

# **Economic Dependence – Key Factor in the Interstate Relations between Russia and Eastern Partnership’s Countries**

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## **Abstract**

*At global level, interstate relations are governed by increasing trends of dependence. The economic dependence is one of the key factors which shapes the interstate socio-political interactions. Given the complexity and variety of relations between Russia and Eastern Partnership’s countries, there are academic debates which starts from the concept of economic dependence that characterizes this relationship. In this study we have tried to achive a comprehensive analysis of the economic dependence that governs this relationship, considering, the european aspirations of Eastern Partnership's countries. In order to accomplish our goal, we will focus on answering the following questions by analysing the economical and political behavior of the actors: Are the Eastern Partnership’s countries vulnerable politically, due to their historical economic dependence on Russia? Russia's domination in the region relies on maintaining this economic dependence relationship? How this economic dependence influences the european route, of the countries, involved in Eastern Partnership?*

**Key words** : economic dependence, Russia, Eastern Partnership

**J.E.L classification** : F 50

## **Introduction**

Considering the fact that in the former Soviet Union, the economies of all countries have been connected with Russia’s economy and with each other, the economic factor plays a significant role in the interstate relations even after the breack-up of the Soviet Union. The disintegration of the Soviet Union’s centrally planned economy have had as a result a number of independent states, some of them dealing with european aspirations and a transition to a market economy.

By creating the European Neighbourhood Policy and after that, the Eastern Partnership, the European Union admitted the willingness of a tight cooperation with the former soviet states. Initially hesitantly, the EU’s cooperative relations with individual neighbours have been characterized by bilateral and multilateral dialogue, which has led to a process of socio - economic and political support to its eastern neighborhood.

Having a policy dedicated to its “near abroad” European Union collides with the strongly Russia's interests in its shared neighborhood. Russia has regarded the European Neighbourhood Policy as a “prospect of intensified competition for influence in the European Commonwealth of Independent States (CIS)” (Emerson, 2004, p.8) and all the other initiatives dedicated to EU’s eastern dimension as an intrusion in its near abroad, which directly affects its sphere of influence.

“The concept of a Russian ‘sphere of influence’ or the idea of a Russian role in the ‘near abroad’ can be seen in conection with Russian attempts to secure its status as a great power through its efforts to project its power”. (Pacer, 2016, p.20).

## **1.Theoretical framework**

“It is asymmetries in dependence that are most likely to provide sources of influences for actors in their dealings with one another. Less dependent actors can often use the interdependence

relationship as a source of power in bargaining over an issue and perhaps to affect other issues” (Keohane et al, 1977, p.10-11).

Choosing the neoliberal as the framework for the economic dependence between Russia and Eastern Partnership’s countries we will initiate this analysis having as reference the definition given by Keohane and Nye which consider dependence as a “state of being determined or significantly affected by external forces” (Keohane et al, 1977, p.8).

Neoliberal scholars argue that economic, social and environmental issues are also very important priorities on the international agenda along with national security and military power and in order to understand the role of power in the interdependent relations have distinguished the two dimensions of interdependence: sensitivity and vulnerability.

If the sensitivity “involves degree of responsiveness within a policy framework” (Keohane et al, 1977, p.12) and may become the basis for significant political influence only when existing rule and norms can be taken for granted (by a stronger state) (Keohane et al, 1977, p.18), the vulnerability applies especially to the politico-economic relations and depends on the availability and cost of the alternatives that various actors might have (Keohane et al, 1977, p.18).

In our analysis where the economic dependence has led to an asymmetrical interdependence the weaker states are more vulnerable to the external changes because of the cost to adapt to the new changes. Economic interdependence involves not only economic interconnectedness but economic relations that are mutually costly to break and can be used as threaten to the more vulnerable state. The economic sanctions which impose economic costs on the more dependent state might determine unwanted actions but are not always a success action. The success of economic sanctions depends by the power of the state that impose the sanctions.

“As David A. Baldwin observes, sanctions can have purposes besides those explicitly articulated by the senders ” and “can coerce a target state to comply with a senders demands only when the domestic and international political cost of noncompliance are sufficiently high” (Blanchard et al, 2013, p.4). “The essential fact on politics is that power is always relative; one state’s gain in power is by necessity another’s loss.” (Gilpin, 1975, p.34).

Russia is not interested in gaining in economic area in the relationship with former soviet states but Russia’s main objective is balancing its economic interest with its geopolitical ambitions (Trenin, 2004, p.77).

The former Soviet States, after the USSR dissolution formed CIS mainly for economic purposes. In fact , ”in the case of CIS the linking of economic, political and military issues would assist Russia in using its economic power in other realms” (D’Anieri, 1999, p.123).

Keohane and Nye consider “manipulation of economic interdependence as an alternative to military means” and the existence of “economic ties generate added realm within which world politics can operate” (Crescenzi, 2005, p.50).

So, as Sussex argues in the shared neighbourhood “Russia’s main mechanism for control have been economic” (Sussex, 2012, p.62), in the complex struggles for power that has as target the countries from the eastern border of the EU, in which a variety of subnational, international and institutional actors are locked in competition over resources, territory, influence and ideas” (Sussex, 2012, p.63). Russian actions in order to use its economic power are related to the strength of Russia’s economy in order to be usefull to the regimes that are loyal to Moscow or to impose sanction and determine the countries from the “near abroad” to meet its demands.

## **2.General overview of the economic relations between Russia and EP’s countries**

The six countries involved in EU’s Eastern Partnership, Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine, are a part of this joint initiative as an expression of their desire for a closer alliance with the EU.

From an economic point of view all this countries have experienced a transition crisis following the dissolution of the USSR, and all were affected by the global economic crisis from 2008. Being characterized by a common origin, all this six economies have had strong trade and economic ties with Russia. As a part of a highly integrated and centralized economy they have an well connected infrastructure especially in the energy sector that brought them in an integrated area with Russian supplies.

The countries from Eastern Partnership, beneficiaries of the European Neighbourhood Policy have a “dense historical, geopolitical, social or economic ties with Russia in certain sectors” (Ademmer, 2014, p.673) and are characterized by corruption, markets closely linked to the states, unemployment and inflation. Despite their differences they are all economies in transition and they are struggling with low GDP per capita. The poverty left all these countries with high unemployment because many inhabitants have migrated for a better life.

The Eastern Partnership initiative supports the countries in their political, institutional and economic reforms, based on a new mechanism for regional cooperation that has a bilateral dimension and a multilateral dimension and provides a place for trade relations, economic plans, travel agreements and for other areas that are important for EU’s relation with its eastern neighbors.

Considering the fact that through the European Neighbourhood Policy and the regional initiatives for the eastern dimension, European Union try to achieve the closest possible political association besides the membership and the greatest possible degree of economic integration with the former soviet states from its eastern border, Russia consider the success of this instruments a real threat to its position in the region.

In order to meet the objectives of European Neighbourhood Policy and to create a zone of prosperity and stability EU use the Eastern Partnership framework to transfer policies to the beneficiary countries. This transfer is more difficult if is conducted in sectors in which countries are more dependent on Russia than on the EU so the economic dependence with Russia may be considered a real obstruction of the implementation of EU’s policies in the region.

Being a part from a centralized economy, the economies of Eastern Partnership countries are very specialized and relies on each other for resources and production. Along with the trade relations that all this countries have with Russia and in the CIS ‘s context, the energy dependence is the most important field that reflects not only in the economical relations between Russia and EP’s countries or Russia and EU, but also in the political decision between this actors. It is very important Millers opinion, which saw CIS as a vehicle for the continuation of Russian influence and coercion in its former Empire (Miller, 2006, p.102).

“Russia is equipped with substantial bargaining power in this cases to counter or cross the EU’s demand for policy change, either by providing attractive alternatives or by raising the cost of EU-demanded policy change by, for example, invoking sanctions” (Addemer, 2014, p. 673).

Economic sanctions will be an effective instrument if it are based on a relationship of asymmetric interdependence or a strategic economic advantage. Economic coercion happens when “the sender threatens to interrupt the status quo and block a stream of economic exchange with the target unless the sanction country acquiesces to a specific demand made by the sender. If the target complies, sanctions are not imposed” (Drezner,2003, p.645)

## **2.1 Eastern Partnership’s countries and the economic sanctions imposed by Russia**

Based on the theory that economic interdependence can affect the behavior of the nation-state and that “foreign policy is much more than expressing a state’s interests; it is about achieving success in international realm according to the value of a state and the power at hand” (Maness et all, 2015, p.10) Russia have used a corrcitive diplomacy that not always has been a success.

In this respect, Maness and Valeriano argue that “Russia uses coercitive diplomacy in post-Soviet space because of the past history of diputes in the region, the high silence of issues at stake, issues of Russian great power identity” (Maness et all, 2015, p.4) and “begun to assert its hegemonic position among the former Soviet economies” (McFaul, 1995, p.27).

Russia’s vast exports of natural gas and oil integrated it in the world market and in this way, Russia “was able to pay off its foreign debts, gain leverage on many states in post-Soviet space in the form of energy coercion”(Maness et all, 2015, p.11).

Being a vital subject for EU and some of the EP’s countries, the energy field it is an area where Russia imposed its economic coercion. In the last years there have been many energy crisis that affected especially Ukraine but also Member States of European Union. The action of coercion by Russian over Ukraine in energy filed has started in 1990, but the hole Europe has been affected by gas crisis from 2006 and 2009 that made decide the European Union to think seriously to the

energy problem and take action to try to prevent such situations.”With the onset of the political crisis in Ukraine in November 2013, the negotiations on gas imports again became closely tangled with broader trade and political issues.” (Pirani, 2014, p.3).

Not only the Ukrainian energy was under Russian sanctions but other several categories of products like confectionery and dairy products were under Russia’s interdiction from July 2014 and September 2014. In November 2014 all cheese and cheese products’s imports from Ukraine were banned. So, as a result of these measures, “in the first nine months of 2014 Ukrainian exports to Russia declined dramatically (-27 %), while exports to the EU experienced a small but positive increase.” (De Micco, 2015, p.28)

Ukraine’s refusal to sign the Association Agreement in November 2013 was due to the threatening from Moscow, with economic sanctions and to some serious conditionings in energy area. With EU’s support Ukraine overcame this difficult moment and signed the Association Agreement in June 2014 starting, this way, a process of enhanced cooperation in foreign security policy and energy with EU, but remaining still vulnerable to Russia’s pressures.

Moldova, one of the most important countries from Eastern Partnership, considering its geographical position and the progress achieved in the first years of Eastern Partnership’s implementation, have strong economic relation with Russia, being dependent in energy sector and in other trade spheres.

After Moldova has signed the Association Agreement in June 2014, Russia has expressed its disagreement immediately, by applying sanctions. Although first important sanctions have been imposed in September 2013 to the Moldovan alcoholic beverages, the highest number of Moldovan goods, whose import has been banned by Russia, was in 2014, when in April, the processed pork was banned, followed by the fruits and canned vegetables in July, and all types of meat, in October. So as we observe “Russia’s sanctions most often envisaged those specific products from the agricultural sector and food industry that have a significant volume of exports for higher impact on the Moldovan economy and affect a large share of the employed population. This makes the Moldovan economy quite vulnerable to the Russian sanctions, not only in terms of export and GDP decrease, but also of social consequences” (Popa, 2015, p.6).

As a consequence of the sanctions imposed by Russia in 2014, “in the first 8 months of 2014 Russia’s share in Moldovan trade figures fell by a quarter” (Calus, 2014, p.2) and even they have had a negative impact on every sector involved, they have not resulted in drastic consequences on the entire Moldovan economy.

Because the Russia’s sanctions have not had the expected effects, Moldova is still on its European way and is implementing the Association Agreement having some obstacles consisting in economic problems and the actions of Russia’s supporters.

Being vulnerable, Moldova still fears that “in the context of the ineffectiveness of Russian pressure put on Moldova it is not inconceivable that, in order to achieve its political goals towards Chişinău, Russia will decide to use measures of force.” (Calus, 2014, p.7).

Like Ukraine and Moldova, Georgia’s economy it is heavily dependent on Russia, this dependency being deepened by its “geographic location. Georgia borders on Russia, and has few other strong neighbors it can turn to as economic alternatives” (Newnham, 2015, p.162).

Being one of the largest trading partner of Georgia, Russia has imposed economic sanction starting in December 2005, banning the agricultural products from Georgia and continued with wine and mineral water imports’s ban in 2006. There have been severe political tensions between Russia and Georgia after the Georgia’s Rose Revolution from 2004 which have been reflected in economic relations between them. These pressures have been complemented with prices increased for Russian gas dedicated to Georgian market.

Same scholars have argued that the Russian embargo did more good than harm to the Georgian economy because created strong incentives for the Georgian private sector to modernize and diversify it and catalyzed an increase in economic aid and technical assistance from the international community (Livny et al, 2007, p. 36) and probably persuaded them to act more decisively in the relations with European Union and signed the Association Agreement in June 2014.

Also, are very significant are the measures taken by Russia which affect the income level and the dependence on workers’ remittances of Ukraine, Moldova and Georgia that has consisted in

cancelling the simplified procedures for entering in Russia for the citizens of these three states and in the restrictions on employment for citizens from these countries (affecting potentially 436 000 Georgians, 285 000 Moldovans and 2.9 million Ukrainians).(De Micco, 2015, p.14)

Regarding the other three states from the Eastern Partnership, Armenia and Belarus have joined the Eurasian Economic Union and Azerbaijan has decided not to pursue economic integration nor with EU and neither with Eurasian Economic Union.

Russia remains the first trade partner of Belarus, the second partner of Armenia, the Republic of Moldova and Ukraine, the third of Azerbaijan and the sixth of Georgia. (De Micco, 2015, p.7) even if these countries are part of two different models of economic integration and one of them does not belong to any of two blocs.

Being fully dependent on Russian energy, having a lot of Armenians living in Russia, Armenia has decided in September 2013, not to sign the Association Agreement with the EU, and to join instead, the Eurasian Union in 2014.

“Hydrocarbon exports make the Azeri economy very different from the rest of the Eastern Partnership” (De Micco, 2015, p.20), not being dependent on Russia’s energy explains the fact that Azerbaijan was not forced to join the EU or the Eurasian Economic Union.

Belarus is dependent on Russian gas and has a subsidised centralized economy that is highly integrated with Russia's economy. In order to maintain its historical ties with Russia, Belarus has joined the Eurasian Economic Union in 2010. Despite the fact that Belarus is a constant and loyal partner of Russia, Russia has punished Belarus for refusing to impose the same bans and for becoming a “hub for channelling banned products into Russia.”

As it was demonstrated in this article, Russia have used the economic dependence and the economic sanction in the relations with the most countries from the Eastern Partnership.

### **3.Conclusions**

All former Soviet states that are in a highly dependent economic relationship with Russia and on their path to independence or to a closer alliance with the EU, have met obstacle, due to economic bans imposed by the Russia. Some of this economic sanction have had a positive result for Russia and influenced political decisions of countries such as Ukraine, Armenia and even Belarus. Others have had no result and countries like Moldova or Georgia became more closer to the West as a result of these bans.

If the aim of the Eastern Partnership to improve the economies, governance and socio-economic situation in the EU’s eastern neighbourhood, would have been accomplished, the level of economic interdependence with Russia, of the countries beneficiaries of this initiative, would be decreased and so, the goal of the European Neighbourhood Policy would have been fulfilled.

Russia’s desire to maintain its domination in the region was reflected in the fact that Russia has responded with sanctions to any decision of the former Soviet states that have tried to become closer to the European Union. Considering the present geopolitical context, the tensions between Russia and the countries from the eastern border of the EU, that have European aspirations, will continue and will be shaped constantly by the power factor represented by economic dependence.

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