

How Bilateral, Regional and International Regimes Shape the Extent, Significance and Nature of Interdependencies

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How Bilateral, Regional and International Regimes Shape the Extent, Significance and Nature of Interdependencies

Rilka Dragneva, Laure Delcour, Marta Jaroszewicz, Szymon Kardaś, Carolina Ungureanu

Abstract

In discussing relations between post-Soviet countries, interdependence, and dependence on Russia in particular, is often portrayed as a natural inevitability. What this ignores, however, is that interdependence can be created and perpetuated by policy itself. It is the outcome of a political game where a range of interests is involved, resulting in a set of governance arrangements or regimes. Understanding this dynamic has important implications for the effectiveness of the European Union's engagement in the region.

This paper examines what regimes interdependence between Russia and its neighbours (Belarus, Moldova and Ukraine) are embedded in, but also how these arrangements affect interdependence in their own right. The focus here is on formal international agreements between these countries, but also on less institutionalized interactions and transactional dealings governing relations across four sectors of notable interdependence: trade, migration, energy and security. The sectoral analysis is based on a number of key theoretical propositions we formulate in the beginning of the paper about how the nature and characteristics of governing regimes affect interdependence or that is, the countries' sensitivity and vulnerability to Russia's actions as per Keohane and Nye's framework. Importantly, we examine regimes not in isolation but note that certain subject matters are often regulated by a set of overlapping bilateral, regional or international agreements. Similarly, we note that interdependence is affected by interactions between regimes across sectors, reflecting a propensity for issue linkage.

We find that, despite variations in nature and design, formal regimes developed post-USSR provide few constraints on Russia's unilateral actions and have thus served to perpetuate the neighbours' sensitivity. Overlaps with regional frameworks have been important particularly with regard to Belarus, but have produced similar effects. International regimes, such as the World Trade Organization and international arbitration, have the potential to induce a rule-based dynamics. However, the reduction of vulnerability is ultimately conditional on the progress of domestic reform. The implications for the European Union, which relies on sophisticated, rule-based regimes in marked contrast with Russia's reliance on weak and non-transparent arrangements, are many and deserve further exploration. They all, however, point to the argument that the European Union should offer not only rule-dense regimes to the Eastern partners, but frameworks offering actual policy alternatives and allowing the prioritization of key domestic reforms.

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1. Introduction

The strong asymmetric interdependence that links the post-Soviet countries to Russia has been one of the defining features of their political and economic development over the last two decades. The Ukraine crisis, however, brought into sharp relief the role of interdependence as a critical factor for regional integration in general and the integration of post-Soviet countries with the European Union (EU), in particular. For Russia, interdependence and historical connections, more generally, served to delineate a sphere of influence defined by the “...myriad of civilizational, spiritual links tying together our people”, “production, economic and other links, without which it is impossible to imagine our lives” (Putin 2011). Within this sphere, Russia’s integration plans were seen as having precedence over overlapping engagements with the EU. Against this background, the EU was accused of the myopic disregard of pre-existing connections, resulting in a forced and costly choice between the EU and close relations with Russia (Sakwa 2014). Interdependence was seen as a bar, or at least a critical limit, to the EU’s engagement with countries in the region.

This discussion, however, often betrays the assumption that interdependencies are a natural and stable inevitability, a power reality to be ignored at one’s own peril. What it obscures is that interdependence is a “situation partially created by policy itself” (Keohane and Nye 2012: 6). It is the outcome of a political game where a range of interests is involved, resulting in a set of governance arrangements. Such arrangements are critical in defining the nature and pattern of interdependencies, including the shifts they may undergo. This importance can be expected to be even more pronounced in the post-Soviet context where interdependence, unlike processes in other parts of the world, has been negotiated in the ‘awkward space’ between the previously integrated, but now defunct economic system and the disintegrative effects of Soviet dissolution (Weber 1996: 322). In the aftermath of this dissolution, interdependence is fashioned by the way relations between the newly independent states have been structured, revealing complex dynamics that the ‘natural inevitability’ assumption obscures.

This paper sets out to examine what governance arrangements interdependencies between Russia and its neighbours are embedded in and how such arrangements have affected those interdependencies in their own right. Firstly, the paper analyses the role of arrangements resulting in formal international agreements, but also other less institutionalized interactions and transactional relations established between the post-Soviet states since the early 1990s. In doing so, we rely on the broad concept of international regimes, defined in Krasner’s terms as “the implicit or explicit principles, norms, rules and decision-making procedures around which actors’ expectations converge in a given area of international relations” (1982: 185). We examine the regimes established between Russia and three of its neighbours, Belarus, Moldova and Ukraine. These countries demonstrate important variations in terms of the depth and structure of their engagement with Russia bilaterally but also in terms of their participation in the regional regimes led by Moscow. Secondly, we recognise the multiplicity of governance arrangements relevant to interdependence. Countries participate in a variety of governance frameworks: bilateral, regional or global. Some of those are initiated by Russia, others are concluded without its participation. The proliferation of such arrangements creates dynamics, which has remained under-researched or, particularly in the case of regimes involving the EU, has been discussed primarily through the prism of geopolitical rivalry.

We begin this analysis by developing a conceptual approach to examine the link between regimes and interdependence. We then apply it in relation to four sectors, trade, energy, migration and security, where

interdependence with Russia has been pronounced (Delcour and Całus 2017; Iwański et al. 2017; Kłysiński et al. 2017). These sectors offer some variations in terms of patterns of interdependence, but particularly in relation to the types of governing regimes, including the presence of regional and international frameworks. Finally, we draw conclusions about the extent to which regimes shape the pattern of interdependencies and, particularly, what this means for the limits or effectiveness of EU's engagement in the region.

2. Regimes and Interdependencies

Interdependence has been found to represent a strong (even if varied) constraint on the effectiveness of the EU's transformative influence in the region (Dimitrova and Dragneva 2009; Ademmer 2015). While such studies have highlighted the role of regimes and policies for interdependence, they have not specifically unpacked this relationship, nor explored the utility of the overlaps between bilateral, regional or global frameworks.

In discussing interdependence, we depart from the conceptual framework developed by Keohane and Nye with reference to the costly reciprocal (even if not symmetric) effects among countries, resulting from the transactions between them (2012: 7-8). In this framework, the issue of the cost of effects is fundamental to understand the exercise of political bargaining and power in relation to it. Two types of costly effects are distinguished by the authors, highlighting two dimensions of interdependence. The first type, sensitivity, captures the effects imposed on a country from the outside expressed in the volume of flows but also the ease with which changes in those flows are translated into costs. Crucially, these effects are linked to existing policies without changing them, reflecting to "the degree of responsiveness within a policy framework" (Ibid.: 10). The second type, vulnerability, highlights the costs of adjustment in response to external events. It captures the costs of making effective changes over time, including the political willingness to bear them (Ibid.: 11).

International regimes affect both types of costs in important ways, with consequences for the overall pattern of interdependence. The understanding of this relationship is advanced by drawing on studies of the nature and design of international regimes. While this is a vast literature, the interest here is on the consequences of the institutional features of regimes, rather than their causes. In this sense, we do not engage with discussions on the role of power asymmetry in designing regimes. We argue that there are several key characteristics of international regimes with particular importance for the extent of a country's sensitivity and vulnerability, which allows us to develop a set of propositions about this relationship.

First, the scope and depth of international cooperation envisaged under a regime impacts directly on the sensitivity to external action. Extensive regimes granting free and unrestricted access to goods or people, for example, open the possibility for large volumes of flows. The interruption of these flows would result in potentially costly effects. At the same time, regimes with a narrow or shallow scope might also affect sensitivity in conditions of extreme market concentration. Similarly, the very lack of certainty as to scope of regimes can be expected to have important effects.

Second, the degree of bindingness of the regime can affect the ease and propensity for interruptions of flows. Binding regimes provide a strong set of disciplines to support compliance with existing obligations and prevent disruptions caused by arbitrary and discriminatory action, thus will generally reduce sensitivity. Similar effects

will be derived from the presence of coordination bodies where grievances can be raised on a timely basis and resolved in a satisfactory manner, or where disputes can be lodged and commitments enforced. Weak or 'soft', non-binding regimes might offer informal ways of dealing with these issues, which can be beneficial especially under certain conditions (Abbott and Snidal 2000). Yet, they will also generally lack predictability in process or outcome and will give greater prominence to asymmetries of bargaining power.

Third, of further importance will be any dynamic elements of the regime. The presence of a mechanism to develop a regime and the ease of negotiation of any adjustments to it will affect the costs of policy change and, thus, a country's vulnerability.

Fourth, what also matters is the exclusivity of a regime. Exclusivity can be achieved by triggering formal provisions or clauses which will prevent a country from pursuing alternative policy options to reduce its vulnerability. At the same time, even in the absence of such clauses, a weak or minimal regime may empower a stronger party to enhance the cost of reorientation by applying penalties, thus critically affecting the cost-benefit calculations of domestic actors.

We posit that the overlap of several regimes – bilateral, regional or global – can affect any of these features. We define 'overlap' in general terms as the existence of several arrangements dealing with the same subject matter. In law, the co-existence of international agreements requires an analysis of the substance and scope of norms to establish when they complement, reproduce or conflict each other (Aust 2000; Pauwelyn 2003). Yet, overlapping regimes can be very poorly institutionalized or be highly non-transparent. Here it suffices to point out that the effects of overlaps are not uniform and can be seen to amplify or diminish a country's interdependence. For example, overlaps of regimes involving the same parties may widen the scope of cooperation. They can provide for additional mechanisms and disciplines to uphold commitments and constrain arbitrary actions, thus reducing a country's sensitivity. Many countries, if not precluded by jurisdictional exclusivity clauses, can use the World Trade Organization (WTO) dispute resolution process in addition or in place of those established under regional trade agreements. A symbolic or minimal regional regime may make little difference to the bilateral arrangements or do little to constrain underlying power asymmetries. Importantly, overlaps can provide policy alternatives with implications for reducing a country's vulnerability. In this sense, the presence of several regimes allows elites to develop new policy options. Pursuing such options will depend on what those regimes provide, but also on the incentive structures around them. Similarly, they may have an important signalling or symbolic significance with the potential to increase negotiating leverage.

Finally, we posit that in the post-Soviet context, it is important to understand not only the nature of individual regimes and their overlaps with other agreements dealing with the same subject matter. In addition to these overlaps, interdependence is critically affected by the interactions between regimes dealing with different subject matters, particularly across sectors. Such 'horizontal overlaps' reflect the propensity for issue linkage in obtaining leverage, which can significantly affect the sensitivity and vulnerability of countries in the region (Ademmer 2015). Indeed, Russia has shown a high propensity for tactical use of sensitivities in one sector to affect the policy responses available to its partners in another sector (Delcour and Całus 2017; Iwański et al. 2017; Kłysiński et al. 2017), making issue linkage and cross-conditionality a prominent tool in its strategy towards its neighbours (Jonavicius et al. 2018).

In the sections below we examine what kind of regimes interdependencies in the areas of trade, energy, migration and security are embedded in, what kind of overlaps between them can be observed, and how have these regimes been used to deal with the countries' sensitivity and vulnerability over time.

3. Trade

As with other sectors, historical legacies are important to understanding trade interdependencies in the post-Soviet space. Soviet central planning was key for the allocation of production facilities and infrastructure between the different republics, creating a deep structural dependence on Russia. The break-up of the USSR represented an extreme shock to the status quo, leading to a dramatic collapse in trade (Van Selm 1997; Brill Olcott et al. 1999). Unsurprisingly, some of the early measures adopted within the newly established Commonwealth of Independent States (CIS) at the end of 1991 aimed at restoring the flow of deliveries, allocated under the Soviet administrative system. As pre-existing supply networks were revived, mutual trade bounced back by the mid-1990s (Elborgh-Woytek 2003; World Bank 2004a, b).

Over the next two decades, however, the inherited patterns began to change with Russia's share as a trading partner experiencing a steady decline, despite the relative differences in starting position and variations in trajectory experienced by Belarus, Moldova and Ukraine (Delcour and Całus 2017; Iwański et al. 2017; Kłysiński et al. 2017).¹ Trade decline is most clearly observed at certain key junctures, or crisis points, associated with the countries' high sensitivity to market shocks, such as the 1998 and 2009 economic and financial crisis,² affecting the conditions of Russia's markets, but also to its protectionist policies. The weak regimes governing trade post-1991, particularly the Free Trade Agreements (FTAs) concluded in 1992 and 1993,³ have enhanced this sensitivity. It has also been exacerbated by the difficulties in changing the governing regimes in an attempt to provide greater constraints on Russia's behaviour. For Moldova and Ukraine, this was not possible until 2011 when a multilateral FTA was concluded. Nonetheless, its disciplining effects have been minimal, if not absent. The participation in Russia's regional integration plans, most recently the Eurasian Economic Union, has been of some benefit to Belarus. Its relations with Russia have been, at least in formal terms, more ambitious, more robustly institutionalized and subjected to a multilateral dynamics. Yet, due to the nature of the Eurasian project, the overlap between bilateral and regional dealings has delivered limited results. Countries have sought to reduce their vulnerability to Russia in various ways, including by pursuing trade reorientation as a policy alternative. This process, however, has been slower and more difficult than expected (World Bank 2004a, b). We examine these effects in greater detail below by focusing on the different regimes governing relations with Russia.

¹ It should be noted that this decline has been steeper in terms of export than in import, reflecting a strong dependence on Russia's energy supplies, especially in the case of Belarus.

² In the two years following the 1998 crisis, for example, Moldova's exports to Russia experienced a 60 % decline (World Bank 2004b). Similarly, all CIS countries were particularly strongly affected by the 2008-09 crisis. Notably Russia's trade with the CIS declined by a similar amount as that trade with the rest of the world, despite the existence of preferential trade agreements (Shelburne 2010).

³ Russia concluded an FTA with Belarus on 13 November 1992, with Moldova on 9 February 1993 and with Ukraine on 24 June 1993.

3.1. Moldova and Ukraine: Weak bilateral regimes and limited utility of regional and global frameworks

The bilateral FTAs concluded between Russia, on the one hand, and Moldova and Ukraine, on the other, were basic and minimalistic agreements in terms of their scope (product coverage), but also the certainty of access they afforded within that scope. They allowed for certain commodities to be exempted from the free trade regime and traded on a most-favoured nation (MFN) basis. The lists of such exemptions were to be negotiated on an annual basis in special protocols, representing an inseparable part of the agreements. While in 1996 as much as 40 % of Russia's trade with the CIS was reported as being outside the free trade regime (Roberts and Wehrheim 2001), the percentage of exempted goods diminished by 2000-01 (Freinkman et al. 2004). Nonetheless, they continued to apply to a selected number of 'sensitive' goods, primarily food and agricultural products.⁴ Their significance was particularly high given the large share of agro-foods in bilateral trade⁵ and Russia's dominant position in these export markets.⁶ Thus, by definition the regime required continuous renegotiation, which led to high uncertainty in the market access of key products.⁷

The bilateral FTAs were also weak in putting in place a rule-based framework to constrain or remedy unilateral and arbitrary actions. This was because of the poorly defined conditions for the application of contingent protection measures (temporary protection, antidumping and safeguard measures) as well as the use of various other regulatory barriers, including customs or taxation requirements (Dragneva and de Kort 2007). As a result, there was a large scope for unilateral discretion and interpretation. Importantly, there was little that the aggrieved party could do to request the removal of arbitrary restrictions. The bilateral FTAs did not provide any rule-based disciplines or procedures to bring compliance or a special mechanism for resolving disputes other than diplomatic negotiations.

At the same time, there was no effective regional or international judicial forum before which to bring a trade dispute. While the CIS had its own court, the Economic Court of the CIS, it never became a viable forum for resolving disputes between states (Dragneva 2018). Wishing to limit its participation in the CIS, Ukraine never signed the Court's statute, thus remaining outside of its general jurisdiction. Moldova joined the Court, yet it never submitted any complaints before it, ultimately denouncing its participation in 2009. Given that Russia became a member of the WTO only in August 2012, the WTO's dispute settlement body was not an available forum either.⁸

Thus, the sensitivity to any interruptions of trade flows by Russia was exacerbated by the nature of the governing regime. 'Trade wars' became a permanent feature of Russia-Ukraine dealings, but also the defining impediment

⁴ In Russia-Ukraine trade, for example, such commodities were sugar, confectionary, bakery, alcohol, cigars and tobacco. In addition, there was a list of conditional exemptions based on the existence of export duty in the country of origin. In 2004, Russia applied export tariffs on oil, selected petroleum products and organic chemicals; Ukraine – no livestock, oilseeds, sugar, alcohol, tobacco and animal skins (World Bank 2004a: 40).

⁵ This is particularly relevant to Russia-Moldova trade, where food products accounted for 70 to 80 % of trade in all products in the period 1998-2005 (World Bank, World Integrated Trade Solution data-basis).

⁶ Food exports to Russia accounted for nearly 67 % of Ukraine's world food exports in 1998. This figure was even higher for Moldova – 76 % (World Bank 2004 a, b).

⁷ For example, the measures applying to alcohol and soft beverages, accounting for about 74 % of Ukraine's export market, were subject to constant revisions in the late 1990s (Szeptycki 2008), affecting not only trade with Russia but transit to Central Asia as well (Roberts and Wehrheim 2001).

⁸ Moldova became a member as of 26 July 2001 and Ukraine as of 16 May 2008.

in CIS trade (Freinkman et al. 2004; UNECE 2005). As other nations, Russia used trade measures as a protection device at times of economic down-turn, such as the aftermath of the 1998 financial crisis (Roberts and Wehrheim 2001). Yet, the lack of rule-based constraints helped Moscow to perfect the art of applying them as a pressure tool for the achievement of political objectives (Jonavicius et al. 2018). Firstly, the imposition or removal of trade penalties became Russia's favourite mechanism to support its regional integration-building strategy. In the case of Ukraine, such measures were aligned with Russia's key integration initiatives, often serving as a reminder of the cost of rejecting integration on Russia's terms (Dragneva and Wolczuk 2015). For example, in 1997-98, having refused to join Russia's 1995 Customs Union initiative, Ukraine experienced a dramatic slump in trade volumes after Russian President Boris Yeltsin imposed a 20 % value-added tax (VAT) on all goods imported from Ukraine (Smolansky 1999), which reflected on the decline of trade volumes. Steel pipes became another favourite battle ground through most of the 2000s, with restrictions affecting key business interests with direct access to political power (World Bank 2004a; Szeptycki 2008). Secondly, trade measures served Russia's security interests. Trade disputes were used to affect the negotiations on Russia's Black Sea Fleet in Ukraine in the late 1990s (Szeptycki 2008). In Moldova, this was most dramatically demonstrated with the 2006 wine import ban, which given the highly concentrated structure of trade, led to a 40 % reduction of its export share and the lowest volume of trade between the two countries for the whole of the post-Soviet period. While the ban was introduced on public health grounds, the measure was openly connected to Moldova's policy in Transnistria and its governments' generally perceived 'unfriendly' position (Pravda 2005).

Despite the gravity of impact, the poorly institutionalized regime meant that the remedies Moldova and Ukraine could use were limited. Unsurprisingly, retaliatory measures abounded, particularly in the case of Ukraine (World Bank 2004a). Retaliation, however, resulted in a cycle of escalation with no quick resolution. Furthermore, given the strong economic asymmetries, the ability to hurt Russia was limited. Being an important transit country for Russia's gas to Europe, Ukraine held more leverage in this respect than Moldova. Nonetheless, Chişinău also sought to obtain leverage by using its early WTO membership: in a bid to assert pressure on Moscow, Moldova was one of the last countries to sign bilateral market access protocols with Russia in enabling its accession to the WTO (Aslund 2006). It did that at the end of 2006, one of its principal conditions being the removal of the wine import ban (Sputnik 2006). Given the political priority attributed to WTO membership by the Russia leadership at the time, the strategy worked, yet it offered a limited 'window of opportunity'. Most importantly, in light of Russia's instrumental use of trade penalties, both countries sought to maximize their options by careful positioning with regard to Russia's political conditions, especially with regard to regional integration, as will be discussed below.

The countries' dependence on Russia was further reinforced by the difficulties in changing the existing governing regime. Given the high sensitivity to Russia's trade policy and domestic market conditions, demands for change, particularly the removal of exemptions and stronger constraints on the arbitrary use of trade penalties, were regularly made in bilateral and regional formats.

Ukraine pursued trade demands in the context of all its bilateral dealings with Russia. Between 1995 and 2005, for example, five bilateral agreements dealt with the issue of market access, including advanced (but failed) negotiations on a new FTA in 2001-02 (Szeptycki 2008). Similarly, both Moldova and Ukraine showed consistent interest in post-Soviet integration initiatives in the area of free trade in the hope that the multilateral format will deliver the desired changes. They signed and ratified the multilateral free trade accords negotiated within the

CIS framework in 1994 and 1999, which provided some improvements to the regime (Dragneva and de Kort 2007). Yet, none of these efforts succeeded in changing the existing regime. Notably, Russia never ratified the multilateral agreements, proving the limited effectiveness of collective action given the extreme regional asymmetries. For Moscow, the cost of granting free trade was only acceptable if it was offset by influence, including the achievement of its geopolitical priorities. Thus, the promise of an improved regime was a 'carrot' in its effort to 'win' members, and Ukraine in particular, for its regional integration projects. Kyiv, however, was consistent in avoiding an open-ended commitment, putting a high price on its independence. For most of the early 2000s, it perfected a 'cat and mouse' game of promising close cooperation to derive specific economic benefits, while including a range of caveats to maintain its distance (Dragneva and Wolczuk 2015). The strategy delivered the desired short-term benefits, yet did not succeed in changing the framework for their provision, thus reinforcing the uncertainty of trade flows and perpetuating the countries' dependence on Russia.

In 2011, there was another impulse to negotiate a regional free trade agreement. For Russia, which had already made advances in promoting Eurasian integration and building the Customs Union between Russia, Kazakhstan and Belarus as the new core of the post-Soviet space (Putin 2011), this was an opportunity to create an 'outer ring' of partners and stake its perimeter of influence. This was a pertinent priority given the perceived problematic expansion of the EU's Eastern Partnership (EaP) (Zagorsky 2011) and the progressing negotiations on an Association Agreement (AA) with the EU, including the creation of a Deep and Comprehensive Free Trade Area (DCFTA). For Russia's neighbours, this was a new opportunity to secure predictable market access embedded in a transparent, WTO-consistent regime.⁹

As before, however, changing the regime to grant predictable free trade concessions was Russia's privilege. As the developments in the autumn of 2011 show, Russia adroitly used the 'lows' in the negotiation process between Ukraine and the EU to commit to an agreement in the further hope that this will dissuade Ukraine from its European course (Dragneva and Wolczuk 2015). Its consent was safeguarded by a special clause (Annex 6), giving it the asymmetric right to withdraw from free trade in case of actual or perceived harm. Furthermore, the preconditions for exercising this right were poorly defined, allowing for self-serving interpretations (Movchan and Giucci 2012). The 2011 FTA provided for improved dispute resolution procedures,¹⁰ but there was no clarity as to how the 'self-help' right under Annex 6 will relate to such procedures.

Ultimately, the ensuing crisis around the signing of the AA by Ukraine, Moldova and Georgia confirmed that the 2011 FTA did not provide the desired rule-based constraints on Russia's unilateral actions.¹¹ As documented elsewhere, Moscow applied a range of targeted punitive measures (Cenusa et al. 2014), resulting in a severe decline in trade volumes (WTO 2015, 2016). Russia expressed a number of concerns related to the potential effects of the DCFTAs with the EU, alleging harm and threatening the introduction of MFN tariffs as per Annex 6.

⁹ The 2011 FTA promised, for example, a reduced number of exemptions on imports, freeze on export duties and the start of their gradual removal after a 6-month period, a commitment not use trade protection measures subject to the WTO framework, and an overall commitment to the removal of non-tariff barriers.

¹⁰ The agreement provided for a dispute to be brought before the Economic Court of the CIS or a specially constituted panel.

¹¹ With regard to Russia and Ukraine the CIS FTA entered into force on 20 September 2012 and with regard to Moldova on 9 December 2012.

Its justification of harm, however, remained strongly contested by Ukraine.¹² Notably, the dispute resolution provisions under the 2011 FTA were not activated, nor was the CIS regional framework of any assistance.

As far as Ukraine was concerned, the dispute moved entirely to the platform of negotiating with the EU's participation, underscoring the geopolitical significance of Russia's actions and the use of Annex 6 to assert the exclusivity of its regime. As the trilateral talks between Russia, the EU and Ukraine collapsed in the late 2015 and the DCFTA's start of provisional application approached, Moscow moved to suspend the effect of the 2011 FTA with regard to Ukraine,¹³ as well as add Ukraine to the list of countries subject to import bans on a range of agricultural products and raw materials. Thus, as far as Ukraine is concerned, the trade regime with Russia has currently collapsed, leaving Ukraine with limited options to challenge Russia's measures only by relying on ad hoc bilateral negotiations and the WTO framework. Ukraine has started to use this framework,¹⁴ yet the effectiveness of the WTO route in this context is still to be evaluated.

The difference in Moldova's position compared to Ukraine is notable. In expectation of the provisional application of DCFTA as of 1 September 2014, Russia introduced import tariffs with regard to a number of agricultural commodities, citing Annex 6.¹⁵ It did not, however, resort to a wholesale suspension of the 2011 FTA. Furthermore, the lifting of those restrictions became an instrument in the overtures to attract Moldova to the Eurasian Economic Union (EAEU), played out particularly clearly in the context of Igor Dodon's election to the Presidency.

On balance, the framework of relations that came to replace the Soviet administrative system of deliveries perpetuated the vulnerability of Russia's partners to its unilateral actions. The costs of this dependence given the high unpredictability of market access was realized by domestic elites, adding to their motivation to diversify trade. Given the historical factors and endowments, including strong product and geographical concentration, trade reorientation in the region was bound to be difficult (Elborgh-Woytek 2003; World Bank 2004a, b). Yet, important changes in the product structure of exports as well as their geographical direction have taken place. For example, in the case of Ukraine, iron and steel export volumes and values declined, particularly since 2012, with agricultural products now occupying first place in Ukraine's exports (oilseeds, grains and poultry) (WTO 2016). Similarly, there has been a visible increase of exports away from the Russian market towards the EU and Asia.¹⁶ On the one hand, this process has been driven by seeking to reduce sensitivity to Russia. On the other hand, the reorientation has been relatively slow and limited relative to what economic models and country comparisons may have predicted (World Bank 2004 a, b).

¹² Ukraine argued, for example, that given the consistent decline in Ukraine's exports to Russia, the requirement of Annex 6, namely the harmful increase of trade volumes had not materialized (Statement by Ukraine to the Decision of the CIS Heads of State of Government on the progress in realizing the Free Trade Agreement of 18 October 2011).

¹³ Decree of the President of the Russian Federation No 628 of 16 December 2015. Incidentally, Russia did not cite Annex 6, but relied on arguments of economic security and change of fundamental circumstances with reference to the 1969 Vienna Convention on the Law of International Treaties.

¹⁴ To date Ukraine has challenged three of Russia's measures before the WTO: on measures affecting the import of railway equipment (initiated 21 October 2015), on measures concerning transit of Ukrainian goods (initiated 14 September 2016) and on the importation and transit of certain beverages, confectionary, and wallpaper (initiated on 13 October 2017). In addition, it has joined as a third party three of EU's actions against Russia.

¹⁵ Decree of the Government of the RF No.736 of 31 July 2014.

¹⁶ China's share of Ukraine's exports increased from 0.8 % in 2008 to 5.0 % in 2014 (WTO 2016).

One of the key factors in accounting for this trend relates to the extent to which the EU has developed its relations with Moldova and Ukraine, particularly in relation to market access. Certainly, it has been argued that the EU has been less protectionist with regard to the CEEs than the CIS, particularly with regard to key sectors and commodities (Aslund and Warner 2003). Yet, others have argued that, regardless of EU's policies, slow reorientation is critically rooted in domestic factors, reflected in the difficulties to utilizing the privileges already granted (World Bank 2004b). In the case of Moldova, for example, while including Moldovan wine in the EU's GSPs would have made a significant difference, it is estimated that the increase of the EU's share of imports would still have been half of what may be predicted under gravity models. Concluding the DCFTA with Moldova and Ukraine and the application of Autonomous Trade Preferences (ATP) have contributed to a significantly improved market access, yet, taking advantage of this access continues to be a problem. Thus, reducing vulnerability to Russia remains premised on the ability to undertake the costs of domestic reform and internalise the costs imposed from Russia's punitive actions.

3.2. Belarus: the benefits of regional integration frameworks

As Moldova and Ukraine, Belarus concluded a minimalist FTA with Russia, which contained a number of exemptions (Freinkman et al. 2004). Unlike them, however, Belarus was a keen participant in Russia's regional integration initiatives, which resulted in the elimination of tariffs and simplified customs controls.¹⁷ Starting in 1995, Belarus joined Russia's initiative to set up a customs union,¹⁸ which was upgraded to a fully-fledged international organization in 2000, the Eurasian Economic Community. Parallel to this process, a series of bilateral agreements with Russia led to the establishment of a Union State, which also entailed the existence of an economic union (Kembayev 2009). Belarus was also a founding member of the revamped Customs Union with Russia and Kazakhstan in 2010, which ultimately evolved into the EAEU in 2015. The framework of the EAEU promised improved and deep market access, facilitated not just by internal tariff-free trade but also by an extensive agenda to remove non-tariff barriers and engage in regulatory harmonization. Thus, Minsk has consistently enjoyed a close and privileged relation embedded in a set of enhanced bilateral and multilateral formats. This relationship has underscored Belarus's dependence on Russia in several fundamental ways.

Notably, despite the deeper institutionalization of cooperation, the regional framework has provided limited relief in preventing the instrumental imposition of trade barriers, thus enhancing the sensitivity to Russia's actions. As with Ukraine and Moldova, such actions have targeted 'sensitive' goods with strong product and geographic concentration of exports. For example, bilateral relations have suffered from high profile 'meat and milk wars', flaring up in 2009, 2013, the late 2014 and continuing into the spring of 2018. Such restrictions have invoked breach of sanitary and phyto-sanitary requirements, hence have not openly violated the formal rules of the EAEU. The Belarusian side, however, has consistently perceived such measures to be discriminatory and politically motivated, demanding alignment with particular Russian policies and interests and working against the spirit of integration (Melikishvili 2009; Ioffe 2014).

¹⁷ Border controls were removed in June 1995, but reinstated on a number of occasions to deal with various problematic circumstances (Rontoyanni 2000).

¹⁸ Belarus signed an Agreement on the Customs Union with Russia on 6 January 1995, which was joined by Kazakhstan, Kyrgyzstan and Tajikistan. The cooperation framework was upgraded in 1996 and 1999, expanding its objectives to the creation of a single economic space and envisaging a number of coordinating bodies.

In dealing with these problems, Belarus has sought to use the multilateral institutions of integration to resolve disputes. The formal design of these institutions, however, has failed to provide an effective constraint on Russia's behaviour (Dragneva 2016, 2018). The decision-making procedures of the EAEU and the Customs Union are strongly intergovernmental, ensuring that no country can be bound against its consent. Similarly, the disciplining powers of the permanent regulator of integration, the Eurasian Economic Commission, are weak, whereby it cannot enforce members' obligations even if it establishes non-compliance (Dragneva and Wolczuk 2017). Finally, even if Belarus has been an enthusiastic member of the Economic Court of the CIS and the Court of the EAEU after it, neither of these institutions established themselves as effective fora for inter-state disputes. Indeed, in the only occasion when Belarus submitted a case against Russia in 2011, the Courts' involvement served as a bargaining strategy to bring Russia to the negotiating table.

Contrary to expectations, the multilateral format has done little to bring a predictable common market or change the underlying dynamics of high level, bilateral bargaining between Russia and Belarus (Dragneva et al. 2017). The key additional remedy it has provided Belarusian President Alexander Lukashenka is the possibility to obstruct Russia's initiatives at the multilateral level. For example, Lukashenka threatened to abstain from signing the Customs Code of the Customs Union in 2010 and the Treaty on the Eurasian Union in April 2014. Similarly, he has resorted to boycotting high profile summits.¹⁹ While these measures offer good publicity opportunities, in fact they only reinforce the bilateral hub-and-spoke pattern of dealings with Russia. Given the importance of regional integration for Russia's geopolitical strategy, Lukashenka's ultimatum strategy has delivered some results, yet has not eliminated the fundamental uncertainty in trade relations and their dependence on Lukashenka's loyalty.

Thus, in the case of Belarus, the multilateral structures have provided some short-term relief opportunities, but have ultimately perpetuated Belarus's dependence on Russia and on an interpersonal, transactional mode of negotiating with it. The alliance granted the leadership of Belarus the economic support it needed in exchange for allegiance to Russia's interests (Frear 2013). The opportunistic logic of cooperation sustained the deep dependence of Belarus on access to the Russian market, despite its low competitiveness (Mazol 2012). The limited utility of the EAEU in reducing the sensitivity to Russia has given impetus to seek trade diversification. Yet, in so far as the EAEU integration dynamics caters for the survival of the political regime, Belarus has very little incentives to engage in the domestic reform that will help reduce its vulnerability to Russia by reorienting trade (Dragneva et al. 2017).

This powerful political economy constraint only reinforces the legal limitations to engaging with other partners in areas such as trade, where competences have been transferred to the EAEU. In this context, membership in the EAEU represents a formal limit to its ability to implement unilateral changes to its trade regime. While Russia has implemented such changes in the context of its sanctions policy, this has been possible by virtue of its dominant position within the organization. Unlike Russia, Belarus's ability to depart from the regime at will is limited. Any modifications need to be negotiated between the EAEU as a whole and other external actors, which gives Russia an important gate-keeping role (Dragneva and Wolczuk 2017).

¹⁹ In 2009, for example, following the milk ban, Lukashenka boycotted a summit of the Collective Security Treaty Organization. Similarly, in December 2014, he did not attend the summit at which the new Customs Code was to be adopted.

4. Migration

In the post-Soviet space, where borders are recent and porous, migration flows have remained spontaneous (Genov and Savvidis 2011: 7) and largely unregulated. Migration flows have mostly been driven by regional interdependencies inherited from the common Soviet past. Most post-Soviet countries (including the three EaP countries examined in this paper) still face high migration interdependencies with Russia. While these are difficult to measure in the case of Belarus, Russia is a major destination for Belarusian temporary labour migrants; at the same time, highly qualified individuals increasingly migrate to the EU, a process which is fuelled by the simplified citizenship procedures set up by some EU member states, e.g. Poland (Iwański et al. 2017). While still important, Moldova's and especially Ukraine's migration interdependencies with Russia are declining. The number of Ukrainian migrants in Russia shrunk by 43.2 % between 2010 and 2012 and is now outweighed by migration flows to the EU (which hosts 602,500 Ukrainian migrants, as compared to 511,000 in Russia, Kłysiński et al. 2017). Russia is still the primary destination country for seasonal migration from Moldova and, according to Moldovan official statistics, hosts 195,500 Moldovan migrants, as compared to 91,500 in the EU; however, migrants to the EU (who are overall better qualified) stay there longer (Delcour and Całus 2017).

In contrast to the early 1990s, Belarus, Moldova and Ukraine now sharply differ in terms of the regimes in which migrations are embedded. This is because of the emergence of new bilateral and regional arrangements which, in turn, bear disparate effects on migration interdependencies.

Belarus' participation in strongly institutionalized, Russia-driven regimes has protected the country from Russia's opportunistic use of migration interdependencies, especially its deployment in an issue-linkage context (as was the case for Moldova; Delcour and Całus 2017). Yet, perhaps paradoxically, this only contributes to perpetuating migration interdependencies with Russia, thereby increasing Belarus' vulnerability to Russia's policies in the absence of any other international regime that would pave the way for alternative destinations for labour migration. By contrast, the lack of any regime that would impose constraints on Russia has increased Moscow's leverage and thereby exposed Moldova and Ukraine to harsher Russian policies. However, these have so far led the Moldovan and Ukrainian authorities to explore alternative policy options for migration, thereby decreasing their vulnerability to Russia's actions.

4.1. Strongly institutionalized regimes and lingering migration interdependencies: the case of Belarus

In contrast to other EaP countries, in the case of Belarus the possibility of labour migration to other CIS countries (first and foremost, Russia) is strongly embedded in bilateral and regional regimes. As a result of these, citizens from Belarus have long been able to freely work in the Russian Federation. Free movement of labour with Russia did not result from the creation of the EAEU. It was initiated much earlier, in the framework of a bilateral regime. In 1998, the Commonwealth of Belarus and Russia granted equal rights to employment, remuneration and other social guarantees (e.g. working time) to citizens from both countries; it also provided for the mutual recognition of professional experience gained on the territory of the other party (Decision of the Supreme Council of the Commonwealth of Belarus and Russia of June 22, 1996 No. 4 "On equal rights of citizens to employment, remuneration and other social and labour guarantees"; bilateral agreement "On Equal Rights", signed in December 1998, quoted in Bakhur 2013). The successive regional arrangements of the Eurasian integration process in which Belarus took part also provided for the free movement of labour, even if less extensively than

the bilateral regime set up between Russia and Belarus. In November 2010, as part of the Common Economic Space Belarus signed the Agreement on the Legal Status of Migrant Workers and Members of their Families, which eliminates quotas for labour migrants, enables Belarusian citizens to work without a permit on the territory of other member states, extends the deadline for registration with local authorities, and provides access to social welfare for labour migrants. The perpetuation of these measures in the framework of the EAEU did not provide additional benefits for Belarus, given the limited number of Belarusian labour migrants in EAEU countries other than Russia. Therefore, the bilateral agreement in force since 1998 remains pivotal for Belarus, in light of the extensive rights granted to labour migrants working in the Russian Federation. Combined with the lack of travel and language barriers, it makes Russia an attractive destination for Belarusian labour migrants.

However, assessing the implications of this specific regime on migration interdependencies between Belarus and Russia is a particularly challenging task. This is due to the lack of reliable Belarusian statistics on outbound migration. Given that many Belarusian citizens do not inform the authorities about either their departure or changes in their statuses once abroad, their movements are not recorded in official statistics (Yeliseyeu 2012: 2). In addition, official statistics only count those labour migrants who sign official work contracts through labour agencies, while in fact the majority of migrants obtain jobs through different channels and do not report to the authorities (*ibid.*). Therefore, the number of Belarusian labour migrants as reported by official Belarusian statistics is extremely limited (3,212 in 2010, *ibid.*) and clearly underestimated. Yet data from other sources varies substantially, ranging between 170,000 (also for 2010; Iontsev 2012: 18) and 500,000-700,000 (Iwański et al. 2017). Despite the lack of reliable statistics, it is estimated that the Russian labour market accounts for a major share (approximately 90 %) of Belarusian labour migrants (*ibid.*). This suggests that regional and especially bilateral regimes in which labour migrations are embedded have contributed to maintaining strong migration flows between Belarus and Russia.

While over the past 25 years Belarus has strongly supported the creation of common labour markets in the CIS, it has not sought to conclude agreements outside the CIS (Bakhtur 2013).²⁰ In this context, even if not directly connected to labour migration the negotiations conducted with the EU since early 2014 for visa facilitation and readmission agreements were unprecedented. While they are yet to be finalised,²¹ the negotiations pave the way for greater mobility between the EU and Belarus, especially if the latter is to benefit subsequently from a visa liberalization process (the next stage in the EU's visa policy vis-à-vis Eastern neighbours). In fact, short-term mobility toward the EU is already high: 752,782 Schengen visas were granted to Belarusian citizens in 2015, and the country has both the highest number of Schengen visa delivered per capita worldwide and one of the lowest refusal rates (European Commission 2016). Importantly, the launch of a mobility partnership between the EU and Belarus in 2016 could also (subject to the degree of interest shown by EU member states) pave the way for increased cooperation in the area of legal and labour migration. However, Belarus' cooperation with the EU remains much more limited than any other EaP countries (primarily Moldova, Georgia and Ukraine, but also Armenia and even Azerbaijan). Migration flows between Belarus and the EU are also substantially weaker

²⁰ Specific agreements were concluded with Lithuania (in 1999) and Latvia (in 2008) on cooperation in the field of social security. While agreements on mutual employment were signed with Poland in 1994, they did not enter into force (Chubrik and Kazlou 2012).

²¹ While the general text of the readmission agreement was agreed upon by both sides in June 2017, negotiations are still ongoing for the visa facilitation agreement (Korovenkova 2017). In the practice of EU external relations, the two agreements are signed simultaneously.

compared to Moldova and Ukraine: in 2015, 140,962 Belarus citizens were living in the EU, mostly in Poland (80,889, European Commission 2016).

Therefore, while migration flows to the EU may increase in the future subject to the expansion and effective implementation of the bilateral mobility toolbox, Russia is likely to remain the most important country of destination for Belarusian labour migrants in the short-term. This is largely due to the extensive scope and depth of the agreements linking Belarus and Russia (combined with the absence of linguistic barriers and discrepancies in the level of wages, with a ratio of 1/3 after the economic crisis; Chubrik and Kazlou 2012). These agreements are ambitious and pave the way for low-cost and extensive migration flows.

For instance, Belarus is the only CIS country whose citizens are not required to stay in Russia a maximum of 90 days within a 180-days period; this is an important difference with other EAEU members, whose labour migrants need to sign a work contract in order to be able to stay in Russia (Schenk 2015). By institutionalizing migration interdependencies with Russia, these regimes have disincentivized the Belarusian authorities to engage into substantial efforts for alternative frameworks, thereby increasing Belarus' vulnerability to Russia's policies. Importantly, neither the bilateral nor the multilateral regimes impose strong constraints on Russia. While envisaged upon the launch of the Union State of Russia and Belarus, the Court of the Union was never established. Combined with the fact that the two countries retain their sovereignty, this signals a lack of constraints on Russia and limits Belarus' ability to challenge any restrictive migration measures that would be decided by Moscow. In a similar vein, the EAEU multilateral framework appears insufficient to provide a binding constraint on Russia (Schenk 2015). The lack of any substantial (legal and institutional) deterrent is especially important against the background of difficult relations between Russia and Belarus. While labour migration flows to Russia have been on the rise in recent years despite the economic crisis in the country, recent tensions between Minsk and Moscow indicate that these flows may be disrupted if Russia (after enforcing border controls with Belarus in early 2017) decides to introduce further restrictions and withdraw from agreements within the Union State (Belarus In Focus 2017). Such a decision would leave Belarus with limited options other than official criticism and reciprocal measures that would however have limited effects on Russia.

4.2. Weakly institutionalized regimes and decreasing migration interdependencies: Moldova and Ukraine

In contrast to Belarus, Moldova's and Ukraine's migration interdependencies with the Russian Federation are not embedded in strongly institutionalized regimes. This is despite the conclusion of a number of bilateral and regional agreements in the migration area. Yet these lack ambition and offer limited opportunities for Moldovan and Ukrainian migrants as compared to the benefits enjoyed by Belarusian citizens.

Along with nine other post-Soviet countries (including also Belarus), Moldova and Ukraine signed the Agreement on Co-operation in the Field of Labour Migration and Social Protection of Migrant Workers adopted in 1994 as part of the CIS.²² This agreement provided for mutual recognition of diplomas and eliminated double taxation for labour migrants. Yet it fell short of establishing equal treatment beyond medical care. Crucially, the implementation of the agreement hinged on bilateral agreements, yet either these were not concluded (in the case of most CIS countries, Ormonbekova 2011: 279) or they remained limited in scope. Despite ambitious

²² The agreement entered into force on 11 August 1995 in Moldova, and on 22 August 1995 in Ukraine.

statements, further multilateral steps did not result in stronger migration regimes. The CIS Convention on the Legal Status of Migrant Workers and their Family Members signed in November 2008 was intended to pave the way for harmonized labour standards within the CIS. However, the fact that it took seven years to prepare the Convention illustrates the difficulty to reconcile national interests (Chudinovskikh and Denisenko 2014: 33). Like many other CIS agreements, this Convention only envisaged concerted measures, cooperation and exchange of information. Yet the implementation of these measures hinged on the member states, with no effective mechanism of enforcement and no central monitoring body (Bakhur 2013). Owing to the reluctance of the member states, it failed to reinforce the institutionalization of migration regime within the CIS. The Convention (which was ratified by Ukraine, but not by Moldova) included the right for the member states to introduce limitations to labour migrant's access to work with a view to protecting domestic markets and giving priority to the country's own citizens (Lushnikov and Lushnikova 2016: 105). Importantly, in the text of the Convention these limitations (Article 4, CIS Convention) were introduced before the provisions on the rights of migrant workers and their families, which signalled their precedence. Crucially, even with these limitations the Convention was not ratified by Russia. Thus, the CIS agreements had only a minimal influence over migrant integration policies of the member states (Markowski et al. 2014) and failed to provide a leverage to "smaller migrant-sending countries in their periodic attempts to secure better treatment of their nationals in Russia" (ibid.: 73).

Bilateral agreements were initially regarded as effective frameworks to complement multilateral arrangements and adjust the regulation of migration to specific contexts (Chudinovskikh 2012), yet in the case of Ukraine and Moldova they remained limited in scope. Like Moldova, Ukraine concluded a bilateral agreement on social security and employment for labour migrants with Russia in the early 1990 (Malynovska 2014); however, it soon became outdated in light of the reforms of social security systems in CIS countries (ibid.: 178-179). Later in the 1990s, both countries also concluded agreements on visa issues with Russia; for instance, a Russian-Ukrainian intergovernmental agreement on visa-free travel of citizens was signed in 1997. The overarching agreement signed between Russia and Ukraine in 1997 called for further cooperation (in the form of special agreements) on issues pertaining to labour relations, employment and social security for Russian and Ukrainian citizens working on the territory of the other party. It also provided for the transfer of pensions to the citizens of one party who temporarily or permanently reside on the territory of the other party (Article 27, Treaty on Friendship, 1997). However, the agreement subsequently concluded (in July 2003) between the Ministry of Internal Affairs of the Russian Federation and the State Committee of Ukraine for nationalities and migration did not make any significant move on labour migration. While aiming at enhanced cooperation in the area of migration, it only envisaged the exchange of information and the organization of consultations. Thus, bilateral frameworks laid the basis for improved information of labour migrants, mutual recognition of education and work experience as well as admission to the social security system. However, importantly none of the bilateral agreements signed by Ukraine and Moldova provided for simplified access to the Russian labour market (Chudinovskikh 2012: 264). This is because neither Moldova nor Ukraine had significant leverage over Russia during the negotiation process. Given the asymmetrical nature of migration interdependencies, Russia was then able to impose its preferences. Overall, the limitations of both multilateral conventions and bilateral agreements highlight the pivotal role of domestic legislation for migration management in the post-Soviet space (ibid.: 262).

Moldova's and Ukraine's failure to secure a better treatment of their migrants in bilateral and regional agreements paved the way for the exploration of other options, primarily labour migration to the EU; this is

especially the case for Moldova, whether at state level (via the conclusion of a mobility partnership) or, crucially, as part of individual strategies (using opportunities provided by the possession of Romanian passports, Delcour and Całus 2017). Nevertheless, the weak degree of migration regulation in Russia until the 2010s favoured the preservation of important flows from Moldova and Ukraine. For instance, over 60 % of Moldovan labour migrants were working in Russia and up to two-thirds of Moldovan total remittances came from migrants working in Russia in 2012-14 (Delcour and Całus 2017). Likewise, in 2010-12 about half of Ukrainian migrants were working in Russia (Kłysiński et al. 2017).

However, this high degree of interdependence only increased Moldova and Ukraine's sensitivity to changes in Russia's domestic policies. Since the early 2010s Russia has engaged in a substantial effort to organise and better regulate migration. In fact, the complexity of existing procedures, combined with the lack of visas for citizens from the post-Soviet space, was regarded as a major factor of irregular migration (Iontsev 2012). At the same time, the country's alarming demographic situation (with immigration accounting for over 90 % of the population growth; Bisson 2016: 5) prompted the authorities to encourage specific forms of labour migration. Thus, the overarching strategic document, the Concept of Migration Policy to 2025 adopted in 2012, aimed to facilitate inward migration for specific categories of migrants, namely Russian citizens living abroad and foreign qualified specialists, businessmen and workers needed on the Russian labour market. However, while this suggested a shift toward a more relaxed migration policy, subsequent legal acts contributed to restricting access to the Russian labour market. For instance, while cancelling quotas for CIS workers in early 2015 Russia introduced much stricter requirements (e.g. pre-payment of taxes, proof of medical insurance and exam, within 30 days from arrival) for migrants to obtain a work permit (Schenk 2015). Importantly, Russia also established much stricter conditions for CIS migrants to stay on its territory, with a limitation to 90 days over a period of 180 days in total, if no patent or working permit is available. Russia also established a new automated system for enforcing the 2002 Law on the Legal Status of Foreign Citizen, thereby introducing a more effective monitoring of migration flows. Introduced in 2014, this system enables the Russian authorities to perform an automated monitoring of both the entry and exit of all foreign citizens and to identify those who have committed criminal and administrative offences on the Russian territory (Pluim et al. 2014).

These new migration rules provided the Russian authorities with a major leverage over Ukrainian and Moldovan migrants. This is due to the fact that most migrants from these countries (and, in fact, from all CIS countries) do not have a work permit. For instance, only 35.5 % of Ukrainian residing in Russia have a work permit, while this figure is much higher for those labour migrants working in EU countries (e.g. 65 % in Italy, 76 % in Spain and 83.3 % in the Czech Republic; Hnatkivskyy 2015: 108). The prevalence of irregular migration, due to the combination of burdensome Russian procedures, the seasonal nature of labour migration and the visa-free regime with Russia, gives full license to Russia to interpret new migration rules arbitrarily, thereby using migration as a foreign policy instrument in relation to Ukraine and Moldova. Early estimates conducted a few months after the new migration rules were introduced indicate that some 300,000 persons were refused entry into the Russian Federation and banned for a period of three years based on the violation of migration legislation, with no right to appeal (Pluim et al. 2014: 16). Moldovan migrants were especially targeted by these measures, the introduction of which coincided with the signature of an AA with the EU. 245,000 Moldovan labour migrants (50 % of all Moldovans working in Russia) were considered to have infringed Russian immigration legislation; among these, 21,500 were banned in 2014 to enter the territory of the Federation (*ibid.*), and this number has increased to 50,000 (President of the Russian Federation 2017). Clearly, the introduction of a harsher migration policy for non-EAEU countries is meant to convey a message about the costs of non-accession to the EAEU. Nevertheless, Russia has

been applying its own rules selectively. In particular, it has attenuated punitive measures to reward those political actors who were regarded as loyal in Moldova. For instance, in early 2017 President Putin announced that the possibility of an amnesty would be introduced for those Moldovan citizens who infringed immigration laws (yet did not commit any crimes in Russia).²³ The announcement was made during President Dodon's visit to Moscow, where the Moldovan leader indicated that his country would be seeking an observer status in the EAEU. However, a subsequent draft Russian law envisages the introduction of fines (ranging from RUR 250,000 to 800,000) for those companies employing foreign citizens whose documents lack a clear indication of the purpose of their stay in Russia; migrant workers would risk being expelled from Russia (infotag.md 2017). Thus, the Russian authorities convey a clear (even if implicit) message: joining the EAEU is the best solution to escape harsher Russian migration rules.

Therefore, unlike Belarus so far, Moldova and Ukraine have been increasingly exposed to both harsher Russian legal regime and arbitrary implementation. Nevertheless, these rules have had different effects on migration interdependencies with Russia. In the case of Moldova, it should be noted that the economic slowdown in Russia had already affected migration flows prior to changes in Russia's migration policies. However, it is after these changes that labour migration declined sharply, with some effects on remittances (National Bank of Moldova 2017). In fact, Moldova's sensitivity to Russia's pressure is mainly mitigated by the emergence of an alternative for migrants, i.e. the EU. This is primarily due to the fact that a large number of Moldovan citizens hold a Romanian passport which enables them to work legally in the EU. This number has increased in recent years (e.g. seven times in 2015 as compared to 2014; Cojocariu 2016). This is due among others to quicker procedures to regain Romanian citizenship,²⁴ combined with the sharp deterioration of the economic situation in Moldova. In addition to Romania, Moldovan citizens can now access other labour markets in the EU, for instance the UK. This 'natural regulation'²⁵ also decreases the need for a specific strategy in response to Russia's actions on the part of Moldovan elites (Delcour and Cașus 2017). Moreover, while visa liberalization (in force since late April 2014) does not cover labour migration, it enables Moldovan migrants working in the EU to return home more often and disseminate information about work opportunities in the EU.

In the case of Ukraine, changes in migration interdependencies with Russia do not stem from the stricter Russian legal framework; instead, they were caused by the territorial conflict that erupted in eastern Ukraine in 2014. In fact, the conflict had contradictory implications for migration interdependencies, owing both to individual strategies and changes in third countries' legislations. On the one hand, the conflict (combined with the economic crisis in Ukraine) caused a sharp increase in the number of Ukrainian citizens applying for residence and work permits in Poland: it is estimated that 127,000 Ukrainian citizens currently reside in Poland and, in 2016, Poland

²³ "Moldova is certainly less of a threat in terms of undesirable migrants infiltrating Russia than other areas (...). We will think about how to resolve this problem, considering that many Moldovans are really economically dependent on working in Russia. We understand this and are willing to help them. I think a solution will be found. About half a million people from Moldova work in Russia. We don't have any major issues with the people who come to work in Russia from Moldova. About 50,000 Moldovans can't enter the territory of Russia because they violated certain laws. There will not be a positive outcome for those who have committed felonies. For all others, we will seek a solution." (President of the Russian Federation 2017).

²⁴ The Law 112 of the Republic of Romania (2010) provides for the establishment of the National Authority for Citizenship, responsible for examining the requests for Romanian citizenship. On 30 March 2013, the Law No. 148 amended the main Law on Romanian citizenship No. 21/1991 and accelerated the administrative procedures needed to gain Romanian citizenship (Panainte et al., n.d.).

²⁵ Authors' interview, international expert on migration, Chișinău, June 2017.

issued 1.2 million permits allowing Ukrainian citizens to work temporarily in the country (Kłysiński et al. 2017). On the other hand, in the aftermath of the conflict there has been a massive influx of Ukrainian citizens in the Russian Federation: the number of Ukrainians who visited Russia increased from 7,080,991 in 2013 to 9,842,990 in 2014, and the number of labour migrants increased 2.5 times over the same period (167,100 to 395,800; Schenk 2016: 482). Such an increase was facilitated by the adoption of ad-hoc legal solutions by the Russian authorities, such as exempting Ukrainian citizens from work permit quotas and allowing unlimited extensions of the normal registration period (Schenk 2016: 483). Russia also encouraged Ukrainians citizens (mostly from eastern Ukraine) to seek a permanent status in the country (Ibid.).

Therefore, the plasticity of Russian migration rules (both with Moldova and even more so with Ukraine) carries major weight to explain the preservation of strong interdependencies between these two countries and Russia (and therefore a high degree of sensitivity to Russian policies). This is because these rules can readily be adjusted to fit Russian foreign policy's purposes. In response to Russia's targeted use of migration rules, diversification of flows has emerged as the major option for Moldova and Ukraine to decrease their sensitivity to Russia's policies. This option appears especially favourable in the absence (so far) of any retaliatory measures by Russia that would increase the costs of diversification. Ultimately, the effectiveness of this option has hinged on relaxed rules for work permits or easier access to citizenship granted by EU member states, as was the case for Poland and Romania, respectively.

5. Energy

All EaP countries are to a large extent dependent on energy supplies from abroad, mostly on Russia. Moldova has been almost fully (97 %) dependent on imports of energy resources. Russia's Gazprom supplies cover all Moldovan needs in gas consumption – 2.9 bcm in 2016 (gas accounts for almost 40 % in Moldova's energy mix). Moldova imports 80 % of its electricity consumption, mainly from Russia's sources. Liquid fuels are also imported, however the import is more diversified in terms of sources of supply with 70-80 % of petroleum and diesel fuel coming from Romania (Cașu 2016). Belarus is fully dependent on gas supplies from Russia (18.6 bcm in 2016). Russia supplies over 90 % of the Belarusian consumption of oil. Although Belarus has for years extracted around 1.6 million tonnes of oil annually from its own reserves, all of its output is exported, mainly to Germany. Belarusian refineries are thus entirely dependent on Russian supplies. Also Ukraine used to be a country almost fully dependent on Russia's supplies of gas remaining in 2006-07 the largest individual importer of Russian gas (59-60 bcm annually); 45 and 33 bcm in 2011 and 2012 respectively. With respect to crude oil in 2006–15, as much as 89.4 % of imported oil originated from Russia (Konończuk 2017: 15).

Maintaining energy dependence on Russia used to be one of the key goals of Moscow's strategy towards former Soviet Republics. It is still an effective tool with respect to bilateral relations with Belarus and Moldova. This used to be the case with respect to Ukraine, but the situation has changed significantly in this respect after 2014.

5.1. *Bilateral regimes*

Energy relations between Russia and EaP countries have been managed via long-term supply contracts, which have served to perpetuate energy dependence. Since most of the Eastern European countries had no alternative options to obtain natural resources from alternative routes, Russia was able to shape the conditions of the

contractual obligations. The most volatile regime is demonstrated by the gas sector. Although officially contractual obligations are undertaken by commercial companies – on the Russian side Gazprom, and companies from import countries (Naftohaz in Ukraine, Moldovagaz in Moldova), the terms of the agreements are in practice in full compliance with Russia’s policy goals regarding particular state. Gazprom is a state-controlled company, and contractual conditions that are offered abroad require political concessions from the importing countries (Iwański et al. 2017). Most of the long-term contracts signed between Gazprom and its counterparts were accompanied by tied-in intergovernmental agreements. For example, when Viktor Yanukovich was elected the president of Ukraine in 2010, Gazprom signed additional protocol to the contract signed with Ukrainian Naftogaz in 2009. Since Ukraine gave consent for the extension of the intergovernmental agreement on Black Sea fleet, Naftogaz received special discount for Russian gas under the so called Kharkiv agreements (Iwański et al. 2017).

These are highly non-transparent regimes with contract provisions deemed confidential. In practice some agreements have been leaked to the public, allowing some assessment of their terms. All contracts regarding supplies of Russian gas included clauses that were very beneficial for Gazprom. Examples of such clauses are the called ‘take-or-pay’ clause which require buyers to pay for a minimum annual quantity of gas, irrespective of whether they take that quantity, the ‘destination clause’ which require the purchased gas to be used in a specific territory, or export bans, provisions which explicitly prohibit the export of gas (Stern and Yafimava 2017). Although the vast majority of Russian gas exports to the EU countries is also sold on long-term contracts, some of the mentioned clauses were removed from them due to non-compliance with EU competition rules (e.g. destination clauses, export bans). Even ‘take-or-pay’ clauses were subjected to renegotiation procedures in terms of volumes. In the post-2008 period, the ‘take-or-pay’ level in many of these contracts was reduced from 85 % to 70 % – a practice Gazprom refused to apply in its relations with the EaP partners.

The long-term contracts signed by Gazprom with its counterparts from Belarus and Moldova consist of provisions which are less favorable for importers. Such contracts are fully regulated by the Russian legal system. Moreover, all disputes under them are to be resolved by Russian arbitration courts. In contrast, contracts with Ukraine (on gas deliveries and transit) are regulated by the Swedish legal system and the Arbitration Court in Stockholm is described as the proper forum in case of a commercial dispute. In 2014 Ukraine decided to use the arbitration clause under the contract signed between Gazprom and Naftohaz in 2009. Launching of the legal proceedings at the Arbitration Tribunal by Gazprom and Naftogaz is unprecedented in Russian-Ukrainian gas relations. The verdict issued by the Tribunal, however, does not necessarily lead to an unequivocal settlement, as will be discussed further below.²⁶

5.2. Multilateral regimes and the specificity of Belarus’ interdependence

In addition to bilateral dealings, energy relations between Belarus and Russia are supplemented by the dynamics of regional integration. In return to its loyalty, Belarus has enjoyed an ‘integration discount’ on supplies. At the same time, it has sought to obtain certainty and predictability of supplies by showing interest in the development

²⁶ Kyiv sought to overhaul of the 2009 gas contract which has been unfavourable to Ukraine, including the change in the price formula and the elimination of the ‘take-or-pay’ clause. At the same time Gazprom announced that it had opened legal proceedings against Naftogaz at the Arbitration Tribunal in Stockholm in order to recover the debt. Naftogaz informed that it had filed a complaint at the Arbitration Tribunal requesting that a ‘fair and market-based’ gas price be set by Gazprom.

of Eurasian integration and particularly, the extension of the planned common market to the area of energy. The EAEU was a break-through in this respect as it provided for the establishment of common market of electricity and natural resources by 1 January 1 2025. It was envisaged that one of the EAEU strategic objectives in the sphere of energy is the creation of the unified energy space across the Union and implementation of coordinated energy policy.²⁷ Nonetheless, the realization of this promise remains far from certain.

Belarus has perceived EAEU energy cooperation as an opportunity to gain significant benefits. On the one hand, Belarus expects that the common market would allow it to purchase Russian natural resources at Russian internal prices. On the other hand, Russia has significantly changed its national tax system which reduces the potential economic benefits for Minsk. Up until 2014 Belarus used to purchase Russian oil for its plants at domestic Russian prices and without export duties. As a compensation Belarus was obliged to deliver to the Russian Federation part of the duty on export of petroleum products made from it. In 2014 the situation changed because of the so-called 'tax manoeuvre': Moscow reduced export duties on crude oil but at the same time significantly increased the Mineral Extraction Tax that resulted in higher prices for Russian crude oil (Fischer and Kardaś 2014).

Another example is the energy dispute between Moscow and Minsk that erupted in 2016. Referring to its EAEU membership, Belarus concluded that it had the right to internal Russian prices which were much lower than those offered to foreign buyers. As a result, since January 2016, Minsk has paid a price it unilaterally reduced to US\$80-107 per 1000 m³ for its gas supplies instead of US\$132–141 derived from the price formula in the binding contract with Gazprom. The Russian side, however, did not accept the EAEU-related justification, with the debt reaching US\$726 million by April 2017. In an attempt to force Belarus pay this debt, Russia has been reducing oil supplies to Belarusian refineries from the total planned annual volume of 24 million tonnes to 18 million tonnes since June 2016. On 10 October 2016 representatives of the two countries announced that a deal had been struck. Yet a few weeks later it became clear that the deal had not been implemented. Furthermore, more issues were added to the catalogue of disagreements between Minsk and Moscow, such as the status of the border between the two countries, border control procedures and access to the Russian market for Belarusian food products, as discussed in the section on trade. In addition to this, the Moscow-controlled Eurasian Fund for Stabilization and Development froze further the availability of the credit facility offered to Belarus worth US\$2 billion. Moscow was interested in resolving the dispute, but on condition that, firstly, it would maintain Belarus's political and economic dependence on Russia, and secondly, would not require Russia to incur excessive financial costs. Similarly, it should not be ruled out that at the time the Kremlin wanted to prevent Minsk blocking the adoption of the EAEU Customs Code. For Vladimir Putin such a visible failure in the process of reintegration of the post-Soviet area would be a serious reputation problem in the context of the 2018 presidential election (Kardaś and Klysiński 2017).

Thus, Belarus's membership in the EAEU gives it some limited options for affecting the interdependence of its energy relations with Russia. The Kremlin expects Minsk to become fully engaged in the process of integration as part of the EAEU and to back its policies with regard to Ukraine. At the same time, Moscow is trying to optimise its costs of subsidizing the Belarusian economy and has been regularly reducing its support over the past few

²⁷ This requires the gradual creation of a competitive energy market common for EAEU; ensuring non-discriminatory access to the systems of transportation of energy resources; development and launch of mechanisms to ensure coordinated energy policy; removing barriers of mutual access to the energy markets of the Union member states (Eurasian Economic Commission 2015).

years (International Monetary Fund 2016).²⁸ Meanwhile President Alexander Lukashenka, though seeking maximum subsidies, has been careful to avoid making significant political concessions. These dynamics have allowed oil and gas to become a frequent instrument in regulating the political relations between the two countries.

The EaP countries are also members of other international frameworks dealing with energy issues. Their influence on changes in internal energy sectors and interdependencies, however, has been limited. Belarus, Moldova and Ukraine are parties to the Energy Charter Treaty. The Treaty's common 'rules of the game' for the energy sector are designed to encourage investment and trade, to ensure reliable transit, and to promote efficient energy use (International Energy Charter 2015). Moldova and Ukraine are also members of the Energy Community. This international organisation brings together the EU and its neighbours to create an integrated pan-European energy market. The key goals of the Energy Community are: to establish a stable regulatory and market framework capable of attracting investment in power generation and networks; to create an integrated energy market allowing for cross-border energy trade and integration with the EU market; and to enhance the security of supply to ensure stable and continuous energy supply that is essential for economic development and social stability (Energy Community 2005).

5.3. Stability of energy regimes

Belarus's energy dependence on Russia is part of the complicated relations between the two countries in which Moscow wishes to subordinate Minsk politically and economically and force it to make strategic concessions emphasizing its loyalty to Moscow. Moldova is also exposed to Moscow's energy policy and its use as a political tool. In 2011 the long-term contract between Gazprom and MoldovaGaz expired and since then the country has been buying the fuel on the basis of short-term annexes signed each year. Moscow refrained from signing a new long-term contract stating that it would do so if Moldova decides not to implement the EU's Third Energy Package (a commitment Chişinău made while joining the Energy Community). Gazprom agreed to sign a new three-year contract only in December 2016 as a political reward for Moldova (Caţus 2017).

Ukraine however offers a different case in this respect. Up until 2014 Moscow was effectively using Kyiv's energy dependence on Russia in achieving political goals. Gazprom granted Naftogaz discounts for gas supplies in April 2010 only after Ukraine agreed to extend the intergovernmental agreement with Russia on the stationing of the Russian Black Sea fleet in the military base in Sevastopol. Another example was the discount granted by Gazprom to Naftogaz in December 2013 as a 'reward' for the Ukrainian government decision regarding suspension the negotiation process with the EU on the AA and DCFTA. The situation changed significantly however, after the 'revolution of dignity'. The new Ukrainian authorities took a new approach to energy policy, with one of its key goals being to use the existing political, economic and legal tools in order to change the current regime and reduce its vulnerability in the energy sphere. Firstly, Kyiv demanded a replacement of the price formula stipulated in the 2009 gas contract with a market mechanism. As the parties failed to reach agreement, in June 2014 Russia completely halted gas exports to Ukraine and introduced a system of pre-payments. Supplies were resumed after an agreement was reached on the so-called 'winter package' but the interruption in supplies for nearly six months resulted in the decrease in the 2014 yearly volume of supplies to 14.5 billion m³. As a result of the

²⁸ According to the International Monetary Fund's report, the value of the subsidies in 2013 was equivalent to almost 20 % of Belarus's GDP, while in 2015 it was only slightly over 10 %.

diversification efforts undertaken by Kyiv, in 2015 gas supplies from Russia decreased yet again to 7.8 billion m³; and in 2016 Ukraine stopped buying gas from Russia altogether (Kardaś 2017).²⁹

Secondly, to reduce its dependence, Ukraine decided to use legal instruments never applied before. On the basis of the arbitration clause provided by the delivery contract signed with Gazprom, Naftogaz decided to launch legal proceedings in the Arbitration Court in Stockholm. The main goal of the proceedings was to change the price formula for gas deliveries under the contract. Naftogaz decided also to launch a separate case with respect to the transit contract concluded between Naftogaz and Gazprom in 2009) Naftogaz claimed that Gazprom underpaid for transit flows, arguing that contractual adjustments are necessary after Ukraine adopted EU energy market rules. In the final ruling announced in December 2017 the Court stated that the terms of supplies provided by the contract need to be revised in a way that should take into account the current market conditions in Europe to a larger extent. This ruling is a strategic success of Ukraine: the Tribunal rejected Gazprom's multi-billion claims under the 'take or pay' clause, placed bilateral gas cooperation on market basis by modifying the pricing formula, reduced the contractual obligations of the Ukrainian party and abolished the re-export clause. At the same time, the ruling brought some ad-hoc benefits to Gazprom - primarily the recognition of Ukraine's debt to the Russian company for gas supplies in November-December 2013 and April-June 2014. Although the ruling has not ended the legal disputes between both entities, it should be perceived as a breakthrough. The verdict issued in Stockholm substantially limits legal possibilities of Russia to use gas issues as a political tool or issue-linkages strategy in relations with Kiev (Kardaś and Matuszak 2017).

In February 2018 the Arbitration Court in Stockholm issued its second ruling on the Russian-Ukrainian transit contract. At the time of writing the ruling has not been published. However, according information from Naftogas information confirmed by Gazprom, the arbitration order is for Gazprom to pay \$4.63 billion to Naftogaz after deducting the mutual claims and counter-claims related to gas supplies and transit to compensate Naftogas for the smaller than the agreed in the 2009 contract amount of gas deliveries. In addition, the Stockholm Court has rejected two other Naftogas claims: revision of transit tariffs, considering that the Ukrainian application does not meet the procedural requirements, and the necessity to change the contractual provisions as to comply with the Ukrainian and EU legislation (with the third energy package).(Kardaś et al. 2018) In response, Gazprom returned the 2018 prepayment to Ukraine and declared that it would not restart gas supplies to Ukraine since an agreement additional to the existing arrangements had still not been reached. Given the unexpected Gazprom decision, Ukraine has faced the risk of not being able to guarantee its population with sufficient gas supplies in the cold weather conditions. As a temporarily measure Poland's gas firm PGNiG signed a deal with Naftogaz on the urgent temporary gas supplies (PGiNG 2018).

Thirdly, Kyiv managed to convince the EU that energy interdependence with Russia is an important issue for the EU. As a consequence Brussels launched a trilateral dialogue with Russia and Ukraine on the issue of security of supply. The two cycles of negotiations ended with two so-called 'winter packages' (the first one signed in October 2014, and second one concluded in September 2015). Both documents provided Russia and Ukraine with special conditions on Russian gas supplies to Ukraine during winter seasons 2014/2015 and 2015/2016 respectively.

²⁹ Ukraine, which back in 2006 imported around 59 billion m³ of gas from Russia (a volume more than 10 billion m³ larger than the exports to Germany, currently the largest importer of Russian gas), used to be a key market for Gazprom in the post-Soviet area. However, Russian exports to Ukraine declined systematically, reaching a level of 25.8 billion m³ in 2013.

5.4. Policy alternatives: constraints and achievements

Regardless of their numerous past attempts to diversify the sources of oil and gas, Moldova and Belarus have been unable to find an alternative to Russian supplies at an acceptable price. This remains an unfeasible goal in the short and medium term. One of the main reasons for this relates to structural impediments, among which the most important is Russia's ownership of assets. Russia's Gazprom holds a controlling block of shares (50 % + 1 share) in MoldovaGaz, the main gas operator in Moldova and the owner of the transmission network. Gazprom also administers an additional 13.44 % stake in MoldovaGaz, formally owned by Transnistria (Caľus 2017). In the case of Belarus, since November 2011 Gazprom has been the owner of Beltransgas. The company is engaged in natural gas transmission to consumers in Belarus, Western Europe, and the Kaliningrad Region of the Russian Federation.³⁰ The company operates a Gazprom-owned linear section of the Yamal-Europe gas trunk-line, stretching for 575 kilometers across Belarus, as well as five compressor stations. Although Moldova has managed to build one interconnector with Romania (Iasi-Ungheni), which was put into operation in August 2014, its current capacity is symbolic (0.1 % of country's needs). Thus, a significant development of the gas infrastructure would be needed to achieve diversification.

Another important constraint hampering the development of alternative policy options is the rent seeking model that provides the business and political elites of EaP countries with significant economic benefits. One source of rents has come from gaining the right to sell Russian, Ukrainian or Central Asian gas to Europe. An example is the very favourable contract given to Ukrainian RosUkrEnergo in 2006 to act as an intermediary between Gazprom and Naftogaz. RosUkrEnergo was allowed to buy gas from Central Asia, ship it through Russia and Ukraine and sell at the European markets free of Russian export duties. It appears that profits from this trade were used with very limited transparency, allegedly to corrupt the political elite. These practices have declined in recent years. For example, the intermediary role of RosUkrEnergo was abolished in 2009 when a new contract for gas supply with Gazprom took effect (Rozwaľka 2016). Some non-transparent schemes related to the energy sector can also be observed in Moldova. In particular, this concerns the supply of electricity to Moldova from the Transnistrian region's Cuciurgan power plant via traders with offshore presence. For instance, between December 2014 and March 2017 Energokapital conducted offshore transactions via VictoriaBank associated with Vladimir Plahotniuc's proxies (Konończuk et al. 2017).

The most significant change in terms of the diversification of sources of supply has taken place in Ukraine. The prices for gas from Gazprom, pre-imported in quantities of 50-60 bcm per year, were rising steadily and Moscow refused to renegotiate the 2009 gas contract, which was unfavourable for Ukraine. In 2012 this situation caused Kyiv to make its first efforts to diversify its supply lines. These steps grew in 2014 after the Euromaidan, the annexation of Crimea and Russia's military intervention in the Donbas, whereupon Kyiv demanded a revision of the contract and lower prices, refused to pay off its debt (which Gazprom estimates at close to US\$4.5 billion) and initiated the Stockholm proceedings. Kyiv's attitude was unprecedented, and is an expression of its real efforts, for the first time since 1991, to break its dependence on gas from Russia. As a result, Ukraine managed to reduce the share of natural gas coming from Russia in its total gas imports from 92 % in 2013 to 37 % in 2015, and eventually stopped buying Russian gas in 2016 (Iwański 2016).

³⁰ The Belarusian gas transmission system operated by the company includes over 7900 kilometers of gas pipelines (Gazprom 2013).

Ukraine is also the only country which has embarked on significant institutional change in terms of the internal energy market. However its results to date are very limited. Membership in the Energy Community obliges Ukraine to implement measures in line with EU energy law, especially the so-called Third Energy Package.

The gas sector reform process, which is part of the key reforms undertaken by the Ukrainian state, was launched in April 2015, when the Ukrainian parliament passed a law on the gas sector. The law provides, among others, for breaking up the state-controlled company Naftogaz into companies dealing with gas extraction, transport, distribution and storage. Gas reform is of key importance for Ukraine due to Naftogaz's significance for the condition of public finances (in 2014, the company recorded a deficit of 106.6 billion hryvnias, which accounted for 6.7 % of Ukraine's GDP) and the fact that since the 1990s the trade in gas has been a major source of 'corruption income' for the Ukrainian ruling elites. At the same time, this also makes the reform exceedingly difficult to carry out (Konończuk and Matuszak 2017). The implementation of reform required the use of market pricing (formerly subsidized) for gas paid by individual customers, resulting in several subsequent price hikes. This considerably improved Naftogaz's financial standing – in 2016, when for the first time the company recorded a profit (of around US\$ 1 billion). In July 2016, the government approved a plan to restructure Naftogaz, which provided for the spin-off of transit gas pipelines and gas storage facilities into independent companies, Main Gas Pipelines of Ukraine (MGU) and Underground Gas Storage Facilities of Ukraine. In September 2016, the Ukrainian parliament, for its part, passed a law on establishing a new energy market regulator, which was an important move for continuing the reform (the regulator is expected to achieve full independence no sooner than in early 2019). It should be emphasized that the implementation of gas sector reform was also needed to meet the conditions set out in the cooperation programme between Ukraine and the International Monetary Fund (IMF) and to enable Ukraine to receive subsequent instalments of financial aid (Konończuk and Matuszak 2017).

6. Security

Security represents a special case in discussing interdependence. Firstly, a transactional, cost-of-effects logic is not always relevant in the cases of states facing direct threats to the national security, including military aggression. Secondly, the existing realities in the EaP region, including the frozen armed conflict in Moldova, Russia's military intervention in Georgia in 2008, and the 2014 Russian annexation of Crimea, followed by the ongoing military conflict in eastern Ukraine, contradict the argument that pronounced economic interdependence makes the use of military force less plausible.

Nonetheless, we argue that examining security in relation to interdependence still matters as it forms part of the bargaining with Russia given its extensive use of issue linkage strategies. Three areas in particular matter in illustrating the role of governance regimes. Firstly, perpetuating the 'frozen' conflicts in Eastern Ukraine and in Moldovan Transnistria, also described as 'grey zones'³¹, serves Russia to significantly raise the cost of any policy option undertaken by the EaPs and deemed to be adverse to, or least independent from, Russia's interests. At the same time, 'grey zones' also become focal points around which the international community attempts to establish international mediation or conflict resolution fora, often being the only international regimes applying to the security sphere in the region. Secondly, it is important to examine the issue of Russian military installations deployed in the region, around which bilateral/multilateral international regimes have also been established.

³¹ Instead of 'frozen conflicts' recently scholars have started to apply a wider concept of 'grey zones', whose external actors Russia mainly uses as strategic wedges to put pressure on and destabilise its neighbours.

Finally, the issue of military cooperation and arms trade/manufacturing deserves attention, being the most visible example of the transactional dimension in the area of security. This is most relevant to Belarus, the only country in the region where we cannot speak about direct unwanted military interference from Russia and where abundant contractual frameworks in the security sphere are exhibited.

In general, the international regimes in the security sphere in the region may be characterized as underdeveloped, poorly institutionalized and based on adverse security circumstances, such as the presence of frozen conflicts or foreign military installations. In terms of security, Eastern Europe still remains in a 'grey zone' between the North Atlantic Treaty Organization (NATO) and Russia (Pugsley and Wesslau 2016; Legvold and Wallander 2016). Apart from Belarus, which remains part of an official military alliance with Russia³² and is a party to the Collective Security Treaty Organization (CSTO), no other binding military guarantees have been given to the region. The three countries are participating states of the Organization for Security and Cooperation in Europe (OSCE) and signatories of its main security-related treaties. Of particular importance are the provisions of the Treaty on Conventional Armed Forces in Europe which, rooted in cold-war logic, set equal ceilings on key armaments for each bloc (NATO and the Warsaw Treaty Organization) (OSCE 1990). Despite Russia having placed a moratorium on the Treaty's observance in 2007, Ukraine, Belarus and Moldova still remain a party to it (Doran 2007). A partial, albeit unsuccessful, attempt to provide Eastern European states with external security guarantees was the signing in 1994 of the Budapest Memorandum on Security Assurances, in which Ukraine, Belarus and Kazakhstan received formal security guarantees from the Western nuclear countries and Russia on the condition that they hand over their nuclear weapons to Russia. After the Russian annexation of Crimea, the United States (US), United Kingdom (UK) and other countries issued a declaration stating that by annexing Ukrainian territory Russia was in breach of the treaty. Russia refuted those accusations under the pretext that Ukraine has not been represented by legitimate authorities since the Euro-Maidan events (Pifer 2016).

Ukraine, Belarus and Moldova use the existing international regimes in the security sphere to strengthen their position vis-a-vis Russia, or partially expand their policy options by the internationalization of security risks, particularly with respect to the 'grey zones'. For instance, by bringing the international community to the negotiating table, Ukraine sought to convince the EU and the US to put political pressure on Russia and continue the sanctions policy. At the same time, if a country like Belarus prefers to continue its extensive military cooperation with Russia, it will most likely benefit from it in the form of security guarantees, arms delivery and common training activities. Moreover elites in both Russia and the partner country may benefit financially from the common production of armaments and arms' exports facilitation, even if this is partly due to the constraints of the Russian economy and its unwillingness to share modern equipment with its partners (Legvold and Wallander 2016; Bohdan 2016a, 2017b).

6.1. Belarus: bilateral cooperation and security bargaining

Belarus has a long history of military cooperation with Russia. While being part of the Soviet Union, Belarus hosted military facilities on its territory, including an early-warning radar and a long-range naval communications transmitter. After the collapse of Soviet Union, the close military relationship between Belarus and Russia was mentioned in the first bilateral agreement between them of 1992. In 1995 a special agreement was signed

³² The Union State functions like a military alliance: an external attack on one of its members would be treated as an act of aggression on the Union.

between the defence ministries of the two countries, granting Russia the usage of the above mentioned military installations. Officially, both countries were given the right to use installations on each other's territory. In practice, this meant Russian access to Belarusian facilities (Martisen 2002). Russian military installations in Belarus include the early-warning missile attack radar in Baranivichi, and the low-frequency radio station used for submarine tracking in Vileyka. Moreover, the two countries constitute the supranational Union State as part of which in 2009 the two countries signed the Treaty on the creation of the Unified Regional Air Defence System. Cooperation between Russia and Belarus is also actively developed within the framework of the CSTO and the Collective Rapid Reaction Force (CORF) of the CSTO (Kłysiński and Żochowski 2016). This long-term, deep integration resulted in the inability of the Belarusian army and arms industry to act independently or in alliance with other countries. Furthermore, due to Belarus' limited financial resources, Russia's role as a supplier of equipment and sponsor of military exercises is growing. This is particularly important given that, as officially recognized by Belarusian military officials, over the last ten years or more the general military capacities of Belarus (especially when it comes to the offensive capabilities and manpower effectiveness) have deteriorated (Wesslau and Wilson 2017; Bohdan 2016a).

Because of the very nature of the security area as well as the role of informal ties and personalization of foreign policy in Eastern Europe, the international regimes mentioned have not offered Belarus the expected advantages in terms of transparency and credibility of internal coordination and adjustment. Even in the case of the CSTO, Russia has preferred to resolve security matters with individual member states as the organization lacks internal cohesion and is deeply divided (STRATFOR 2017). For many years Belarus, often supported by Kazakhstan, has been striving to change the CSTO into a more military-technical cooperation organization focusing on common military industry projects, special rules for arms trade and common training standards. So far the effectiveness of those endeavours has been ambiguous. According to the CSTO legal regime certain models of arms equipment may be sold at internal prices within the framework of the organization; however, the exact terms of shipment and equipment models depend on bilateral agreements and commercial contracts. Therefore it is often difficult to distinguish which arms were provided to Belarus by Russia because of the CSTO membership and which via bilateral channels. For instance in March and November 2017, the Russian corporation Vertolyoty Rossii provided Belarus with six Mi-8MTV-5 helicopters and Tor-M2 surface-to-air missile systems seemingly via CSTO channels (Bohdan 2017a). At the same time, in December this year Belarus made public the provisions of a Belarusian-Russian agreement on the terms of supply to a joint regional group of Belarusian and Russian troops. It appears that Russia agreed to provide Belarus with necessary equipment and arms only in times of 'increasing military threat to the Union state and in times of war' (Bohdan 2017b).

At the same time, the non-transparent and lacking in formal coordination mechanisms of military cooperation between Belarus and Russia may bring some advantages to Minsk. This is mainly due to the long-standing informal, inter-personal ties between the Belarusian and Russian presidents and political elites which offer a quick adjustment route as long as the incentives of both parties are aligned. The secrecy of the decision making-process enables Belarus to hide some decisions that could potentially endanger its European partners. Moreover, discussing security issues at the highest political level of authoritarian leaders (who also control other areas of political and economic life of their countries) makes the use of issue linkage a quick and efficient bargaining method. For instance, in a purely military sense, Russia views Belarus to be crucially important for the defence of the Moscow and Kaliningrad regions from possible Western aggression and, therefore, seeks to increase its military presence in Belarus. Belarus, however, would like to maintain the image of a neutral country which plays a facilitating role in the resolution of the Ukrainian conflict. Russia does not appear to open contradict this

Belarusian political tactic (Klysiński et al. 2017). Discussions over the possible instalment of the Russian air base which could harm Belarus's neutral image, leading to possible NATO responses, has been continuing since 2013. As this has been primarily the subject of secret talks between the Russian and Belarusian presidents, there is not much clarity as to why the talks end in deadlock. It is not clear whether Minsk has managed to persuade Russia to give up the idea, or whether other informal agreements and issue linkage strategies were put in place. Quite possible, instead of hosting the Russian airbase, Belarus has agreed to purchase from Russia quantities of Su-30SM fighter aircraft either paying market price or serving as an intermediary in the arms export to other countries. Another explanation is that the Belarusian authorities have agreed to the temporary stationing of Russian aircrafts on a 'needs' basis. Clear publicly obtainable information on the recent developments around the issue of Russian airbase are however not accessible (Bohdan 2016b).

Belarus has sought to reduce vulnerabilities towards Russia in two ways: 1) 'merkantalizing' its security cooperation with Russia by gaining as many pay-backs as possible, and 2) promoting the political image of a sort of neutral country while stressing the need for the internal stability of the country. The mercantile aspect of Belarusian-Russian interdependencies is particularly visible in arms industry cooperation. In 2010 Belarus and Russia established the common financial and industrial group 'Defence Systems' which includes 5 Belarusian and 12 Russian enterprises involved in projects on the advanced modernization of air defence facilities. Belarus provides Russia with items such as navigation equipment, antenna systems for satellite communications, radio stations, portable and desktop computer systems, automation systems and software, and optical equipment. Although Belarus does not pay enough attention to the modernization of its own armed forces (Bohdan 2017b), it invests in technologies that make it an irreplaceable provider of spare parts for key Russian weapons. The Minsk Wheel Tractor Plant (MWTP), for example, is the only maker of mobile transporter launchers for the Russian Topol-M intercontinental ballistic missiles. The company Peleng is the exclusive supplier of fire control systems for the basic Russian tank, the T-90S, and the planned Tank Support Fighting Vehicle (BMPT) (Marin 2013).

6.2. Ukraine and Moldova: weak international regimes and engagement through the conflict

In the case of Ukraine and Moldova, the international regimes present in the security sphere are weak and ineffective, usually established to address the risks to international security involving those states. In both Ukraine and Moldova, Russia has more security-related advantages than any other external player. It affects the security relations with these two states both through bargaining and control over the security options available to Kyiv and Chişinău in the context of the so-called 'grey zones'. Regarding the 'grey zone' in Transnistria, Crimea³³ and Donbas as a specific example of institutionalized collective behaviour, leads to the conclusion that those international regimes fundamentally deepen both Eastern European countries sensitivity and vulnerability towards Russia's influence. Due to its absence of control over Transnistria and the presence of Russian military troops, Moldova was never given the chance to freely choose its security strategy. For the foreseeable future, due to the Russian concerns, Moldova is not likely to give up its status of a neutral (non-aligned) country (Delcour and Caşus 2017). In the case of Ukraine, the inability but also unwillingness of Ukrainian elites to end the presence of Russian Black Sea Fleet in Crimea was one of the reasons that simplified Russia's annexation of the peninsula.

³³ However, Crimea is a specific case; the peninsula has been de facto controlled by and within the jurisdiction of Russia.

The detailed analysis of the patterns and modalities of Russian use of interdependencies created by the 'grey zones' goes beyond the goals of this paper. Here it suffices to briefly describe the concept. As a result of Russia's military insurgency part of Eastern Ukraine had been in fact separated from Ukraine's jurisdiction as of the middle of 2014. The majority of the Donbas region was put under the control of the separatist authorities of the so-called Donetsk People's Republic (DNR) and the Luhansk People's Republic (LRL) informally supported by the Russian authorities. It should be underlined that Moscow rejected the separatists' claims to include the DNR and LNR into Russia. Instead, Russia plays the role of mediator to a conflict to which it is actually a party. In the case of Moldova, since 1990 Transnistria remains outside the control of the Moldovan authorities, ruled by a separatist regime supported by Russia. What is however very distinctive in relation to Transnistria is the non-violent character of the conflict and the informal trade deals linking Moldovan and Transnistrian political and business elites. Russia maintains a military presence in Moldova through two formally separate structures. The first one is the Operational Group of Russian Forces (OGRF), stationed in Transnistria. The second one is the contingent of peacekeeping forces (Całus 2016; Legucka 2017).

Keeping these unresolved conflicts going, typically by using local proxies, is part of Russia's effort to bring its neighbours within its sphere of influence. The 'grey zone' is a security space between peace and war, occurring when actors purposefully use single or multiple elements of power to achieve political-security objectives with activities that are typically ambiguous or of vague attribution and exceed the threshold of ordinary inter-state rivalry yet intentionally fall below the level of large-scale direct military conflict (Brands 2016; Knefel 2015). As Brands correctly argues, the 'grey zones' concept shows how key revisionist states can nibble away at the edges of international security structures, by using approaches that are incremental and subtly coercive in nature, exhibiting the limits of existing international security structures to prevent or reverse this coercive behaviour — witness the West's struggle to undo such behaviour (Brands 2016).

The typical international reaction to the appearance of such 'grey zones' is to propose international fora for conflict resolution or instruments for international monitoring of the security situation in the troubled areas. In the case of Ukraine, the reference here is to the so-called Minsk Process and Normandy format, as well as the OSCE Special Monitoring Mission monitoring the ceasefire implementation in the Donbas region. In Moldova, the EU has contributed to influencing the conflict environment through the EU's Border Assistance Mission to Moldova and Ukraine (EUBAM). Since 2005 the OSCE negotiating process known as the '5+2' has existed, which comprises the OSCE, Russia and Ukraine as mediators, and the EU and the US as observers.

As noted in the beginning of this paper, the vulnerability of EaP countries is also critically affected by the cost calculation of exploring alternative policy options. The cost of possible alternatives has seriously increased after the Russian intervention in Ukraine, which showed that Russia is ready to go beyond the limits of its previous issue linkage strategies and include the exercise of force into its foreign policy tools box. According to Sherr (2015), however, although the Western reaction to the Russian 'proxy war' has been more cohesive than many expected, it has neither been coercive nor compelling. The only available option that alleviates Ukraine's weakness to Russian threat is the regime of international conflict resolution and monitoring. At the same time, the framework created for the conflict resolution of the Donbas crisis only complicates the state of security in the region. In practice, Minsk-II in particular committed the parties to a settlement that would compromise Ukraine's prerogatives as a sovereign state. On the other hand, it is the only available platform for confidence building measures and humanitarian dialogue. It is widely recognized by the Western countries as the main resolution platform. However, scholars agree that if it is implemented exactly the way its provisions stipulate, it

could undermine the stability and prospects for democratic development of the whole of Ukraine (Carnegie Centre Europe 2016).

After the Russian aggression, Ukraine has actively explored possible security cooperation with the West and appealed for military assistance to revise its armed forces. This has encouraged NATO to launch additional measures to support the reform and transformation of the security and defence sectors of Ukraine and to promote greater interoperability between Ukraine's forces and NATO Ukraine options for non-NATO US allies, such as Israel (Khylo and Reihardt 2017). Since the beginning of the Russian aggression, Ukraine has asked twice for the status of the US Major non-NATO ally, and both the Barack Obama and Donald Trump administrations mentioned the distinctive partnership with NATO as the 'more powerful option' (Ibid.). Following Russia's annexation of Crimea, the state-owned Ukrainian defence company Ukroboronprom decided to halt all exports of weaponry and military equipment to Russia. Starting in 2014, the Ukrainian armed forces have received assistance (material, hardware and training) from Western countries totaling US\$3 billion. The most active donors to the Ukrainian army include the US (US military aid amounted to about US\$600 million in the years 2014-16, with another US\$350 million scheduled for 2017), Canada and the United Kingdom, although the most generous donor has so far proved to be Japan (which in total has given equipment and supplies to the Ukrainian armed forces valued at US\$1.85 billion) (figures from Wilk 2017). Support from NATO countries is one of the most important elements of training for the Ukrainian armed forces. Training assistance is led by the US, but is also being undertaken by British and Canadians. Polish instructors also participate in the American-led Joint Multinational Training Group-Ukraine Lithuanian-Polish-Ukrainian brigade (LITPOLUKRBRIG). It should be underlined however that import of weapons and military equipment and components from the West, as well as their acquisition for free as part of the West's assistance, is of marginal importance for the needs of the Ukrainian army. The exceptions are the equipment for the soldiers' personal use and dual-purpose equipment, supplied in relatively large quantities (Wilk 2017).

7. Conclusions

Undoubtedly, the ties that bind the EaP countries to Russia are extensive. Moreover, they have shown strong resilience and continue to represent a factor of paramount importance for policy-making. Yet, the discussion here has also shown that the perpetuation of interdependence across the different sectors has been critically affected by the governance framework built around it post-USSR. Thus, the regime characteristics are an important determinant of the stability of interdependent relations.

The continued sensitivity to relations with Russia in the cases of Moldova and Ukraine is determined by the unpredictable access granted under the governing regimes and their inability to constrain the unilateral or discriminatory interruption of flows. In trade, the bilateral FTAs demonstrate that negotiating scope, i.e. the inclusion or exclusion of 'sensitive' goods, has been a strong pressure point in relations with Russia. Similarly, the weak and minimal nature of rules has proved inadequate to constrain Russia's unilateral actions. The benefits from engaging in regional frameworks, short of a full committal to Russia's integration plans, have been short-lived and limited, particularly for Ukraine. In migration, bilateral as well as regional frameworks have remained minimal and underdeveloped, with domestic policy ultimately determining the extent of access and its predictability. In this context, the lack of transparency in the application of Russia's domestic legislation and its

arbitrary use for foreign policy purposes has exacerbated dependence. In energy, the perpetuation of dependence has been critically determined by non-transparent, highly politicized bilateral contracts, complicated by the intermediary role of business monopolies. The nature and precise terms of obligations envisaged in these contracts is difficult to gauge, but there is evidence of strong asymmetries. At the same time, regional frameworks have mattered even less for reducing sensitivity in energy than in migration. Thus, while the precise elements of the governing regimes across these sectors have varied, they have all afforded strong role to power-based political bargaining in defining their scope and have fallen short of preventing arbitrary and sudden breach of commitments.

While the participation in global frameworks, such as the WTO, were expected to introduce a stronger rule-based dynamics into regional frameworks this expectation has not materialized. It is yet to be determined what the role of international dispute resolution fora, such as the WTO Dispute Settlement Body, will be. In Ukraine's case, its marked shift in energy dependence on Russia has been strengthened by the two beneficial for Ukraine rulings of the Stockholm Arbitration Court. These rulings have placed a limit on Gazprom's strategy of imposing non-market terms for gas deliveries and non-transparent modes of gas transit. This has served as a clear demonstration of the importance of related international regimes, yet their effectiveness is not full-proof. Given Russia's response in ceasing of exiting gas contracts with Ukraine and suspending gas deliveries, the evidence to date is that it is not likely to accept the rulings, but seeks to continue its issue-linkage strategy.

Given the nature of the governing regimes and the pronounced difficulties in changing them, the change of interdependent patterns has often resulted from Russia's actions, e.g. stoppages of energy supplies or trade protection measures. Yet, the unpredictability has also entailed a strong interest in identifying alternative policy options to reduce vulnerability. While the success in the pursuit of alternatives has been dependent on the policies of external actors, such as the EU, the existing regimes and the complex political economy around them have been an important factor. Russia has been able to activate various asymmetric clauses or rely on its unconstrained use of targeted penalties to enhance the cost of reorientation in trade. In migration, the unpredictability in using migration to retaliate against selected countries' engagement with the EU and to reward actors it regards as loyal has been a major impediment in exploring alternative options. In the case of energy, in particular, Russia has created structural impediments to reorientation through the acquisition of strategic assets, thus perpetuating long-term dependence. Critically, reorientation has been premised on domestic reform, which has been proved difficult and particularly costly to entrenched business interests. The nature of the regimes in energy but also trade have perpetuated rent-seeking and have increased the political costs of their disruption. Arguably, given the prolonged existence of this regime, reform in relation to the political and economic fundamentals becomes even more important if vulnerability to Russia is to be reduced. The case of Ukraine's energy sector proves that change is possible, yet that it requires a sustained external support.

Belarus stands out in this picture by virtue of its wide-ranging bilateral engagement with Russia and willing participation in Moscow-led multilateral regimes. These interactions have resulted in more extensive as well as predictable flows. Yet, the greater institutionalization of regimes has not necessarily eliminated Russia's fundamental ability to deviate and to use commercial flows as a source of political leverage. Owing to the asymmetry with Russia, the participation in stable frameworks of interactions has not necessarily resulted in increased advantages. In fact, in trade it enhances the formal exclusivity of the Eurasian regime and the dependence of any reorientation on interbloc relations. Furthermore, it reduces the incentives of the Belarusian authorities to explore alternative frameworks, and therefore increases its vulnerability to external shocks.

As it was argued, the security sector represents a rather specific case when it comes to the application of interdependence concepts and the assessment of the impact of existing international regimes. Apart from the arrangements between Russia and Belarus, the security relations in the region lack any developed bilateral or multilateral international regimes. As in other sectors, these have been soft and non-transparent regimes, allowing wide scope for inter-personal political bargaining. Belarus has sought to derive distinct mercantile benefits from its growing security interdependence with Russia. Yet, in doing so, as in other sectors, it may perpetuate its dependence as Russia's assistance reduces the incentives for the modernization of army which is gradually deteriorating. This is particularly so, given that Russia prefers to install its own military installation in Belarus rather than to upgrade the latter's military potential. Most other regimes involving Ukraine and Moldova have been 'soft' international fora for conflict resolution or instruments for international monitoring of the security situation in so-called 'grey zones'. It is highly unlikely that the Minsk or Normandy formats will actually lead to even partial stabilization of security situation in Ukrainian Donbas unless it is not supported by rather loose and informal high-level political mediation alike currently expanding US-Russian dialogue. The Moldovan Transnistria case is somewhat different. However it is unlikely that this conflict will be resolved in the short or middle-term perspective: it is the 'coldest' conflict in the region supported by a dense network of rent-seeking schemes which make it profitable for both Moldovan and Transnistrian elite.

The policy implications of these findings for the EU are significant and deserve further treatment. While the analysis demonstrates the important differences between Belarus's position vis-à-vis Russia compared to that of Moldova and Ukraine, the more striking finding is that formal regimes do not make a pronounced difference to interdependencies. More specifically, given that regimes tend to be weak and non-transparent and, with a few exceptions, offer limited constraints on Russia, they tend to perpetuate interdependencies. What matters, however, is how Russia uses these regimes for its purposes and the extent to which they provide a scope for the EaP countries to exploit policy alternatives. In this sense, the EU's offer of rule-based and transparent regimes to the EaP countries is in marked contrast to Russia's governance approach to the region, which is premised on the use of weak and non-transparent regimes, allowing for opportunistic departures. This would suggest that if the EaP countries were to decrease their sensitivity to Russia's policies, it would be beneficial for the EU to offer not only rule-dense regimes, i.e. such providing extensive regulatory and legislative alignment, but also to offer actual policy alternatives. In the case of migration, for example, this means strengthening the Mobility Partnership, which offers opportunities for circular labour migration, but is not yet fully exploited because of the reluctance of EU member states. Similarly, it is critically important for the EU to encourage the full implementation of such facilities, including by the promotion of bilateral agreements, such as the one signed between Italy and Moldova on social security.

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The EU and Eastern Partnership Countries An Inside-Out Analysis and Strategic Assessment

Against the background of the war in Ukraine and the rising tensions with Russia, a reassessment of the European Neighborhood Policy has become both more urgent and more challenging. Adopting an inside-out perspective on the challenges of transformation the Eastern Partnership (EaP) countries and the European Union face, the research project EU-STRAT seeks to understand varieties of social orders in EaP countries and to explain the propensity of domestic actors to engage in change. EU-STRAT also investigates how bilateral, regional and global interdependencies shape domestic actors' preferences and scope of action. Featuring an eleven-partner consortium of academic, policy, and management excellence, EU-STRAT creates new and strengthens existing links within and between the academic and the policy world on matters relating to current and future relations with EaP countries.