

The European Union and the Russian Federation Relations – from the Ukrainian Crisis until the Beginning of the War

Roxana Trifonova, Ph.D.¹

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Abstract

The economic and political relations between the Russian Federation and the EU from the Ukrainian crisis (2013) until the beginning of the war (end of February 2022) can be defined by the term “cold peace”. Its semantic meaning presents the gradual erosion of bilateral trade and economic relations and their intensified destruction as a result of a number of sanctions and restrictive measures. The aim of this analysis is to trace the development of the relations between the EU and Russia in the post-crisis period until the war and their positioning in the “black-and-white colour spectrum” between the “strategic partnership” and “cold peace”. Undoubtedly, after the beginning of the war in the end of February 2022, the situation changed dramatically, as well as the relations between the European Union and the Russian Federation.

Keywords: European Union, Russian Federation, Ukrainian crisis, Member States, sanctions, war

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¹ Part-time lecturer in EU Regional Policy, Department of European Studies, Sofia University “St. Kliment Ohridski”; e-mail: rvtrifonov@uni-sofia.bg

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Introduction

In November 2013, Ukraine suspended preparations for signing an Association agreement with the European Union (EU) and proposed the establishment of a tripartite EU-Ukraine-Russia trade commission. As a result, mass protests began in the country, which in February 2014 led to the fall of the government. On 18 March 2014 was the peak of events when Crimea was annexed by the Russian Federation. The actions have been condemned by a number of world leaders and described as illegal. As a result, the European Union was gradually imposing restrictive measures against Russia.

However, the term Ukrainian crisis (the one from 2014) does not only represent the historical events described above. At its core is the long process of opposition and dependence between East (Russia) and West on three main levels: geopolitical, historical (including cultural) and economic.

The 2014 Ukrainian crisis is a confirmation of the contemporary divisions in the modern world, because the border between the West and the East passes through the territory of the country. The differences between the eastern and western parts of Ukraine are reflected in the attitudes of the people living in these two parts. A large percentage of the population of the western half belongs to the Uniate Church, which practices Orthodox rituals but recognizes the supremacy of the pope. Historically, Western Ukrainians speak Ukrainian. On the other hand, the population of the eastern part is predominantly Orthodox and speaks Russian. The Ukrainian branch of the Russian Orthodox Church operates there.

From the EU's point of view, the Ukrainian market represents a good opportunity to expand foreign trade and limit Russia's ambitions to expand the Eurasian Union. In addition, the western part of Ukraine, at one time or another in the past, entered the borders of Poland, Lithuania or Austria-Hungary. This is a good precondition for a deeper integration process and future accession to the Union. Although today's Ukrainian state falls beyond the EU's territorial boundaries, it is both in its orbit of influence and a represents a field for potential conflicts.

Russia, for its part, considers Ukraine its ancestral territory based on history. After the collapse of the Soviet Union and the establishment of Ukraine and Belarus as independent states, the territory of the federation was limited mainly to Asia rather than Europe. Ukraine is practically a road to Europe and provides direct access to the Black Sea. For this reason, the detention of Kievan Rus is a priority in Russia's foreign policy.

The economic and political relations between the Russian Federation and the EU in the immediate aftermath of the 2014 Ukrainian crisis can be defined by the term "cold peace". Its semantic meaning presents the gradual erosion of bilateral trade and economic relations and their intensified destruction as a result of a number of sanctions and restrictive measures. The aim of this study is to trace the development of the relations between the EU and Russia in the post-crisis period (2013) and their positioning in the "black-and-white colour spectrum" between the "strategic partnership" and "cold peace". The author's point of view on the division of the member states in terms of the policy towards the federation

at that time is presented. In this regard, two main groups of countries have been identified - the first, the conservative and upholding values of the Union, and the second, the more liberal pragmatists, who put their own trade interests first. The research combines both quantitative and qualitative research methods. The general logical methods of analysis and synthesis, as well as abstraction are used. A complex approach to the analysis of certain events is applied, presenting the causal relationships and the ensuing consequences.

Etude for the period of “strategic partnership”

The period from the 1992 to 2013 is characterized by bilateral dialogue and constructing effective partnership between EU and Russia. However, in the negotiation process, both for the Cooperation and Partnership Agreement and for the Four Common Spaces initiative³, it is clear that the two sides have a different approach to the future development of their relations (Boneva, 2008). The EU is more committed to a comprehensive and detailed strategic agreement, while the Russian state prefers to conclude a basic framework political agreement, followed by detailed sectoral agreements only in areas of interest. The slow progress of negotiations, including those on the abolition of the visa regime, shows differences in the way the two sides view their relationship.

At that period the EU supports the complex social, political and economic modernization in line with the European *acquis* and institutions in the Federation. Russia, on the other hand, wants to be seen as a sovereign world power with its own approach to democracy, human rights, economic and security interests. During this period, trade and economic relations between the EU and the Russian Federation were indirectly reflected in some geopolitical events, such as the two military conflicts in Chechnya and the Russo-Georgian War.

The gas conflict in 2009, for its part, reflects deep differences between the two countries in the field of energy. Russia aims to consolidate its position as the EU's main supplier of natural gas and oil and thus benefit from preferential treatment of its energy companies and their access to the single market. The Union in turn seeks diversification and alternative energy suppliers.

Towards the end of 2012, EU-Russia relations need a new political and/or economic impetus that would allow the two countries to revive cooperation and regain a sense of strategic partnership. However, Russia's intervention in Crimea halted all negotiations and brought the dialogue to a standstill.

³ The Partnership and Cooperation Agreement entered into force in December 1997. It covers a wide range of areas, including political dialogue, trade in goods and services, business and investment, financial and legislative cooperation, science and technology, energy, nuclear and space technology cooperation, and others.

In 2005, a roadmap with around 400 points for regulatory cooperation was adopted for the creation and functioning of four common spaces: the Single Economic Space, the Area of Freedom, Security and Justice, the External Security Area and the Research, Education and Culture Area.

The “Cold Peace” (2013 - February 2022)

In the period between 2013 until the war in Ukraine (February 2022), bilateral relations between the EU and Russia are entering a new stage of development. The reason for this is the escalation of the 2014 Ukrainian crisis. However, the reasons are deeper and are rooted in the struggle for geopolitical and economic influence in Eastern Europe.

In November 2013, Ukrainian President Viktor Yanukovych postponed the signing of an association agreement with the EU, marking the beginning of a series of events that have had a significant impact on Europe’s geopolitical and economic development. The mass protests on Euromaidan and the outbreak of civil war, the annexation of Crimea by Russia, the self-proclamation of the Donetsk and Luhansk People’s Republics mark a stage of violent and economic opposition between the West and the Russian state. And while EU and NATO members describe the federation’s actions in the conflict as a gross violation of international law for undermining Ukraine’s sovereignty and territorial integrity, Russia sees itself as a saviour and unifier. As a result, there is a serious rift in relations between the European Union and the federation, identified at that time by some authors as the greatest systemic crisis in international relations since the end of the Cold War. The dialogue about strategic partnership between the EU and the federation has been frozen and a stage of “cold peace” marked by a process of imposing bilateral sanctions between them has been embarked upon. Their scope and depth is gradually expanding as a result of Russia’s growing interference in Ukrainian territory in that period.

By their nature, the sanctions in the period 2013-February 2022 were mainly related to trade, i.e. economic in nature, though they were also political and military-technological and visa-related. From a legal point of view, sanctions can be defined as actions taken by states on the proposal or at the request of international organisations (or regional organisations) directed against third countries in order to resolve a crisis situation. They aim to put pressure on a state or individuals to implement the resolutions of UN Security Council or the EU legal acts without the use of force (Rabohchiiska, 2019). Restrictive measures have a delayed, future-looking effect and are therefore usually with no immediate effect. Taking advantage of Russia’s economic dependence on the Union, the sanctions are aimed at curbing Russian economic activity and at reducing long-term growth prospects. This has both a direct and an indirect effect. The ban on the import and export of weapons and dual-use goods directly affects, for example, the federation’s defence industry. However, in the financial sector, the indirect effects of the measures have been felt. The sanctions restrict the provision of loans denominated in foreign currency, which leads to higher interest rates and exerts severe pressure on the exchange rate. As a result, the cost of capital increases and the amount of investment loans decreases (see Karolewski and Cross, 2017; Cross and Karolewski, 2017).

However, restrictive measures also have a negative effect on the European economy. On the one hand, they lead to unforeseen costs for Western financial firms, which have to give up revenues they would otherwise gain if Russia’s access to European capital markets and

investments in Russian capital or debt were facilitated. On the other hand, European banks and companies doing business with Russia are suffering from a slowdown in the Russian economy. In addition, sanctions affect not only the economies of the member states, but also correspond directly to foreign and security policies. Aiming to limit Russia's ability to destabilise European security, strategic sectors, trade and finance are the field in which the effects of sanctions are unfolding, both in the EU and in Russia.

Since August 2014, Russia has been responding to sanctions imposed by the EU. The Russian president's decrees restrict the import of agricultural products, raw materials and food from the EU. The actions taken are both protective (stabilising the Russian agricultural sector and stimulating local production) and limiting – leading to losses for European farmers and the European economy due to reduced production capacity, loss of markets and reduced foreign procurement.

Almost ten years after the imposition of restrictive measures, it is extremely difficult to give positive or negative assessments of their effect, especially after the beginning of the war in February 2022. It is difficult to fully separate the impact of sanctions from other factors (such as the sharp changes in oil and gas prices, the COVID 19 pandemic and its impact on world markets and the economy), but they undoubtedly lead to both strategic and economic instability on the continent. They mark the beginning of a geopolitical reformatting of the system, with two main actors the Russian Federation and the European Union, whose bilateral relations are changing from a “strategic partnership” to a “cold peace”.

Undoubtedly, the annexation of Crimea marks a turning point and a serious rupture in the Union's relations with the Russian Federation. This fundamental crisis in their relations has caused confusion and mistrust, which is strong in bilateral trade relations. As a result of these events, it is possible that the “cold peace” will become more permanent and drift away from the idea of developing a “strategic partnership”. An even more extreme form of development in bilateral relations is their transition to a phase of trade war or even armed conflict as a result of unforeseen geopolitical events, including the likelihood that Russia should continue to create frozen conflicts in its area of influence and intensify created such. Evidence that the federation continued to pursue such a foreign policy course in that period can be found in the following events:

Russia continued to support separatists in eastern Ukraine. In addition, at the end of 2021, the federation began to deploy its military forces along the border with the Ukrainian state. In December 2021, Russian Federation stopped gas supplies through Yamal-Europe.

As can be seen from the presented, the relations between the EU and Russia between 2013 and February 2022 entered a period of freezing. A policy of “cold” diplomatic relations was established, accompanied by periodic extensions of the sanctions imposed.

EU – one player or diversity of positions

Taking into account the events set out (until the war that began in February 2022), it is extremely impressive that at that period each of the member states of the Union strives to maintain in one form or another its own dialogue with the federation that reflects the traditions and interests in their relations. At certain moments this allows Russia to foment misunderstandings between European countries and to gain benefit from that. Back in 2007, in the study “A Power Audit of EU-Russia relations” Leonard and Popescu (2007) identified five separate policy approaches to the federation, which are relevant to the situation before the war that started at the beginning of 2022:

- “Trojan Horses” – Cyprus and Greece. Their behaviour is characterized by the protection of Russian interests, which is expressed in the veto on common European positions;
- “Strategic Partners” – France, Germany, Italy and Spain, which have an intensive trade policy with Russia as a result of which they tend to disregard the rules guiding some pan-European policies;
- “Friendly Pragmatists” – Austria, Belgium, Bulgaria, Finland, Hungary, Luxembourg, Malta, Portugal, Slovakia and Slovenia, maintain close contacts with Russia both politically and economically;
- “Frosty Pragmatists” – Czech Republic, Denmark, Estonia, Ireland, Latvia, the Netherlands, Romania, Sweden and the United Kingdom⁴, for which the leading role has only the economic interests;
- “New Cold Warriors” – Lithuania and Poland, which due to historically inherited conflicts have more distant relations with the Federation.

In fact, the approaches were two. The first one brings together member states that are willing to compromise and partially ignore certain European values and policies in order to improve and intensify their trade with the federation. For them, Russia is a potential partner, a large market and an energy supplier that should be an integral part of the EU's strategic plans. For this reason, they tend to make concessions with regard to the federation's aggressive foreign policy.

The second one covers countries that have a more conservative attitude towards the federation and do not agree to compromise. Due to historical burdens, some of these countries perceive Russia as a serious threat to their national security. In their view, Russian expansionism and disrespect for democracy must be resisted through a policy of “deterrence”.

A current example of the “clash” between the two approaches is the parallel course of the following events: the possible entry into operation of “Nord Stream 2” and the gathering of Russian troops along the border with Ukraine at the end of 2021 and beginning of 2022 (Leonard and Popescu, 2007).

⁴ Leonard and Popescu's study was published in 2007, when the United Kingdom was still EU Member State.

The construction of Nord Stream 2 was completed at the end of 2021, but has yet to be certified in order to become operational. This project would allow Russian's pipelines to bypass Ukraine's territory, depriving it of billions in revenue from transit fees. From the infrastructural point of view, the gas pipeline ends on the territory of Germany, which is why it is a serious investment with economic importance for the country. For this reason, the German state strives to strike a balance between interests (national and European), but is currently facing a serious dilemma. Aggression and violation of Ukraine's territorial integrity by Russia should lead to a freeze on the launch of the project (as a result of the EU's policy of restrictive measures). In practice, "Nord Stream 2" should be stopped if Ukraine is invaded, which will jeopardize Germany's economic interests but protect the EU's security. This was exactly the case after the beginning of the war in Ukraine in February 2022.

There is undoubtedly a need to ensure better coordination between the positions and objectives of the partnership with Russia with a view to formulating a common EU policy.

Conclusion

The annexation of Crimea marks a turning point in the European Union's relations with the Russian Federation. Almost ten years after these events there is an increasing persistence of the "cold peace" and a move away from the idea of developing a "strategic partnership". Rapid normalisation of relations is unlikely to happen, because Ukraine remains a key issue where rapid progress cannot be expected. After the outbreak of the war in February 2022 this normalization in the short term looks like an even more controversial issue. However, from a retrospective point of view, the development of the processes gives a clear signal that EU integration is only one factor and internal divisions within the EU are not a universal explanation for the EU's failure to anticipate and overcome the fundamental crisis in its "strategic partnership" with Russia. As shown after the start of the war, greater unity in the EU may have a significant impact on what Russia is doing to achieve in its geopolitical ambitions.

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As of February 2022, economic, trade and geopolitical relations between the Union and Russia are entering a new stage of development. Russia's military offensive against Ukraine puts these relations in the darkest part of the black and white spectrum, repositioning them from the stage of the "cold peace" (the grey, frozen reality in 2013-2022 period) to the real war. From a research point of view, it is difficult, even almost impossible, at present to make a real assessment of the economic consequences of the war. However, it is possible to highlight some major events and their reflection on the world economy and trade.

- In response to Russia's violent actions, the EU should take the following actions – introduce a SWIFT ban for certain Russian banks; impose restrictions on Russia's access the EU's capital and financial markets and services; impose a ban on transactions

with the Russian Central Bank; impose restrictive measures on an additional 160 individuals and others. All these measures will have direct or indirect impact for the time being, but also a delayed effect on the Federation's economy. Moreover, the withdrawal of major brands such as Ikea, Coca-Cola, Mercedes, Nike and others will bring about a greater closure of the Russian economy. All of the above will be the reason why foreign trade relations between the two countries should remain severely limited in the short term. From a trade-related point of view, both the EU and Russia are likely to redirect to different trading partners.

- In terms of the two approaches identified in section "EU – one player or diversity of positions" there is clear evidence that Member states are beginning to defend a common position in regard to Russia. There is unanimity in the actions expressed through the European institutions as well.

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