

# **EU-Russia Economic and Security Cooperation: Why the Former Has Been More Successful than the Latter?**

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## **Abstract**

The thesis explains why economic issues prevail over security-related affairs in EU-Russia relations despite the fact that common theoretical approaches (liberal institutionalism and realism) indicate the interdependency of the two fields implying their likeliness to move hand in hand. Explanatory research that builds on well-established theories is conducted in order to better understand the divergence in economic and security fields of cooperation between Russia and the EU. The work of Charles Lipson is the basis of the thesis; however, the paper demonstrates an integrated approach to explaining the problem meaning that factors determined by several authors are taken into account. Thus, besides the major importance of Lipson's paper, his work is modified to be better applied to the post-Cold war context and EU-Russia relations in particular. According to the results of the study, EU-Russia economic relations are more successful than security cooperation because of lower costs of betrayal, more transparency and predictability including availability of necessary information about each others' actions, lack of competitive struggle and the shadow of the future based on long-term economic interdependency. Overall, economic relations appeared to be more institutionalized than in security field. Moreover, Russia's bilateral ties with some European countries also play a consequential role in developing successful economic ties. Lastly, Lipson's work is modified because in post-Cold War context, especially in the energy sector, security and economy are to some extent interlinked. However, it does not undermine the overall claim of divergent economic and security cooperation.

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## Introduction<sup>1</sup>

The EU and Russia have long been interdependent and recognized each other as key partners in issues of mutual interest. Historically, these issues were mostly focused on the economic sector. As a result, the EU became Russia's main trading and investment partner, while Russia is the EU's fourth trade partner and is also its largest oil, gas, uranium and coal supplier. This economic interdependence fostered many joint commitments to maintain good economic relations.<sup>2</sup> Despite the fact that such developments as the Russia-Georgia war and then crisis in Ukraine followed by the imposition of mutual sanctions led to a decrease in trade and deteriorated relations, economic cooperation still remains the most important aspect of EU-Russia relations. According to the report of the European Parliament, “in the first half of 2017, EU-Russia trade grew by 26 % year-on-year, ending a prolonged downturn.”<sup>3</sup> Energy sector has been one of the most significant parts of economic cooperation. Even in the period of strained EU-Russia relations since the Ukrainian crisis, “in the first quarter of 2018 gas deliveries from Russia gas giant Gazprom are understood to have increased by 6.6 per cent against the same quarter in 2017.”<sup>4</sup>

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<sup>1</sup> This work includes some parts from my term paper written for the course “Europe in Crisis: Integration under International and Internal Threat” (delivered by Professor Dániel Izsák)

<sup>2</sup> The European Union and Russian Federation, European Union External Action, 2017, [https://eeas.europa.eu/headquarters/headquarters-homepage/35939/european-union-and-russian-federation\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/35939/european-union-and-russian-federation_en)

<sup>3</sup> “EU Russia Trade Continuing Despite Sanctions,” the European Parliament, November 2017, accessed May 2018, [http://www.europarl.europa.eu/RegData/etudes/ATAG/2017/608817/EPRS\\_ATA\(2017\)608817\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/ATAG/2017/608817/EPRS_ATA(2017)608817_EN.pdf)

<sup>4</sup> Joseph Carey, “Putin’s Trump Card? EU Continues ‘Grovel’ to Russia for Gas Despite Strained Relations,” *Express*, May 2018, accessed May 2018, <https://www.express.co.uk/news/world/958081/Vladimir-Putin-news-latest-Russia-Gazprom-gas-supply-to-European-Union-increase>

However, the same cannot be said about security cooperation. In the late 1990s and early 2000s some achievements in this field were made (i.e. Russia's participation in the EU mission in Chad,<sup>5</sup> agreement on Common Spaces,<sup>6</sup> etc.) and both economic and security relations have been improving, but overall, still no significant progress was accomplished. Later, EU-Russia security relations could not survive the Ukraine crisis but strong economic ties do not allow EU member states to totally break all links with Russia. After the crisis in Ukraine, most of the existing platforms of cooperation in the field of security were suspended while economic relations still continue. Thus, EU-Russia security and economic relations demonstrated divergence in terms of sustainability, development and significance. Briefly, as Fernandes argues, "a feature of EU-Russian relations is the fact that the 'low politics' agenda (economics and trade) has been more developed than the 'high politics' agenda (security and conflicts)."<sup>7</sup>

The goal of the thesis is to explain why economic issues prevail over security-related affairs in EU-Russia relations despite the fact that common theoretical approaches indicate the interdependency of the two fields implying their likeliness to move hand in hand. Explanatory research that builds on well-established theories elaborated by liberal institutionalists and realists was conducted in order to better understand the divergence in economic and security fields of cooperation between Russia and the EU. For the purpose of the paper, the work of Charles Lipson is applied, who convincingly contends that "security issues and economic issues lend themselves to quite different types of strategic interaction... Economic games often involve relatively simple

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<sup>5</sup> Jamie Smith, "Russian Military Force to Assist EU Mission in Chad," *The Irish Times*, September 2008, accessed May 2018, <https://www.irishtimes.com/news/russian-military-force-to-assist-eu-mission-in-chad-1.936212>

<sup>6</sup> "EU/Russia: The Four 'Common Spaces,'" European Commission, Press Release Database, March 2005, accessed May 2018, [http://europa.eu/rapid/press-release\\_MEMO-05-103\\_en.htm](http://europa.eu/rapid/press-release_MEMO-05-103_en.htm)

<sup>7</sup> Sandra Fernandes, "European Security through EU-Russian Relations: Towards a New Multilateral Order?" *Journal of Contemporary European Research*, v. 7, n. 2, 2011, p.204

coordination or mutually beneficial exchange. Security issues, by contrast, are inherently more conflictual and their equilibria less stable.”<sup>8</sup> Thus, his work is the basis for my paper which helps explain that strong and persistent EU-Russia cooperation in the field of economy, despite security problems, contradicts the majority’s expectation that the economy and security are interdependent and should go hand in hand after the Cold War.

This topic is relevant because it addresses the issues of contemporary EU-Russia relations that have a high strategic importance in various policy areas, especially in security affairs. Relations between the two have not been so strained for a long period of time and as Russia still remains an important player in international affairs, its relations with the EU will have significant repercussions on other parts of the world as well. Moreover, this case offers an opportunity to extend already existing knowledge; it shows how particular cases may not work as the majority of theoreticians expect.

The research uses factors determined by Lipson after the analysis of the Prisoner’s Dilemma: the costs of betrayal, difficulties of monitoring and a strong competitive struggle that characterize the security cooperation making it more difficult to develop. Besides, the thesis includes arguments provided by other authors about the same topic. However, others’ arguments differ from Lipson’s because both liberal institutionalists and realists support the idea of interdependency of economic and security fields meaning that they should move together. For example, Sperling and Kirchner argue that “the stability of the emerging European security architecture depends upon the congruence and interdependence of the economic and military security regimes governing the

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<sup>8</sup> Charles Lipson, “International Cooperation in Economic and Security Affairs,” *World Politics*, Vol. 37, No. 1, Cambridge University Press, 1984, <http://www.jstor.org/stable/2010304>

European security space.”<sup>9</sup> Similarly, Axelrod and Keohane contend that “political-economic and military-security issues can be analyzed with the same analytical framework.”<sup>10</sup> They also determine three situational dimensions that may influence the cooperation between different actors: “mutuality of interest, the shadow of the future and the number of actors.”<sup>11</sup> Mearsheimer, the representative of realism, also posits that there is no “the neat dividing line between economic and military issues.”<sup>12</sup> The thesis demonstrates an integrated approach to explaining the problem meaning that factors determined by several authors are taken into account. Thus, besides the major importance of Lipson’s work, by introducing other relevant factors such as the significance of perceptions and bilateralism in EU-Russia relations, his findings will be slightly modified to be better applied to the post-Cold war context and EU-Russia relations in particular.

What is more, the modification of Lipson’s argument is demonstrated by the analysis of EU-Russia cooperation in energy sector. Major theoreticians discussed in this thesis wrote in 20<sup>th</sup> century when EU-Russia relations were not yet characterized by so called “energy wars.” Thus, at that time energy security was not such a significant concern as it is today. Energy security is a perfect example of possible linkage between economy and security because as determined by the International Energy Agency, various vulnerabilities comprising oil supply, price hikes, disruptions in supply, infrastructure or end-use sectors and others<sup>13</sup> have a negative impact on both economy and security. Therefore, this situation is also taken into account while analyzing EU-

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<sup>9</sup> James Sperling and Emil Kirchner, “Economic Security and the problem of Cooperation in Post-Cold War Europe,” *Review of International Studies*, 1998, p.233

<sup>10</sup> Robert Axelrod and Robert Keohane, “Achieving Cooperation Under Anarchy: Strategies and Institutions,” in Kenneth A. Oye, ed., “Cooperation Under Anarchy,” (Princeton: Princeton University Press), 1986, p.231

<sup>11</sup> *Ibid.*, p.227

<sup>12</sup> John Mearsheimer, “False Promise of International Institutions,” *International Security*, Vol. 19, No. 3, 1994-1995, p.20

<sup>13</sup> “What is Energy Security,” International Energy Agency, Topics, <https://www.iea.org/topics/energysecurity/whatisenergysecurity/>



Russia economic and security cooperation because Russia has often used energy as a political weapon threatening energy security of European states.

Another special feature of EU-Russia cooperation, in particular in economic sector, is the role of bilateral relations of Russia with several European states. This is an important element because the EU consists of independent states that can make their own decisions (this makes the EU a “non-traditional” actor in game theories), however, Russia’s ties with some EU member states influence overall consequences and general EU-Russia relations. Strong links with Austria, Germany, Cyprus, Italy and others allow Russia to develop bilateral agreements and get support for such significant projects as Nord Stream 2. According to 2017’ data, for instance, Netherlands, Germany and Belarus occupied the second, the third and the fourth places respectively out of Russia’s top 15 trading partners.<sup>14</sup> Thus, besides the importance of institutionalized economic relations that, according to liberal institutionalists, are the best way to promote cooperation, the case of EU-Russia shows that bilateral agreements also play a big role in overall economic cooperation.

In order to explore the areas of economy and security in which Russia and EU have cooperated, longitudinal timeframe is used to investigate the development of these relations over a longer period of time. Necessary data are accessible on the official websites of the European Union, European External Action Service; online versions of all necessary documents related to EU-Russia relations are available there. In addition, the paper is enriched with various secondary source materials. Recent articles published in such professional, information-oriented journals as

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<sup>14</sup> Daniel Workman, “Russia’s Top Trading Partners,” World’s Top Exports (WTEx), March 2018, accessed May 2018, <http://www.worldstopexports.com/russias-top-import-partners/>

Global Affairs, World Politics, International Security, Journal of Contemporary European Studies and others are analysed. The research is based on applying existent theory to the case of EU-Russia relations that may be pertinent to other examples as well, however, with considering some unique determinants of successful cooperation that may exist between different countries and/or organizations.

The structure of the thesis is as follows: the first chapter analyzes the debate in the literature regarding economic and security cooperation; the second chapter explores EU-Russia economic and security cooperation separately in order to demonstrate that they break the pattern elaborated by the majority of authors; the third chapter explains why economic cooperation prevails over security cooperation based on theories analyzed.

## Chapter 1: The Debate on International Economic and Security Cooperation

In the late 1980s and 1990s, the issue of development of international economic and security cooperation caused much debate among scholars of international relations. This debate was especially encouraged by the work of Charles Lipson.<sup>15</sup> The broad discussion centers on the liberal institutionalist vs realist approach to explaining international economic and security cooperation. Representatives of the former approach underscore the consequential role of institutions in developing strong economic and security cooperation and argue that the fear of betrayal is one of the most important barriers to successful collaboration. Moreover, they are optimistic about international cooperation and outline the paramount importance of the state's overall benefits (absolute gains).

Sperling and Kirchner contend that “the problem of defining the exact content of those public goods and of reducing the incentives and opportunities to free-ride suggests the creation of multilateral institutions.”<sup>16</sup> In addition, they indicate that “the fear of relative gains has been replaced with a concern for ensuring cooperative outcomes that deliver an optimum level of absolute gains for all.”<sup>17</sup> They emphasize that the future of the security order depends on institutional relationships between economic and military security issues. Keohane and Martin also put much faith in institutions arguing that institutions provide some kind of “coordinating mechanism” that allows states to better understand the potential possible gains from cooperation.

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<sup>15</sup> Charles Lipson, “International Cooperation in Economic and Security Affairs,” *World Politics*, Vol. 37, No. 1, Cambridge University Press, 1984

<sup>16</sup> James Sperling and Emil Kirchner, “Economic Security and the problem of Cooperation in Post-Cold War Europe,” *Review of International Studies*, 1998, p.231

<sup>17</sup> *Ibid.*, p.225

“International institutions can step in to provide ‘constructed focal points’ that make particular cooperative outcomes prominent.”<sup>18</sup> Similarly, Axelrod and Keohane support the establishment of formal or informal international regimes that serve to institutionalize reciprocity, even when they lack powers of enforcement, and can also help establish new norms: “institutions can alter the extent to which governments expect their present actions to affect the behavior of others on future issues... International regimes help to link the future with the present.”<sup>19</sup> They argue that this is true for both economic and security issues and that the “willingness to make future agreements depends on others' compliance with previous arrangements.”<sup>20</sup>

Axelrod and Keohane’s focus on the role of international regimes is reflected in Lipson’s other work in which he demonstrates that the international lending regime constructed by bankers can promote cooperation even when there are many actors, no dominant power and no world central bank.<sup>21</sup> In addition, their point about the shadow of the future applies here as well because in interbank relations, “small banks will think twice before double-crossing large banks by refusing to participate in rescheduling.”<sup>22</sup> Thus, banks and debtor countries continue their relations not only due to facilitation of debt servicing but also because of the hope for a better future.

While applying the liberal institutionalist approach to EU-Russia relations, cooperation in the field of economy and commerce have intensified and both sides recognized each other as important

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<sup>18</sup> Robert O. Keohane and Lisa L. Martin, “The Promise of Institutional Theory,” *International Security*, MIT Press, Vol. 20, No. 1, 1995, p.45

<sup>19</sup> Axelrod and Keohane, “Achieving Cooperation Under Anarchy: Strategies and Institutions,” p.234

<sup>20</sup> Ibid.

<sup>21</sup> Charles Lipson, “Bankers' Dilemmas: Private Cooperation in Rescheduling Sovereign Debts,” *World Politics*, Vol. 38, No. 1, 1985, pp.220-225

<sup>22</sup> Axelrod and Keohane, “Achieving Cooperation Under Anarchy: Strategies and Institutions,” p.233

economic partners that led to the institutionalization of relations based on agreements between the two parties like Peace and Cooperation Agreement, launching of the EU-Russia Energy Dialogue, EU-Russia Common Spaces and others. Russia's membership of the WTO was also an incentive for further enhanced bilateral trade and investment relations. Economic relations continue after the crisis in Ukraine as well. Indeed, more institutionalized relations based on different agreements increased trust and commitments to fulfilling the responsibilities of the two sides. Nevertheless, it's worth pointing out that overall EU-Russia economic ties appear to strengthen not only due to the major role of institutions and international fora but also because of well-developed bilateral relations with some European states such as Austria, Cyprus, Germany, Hungary, Italy, etc. However, the high costs of betrayal due to the differences in positions and priorities regarding European security architecture did not allow for building successful institutionalized security relations. Thus, interdependency of economic and security ties argued by liberal institutionalists does not apply to EU-Russia relations. In most cases it appeared to be in the interest of both actors to keep the economic field separate from security cooperation due to the higher importance and feasibility of the former.

Unlike liberal institutionalist authors, Mearsheimer represents a realist perspective on economic and security cooperation. He dedicates his work to the attempt of explaining the flaws in the liberal institutionalist logic. Mearsheimer argues that "the theory largely ignores security issues and concentrates instead on economic and, to a lesser extent, environmental issues."<sup>23</sup> He remains pessimistic about international cooperation and considers that the role of institutions in

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<sup>23</sup> John Mearsheimer, "False Promise of International Institutions," *International Security*, Vol. 19, No. 3, 1994-1995, p.15

determining state behavior is limited. This opinion is shared by another representative of the realist school of thought, in particular structural realism, Kenneth Waltz. On the example of the US and NATO, he contends that “international institutions are created and maintained by stronger states to serve their perceived or misperceived interests”<sup>24</sup> and the relevance of “institutions as multilateral entities” is less significant and have “little independent effect.”<sup>25</sup>

Despite the fact that Mearsheimer agrees that the fear of cheating is an important barrier to cooperation, he contends that another major obstacle – relative-gains concerns – is ignored. He continues by adding that when relative-gains are considered as well, it “becomes impossible to maintain the neat dividing line between economic and military issues, mainly because military might be significantly dependent on economic might.”<sup>26</sup> Therefore, he posits that relative-gains concerns must be taken into account when looking at both economic and security domains and this leads to the impossibility and uselessness of dividing these two issues. Keohane and Martin alongside other liberal institutionalists also recognize that there is not a clear analytical line between security and economic issues, but they do not base their argument on the significant importance of relative gains that they consider to be conditional. They bring the opinion of Snidal to support their claim: “if absolute gains from cooperation are considerable then relative gains are likely to have minimal effect on cooperation.”<sup>27</sup> Keohane and Martin posit that the increased role of institutions may eliminate the problem of uncertainty due to making more information available

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<sup>24</sup> Kenneth Waltz, “Structural Realism After the Cold War,” *International Security*, vol. 25, Issue 1, 2000, p.20

<sup>25</sup> Ibid., p.18

<sup>26</sup> Ibid., p.20

<sup>27</sup> Duncan Snidal, “Relative Gains and the Pattern of International Cooperation,” *American Political Science Review*, Vol. 85, No. 3, 1991, pp. 701-726, quoted in Robert O. Keohane and Lisa L. Martin, “The Promise of Institutional Theory,” *International Security*, MIT Press, Vol. 20, No. 1, 1995, p.44

to states.<sup>28</sup> Therefore, the majority of liberal institutionalists and realists mentioned in this chapter do not see a strict divide between economy and security, however they approach this issue from different perspectives. The former emphasizes the significance of institutions and the fear of cheating while the latter, argued by Mearsheimer, underscores the major importance of relative gains.

In the case of EU-Russia relations, the idea of relative gains supported by Mearsheimer, has not been the central point at least in economic field. Economic collaboration cannot be considered as a ground for struggle/competition between the two sides; institutionalized relations based on several agreements, long-term interdependency and commitments to issues of mutual interest make economic cooperation successful. As mentioned above, security relations are underdeveloped due to the lack of trust, high costs of betrayal and disagreements over issues related to post-Soviet space, EU enlargements, etc. Relative gains do not play a substantial role here either because despite the fact that recently increased attention has been paid to institutionalization of the EU security policy and the need to make EU an independent international security actor, the EU still struggles to formulate common security strategy. In its turn, Russia (especially since 2008) dedicated much resources to strengthening its military and cyber capabilities. Again, this shows that in this case, the same understanding cannot be applied to economic and security issues.

Despite the fact that there are some theoretical differences between liberal institutionalist and realist approaches, as was mentioned above, they have one important similarity that is relevant for

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<sup>28</sup> Keohane and Martin, "The Promise of Institutional Theory," p.43

this thesis: representatives of both schools of thought support the idea that there is no clear division between economic and security issues. However, it seems that liberal institutionalists disagree regarding the latter topic as well, which will be demonstrated below. The first work discussed will be Lipson's paper because it seems to be more helpful to explain why economic issues prevail over security-related affairs in EU-Russia relations.

Lipson responds to the question "why significantly different institutional arrangements are associated with international economic and security issues."<sup>29</sup> He contends that the answer to this question lies in different forms of strategic interaction on these two issues.<sup>30</sup> He reaches this conclusion based on game theories, in particular the Prisoner's Dilemma in which "the dilemma... is the ineluctable failure to coordinate despite the obvious possibility of joint gains."<sup>31</sup> Lipson underscores that despite the fact that the game has restrictions such as the poor environment and the absence of institutions/external mechanisms, from these restrictions some practical solutions could be found including different "institutional devices."<sup>32</sup> The author claims that cooperation becomes more successful when the game is iterated because repetitions allow actors to make threats and commitments, develop a reputation and contingent strategies such as "TIT FOR TAT."<sup>33</sup> The extensive analysis of the Prisoner's Dilemma leads him to conclude that "security issues and economic issues lend themselves to quite different types of strategic interaction... Economic games often involve relatively simple coordination or mutually beneficial exchange. Security issues, by contrast, are inherently more conflictual and their equilibria less stable."<sup>34</sup>

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<sup>29</sup> Lipson, "International Cooperation in Economic and Security Affairs," p.2

<sup>30</sup> Ibid., p.12

<sup>31</sup> Ibid., p.3

<sup>32</sup> Ibid., p.4

<sup>33</sup> Ibid., p.5

<sup>34</sup> Ibid., p.12



Lipson determines the main differences in economic and security cooperation and argues that the latter field is characterized by “the immediate and potentially grave losses to a player who attempts to cooperate without reciprocation; and the risks associated with inadequate monitoring of others’ decisions and actions [are high].”<sup>35</sup> He posits that costs of betrayal, the difficulties of monitoring and the proclivity to considering security issues as a competitive struggle build barriers to successful security cooperation. Monitoring-related point is reminiscent of Jervis’s argument about the importance of “inspection devices [that can] ameliorate the security dilemma”<sup>36</sup> and promote international cooperation. As is shown below, as far as this thesis is concerned, Lipson appears to be the only person who underscores fundamental differences between the conditions that lead to economic and security cooperation. Other liberal institutionalists and realists do not seem to see such a clear division between the two issues and consider them to be very closely related to each other.

Sperling and Kirchner analyze differences between economic and military affairs presented by Lipson and argue that “it is doubtful that these differences have survived the end of the Cold War.”<sup>37</sup> They demonstrate the change in understanding and treating economic and security affairs that occurred in the post-Cold War era. While before “economic issues were subordinated and treated as an adjunct to the more important and pressing issue of military security..., the sudden transformation of the Cold War security order in 1989... intensified the interrelationship between military security and economic security.”<sup>38</sup> According to them, military security transformed into a cooperative game making the institutionalization of cooperation in military affairs much more

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<sup>35</sup> Lipson, “International Cooperation in Economic and Security Affairs,” p.2

<sup>36</sup> Robert Jervis, “Cooperation under the Security Dilemma,” *World Politics*, Vol. 30, No. 2, 1978, p.181

<sup>37</sup> Sperling and Kirchner, “Economic Security and the Problem of Cooperation in Post-Cold War Europe,” p.232

<sup>38</sup> *Ibid.*, p.222

possible. They mention such issues as transformation of the security dilemma, the downgrading of the military aspect of power, transition to the defensive strategies and other to support their argument.<sup>39</sup>

Therefore, Sperling and Kirchner do not share Lipson's argument regarding totally different strategic interaction and institutional arrangement in economic and security issues. They recognize that because of the calculability of payoffs and costs of cooperation, more developed institutional mechanisms, etc. "it is very likely that the economic dimension of the security architecture will be constructed more rapidly than the military dimension."<sup>40</sup> Nevertheless, they claim that the stability of the emerging European security architecture depends upon the interdependence of the economic and military security regimes. They further explain that "the regimes supporting the economic and military components of the overall security architecture are mutually dependent: the instability or incoherence of one element of the security architecture will diminish the stability or coherence of the other element."<sup>41</sup>

Uneven progress in these two issues is considered to be harmful and the possibility of "dyssynchronous development" may raise the question of "whether autonomous or differentiated progress in the economic and military elements of the security order can be safely tolerated if the overall stability of the system is to be assured."<sup>42</sup> However, their point appears insufficient to explain EU-Russia economic and security cooperation' divergence. It appears that the separation proposed by Lipson survived the Cold War and this differentiated success of economic and

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<sup>39</sup> Sperling and Kirchner, "Economic Security and the Problem of Cooperation in Post-Cold War Europe," p.222

<sup>40</sup> Ibid., p.236

<sup>41</sup> Ibid., p.234

<sup>42</sup> Ibid., p.237

security cooperation in the case of EU-Russia relations is a perfect demonstration of it. Despite the fact that the latter is almost eliminated, the former continues on an upward trajectory based on mutual interest. Nevertheless, while Lipson's points are relevant to explain why economic cooperation has been more successful than security, currently it is not the same dividing line that was proposed by him. Some aspects of EU-Russia cooperation, especially in the energy sector, show how economic and security aspects may be interlinked and this fact cannot be ignored. Such actions as temporary restrictions of gas, blocking transit, threatening to cut the supplies, rising prices and others implemented by Russia placed European countries and their energy security' situation in peril. But overall, this does not undermine the fact that economic relations prevail (this point will be elaborated in more details throughout the work).

Along similar lines, unlike Lipson, Axelrod and Keohane, as well as Oye, try to illustrate that there is no need to separate economic and security affairs and "that political-economic and military-security issues can be analyzed with the same analytical framework."<sup>43</sup> Axelrod and Keohane determine three situational dimensions different from Lipson that affect the propensity of actors to cooperate: mutuality of interest, the shadow of the future, and the number of actors.<sup>44</sup> Also, unlike other papers, Axelrod and Keohane's work pays substantial attention to the importance of perceptions: "perceptions define interests. Therefore, to understand the degree of mutuality of interests (or to enhance this mutuality) we must understand the process by which interests are perceived and preferences determined."<sup>45</sup> This is especially important in the case of EU-Russia relations and Russia's perceptions of the EU as a weak security actor that is one of the obstacles

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<sup>43</sup> Axelrod and Keohane, "Achieving Cooperation Under Anarchy: Strategies and Institutions," p.231

<sup>44</sup> Ibid., p.228

<sup>45</sup> Ibid., p.229

to successful security cooperation. Like Sperling and Kirchner, Axelrod and Keohane also posit that despite the fact that military issues may often be more conflictual, there is no theoretical evidence that may support the idea that this should always be the case. They give an example of postwar economic relations between the United States and Japan that were more conflictual than military-security relations.

Nonetheless, Axelrod and Keohane still admit that from the dimensions that they determined, there is one dimension - the shadow of the future – that differentiates military from economic issues. The combination of its two elements: long time horizons and regularity of stakes have the main importance here. Long-term perspective on economic relations meaning the possibility of the games they play will be iterated makes economic cooperation more successful because in security affairs, the possibility of a single unexpected move such as a preemptive war and/or destroying the opponent's capacity for effective retaliation is more likely to occur.<sup>46</sup> In the case of EU-Russia relations, economic ties especially in the field of energy have long been maintained and have been affected by both long term perspective and the regularity of stakes. Nevertheless, security cooperation is not characterized by stable and developing features. External shocks, such as the crisis in Ukraine resulted in the total elimination of cooperation in the security field. Despite the fact that the shadow of the future plays an important role in developing long term and stable relations, it is not sufficient to explain different progress in security and economic affairs. Such factors as transparency, access to necessary information for both sides (possibility of monitoring), costs of betrayal and others should also be taken into account. This is why, the thesis will include an integrated explanation based on different factors suggested by different authors.

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<sup>46</sup> Axelrod and Keohane, "Achieving Cooperation Under Anarchy: Strategies and Institutions," p. 232-233

Most authors outline the substantial role of reliability of information about the others' actions and promptness of feedback. Axelrod and Keohane explain that actors may sometimes have more reliable information on political-economic than on military-security issues. The latter point may be related to Lipson's second factor according to which monitoring is easier in economic affairs than in security issues. When discussing the conditions for successful reciprocity, Axelrod and Keohane analyze the issue of identifying defectors as one of the main reasons of building strong international cooperation. In the case of EU-Russia, this factor is also relevant because recently Russia's alleged meddling in the elections of Western countries came to the agenda, cyber security became a major concern because it was not always possible to exactly identify the attacker.

Thus, acquiring, in a timely fashion, adequate amounts of high-quality information will increase confidence in governments because of the ability to monitor their counterparts' actions. Keohane and Martin also support institutionalist theory because of the possibility of having more information: "institutionalist theory should be highly applicable to security issues because its argument revolves around the role of institutions in providing information."<sup>47</sup> Indeed, the value of information is high. Difficulties of monitoring and/or anticipating Russia's development especially in the military field were the reasons of the long "uncertainty about Moscow's strategic objectives and disagreement among Western policy elites over the extent of the challenge posed by Russia."<sup>48</sup> As Lipson argues, such problems of "mistrust, which spring from cognitive uncertainty and the danger of surprise... make cooperation so difficult and unstable... The dangers of swift, decisive defection simply do not apply in most international economic issues."<sup>49</sup>

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<sup>47</sup> Keohane and Martin, "The Promise of Institutional Theory," p.43

<sup>48</sup> Derek Averre, "The Ukraine Conflict: Russia's Challenge to European Security Governance," *Europe-Asia Studies*, 68:4, 699-725, 2016, p.700

<sup>49</sup> Lipson, "International Cooperation in Economic and Security Affairs," p.17

To conclude, Lipson's work promoted a rigorous debate about international economic and security cooperation. The question around discussion is whether there is a "neat dividing" line between economic and security affairs, whether they can be explained with one single theory and if all this can shed light on the different levels of success of cooperation in economic and security areas respectively. Notwithstanding the differences between liberal institutionalists and realists, all of them but Lipson agree and expect that security and economy should be interlinked.

While almost all of the authors recognize the relative success of economic cooperation in comparison to security cooperation, only Lipson emphasizes fundamental differences in terms of strategic interaction and institutional arrangements of these two areas. Thus, his work is better applicable to EU-Russia cooperation because the relations between these two sides are characterized by strong economic ties but underdeveloped security cooperation. However, it should be considered that his argument needs revision when applied to EU-Russia relations including the emphasis on some extent of interdependency between economic and security affairs, the importance of perceptions and bilateralism. Therefore, it seems that strong and persistent EU-Russia cooperation in the field of economy, despite security problems, contradicts the majority's expectation that the economy and security are interdependent and should go hand in hand after the Cold War. My work uses the factors that authors determined to explain successful economic and security cooperation and apply them to the case of EU-Russia relations. The thesis will provide an integrated explanation (meaning taking into account different factors determined by different authors) of strong EU-Russia economic vs security relations.

## Chapter 2: EU-Russia Economic and Security Relations

Previous chapter showed how liberal institutionalists and realists view international economic and security cooperation and emphasized Lipson's different approach that draws a strict dividing line between economy and security. The following chapter will present the case of the EU-Russia economic and security cooperation in order to demonstrate that this case goes contrary to the common expectations of liberal institutionalists (besides Lipson) and realists that economic and security cooperation must go hand in hand. Despite the significant negative effect of the crisis in Ukraine, economic relations are on the rise while security relations are almost eliminated.

### 2.1. Economic Relations

In 1991, the Delegation of the European Commission to Russia was opened in Moscow and since 2009 Lisbon Treaty, it transformed into the Delegation of the European Union to Russia. One of its main goals is to “to promote the political and economic relations between Russia and the European Union...”<sup>50</sup> 1997 Partnership and Cooperation Agreement (PCA) has been the basis for EU-Russia political and economic relations. Besides a strong emphasis on economy, it aims “to provide an appropriate framework for the gradual integration between Russia and a wider area of cooperation in Europe.”<sup>51</sup> The PCA was expected to be regularly upgraded in order to achieve a comprehensive framework for bilateral relations, however, negotiations were

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<sup>50</sup> “Delegation of the European Union to Russia,” the European Union, May 2016, accessed May 2018, [https://eeas.europa.eu/delegations/russia/719/about-european-union-delegation-russian-federation\\_en](https://eeas.europa.eu/delegations/russia/719/about-european-union-delegation-russian-federation_en)

<sup>51</sup> “EU-Russia Partnership and Cooperation Agreement,” Article 1, the European Union External Action, Treaties Office Database, accessed May 2018, <http://ec.europa.eu/world/agreements/downloadFile.do?fullText=yes&treatyTransId=643>

stopped in 2010 because no progress was made in the Trade and Investment part. Nevertheless, in 2010, after the Rostov Summit, EU-Russia Partnership for Modernization was launched focusing on the two broad areas: “trade facilitation through harmonization of technical regulations and standardization and strengthening the rule of law.”<sup>52</sup> It also aimed to support EU-Russia cooperation within already existent platforms.

According to the report of the European Parliament, “the EU remains by far Russia's largest foreign trade partner (47 % of total Russian foreign trade, as of mid-2017); among the EU's partners, Russia has been overtaken by Switzerland and is now in fourth place (6 % of the EU's foreign trade).”<sup>53</sup> Moreover, as the data of the European Commission shows, “the EU is the biggest investor in Russia. Three quarters of Foreign Direct Investment stocks in Russia come from EU Member States, 30% from Cyprus alone.”<sup>54</sup> The latter can be explained by long-lasting friendly Russia-Cyprus’ relations based on strong cultural, historical and religious ties; the island hosts “40,000-strong Russian-speaking business community that sees the island as a reliable partner”<sup>55</sup> and while Russia’s investment helps the island to boost economic development, Cyprus “provides Russian enterprises with a gateway to the bloc, the Middle East, North Africa and Asia.”<sup>56</sup> To enhance multilateral economic cooperation, in August 2012, Russia became the member of the World Trade Organization (WTO) that was strongly

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<sup>52</sup> “Partnership for Modernization,” Delegation of the European Union to Russia, accessed May 2018, [http://eeas.europa.eu/archives/delegations/russia/eu\\_russia/tech\\_financial\\_cooperation/partnership\\_modernisation\\_facility/index\\_en.htm](http://eeas.europa.eu/archives/delegations/russia/eu_russia/tech_financial_cooperation/partnership_modernisation_facility/index_en.htm)

<sup>53</sup> “EU Russia Trade Continuing Despite Sanctions,” the European Parliament, November 2017, accessed May 2018, [http://www.europarl.europa.eu/RegData/etudes/ATAG/2017/608817/EPRS\\_ATA\(2017\)608817\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/ATAG/2017/608817/EPRS_ATA(2017)608817_EN.pdf)

<sup>54</sup> “Russia,” Trade and Policy, European Commission, April 2018, accessed May 2018, <http://ec.europa.eu/trade/policy/countries-and-regions/countries/russia/>

<sup>55</sup> “Cyprus to Boost Collaboration on Start-Ups with Russia,” CyprusMailOnline, March 2018, accessed May 2018, <https://cyprus-mail.com/2018/03/01/cyprus-boost-collaboration-start-ups-russia/>

<sup>56</sup> Ibid.



supported by the EU because of Russia's trade policies becoming more open with increased opportunities to better access Russian market. Therefore, the EU and Russia have long been interdependent and their relations in economic field have gradually become more institutionalized.

Energy has been one of the major elements of EU-Russia economic cooperation and "this relationship can be best characterized as mutual interdependence of supply, demand, investment and know-how."<sup>57</sup> In 2000 the EU-Russia launched the EU-Russia Energy Dialogue to develop a long-term energy partnership and already in 2006, Russia became the principal supplier of solid fuels in Europe. Also, the "Roadmap for EU-Russia Energy Cooperation until 2050" (2013) was signed to achieve "Pan-European Energy Space, with a functioning integrated network infrastructure, with open, transparent, efficient and competitive markets, making the necessary contribution to ensuring energy security and reaching the sustainable development goals of the EU and Russia."<sup>58</sup>

The 2014 crisis in Ukraine was followed by the imposition of sanctions, including measures targeting sectoral cooperation and exchanges with Russia ("economic measures").<sup>59</sup> Russia also responded with restrictions on the import of agricultural and food products from the EU. Nevertheless, overall success of these sanctions is limited. As Miryan posits, "after the

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<sup>57</sup> "The European Union and Russia: Close Neighbors, Global Players, Strategic Partners," the European Commission, Directorate General for External Relations, 2007, accessed May 2018, p.10, [http://eeas.europa.eu/archives/docs/russia/docs/russia\\_brochure07\\_en.pdf](http://eeas.europa.eu/archives/docs/russia/docs/russia_brochure07_en.pdf)

<sup>58</sup> "Roadmap for EU-Russia Energy Cooperation until 2050," 2013, accessed April 2018, [https://ec.europa.eu/energy/sites/ener/files/documents/2013\\_03\\_eu\\_russia\\_roadmap\\_2050\\_signed.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/2013_03_eu_russia_roadmap_2050_signed.pdf)

<sup>59</sup> "EU Sanctions against Russia over Ukraine Crisis," European Union Newsroom, accessed May 2018, [https://europa.eu/newsroom/highlights/special-coverage/eu-sanctions-against-russia-over-ukraine-crisis\\_en](https://europa.eu/newsroom/highlights/special-coverage/eu-sanctions-against-russia-over-ukraine-crisis_en)

imposition of Western sanctions, the Kremlin appears to have successfully cushioned its key elites. Russia's competitive exports provide the existing system with rents necessary to uphold high levels of cohesion, regardless of the economic impact of sanctions."<sup>60</sup> Besides non-productive character of these sanctions, both EU and Russia seem to separate economic relations from the rest important issues. As Movrchan precisely outlines, "the fact that recent Russian actions in and around Ukraine and massive ideological anti-European pressure on Russian society did not cause serious damage to commercial relations with Europe proves the real unwillingness of the EU to connect commercial issues with political maneuvers."<sup>61</sup> Thus, despite the sanctions, EU-Russia economic cooperation still remains important especially in the energy sector.

Notwithstanding the fact that after the crisis in Ukraine and the imposition of sanctions, formal Energy Dialogue format was suspended from 2014, regular dialogue continued on an ad-hoc basis. "Russia remains the largest supplier of natural gas and petroleum oils to the EU, ahead of Norway. In 2017, Russia's share in the EU imports of natural gas stood at 37.4 % (39.5 % in 2016) and its share in EU imports of petroleum oils at 30.9 % (31.7 % in 2016), measured in value."<sup>62</sup> This situation gives a significant leverage to Russia that enables it to use energy resources and infrastructure as an instrument of influence on European countries. Russia's tactics included temporary restrictions of gas, blocking transit, threatening to cut the supplies, rising prices and

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<sup>60</sup> Dmitriy Miryan, "Taming the Bear: How EU Sanctions Fail Against Russia?" *European Public Affairs*, June 2017, accessed May 2018, <http://www.europeanpublicaffairs.eu/taming-the-bear-how-eu-sanctions-fail-against-russia/>

<sup>61</sup> Andrej Movchan, "The Worst Friends: EU-Russian Economic Relations at a Time of Hostility," in *The Russia File: Russia and the West in an Unordered World*, ed. Daniel Hamilton and Stefan Meister, Center for Transatlantic Relations, 2017, p.98

<sup>62</sup> "EU Imports of Energy Products – Recent Developments," Eurostat, 2017, accessed May 2018, [http://ec.europa.eu/eurostat/statistics-explained/index.php/EU\\_imports\\_of\\_energy\\_products\\_-\\_recent\\_developments](http://ec.europa.eu/eurostat/statistics-explained/index.php/EU_imports_of_energy_products_-_recent_developments)

others. Here economic and security issues intertwine that sometimes complicates the differentiation between the two. It should be noted that the EU has long tried to find possible ways to diversify its suppliers to ensure the uninterrupted availability of natural resources on the continent. One example is launching of the Energy Union strategy in February 2015. However, above mentioned statistics show that such initiatives have limited success and even after the crisis in Ukraine, the situation regarding energy dependence on Russia has not changed. Moreover, economic relations continue on an upward trajectory at a time of increased tension between the EU and Russia over the country's presence in Syria, its alleged involvement in the Salisbury nerve agent attack in the U.K. and accusations of Russian meddling in elections of the Western countries.

## 2.2. Security Relations

As in the case of economic relations, PCA established a political framework for regular consultation between the EU and Russia including a commitment to international peace and security. The first common declaration in the security field was issued in 2000 in Paris called EU-Russia Summit Joint Declaration. The parties to the agreement decided to “institute specific consultations on security and defense matters..., develop strategic dialogue on matters, particularly in regard to security..., promote cooperation in operational crisis management, etc.”<sup>63</sup> As a result of improved cooperation in the field of security, for the first time, Russia participated in a CSDP mission in Chad and did contribute substantially. Russia also became the first non-EU country to have regular meetings with the Political and Security Committee (PSC), created in 2001. Later, at the St. Petersburg Summit of May 2003, the EU and Russia agreed to establish a Common Space

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<sup>63</sup> “EU-Russia Summit Joint Declaration”, 2000, accessed April 2018, [http://europa.eu/rapid/press-release\\_IP-00-1239\\_en.htm](http://europa.eu/rapid/press-release_IP-00-1239_en.htm)

of Freedom, Security and Justice. A Road Map agreed in 2005 set out the objectives for cooperation in this area for the short and medium term. The Permanent Partnership Councils (PPCs) and Senior Official meetings (SOMs) on Justice, Freedom and Security were established to set priorities and to monitor progress in its regular meetings.

Despite these achievements and possibilities to enhance security relations by constructing bilateral ties and also make use of many institutional and military arrangements, the limitations were also evident. As Webber argues, further development became difficult “because of reservations in Moscow on [EU and NATO] enlargement and... because the rise to prominence of these two organizations [EU and NATO] has entailed a lesser status for the OSCE and the UN, two institutions which Russia has at various times favored.”<sup>64</sup> This is why, security cooperation has been more vulnerable to external shocks. Following Russia's illegal annexation of Crimea, the EU suspended the PPCs and SOMs. Currently, only technical level meetings might be held while high-level dialogues were suspended.

Throughout his presidency, Dmitry Medvedev proposed a new European Security Treaty that would build more inclusive security architecture than the one dominated by NATO. Nowadays “the treaty is effectively dead and the new Russian president, Vladimir Putin, has decided to push a Eurasian Union instead that would have the opposite effect of the stated purpose of the European Security Treaty — to eliminate dividing lines separating the former Soviet republics from the rest of Europe.”<sup>65</sup> Western critiques did not want to accept the conditions of the treaty due to

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<sup>64</sup> Mark Webber, “Inclusion, Exclusion and The Governance of European Security,” Manchester University Press, 2007, p.150

<sup>65</sup> Richard Weitz, “The Rise and Fall of Medvedev’s European Security Treaty,” The German Marshall Fund of the United States, 2012, p.1

disagreements regarding some of its articles and also, as former NATO Secretary-General Rasmussen underscored, “I don’t see a need for new treaties or new legally binding documents because we do have a framework already.”<sup>66</sup>

As Fernandes posits, “three interrelated security issues have been addressed and opposed by Russia...: missile defence in Europe, NATO enlargement to Ukraine and Georgia, and the CFE (Conventional Forces in Europe) Treaty... [Moreover], the bottom line of the disagreement on security issues lies in a deep incompatibility of views, besides the flaws within the proposed Russian concept of security architecture.”<sup>67</sup> Indeed, different attitudes towards such issues as “Color Revolutions,” EU enlargement and others build obstacles to developing security ties. Another important hindrance is demonstrated by Webber, who persuasively contends that as the EU became the main international institution in Europe, it expected the non-EU Europe to recognize its superiority and make the non-EU Europe adapt to rules and values of the EU. “For a state such as Russia, led by a political elite suffused with notions of Russia’s specialness and great power credentials this is difficult to accept.”<sup>68</sup> The question of being treated as an equal partner has long dominated Russia’s goals. Due to all these factors, in non-economic spheres, EU-Russia cooperation did not experience significant developments during the last few years. However, in April 2018, European Commission President Juncker said in the interview that “we must learn to talk to Russians on an equal footing, at eye level... Russia is a major player. There is no security

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<sup>66</sup> Conor Sweeney, “NATO Chief Opposes Russia’s Security Pact Proposal,” *Reuters*, December 2009, accessed March 2018, <https://www.reuters.com/article/us-russia-nato/nato-chief-opposes-russias-security-pact-proposal-idUSTRE5BF38D20091217>

<sup>67</sup> Fernandes, “European Security through EU-Russian Relations: Towards a New Multilateral Order,” pp. 208-209, 2011

<sup>68</sup> Webber, “Inclusion, Exclusion and The Governance of European Security,” p.161

agenda for Europe without Russia.”<sup>69</sup> Whether significant changes will unfold or a new era will begin remain to be seen. Nevertheless, international context and such issues as conflict in Syria, Russia’s relations with Iran, Russia’s cyber activities, diminished cooperation in fight against terrorism, etc. do not allow for much optimism for developing strong relations in the sphere of security.

The information provided above demonstrates a significant divergence in EU-Russia economic and security cooperation. This became even more evident after the 2014 crisis in Ukraine that resulted in reduced economic cooperation at the beginning with gradual improvements but almost total elimination of security cooperation. The next chapter will elaborate more on the influence of Crisis in Ukraine on both spheres of cooperation and determine the reasons behind the divergent development of the two based on theories presented at the beginning of the paper.

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<sup>69</sup> Maia De La Baume, “Juncker: No European Security Agenda ‘Without Russia,’” Politico, April 2018, accessed April 2018, <https://www.politico.eu/article/juncker-putin-russia-no-european-security-agenda-without/>

### **Chapter 3: EU-Russia Economic and Security Relations: Why the Former but Not the Latter?**

The previous chapter was devoted to exploring EU-Russia economic and security cooperation from a historical perspective. It showed how the case of EU-Russia relations break the pattern and expectations of the majority of authors about the interdependency of the two fields. The present chapter is dedicated to explaining why economic issues prevail in EU-Russia relations and continue notwithstanding the fact that after the crisis in Ukraine security cooperation was mostly suspended. Lipson's work is used as a basis for developing an argument. However, his approach is modified in order to better explain EU-Russia divergent economic and security cooperation.

According to Lipson, "cooperation is most likely if (1) the future is not highly discounted, and (2) the penalty for unreciprocated cooperation is not devastating."<sup>70</sup> Dissolution of the Soviet Union and the emergence of the Russian Federation created a substantially different situation on the European continent. On the one hand, EU started considering the possibilities of integrating Russia into the Western liberal-democratic order and, on the other hand, Russia needed economic assistance and political support to establish a stable, secure and economically developed state. At that time, Russia had a pro-European stance. The late 1990s and early 2000s were characterized by developing both, economic and security relations. The Partnership and Cooperation Agreement (PCA), the legal basis for EU-Russia relations, came into force in 1997 as a framework for deepening ties via regular consultations. In this period, Russia's role in G-7 also increased. At first, Russian President Boris Yeltsin was a guest observer and one year later, in 1998, Russia formally

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<sup>70</sup> Lipson, "International Cooperation in Economic and Security Affairs," p.17

joined the group creating the Group of Eight. In addition, Russia was admitted to the Council of Europe. Moreover, according to the European External Action' official page, "cooperation between the EU and the Russian Federation in the field of Justice, Freedom and Security since the early 1990s has been a key component in the development of a strategic partnership."<sup>71</sup> In 2005, a further step was taken by implementation of the roadmap for EU-Russia Common Space of Freedom, Security and Justice. There were talks about Europeanization of Russia, trade between the two sides was increasing and gradually Russia had become the major supplier of energy to Europe. During this time, cooperation seemed to be successful and both parties had a hope for better future relations. Also, the EU was aware that "unreciprocated cooperation will not be devastating" because Russia was not strong enough to retaliate in case of need. Thus, economic and security cooperation could move hand in hand on the upward trajectory.

Nevertheless, the situation changed when Russia achieved economic growth and when its policies became more conservative and anti-Western; "Russia has started to question the EU's role as a viable model to be emulated."<sup>72</sup> Relations were negatively affected by the "Color Revolutions," the launching of the European Neighborhood Policy, later the events of 2008 including NATO Bucharest Declaration (where "NATO welcomes Ukraine's and Georgia's Euro-Atlantic aspirations for membership in NATO. We agreed today that these countries will become members of NATO"<sup>73</sup>), independence of Kosovo, August Russia-Georgia war, the establishment of EU

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<sup>71</sup> "The European Union and Russian Federation", European Union External Action, 2017, accessed April 2018, [https://eeas.europa.eu/headquarters/headquarters-homepage/35939/european-union-and-russian-federation\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/35939/european-union-and-russian-federation_en)

<sup>72</sup> Hiski Haukkala, "From Cooperative to Contested Europe? The Conflict in Ukraine as a Culmination of a Long-Term Crisis in EU-Russia Relations," *Journal of Contemporary European Studies*, Vol. 23, No. 1, 2015, p.31

<sup>73</sup> "Bucharest Summit Declaration," NATO, April 2008, accessed May 2018, [https://www.nato.int/cps/ua/natohq/official\\_texts\\_8443.htm](https://www.nato.int/cps/ua/natohq/official_texts_8443.htm)



Eastern Partnership, etc. Broadly speaking, as Mearsheimer indicates, “triple-prong strategy— NATO expansion, EU expansion, and democracy promotion—bothered the Russians greatly.”<sup>74</sup> Gradually, “Putin became concertedly revanchist in conception and goal... it was about restoring existing Russian state strength and territorial integrity.”<sup>75</sup> All these reached a peak in 2014 with Russia’s annexation of Crimea and the destabilization of Eastern Ukraine. After Russia’s unexpected actions in Ukraine, important changes became evident in EU’s policy towards Russia.

Many authors agree that the Ukrainian crisis gave rise to a substantial negative shift in EU-Russia relations.<sup>76</sup> The EU managed to formulate a common attitude toward Russia, which is demonstrated by the imposition of sanctions and condemnation of Russia’s actions in Ukraine. The Russian expert, Bordachev, posits that the anti-Russian position and the sanctions on Russia is the only external-relations-related issue that the EU states could agree on during the last 20 years.<sup>77</sup> The common stance was demonstrated by the Council’s 2017 prolongation of economic sanctions.<sup>78</sup> In addition, on 12 March 2018, the Council prolonged the restrictive measures over actions undermining or threatening the territorial integrity, sovereignty and independence of

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<sup>74</sup> John Mearsheimer, “Defining a New Security Architecture for Europe that Brings Russia in from the Cold”, *Military Review*, 2016, p.29

<sup>75</sup> Gerard Toal, “Near Abroad: Putin, the West, and the Contest Over Ukraine and the Caucasus” (New York: Oxford University Press, 2017), p.280

<sup>76</sup> Lilia Arakelyan, “EU-Russia Security Relations: Another Kind of Europe,” In *the Russian Challenge to the European Security Environment* edited by Roger Kanet, Palgrave Macmillan, pp. 61-84, 2017; Hiski Haukkala, “From Cooperative to Contested Europe? The Conflict in Ukraine as a Culmination of a Long-Term Crisis in EU-Russia Relations,” *Journal of Contemporary European Studies*. Vol. 23, No. 1, 2015. 25-40; Victor Mizin, “EU-Russia Relations from a Russian Point of View,” The Heinrich-Böll-Stiftung European Union, 2017; Eugene Rumer, “Russia and the Security of Europe,” Carnegie Endowment for International Peace, 2016

<sup>77</sup> Timofei Bordachev, “V Evrope mnogiye s oblegcheniyem vstretili podebu trampa” [Many in Europe Easily Accepted the Victory of Trump], *Eurasia Ekspert*, 2017, accessed March 2018, <http://eurasia.expert/timofey-bordachev-v-evrope-mnogie-s-bolshim-oblegcheniem-vstretili-pobedu-trampa/>

<sup>78</sup> “Russia: EU Prolongs Economic Sanctions by Six Months,” Consilium.Europe.EU, press release, 2017, accessed April 2018, <http://www.consilium.europa.eu/en/press/press-releases/2017/12/21/russia-eu-prolongs-economic-sanctions-by-six-months/>

Ukraine for a further six months.<sup>79</sup> Along with sanctions, the US and its allies ousted Russia from the Group of 8 (G8) industrialized economies.<sup>80</sup> Indeed, the crisis in Ukraine can be viewed as a turning point in EU-Russia relations that continues to affect EU's attitudes toward Russia. Moreover, other events, such as Russia's alleged intervention in the elections of western countries, spreading disinformation and other destabilizing actions constantly add fuel to the fire and contribute to the continuation of the crisis between the two sides.

Nevertheless, it seems that in the economic field this crisis did not last for a long time. Despite the fact that after the imposition of sanctions against Russia, trade between EU and Russia declined, it changed again in 2017, demonstrated by the 20 percent increase by the end of the year compared to 2016.<sup>81</sup> As Giumelli argues, "the behavior of trading partners may be an indication that the Crimea crisis has been discounted already and that politics will, slowly, adjust."<sup>82</sup> In addition, bilateral ties with EU member states continued to develop. For instance, as Orenstein and Kelemen posit, some EU member states assumed the roles of Russia's "Trojan Horses" by "taking steps such as signing a deal to let Russian naval ships use their ports (Cyprus), signing a loan deal making Russia their sole supplier of nuclear fuel (Hungary), and signing a gas pipeline deal with

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<sup>79</sup> "EU Prolongs Sanctions Over Actions Against Ukraine's Territorial Integrity until 15 September 2018," Press Release, 2018, accessed April 2018, <http://www.consilium.europa.eu/en/press/press-releases/2018/03/12/eu-prolongs-sanctions-over-actions-against-ukraine-s-territorial-integrity-until-15-september-2018/>

<sup>80</sup> Alison Smale and Michael Shear, "Russia is Ousted from Group of 8 by US and Allies," *The New York Times*, March 2014, accessed May 2018, <https://www.nytimes.com/2014/03/25/world/europe/obama-russia-crimea.html>

<sup>81</sup> "International Trade in Goods," Eurostat, 2017, accessed April 2018, [http://ec.europa.eu/eurostat/statistics-explained/index.php/International\\_trade\\_in\\_goods](http://ec.europa.eu/eurostat/statistics-explained/index.php/International_trade_in_goods)

<sup>82</sup> Francesco Giumelli, "EU-Russia Trade Bouncing Back Despite Sanctions," *EUObserver*, October 2017, accessed April 2018, <https://euobserver.com/opinion/139485>

Russia that sought to circumvent EU efforts to reduce Russian leverage in European gas markets (Greece).”<sup>83</sup>

On March 27, 2018, Germany approved the construction and operation of the Russian-built Nord Stream 2 gas pipeline.<sup>84</sup> The construction of pipeline along with the conflict in Ukraine and the Iran Nuclear Deal were also discussed during the visit of Angela Merkel to Russia on May 18, 2018.<sup>85</sup> Dirk Wiese, “the German government’s point man for Russia,” indicated that this is a chance to look for “islands of cooperation” with Russia, including further support for Iran Nuclear Deal.<sup>86</sup> The executive of Austria’s oil and gas company, OMV too underscored the prospects of the Nord Stream 2 project and indicated that “in order to gain security of supply we have a chance to be directly linked to the biggest reserves of gas... Obviously cyclical connection to these gas reserves is through the Nord Stream 2.”<sup>87</sup> What is more, a visit by German Chancellor was followed by French President Macron’s arrival to Russia on May 24, 2018 to participate in the International Economic Forum and also “take the time for an in-depth, one-on-one discussion”<sup>88</sup> on such issues as Iran nuclear deal as well as conflicts in Ukraine and Syria. It is worth noting that this happened in the wake of recent British allegations that Russia poisoned Sergei Skripal, its

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<sup>83</sup> Mitchell Orenstein and Daniel Kelemen, “Trojan Horses in EU Foreign Policy,” Wiley Online Library, September 2016, accessed May 2018, <https://onlinelibrary.wiley.com/doi/abs/10.1111/jcms.12441>

<sup>84</sup> “Germany Fully Approved Russia-Built Nord Stream 2 Gas Pipeline,” *Reuters*, 2018, accessed April 2018, <https://www.reuters.com/article/us-russia-germany-nordstream/germany-fully-approves-russia-built-nord-stream-2-gas-pipeline-idUSKBN1H311F>

<sup>85</sup> “Putin, Merkel Hold Talks in Sochi on Iran, Ukraine, Nord Stream 2,” *Radio Free Europe*, May 2018, accessed May 2018, <https://www.rferl.org/a/merkel-to-meet-putin-in-sochi-for-talks-on-iran-ukraine-nord-stream-2/29234885.html>

<sup>86</sup> Andrea Shalal, “Russia-Germany Gas Pipeline Raises Intelligence Concerns – US Official,” *Reuters*, May 2018, accessed May 2018, <https://af.reuters.com/article/energyOilNews/idAFL5N1SO2E7>

<sup>87</sup> “Russia Brings Security of Gas Supply to Europe – Austria’s Top Energy Firm,” *Russia Today*, January 2018, accessed May 2018, <https://www.rt.com/business/417388-russia-gaprom-nord-stream-omv/>

<sup>88</sup> “After Talks with Macron, Putin Warns off ‘Lamentable Consequences’ If Iran Nuclear Deal Collapses,” *Radio Free Europe*, May 2018, accessed May 2018, <https://www.rferl.org/a/macron-in-russia-for-talks-with-putin-on-syria-ukraine-iran/29246777.html>

former spy in the UK, using a nerve toxin that seemingly put fuel into the fire and resulted in the expulsion of Russia diplomats from both European and non-European countries. According to data of March 2018, 28 countries made this coordinated decision that affected at least 151 people.<sup>89</sup> Despite these developments, the German Foreign Minister recently declared that “dialogue” with Russia still ought to continue.<sup>90</sup>

Therefore, one can confidently consider strong bilateral ties of Russia with some European countries as a factor that may reinforce overall EU-Russia economic cooperation. This is the situation illustrated by Lipson when “interdependent players make independent decisions”<sup>91</sup> such as the example of Germany supporting Nord Stream 2 project while many European countries are against it. However, on the whole, besides being independent, states’ “choices are interdependent, at least in their consequences.”<sup>92</sup> As the EU is not a “traditional” actor in game theories due to the fact that it is an assemblage of actors, bilateral relations between Russia and particular EU member states should be considered as an additional explanation how economic ties may be developed besides a substantial role of institutions and multilateral fora that liberal institutionalists support.

Briefly, economic relations have been developing on bilateral and multilateral levels but the same cannot be said about security cooperation that experienced one failure after another. For example, as Fernandes contends, “the troika PSC meetings with Russia (to discuss CFSP issues only) have

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<sup>89</sup> Michael Birnbaum, “Here are all the countries that just expelled Russian diplomats,” The Washington Post, March 2018, accessed April 2018, [https://www.washingtonpost.com/news/worldviews/wp/2018/03/27/here-are-all-the-countries-that-just-expelled-russian-diplomats/?noredirect=on&utm\\_term=.8f25988dfda1](https://www.washingtonpost.com/news/worldviews/wp/2018/03/27/here-are-all-the-countries-that-just-expelled-russian-diplomats/?noredirect=on&utm_term=.8f25988dfda1)

<sup>90</sup> Andrew Rettman, “Germany: Russia is ‘partner’ despite UK attack,” EUObserver, March 2018, accessed March 2018, <https://euobserver.com/foreign/141362>

<sup>91</sup> Lipson, “International Cooperation in Economic and Security Affairs,” p.22

<sup>92</sup> Ibid.

neither delivered enough concrete results, nor cooperation in the scope of CSDP. Russia is not satisfied with the arrangements proposed by the EU to all third states in general.”<sup>93</sup> The same can be argued about the initiative of “meetings of four,” foreign and defense ministers from France, Italy, Germany and Russia. Medvedev’s proposal for the European Security Treaty also did not provide a possibility for future cooperation because “the initial idea was vague, with uncertainty over whether the Russian president wanted to create a new institution or simply strengthen Moscow’s means to oppose European security developments that it did not like - such as NATO expansion or U.S. forward-based missile defense.”<sup>94</sup> Even more, after Russia’s annexation of Crimea most of the dialogues and existent mechanisms of cooperation were suspended. Here the discrepancy between economic and security cooperation becomes evident: EU-Russia security relations could not survive the Ukraine crisis but economic interdependency did not allow EU member states to totally break all ties with Russia.

Lipson posits that costs of betrayal, the difficulties of monitoring and the proclivity to considering security issues as a competitive struggle builds barriers to successful security cooperation while these issues have less relevance in developing economic relations. The first two factors play an important role in EU-Russia relations. Color Revolutions and EU enlargements along with the European Neighborhood Policy, the Eastern Partnership and Association Agreements with post-Soviet countries led to widening the gap between EU and Russia. These developments are seen by Russia as EU’s intrusion in its “spheres of influence.” The importance of the “near abroad” for Russia is so high that it would rather sacrifice its cooperation with the EU in this field than make

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<sup>93</sup> Fernandes, “European Security through EU-Russian Relations: Towards a New Multilateral Order?” p.205,

<sup>94</sup> Richard Weitz, “The Rise and Fall of Medvedev’s European Security Treaty,” The German Marshall Fund of the United States, 2012, p.1

any concessions regarding its “legitimate” role and influence in the post-Soviet space. Therefore, Russia will be less likely to develop relations with the EU in the field of security if it does not have some kind of guarantees that the EU will not try to expand more and integrate such countries as Georgia and Ukraine into the organization. This situation is clearly illustrated in the following part of the memorable 2007 Munich speech of Vladimir Putin:<sup>95</sup>

I think it is obvious that NATO expansion does not have any relation with the modernization of the Alliance itself or with ensuring security in Europe. On the contrary, it represents a serious provocation that reduces the level of mutual trust. And we have the right to ask: against whom is this expansion intended? And what happened to the assurances our western partners made after the dissolution of the Warsaw Pact? Where are those declarations today? No one even remembers them... I would like to quote the speech of NATO General Secretary Mr Woerner in Brussels on 17 May 1990. He said at the time that: “the fact that we are ready not to place a NATO army outside of German territory gives the Soviet Union a firm security guarantee.” Where are these guarantees?

Thus, from Russia’s point of view, unreciprocated concessions from Russia’s side may be risky and bring “grave losses” to its national interests and increase the costs of betrayal. The EU, in its turn, will be less prone to concede unreciprocally on issues related to its role as a normative power which aims to ensure peace and security in its neighborhood. As Sarto posits, “the EU’s export of its rules and practices is tantamount to disseminating ‘the EU way of doing things.’”<sup>96</sup> The importance of the role of the EU as a normative actor and “soft power” is often highlighted by the High Representative Federica Mogherini as she portrays the EU as the leader in peace making processes, a strong diplomatic actor, an “honest broker in regional dynamics”<sup>97</sup> and also

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<sup>95</sup> “Speech and the Following Discussion at the Munich Conference on Security Policy,” President of Russia, February 2007, accessed May 2018, <http://en.kremlin.ru/events/president/transcripts/24034>

<sup>96</sup> Raffaella A. Del Sarto, “Normative Empire Europe: The European Union, its Borderlands, and the ‘Arab Spring.’” *Journal of Common Market Studies*, vol. 54(2), 2016, p.219

<sup>97</sup> “Keynote Speech by High Representative/Vice-President Federica Mogherini at the Oslo Forum,” European Union External Action, June 2016, accessed May 2018, [https://eeas.europa.eu/headquarters/headquarters-homepage\\_mt/4998/Keynote%20speech%20by%20High%20Representative/Vice-President%20Federica%20Mogherini%20at%20the%20Oslo%20Forum](https://eeas.europa.eu/headquarters/headquarters-homepage_mt/4998/Keynote%20speech%20by%20High%20Representative/Vice-President%20Federica%20Mogherini%20at%20the%20Oslo%20Forum)

as the provider of humanitarian assistance.<sup>98</sup> The EaP and the ENP are perfect examples of it. For instance, the ENP Review process took place in 2015. “While continuing defending the EU values and human rights, the current Review also engages partners in increased cooperation on security matters, in light of a differentiated (tailor-made) approach to partner countries, and enhanced ownership of the Policy by all stakeholders.”<sup>99</sup> Stable and deeper cooperation with its neighborhood is an important part of the EU’s foreign policy and is a way to ensure security in its vicinity. This shows how the EU is expected and perceived to “behave” and the EU leadership will be less likely to agree with any policies that may damage the status of the EU. Lipson’s argument based on game theories well explains EU-Russia security cooperation: “[in the security game] if one player, by defecting, can reap rewards by placing the other player at an immediate and overwhelming disadvantage, then there is little hope for stable, extensive cooperation.”<sup>100</sup> EU and NATO enlargements to the East and Russia’s strong opposition to it as well as Russia’s decision to “reap rewards” by annexing Crimea represent an excellent example of the latter situation. Therefore, the incompatibility of interests and values, as well as “growing difficulties in creating political convergence”<sup>101</sup> have reduced the level of trust and increased the costs of betrayal between the two sides.

The situation has also been aggravated since 2008, the year when the biggest military reform started in Russia. Since then, Russia has significantly improved its military capabilities. According

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<sup>98</sup> “Remarks by Federica Mogherini at Press Conference with Margot Wallström, Swedish Minister of Foreign Affairs,” European Union External Action, October 2016, accessed May 2018, [https://eeas.europa.eu/headquarters/headquarters-homepage/11587/remarks-by-federica-mogherini-at-press-conference-with-margot-wallstrm-swedish-minister-of-foreign-affairs-\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/11587/remarks-by-federica-mogherini-at-press-conference-with-margot-wallstrm-swedish-minister-of-foreign-affairs-_en)

<sup>99</sup> “European Neighborhood Policy,” European Union External Action, December 2016, accessed May 2018, [https://eeas.europa.eu/topics/european-neighbourhood-policy-enp/330/european-neighbourhood-policy-enp\\_en](https://eeas.europa.eu/topics/european-neighbourhood-policy-enp/330/european-neighbourhood-policy-enp_en)

<sup>100</sup> Lipson, “International Cooperation in Economic and Security Affairs,” p.14

<sup>101</sup> Fernandes, “European Security through EU-Russian Relations,” p.206

to the US Defence Intelligence Agency's report "Russia Military Power,"<sup>102</sup> Russia developed a "kill chain," nuclear arsenal and a network of secret tunnels beneath Moscow; it more than doubled military spending from A\$35 billion to A\$80 billion between 2006 and 2016. These achievements started to worry the US; the Defense Intelligence Agency' Director, Vincent Stewart, said that "within the next decade, an even more confident and capable Russia could emerge. The United States needs to anticipate, rather than react, to Russian actions and pursue a greater awareness of Russian goals and capabilities to prevent potential conflicts."<sup>103</sup> Russia also demonstrated its military capabilities when it engaged in "hybrid war" with Ukraine. "Moscow's hybrid war included the use of traditional warfare, propaganda, support for rebel groups, the presence of "little green men" and complex covert actions."<sup>104</sup> Thus, improvements in Russia's military sector gave it confidence to seize the Crimean Peninsula, destabilize eastern Ukraine, intervene on behalf of the Syrian President, Bashar al-Assad, and shape the information environment in compliance with its interests.

Recently, during Putin's annual state of the nation speech, he used video presentations to demonstrate two new "invincible" nuclear delivery systems that he said could evade detection.<sup>105</sup> The difficulties of monitoring and/or anticipating Russia's development especially in the military field was one of the reasons of the long "uncertainty about Moscow's strategic objectives and

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<sup>102</sup> "Russia Military Power," The US Defense Intelligence Agency, June 2017, accessed November 2017, <https://fas.org/irp/world/russia/rmp-2017.pdf>

<sup>103</sup> Craw Victoria, "Russia Military Power Report Reveals What US is Really Worried About." July 2017, accessed November 2017, <http://www.news.com.au/world/north-america/russia-military-power-report-reveals-what-us-is-really-worried-about/news-story/22e9bcafe14498db3e4f8a400bc4b645>

<sup>104</sup> Cristian Nitoiu, "Russia and the EU's Quest for Status: The Path to Conflict in the Post-Soviet Space," *Global Affairs*, 2:2, 2016, p.14

<sup>105</sup> "Russia's Putin Unveils 'Invincible' Nuclear Weapons," BBC news, March 2018, accessed April 2018, <http://www.bbc.com/news/world-europe-43239331>



disagreement among Western policy elites over the extent of the challenge posed by Russia.”<sup>106</sup> As Lipson argues, such problems of “mistrust, which spring from cognitive uncertainty and the danger of surprise... make cooperation so difficult and unstable...”<sup>107</sup> The same applies to Russia’s aggressive actions in Georgia and later, in Ukraine. Despite the fact that at that time Russia already had been demonstrating its interests and influence in the post-Soviet space and had emphasized its goal of re-establishing its “great power” status, intervention in both countries was still unexpected. The situation has also been aggravated by recent Russian provocative actions: for instance, Russian military activity near the UK demonstrated by encroachment into UK airspace with “a series of planes scrambled and warships diverted to monitor naval vessels;”<sup>108</sup> and also, by the increase in Russian submarine missions out of Russian waters in the Norwegian and Barents Seas.<sup>109</sup>

Nevertheless, economic sector has been characterized by more predictability and transparency. As Barry underscores, “international affairs are not a pure anarchy in which nobody has any reason for expecting reciprocal relations to hold up. In economic matters, particularly, there is a good deal of room for stable expectations.”<sup>110</sup> These stable expectations were formulated in EU-Russia economic relations throughout many years of interdependence and bilateral and multilateral cooperation. At first, developing trade and investment between the two sides was embedded in Partnership and Cooperation Agreement and later, since 2012, EU-Russia trade relations have been

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<sup>106</sup> Averre, “The Ukraine Conflict: Russia’s Challenge to European Security Governance,” p.700

<sup>107</sup> Lipson, “International Cooperation in Economic and Security Affairs,” p.17

<sup>108</sup> Gareth Bartlett, “Russia Bombers Intercepted in UK Airspace as RAF Typhoon Fighter Jets Scrambled,” CornwallLive, January 2018, accessed April 2018, <https://www.cornwalllive.com/news/uk-world-news/russian-bombers-intercepted-uk-airspace-1066681>

<sup>109</sup> Thomas Nilsen, “Nuclear Submarines Inshore Norway 3 to 4 Times Monthly,” *The Independent Barents Observer*, January 2018, accessed April 2018, <https://thebarentsobserver.com/en/security/2018/01/nuclear-submarines-inshore-norway-3-4-times-monthly>

<sup>110</sup> Brian Barry, “Do Countries Have Moral Obligations? The Case of World Poverty,” *The Tanner Lectures on Human Values*, October 1980, accessed May 2018, [https://tannerlectures.utah.edu/\\_documents/a-to-z/b/barry81.pdf](https://tannerlectures.utah.edu/_documents/a-to-z/b/barry81.pdf)

regulated by the rules of the WTO, the forum of international trade. Clear rules and requirements were determined regarding importing into the EU from Russia and exporting from the EU to Russia. EU is also present on the ground through Delegation of the European Union to Russia.<sup>111</sup> Thus, as economic relations are more institutionalized, they are also more transparent and easier to monitor, violations can also be verified in a less complicated way.

As for the third factor determined by Lipson (*competitive struggle builds barriers to successful security cooperation*), it does not seem to apply to the case of EU-Russia security cooperation. This may be attributed to the fact that Russia does not perceive the EU as a successful international security actor and thus, does not see it as a competitor in this field. The EU has long struggled to formulate a common stance on security and defense-related issues and mostly engaged in civilian or civil-military missions trying to avoid risky operations. This avoidance has also demonstrated the role of the USA and NATO as security providers on the continent. As Mizin convincingly argues, “the Russian military never considered the EU a military heavyweight regarding it as just a logistic appendix to NATO — which many EU members’ leaders never contradicted.”<sup>112</sup> Despite the fact that recently there have been some successful attempts in developing EU security strategy, such as activation of the Permanent Structured Cooperation (PESCO), there is still a lack of unity regarding a common security policy. Averre indicates that “the EU... still riven by divisions among its member states and struggling to define its key strategic interests, is undermined as an effective security governance actor.”<sup>113</sup>

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<sup>111</sup> “Russia,” Trade and Policy, European Commission, April 2018, accessed May 2018, <http://ec.europa.eu/trade/policy/countries-and-regions/countries/russia/>

<sup>112</sup> Victor Mizin, “EU-Russia Relations from a Russian Point of View,” the Heinrich-Böhl-Stiftung European Union, July 2017, accessed March 2018, <https://eu.boell.org/en/2017/07/26/eu-russia-relations-russian-point-view>

<sup>113</sup> Averre, “The Ukraine Conflict: Russia’s Challenge to European Security Governance,” p.713

Moreover, Moscow considers that without its technological input the EU will not be able to build strong elements of defense and security. For example, Russian experts point out that the EU could not develop the global navigation system “Galileo” without Soyuz rockets. They consider that technically the EU is incapable of creating a material base for its common defense policy.<sup>114</sup> Such perceptions may get stronger after Brexit because “the UK is arguably the EU’s strongest defence power. It is one of only two-member states possessing ‘full-spectrum’ military capabilities (including a nuclear deterrent) and one of only five spending 2% of GDP... [Moreover], the UK provides significant financial support to EU security activities through its contribution to the EU budget.”<sup>115</sup> When such a powerful and influential country finally leaves the alliance, Russia will view the EU as an even weaker actor in security and defense related issues.

In addition to Russia’s perceptions of the EU, as Axelrod and Keohane posit, “decision making in ambiguous settings is heavily influenced by the ways in which the actors think about their problem.”<sup>116</sup> Therefore, actors’ perceptions of their own interests may also lead to more complicated cooperation especially in the field of security. Averre makes a similar point regarding Russian politics: “there are contending ideas that influence Russian foreign policy, resulting from a singular interplay between domestic political debates and elites’ perceptions of the external environment.”<sup>117</sup> Here the events elaborated above about EU-Russia failed security cooperation apply: different understandings of EU/NATO enlargements, policies in other countries like Syria,

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<sup>114</sup> Ivan Ivanov, “Lissabonski Dogovor i Interesy Rossii.” [Lisbon Treaty and Russia’s Interests.] *Rossiia V Globalnoi Politike*, 2009

<sup>115</sup> “UK-EU Defense and Security Cooperation,” Institute for Government, 2018, accessed April 2018, <https://www.instituteforgovernment.org.uk/explainers/uk%E2%80%93eu-defence-and-security-cooperation>

<sup>116</sup> Axelrod and Keohane, “Achieving Cooperation Under Anarchy: Strategies and Institutions,” p.247

<sup>117</sup> Averre, “The Ukraine Conflict: Russia’s Challenge to European Security Governance,” p.710

demands for partnership on equal basis, etc. and generally dissimilar attitudes towards European security architecture (also shown by the failure of Medvedev's European Security Treaty), all play major roles in constructing successful security relations. Therefore, the importance of perceptions should not be underestimated.

As for the economic field, neither side perceives the other as a competitor. As Lipson contends, in the economic realm, "competitive status concerns... are seldom a significant end in themselves."<sup>118</sup> Overall picture of EU-Russia trade shows that each party has the products/resources that the other does not have and thus, more effective export-import relations are developed. The EU's main exports to Russia include machinery, transport equipment, chemicals, etc. while main EU imports from Russia are raw materials, especially oil and gas.<sup>119</sup> Stable supplies for low prices makes Russia an attractive provider of energy resources to Europe. Despite the fact that dependence on Russian supplies has long been recognized as a problem by the EU, finding alternatives seems to be quite difficult because "gas is usually delivered through pipelines requiring heavy investment and years of development, making it difficult to switch suppliers at short notice."<sup>120</sup> Therefore, along with long term interdependency, the absence of competition and mutual benefits that both sides gain from trade make economic cooperation more likely and easier to develop.

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<sup>118</sup> Lipson, "International Cooperation in Economic and Security Affairs," p.15

<sup>119</sup> "Russia," Trade and Policy, European Commission, April 2018, accessed May 2018, <http://ec.europa.eu/trade/policy/countries-and-regions/countries/russia/>

<sup>120</sup> Martin Russell, "EU-Russia Energy Relations – Stuck Together?" European Parliament Think Tank, March 2015, accessed May 2018, [http://www.europarl.europa.eu/RegData/etudes/ATAG/2015/551343/EPRS\\_ATA\(2015\)551343\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/ATAG/2015/551343/EPRS_ATA(2015)551343_EN.pdf)

Another important factor affecting the success of EU-Russia economic cooperation in comparison to security relations, is the shadow of the future determined by Axelrod and Keohane. Its two main factors, long-times horizons and regularity of stakes may explain why the issues of international political economy may be solved easier than the issues of security. In EU-Russia economic relations, especially in the energy sector, both sides have an expectation of a long-term cooperation. Despite the fact that Russia's position as the main supplier of crude oil and natural gas in Europe allows it to use energy as a political tool, Europe has unsuccessfully tried to find possible ways to diversify its suppliers. Even when the opportunity appeared after the US "Shale revolution" and the development of the market for liquified natural gas became possible, emerging energy sector competition did not change Russia's dominant supplier' position: "the percentage of Russian gas in Europe has only increased in recent years and now represents a third of the total gas consumption in the EU."<sup>121</sup> Therefore, "the energy that the EU buys from Russia contributes very significantly to Russia's current economic growth and the improved living conditions of its population. In turn, the stable flow of reasonably priced energy remains an important motor for Europe's economic growth."<sup>122</sup> Considering benefits for both sides from this long-term cooperation, EU and Russia will be less likely to eliminate it in a single move. As Axelrod and Keohane contend, "the long-term relationship affects the outcome of the particular bargaining process."<sup>123</sup>

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<sup>121</sup> "EU Even More Dependent on Russian Gas," The National, *Reuters*, 2018, accessed May 2018, <https://www.thenational.ae/business/energy/eu-even-more-dependent-on-russian-gas-1.695131>

<sup>122</sup> "The European Union and Russia: Close Neighbors, Global Players, Strategic Partners," the European Commission, Directorate General for External Relations, p.10

<sup>123</sup> Axelrod and Keohane, "Achieving Cooperation Under Anarchy: Strategies and Institutions," p.241

The importance of these long-term relationships is related to the element determined by Lipson after the analysis of iterated Prisoner's Dilemmas: "the actors' perceptions that they are interdependent and that their decisions are mutually contingent" promotes international cooperation. Thus, as "they [the actors] play the same game repeatedly... then defections can be punished and coordination conventions can develop."<sup>124</sup> In addition to actors' interdependence and the contingency of their decisions, "knowledge about other players' payoffs and strategies"<sup>125</sup> increases the transparency and makes cooperation more successful. Indeed, taking into account the above discussion of EU-Russia energy relations, EU and Russia are aware of their interdependency and each other's' payoffs in case of defection and that "any gains from immediate defection are modest when compared to the value of long-term cooperation."<sup>126</sup>

The situation is different in the security field. It appeared that after such a significant external shock as the 2014 crisis in Ukraine, most of the existing platforms of cooperation were suspended. Security cooperation is less successful because often in this sector "the immediate gains from defection (against a cooperating opponent)"<sup>127</sup> are high. For example, as the most recent Russian Military Doctrine demonstrates, the issue of Russia's influence in the post-Soviet space is significantly "securitized" because "bringing the military infrastructure of NATO member countries near the borders of the Russian Federation, including by further expansion of the alliance...; establishment of regimes, which policies threaten the interests of the Russian Federation in the states contiguous with the Russian Federation...[this is related to the Color revolutions in the post-Soviet countries that according to Russia, were promoted and supported by

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<sup>124</sup> Lipson, "International Cooperation in Economic and Security Affairs," p.7

<sup>125</sup> Ibid.

<sup>126</sup> Ibid.

<sup>127</sup> Ibid.

the West]”<sup>128</sup> are considered as military threats to the security of Russian Federation. Therefore, despite the fact that Russia could expect negative consequences especially in the security sector, it still decided to prevent Ukraine from developing closer ties with the EU and intervene militarily rather than losing its influence in the country. So, in this case “immediate gains of defection” appeared to be higher than the need for long-term cooperation. “Near abroad”-related issues that are considered to be parts of Russia’s national security, will be always characterized by similar perceptions.

Lastly, as mentioned at the beginning of the chapter, sometimes even in the case of EU-Russia relations it is difficult to draw clear boundaries between economic and security aspects of cooperation. However, this happens due to the importance of the concept of energy security that is defined by the IEA as “the uninterrupted availability of energy sources at an affordable price.”<sup>129</sup> As energy issues have become closely associated with the security field and in EU-Russia relations, economic cooperation has mostly been based on the energy sector, such issues as regular supplies with developed infrastructure, low price and stable environment created a link between economy and security.

Here Lipson’s strict divide cannot fully explain EU-Russia energy relations and thus, needs to be modified because he wrote his work during the Cold War when energy security and so-called “energy wars” did not yet complicate EU-Russia relations. Since then Russia has used energy as a political tool and more than once posed threats to the energy security of several European

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<sup>128</sup> “The Military Doctrine of the Russian Federation,” 2015, accessed May 2018, <https://www.offiziere.ch/wp-content/uploads-001/2015/08/Russia-s-2014-Military-Doctrine.pdf>

<sup>129</sup> “Energy Security,” International Energy Agency, Topics, accessed May 2018, <https://www.iea.org/topics/energysecurity/>

countries. Some examples include temporary restrictions of gas supplies to Belarus in the winters of 2004 and 2006 showing that “Moscow was clearly willing both to risk another disruption of supplies to Western Europe and to endure damage to its prestige in order to gain major control over Belarus,”<sup>130</sup> the suspension of gas supplies to Ukraine and the EU in the winters of 2006 and 2009 (it is often perceived as punishment for Kiev for its 2004 Orange Revolution), the energy blockade of Georgia in the winter of 2006, the gas war with Ukraine in 2014 after the Maidan revolution when Russia announced an 81 percent increase in the price Gazprom charged Ukraine.<sup>131</sup> Thus, “the danger of surprise” and “the dangers of swift, decisive defection” that he mentioned as non-applicable to “most international economic issues”<sup>132</sup> are directly related not only to the security sector, but also to the energy aspect of economic cooperation. The energy sector seems to be the exceptional case when Lipson’s strict dividing line between economic and security cooperation does not apply.

Nevertheless, this does not make these two fields totally mutually dependent and it does not undermine the opinion that overall, all other aspects of security strongly lag behind general economic cooperation between the two sides. This situation is extensively explained by Axelrod and Keohane, who consider “issue-linkage” as one of the most important aspects of world politics: “issue-linkage may be employed by powerful states seeking to use resources from one issue area to affect the behavior of others elsewhere... Linkage can be beneficial to both sides in a negotiation

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<sup>130</sup> Carol Saivetz, “Russia: An Energy Superpower?” Cambridge, MIT Center for International Studies, 2007, accessed November 2017, p.2 [https://www.files.ethz.ch/isn/57170/audit\\_12\\_07\\_saivetz.pdf](https://www.files.ethz.ch/isn/57170/audit_12_07_saivetz.pdf)

<sup>131</sup> Josh Cohen, “Vladimir Putin’s Most Effective Weapon is Gas – but Not the Poison Kind,” July 2015, accessed May 2018, <http://www.reuters.com/article/cohen-gazprom/column-vladimir-putins-most-effective-weapon-is-gas-but-not-the-poison-kind-idUSL1N1082VT20150728>

<sup>132</sup> Lipson, “International Cooperation in Economic and Security Affairs,” p.17



and can facilitate agreements that might not otherwise be possible.”<sup>133</sup> Russia has successfully linked energy security to politics to serve its interests because it is aware that the EU could not yet find a better alternative to Russian energy supplies in terms of price and geographical closeness without the need to build additional infrastructure. This situation makes cooperation in energy sector exceptional because despite the interconnectedness of economy and security, relations are still developing: inability to diversify from Russian supplies sometimes makes Europe to adopt more concessive policies towards Russia. However, notwithstanding the fact that Russia uses energy resources in order to affect European political decisions, less assertive policies towards Russia have provided Europe with sustainability of energy supplies at an affordable price. This “issue-linkage” and the lack of alternatives for Europe do not allow the latter to totally isolate and ignore Russia and thus, make the dialogue more likely.

Therefore, besides the unlikeliness of making unreciprocated concessions and uncertainty stemming from difficulties with monitoring, Russia’s perceptions of the EU as a weak security actor, as well as coincidence of some aspects of economic and security cooperation, contribute to the failed security cooperation. In contrast, economic ties have been stronger because economic relations have been more institutionalized and have been characterized by long term interdependency having more space for stable expectations, more predictability and transparency. Also, the cooperation in the field of energy, as one of the main aspect of EU-Russia economic relations, seems to continue and develop due to the lack of alternative suppliers of energy for the EU. Moreover, well developed bilateral relations with some European countries also contribute to the overall success of EU-Russia economic cooperation.

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<sup>133</sup> Axelrod and Keohane, “Achieving Cooperation Under Anarchy: Strategies and Institutions,” p.240

## **Conclusion**

In the 1990s and early 2000s, EU-Russia economic and security cooperation appeared to move hand in hand with prospects of ever closer relations. However, as Russia became stronger economically and militarily, it started pursuing its national interests more actively. The Color Revolutions, especially in Ukraine and Georgia, the European Neighborhood Policy, the Eastern Partnership, etc. were events that were perceived by Russia as EU's intrusion into its "near abroad," the post-Soviet space that Russia considers to be its backyard. Taking into account the divergence of interests and incompatibility of views, it gradually became evident that economic cooperation experienced much more improvements than security relations. This divergence became even more obvious after the 2014 crisis in Ukraine and Russia's destabilizing actions in Eastern Ukraine. Despite the fact that Europe demonstrated unity in terms of imposing sanctions against Russia and trade between the two sides deteriorated, the crisis did not last long; strong economic relations continue and trade between EU and Russia increased in 2017 in comparison to 2016. Nevertheless, the same cannot be said for security cooperation. It experienced one failure after another and after the crisis in Ukraine, relations in the field of security were almost eliminated.

This thesis has aimed to shed light on the divergence in EU-Russia economic and security cooperation and to explain why economic cooperation has been much more successful than relations in the security field. For the purpose of the thesis, explanatory and longitudinal research was conducted. Lipson's work was used as a basis of the thesis. Chapter One showed the debate on international economic and security cooperation that was characterized by different arguments provided by liberal institutionalists and realists. Nevertheless, it appeared that representatives of

both approaches had an important similarity relevant for this research: both liberal institutionalists (besides Lipson) and realists argued that economic and security cooperation are interdependent and should move hand in hand. As far as this thesis was concerned, Lipson was the only person who contended that “security issues and economic issues lend themselves to quite different types of strategic interaction... Economic games often involve relatively simple coordination or mutually beneficial exchange. Security issues, by contrast, are inherently more conflictual and their equilibria less stable.”<sup>134</sup>

This research used factors determined by Lipson that include the costs of betrayal, difficulties of monitoring and a strong competitive struggle that characterize the security cooperation making it more difficult to develop. Costs of betrayal increased since EU’s enlargements and its more active involvement with the countries of the former Soviet Union took place and since Russia started to vigorously claim its influence in these countries. Unlikelihood of unreciprocated cooperation and reduced levels of trust led to high costs of betrayal. Difficulties of monitoring and getting necessary information especially in the military field and currently also in issues related to cyber security build barriers to successful security cooperation.

Lipson’s argument was modified in order to better explain EU-Russia divergent economic and security cooperation. This showed that research findings justified a reconsideration of already established knowledge. The third factor (*a strong competitive struggle*) appeared not to apply to the case of EU-Russia relations because, as argued in the thesis, Russia does not perceive the EU as a successful international security actor. Thus, the significance of perceptions should not be

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<sup>134</sup> Lipson, “International Cooperation in Economic and Security Affairs,” p.12

underestimated. Moreover, since the Cold War Lipson's strict dividing line does not apply to all situations. Despite the fact that the thesis demonstrated that economic cooperation has been much more fruitful than that of the security field, the interdependency of economic and security in the energy sector should be taken into account while looking at EU-Russia relations. "Energy Wars," Russia's use of energy resources as a political tool and the importance of sustainable supplies makes the energy sector connected to both economic and security issues. Thus, the energy sector is an exceptional case where economy and security are strongly interlinked. However, this does not undermine the overall argument that economic relations prevail over security cooperation. Despite the fact that the crisis in Ukraine and Russia's recent alleged poisoning of the Skripals, its former spy and his daughter, in Great Britain seemed to cause a common negative stance from the side of Europe, demonstrated by sanctions and expulsion of diplomats, respectively, economic cooperation continues, trade does not diminish and individual countries also continue supporting energy projects initiated by Russia, the last even being agreed just after the Skripals' poisoning. In contrast, security cooperation was suspended after the crisis in Ukraine and as yet no further improvements can be expected.

After the application of Lipson's idea to the case of EU-Russia economic and security relations, it may be concluded that along with incompatibility of views, high costs of betrayal, losses from unreciprocated concessions and difficulties with monitoring each other's decisions complicate the development of security cooperation. Moreover, in this particular case, the fact that Russia does not perceive the EU as a successful international security actor and the demonstrated interdependency of economy and security in the energy sector are other significant factors that can explain why security cooperation has not been effective. In contrast, economic ties have been

stronger because economic relations have been more institutionalized and characterized by long term interdependency with more stable expectations about future cooperation, more predictability and transparency. In addition, it is worth noting that along with the importance of institutions and international fora in developing economic relations, Russia's strong bilateral ties with such countries as Germany, Greece, Cyprus and others play substantial role in total increase in EU-Russia economic cooperation. The latter factor should definitely be considered because the EU is an assemblage of actors that can make independent decisions as well. However, they still contribute to the development of the whole picture in EU-Russia relations. Despite the fact that Junker recently declared that it is almost impossible to build European security architecture without Russia,<sup>135</sup> current geopolitical context including disagreements regarding conflict in Syria, continuation of the investigation on Skripals' case, Russia-Iran alliance, etc. do not seed hopes in achieving successful and fruitful EU-Russia security cooperation.

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<sup>135</sup> Maia De La Baume, "Juncker: No European Security Agenda 'Without Russia,'" Politico, April 2018, accessed April 2018, <https://www.politico.eu/article/juncker-putin-russia-no-european-security-agenda-without/>

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