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The EU and EEU: Hidden Opportunities for Inter-Regional Cooperation?

The EU is one of the more vocal critics of the recently-launched Eurasian Economic Union (EEU). Eleonora Poli and Chiara Rosselli warn, however, that Brussels' stance might prove to be counter-productive in the long term. That's because mutual cooperation could benefit both organizations' political and economic status.

By Chiara Rosselli and Eleonora Poli for ISN

Formally launched on January 1st, the Eurasian Economic Union (EEU) is set to become the most advanced form of customs union ever accomplished in the [post-Soviet space](#). Once Kyrgyzstan signs up in May, the Union will account for 15% of the world's land mass and a population of almost 177 million. However, such dazzling statistics also add fuel to concerns that the EEU is merely the latest attempt by Russia to reclaim a sphere of influence that it lost at the end of the Cold War. In this respect, the European Union (EU) is among the most vocal critics of this new regional grouping. Yet, if Brussels was to scratch below the surface, it might find that it has more in common with the EEU than it once imagined.

Between 'hard' and 'soft' power

The EU's disdain for its eastern counterpart is hardly surprising given Moscow's criticism of Brussels' attempts to forge ever closer political and economic ties with the former Soviet bloc. Following the accession of most central and eastern European countries to the EU in 2004, Russia condemned what it saw as an attempt to Europeanize a region that it always considered as part of its [sphere of influence](#). For its part, Brussels was quick to label Russia's incursion into Georgia and annexation of Crimea as part of Moscow's bid to bolster its regional presence with brute force. Similarly, the EEU has been developed through economic coercion, with Russia offering dubious [economic incentives](#), in the form of loans or cheaper gas prices, in exchange for membership in the Union.

What this overlooks, however, is that the EEU is the first Russian-led attempt to [institutionalize regional integration](#) through norms, standards and regulations – much like the European model of normative power. Indeed, when Putin first publicly spoke about the EEU, he acknowledged that the project drew on the [experience of the EU](#) and the Schengen Agreement. Moreover, the EEU's governing institutions were founded on the basis of [equal representation](#), something that can hardly be said of previous regional integration efforts. For instance, each member state will return the same number of elected [representatives to its governing bodies](#).

By creating an institutional framework that bears more than just a passing resemblance with the EU, Russia and its fellow member-states hope that the EEU will eventually lead to the creation of a Single Economic Space (SES) where goods, services, capital and (to some extent) labor will be free to circulate. Beyond closer economic integration, a regulatory authority, bank and common judicial system are also envisaged. To assist, EEU members have already put in place institutional mechanisms, technical regulations and standards that supplant national legislation on regional business transactions and guarantee equal conditions among business actors and investors. In doing so, the EEU has set in motion a process of institutional cooperation that the EU and other international organizations will find hard to ignore.

From rivalry...

Yet, despite the integrationist outlook and rhetoric, Moscow will always be the dominant force within the EEU. The statistics speak for themselves: [Russia accounts](#) for 87% of the Union's Gross Domestic Product (GDP) and 82% of its population. Beyond offering economic incentives for closer integration, this *primus inter pares* status has emboldened Moscow to incorporate Crimea into the customs union and implement countersanctions against the West without consulting fellow EEU states. Little wonder that Brussels fully expects Russia to frustrate any attempts that it makes to foster closer EU-EEU ties.

However, one thing that the European integration project has taught us is that once norms and rules become institutionalized, it becomes harder for member states to bypass them. If this is replicated by the EEU, then it might be possible for the smaller members to keep Russia's dominance in check. Kazakhstan, for example, has already threatened to leave the Union because Russia's isolation by the West is harming its economic development. And while Armenia has limited influence on Russia's foreign policy, [Yerevan recently confirmed](#) that it plans to deepen its ties with the EU while taking into account its commitments to other regional integration processes.

This bodes well for a European Union that remains in the grip of a profound economic and political crisis. Closer ties with the EEU's smaller member states might provide Brussels with opportunities to tap into a market with an [estimated output](#) of \$2.4 trillion without having to deal directly with Moscow. It might also reinforce that the West's economic sanctions against Russia are having the desired effect. As a result of these and [falling oil prices](#), the value of the Ruble relative to the Dollar has declined by [40 percent](#) in recent months. It's telling that Russia's Minister for the Eurasian Economic Commission, Tatyana Valovaya, revealed on her recent tour of European tour that Russia will probably have no choice but to turn to the EU markets in order to fend off more economic hardship.

To cooperation...

Yet, it would be naïve to think that Brussels can seek rapprochement with Russia from a position of relative power. Beyond sharing similar administrative structures and a vision of deeper regional integration, the EU also has something else in common with the EEU – its vulnerability to competition from other economic powers, most notably China. Under the guise of its Silk Road Economic Belt, Beijing not only offers Central Asian states a viable alternative to the EEU, it also provides a challenge to Brussels' efforts to forge closer regional ties. In addition, the Shanghai Cooperation Organization (SCO) has the potential to become an arena where China and Russia could possibly come to an understanding with regards to their [interests in Central Asia](#). So, if the EU wants to preserve its status in Central Asia it might eventually be in its best interest to engage with the EEU rather than tempting it to look eastward.

Indeed, there are sufficient opportunities for cooperation between both regional groupings. For instance, Brussels could offer transferable skills that improve the EEU's transport, trade and investment sectors – a move that could offset China's efforts to do the same. In addition, the EU's

stronger '[normative compatibility](#)' with the Eurasian Union could be used to foster deeper cooperation and harmonized trade regimes. If Brussels needed encouragement, then it should look at the series of Partnership and Cooperation Agreements that already has in place with both Russia and most Central Asian countries.

So, by advancing a "[Non-Business as Usual Approach](#)" the EU could facilitate deepen cooperation with the EEU on many institutional levels. There's no doubt, for example, that the EEU would benefit from Brussels' technical and legislative assistance as it develops its brand new institutional set up. Property rights expertise and controlling illegal migration, both of which the EEU is particularly interested in, might also be the basis for closer and deeper cooperation. In all of these sectors, China will have a hard time competing with the EU's experience and reputation.

Grounds for (cautious) optimism

Opening up any form of constructive dialogue with the EEU will undoubtedly be a challenge at first given the level of sanctions imposed by the West on Russia. Yet, even if both organizations find themselves engaged in low-level cooperation, with salient economic and political issues remaining trapped at the national level, the existence of a more neutral platform where Moscow would be required to channel its interests might help to thaw EU- Russia (and, indeed, East-West) relations. Indeed, if we let the Ukraine crisis teach us anything at all, it is that nurturing a dichotomy between the European and the Eurasian regional projects results in a 'lose-lose' situation that perhaps far exceeded the expectations of both parties. With this firmly in mind, the emergence of the EEU should offer a valuable and perhaps unique historical opportunity for the EU and Russia not only to co-exist, but to consider the possibility that prospering together may not be the worst of solutions.

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