and the concomitant belief that the other’s hostility can only be explained by its aggressiveness help explain how conflicts can easily expand beyond that which an analysis of the objective situation would indicate is necessary.\(^6\)

Some voices in both Washington and the new aspirant states explicitly stressed that they viewed enlargement as a hedge against potential Russian aggression, which undermined the official position that it was aimed at consolidating the democratic transitions of the post-communist countries.\(^7\)

Moscow thus sought to counter NATO enlargement in its immediate neighbourhood, strengthening collective security arrangements in post-Soviet Eurasia under its own leadership, particularly the Collective Security Treaty Organization (CSTO), along with a variety of bilateral security agreements with Belarus, Ukraine, Armenia and Uzbekistan.

In turn, NATO not only continued to dismiss Moscow’s concerns about enlargement, but also regarded the Russia-led groupings as paper tigers imposed on the other members, lacking legitimacy and therefore fragile.
NATO has refused to establish ties with the CSTO, apparently out of a conviction that the group would eventually wither away and its members would shift towards the Alliance, or that dealing directly with it would amount to acquiescing to Russia’s domination of post-Soviet Eurasia.\footnote{8}

After reaching its zenith during the August 2008 Russia–Georgia war, the politico-military integration dilemma has grown somewhat less acute in recent years, particularly after the Ukrainians elected a president who passed a law ruling out NATO membership. This respite is likely to be temporary, since it reflects contingent circumstances rather than a mutually agreed settlement. After all, the declaration of the 2008 NATO summit in Budapest – which stated, in no uncertain terms, that Ukraine and Georgia ‘will become’ members of the Alliance – has almost institutionalised the integration dilemma.\footnote{9}

EaP and the economic integration dilemma

For the time being, however, the integration dilemma in post-Soviet Eurasia is far more acute in the economic sphere. In 2009, urged on by the Polish and Swedish foreign ministers, the EU launched the EaP. Russia was excluded from the endeavour from the start. The six states were chosen based on no discernible criteria other than ‘all but Russia’; they have very little else in common. Indeed, unlike Russia, the three South Caucasus countries do not even share a border with an EU member state.

The EaP’s most prominent offering to the six countries is the prospect of Association Agreements, which include Deep and Comprehensive Free Trade Agreements (DCFTAs). The DCFTA model goes well beyond traditional free-trade deals; it requires these states to adopt a significant portion of the \textit{acquis communautaire} (EU laws and regulations), thereby integrating them into the EU’s economic–legal space and diverting trade away from other partners, including Russia. It also makes their markets significantly more open to EU goods and services than that of Russia. Given that four EaP countries are already members of the Commonwealth of Independent States free-trade agreement, which includes Russia, Moscow has cited the potential for domestic production to flow into the Russian market and for the illegal re-export of EU goods to Russia.
Unsurprisingly, Moscow therefore sees the adoption of DCFTA agreements as a threat to its economic security – no matter what the EU’s intentions are – especially in cases, such as that of Ukraine, where bilateral trade ties are extensive.

Furthermore, EU–Russia relations, despite regular summits, have been stalled since at least 2008, when negotiations on an updated Partnership and Cooperation Agreement (the current document dates from 1994) began, but went nowhere fast. Under the banner of the four ‘common spaces’ and the ‘Partnership for Modernisation’, the EU and Russia have in recent years taken only small, technocratic steps towards integration. A recent progress report cites the harmonisation of phytosanitary norms in the field of pesticide residues as among the major achievements of 2012. Clearly, there is little appetite in Brussels (or Moscow, for that matter) to achieve the level of integration with Russia that the DCFTA and its wholesale adoption of EU standards entail.

In other words, even though the EU did not design the EaP to threaten Russia, it is no surprise that Moscow – after determining that there were significant costs to Russia resulting from these plans, and no hope of achieving the same agreements for itself – responded by pushing its own mutually exclusive integration proposal in the form of the Customs Union.

After failing to achieve substantive integration within a number of multilateral forums in the years following the Soviet collapse, Russia, Belarus and Kazakhstan agreed on the creation of the Customs Union in the summer of 2009. The organisation was launched in January 2010. Its initial declared goals – to eliminate duties and non-tariff barriers among its members, and to agree on a unified external tariff rate for trade with other states – were, with certain exceptions, quickly achieved. The three states have gone further, delegating policymaking authority to a supranational body, the Eurasian Economic Commission, and creating a common economic space that allows for free trade in services; free movement of capital and labour; coordinated tax and monetary policies; and a shared competition policy. Moscow, Minsk and Astana have also pledged to launch a Eurasian Economic Union on 1 January 2015. This would expand the Eurasian integration acquis to include harmonised technical standards and labour and migration laws, and to
chart the way towards common financial regulations, culminating in a shared currency in five to ten years.

In addition to moving ahead with deepening integration among existing members, Moscow has sought to induce other EaP countries to join this project. Armenia had been on track to sign an Association Agreement and DCFTA at Vilnius, reportedly with Moscow’s consent. (Yerevan’s near-total security and economic dependency on Moscow would suggest that no major foreign-policy moves are made without such consultation.) Moscow, however, in the context of the emerging integration dilemma, apparently changed its mind. On 3 September 2013, after meeting with Russian President Vladimir Putin in Moscow, Armenian President Serzh Sargsyan announced his country’s decision to join the Customs Union and to participate in the formation of the Eurasian Economic Union.

Moscow has put pressure on Kiev by suggesting that association with the EU may not be compatible with Ukraine’s membership in the Commonwealth of Independent States free-trade-area arrangement. The Kremlin stated that it may review the conditions of Ukraine’s participation in the area if the country’s free trade with the EU results in a substantial change in Ukrainian trade flows. Moscow has indicated that, if Ukraine signs the DCFTA agreement, Russian customs officials could immediately begin conducting meticulous checks on the origin of Ukraine’s exports to Russia to prevent re-exporting from the EU. To make the message more clear, over several days in September 2013 the Russian authorities applied the full letter of customs rules and regulations to Ukrainian exports to Russia, virtually stalling them. Moscow applied restrictive measures on technical grounds to imports of Moldova’s wine, while Putin suggested that the country’s DCFTA with the EU would result in the product being squeezed out of the domestic market and into Russia by relatively cheap, high-quality French and Italian wines.

The EU has reacted with a mixture of outrage and disbelief. In a speech before the European Parliament in mid-September, Stefan Füle, EU commissioner for European enlargement and neighbourhood policy, denounced
the Russian moves in decisive language. He stressed the incompatibility of the Customs Union and DCFTA frameworks; in particular, he declared that Armenia’s decision to join the Customs Union made it impossible for Yerevan to proceed with an Association Agreement at Vilnius. Füle then stated, like his NATO counterparts before him, that the DCFTAs for Russia’s neighbours would actually be to its benefit – if only Moscow would see the light: ‘we have to do a better job in communicating with our Russian friends making the point again and again that the Eastern Partnership is not against them, against their interests.’ The tragic outcome of such an endeavour seems overdetermined.

**The integration dilemma’s impact**
The integration dilemma in post-Soviet Eurasia has been costly for all parties – first and foremost, EaP countries themselves. By promoting engagement with the states of post-Soviet Eurasia largely through integration initiatives that are de facto closed to one another, the West and Russia have (often unintentionally) forced these states to make zero-sum choices. As a result, these choices have sometimes deepened social and political divisions, which hold back market reform and democratic development.

Behind the drama of the current tug of war, EaP countries continue to suffer from many similar afflictions. To name just a few: decaying infrastructure; degrading human capital; broken healthcare systems; corrupt and ineffective governance; lack of genuine economic competition; political dysfunction (either through the monopolisation of power or the rotation of competing parasitic elite groups); mass disengagement from public life; weak social cohesion; limited protection of human rights; and intolerance of minority groups. It is tragic that, rather than working together to help EaP countries address these problems, the major outside powers with an interest in the region, particularly the EU, the US and Russia, are either exacerbating them or facilitating their neglect by regional governments by devoting their regional engagement to competition with one another.

Secondly, the integration dilemma has ratcheted up tensions between Russia and the West. The chill has affected not only the EU–Russia relationship, but also US–Russia relations. In Washington, as in Brussels and other
European capitals, EaP states’ membership in one or the other of the competing trade blocs is increasingly seen as ‘a replay of the classic East–West rivalry of the Cold War’.13 This frame has reinforced the image of Russia as an authoritarian, anti-Western power tightening its grip on newly independent, aspiring democracies in its neighbourhood. Calls for rolling back Russian influence in Eastern Europe are mirrored in Moscow by narratives accusing the West of ‘neo-imperial ambitions’ extending to the countries connected with Russia by ‘a multi-century history ... and a common humanitarian space’.14 As a result, rescuing EaP countries from this ‘space’ becomes a matter of principle for some in the West, regardless of the consequences.15 This spiral of escalation is a key characteristic of the integration dilemma.

Thirdly, Russia’s relations with its neighbours are suffering as a result of the tug of war between the two integration initiatives. By issuing warnings that many observers see as threats, Russia stands to lose much of its already diminished soft power in the region. Moscow’s pressure on Ukrainian President Victor Yanukovich results in average Ukrainians and the elite rallying around the EU integration flag – if only to gain leverage vis-à-vis Russia. Some Russian policymakers’ harsh and, at times, dismissive rhetoric on Ukraine empowers openly anti-Russian political movements there. Moscow’s soft power will be further diminished if a trade war breaks out between Russia and one or more of the EaP countries in the aftermath of the Vilnius summit.16

Finally, the EU is putting the principles and effectiveness of European integration at risk as a result of the integration dilemma. The EU has already wavered on the strictness of criteria that should be applied to Ukraine’s association bid. Although Kiev has made clear progress in adopting a number of laws required by the Association Agreement and the DCFTA, the current government has moved the country further away from the other Copenhagen criteria: democracy, human rights and the rule of law. The EU has focused its efforts on selective justice, especially the politically motivated conviction and imprisonment of former Prime Minister Yulia Tymoshenko. But ‘victory’ for the EU here seems to consist of obtaining Yanukovich’s consent to allow her to go into exile in Germany. Such an outcome could hardly be considered progress in addressing the chronic weakness of the Ukrainian judicial system.
But some EU member states believe that toughening their stance would risk ‘losing’ Ukraine to Russia. Their representatives often cite the example of Belarus, which is supposedly forced to ally with Russia because of its isolation from the West, to support the easing of the standards applied to Ukraine and other EaP states. In part due to Russia’s recent use of tougher tactics, this argument seems to have won the day.

Yet compromising the principles of European integration seems a far greater long-term liability for both the EU and EaP countries than the alternative. That alternative is not Russian dominance over these countries. In none of these states do the governing elites (or serious political movements) desire that outcome, and the history of the post-Soviet period has shown that Russia simply lacks the leverage to truly imperil their sovereignty.

Throughout the course of European integration, the issue of adherence to criteria has often been a source of controversy. However, the EaP debate is the first to be held in the context of an integration dilemma. The tug of war with Russia and resulting winner-take-all considerations are driving decision-making and creating undue haste in the process. If rigid but transparent criteria – the hallmark of European integration – give way to political bargaining, the EU as a whole will suffer.

The credibility of the European integration process might soon depend on Ukraine’s capacity to implement an Association Agreement and a DCFTA. If Kiev fails to demonstrate clear progress, which is a distinct possibility given the country’s governance challenges, then not only will the EU’s leverage to push for further domestic reform be diminished throughout the region, but the populations there might grow disillusioned with the Union.

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The economic integration dilemma in post-Soviet Eurasia is fuelled by the belief that the Customs Union and DCFTA models are fundamentally incompatible, that choosing between them represents a decisive turning point in the history of EaP countries, and that both the EU and Russia must compete to ensure outcomes suit their respective interests. This frame has the advantage of being a neat, comprehensible narrative, and one sug-
gestive of dramatic history-making processes. But it is wrong on several counts.

Firstly, the DCFTA and the Customs Union are not inherently incompatible. Both are WTO-compliant by definition because EU states and Russia are WTO members. Indeed, in the same September speech to the European Parliament, Commissioner Füle suggested that the only difference between the two are tariff levels: ‘Customs Union membership is not compatible with the DCFTAs ... you cannot at the same time lower your customs tariffs as per the DCFTA and increase them as a result of the Customs Union membership.’ Although this seems an understatement of the extent of the differences, there are certainly no laws of nature that would prevent policymakers from devising provisions that do not contradict one another. Take the example of the US, which is simultaneously negotiating the Transatlantic Trade and Investment Partnership (TTIP) and the Transpacific Partnership (TPP), without the same crisis and zero-sum approach. In other words, any incompatibilities between the two integration initiatives are by design; it is therefore within their creators’ power to address them.

Secondly, it is neither desirable nor practical for countries to disengage completely from neighbours who are key international partners. Any deal between Brussels and Kiev that causes major damage to Ukraine–Russia trade would not be sustainable. Russia remains Ukraine’s single-largest trading partner, accounting for up to 20% of Ukraine’s overall turnover. More than one-fifth of Ukrainian exports go to Russia, so any restriction on them would harm business interests across the board and reduce the incomes of millions of Ukrainians.

Finally, the haste and pressure caused by the integration dilemma make any outcome inherently unsustainable rather than decisive. Russian moves to coerce countries into joining integration initiatives are doomed to fail – if not immediately, then certainly in the foreseeable future. Decisions seen as impositions by a country viewed as the former metropole by many in the region will soon be politically contested, and potentially reversed. Take the January 2009 Russian-Ukrainian agreements on natural gas, hailed at the time as a breakthrough in the bilateral energy relationship, which were ruled a criminal act by a court in Kiev less than three years after they were signed.
For its part, the EU’s relaxation of its standards at the precise moment when it has the most leverage will certainly diminish its ability to enforce such criteria in the future. Therefore, the Association Agreement and DCFTA might well accomplish much less than advertised. Denouements such as the Vilnius summit are likely to be far from turning points for EaP countries’ European reform process.

Instead of intensifying the escalatory spiral, Russia and the EU should take steps to resolve the integration dilemma. The first of these would be to dampen down the rhetoric used in this context. Some Russian officials, particularly Foreign Minister Sergei Lavrov, have recently done just that: in his address before this year’s United Nations General Assembly, he called for ‘harmonization of integration processes in different regions of the world, rather than trying to artificially oppose them to one another, by creating new dividing lines’. That such statements do not fully reflect current Russian policy is clear; however, getting the rhetoric right is an important first step. Indeed, EU officials currently seem to speak of alleged irreconcilable differences far more often than their Russian counterparts.

Beyond less divisive rhetoric, the EU and Russia should begin a serious dialogue regarding these integration initiatives. The explicit goal of the talks should be to seek the mutual compatibility of the projects in the long term, as does the US with regard to the TTIP and the TPP. In the short term, those who determine EU trade policy and their counterparts in the Eurasian Economic Commission could carry out a joint assessment of the real impact of DCFTAs on trade between EaP countries and the Customs Union. Such an undertaking, which could ensure that Russia has no reason to introduce any restrictions after the Vilnius summit, would be much less costly to the EU than underwriting EaP countries’ economic losses from hostile Russian behaviour, should it occur.

Even without such a dialogue, the EU should consider adapting its policy toolkit to take into account the differences between the EaP region and other parts of Europe. After all, the Association Agreement and DCFTA model is essentially the accession process used for Central and Eastern Europe – but without the membership perspective and structural funding. However, post-Soviet Eurasia is simply a very different political, social, economic
and historical environment. Dealing effectively with the region will require more flexible diplomacy, patience and hard work than was necessary for previous rounds of enlargement.

A better future for EaP countries depends on overcoming the zero-sum logic of the integration dilemma by seeking outcomes that benefit all parties. Instead of expending time and resources on a senseless regional ‘great game’, the EU, Russia and the US should be helping these states to address their myriad challenges and realise their potential.

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Notes


4 Ibid.


7 George W. Grayson, Strange Bedfellows: NATO Marches East (Lanham, MD: University Press of America, 1999), Chapter 5, especially p. 162.


9 The full passage in question reads: ‘NATO welcomes Ukraine’s and Georgia’s Euro-Atlantic aspirations for membership in NATO. We agreed today that these countries will become members of NATO.’ NATO,


should-sign-deal-ukraine-but-only-if-yulia-tymoshenko-freed-west-or.

For example, Russian presidential adviser Sergey Glazyev has suggested that the Ukrainian representatives negotiating with the EU failed to see the contradictions between the agreement on Ukraine’s association with the Union and the country’s constitution. ‘Rossiya v Tamozhennom Soyuze i SNG: Plyusy i Minusy’, interview with Sergey Glazyev, adviser to the president of Russia on regional economic integration in the Customs Union and common economic space, Ekho Moskvy Radio, 10 October 2013, http://echo.msk.ru/programs/oblozhka-1/1173152-%E2%80%98Zayavlenie/.

European Commission, ‘Statement on the Pressure Exercised by Russia on Countries of the Eastern Partnership’.
