

DOCTORAL (Ph.D.)  
DISSERTATION

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Debrecen 2019

**UNIVERSITY OF DEBRECEN  
GÉZA MARTON DOCTORAL SCHOOL OF LEGAL  
STUDIES**

**THE EUROPEAN UNION'S EXTERNAL  
RELATIONS WITH RUSSIA AND UKRAINE**

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Manuscript completed on 1 June 2019.

**DEBRECEN 2019**

## NYILATKOZAT

Alulírott, Daniel Haitas (név), büntetőjogi felelősségem tudatában kijelentem, hogy a Debreceni Egyetem Marton Géza Állam- és Jogtudományi Doktori Iskolában a doktori fokozat megszerzése céljából benyújtott, *The European Union's External Relations with Russia and Ukraine* című értekezésem saját önálló munkám, a benne található, másoktól származó gondolatok és adatok eredeti leőhelyét a hivatkozásokban (lábjegyzetekben), az irodalomjegyzékben, illetve a felhasznált források között hiánytalanul feltüntettem.

Kijelentem, hogy a benyújtott értekezéssel azonos tartalmú értekezést más egyetemen nem nyújtottam be tudományos fokozat megszerzése céljából.

Tudomásul veszem, hogy amennyiben részben vagy egészben sajátomként mutatom be más szellemi alkotását, vagy az értekezésben hamis, esetleg hamisított adatokat használlok, és ezzel a doktori ügyben eljáró testületet vagy személyt megtévesztem vagy tévedésben tartom, a megítélt doktori fokozat visszavonható, a jogerős visszavonó határozatot az egyetem nyilvánosságra hozza.

Debrecen, 2019.06.01 \_\_\_\_\_

  
aláírás

## SUPERVISOR'S RECOMMENDATION

Debrecen, 01. June 2019

Daniel Haitas' dissertation focuses on the legal and foreign political dimension of the EU relations with Russia and Ukraine. Because of the contemporary challenges of EU external relations, the topic has particular importance both in the European context and from a global point of view.

The author has chosen both these countries as subject to analysis in the believe that Russia and Ukraine's history are so closely intertwined, as well as their foreign political and economic relations are so complex that it is almost impossible to examine their respective relations with the European Union separately in the framework of a deeper analysis. One of the central research question is that how far EU law can be applied by those third countries that are not included in the EU enlargement policy, so do not enjoy the status of 'candidate States'. One of the underlying hypothesis of the research is that Ukraine is an object of the EU external governance and integration, whereas Russia does not see itself this way, but rather, has focused on concepts which emphasises a more horizontal relationship.

Due to the interaction between law, politics, economics and history in that field, the dissertation examines the legal approximation process of Ukraine as well as the legal instrument of the relationship between the Russia and the EU in a broader context, taking into consideration the instruments of "external governance" other than legal rules, as well. Under the umbrella of the European Neighbourhood Policy, the analysis spread on both the foreign political and economic law dimensions of the external relations between the EU and these countries, also dealing with strategically important sectoral issues like the energy policy and regulation. The fundamental research question is the success and efficiency of legal instruments being subject matter of the dissertation, the main legal and political questions and challenges of their implementation, as well as further perspectives in relation of both countries.

In-depth legal research on these specific aspects of the EU's external relations have remained rare so far. This fact, as well as the individual and complex approach towards the research theme prove the novelty of the present work. I can agree with most observations and conclusions of Daniel Haitas after supervising his dissertation.



Dr. Ildikó Bartha, Ph.D., supervisor of the candidate  
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## ACKNOWLEDGEMENTS

It goes without saying that the author of this work received much invaluable aid, support and assistance from a myriad of people in the preparation of this work over the last few years, and so it is appropriate in the beginning to acknowledge these various individuals. Unfortunately, in this short space it is not possible to give thanks to all those who have been of invaluable assistance to me on the road of life, including various family members, friends, colleagues, teachers, mentors, elders, students, acquaintances, and kind strangers, without which any modest success I may have achieved so far in my various endeavours simply would not have been possible, and so I ask for forgiveness for any omissions which may follow.

First of all, I am obliged to pay my respects to my family. I give honour to all my ancestors, both those who are living and those who have entered into their rest. I wish to mention my grandparents, who supported me and whose pride I was always fully aware of. I would like to pay respect to my parents. I must particularly make mention of my mother. All my life she has been my greatest supporter and source of comfort. Her faith, constant encouragement and strength have been a major foundation of my life, and continue to be. This work is particularly dedicated to her. I must also make special mention of my brother and his wife, who have been a great source of companionship and support for me.

I would like to thank my supervisor, Dr. habil. Ildikó Bartha, Associate Professor of Law, Faculty of Law, University of Debrecen. Her expert knowledge has helped to guide me throughout the process of writing this dissertation, and I am grateful that I was able to find a supervisor possessing this knowledge and capable of leading me down the appropriate road during the course of my research. Her patience, care, kindness and friendship has been invaluable to me during the process, and is also something that I am grateful for. I thank her again for agreeing to take on the task of being my supervisor, and hope that I was able to fulfil the expectations which she had of me.

I must also make a special mention of Prof. Dr. Ernő Várnay, Head of the Department of European and International Law, Faculty of Law, University of Debrecen. His support, interest and wisdom has been of great assistance to me during the course of research, and for that I am grateful.

I wish to make special mention of the Géza Marton Doctoral School of Legal Studies, Faculty of Law, University of Debrecen, under whose auspices this dissertation was written. I particularly would like to mention Prof. Dr. Tamás M. Horváth, Doctor of the Academy of Sciences, Judge of the Hungarian Supreme Court and former Head of the Doctoral School; Prof. Dr. József Szabadfalvi, Doctor of the Academy of Sciences and present Head of the doctoral school; Prof. Dr. Béla Szabó, the Programme Leader of the doctoral school and Dr. Marton Zaccaria, Assistant Professor of Law, and Secretary of the doctoral school. They have consistently been supportive, helpful and patient throughout my time as a PhD student and candidate, and for this I am very grateful.

I would also like to express my thanks to Prof. Dr. Veronika Szikora, Dean of the Faculty of Law, University of Debrecen. I have appreciated the kindness, help, support and care she has shown me, and wish to thank her for this.

I would like to mention the Vice-Deans of the Faculty of Law, University of Debrecen, Dr. habil. Tamás Fézer, and Head of the Department of International Communications, and Prof. Dr. Mátyás Bencze, both of whose friendship and support over the last years have been invaluable to me, and for this I would like to thank them.

I would also like to express my very deep gratitude to all my other colleagues and friends at the Faculty of Law, University of Debrecen, who have not been mentioned here. I will always be thankful for all your support and kindness. It has been my great privilege to be connected to the life and workings of the Law School, and I am grateful for the fact that I have been made to feel very welcomed and at home. This is in large part connected to these colleagues and friends I have mentioned, who in so many cases have been of assistance and help to me in relation to many details, both relating to matters trivial and of greater importance.

Finally, I would also like to pay a special thanks to my various students from over the years, who it has been my pleasure to teach and guide within the limits of whatever competences and abilities I might possess. At times I was able to share the results of my research with them in various different formats and situations, and their interest and support was apparent and much appreciated, and I would like to wish them all the very best for the future, both in their personal and professional lives.

## INTRODUCTION

### *i) Aims and scope of the dissertation*

This dissertation explores the European Union's external relations with Russia and Ukraine.<sup>1</sup> This involves examining the basic legal, institutional and political framework that comprise these relations, focusing on various relevant salient features. The author has chosen to examine both Russia and Ukraine's relationship to the European Union due to the closely connected nature of the two countries over history, the fact that their relationship to each other influences their relationship with the European Union, and that these two countries are of great importance to the European Union's external relations policy. The modern states of the Russian Federation and Ukraine claim their roots in the ancient Kievan Rus whose ruler Grand Prince Vladimir of the Rurik dynasty adopted Byzantine Eastern Orthodox civilization in 988 A.D, which still plays a fundamental role in the life of these modern states.<sup>2</sup> In the modern era, apart from experiencing a brief period of statehood from 1917 to 1921, it was only in 1991 that Ukraine a fully independent country.<sup>3</sup> Previous to this, it had been part of both the Russian Empire and the Soviet Union.<sup>4</sup> After the 2004 enlargement, Ukraine become one of the largest and most strategically vital neighbouring

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<sup>1</sup> The author would like to state that this dissertation draws from the results of the research conducted by him over time, specifically the following publications: Ukraine's attempts at legal approximation to the EU's energy acquis and changes in its gas importation practices, *Acta Universitatis Szegediensis: Acta Juridica et Politica* 6 : 2 pp. 93-107, (2016), Early steps from Kiev towards Europe: An overview of formative agreements between Ukraine and the European Union, *JURA* 23 : 2 pp. 306-314, (2017), Additionally, the author would like to note that the dissertation draws from the results of research and studies conducted in the context of the DE-ÁJK Governance Resource Management Research Group of the National University of Public Service, in the framework of the project 'A jó kormányzást megalapozó közszolgálat-fejlesztés' [Public Service Development for Good Governance] No. KÖFOP-2.1.2-VEKOP-15. For the description of the underlying concepts, see: T.M. Horváth and I. Bartha (eds.) *Közszolgáltatások megszervezése és politikái*. [The Organization and Sectors of Public Service Delivery], Budapest: Dialóg Campus, 2016. The relevant studies conducted in the context of this research group include the monograph *Aspects of the European Union's Legal and Political Relations with Russia and Ukraine* to be published in the future; the article Eurasian Integration and Ukraine, *Jog-Állam-Politika: Jog- és Politikatudományi Folyóirat* (2018) 10 : 2 pp. 179-192; Aspects of Energy Relations Hungary-Russia Energy Relations in the Context of European Union Law, *JURA*, 2018/2, 368-377; and the article to appear in the future in *Jog-Állam-Politika* entitled Issues in European Union-Russia Energy Relations. Additionally, the research draws from the author's article Ukraine and China's Belt and Road Initiative, *Scientific Journal of the Lviv University of Trade and Economics: Jurisprudence Series*, 2018 (6) 232-238.

<sup>2</sup> SOROKA, George (2018): Blessings and Curses from Constantinople, *Foreign Affairs*, 25 October 2018, <https://www.foreignaffairs.com/articles/ukraine/2018-10-25/blessings-and-curses-constantinople> (Accessed 2018.11.12)

<sup>3</sup> SAKWA, Richard (2015): *Frontline Ukraine: Crisis in the Borderlands*, I.B Tauris, London, New York, 2015, 7, 9.

<sup>4</sup> PIONTEK, Eugenius (2006): Ukraine. In BLOCKMANS, Steven, - LAZOWSKI, Adam (eds.), *The European Union and its Neighbours: A Legal Appraisal of the EU's Policies of Stabilisation, Partnership and Integration*, T.M.C Asser Press, The Hague 2006, 500.

states of the European Union.<sup>5</sup> To illustrate the importance of the country's location, historian Andrew Wilson wrote that "*Ukraine occupies a crucial space at the crossroads of the two great geopolitical ideas of the twentieth century - 'Europe' and 'Eurasia' - and will have a crucial influence on how both these ideas are being reconstructed at the beginning of the new millennium.*"<sup>6</sup> As for the Russian Federation, which amounts to over an eighth of the Earth's landmass,<sup>7</sup> and with its vast energy resources, powerful military, large population and political and cultural influence means that countries around the world must articulate specific policies and aims with regards to engaging with this country, which is particularly the case with regards to the European Union, which has so many connections to this state. It can be fairly safely asserted that there are few relationships more important for the two entities than their relationship to each other.

### *ii) Conceptual and theoretical framework*

Naturally, it is necessary to provide a certain theoretical and conceptual background and basis to the dissertation. One important theoretical and conceptual area of relevance relates to the processes of regional integration projects, in particular with regards to the development of the European Union. The European Union is a unique regional integration project and model which has its roots in the aftermath of the devastation of World War Two, which led to the states of Western Europe incrementally moving towards a certain degree of political and economic integration. This process continued to evolve, coming to include different parts of Europe, having progressed to what has been termed an "*ever closer union*". This union is based on certain central characteristics which can be said to define its nature and character. Fundamental to this is the process of collective institutionalized decision-making, with the key bodies being the Commission, Council, Courts and Parliament.<sup>8</sup> A major impetus to the entire European integration project from its very beginning has been the economic development and integration of the continent.<sup>9</sup> This has involved various elements over time which have developed, one of the most fundamental being the European

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<sup>5</sup> PIONTEK (2006): i.m., 500.

<sup>6</sup> WILSON, Andrew (2009): *The Ukrainians: Unexpected Nation*, Yale University Press, New Haven and London, 2009, 279.

<sup>7</sup> International Business Publications (2011): *Russia: Foreign Policy and National Security Yearbook – Volume 1: Strategic Information and Regulations*. Washington DC, International Business Publications, 2011, 8.

<sup>8</sup> CINI, Michelle (2007): Introduction. In CINI, Michelle ed: *European Union Politics*, (2nd edition), Oxford University Press, Oxford, 2.

<sup>9</sup> Ibid, 3.

Union's Single Market which is based on the four freedoms, that is the free movement of labour, goods, capital, and services.

Over time various models have been put forward that seek to articulate conceptual frameworks for the broader European integration process. These attempt to deal with such issues, among others, as to the reason certain states join regional organizations and hand over certain aspects of their political powers and authority; the way in which they these integration projects develop in terms of increasing their powers, and their enlargement to include new member states; and the way in which they influence and effect the countries in their specific regions.<sup>10</sup> Three prominent models which have been put forward seeking to explain the process of European integration are intergovernmentalism, neofunctionalism and also postfunctionalism.<sup>11</sup> As shall be seen over the course of this dissertation, the three models, each in their own way, can act as aids, at various points, in understanding certain elements of the subject matter of the topic at hand, sometimes with one particular model being exclusively relevant, and other times a mixture of these conceptual frameworks being utilized in order to explain certain developments, facts and phenomena. In addition to being of value with regards to understanding certain regional integration structures and their internal nature, as shall be seen it can also be of value in understanding how the European Union relates to non-Member States within the context of its external relations policies and actions.

Intergovernmentalism gives a special role to the nation state in integration projects, and argues that the European integration process has not made the nation state obsolete.<sup>12</sup> Furthermore, these specific nation states attempt to increase their economic interests and security within the broader process of regional integration.<sup>13</sup> This is a model of integration which may be described as being state-centric.<sup>14</sup> According to this particular conceptual framework, nation states retain

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<sup>10</sup> SCHIMMELFENNIG, Frank (2018): Regional Integration Theory. In *Oxford Research Encyclopedia of Politics*, Oxford, Oxford University Press (Pre-publication version of article) 1, [https://www.researchgate.net/profile/Frank\\_Schimmelfennig/publication/325392599\\_Regional\\_Integration\\_Theory/links/5b0af3560f7e9b1ed7f9c9e3/Regional-Integration-Theory.pdf?origin=publication\\_detail](https://www.researchgate.net/profile/Frank_Schimmelfennig/publication/325392599_Regional_Integration_Theory/links/5b0af3560f7e9b1ed7f9c9e3/Regional-Integration-Theory.pdf?origin=publication_detail) (Accessed 2019.02.17)

<sup>11</sup> Ibid.

<sup>12</sup> HATTON, Lucy (2011): Theories of European Integration, *CIVITAS Institute for the Study of Civil Society*, 2011 (last updated 2015), <https://www.civitas.org.uk/content/files/OS.16-Theories.pdf> (Accessed 2019.02.14)

<sup>13</sup> SCHIMMELFENNIG (2018): *i.m.*, 1.

<sup>14</sup> CINI, Michelle (2016): Intergovernmentalism. In CINI, Michelle - PÉRES-SOLÓRZANO BORRAGÁN, Nieve eds.: *European Union Politics*, Fifth Edition, Oxford, Oxford University Press, 66.

control of the institutions and organizations which result from integration processes, and seek to utilize regional organizations in order to obtain bargaining outcomes.<sup>15</sup>

Neo-functionalism, which was particularly popular in the 1950s and 1960s,<sup>16</sup> rather places special emphasis on supranational actors and structures themselves, believing that they can make independent decisions and shape the actual process of integration according to their specific interests.<sup>17</sup> It is an approach which argues that nation states are not the only key actors in world politics, and thus places a special focus on both supranational institutions as well as non-state actors.<sup>18</sup> It is a model which gives less influence to the nation states than the intergovernmental model, claiming that governments are not truly in control of integration, and that the integration process leads to what have been termed “*spillovers*”, which leads to the integration process going beyond mere intergovernmental bargaining.<sup>19</sup> This model holds that these spillovers actually lead to the process of European integration being a self-sustaining process, leading to the creation of a new supranational political community.<sup>20</sup>

Finally, postfunctionalism points out and highlights the backlash that can occur as a result of the integration process, which is connected to such factors as a decrease in national sovereignty, leading to scepticism about the integration process, fuelling in response certain eurosceptic political movements.<sup>21</sup> This can lead to an impediment to the intergration process, or even eventual disintegration.<sup>22</sup> These models are of value with regards to the subject of this dissertation, and thus shall be utilized accordingly where it is deemed appropriate.

Another theoretical model relating to integration theory with regards to the European Union’s relations with third countries which will be utilized in this dissertation is the concept of “*external governance*”.<sup>23</sup> This is a concept which seeks to explain the way in which the way in which the European Union is able to expand its influence and export its norms and values (which, of course, is connected to the status of the European Union as an international actor in its own

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<sup>15</sup> SCHIMMELFENNIG (2018): *i.m.*, 2.

<sup>16</sup> HATTON (2011): *i.m.*

<sup>17</sup> SCHIMMELFENNIG (2018): *i.m.*, 2.

<sup>18</sup> JENSEN, Carsten Stroyby (2016): Neo-functionalism. In CINI, Michlle - PÉRES-SOLÓRZANO BORRAGÁN, Nieves, *European Union Politics*, Fifth Edition, Oxford, Oxford University Press, 53.

<sup>19</sup> SCHIMMELFENNIG (2018): *i.m.*, 2.

<sup>20</sup> HATTON (2011): *i.m.*

<sup>21</sup> SCHIMMELFENNIG (2018): *i.m.*, 2

<sup>22</sup> Ibid.

<sup>23</sup> LAVENEX, Sandra (2004): EU External governance in ‘wider Europe’, *Journal of European Public Policy*, Vol. 11, No. 4, 683, <https://archive-ouverte.unige.ch/unige:77032> (Accessed 2019.02.10)

right), often at times with a focus on integration and bringing about closer relations without necessarily offering the third countries involved an explicit membership perspective, which is also a result of the consequences of the great eastern enlargements of the European Union, which led to a certain fatigue in in this area.<sup>24</sup> External governance in this context has been defined as occurring: “...when the institutional/legal boundary is moved beyond the circle of member states ... the crucial criterion for external governance is the extension of the legal boundary of authority beyond institutional integration. In contrast to cooperation under an international agreement or convention, external governance takes place when parts of the *acquis communautaire* are extended to non-member states.”<sup>25</sup> It shall be seen that in certain particulars Ukraine can be considered as an object of the EU external governance, the country in many ways now being formally committed to conforming to the norms and values of the European Union, despite not being promised an explicit membership perspective. As shall be seen, this contrasts markedly with the nature of the EU-Russia relationship, with the latter being resistant to such a model of relations.

### *iii) Subject matter of the analysis*

As to the actual content of the dissertation, naturally, when dealing with such an enormous topic, the author has necessarily had to be selective in relation to the material to be dealt with. Thus, several key topics have been chosen for exploration with the hope of illuminating vital areas relating to the European Union’s external relations with Russia and Ukraine. These areas have been selected due to their central importance to the topic at hand, as in many ways they provide the overall framework, contours and broader context of these relations. The dissertation begins with an overview of the European Neighbourhood Policy (ENP), including the historic context in which it was brought into being, its scope and aims, as well as its economic and political dimensions. The ENP’s Eastern dimension, the Eastern Partnership, will also be introduced at this point, which offers the main framework for the European Union’s external relations with its Eastern European neighbours. The legal instruments within the framework of the ENP and Eastern Partnership will be surveyed, including the concept of Action Plans and Association Agreements which are able to be signed between the European Union and partner countries.

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<sup>24</sup> CAMPAIN, Marie (2012): Avoiding new dividing lines? EU external governance and the Eastern neighbours. In STADMÜLLER, Elzbieta – BACHMANN, Klaus eds: *The EU’s Shifting Borders: Theoretical approaches and policy implications in the new neighbourhood*, London and New York: Routledge, 2012, 120; LAVENEX (2004): i.m., 683.

<sup>25</sup> LAVENEX, Ibid.

This is then followed with the section on European Union—Russia relations, which includes looking at the Partnership and Cooperation Agreement signed between the two, the Common Strategy on Russia and the Four Common Spaces. It should also be stated that there are other agreements which have been signed between the European Union and both the Russian Federation and Ukraine which are beyond the scope and subject matter of the dissertation, and thus will not be analysed here. The section on Russia is followed by Ukraine, including its major legal instruments signed with the European Union, in particular the Partnership and Cooperation Agreement and later the Association Agreement. One of the main propositions of this dissertation is that there is a substantial difference as to what degree Russia and Ukraine wish to integrate with the European Union, which is perhaps best reflected in the differing legal frameworks both have put in place with the European Union to govern their relations. As shall be seen, Russia does not seek a large-scale approximation to European Union standards and norms, while, in contrast to this, Ukraine, in particular with the signing of the Association Agreement with the European Union, has committed itself to a deep integration with the European Union, and in fact, that country has strongly professed a desire to one day achieve full membership of the organization.<sup>26</sup> As shall be seen in the case of Ukraine, a mechanism has been created where non-EU Member States can participate to a certain extent in this Single Market through the creation of a Deep and Comprehensive Free Trade Area (DCFTA), which is a feature of the so-called “*new generation*” Association Agreement signed by Ukraine, as well as Georgia and Moldova. The aims of the agreements signed between the European Union and the Russian Federation can be said to be less ambitious in this regard, which aimed rather at granting most-favoured-nation status to the country and to begin the process of establishing a free trade area.

An extremely important factor in the EU’s relations with both Russia and Ukraine relates to energy. With regards to EU-Russia energy relations, the author’s examination shall include surveying such gas pipeline projects as OPAL, South Stream, Turkish Stream and Nord Stream 2. This shall include legal issues raised that have or could inhibit these projects operating on the territory of the European Union. Additionally, there shall be a survey of attempts by the EU and Russia at coming to some sort of overarching legal framework of energy relations. An example in

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<sup>26</sup> RadioFreeEurope/RadioLiberty (2019): Ukraine President Signs Constitutional Amendment on NATO, EU Membership, 19 February 2019, <https://www.rferl.org/a/ukraine-president-signs-constitutional-amendment-on-nato-eu-membership/29779430.html> (Accessed 2019.06.07)

this dissertation of the external governance model at work relates to Ukraine's attempt at approximating to the European Union's energy *acquis communautaire*, which involves making Ukrainian legislation in this particular area compatible with the norms and standards of the EU. This is connected to Ukraine's membership of the Energy Community, which was created in part to incorporate certain third countries in Eastern Europe into the European Union's internal energy market. In contrast, Russia does not follow the principle of conforming to the EU's energy *acquis* according to the model followed by such countries as Ukraine.

The dissertation also includes an analysis of the restrictive measures placed on Russia by the EU as a result of events in Crimea and East Ukraine, and also Russia's reaction in response to this development. As part of this analysis, there will be an examination of the relevant legal background of restrictive measures and sanctions as a tool of EU external relations, and how events in Crimea and East Ukraine, and the subsequent sanctions, have impeded EU-Russia relations. This will illustrate how events in Ukraine directly impact Russia-EU relations. It is undeniable that the restrictive measures are a major factor in the present relations of the European Union and Russia, and by their very nature they have caused certain difficulties in bilateral relations. As such, it can be said that the state of Russia-Ukraine relations, and the present tensions that exist between both countries also has an effect on the relationship of the European Union with these individual states, and can influence the degree to which it may maintain and intensify these connections. Furthermore, the dissertation contains an analysis of important cases that have come before the European Court of Justice and General Court of the European Union which deal with the European Union's sanctions against Russia. This overview will highlight the importance of the Court of Justice of the European Union in relation to the development and articulation of the European Union's external relations policies and actions.

Russia has sought to create an alternative model of integration in the post-Soviet space, which is the Eurasian Economic Union. This is both a competitor to the EU in certain ways and in certain areas, but also, at the same time, draws inspiration from the EU as well, to a certain extent even mirroring it in various particulars. In this dissertation it shall be seen in which ways the EU acts as a source of inspiration and competitor to the Eurasian Union. This shall involve looking at the major characteristics of the Eurasian Economic Union, and to a certain extent the way in which it is similar and different to the European Union. One aspect of this is that it shall be argued that on the whole the Eurasian Economic Union represents an intergovernmental model of integration.

The extent of integration which has taken place so far and the nature of its institutions justifies this assertion, as they reflect the ultimate importance of the nation state in the process and the maintenance of its centrality during the course of Eurasian integration. However, at the same time, it must be admitted that a very real supranational structure and regional organisation has come into being with defined competences and powers. Another area examined in this work is the European Union's Eastern Partnership, which may be considered in certain respects as a rival to the Eurasian Economic Union integration project. A scene of competition between the EU and the Eurasian Economic Union has been Ukraine, and so there shall be an analysis of Ukraine's relationship to Eurasian integration and also to the EU's Eastern Partnership initiative, which is the initiative that has sought to bring post-Soviet states closer to the European Union.

It seems self-evident that one who creates such a work has the hope that it will be of at least some relevance and utility. It is the wish of the author that this work will contribute on some level to increasing the knowledge of a subject of great importance and significance to the whole of the European and Eurasian space. Considering that the author had the opportunity to carry out his research in Hungary (an opportunity for which he is very grateful), he particularly harbours the hope that the fruits of these endeavours will be considered of some relevance and use for interested people in the country, considering its location in a vital part of this geopolitical space and which has played an historically crucial role within it, and which continues to do so. As a result, there shall be two case studies involving Hungary, one relating to Hungary-Russia energy relations, and the other relating to Hungary-Ukraine relations. In relation to the former, there is an examination of the expansion of the Paks nuclear facility. As shall be seen, there had been concerns raised by the European Commission in relation to this project, however these were able to be overcome. It can be argued that in this instance we see both an assertion of independent action by a European Union Member State, here Hungary, pursuing its own course of action which it believes is in its interests. This may be seen as being linked to the intergovernmental model, with its focus on the importance of nation states. At the same time, the eventual involvement of the European Commission, its investigation, and the need for it to confirm the validity and correctness of the agreement echoes the neofunctionalist conceptual framework, with its emphasis on the importance of supranational actors and structures themselves.

In relation to Hungary and Ukraine, there shall be a brief case study relating to areas of the bilateral relationship that the author believes also has a relevance to Ukraine's broader relationship

with the European Union. This section shall include certain background information on Hungary and Ukraine's relationship, and two specific areas relating to this relationship, these being Ukrainian citizens being granted visa-free travel to the EU, and Ukrainians access to the labour markets of EU Member States, and Hungary's possible relation to this.

#### *iv) Methodology*

The primary scientific tools of the work include formal legal analysis and the comparative method. The former is employed in the sense of presenting and analysing key legal texts and instruments relating to the topic, including the aims, goals, commitments and obligations which they contain. However, it should be noted that it goes beyond what some may consider as a more conventional analysis. Naturally, the dissertation deals with and seeks to explain the *legal basis of the European Union's legal actions* (in relation to the Russian Federation and Ukraine) according to the relevant primary and secondary legal sources of the European Union, examining the *legal framework* of the European Union's relations with both these state entities. This includes looking at their respective Partnership and Cooperation Agreements, and later Ukraine's recent Association Agreement with the European Union. Furthermore, the most relevant aspects of these agreements shall be examined, illustrating their fundamental nature, including their core aims, values and purpose, as well as their structure. However, there is a strong emphasis on exploring and providing the relevant background, where appropriate, to the formation of the relevant legal instruments, actions and frameworks that are analysed and explored here, with this acting somewhat as the foundation of the analysis. The author believes that it is vital to understand the historical and political context in which these were brought into being and developed over time. Thus, the dissertation includes surveying the background leading and contributing to the coming into being of the major legal instruments signed between the European Union and both Russia and Ukraine examined in the dissertation, such as the Partnership and Cooperation Agreements and Association Agreement, energy relations between the EU and the two respective states, the events leading to the imposition of the restrictive measures regime on Russia by the European Union, and the formation and coming into being of the Eurasian Economic Union. Thus, it can be said that the relevant legal instruments and actions in the dissertation are analysed as being concrete manifestations and expressions of these various historical and political factors.

The comparative method is utilized here in order to illuminate and illustrate the essential differences between the European Union's relations with the Russian Federation on the one hand, and Ukraine on the other. The author believes that including both of these countries in this dissertation makes the work of greater interest than if only one country had been focused upon, because they provide very rich comparative material, illustrating the different goals and approaches in the way certain third countries wish to interact with the European Union, and also the way and degree to which the EU wishes to engage and partner with. Here there shall be an analysis of the degree to which the EU has sought to partner with the Russian Federation and Ukraine, the historical development relating to this, and where matters stand at the present time with regards to this. Included in the comparison is, where appropriate, the utilization of the above mentioned theoretical models and frameworks when discussing EU-Russia and EU-Ukraine relations, attempting to apply these theories to the EU's relations with these third countries. This also involves surveying the motivations of these third countries when engaging the EU, which has a particular relevance in the case of Ukraine.

The dissertation, in addition to legal analysis, also incorporates a political science and historical approach to the subject at hand. This includes surveying the relevant historical and political background to the legal agreements and framework of the EU's relations with Russia and Ukraine. This means, in addition to relevant legal texts and academic literature, utilizing various policy papers from the EU institutions, reliable and reputable authors and journalistic sources dealing with the subject matter and which deal with positions and actions of the various political actors of importance to the topic.

## CHAPTER 1

### THE EUROPEAN UNION'S NEIGHBOURHOOD POLICY AND EASTERN PARTNERSHIP

#### 1.1 Partnership and Cooperation Agreements

Before discussing the European Neighbourhood Policy and Eastern Partnership, it is important to examine the nature of the European Union's engagement with its post-Soviet Eastern neighbours during the time predating those initiatives, specifically focusing upon the Partnership and Cooperation Agreements, which then acted as the main basis for the EU's engagement with those particular countries.<sup>27</sup> The European Union, despite the fact that it is composed of 28 independent Member States, is also an international actor in its own right. It has sought to increase and deepen this particular role, and over time has created a network of relations throughout world which has strengthened and increased its presence in the international arena.<sup>28</sup> The EU thus has a recognizable and very real presence in various parts of the world where it seeks to pursue and promote its interests. This is no less the case in relation to its immediate neighbourhood, particularly with regards to those countries to its East. This was particularly necessary during the period at the end of the Cold War, when the European Community/Union had to formulate a strategy to deal with the new post-Communist states. With regards to the Central European countries that would later go on to become European Union Members States, the Europe Agreements were created for this purpose.<sup>29</sup> These were association agreements which recognized the third country's aspirations for European Union membership and acted as the legal framework for those countries eventual

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<sup>27</sup> MARCIACQ, Florent – FLESSENKEMPER, Tobias (2018): The European Union and its Eastern Partners: Beyond the Limits of Current Approaches to Regional Cooperation, *Instituto Affari Internazionali*, Documenti IAI 18, 2 March 2018, 4, <http://oefz.at/wp-content/uploads/2017/11/iai1802.pdf> (Accessed 2019.05.31)

<sup>28</sup> CRAIG, Paul – DE BURCA, Grainne (2011): *EU Law: Text, Cases, and Materials*, Oxford, Fifth Edition, 303. According to Article 21 of the Treaty on European Union, The European Union is to develop relationships and create partnerships with third countries, as well as various international, regional and global organisations that share its principles. Additionally, the EU is to define and pursue common policies and actions in the field of international relations with the aims, *inter alia*, of defending its values and interests, as well as its security, independence and integrity.

<sup>29</sup> European Commission: Europe Agreement, [https://ec.europa.eu/neighbourhood-enlargement/policy/glossary/terms/europe-agreement\\_en](https://ec.europa.eu/neighbourhood-enlargement/policy/glossary/terms/europe-agreement_en), (Accessed 2018.02.02). Further analysis of the Europe Agreements can be found in MARESCAU, Marc - MONTAGUTI, Elisabetta: The relations between the European Union and Central and Eastern Europe: a legal appraisal', *Common Market Law Review* 32, 1995, pp. 1327–1367.

accession.<sup>30</sup> In relation to the post-Soviet states it was recognized there was a need for a different, innovative kind of “*intermediate type of agreement*”, which would go beyond the the Trade and Cooperation Agreement which had been signed in 1989 between the European Community and the Soviet Union with the aim of normalizing relations,<sup>31</sup> but which would lack the depth and comprehensiveness of the Europe Agreements.<sup>32</sup> This led to to the adoption of a resolution by the Council of the European Union on October 5 1992 giving the European Commission the ability to negotiate Partnership and Cooperation Agreements with the newly independent post-Soviet states.<sup>33</sup> However, despite the fact that these PCAs could be said to be less substantive in terms of their aims as compared to the Europe Agreements, such agreements went beyond merely being ordinary treaties,<sup>34</sup> and deal with such areas as creating a framework for political dialogue, encouraging democratic reform, the movement towards creating a market economy, economic cooperation, and the strengthening of trade and investment ties.<sup>35</sup> From the end of the 1990s, the EU has signed ten such agreements with former Soviet republics.<sup>36</sup>

## 1.2 The European Neighbourhood Policy (ENP)

In 2004 and 2007 the European Union experienced a great enlargement as a result of its integration of a number of countries of the former Eastern Bloc. One of the consequences of this historical event was that it brought a group of new neighbours to its borders with which it would have to coexist and relate to in a very direct and immediate way. In this specific historic context it became

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<sup>30</sup> Ibid.

<sup>31</sup> HILLION, Christophe (2006): Russian Federation (Including Kaliningrad). In BLOCKMANS, Steven – LAZOWSKI, Adam eds.: *The European Union and its Neighbours: A Legal Appraisal of the EU's Policies of Stabilisation, Partnership and Integration*. The Hague, T.M.C Asser Press, 468.<sup>32</sup> SCHNEIDER, Klaus (2001): The Partnership and Cooperation Agreement (PCA) between Ukraine and the EU – Idea and Reality. In HOFFMAN, Lutz – MÖLLERS, Felicitas eds.: *Ukraine on the Road to Europe*. Berlin and Heidelberg, Springer-Verlag, 2001, 66.

<sup>32</sup> SCHNEIDER, Klaus (2001): The Partnership and Cooperation Agreement (PCA) between Ukraine and the EU – Idea and Reality. In HOFFMAN, Lutz – MÖLLERS, Felicitas eds.: *Ukraine on the Road to Europe*. Berlin and Heidelberg, Springer-Verlag, 2001, 66.

<sup>33</sup> YUNUSOV, Khaydarali (2014): Partnership and Cooperation Agreements of the European Union with Central Asian Countries, *Studii Europene*, 1, 2, [https://www.ssoar.info/ssoar/bitstream/handle/document/41880/ssoar-studeuropene-2014-1-yunusov-Partnership\\_and\\_Cooperation\\_Agreements\\_of.pdf?sequence=1](https://www.ssoar.info/ssoar/bitstream/handle/document/41880/ssoar-studeuropene-2014-1-yunusov-Partnership_and_Cooperation_Agreements_of.pdf?sequence=1) (Accessed 2017.11.15)

<sup>34</sup> LIGHT, Margot, - ALLISON Roy (2006): The place of Europe in Russian foreign policy. In ALLISON, Roy, LIGHT Margot, and WHITE, Stephen, *Putin's Russia and the Enlarged Europe*, London, Chatham House, 2006, 6.

<sup>35</sup> EUR-LEX: Partnership and Cooperation Agreements (PCAs): Russia, Eastern Europe, the Southern Caucasus and Central Asia, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM%3Ar17002> (Accessed 2019.05.31)

<sup>36</sup> These states include: Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Ukraine, Uzbekistan, and Tajikistan. See Ibid.

a necessity for the EU to formulate a strategy in order to deal with this new situation, which would define its own interests in relation to its neighbours and the creation of very real and effective mechanisms and tools in order to achieve its goals. The proposed answer to this problem was the European Neighbourhood Policy (ENP), which was initiated as part of the EU's quest to formulate an identity for itself in light of the new environment and circumstances that it encountered as a result of its expansion. The ENP was launched in 2004, having been based on a 2003 policy document titled „*Wider Europe – Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours*”,<sup>37</sup> laying down the fundamentals of that new field of EU external relations.<sup>38</sup> The document highlighted the importance of the then upcoming 2004 enlargement, which increased the EU's interest in enhancing relations with the new neighbours, namely Russia, the Western NIS, and the Southern Mediterranean.<sup>39</sup> Promoting stability, prosperity and peace “*within and beyond the new borders of the Union*” was also set out as an essential aim of the ENP.<sup>40</sup> The document states that not only does the European Union have a duty towards the citizens of its own Member States (in the context of the time, this included those states who were then members and were on the verge of obtaining membership), but also a duty towards its neighbours to safeguard social cohesion and dynamic economic development.<sup>41</sup> The major incentives for the partner states of the ENP relate to both economic and political issues, and indeed, it is explicitly stated that the European Union envisages an “*enhanced interdependence – both political and economic*”.<sup>42</sup> It is this interdependence that can lead to the promotion of “*stability, security, and sustainable development*” both within the European Union and its neighbouring countries.<sup>43</sup> The EU offers benefits and more preferential relations in particular where there is progress made in the area of both economic and political reform.<sup>44</sup>

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<sup>37</sup> Communication from the Commission (2003): *Wider Europe – Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours*, 11 March 2003, COM (2003), 3, [http://eeas.europa.eu/archives/docs/enp/pdf/pdf/com03\\_104\\_en.pdf](http://eeas.europa.eu/archives/docs/enp/pdf/pdf/com03_104_en.pdf), (Accessed 2018.02.02)

<sup>38</sup> European Union External Action: *European Neighbourhood Policy*, 21 December 2016, [https://eeas.europa.eu/diplomatic-network/european-neighbourhood-policy-enp/330/european-neighbourhood-policy-enp\\_en](https://eeas.europa.eu/diplomatic-network/european-neighbourhood-policy-enp/330/european-neighbourhood-policy-enp_en) (Accessed 2019.02.19)

<sup>39</sup> Communication from the Commission (2003): i.m., 3.

<sup>40</sup> Ibid, As the ENP communication states, “*the EU should aim to develop a zone of prosperity and a friendly neighbourhood – a ‘ring of friends’ with whom the EU enjoys close, peaceful and co-operative relations*”.

<sup>41</sup> Ibid, 3.

<sup>42</sup> Ibid, 4.

<sup>43</sup> Ibid.

<sup>44</sup> Ibid, 9.

### 1.3 Economic and Political Dimensions of ENP

I. With regards to the *economic dimension* of the ENP, it aims to offer the partner countries the prospect of a stake in the EU's internal market and liberalisation to promote the free movement of persons, goods, services and capital (four freedoms) also in the relations between the EU and these third countries.<sup>45</sup> This is connected to the implementation of relevant aspects of the *acquis communautaire*, in particular those which relate to the European Union's internal market and its regulatory structures.<sup>46</sup> This involves the approximation to European Union standards and regulations in this particular area.<sup>47</sup> The opening up and liberalisation of trade is also considered an aspect of the economic component of the ENP, it being key in this area.<sup>48</sup>

II. In relation to the *political dimension* of the the ENP, it seeks an intensification in political relations between the European Union and neighbouring states.<sup>49</sup> Values are central to the political dimension of this cooperation between the EU and its neighbours, which is made clear from the text of the Communication. Indeed, it states that “*shared values and mutual understanding*” act as a foundation for the deepening of political relations between the two.<sup>50</sup> The document sets out the necessary prerequisites for bringing about political stability in the region, which includes such values and elements as “*Democracy, pluralism, respect for human rights, civil liberties, the rule of law, and core labour standards*”.<sup>51</sup> The Communication also envisages the creating of a political framework which would help to institutionalise the rule of law.<sup>52</sup>

The ENP, despite containing elements of the EU's enlargement strategy (in particular the export of the *acquis communautaire* and the use of polity conditionality), was essentially created in order to act as an alternative to further EU enlargement.<sup>53</sup> The aim of the ENP did not include a perspective of membership or a role in the Union's institutions, and the issues posed by that

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<sup>45</sup> Ibid.

<sup>46</sup> Ibid, 10.

<sup>47</sup> Ibid.

<sup>48</sup> Ibid.

<sup>49</sup> Ibid, 9.

<sup>50</sup> Ibid, 12.

<sup>51</sup> Ibid, 7.

<sup>52</sup> Ibid, 9.

<sup>53</sup> WOLCZUK, Katarzyna (2009): Implementation without Coordination: The Impact of EU Conditionality on Ukraine under the European Neighbourhood Policy. *Europe-Asia Studies*, Vol. 61, No. 2, March 2009, 189-190, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2135703](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2135703) (Accessed 2019.02.17)

dimension of EU–third countries cooperation should be seen as separate and distinct from the question of EU accession.<sup>54</sup> Essentially, by attempting to modernize the neighbouring states and to make them stable, secure and prosperous, the EU attempts to induce changes in their behaviour in line with its own aims, norms and preferences.<sup>55</sup> As well as being a major instrument in the achievement of EU external relations goals, it also claims to be mutually beneficial for both itself and neighbouring countries, as it allows the latter to „*share the benefits of EU enlargement in terms of stability, security and well-being*”<sup>56</sup> and to „*participate in various EU activities*”.<sup>57</sup> Previously, the EU’s relationship with neighbouring states was seen through the prism of its policies of enlargement and the pre-accession process.<sup>58</sup> However, with the enlargements of 2004 and 2007 the EU came at least close to reaching what some consider to be its limits, and encountered states that may never actually be given an EU membership perspective.<sup>59</sup>

The European Union has been conceived of as a “*normative power*”, in that its influence in the international arena lies in the upholding and promotion of certain ideas and norms.<sup>60</sup> It is this assumption that essentially lies behind the conception and formulation of the ENP.<sup>61</sup> Furthermore, the ENP itself has also been characterised in terms of being an external governance project which seeks to manage the neighbouring lands beyond its own borders, this concept having been formulated in order to highlight the specific nature of the EU’s attempt to extend its influence and governance outside of the boundaries of the EU, and is in particular a result of both the EU’s

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<sup>54</sup> Ibid,

<sup>55</sup> LYUBASHENKO, Igor (2012): Sources of misunderstanding: Intervening variables influencing the effectiveness of the European Neighbourhood Policy towards Eastern states. In STADMÜLLER, Elzbieta – BACHMANN, Klaus eds.: *The EU’s Shifting Borders: Theoretical approaches and policy implications in the new neighbourhood*, Routledge: London and New York, 83.

<sup>56</sup> Communication from the Commission (2004): Policy: European Neighbourhood Strategy Paper, 12 May 2004, COM (2004), 6, <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52004DC0373&from=EN>, (Accessed 2017.10.08)

<sup>57</sup> Ibid, 3.

<sup>58</sup> GEBHARD, Carmen (2010): The ENP’s Strategic Conception and Design Overstretching the Enlargement Template. In WHITMAN, Richard G. – WOLFF, Stefan eds.: *The European Neighbourhood Policy in Perspective: Context, Implementation and Impact*, Hampshire, Palgrave Macmillan, 89.

<sup>59</sup> Ibid.

<sup>60</sup> MANNERS, Ian (2002): Normative Power Europe: A Contradiction in Terms?., Vol.40, No. 2, Copenhagen, Copenhagen Peace Research institute, 21, [https://rucforsk.ruc.dk/ws/portalfiles/portal/38395695/Ian\\_Manners\\_Normative\\_Power\\_Europe\\_A\\_Contradiction\\_in\\_Terms\\_COPRI\\_38\\_2000.pdf](https://rucforsk.ruc.dk/ws/portalfiles/portal/38395695/Ian_Manners_Normative_Power_Europe_A_Contradiction_in_Terms_COPRI_38_2000.pdf) (Accessed 2019.02.15)

<sup>61</sup> KAPITONENKO, Mykola (2015): Ukraine: The Need to Securitize the European Neighborhood Policy. In INAYEH, Alina – FORBRIG, Joerg eds.: *Reviewing the European Neighbourhood Policy: Eastern Perspectives*, Europe Policy Paper 4, The German Marshall Fund of the United States, Washington DC, 38, [www.gmfus.org/file/6400/download](http://www.gmfus.org/file/6400/download) (Accessed 2019.02.15)

nature as an international actor as well as a sense of enlargement fatigue that arose after the the joining of the new Member States in 2004 and 2007.<sup>62</sup>

An important and relevant point which must be mentioned here in relation to this topic is Article 8 of the Treaty on European Union, which was introduced by the Treaty of Lisbon. This article states in its first paragraph that the European Union is to „*develop a special relationship with neighbouring countries, aiming to establish an area of prosperity and good neighbourliness, founded on the values of the Union and characterised by close and peaceful relations based on cooperation.*” Furthermore, Article 8(2) gives the the Union power to “*conclude specific agreements with the countries concerned*” and that „*These agreements may contain reciprocal rights and obligations as well as the possibility of undertaking activities jointly. Their implementation shall be the subject of periodic consultation.*”

Various scholars have pointed out several important features relating to Article 8, one of which is that neighbouring countries are offered a special, privileged form of relations, showing the importance of both political and geographical criteria.<sup>63</sup> Furthermore, it makes explicit the conditionality approach which is intrinsic to the European Neighbourhood Policy.<sup>64</sup> In fact, it can be argued that Article 8 actually acts as a constitutional foundation for the European Union to export its norms.<sup>65</sup> Additionally, Article 8 appears to envisage a „*new generation of agreements*” between the European Union and neighbouring partner countries.<sup>66</sup> Furthermore, it should also be pointed out that it has been argued that Article 8 actually places an onus on the European Union to pursue a „*proactive policy*” with regards to its neighbouring states, which involves aiding them in transformation and state-building according to Article 21 of the Treaty on European Union.<sup>67</sup>

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<sup>62</sup> CAMPAIN, Marie (2012): Avoiding new dividing lines? EU external governance and the Eastern neighbours. In STADMÜLLER, Elzbieta – BACHMANN, Klaus eds.: *The EU's Shifting Borders: Theoretical approaches and policy implications in the new neighbourhood*, London and New York: Routledge, 120.

<sup>63</sup> PETROV, Roman – VAN ELSUWEGE, Peter (2011): Article 8 TEU: Towards a New Generation of Agreements with the Neighbouring Countries of the European Union?, *European Law Review*, 2011, Vol. 36, Issue October, 689, [https://www.researchgate.net/publication/255697657\\_Article\\_8\\_TEU\\_Towards\\_a\\_New\\_Generation\\_of\\_Agreement\\_s\\_with\\_the\\_Neighbouring\\_Countries\\_of\\_the\\_European\\_Union](https://www.researchgate.net/publication/255697657_Article_8_TEU_Towards_a_New_Generation_of_Agreement_s_with_the_Neighbouring_Countries_of_the_European_Union) (Accessed 2019.02.13)

<sup>64</sup> Ibid, 688.

<sup>65</sup> In PETROV, Roman – VAN ELSUWEGE, Peter eds (2014): Setting the Scence: Legal approximation and application of EU law in the Eastern neighbourhood of the European Union. In PETROV, Roman – VAN ELSUWEGE, Peter: *Legislative Approximation and Application of EU Law in the Eastern Neighbourhood of the European Union: Towards a Common Regulatory Space?*, London, Routledge, 1.

<sup>66</sup> PETROV, Roman – VAN ELSUWEGE, Peter (2011): i.m., 692.

<sup>67</sup> HILLION, Christophe (2014): Anatomy of EU norm export towards the neighbourhood: The impact of Article 8 TEU. In PETROV, Roman – VAN ELSUWEGE, Peter eds: *Legislative Approximation and Application of EU Law in the Eastern Neighbourhood of the European Union: Towards a Common Regulatory Space?*, London, Routledge, 18.

The Treaty of Lisbon introduced this article and it outlines the principles that are to guide the European Union's external action<sup>68</sup> in all the various areas of the European Union's activity in the international arena (It shall also be seen in the dissertation how Article 21 TEU was of importance in the Court of Justice of the European Union's argumentation and reasoning in relation to the EU's ability to place restrictive measures on Russia).<sup>69</sup> It can be said that while Article 21 is not limited to any specific region, Article 8 very specifically relates to its surrounding neighbourhood,<sup>70</sup> the latter article being in harmony and representing the interests and values of the former.<sup>71</sup>

#### 1.4 The Eastern Partnership

The Eastern Partnership was initiated in 2008 with a joint proposal made by Poland and Sweden which stated that “*There is a need to strengthen the European offer in the Eastern direction and*

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<sup>68</sup> ASTERITI, Alessandra (2017): Article 21 TEU and the EU's Common Commercial Policy: A Test of Coherence, *European Yearbook of International Economic Law* 2017, 2, [https://www.researchgate.net/publication/320053351\\_Article\\_21\\_TEU\\_and\\_the\\_EU's\\_Common\\_Commercial\\_Policy\\_A\\_Test\\_of\\_Coherence](https://www.researchgate.net/publication/320053351_Article_21_TEU_and_the_EU's_Common_Commercial_Policy_A_Test_of_Coherence) (Accessed 2019.05.22). According to Article 21(2) of the Treaty on European Union: 2. *The Union shall define and pursue common policies and actions, and shall work for a high degree of cooperation in all fields of international relations, in order to: (a) safeguard its values, fundamental interests, security, independence and integrity; (b) consolidate and support democracy, the rule of law, human rights and the principles of international law; (c) preserve peace, prevent conflicts and strengthen international security, in accordance with the purposes and principles of the United Nations Charter, with the principles of the Helsinki Final Act and with the aims of the Charter of Paris, including those relating to external borders; (d) foster the sustainable economic, social and environmental development of developing countries, with the primary aim of eradicating poverty; (e) encourage the integration of all countries into the world economy, including through the progressive abolition of restrictions on international trade; (f) help develop international measures to preserve and improve the quality of the environment and the sustainable management of global natural resources, in order to ensure sustainable development; (g) assist populations, countries and regions confronting natural or man-made disasters; and (h) promote an international system based on stronger multilateral cooperation and good global governance.*

<sup>69</sup> See Section “4.4 The Court of Justice of the European Union and the European Union's Restrictive Measures Regime”.

<sup>70</sup> LONARDO, Luigi (2018): Common Foreign and Security Policy and the EU's external action objectives: an analysis of Article 21 of the Treaty on European Union, *European Constitutional Law Review* 14, 594, [https://www.cambridge.org/core/services/aop-cambridge-core/content/view/83739CB14F35784B56A2D67094863E75/S1574019618000329a.pdf/common\\_foreign\\_and\\_security\\_policy\\_and\\_the\\_eus\\_external\\_action\\_objectives\\_an\\_analysis\\_of\\_article\\_21\\_of\\_the\\_treaty\\_on\\_the\\_european\\_union.pdf](https://www.cambridge.org/core/services/aop-cambridge-core/content/view/83739CB14F35784B56A2D67094863E75/S1574019618000329a.pdf/common_foreign_and_security_policy_and_the_eus_external_action_objectives_an_analysis_of_article_21_of_the_treaty_on_the_european_union.pdf) (Accessed 2019.05.22)

<sup>71</sup> HILLION, Christophe (2013): The EU Neighbourhood Competence Under Article 8 TEU, *Jacques Delors Institute, Policy Paper* 69, 19 February 2013, 5, <https://institutdelors.eu/wpcontent/uploads/2018/01/euneighbourhoodart8teu-hillion-ne-jdi-feb13.pdf> (Accessed 2019.05.22)

to develop an Eastern Partnership.”<sup>72</sup> The proposal went on to say that this partnership should be based upon the ENP but at the same time it should also go beyond it, agreeing with the principle of differentiation in relation to neighbours contained in the ENP, and at the same time enforcing the horizontal connections between the European Union and these particular neighbours.<sup>73</sup> The proposal stated that the co-operation is to involve the following countries included in the ENP, that is Ukraine, Moldova, Azerbaijan, Armenia, Georgia and Belarus, and that certain projects could even be extended to the Russian Federation.<sup>74</sup>

Subsequently, the Eastern Partnership was then officially launched on the initiative of the European Union External Action Service in order to act as a framework for the European Union’s relations with such post-Soviet states as Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine. It was stated in 2008 that “*The European Council welcomes the proposals for developing the eastern dimension of the European Neighbourhood Policy*”, thus acknowledging that the Eastern Partnership is a particular sub-branch of the ENP created in order to specifically deal with states to its East.<sup>75</sup> The creation of this initiative within the framework of the ENP also acted as a way of acknowledging the “*Europeanness*” of the countries involved in this program, in contrast to the states of the Southern Mediterranean.<sup>76</sup>

The European Commission was invited by the European Council of June 2008 to put forward a proposal for an Eastern Partnership with the abovementioned states, which led to the December 2008 Communication from the Commission to the European Parliament and the Council relating to the Eastern Partnership.<sup>77</sup> According to this the Eastern Partnership initiative aims to express solidarity on the part of the European Union towards the partner countries, and to

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<sup>72</sup> EU Neighbours (2008): Polish-Swedish Proposal: Eastern Partnership, June 2008, <http://www.euneighbours.eu/library/sites/default/files/attachments/Polish-Swedish%20Proposal.pdf>, (Accessed 2017.10.08)

<sup>73</sup> Ibid. It should also be noted that another element of the European Neighbourhood Policy is the Union for the Mediterranean (known before 2008 as the Euro-Mediterranean Partnership), which involves the European Union attempting to deepen its relations Southern partners. See European Commission: European Neighbourhood countries, [https://ec.europa.eu/culture/policy/international-cooperation/neighbourhood\\_en](https://ec.europa.eu/culture/policy/international-cooperation/neighbourhood_en) (Accessed 2019.02.05)

<sup>74</sup> Ibid.

<sup>75</sup> Brussels European Council Conclusions, 19-20 June 2008, 68, 11018/1/08 REV 1, COCL 2, [http://www.consilium.europa.eu/ueDocs/cms\\_Data/docs/pressData/en/ec/101346.pdf](http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ec/101346.pdf), 19, (Accessed 2017.10.08)

<sup>76</sup> GHAZARYAN, Nariné (2012): The Evolution of the European Neighbourhood Policy and the Consistent Evolvement of its Inconsistencies, *Review of European and Russian Affairs* 7(1), 11. However, it is also to be noted that the EaP’s official documents avoid focusing on the European nature of the EU’s Eastern partners, see GHAZARYAN, Ibid., 9.

<sup>77</sup> European Commission (2011): Join Staff Working Paper: Implementation of the European Neighbourhood Policy in 2010 Report: Eastern Partnership, COM (2011) 303, Brussels, 25/05/2011, 2, <http://www.mfa.gov.md/img/docs/progress-report-EaP-2010.pdf>, (Accessed 2019.02.07)

provide support for these countries to reform in a democratic and market-orientated manner, and to affirm their statehood and the territorial integrity of those countries.<sup>78</sup> It is claimed that such an approach helps to create conditions of “*stability, security and prosperity*” for the European Union, its partner countries, and the whole European continent.<sup>79</sup> It also worth nothing that it states that the European Union’s strategic partnership with the Russian Federation shall continue “*in parallel*” with the Eastern Partnership.<sup>80</sup> More explicitly, the sorts of values that the Eastern Partnership seeks to promote are such principles as good governance, rule of law, market economy, respect for minorities and human rights, and sustainable development.<sup>81</sup> The European Union’s relationship to the Eastern Partner states and “*the level of ambition*” involved in this relationship will relate to what extent these values will be practised and implemented in these partner states.<sup>82</sup>

## 1.5 Instruments of the European Neighbourhood Policy and the Eastern Partnership

### 1.5.1 Action plans

The central instrument for the implementation and realisation of the goals of the ENP are Action Plans, which function as road maps and guides, seeking to build upon and compliment the legal agreements already in existence between the EU and partner states, particularly Partnership and Cooperation Agreements (PCA) and Association Agreements (AAs).<sup>83</sup> The APs cover such areas as „*political dialogue and reform; trade and measures preparing partners for gradually obtaining a stake in the EU’s internal market; justice and home affairs; energy, transport, information society, environment and research and innovation; and social policy and people-to-people contacts*”.<sup>84</sup> So far 12 such agreements have be drawn up between the EU and ENP partner states.<sup>85</sup>

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<sup>78</sup> Communication from the Commission to the European Parliament and the Council (2008): Eastern Partnership COM(2008) 823 final {SEC(2008) 2974}, <https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX%3A52008DC0823>, (Accessed 2017.10.08)

<sup>79</sup> Ibid.

<sup>80</sup> Ibid.

<sup>81</sup> Ibid.

<sup>82</sup> Ibid.

<sup>83</sup> The European Parliamen (2017)t: The European Neighbourhood Policy, Fact Sheets on the European Union – 2017, 2, [http://www.europarl.europa.eu/RegData/etudes/fiches\\_techniques/2013/060504/04A\\_FT\(2013\)060504\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/fiches_techniques/2013/060504/04A_FT(2013)060504_EN.pdf) (Accessed 2019.02.12)

<sup>84</sup> Communication from the Commission (2004): Policy: European Neighbourhood Strategy Paper, 12 May 2004, COM (2004), 6, <http://eur-lex.europa.eu/legalcontent/EN/TXT/PDF/?uri=CELEX:52004DC0373&from=EN> (Accessed 2019.02.12)

<sup>85</sup> “European Parliament (2017): The European Neighbourhood Policy, i.m., 2.

It must be mentioned that the ENP's APs are not actually legally binding and the participants have no obligation to fulfill the contents of the agreement.<sup>86</sup> The ENP has been considered to be vague with regards to the principle of conditionality and that it is in fact „*conditionality-lite*”.<sup>87</sup> It holds the principle of “*more for more*”, meaning that the EU will develop stronger ties with states that achieve greater progress in the area of democratic reforms.<sup>88</sup> Furthermore, the AP process may be considered to be a less hierarchical model of EU interaction with its neighbours, due to the fact that both the setting of priorities and the monitoring of reforms are done jointly.<sup>89</sup> Though partner countries are not able to determine the regulatory rules of the EU, they have a flexibility to „*negotiate the import of a sub-set of those rules only*”.<sup>90</sup> Not all APs are identical, and are created in such a way as to suit the specific circumstances the EU's neighbouring countries.<sup>91</sup>

### ***1.5.2 Association Agreements***<sup>92</sup>

The launching of the Eastern Partnership foresaw establishing “*New contractual relations*” between the European Union and the third country participants of the Eastern Partnership, particularly in the form of Association Agreements.<sup>93</sup> Any new contractual framework which would go beyond a Partnership and Cooperation Agreement would be with countries with the willingness and ability to undertake commitments of a far-reaching nature with the European Union.<sup>94</sup> This new contractual framework aimed to bring about strong political links between the

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<sup>86</sup> NOUTCHEVA, Gergana – EMERSON (2007): Economic and social development. In WEBER, Katja – SMITH, Michael E. – BAUN, Michael eds: *Governing Europe's Neighbourhood: Partners or periphery?* Manchester University Press: Manchester, 93.

<sup>87</sup> SASSE Gwendolyn (2010): „The ENP and the EU's Eastern Neighbours: Ukraine and Moldova as Test Cases”. In WHITMAN, Richard G. – WOLFF, Stefan Wolff eds.: *The European Neighbourhood Policy in Perspective: Context, Implementation and Impact*, Palgrave Macmillan, Basingstoke, 2010, 181.

<sup>88</sup> The European Parliament: The European Neighbourhood Policy, Fact Sheets on the European Union – 2016, 1.

<sup>89</sup> NOUTCHEVA (2007): i.m.

<sup>90</sup> SASSE, i.m., 181.

<sup>91</sup> PETROV, Roman (2014): Relationship Between the EU and Ukraine. In SISKOVA, Nadezda ed: *From Eastern Partnership to the Association: A Legal and Political Analysis*, Cambridge, Cambridge Scholars Publishing, 90.

<sup>92</sup> It is not the author's wish to focus on issues of financing within the overall framework of the European Neighbourhood Policy, however, the author refers the reader to the following in relation to this issue: Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument, [https://eeas.europa.eu/sites/eeas/files/european\\_neighbourhood\\_instrument\\_en.pdf](https://eeas.europa.eu/sites/eeas/files/european_neighbourhood_instrument_en.pdf), (Accessed 2019.02.12)

<sup>93</sup> Communication from the Commission to the European Parliament and the Council (2008): Eastern Partnership COM (2008) 823 final {SEC(2008) 2974}, Paragraph 31, <https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX%3A52008DC0823>, (Accessed 2017.10.08)

<sup>94</sup> Ibid.

country and the European Union, with the former seeking to establish “*a closer link*” with the standards and legislation of the latter.<sup>95</sup>

As to the European Union’s legal power to conclude Association Agreements with third countries, according to Article 217 of the Treaty on the Functioning of the European Union, the European Union may establish Association Agreements which involves reciprocal rights, special procedure and common action with third countries or with international organisations. Article 218 articulates the negotiation and conclusion procedure for such agreements. According to Article 218(2), the Council is to authorise the commencement of negotiations, shall adopt negotiating directives, shall provide authorisation for the signing of such agreements and their conclusion. Article 218(4) goes on to say that with regards to the negotiating process, the Council is able to address directives to negotiator involved, and to appoint a committee who is to be consulted in the course of the negotiations. After a proposal from the negotiator, the Council is to make a decision that authorizes the agreement’s signing and even that it may apply provisionally before coming into force.<sup>96</sup> Likewise, as a result of a proposal from the negotiator, will make a decision leading to the conclusion of the agreement.<sup>97</sup> In the case of association agreements, the decision in relation to the conclusion of the agreement shall occur after obtaining the European Parliament’s consent.<sup>98</sup> In case of urgency, both the European Council and Parliament may agree on a time-limit with relation to consent.<sup>99</sup> Throughout the entire procedure, the European Council is to act by qualified majority.<sup>100</sup>

It should be stated here that the Eastern Partnership also includes other initiatives within its broader framework which are not the subject of this dissertation. One notable example is the 20 deliverables for 2020, which is focused on delivering and demonstrating various benefits to citizens in the region in four main areas of priority.<sup>101</sup> These deliverables relate to such areas as increasing both economic development and market opportunities; strengthening governance with a focus on improving institutions; greater connectivity and environmental focus; and the increase

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<sup>95</sup> Ibid.

<sup>96</sup> Article 218(5).

<sup>97</sup> Article 218(6).

<sup>98</sup> Article 218(6)(a)(i)

<sup>99</sup> Article 218(6)(a)(v)

<sup>100</sup> Article 218(8)

<sup>101</sup> EaP/Eastern Partnership: 20 Deliverables for 2020: Bringing tangible results for citizens, [https://eeas.europa.eu/sites/eeas/files/20\\_deliverables\\_for\\_2020.pdf](https://eeas.europa.eu/sites/eeas/files/20_deliverables_for_2020.pdf) (Accessed 2019.05.22)

of mobility and the strengthening of people-to-people contacts.<sup>102</sup> This has included the funding of various projects relating to the above-listed areas.<sup>103</sup>

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<sup>102</sup> Ibid.

<sup>103</sup> Ibid.

## CHAPTER 2

### THE LEGAL FRAMEWORK OF EUROPEAN UNION-RUSSIA RELATIONS

With the end of the Soviet Union a new political reality came into being on the European continent. Old ideological conflicts and divisions seemingly came to an end and suddenly the European Community faced states on its borders which were no longer to be seen as hostile forces and security threats, but rather as partners. One such country was the Russian Federation, which is now the European Union's largest neighbour. As a result, with the end of the Cold War and the breakup of the Soviet Union and the coming into being of the Russian Federation, it became imperative to place the relationship between the two on new legal and political foundations. The relations between the European Union and Russia have been described as being based “*three legal layers*”,<sup>104</sup> all three of which shall be examined here. The first layer is the Partnership and Cooperation Agreement (PCA) signed between the two and certain other bilateral agreements, the second are the ‘road maps’ aiming to create the four “Common Spaces” between the EU and Russia, and the third relates to legislation dealing with EU-Russian sectoral cooperation,<sup>105</sup> the one of relevance for this dissertation relating to the energy sector.

#### 2.1 The European Union-Russia Partnership and Cooperation Agreement

During most of the Cold War period, the European Community was viewed in a somewhat hostile and sceptical way by the Soviet Union, due to it having been seen as a vital part of the broader Western alliance.<sup>106</sup> The European Community, unlike other international actors or even its own Member States, had no official relationship with the Soviet Union until it signed a declaration with COMECON in June 1988, which was followed in August of the same year by their mutual

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<sup>104</sup> KALINICHENKO, Paul (2014): Legislative approximation and application of EU law in Russia. In VAN ELSUWEGE, Peter - PETROV, Roman eds.: *Legislative Approximation and Application of EU Law in the Eastern Neighbourhood of the European Union: Towards a Common Regulatory Space?*, London and New York, Routledge, 247.

<sup>105</sup> Ibid. These sectoral agreements relate to such areas as political dialogue, the prevention of illegal activities, energy, environment, transport, science, technology, and education. However, there has been a suspension of certain dialogues and consultations after the events in Crimea in 2014. See European Union External Action (2017): *The European Union and the Russian Federation*, 21 November 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) (Accessed 2019.02.15)

<sup>106</sup> WEBER, Mark (2000): *Russia and Europe: Conflict or Cooperation*. London, Macmillan, 68.

recognition.<sup>107</sup> Mikhail Gorbachev's concept of a "common European home" contributed to the bringing about of negotiations between the European Community and the Soviet Union, which later culminated in the signing of the already mentioned Trade and Cooperation Agreement (TCA) in 1989.<sup>108</sup>

The early 1990s can be seen as a time of rapprochement between Russia and the Euro-Atlantic community. For a short period of time, it seemed that Russia adopted the European Union's "integration-through-transformation" view with regards to their relations, based on Western-style reform.<sup>109</sup> It was expected that the new post-Soviet Russia had the same interests as the West, and that the two would work together in the "new world order" at the end of the Cold War.<sup>110</sup> It is the general belief that this was also due to the Russian Federation's relative weakness on the global scene after the dissolution of the Soviet Union, as compared to the ascendant position of the Euro-Atlantic community at the time.<sup>111</sup> It was in this context that the European Union-Russia Partnership and Cooperation Agreement was signed in 1994, however its ratification was delayed in response to the first war that took place in Chechnya, and as a result it was only on 1 December 1997 that the agreement came into force.<sup>112</sup> The Russian PCA had been envisaged as a template for the other PCAs as well, and is considered to have been the most advanced amongst that set of agreements.<sup>113</sup> The PCA envisages the fostering of deeper political relations, encouraging trade and investment, even to the point of establishing a free trade area between the two in the future, and supporting reforms within the Russian Federation.<sup>114</sup>

The Preamble of the PCA emphasises the historical connections between the European Community and Russia, as well as shared common values, and that the two wish to strengthen and develop relations between the two, and recognises the Trade and Cooperation Agreement between

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<sup>107</sup> DELCOUR, Laure (2011): *Shaping the Post-Soviet Space? EU Policies and Approaches to Region-building*. Surrey, Ashgate, 24, 25.

<sup>108</sup> WEBER (2000): i.m. 68.

<sup>109</sup> GERRITS, André (2008): The European Union and the Russian Federation: Dealing with the 'Grand Other'. In GERRITS, André ed.: *The European Union and Russia: Perception and Interest in the Shaping of Relations*, Netherlands Institute of International Relations *Clingendael*, The Hague, Clingendael European Papers No. 4, 11, [https://www.clingendael.org/sites/default/files/pdfs/20081101\\_paper\\_gerrits\\_eu\\_russia.pdf](https://www.clingendael.org/sites/default/files/pdfs/20081101_paper_gerrits_eu_russia.pdf) (Accessed 2019.02.15)

<sup>110</sup> BARANOVSKY, Vladimir (2000): Russia: part of Europe or apart from Europe. *International Affairs* 76, 3, 447.

<sup>111</sup> GERRITS (2008): i.m. 11.

<sup>112</sup> LIGHT, Margot – LÖWENHARDT, John – WHITE, Stephen (2003): Russia and the Dual Expansion of Europe. In GORODETSKY, Gabriel ed.: *Russia Between East and West: Russian Foreign Policy on the Threshold of the Twenty-First Century*. London and Portland, Frank Cass, 62.

<sup>113</sup> KALINICHENKO (2014): i.m. 247.

<sup>114</sup> LIGHT, Margot, - ALLISON Roy (2006): i.m., 6.

the European Economic Community and the Soviet Union of 1989 as being a foundation of the development of such cooperation.<sup>115</sup> Thus, the PCA explicitly acknowledges that Russia and the European Community share a common past and values, and that the abovementioned TCA acts as a foundation for the signing of the PCA. The statement of the Preamble also reveals by its mentioning of “*historical links*” and “*common values*” that the role of identity and self-understanding plays a role in this connection. Important values mentioned in the PCA’s Preamble include the rule law, respect for human rights, in particular those relating to minorities, free democratic elections with a multiparty system, and the creation of a market economy through liberal economic policies.

In practice the PCA deals mainly with issues of an economic and technical nature, such as Russia being granted most-favoured-nation treatment (Article 5) and the two major aims of the Agreement being Russia’s being granted membership of the World Trade Organisation in the future (Article 4) and the establishment of a free trade area (Article 3).<sup>116</sup> The concept of most-favoured-nation status is a term rooted in the World Trade Organization, with this term meaning that countries cannot normally discriminate between their various trading partners, which means that if a special favour is granted to one state, so it must be done for all WTO member states.<sup>117</sup> The utilization here of the WTO’s most-favoured-nation concept here anticipated the application of the organization’s rules and norms, aiming to support both Russia’s transition in the political and economic spheres.<sup>118</sup>

The Preamble recognizes “*the utility of the Agreement in favouring a gradual rapprochement between Russia and a wider area of cooperation in Europe and neighbouring regions and Russia’s progressive integration into the open international trading system*”. According to Article 1 of the PCA, the objectives of the partnership created via the Agreement are

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<sup>115</sup> Agreement on partnership and cooperation establishing a partnership between the European Communities and their Member States, of one part, and the Russian Federation, of the other part, 21997A1128(01), *Official Journal* L 327, 28/11/1997 P. 0003 – 0069, (Accessed 2018.01.20)

<sup>116</sup> HAUKKLA, Hiski (2000): The Making of the European Union’s Common Strategy on Russia, *Upi Working Papers* 28, 7, <http://www.bits.de/EURA/wp28.pdf>, (Accessed 2018.02.02)

<sup>117</sup> World Trade Organization: Principles of the Trading System, [https://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/fact2\\_e.htm](https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm) (Accessed 2018.11.08)

<sup>118</sup> VAN ELSUWEGE, Peter (2012): Towards a Modernisation of EU-Russia Legal Relations, *EU-Russia Paper*, June 2012, University of Tartu, Centre for EU-Russia Studies, 4, <http://ceurus.ut.ee/wp-content/uploads/2011/06/EU-Russia-Paper-51.pdf> (Accessed 2018.09.16) A free trade area can be defined as two or more countries abolishing tariffs between themselves, see LAW, Jonathan ed. (2008): *Dictionary of Finance and Banking*, Fourth Edition, Oxford, Oxford University Press, 2008, 185.

the creation of a framework for political dialogue leading to closer relations; the promotion of trade and investment, and the development of economic relations linked to the market economy model; the strengthening of both political and economic freedoms; supporting the consolidation of Russia's democracy; cooperation in the areas of economy, society, finance and culture with the aim of attaining a mutual advantage, responsibility and support; the bringing about of a framework for Russia to integrate into a larger European cooperation area; bringing about the conditions to establish a free trade area between the Community and Russia.

As can be seen from the above text, the aim was not the actual creation of a deeply integrated political and economic area between the European Union and the Russian Federation, and in relation to the establishment of the free trade area, it is rather a declaration of an intention lacking real and substantive consequences, with Article 3 specifically stating that the signatories considering "*whether circumstances allow the beginning of negotiations on the establishment of a free trade area*".<sup>119</sup>

As to Russia's needing to approximate to the European Union's standards and norms, according to Article 55(1), "*The Parties recognize that an important condition for strengthening the economic links between Russia and the Community is the approximation of legislation. Russia shall endeavour to ensure that its legislation will be gradually made compatible with that of the Community*". Article 55(2) states that this approximation is to extend to: company law, banking law, company accounts and taxes, protection of workers at the workplace, financial services, rules on competition, public procurement, protection of health and life of humans, animals and plants, the environment, consumer protection, indirect taxation, customs law, technical rules and standards, nuclear laws and regulations, transport. Here, crucially, approximation cannot be considered as a kind of formal legal commitment, but rather contains a vagueness allowing for a flexibility with regards to obligations and time-scale, with there being no specific need to attain specific results or the threat of some kind of sanction in the case that approximation objectives are not achieved.<sup>120</sup>

The PCA also establishes a political dialogue, which, according to Article 6, is to compliment and enforce rapprochement between the EU and Russian Federation, give support to the various political and economic changes that Russia is undergoing, and to make a contribution

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<sup>119</sup> VAN ELSUWEGE (2012): i.m., 5.

<sup>120</sup> Ibid, 5-6.

in establishing various new types of cooperation.<sup>121</sup> Due to the limitations in the PCA from a legal perspective, this dialogue takes on a great significance, as it allows for a certain dynamism in the relationship, aiding in an envisaged rapprochement at the time, which was a major impetus for signing the PCA in the post-Cold War period.<sup>122</sup> In fact, of all the PCAs signed by the European Union with post-Soviet states, it is the one with Russia which makes provision for the deepest level of political dialogue and institutional cooperation.<sup>123</sup> This includes meetings to take place twice a year between the President of the Council of the European Union, the President of the European Commission and the President of the Russian Federation, as well as ministerial level meetings and dialogue taking place within the context of the Cooperation Council (established according to Article 90 of the PCA) and other occasions.<sup>124</sup> In addition to this, the PCA makes provision for biannual meetings of senior officials of the EU and Russia, the utilization of diplomatic channels, expert meetings, as well as parliamentary level dialogue.<sup>125</sup> The Russia PCA has been described as turning the EU-Russia relationship into a “*continuous political process*”,<sup>126</sup> and certainly this political dialogue aspect of the agreement certainly contributes to this.

It has been argued by certain Russian officials and commentators that the PCA was produced at a time when Russia was in a position of weakness after the breakup of the Soviet Union, and sought to upgrade the PCA even before 2007 due to what they see as subordinate role of Russia within it.<sup>127</sup> In 2007, the European Union and Russia were preparing to negotiate a new agreement to replace, supplement or supersede the 1997 PCA, as by the end of 2007 that

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<sup>121</sup> Article 6 goes on to say that the political dialogue: *-shall strengthen the links between Russia and the European Union. The economic convergence achieved through this Agreement will lead to more intense political relations; shall bring about an increasing convergence of positions on international issues of mutual concern thus increasing security and stability; shall foresee that the Parties endeavour to cooperate on matters pertaining to the observance of the principles of democracy and human rights, and hold consultations, if necessary, on matters related to their due implementation.*

<sup>122</sup> HILLION (2006): i.m. 480, 481.

<sup>123</sup> PETROVA, Irina (2016): EU-Russia relations in the Wider Europe: From strategic partner to major competitor? In GSTÖHL, Sieglinde (ed.): *The European Neighbourhood Policy in a Comparative Perspective: Models, challenges, lessons*, Oxon, Routledge, 149.

<sup>124</sup> Article 7.1-2.

<sup>125</sup> Article 8-9.

<sup>126</sup> HAUKKLA (2000): i.m. 7.

<sup>127</sup> MAROCCHI, Tania (2017): EU-Russia Relations: Towards an Increasingly Geopolitical Paradigm. *Heinrich Böll Stiftung*, <https://eu.boell.org/en/2017/07/03/eu-russia-relations-towards-increasingly-geopolitical-paradigm> (Accessed 2019.02.09)

agreement's first ten-year period was set to expire.<sup>128</sup> However, this has not yet occurred, and the 1994 PCA remains the legal basis of European Union-Russia relations.

## 2.2 'Four common spaces' – ENP and Common Strategy

### 2.2.1 Common Strategy on Russia

The next significant instrument in relation to the European Union-Russia relationship was the Common Strategy of the European Union on Russia, which came into force in 1999.<sup>129</sup> The Common Strategy of the European Union on Russia states that a prosperous Russia, which is stable and democratic, and strongly connected to a united Europe is necessary for any “*lasting peace*” on the European continent and that the issues that it faces can only be solved through cooperation between the European Union and the Russian Federation.<sup>130</sup> It recognises Russia as belonging to the “*European family*”, seeking to engage it in friendship and cooperation, and also being based on belonging to a common European heritage.<sup>131</sup>

The Common Strategy also affirms that the Partnership and Cooperation Agreement signed between them remains at the relationship's core, which aims at Russia's cooperation and integration with Europe, and also reiterates its aims of creating a free trade area between Russia and the European Community some time in the future.<sup>132</sup> As to the principle objectives, it is stated that they are Russia's consolidating of democracy, rule of law and public institutions; Russia's integration into a common economic and social European space; cooperation aiming at bringing about both in Europe and elsewhere stability and security; and cooperating to deal with the European continent's common challenges<sup>133</sup>

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<sup>128</sup> GANZLE, Stefan (2008): The EU's Policy toward Russia: Extending Governance Beyond Borders? In DEBARDELEBEN, Joan ed.: *The Boundaries of EU Enlargement: Finding a Place for Neighbours*. New York, Palgrave Macmillan, 53, 66.

<sup>129</sup> Common Strategy of the European Union of 4 June 1999 on Russia, 1999/414/CFSP, 1, [http://trade.ec.europa.eu/doclib/docs/2003/november/tradoc\\_114137.pdf](http://trade.ec.europa.eu/doclib/docs/2003/november/tradoc_114137.pdf). (Accessed 2018.02.04) The adoption of the Common Strategy on Russia must be seen in the broader context of the European Union's Foreign and Security Policy, According to Article J.3 of the Treaty of Amsterdam, “*The European Council shall decide on common strategies to be implemented by the Union in areas where the Member States have important interests in common. Common strategies shall set out their objectives, duration and the means to be made available by the Union and the Member States.*”

<sup>130</sup> Ibid, Part 1.

<sup>131</sup> Ibid..

<sup>132</sup> Ibid.

<sup>133</sup> Ibid.

In response to the adoption of the Common Strategy, the Russian side felt that the stated aims of the Common Strategy turned them into an object of EU policy which aimed to integrate Russia on some level into a broader EU dominated area, and subsequently responded to this strategy with its own Medium-term Strategy.<sup>134</sup> According to this, it affirms that any Russia-European Union partnership should be grounded in treaty relations, with no mention of Russia's joining or having an association status with the European Union.<sup>135</sup> It also states and reiterates Russia as a world power straddling two continents, and that it needs the ability to maintain its independence in relation to its activities in international fora.<sup>136</sup> Thus, it states a preference for partnership with the European Union which focuses upon creating a collective security system in Europe based on the principle of equality, still retaining the objective of creating a free trade zone between Russia and the European Union, in addition to increasing cooperation and confidence in both the political and economic spheres.<sup>137</sup> This very clearly states Russia's desire to assert its own independent course with regards to its relations with the European Union, and not as an object for integration into the European Union, even on an associated level.

### ***2.2.2 The European Union, Russia and the Four "Common Spaces"***

In the initial communication from the European Union in relation to the issue of "*Wider Europe*", relations with Russia are mentioned in a fairly positive light, stating that in recent years there had been a rapid development of the EU/Russia dialogue and cooperation in such areas as politics, security, science, energy and the environment.<sup>138</sup> From this statement we see that Russia was envisaged as being part of the neighbourhood policy that was being articulated. In the end Russia decided not to be a part of the ENP,<sup>139</sup> however in May 2003 at the St. Petersburg Summit the

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<sup>134</sup> European Union Center of North Carolina (2008): The EU-Russia Relationship: A Flawed Strategic Partnership, *EU Briefings*, 2, [https://europe.unc.edu/files/2016/11/Brief\\_EU\\_Russia\\_Partnership\\_Flawed\\_Strategic\\_Partnership\\_2008.pdf](https://europe.unc.edu/files/2016/11/Brief_EU_Russia_Partnership_Flawed_Strategic_Partnership_2008.pdf) (Accessed 2019.02.26)

<sup>135</sup> Russian Medium Term Strategy, Moscow State University – The Chair of the European Union Law, <http://eulaw.edu.ru/old/english/legislation/docum/rustr.htm> (Accessed 2019.02.11)

<sup>136</sup> Ibid.

<sup>137</sup> Ibid.

<sup>138</sup> European Commission (2003): *Wider Europe*, i.m. 5.

<sup>139</sup> European Commission: European Neighbourhood Policy, [https://ec.europa.eu/neighbourhood-enlargement/neighbourhood/overview\\_en](https://ec.europa.eu/neighbourhood-enlargement/neighbourhood/overview_en) (Accessed 2019.02.10) However, Russia does take part in the ENP's Cross-Border Cooperation activities.

European Union and Russia agreed to strengthen their cooperation by creating four common spaces within the framework of the 1994 PCA.<sup>140</sup> Shortly before this summit, Russian President Vladimir Putin had said that: “*For us, Europe is a major trade and economic partner, and our natural, most important partner, including in the political sphere. Russia is not located in on the American continent, after all, but in Europe*”.<sup>141</sup> The memorandum on these common spaces states that the European Union and Russia agree to reinforce their cooperation with the aim of bringing about the creation of four common spaces, which are to exist within the framework of their Partnership and Cooperation Agreement.<sup>142</sup> These common spaces are to include issues of economics and the environment; issues relating to freedom, security and justice; external security, which includes by the areas of crisis management and non-proliferation; and education and research, which includes cultural components.<sup>143</sup> Importantly, in the statement on the establishment of the four common spaces, there is no mention of Russia approximating to the European Union’s norms and standards, and the road map for the establishment of the four common spaces may be considered as a “*soft law instrument*”.<sup>144</sup>

In relation to the concept of a common economic space, the statement on the common spaces says that the EU and Russia seek to create the conditions allowing for an increase and diversification of trade between them, and to create opportunities for investment via the pursuit of economic integration and a convergence in regulatory regimes, liberalisation of markets, the facilitation of trade and the development of infrastructure.<sup>145</sup>

With regards to the common space of freedom, security and justice, it is acknowledged that both the EU and Russia have a common interest in strengthening their cooperation with regards to justice and home affairs, and in dealing with such issues as organized crime, terrorism and illegal cross border activities. On the part of the EU, cooperation in such areas is to balance such factors as security, justice, freedom, and the common values which are the foundation of the EU/Russia relationship.<sup>146</sup>

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<sup>140</sup> EU/Russia: The four “common spaces”, 23 November 2004, MEMO/04/268, 1 [europa.eu/rapid/press-release\\_MEMO-04-268\\_en.pdf](http://europa.eu/rapid/press-release_MEMO-04-268_en.pdf), (Accessed 2018.01.30)

<sup>141</sup> DOV, Lynch (2004): Russia’s Strategic Partnership with Europe. *The Washington Quarterly* 27:2, 99, <https://www.iss.europa.eu/sites/default/files/EUISSFiles/analy077.pdf>, (Accessed 2018.01.30)

<sup>142</sup> EU/Russia: The four “common spaces”, i.m., 1.

<sup>143</sup> Ibid.

<sup>144</sup> KALINICHENKO (2014): i.m. 247.

<sup>145</sup> EU/Russia: The four “common spaces”, i.m., 1.

<sup>146</sup> Ibid.

In relation to the common space of cooperation in the field of external security, the aim is to increase cooperation between the EU and Russia in relation to issues of security and crisis management, including such threats as terrorism, the issue of weapons of mass destruction proliferation, regional conflicts, failed states and to strengthen cooperation in order to deal with the problem of natural disasters, this cooperation to be based on the common values which can be found in the Partnership and Cooperation Agreement.<sup>147</sup>

Furthermore, the statement in relation to this particular envisaged common space says that the European Union wishes that the “*geographical priority*” of this specific space should be the common EU-Russia neighbourhood, including such countries as Belarus, Moldova and Georgia, as it believes that it is in the common EU-Russia interest to advocate for solutions to persisting conflicts and to further the cause of stability and prosperity in the area.<sup>148</sup>

The last common space mentioned in the document is the common space on research, education and culture, which says this space aims to reinforce contacts between people and to aid in increasing EU and Russian economic competitiveness. This would involve utilizing the EU and Russia’s intellectual heritage and tradition to further economic development, with the involvement of civil society, and would help in the intensification of exchanges and connections in relation to education and culture, and best practice promotion.<sup>149</sup>

In conclusion, it can be said that Russia’s approach to its relations with the European Union differs greatly from that of certain other post-Soviet states, such as Ukraine, which seek deeper integration with the European Union. Despite that fact that Russian leaders have often affirmed the European nature of Russia, and have even proposed the concept of a Greater Europe “*from Lisbon to Vladivostok*”,<sup>150</sup> this has not meant an attempt to join the European Union itself or even becoming an associated state. Instead, Russia has envisaged deepening its relationship with the European Union on a more horizontal basis,<sup>151</sup> or, as one commentator has put it, “*Russia seeks to engage the EU without joining it*”.<sup>152</sup> Indeed, there has been no membership perspective offered

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<sup>147</sup> Ibid, 2.

<sup>148</sup> Ibid.

<sup>149</sup> Ibid.

<sup>150</sup> TRENIN, Dmitri (2015): From Greater Europe to Greater Asia? The Sino-Russian Entente, Carnegie Moscow Center, 1, [https://carnegieendowment.org/files/CP\\_Trenin\\_To\\_Asia\\_WEB\\_2015Eng.pdf](https://carnegieendowment.org/files/CP_Trenin_To_Asia_WEB_2015Eng.pdf) (Accessed 2019.02.14)

<sup>151</sup> Though it should be stated that during his presidency Boris Yeltsin once lamented that Russia was not a Member State of the European Union. See MAASS, Anna-Sophie (2017): *EU-Russia Relations, 1999-2015: From Courtship to Confrontation*. Oxon, Routledge.

<sup>152</sup> DOV (2004): i.m. 107.

to Russia to join the European Union (though it must be added that the situation is the same for those countries that have signed the comprehensive new generation Association Agreements with the European Union and who have explicitly stated that full membership of the European Union is their ultimate goal) and the country does not adhere to the principle of fully conforming itself to EU standards and norms.<sup>153</sup> Instead, it can be argued that EU-Russia relations are dominated by certain key issues and bargaining without any truly comprehensive integration taking place.<sup>154</sup> As has been seen the 1994 Partnership and Cooperation Agreement, which remains the core agreement and framework in which their relations still operate, remains soft when it comes to any kind of approximation obligations, and the opinion is held that this document was signed at a time when Russia was in a position of geopolitical weakness. Russia's response to the Common Strategy affirmed this feeling that it did not seek a kind of full integration into the European Union as well. The nature of the four common spaces further reinforces this tendency.

### **2.3 European Union-Russia Energy Relations**

It cannot be denied that one of the most prominent elements of geopolitics is energy. This has a major determining influence in the conduct of world diplomacy and relations between states in the international arena. A country's ability to competitively export sources of energy to foreign countries undoubtedly gives it a certain influence in world affairs, while countries lacking such resources naturally seek various ways to fulfill their energy needs. The Russian Federation is the major supplier of natural gas to the Member States of the European Union,<sup>155</sup> and this fact has led to a certain degree of interdependence between the two in this sector, in that Russia looks to the European Union as a major export market for its natural gas, while the latter relies on Russia's relatively cheap supply of this commodity. Thus, it can be safely said that energy, particularly natural gas, is one of the most important, if not the most important component of this particular bilateral relationship. This has led to attempts and calls for some sort of regulation in this area, in the sense of creating a legal framework in order to govern this particular sector of relationship. Here there shall be an examination of various attempts and proposals with regards to this issue.

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<sup>153</sup> LIGHT – LÖWENHARDT – WHITE (2003): i.m. 66.

<sup>154</sup> Ibid.

<sup>155</sup> Eurostat (2017): Energy Production and Imports, June 2017, [http://ec.europa.eu/eurostat/statistics-explained/index.php/Energy\\_production\\_and\\_imports](http://ec.europa.eu/eurostat/statistics-explained/index.php/Energy_production_and_imports) (Accessed 2018.11.10)

Furthermore, four specific pipeline projects, OPAL, South Stream, Turkish Stream and Nord Stream 2, shall be surveyed as well as the legal issues that have arisen within the context of the European Union's regulatory framework with regards to energy. Lastly, there shall be a case study in relation to Hungary-Russia energy relations, specifically in the area of nuclear power. A major issue which has existed between the European Union and Russia in the area of energy is the building of the abovementioned pipelines, as well as various other energy projects as well. The essence of the problem has related to what extent this Russia-originating natural gas pipeline projects conforming themselves to the European Union energy *acquis*. As shall be seen, in certain cases it has been ruled by the European Union that in fact they have not conformed to these rules and regulations, which, in the case of the South Stream pipeline, has led to its actual cancellation.

### **2.3.1 Legal framework**

Energy is one of the most important aspects of relations between the European Union and Russia. As has already been stated above, the general legal framework of European Union-Russia relations is established by the 1994 Partnership and Cooperation Agreement, which also contains an article dealing with matters relating to energy.<sup>156</sup> The inclusion of this provision in the Partnership and Cooperation Agreement sought to improve energy relations between the European Union and Russia and also sought the integration of the Russian energy market.<sup>157</sup> However, it cannot be

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<sup>156</sup> This is Article 65, which is entitled "Energy Partner and Cooperation Agreement". It states that:

1. *Cooperation shall take place within the principles of the market economy and the European Energy Charter, against a background of the progressive integration of the energy markets in Europe.*

2. *The cooperation shall include among others the followings areas:*

- *improvement of the quality and security of energy supply, in an economic and environmentally sound manner,*
- *formulation of energy policy,*
- *improvement in management and regulation of the energy sector in line with a market economy,*
- *the introduction of a range of institutional, legal, fiscal and other conditions necessary to encourage increased energy trade and investment,*
- *promotion of energy saving and energy efficiency,*
- *modernization of energy infrastructure including interconnection of gas supply and electricity networks,*
- *the environmental impact of energy production, supply and consumption, in order to prevent or minimize the environmental damage resulting from these activities,*
- *improvement of energy technologies in supply and end use across the range of energy types,*
- *management and technical training in the energy sector.*

<sup>157</sup> WALOSZYK, Monica (2014): *Law and Policy of the European Gas Market*, Cheltenham and Northampton, Edward Elgar, 76.

denied that this article is somewhat vague.<sup>158</sup> It had been speculated that any new Partnership and Cooperation Agreement between the European Union would contain a chapter relating to the subject of energy.<sup>159</sup> However, at the moment no substantive progress has been made in bringing about such an agreement, and the prospects of this occurring in the near future seems unlikely due to the present state of relations.

An important attempt in creating some sort of overarching legal framework for European Union-Russia energy relations was the Energy Charter Treaty, which was seen as having the potential to act as the basis of a framework regulating energy relations between the European Union and Russia.<sup>160</sup> This came into being with the purpose of promoting international cooperation in the area of energy and entered into force on 16 April 1998.<sup>161</sup> More specifically, one of its aims was to integrate the Western European and the former Soviet states energy sectors, which must be seen in the context of the new relationship that arose with the end of the Cold War.<sup>162</sup> The Russian Federation signed the European Energy Charter in 1991, which was followed by the signing of the Energy Charter Treaty and the Energy Charter Protocol on Energy Efficiency and Related Environmental Aspects.<sup>163</sup> However, Russia applied the Energy Charter Treaty only provisionally, and later in 2009 terminated this provisional application, and explicitly stated that it did not intend to become a contracting party of the ECT.<sup>164</sup> As a result of Russia's withdrawal from the ECT, it can be said that energy relations between the European and Russia are essentially regulated by non-legally binding commitments and dialogues.<sup>165</sup> The most notable is the EU-Russia Energy

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<sup>158</sup> VAN ELSUWEGE (2012): i.m., 6.

<sup>159</sup> KONOPLYANIK, Andrey (2009): A Common Russia-EU Energy Space: The New EU-Russia Partnership Agreement, Acquis Communautaire and the Energy Charter, *Journal of Energy & Natural Resources Law*, Vol 27 No 2 2009, 258, [https://sisu.ut.ee/sites/default/files/autumnschool2013/files/andrey\\_konoplyanik.pdf](https://sisu.ut.ee/sites/default/files/autumnschool2013/files/andrey_konoplyanik.pdf) (Accessed 2018.09.18).

<sup>160</sup> Ibid, 261.

<sup>161</sup> Energy Charter Secretariat (2004): The Energy Charter Treaty and Related Documents - A Legal Framework for International Energy Cooperation, <http://www.ena.lt/pdfai/Treaty.pdf> (Accessed 2018.09.16)

<sup>162</sup> BELYI, Andrei V. (2009): A Russian Perspective on the Energy Charter Treaty (ARI), *Real Instituto Elcano*, 98/2009, [https://www.files.ethz.ch/isn/146402/ARI98\\_2009\\_Belyi\\_Russian\\_Perspective\\_Energy\\_Charter\\_Treaty.pdf](https://www.files.ethz.ch/isn/146402/ARI98_2009_Belyi_Russian_Perspective_Energy_Charter_Treaty.pdf) (Accessed 2018.09.16)

<sup>163</sup> MIRONOVA, Irina (2014): Russia and the Energy Charter Treaty, *International Energy Charter*, 7 August 2014, <https://energycharter.org/what-we-do/knowledge-centre/occasional-papers/russia-and-the-energy-charter-treaty/> (Accessed 2018.09.13)

<sup>164</sup> Ibid.

<sup>165</sup> GEORGIU, Natasha A. - ROCCO, Andrea (2017): Energy Governance in EU-Russia Energy Relations: Paving the Way Towards an Energy Union 2017, 01/2017, 3, [http://epapers.bham.ac.uk/2944/1/IEL\\_Working\\_Paper\\_01-2017.pdf](http://epapers.bham.ac.uk/2944/1/IEL_Working_Paper_01-2017.pdf) (Accessed 2018.09.16)

Dialogue, which was launched on 30 October 2000.<sup>166</sup> The motivation for this development was the recognition of the mutual interdependence which exists between the European Union and Russia in the area of energy.<sup>167</sup> Its primary aim was to strengthen the relationship between the two, and to increase reliability, predictability and security in energy matters.<sup>168</sup> As to substantive developments as a result of this dialogue, there was the creation of an early warning mechanism for dealing with energy emergencies, and also an understanding was reached in order to prepare a road map for European Union-Russia cooperation until the year 2050.<sup>169</sup> However, as in the case of the provision relating to energy in the Partnership and Cooperation Agreement, these may be described as “*soft law*” mechanisms, and lack legally binding norms and framework.<sup>170</sup> Later, in May 2003, as has already been mentioned above, at the St. Petersburg Summit the European Union and Russia agreed to strengthen their cooperation by creating four common spaces within the framework of the 1994 PCA, with the memorandum on establishing these common spaces stating that within the context of the common economic space, it was stated that “*In this space, the EU and Russia also intend to maintain the momentum of the existing energy dialogue*”.<sup>171</sup>

In addition to these attempts to create a sort of common legal framework regulating energy relations between the European Union and Russia, one possible hypothetical scenario which has come up for discussion is that of the Russian Federation adopting the European Union’s *acquis communautaire* in the area of energy.<sup>172</sup> As has been seen in a general sense already, Russia has resisted a particular model of relations which would involve it having to integrate with the EU in the sense of having to completely adopt its standards and norms, differing in its attitude from that of certain other post-Soviet states, such as Ukraine, which shall be seen in this dissertation, seeks deeper integration with the European Union through approximating to the European Union’s norms and standards, which includes the area of energy. It is thought unlikely that Russia, a major exporter of gas, would accept a framework of energy relations with the European Union that would

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<sup>166</sup> European Commission / Directorate-General for Energy (2011): EU-Russia Energy Dialogue, 23, [https://ec.europa.eu/energy/sites/ener/files/documents/2011\\_eu-russia\\_energy\\_relations.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/2011_eu-russia_energy_relations.pdf) (Accessed 2018.09.16)

<sup>167</sup> Ibid.

<sup>168</sup> Ibid.

<sup>169</sup> VAN ELSUWEGE (2012): i.m., 6.

<sup>170</sup> Ibid.

<sup>171</sup> EU/Russia (2004): The four “common spaces”, i.m. 1.

<sup>172</sup> KONOPLYANIK (2009):, i.m. 261.

involve the reception of the latter's energy *acquis*, but rather, would seek to remain outside the European Union's regulatory system.<sup>173</sup>

Now there shall follow a survey of four specific pipeline projects which illustrate certain aspects of European Union-Russia energy relations. As shall be seen, there are certain situations where despite there being scepticism about them in various quarters of the European Union, certain opposition is able to be overcome. In other situations, however, certain projects have either been abandoned or continue to face impediments, making their long-term viability unsure.

### **2.3.2 OPAL Pipeline**

Ukraine is one of the major transit corridors through which Russian natural gas is delivered to the European Union.<sup>174</sup> The difficult nature of relations between Russia and Ukraine at certain times has led to attempts by Russia to diversify the routes through which it transports its gas to various parts of Europe, seeking alternatives to the Ukrainian transit route.<sup>175</sup> Russia for some time had an incentive to look for such alternative routes of supply,<sup>176</sup> with problems going back even to the 1990s, when the two countries had issues in relation to payment and diversion of gas to certain European countries.<sup>177</sup> In 2006 a dispute between the two in relation to a rise in gas prices led to a halt in Russian supplies to Ukraine<sup>178</sup>, which also led to a disruption in the supply of gas to other European countries.<sup>179</sup> In January 2009 there arose a dispute in relation to gas prices and transit fees, leading to Russia cutting its gas supplies to Ukraine, even with them completely coming to a

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<sup>173</sup> GEORGIU – ROCCO (2017): i.m. 5.

<sup>174</sup> PIRANI Simon - YAFIMAVA (2016): Russian Gas Transit Across Ukraine Post-2019 – pipeline scenarios, gas flow consequences, and regulatory constraints, February 2016, *The Oxford Institute for Energy Studies*, <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2016/02/Russian-Gas-Transit-Across-Ukraine-Post-2019-NG-105.pdf> (Accessed 2018.08.28)

<sup>175</sup> South Stream Transport (2011): South Stream: Energising Europe, Presentation, Brussels, 25 May 2011, , <http://www.gazprom.com/f/posts/85/290063/presentation.pdf> (Accessed 2018.09.20)

<sup>176</sup> FRANZA, Luca (2015): From South Stream to Turk Stream: Prospects for Rerouting Options and Flows of Russian Gas to Parts of Europe and Turkey, Clingendael International Energy Programme, 2015, 12, [http://www.clingendaelenergy.com/inc/upload/files/CIEP\\_paper\\_2015-05\\_web\\_1.pdf](http://www.clingendaelenergy.com/inc/upload/files/CIEP_paper_2015-05_web_1.pdf) (Accessed 2018.09.12)

<sup>177</sup> STERN, Jonathan (2006): The Russian-Ukrainian gas crisis of January 2006, *Oxford Institute for Energy Studies*, January 16 2006, 2, <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2011/01/Jan2006-RussiaUkraineGasCrisis-JonathanStern.pdf> (Accessed 2018.09.20).

<sup>178</sup> BBC News (2006): Ukraine and Russia reach gas deal, 4 January 2006, <http://news.bbc.co.uk/2/hi/europe/4579648.stm>, (Accessed 2018.09.27)

<sup>179</sup> Ibid.

halt.<sup>180</sup> Central and Eastern Europe experienced gas shortages for over two weeks due to this particular dispute.<sup>181</sup>

One alternative to Ukraine for the transportation of Russian gas is the Ostsee-Pipeline-Anbindungsleitung (OPAL) pipeline.<sup>182</sup> This is a pipeline which is designed to transport natural gas to the Czech Republic via Germany.<sup>183</sup> Specifically, it is the on-shore section of the Nord Stream 1 pipeline, which transports gas from Russia via the Baltic Sea.<sup>184</sup> In 2007 a joint venture company named Wingas, which is owned by Gazprom and Wintershall, applied to the German regulator Bundes Netz Agentur (BNA) for a 100 percent exemption for the OPAL pipeline according to Article 22 of Directive 2003/55/EC concerning common rules for the internal market in natural gas.<sup>185</sup> The article states that ‘major new gas infrastructures, i.e. interconnectors between member states, LNG and storage facilities, may, upon request, be exempted from the provisions on third party access (TPA) (Art. 18, 19, 20) and tariffs (Art. 25.2, 25.3, 25.4)’.<sup>186</sup> Germany’s energy regulator responded favorably to the application, ruling that the OPAL pipeline could receive an exemption.<sup>187</sup>

This decision was initially challenged by the European Commission in 2009, which decided that Gazprom could only use up to 50% of the OPAL pipeline’s capacity.<sup>188</sup> However, later, in 2016, the Commission changed its position, allowing for a greater liberalization of the pipeline’s access by third parties.<sup>189</sup> This would in effect allow Gazprom a greater share of the

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<sup>180</sup> BBC News (2009): Q & A: Russia-Ukraine gas row, 20 January 2009, <http://news.bbc.co.uk/2/hi/europe/7240462.stm>, (Accessed 2018.09.27)

<sup>181</sup> Ibid.

<sup>182</sup> LOSKOT-STRACHOTA, Agata (2017): The Opal Pipeline: controversies about the rules for its use and the question of supply security, *OSW*, 17 January 2017, <https://www.osw.waw.pl/en/publikacje/osw-commentary/2017-01-17/opal-pipeline-controversies-about-rules-its-use-and-question> (Accessed 2018.11.19)

<sup>183</sup> REUTERS (2009): Germany rules favourably on OPAL gas pipeline, 25 February 2009, <https://uk.reuters.com/article/germany-energy-pipeline/germany-rules-favourably-on-opal-gas-pipeline-idUKLP84033820090225?sp=true> (Accessed 2018.09.12)

<sup>184</sup> Court of Justice of the European Union (2017): General Court of the European Union No 83/17 Luxembourg, 21 July 2017 Order of the President of the General Court in Cases T-849/16 R, T- 883/16 R and T-130/17 R PGNiG Supply & Trading GmbH, Poland, and Polskie Górnictwo Naftowe i Gazownictwo S.A. v Commission, Press Release, 1, <https://curia.europa.eu/jcms/upload/docs/application/pdf/2017-07/cp170083en.pdf> (Accessed 2018.09.12)

<sup>185</sup> STANIC, Ana (2016): EU-Russia Relations Through the Prism of EU Law, *Global Energy Debates and the Eastern Mediterranean*, *PRIO Cyprus Centre*, November 2016, 35, <http://www.ealaw.eu/static/pdf/EU-Russia-Relations.pdf> (Accessed 2018.09.15)

<sup>186</sup> PIRANI – YAFIMAVA (2016): i.m., 3.

<sup>187</sup> REUTERS (2009): i.m.

<sup>188</sup> Order of the President of the General Court of 21 July 2017, Case T-849/16 R, EUR-Lex, [https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:62016TO0849\(02\)](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:62016TO0849(02)) (Accessed 2018.09.27)

<sup>189</sup> Ibid.

pipeline's use, specifically up to 80%, and possibly even up to 100%.<sup>190</sup> Poland subsequently challenged this 2016 decision, taking its case to the General Court of the European Union in order to annul the European Commission's decision with regards to this matter.<sup>191</sup> Poland was particularly concerned as it felt that the pipeline would threaten its role as a gas transit country and thus its influence on future issues relating to gas supply.<sup>192</sup> However, the General Court rejected the case, upholding the Commission's position.<sup>193</sup> In this case, then, the OPAL pipeline can be seen as an attempt to give Russia certain exemptions from EU regulations in this particular area, which, in this case, was successful.

### 2.3.3. South Stream

The major impetus behind the South Stream pipeline project was the desire to diversify its gas supply routes and seek new stable transit areas in order to export its natural gas to other parts of Europe.<sup>194</sup> In 2007 a memorandum of understanding was signed between Gazprom and the Italian Eni for the South Stream pipeline's construction.<sup>195</sup> The pipeline was to begin in the Russian Krasnodar region, close to Anapa, and was to cross the Black Sea to Bulgaria, near Varna.<sup>196</sup> From there it was to go on and transport gas to other countries in Southern and Central Europe, Hungary included.<sup>197</sup>

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<sup>190</sup> NORLEN, Anders (2017): The lifting of OPAL capacity restrictions leads to shifting gas flows on Nord Stream, Energy Insights By McKinsey, September 2017, <https://www.mckinseyenergyinsights.com/insights/the-lifting-of-opal-capacity-restrictions-leads-to-shifting-gas-flows-on-nord-stream/> (Accessed 2018.09.27)

<sup>191</sup> Court of Justice of the European Union (2017): Order of the President of the General Court in Cases T-849/16 R, T- 883/16 R and T-130/17 R PGNiG Supply & Trading GmbH, Poland, and Polskie Górnictwo Naftowe i Gazownictwo S.A. v Commission, i.m., 2.

<sup>192</sup> CHEE, Foo Yun (2017): EU court rejects Polish bid to halt Opal pipeline deal, verdict in 2019, 21 July 2017, *Reuters*, <https://www.reuters.com/article/us-gazprom-europe-gas-court/eu-court-rejects-polish-bid-to-halt-opal-pipeline-deal-verdict-in-2019-idUSKBN1A625Z> (Accessed 2018.09.12)

<sup>193</sup> Ibid.

<sup>194</sup> South Stream Transport (2011): South Stream: Energising Europe, Presentation, Brussels, 25 May 2011, 2, <http://www.gazprom.com/f/posts/85/290063/presentation.pdf> (Accessed 2018.01.15)

<sup>195</sup> South Stream Transport: Fact Sheet (2013): The South Stream Offshore Pipeline, October 2013, 2, [http://south-stream-transport.com/.../pdf/.../ssttbv\\_fact-sheet-south-stream-offshore-pipeline\\_38\\_en\\_20121206\\_2%20\(1\).pdf](http://south-stream-transport.com/.../pdf/.../ssttbv_fact-sheet-south-stream-offshore-pipeline_38_en_20121206_2%20(1).pdf) (Accessed 2018.01.15)

<sup>196</sup> South Stream Transport: Bringing Natural Gas: The South Stream Offshore Pipeline to Bulgaria, 4, [https://www.south-stream-transport.com/media/documents/pdf/en/2013/11/ssttbv\\_bringing-natural-gas\\_en\\_20131126.pdf](https://www.south-stream-transport.com/media/documents/pdf/en/2013/11/ssttbv_bringing-natural-gas_en_20131126.pdf) (Accessed 2018.01.15)

<sup>197</sup> VIHMA, Antto - TURKSEN, Umut (2016): The Geoeconomics of the South Stream Project, *Columbia/SIPA Journal of International Affairs*, 1 January 2016, <https://jia.sipa.columbia.edu/geoeconomics-south-stream-pipeline-project> (Accessed 2018.09.20) An intergovernmental agreement was signed between Hungary and Russia for the construction of the pipeline on Hungarian territory and was granted the status of a “national significance project”. See

However, in time the project came to face major opposition from the European Commission. In June 2014 the Commission initiated an infringement procedure against Bulgaria with regards to the South Stream pipeline, alleging that the IGA relating to South Stream was in breach of the Third Energy Package,<sup>198</sup> and that the tendering process for constructing the pipeline on Bulgarian territory was incompatible with EU rules relating to public procurement.<sup>199</sup> On December 4 2014 the European Commission said that the bilateral agreements for the South Stream pipeline, breached European Union law.<sup>200</sup> Klaus-Dieter Borchardt, the director for energy markets at the European Commission, said in the European Parliament that “*The Commission has looked into these intergovernmental agreements and came to the conclusion that none of the agreements is in compliance with EU law*”, and “*That is the reason why we have told these states that they are under the obligation, either coming from the EU treaties, or from the Energy Community treaty that they have to ask for re-negotiation with Russia, to bring the*

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Gazprom (2013): Contract signed for South Stream design in Hungary, 12 December 2013, <http://www.gazprom.com/press/news/2013/december/article180286/> (Accessed 2019.04.07)

<sup>198</sup>The European Union’s energy *acquis* is composed of several packages developed by the European Union’s Commission over the last several decades which aimed at liberalization of the energy market, the latest addition to the legislation relating to the European Union’s energy market is the Third Energy Package, which is composed of two directives and three regulations (See BUCHAN, David (2015): Energy Policy: Sharp Challenges and Rising Ambitions. In WALLACE, Helen, POLLACK, Mark A., and YOUNG, Alasdair R. (eds), *Policy-Making in the European Union*, Seventh Edition, Oxford, Oxford University Press, 345 ;European Commission: Market Legislation <https://ec.europa.eu/energy/en/topics/markets-and-consumers/market-legislation>) (Accessed 2018.09.17) These include Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC, OJ L 211, 14.8.2009, p. 55–93, <https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX%3A32009L0072> (Accessed 2018.01.11) ; Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC, OJ L 211, 14.8.2009, p. 94–136, <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32009L0073> (Accessed 2018.01.11) The regulations are Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003, OJ L 211, 14.8.2009, p. 15–35 <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32009R0714> (Accessed 2018.01.11); Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005, OJ L 211, 14.8.2009, p. 36–54 <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32009R0715> (Accessed 2018.01.11); and Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators (Text with EEA relevance), OJ L 211, 14.8.2009, p. 1–14, <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32009R0713> (Accessed 2018.01.11) The Third Energy Package basic aims at the improvement of the internal energy market’s functioning and the solving of various structural problems, which involves unbundling the energy sector, which is the separation of energy generation and supply from network operators. See European Commission: Market Legislation, i.m.

<sup>199</sup> STANIC (2016): i.m. 33.

<sup>200</sup> Euractiv (2013): South Stream bilateral deals breach EU law, Commission says, 4 December 2013, <http://www.euractiv.com/section/competition/news/south-stream-bilateral-deals-breach-eu-law-commission-says/> (Accessed 2018.01.11)

*intergovernmental agreements in line with EU law.*”<sup>201</sup> Borchardt stated that one of the major problems relating to the South Stream pipeline was that in this situation Gazprom would be both the producer and supplier gas, which would go against the Third Energy Package’s “*unbundling*” rules, as in this case there would be simultaneous ownership of production capacity and the transmission network.<sup>202</sup> Additionally, he also mentioned that there needed to be assurance that third parties would have non-discriminatory access to the pipeline, and that Gazprom did not have the right to be the only shipper, and that issues relating to the tariff structure needed to be properly addressed.<sup>203</sup>

In response to these developments, Russia announced the cancellation of the project in December 2014, with President Vladimir Putin stating that “*If Europe does not want to carry out (South Stream), then it will not be carried out*”, which was later followed by Gazprom head Alexei Miller saying that “*The project is closed*”, with the above proceedings being terminated after President Putin announced the cancellation of the project.<sup>204</sup>

The demise of the South Stream project cannot be separated from the difficulties that arose in relations between the European Union and Russia as a result of events that took place in Crimea and East Ukraine in 2014.<sup>205</sup> This led to the essential freezing of relations with regards to gas issues, where it even became very difficult to arrange meetings between Russia and the European Union.<sup>206</sup> The working group set up by the EU and Russia dealing with the South Stream pipeline was suspended, and EU decision-making in relation to such issues relating to Russian gas as OPAL and DG COMP was delayed.<sup>207</sup> It is believed that this inability to reach compromise on regulatory matters, within the broader context of events in Ukraine, led to the cancelling of the South Stream project.<sup>208</sup>

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<sup>201</sup> Ibid.

<sup>202</sup> Ibid.

<sup>203</sup> Ibid.

<sup>204</sup> BBC News (2014): Russia drops South Stream gas pipeline plan, 1 December 2014, <http://www.bbc.com/news/world-europe-30283571> (Accessed 2018.01.11)

<sup>205</sup> The Moscow Times (2017): Russia Wants EU Guarantee to Continue with Turkish Stream Development, 3 November 2017, <https://themoscowtimes.com/articles/russia-wants-eu-guarantees-to-continue-with-turkish-stream-59472> (Accessed 2018.01.11)

<sup>206</sup> STERN, Jonathan – PIRANI, Simon – YAFIMAVA, Katia (2015): Does the cancellation of South Stream signal a fundamental reorientation of Russian gas export policy, *The Oxford Institute for Energy Studies*, January 2015, 5, <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2015/01/Does-cancellation-of-South-Stream-signal-a-fundamental-reorientation-of-Russian-gas-export-policy-GPC-5.pdf> (Accessed 2018.01.20)

<sup>207</sup> Ibid.

<sup>208</sup> Ibid.

### 2.3.4 Nord Stream 2

Another prominent and current proposal for the transportation of Russian gas to the European Union is the Nord Stream 2 pipeline. The original Nord Stream pipeline is a twin pipeline system which goes through the Baltic Sea runs from Vyborg in the Russian Federation to Lubmin, Germany.<sup>209</sup> The Nord Stream pipeline runs through the Exclusive Economic Zones of Russia, Finland, Sweden, Denmark and Germany.<sup>210</sup> The pipeline system is 1,224 km long, and is the most direct connection between Russia's gas reserves and the European Union's energy market.<sup>211</sup> The Nord Stream 2 pipeline is to follow the same route as the original Nord Stream Pipeline, in order to bring natural gas from Russia to Germany.<sup>212</sup> It is to be over 1, 200 kilometers long.<sup>213</sup>

Feasibility studies began in relation to the pipeline 2011, and permits from the respective relevant national governments began to be issued in 2018.<sup>214</sup> In September of the same year the first deep water pipes for Nord Stream 2 were laid in the Gulf of Finland.<sup>215</sup> Up until this time, the pipeline's construction was limited to the waters around the departure point near Saint Petersburg and also the arrival point near Griefswald, Germany.<sup>216</sup> In November around 100 kilometers of gas pipelines were completed on the territory of Germany as part of the Nord Stream 2 project.<sup>217</sup> Finland, Sweden, Germany and Russia have given their approval for the construction of the

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<sup>209</sup> Nord Stream :The Pipeline, <https://www.nord-stream.com/the-project/pipeline/> (Accessed 2018.09.13)

<sup>210</sup> Ibid.

<sup>211</sup> Ibid.

<sup>212</sup> Clean Energy Wire: Gas pipeline Nord Stream 2 links Germany to Russia, but splits Europe, *Factsheet*, 16 August 2018, <https://www.cleanenergywire.org/factsheets/gas-pipeline-nord-stream-2-links-germany-russia-splits-europe> (Accessed 2018.09.13)

<sup>213</sup> Gazprom: Nord Stream 2, <http://www.gazprom.com/projects/nord-stream2/> (Accessed 2018.09.13)

<sup>214</sup> Nord Stream 2: Fact Sheet: The Nord Stream 2 Project, 1, <https://www.nord-stream2.com/media/documents/pdf/en/2018/07/factsheet-project-en.pdf> (Accessed 2019.05.30)

<sup>215</sup> KEATING, Dave (2018): Russia's Controversial Nord Stream 2 Pipeline May Now Be Unstoppable, 5 September 2018, *Forbes*, <https://www.forbes.com/sites/davekeating/2018/09/05/as-of-today-russias-controversial-nord-stream-2-pipeline-is-already-underwater/#2d91b59a1e1c> (Accessed 2018.10.10)

<sup>216</sup> Ibid.

<sup>217</sup> Xinhua (2018): First 100 kilometers of Nord Stream 2 pipeline in Germany completed, 16 November 2018, [http://www.xinhuanet.com/english/2018-11/16/c\\_137612144.htm](http://www.xinhuanet.com/english/2018-11/16/c_137612144.htm) (Accessed 2018.11.19)

pipeline, but Denmark has still yet to do so.<sup>218</sup> It has been hoped that it will be completed by the end of this year.<sup>219</sup>

The pipeline has provoked strong reactions from various quarters, with a major argument being that it will increase Europe's dependence on Russian natural gas.<sup>220</sup> Ukraine is particularly against the pipeline's construction, believing that it would have a strongly adverse effect on the country's economy due to it threatening its status as a gas transit country, with the Ukrainian Finance Ministry having made the statement that Nord Stream 2 could lead to a loss for the Ukrainian economy of up to 2.5 to 3 percent of its GDP.<sup>221</sup> The pipeline has also provoked opposition from Poland and the Baltic States, who believe that it will strengthen Russian influence in Europe.<sup>222</sup> Furthermore, the ramifications of the Nord Stream 2 pipeline project go beyond Europe. In particular, the United States of America has taken a very strong interest in the project, expressing strong opposition to it, with President Donald Trump publicly criticizing Germany for what he sees as the country's dependence on Russian gas.<sup>223</sup>

An important development in relation to the project was the European Commission's attempt to extend the European Union's gas rules to import pipelines,<sup>224</sup> though the Commission denied that this proposal was directed against Nord Stream 2.<sup>225</sup> The European Commission has stated that "*Pipelines in the EU area must be built and operated in accordance with all applicable legislation. Nord Stream 2 cannot happen in legal void or exclusively according to the law of a*

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<sup>218</sup> SHALAL, Andrea (2019): Nord Stream 2 upbeat Denmark will approve gas pipeline proposal, *Reuters*, 25 March 2019, <https://www.reuters.com/article/us-gazprom-nordstream-2-denmark/nord-stream-2-upbeat-denmark-will-approve-gas-pipeline-proposal-idUSKCN1R61EM> (Accessed 2019.05.31)

<sup>219</sup> BRZOZOWSKI, Alexandra (2019): Denmark delays Nord Stream 2 approval, *Euractiv*, 28 March 2019, <https://www.euractiv.com/section/global-europe/news/denmark-delays-nord-stream-2-approval/> (Accessed 2019.05.31)

<sup>220</sup> MELIKSETIAN, Vanand (2018): Can Nord Stream 2 Be Stopped?, *OilPrice.com*, 25 September 2018, <https://oilprice.com/Energy/General/Can-Nord-Stream-2-Be-Stopped.html> (Accessed 2018.09.28)

<sup>221</sup> Interfax-Ukraine (2018): Finance Ministry: Ukraine to lose 2.5-3 percent of GDP over Nord Stream 2, *Kyiv Post*, 26 September 2018, <https://www.kyivpost.com/ukraine-politics/finance-ministry-ukraine-to-lose-2-5-3-percent-of-gdp-over-nord-stream-2.html> (Accessed 2018.09.28)

<sup>222</sup> DAISS, Tim (2018): Nord Stream 2 Clears Another Hurdle, 16 August 2018, *Oilprice.com*, <https://oilprice.com/Energy/Natural-Gas/Nord-Stream-2-Clears-Another-Hurdle.html> (Accessed 2018.09.16)

<sup>223</sup> MCBRIDE, James (2018): Nord Stream 2: Is Germany 'Captive' to Russian Energy?, *Council on Foreign Relations*, <https://www.cfr.org/article/nord-stream-2-germany-captive-russian-energy> (Accessed 2018.09.09)

<sup>224</sup> European Commission (2017): Press Release, Energy Union: Commission takes steps to extend common EU gas rules to import pipelines, 8 November 2017, [http://europa.eu/rapid/press-release\\_IP-17-4401\\_en.htm](http://europa.eu/rapid/press-release_IP-17-4401_en.htm) (Accessed 2018.09.27)

<sup>225</sup> EurAsia Daily (2018): European Commission "attacks" Nord Streams: no bans, but more complications, 8 November 2018, <https://eadaily.com/en/news/2017/11/08/european-commission-attacks-nord-streams-no-bans-but-more-complications> (Accessed 2018.09.27)

third country. If built, this pipeline would need a legal framework that takes into account the key principles of EU energy market rules.”<sup>226</sup> Furthermore, the Commission stated that these rules are connected to the Third Energy Package, which “aims at maximizing competition between gas companies, avoiding conflict of interests between infrastructure operators and shippers and finally, to provide security of supply.”<sup>227</sup> In response, the builders of Nord Stream 2 claim that the European Union’s internal gas market laws apply only to pipelines which transport gas within the internal market, and thus are not applicable to Nord Stream 2 pipeline, as it imports gas from outside of the territory of the European Union.<sup>228</sup>

However, the European Commission’s attempt was actually rebutted by the legal service of the Council of the European Union, which expressed the opinion that the European Union does not have the authority to apply its energy *acquis* to the offshore pipelines in the EEZ of Member States.<sup>229</sup> Furthermore, it stated that it may actually be in contradiction of United Nations law relating to the seas.<sup>230</sup>

Despite this, on 15 April 2019 the Council adopted an amendment to the European Union’s gas directive which stipulates that the European Union’s internal gas market rules are to apply to pipelines both going to and coming from third countries.<sup>231</sup> This will mean that the European Union’s energy regulations will apply to the Nord Stream 2 pipeline at the point that it enters into the territorial waters of Germany.<sup>232</sup> In response to this development, the Swiss company Nord

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<sup>226</sup> European Commission (2017): Fact Sheet, Questions and Answers on the Commission proposal to amend the Gas Directive (2009/73/EC), Brussels, 8 November 2017, [http://europa.eu/rapid/press-release\\_MEMO-17-4422\\_en.htm](http://europa.eu/rapid/press-release_MEMO-17-4422_en.htm) (Accessed 2018.09.17)

<sup>227</sup> Ibid.

<sup>228</sup> Nord Stream 2 (2016): Questions and Answers: Nord Stream 2 – A new natural gas pipeline through the Baltic Sea, 15, <https://www.nord-stream2.com/en/download/document/38/> (Accessed 2018.09.01)

<sup>229</sup> GOTEV, Georgi (2018): EU Council removes Nord Stream 2 legal hurdles, *Euractiv*, 5 March 2018, <https://www.euractiv.com/section/energy/news/industry-council-remove-nord-stream-2-hurdles/> (Accessed 2018.09.27); Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC - compatibility with UNCLOS, <https://www.eumonitor.eu/9353000/1/j9vvik7m1c3gyxp/vkmc8v3flkyl> (Accessed 2018.08.31)

<sup>230</sup> Reuters (2018): EU legal blow to bid to regulate Russia’s Nord Stream 2 pipeline, March 5 2018, <https://www.reuters.com/article/us-eu-gazprom-nordstream/eu-legal-blow-to-bid-to-regulate-russias-nord-stream-2-pipeline-idUSKBN1GH28D> (Accessed 2018.09.27).

<sup>231</sup> European Council/Council of the European Union (2019): Council adopts gas directive amendment: EU rules extended to pipelines to and from third countries, Press Release, 15 April 2019, <https://www.consilium.europa.eu/en/press/press-releases/2019/04/15/council-adopts-gas-directive-amendment-eu-rules-extended-to-pipelines-to-and-from-third-countries/> (Accessed 2019.05.30)

<sup>232</sup> TALUS, Kim – HANCHER, Leigh (2019): Exploring the limits of the EU’s unbelievable behaviour on Nord Stream 2, *Euractiv*, 29 May 2019, <https://www.euractiv.com/section/energy/opinion/exploring-the-limits-of-eus-unbelievable-behaviour-on-nord-stream-2/> (Accessed 2019.05.30)

Stream 2 AG owned by Gazprom, informed the European Union that it is considering the possibility of bringing investment dispute proceedings against it within the framework of the abovementioned Energy Charter Treaty, referring specifically to Article 26(1) of the Charter, which makes provision for relevant parties to amicably reach a settlement.<sup>233</sup> A key issue is that according to Article 49a of the amended directive pipelines can receive a derogation from the relevant EU regulations so long as the pipeline was completed before the coming into force of the amended directive.<sup>234</sup> Nord Stream 2 AG has requested that pipeline be treated as having been completed, though in a practical sense this has not occurred, though it claims that there has been a full commitment of investment.<sup>235</sup> If it does not receive such a derogation, it has stated that it will consider this as a discriminatory act against it as an investor.<sup>236</sup>

This particular issue is also of interest in relation to the abovementioned proposals or models for a general legal framework to be created with regards to EU-Russia energy relations. It was already mentioned that one possible model is Russia's adoption of the European Union's energy *acquis*. As has already been stated, such a model of energy relations does not conform to Russia's thinking on such matters, and in this case there is strong resistance to this specific move by the Commission.<sup>237</sup> However, in this case we also see that the Council of the European Union's own legal service rejected the proposal that the European Union has the ability in this particular situation to place its norms on this third country.

### ***2.3.5 Turkish Stream***

As a result of the cancellation of the construction of the South Stream pipeline, Russia proposed Turkey as an alternative partner for the construction of a new pipeline which would bring its natural

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<sup>233</sup> Ibid.

<sup>234</sup> Directive (EU) 2019/692 of the European Parliament and of the Council of 17 April 2019 amending Directive 2009/73/EC concerning common rules for the internal market in natural gas (Text with EEA relevance), Article 49a, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019L0692> (Accessed 2019.05.30)

<sup>235</sup> HALL, Siobhan (2019): Nord Stream 2 invokes Energy Charter Treaty to challenge EU gas link rules, *S & P Global Platts*, 24 April 2019, <https://www.spglobal.com/platts/en/market-insights/latest-news/natural-gas/042419-nord-stream-2-invokes-energy-charter-treaty-to-challenge-eu-gas-link-rules> (Accessed 2019.05.30)

<sup>236</sup> BURBEZA, Zoya (2019): Nord Stream 2: implications of the EU gas, *Energy Blog*, 10 May 2019, <https://knect365.com/energy/article/1b4368d2-fe22-4276-b078-7bf17471193e/nord-stream-2-implications-of-the-eu-gas-directive-amendment> (Accessed 2019.05.31)

<sup>237</sup> EurAsia Daily (2018): i.m.

gas to the Balkans and Central Europe.<sup>238</sup> Turkey is one of the major recipients of Russian gas, which it presently imports via the Blue Stream and Trans-Balkan pipelines.<sup>239</sup> On 1 December 2014 Gazprom and Botas Petroleum Pipeline signed a Memorandum of Understanding in Ankara relating to the construction of an offshore gas pipeline from Russia to Turkey across the Black Sea.<sup>240</sup> The Turkish Stream pipeline will stretch over 900 kilometers from the Russkaya compressor station close to Anapa in the Russian Krasnodar region across the Black Sea to the European part Turkey,<sup>241</sup> reaching Ipsala on the Turkish-Greek border via Lüleburgaz.<sup>242</sup>

However, after the experience of South Stream, Russia appears to be cautious when it comes to assessing the realization of the project. Russian Foreign Minister Sergei Lavrov made the statement that *“The growing energy needs of Southern and South-Eastern Europe could be met by the extension of the second branch of the Turkish Stream to EU territory. Many governments of EU states have shown considerable interest in this. We are open to this, but considering the unfortunate experience of the South Stream, we will start this work only after receiving firm legal guarantees from Brussels.”*<sup>243</sup> The European Commission itself has yet to take an official position with regards to the Turkish Stream pipeline extension into the territory of the European Union, which would most likely come after specific plans and requests are put forward

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<sup>238</sup> KORSUNSKAYA Darya (2014): Putin drops South Stream gas pipeline to EU, courts Turkey, *Reuters*, 1 December 2014, <https://www.reuters.com/article/us-russia-gas-gazprom-pipeline/putin-drops-south-stream-gas-pipeline-to-eu-courts-turkey-idUSKCN0JF30A20141201> (Accessed 2018.01.20)

<sup>239</sup> Gazprom: TurkStream, <http://www.gazprom.com/about/production/projects/pipelines/built/turk-stream/> (Accessed 2018.01.20)

<sup>240</sup> Gazprom (2014): New gas pipeline towards Turkey, 2 December 2014, <http://www.gazprom.com/press/news/2014/december/article208505/> (Accessed 2018.01.20)

<sup>241</sup> Ibid.

<sup>242</sup> Hürriyet Daily News (2015): Russian firms give Turkish Stream gas pipeline details, 2 June 2015, <http://www.hurriyetdailynews.com/russian-firm-gives-turkish-stream-gas-pipeline-details--83363> (Accessed 2018.01.20) On July 5 2017 Hungary and Gazprom signed a deal in order to link the former with the Turkish Stream pipeline. The end of 2019 has been set as the target for achieving this, and, according to Foreign Minister Szijjártó, linking up with the Turkish Stream pipeline could allow Hungary to import 8 billion cubic meters of gas per year, which is near to the total consumption of the country as a whole. See Euractiv (2017): Hungary joins Gazprom pipeline, as Trump touts US LNG, 6 July 2017, <https://www.euractiv.com/section/energy/news/hungary-joins-gazprom-pipeline-as-trump-touts-us-lng/> (Accessed 2019.04.07)

<sup>243</sup> The Ministry of Foreign Affairs of the Russian Federation (2017): Foreign Minister Sergey Lavrov’s remarks at a meeting with members of the Association of European Businesses in Russia Moscow, October 31, 2017, 2085-31-10-2017, [http://www.mid.ru/en/diverse/-/asset\\_publisher/zwI2FuDbhJx9/content/vystuplenie-ministra-inostrannyh-del-rossii-s-v-lavrova-na-vstreche-s-clenami-associacii-evropejskogo-biznesa-v-rossijskoj-federacii-moskva-31-oktabra-?\\_101\\_INSTANCE\\_zwI2FuDbhJx9\\_redirect=http%3A%2F%2Fwww.mid.ru%2Fen%2Fdiverse%3Fp\\_p\\_id%3D101\\_INSTANCE\\_zwI2FuDbhJx9%26p\\_p\\_lifecycle%3D0%26p\\_p\\_state%3Dnormal%26p\\_p\\_mode%3Dview%26p\\_p\\_col\\_id%3Dcolumn-1%26p\\_p\\_col\\_pos%3D2%26p\\_p\\_col\\_count%3D5](http://www.mid.ru/en/diverse/-/asset_publisher/zwI2FuDbhJx9/content/vystuplenie-ministra-inostrannyh-del-rossii-s-v-lavrova-na-vstreche-s-clenami-associacii-evropejskogo-biznesa-v-rossijskoj-federacii-moskva-31-oktabra-?_101_INSTANCE_zwI2FuDbhJx9_redirect=http%3A%2F%2Fwww.mid.ru%2Fen%2Fdiverse%3Fp_p_id%3D101_INSTANCE_zwI2FuDbhJx9%26p_p_lifecycle%3D0%26p_p_state%3Dnormal%26p_p_mode%3Dview%26p_p_col_id%3Dcolumn-1%26p_p_col_pos%3D2%26p_p_col_count%3D5) (Accessed 2018.01.20)

in this area.<sup>244</sup> However, some issues and concerns have already been raised. For example, it has been noted that any plan to extend the Turkish Stream pipeline into the territory of the European Union would mean that it would have to deal with EU regulations, including the Third Energy Package.<sup>245</sup> Furthermore, certain key figures in the EU Commission have expressed concerns. Maros Sefcovic, a Vice-President of the European Commission and leader of the Energy Union project has expressed doubts with regards to the pipeline's expansion into EU territory, saying that there are unresolved differences between the EU and Russia in relation to the Third Energy Package, and he also questioned the viability of the project.<sup>246</sup> The EU Commissioner for Competition, Margaret Vestager also left open the possibility of the issue of compliance with relevant EU antitrust regulations in relation to Gazprom's negotiations with European states potentially connected to Turkish Stream, saying that "*All companies that operate in the EU market – no matter if European or not - have to play by EU rules.*"<sup>247</sup>

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It can be said, based on the above analysis, that despite the existence of various tensions and differences, there have also been at times decisions and policies from key quarters of the European Union that have in certain ways helped, to an extent, to maintain, in real practical terms, the close nature of European Union-Russia energy relations, particularly with regards to natural gas. Some critics even claim with regards to certain situations that this contradicts the EU's official and public support for Ukraine within the context of that country's tensions with Russia.<sup>248</sup> However, in relation to the possibility of actually agreeing to a general legal framework acceptable to both parties which would govern their energy relations, the differing views as to what such a framework might look like, and the complexities in reaching such an agreement in this field which is by its

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<sup>244</sup> Economics Gazette (2018): Europe and Russia continue to speak in different languages for natural gas supplies, 8 January 2018, <http://www.economicsgazette.com/europe-russia-continue-speak-different-languages-natural-gas-supplies.html> (Accessed 2018.01.20)

<sup>245</sup> GURBANOV, Ilgar (2017): Perspective for 'Turkish Stream' Project: Possible Scenarios and Challenges, *Natural Gas World*, 21 January 2017, <https://www.naturalgasworld.com/perspective-for-turkish-stream-project-possible-scenarios-and-challenges-35401> (Accessed 2018.01.20)

<sup>246</sup> Ibid.

<sup>247</sup> Ibid.

<sup>248</sup> RAPOZA Kenneth (2017): On Russian Gas Front, Germany Does Ukraine No Favors, 4 August 2017, *Forbes*, <https://www.forbes.com/sites/kenrapoza/2017/08/04/on-russian-gas-front-germany-does-ukraine-no-favors/#27190483326e> (Accessed 2018.09.28)

very nature strongly connected to geopolitics, make this an extremely difficult task. Furthermore, due to the tense and complex nature of relations between the European Union and Russia at the moment, it appears even more unlikely that an all embracing legal framework regulating energy relations will be brought into being in the near future.

## **2.4 Case Study: Hungary's and Russia's Energy Relations in Light of Obligations under the EU Energy Acquis**

Energy is one of the dominant and most vital issues facing the world today and it will only continue to increase in importance in the years to come. This is no less true for the individual Member States of the European Union. When discussing matters relating to the EU's energy supply, one cannot avoid the issue of its relationship to Russia, which is a key player in the energy sector of various EU Member States. With regards to Hungary, this can particularly be seen in the area of nuclear energy. In this chapter there shall be an attempt to survey the planned expansion of the Paks Nuclear Power Plant, including its historical background and aims, with a particular focus on the response of the European Commission in relation to the Paks II project's compliance with European Union law.

### **2.4.1 Paks II's background<sup>249</sup>**

Hungary and the then Russian Empire and later Soviet Union had been on opposing sides during both World War I and World War II. At the end of the latter a communist political system was set

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<sup>249</sup> At this point it is useful to briefly review some of the key legislation relating to the possibility of European Union Member States utilizing nuclear power. According to Article 1 of the Treaty establishing the European Atomic Energy Community, *"It shall be the task of the Community to contribute to the raising of the standard of living in the Member States and to the development of relations with the other countries by creating the conditions necessary for the speedy establishment and growth of nuclear industries."*<sup>249</sup> Article 2(c) elaborates on this, stating that the Community shall *"facilitate investment and ensure, particularly by encouraging ventures on the part of undertakings, the establishment of the basic installations necessary for the development of nuclear energy in the Community"*. According to Article 41 of the Euratom Treaty, *"Persons and undertakings engaged in the industrial activities listed in Annex II to this Treaty shall communicate to the Commission investment projects relating to new installations and also to replacements or conversions which fulfil the criteria as to type and size laid down by the Council on a proposal from the Commission."* Additionally, Article 103 states that *"Member States shall communicate to the Commission draft agreements or contracts with a third State, an international organization or a national of a third State to the extent that such agreements or contracts concern matters within the purview of this Treaty."* (Consolidated Version of the Treaty Establishing the European Atomic Energy Community) 1 December 2009, [https://europa.eu/europeanunion/sites/europaeu/files/docs/body/consolidated\\_version\\_of\\_the\\_treaty\\_establishing\\_the\\_european\\_atomic\\_energy\\_community\\_en.pdf](https://europa.eu/europeanunion/sites/europaeu/files/docs/body/consolidated_version_of_the_treaty_establishing_the_european_atomic_energy_community_en.pdf) (Accessed 2018.01.22)

up in Hungary, the country becoming part of the Eastern Bloc. With the fall of the communist system in Hungary in 1989 and the tearing of the Iron Curtain, Hungary pursued a policy of European and Euroatlantic integration, joining NATO in 1999 and becoming a Member State of the European Union in 2004. Despite this geopolitical orientation in the post-Cold War period, Hungary has continued to maintain ties with the Russian Federation in various areas. One important aspect of Hungarian-Russian relations which can be said to have begun during the communist period and which has continued until the present day relates to the area of nuclear energy. Cooperation in this area began in 1955, with the signing of a bilateral agreement which led to the establishment of a Soviet VVER-type reactor known as the Budapest Research Reactor.<sup>250</sup> Later, on 28 December 1966, Hungary and the Soviet Union signed an intergovernmental agreement for the building of a nuclear power plant in Hungary, and the following year Paks, a location 100 km from Budapest, was selected as the site for the plant.<sup>251</sup> The construction of the Paks Nuclear Power Plant was Hungary's largest industrial project of the 20<sup>th</sup> century.<sup>252</sup> Between 1974 and 1987 four Soviet-designed VVER-440/V213 units were installed at the Paks site.<sup>253</sup> The Paks NPP is Hungary's only nuclear power plant, belonging to the Magyar Villamos Művek Zártkörűen Működő Részvénytársaság (also known as "the MVM Group").<sup>254</sup> As of 2016, 51.3% of Hungary's electricity was generated by the Paks Nuclear Power Plant.<sup>255</sup>

Between 2032 and 2037 the Paks Nuclear Power Plant's present operational units will need to be shut down.<sup>256</sup> In 2005 the Hungarian Parliament supported a plan to extend the lives of the Paks units by a further 20 years.<sup>257</sup> Later, in 2009 it approved in principle the commencement of

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<sup>250</sup>Rosatom: Cooperation with Hungary, <http://rosatom-centraleurope.com/rosatom-in-country/history-of-cooperation/hu/> (Accessed 2018.01.22)

<sup>251</sup> Ibid.

<sup>252</sup> KATONA, Tamás János (2009): Nuclear Energy in Hungary, *Hungarian Geographical Bulletin* 2009. 58 (4). 244, [http://real-j.mtak.hu/2891/2/HunGeoBull\\_2009\\_4.pdf](http://real-j.mtak.hu/2891/2/HunGeoBull_2009_4.pdf) (Accessed 2018.01.22)

<sup>253</sup> Ibid.

<sup>254</sup> European Commission (2017): Commission Decision of 6.3.2017 on the Measure/Aid Scheme/State Aid S.A.38454 – 2015/C (ex 2015/N) which Hungary is planning to implement for supporting the development of two new nuclear reactors at Paks II nuclear power station. Brussels, 6.3.2017, C(2017) 1486 final, 3, [http://ec.europa.eu/competition/state\\_aid/cases/261529/261529\\_1932592\\_684\\_2.pdf](http://ec.europa.eu/competition/state_aid/cases/261529/261529_1932592_684_2.pdf) (Accessed 2018.01.22)

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<sup>255</sup> Paks II: Why is it necessary to construct new nuclear power plant units in Hungary?, <http://www.paks2.hu/en/NuclearEnergy/RudimentsOfEngineering/Lapok/WhyIsItNecessary.aspx> (Accessed 2018.01.22)

<sup>256</sup> Ibid.

<sup>257</sup> World Nuclear News (2007): More power for Paks. 25 May 2007, <http://www.world-nuclear-news.org/newsarticle.aspx?id=13462> (Accessed 2018.01.22)

activities relating to the preparation for expanding the Paks Nuclear Power Plant.<sup>258</sup> This involved the granting of consent for the preparation of the site for new nuclear power plant units.<sup>259</sup> In the Hungarian government's 2011 National Energy Strategy 2030, nuclear energy was listed as one of the key means of increasing Hungary's energy independence, and that it aimed at “*the long-term preservation of nuclear energy in the energy mix*”.<sup>260</sup>

The Hungarian state committed to fully finance the development of two new nuclear reactors for the benefit of the entity known as Paks II (MVM Paks II Nuclear Power Plant Development Private Company Limited by Shares), which shall be the owner and the operator of the new reactors.<sup>261</sup> This involved Hungary entering into an agreement with the Russian government to build two additional 1200 MW units at the site of the Paks Nuclear Power Plant.<sup>262</sup> Specifically, the Hungarian government and the Russian state corporation Rosatom signed an intergovernmental agreement (IGA) on 14 January 2014 relating to the financing, development, constructing and commissioning of these new units.<sup>263</sup> This was later adopted by the Hungarian Parliament under the name of Act II of 2014,<sup>264</sup> coming into effect on 12 February 2014.<sup>265</sup> Additionally, Russia agreed to help Hungary finance the development of the Paks II Nuclear Power Plant through a state loan.<sup>266</sup> This is governed by a financing intergovernmental agreement, providing 10 billion euros in revolving credit to be used for designing, constructing and

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<sup>258</sup> FODOR, László – BÁNYAI, Orsolya (2014): Some Environmental Law Questions Related to the Extension of Paks Nuclear Power Plant, *Environmental Engineering and Management Journal*, “George Asachi” Technical University of Iasi, Romania, November 2014. Vol.13, No.11. 2758, [www.eemj.icpm.tuiasi.ro/pdfs/vol13/no11/Full/7\\_677\\_Fodor\\_14.pdf](http://www.eemj.icpm.tuiasi.ro/pdfs/vol13/no11/Full/7_677_Fodor_14.pdf) (Accessed 2018.01.10)

<sup>259</sup> Paks II Zrt: Company Information, <http://www.paks2.hu/en/PaksII/CompanyInformation/Lapok/default.aspx>. (Accessed 2018.01.10)

<sup>260</sup> Ministry of National Development (2012): National Energy Strategy 2030, 2012, 11, 12, <http://2010-2014.kormany.hu/download/7/d7/70000/Hungarian%20Energy%20Strategy%202030.pdf> (Accessed 2018.01.10)

<sup>261</sup> European Commission: Commission Decision of 6.3.2017 on the Measure/Aid Scheme/State Aid, i.m. 3.

<sup>262</sup> MVM Paks II: Implementation of New Nuclear Power Plant Units, at the Paks Site, Environmental Impact Assessment Study, Simplified Public Summary, 19, [http://www.paks2.hu/en/Dokumentumtarolo/SIMPLIFIED%20PUBLIC%20SUMMARY\\_EN.pdf](http://www.paks2.hu/en/Dokumentumtarolo/SIMPLIFIED%20PUBLIC%20SUMMARY_EN.pdf) (Accessed 2018.01.10)

<sup>263</sup> Paks II Zrt (2015): Company Information, and Rothschild, Economic analysis for the Paks II nuclear power project, September 2015, 10, <http://www.kormany.hu/download/a/84/90000/2015%20Economic%20analysis%20of%20Paks%20II.pdf> (Accessed 2018.01.10)

<sup>264</sup> 2014. évi II. törvény a Magyarország Kormánya és az Oroszországi Föderáció Kormánya közötti nukleáris energia békés célú felhasználása terén folytatandó együttműködésről szóló Egyezmény kihirdetéséről

<sup>265</sup> Paks II Zrt 2015: Company Information, and Rothschild, i.m., 10.

<sup>266</sup> European Commission: Commission Decision of 6.3.2017, i.m. 4.

commissioning the new units at Paks II.<sup>267</sup> In addition to these funds, Hungary itself will provide up to 2.5 billion euros from the national budget for the financing of the Paks II development.<sup>268</sup>

In February 2014 the Hungarian government received notification from the European Commission's Directorate-General for Energy that it, in the words of the Director-General, "*did not find any element that would as of itself impede the application of the Euratom Treaty in the meaning of its Article 103*".<sup>269</sup> Later the Euratom Supply Agency raised concerns about the initial Paks supply deal, requesting that other industry players in the future apart from the Russians be able to transport fuel to the Paks nuclear plant.<sup>270</sup> However, modifications were made which followed the "*Finnish model*", with the agreement including the stipulation that the plant's fuel will be supplied by Russia, and after this period other suppliers will be able to be invited to offer compatible fuel for the reactor.<sup>271</sup> Later, in September 2015, the European Commission, after reviewing the documents submitted in relation to the Paks II project pursuant to Article 41 of the Euratom Treaty, notified Hungary that the Paks II project meets the Treaty's objectives.<sup>272</sup> However, the European Commission raised and examined two issues relating to Paks II, which were whether European Union public procurement rules had been breached, and whether the funding of the project could be considered as state aid.<sup>273</sup>

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<sup>267</sup> Ibid

<sup>268</sup> Ibid.

<sup>269</sup> Erdély Online (2014): EC energy directorate vets Paks deal for Euratom Treaty compliance, 1 March 2014, <http://www.erdony.ro/ec-energy-directorate-vets-paks-deal-for-euratom-treaty-compliance/2492788> (Accessed 2018.01.10)

<sup>270</sup> SZÉKELY, Tamás (2015): Paks Upgrade: Hungary, EU Come To Agreement Based On "Finnish Model", *Hungary Today*, 25 March 2015, <https://hungarytoday.hu/paks-upgrade-hungary-eu-come-agreement-based-finnish-model-12483/> (Accessed 2019.04.07)

<sup>271</sup> Reuters (2015): Hungary reaches deal on Russian nuclear fuel supply with Euratom - MTI, 25 March 2015, <https://af.reuters.com/article/worldNews/idAFKBN0ML0KG20150325> (Accessed 2019.04.07); Website of the Hungarian Government – Prime Minister's Office (2015): The fuel supply contract of the Paks Nuclear Power Plant will be finalized based on the Finnish model, 26 March 2015, <http://www.kormany.hu/en/prime-minister-s-office/news/the-fuel-supply-contract-of-the-paks-nuclear-power-plant-will-be-finalized-based-on-the-finnish-model> (Accessed 2019.04.07)

<sup>272</sup> World Nuclear News (2015): Hungary meets Euratom Treaty objectives for Paks II, 15 September 2015, <http://www.world-nuclear-news.org/NN-Hungary-meets-Euratom-Treaty-objectives-for-Paks-II-15091501.html> (Accessed 2018.01.10)

<sup>273</sup> World Nuclear News (2016): Hungary's Paks II project clears procurement hurdle, 22 November 2016, <http://www.world-nuclear-news.org/NN-Hungarys-Paks-II-project-clears-procurement-hurdle-22111601.html> (Accessed 2018.01.10)

### 2.4.2 Launching of infringement procedure

In November 2015 the European Commission launched an infringement procedure against Hungary in relation to what it claimed was a lack of compliance with regards to public procurement rules.<sup>274</sup> Initially, the Commission claimed that the awarding of the Paks II project to Rosatom went against Directives 2004/17/EC<sup>275</sup> and 2004/18/EC,<sup>276</sup> both of which embody the principles of “*transparency, non-discrimination and equal treatment*”,<sup>277</sup> concepts which have their basis in the Treaty on the Functioning of the European Union.<sup>278</sup>

Though Hungary utilized several arguments in response to the infringement procedure,<sup>279</sup> it was the so-called “*technical exclusivity*” argument which won over the Commission. The legislation relevant to this issue is Article 50 of Directive 2014/25/EU, named “*Use of the negotiated procedure without prior call for competition*”. The article states that “*Contracting entities may use a negotiated procedure without prior call for competition*” in certain cases. Article 50(c) states that “*Where the works, supplies or services can be supplied only by a particular economic operator for any of the following reasons*”, which, according to sub-section (ii) includes “*competition is absent for technical reasons*”. Section C goes on to elaborate on this point, stating that such an exception “*shall only apply when no reasonable alternative or substitute exists and the absence of competition is not the result of an artificial narrowing down of the parameters of the procurement*”. Hungary argued that, in this case, the awarding of the contract to Rosatom for

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<sup>274</sup> European Commission (2015): November infringements package: key decisions, Fact Sheet, Brussels, 19 November 2015, [http://europa.eu/rapid/press-release\\_MEMO-15-6006\\_en.htm](http://europa.eu/rapid/press-release_MEMO-15-6006_en.htm). (Accessed 2018.01.11)

<sup>275</sup> Directive 2004/17/EC of the European Parliament and of the Council of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors, *OJ L 134, 30.4.2004, p. 1–113*, <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32004L0017>, (Accessed 2018.01.11)

<sup>276</sup> Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts, *OJ L 134, 30.4.2004, p. 114–240*, <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex:32004L0018>, (Accessed 2018.01.11)

<sup>277</sup> The European Commission proposed amendments to these two Directives in December 2011, which led to the adoption of two new Directives (Directive 2014/24/EU, which repealed Directive 2004/18/EC, and Directive 2014/25/EU, which repealed Directive 2004/17/EC) by the Council of the European Union and the European Parliament on 26 February 2014, and were officially repealed on 17 April 2017. See European Commission: Legal rules and implementation, [http://ec.europa.eu/growth/single-market/public-procurement/rules-implementation\\_en](http://ec.europa.eu/growth/single-market/public-procurement/rules-implementation_en) (Accessed 2018.01.11)

<sup>278</sup> *Ibid.*

<sup>279</sup> This included that the IGA and the Implementation Agreements relating to the Paks II development fall within the exemption relating to international agreements contained in Article 22 of Directive 2014/25/EU, see European Commission, Commission Decision of 6.3.2017, i.m. 43.

the Paks expansion without a public procurement procedure was justified according to the above cited regulation.<sup>280</sup>

In November 2016 the infringement case against Hungary was closed.<sup>281</sup> Lucia Caudet, European Commission spokeswoman, made the statement that "*Hungary has sufficiently justified that the use of the so-called technical exclusivity exemption, which means that when the technical and safety requirements of the project can only be met by one company, it can be compatible with EU laws to award the contract directly*".<sup>282</sup> It is believed that a French precedent was vital in the Commission coming to its decision in favour of Hungary.<sup>283</sup> Specifically, this involved France awarding the state-controlled Areva the contract to construct the Flamanville 3 nuclear reactor.<sup>284</sup> The Commission decided, using Article 40(3) of Directive 2004/17/EC as a legal basis, that in this case, due to the technical specifications of the contract, that the French government was justified in its action to grant Areva the contract for the nuclear reactor without a public procurement procedure.<sup>285</sup>

### ***2.4.3 Investigation into state aid***

On 13 March 2014 the European Commission began a preliminary investigation into the possibility of granting unlawful state aid under Article 107 (1) TFEU<sup>286</sup> in connection to the Paks II nuclear

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<sup>280</sup> Ibid.

<sup>281</sup> European Commission (2017): State Aid: Commission clears investment in construction of Paks II nuclear power plant in Hungary, Press Release, Brussels, 6 March 2017, [http://europa.eu/rapid/press-release\\_IP-17-464\\_en.htm](http://europa.eu/rapid/press-release_IP-17-464_en.htm) (Accessed 2018.01.11) The Commission itself did not publish its official decision to drop the infringement procedure against Hungary, see STEFANINI, Sara (2017): UK, France blazed trail for Hungary nuclear deal, *Politico*, December 1 2017, <https://www.politico.eu/article/hungary-nuclear-approval-expected-thanks-to-uk-and-france-precedent/> (Accessed 2018.01.11)

<sup>282</sup> HERSZENHORN, David M. – STEFANINI, Sara – HIRST, Nicholas (2016): Questions grow over Hungarian no-bid nuclear deal, *Politico*, 18 November 2016, <https://www.politico.eu/article/questions-grow-over-hungarian-no-bid-nuclear-deal/> (Accessed 2018.01.11)

<sup>283</sup> STEFANINI (2017): i.m.

<sup>284</sup> Ibid.

<sup>285</sup> European Commission (Matthias Petschke) (2008): Your complaint no 2007/4189 against France – direct award to AREVA by „Electricité de France” (EDF) of the reactor of the new nuclear power plant at Flamanville, Brussels, 5 December 2008, MARKT C/2/AP/mm D(2008) 64760, 2, <https://g8fip1kplyr33r3krz5b97d1-wpengine.netdna-ssl.com/wp-content/uploads/2017/01/GreenpeaceFlamanvilleCommissionLetter.pdf> (Accessed 2018.01.11)

<sup>286</sup> According to Article 107(1) of the Treaty on the Functioning of the European Union, “*Save as otherwise provided in the Treaties, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market*”.

power plant's construction.<sup>287</sup> Later, the Commission also opened an in-depth investigation into the Hungarian government's plans to provide investment support for the Paks II project in November 2015.<sup>288</sup> This was according to the procedure set out in Article 108(2) of the Treaty on the Functioning of the European Union.<sup>289</sup> The Commission wished to assess the issue of "*whether a private investor would have financed the project on similar terms or whether Hungary's investment constitutes state aid*".<sup>290</sup>

The European Commission came to the conclusion<sup>291</sup> that the financial support provided by Hungary for the construction in Paks of two new nuclear reactors does involve state aid.<sup>292</sup> It approved such support due to Hungary making commitments to limit distortions with regards to competition.<sup>293</sup> European Commissioner in charge of competition, Margrethe Vestager made the statement that Hungary has the right according to EU treaties to invest in Paks II's construction, and that the Commission's task is to make sure that there is a minimization of the distortion of competition in the energy market.<sup>294</sup> She stated that the Commission approved the investment under the state aid rules of the European Union due to the "*substantial commitments*" that Hungary made.<sup>295</sup>

As with the issue of public procurement and technical exclusivity, in relation to State aid an important precedent exists that was of assistance in this instance, which was the United

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<sup>287</sup> European Commission (2017): Commission Decision of 6.3.2017, i.m, 2.

<sup>288</sup> European Commission (2015): State Aid: Commission opens in-depth investigation into Hungarian investment support for Paks II nuclear power plant, Press Release, Brussels, 23 November 2015, [http://europa.eu/rapid/press-release\\_IP-15-6140\\_en.htm](http://europa.eu/rapid/press-release_IP-15-6140_en.htm) (Accessed 2018.01.13)

<sup>289</sup> European Commission (2015): State Aid SA.38454 (2015/C) (ex 2015/N) – Hungary Possible aid to the Paks nuclear power station, Brussels, 23.11.2015, C(2015) 8227 final, 1, [http://ec.europa.eu/competition/elojade/isef/case\\_details.cfm?proc\\_code=3\\_SA\\_38454](http://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=3_SA_38454) (Accessed 2018.01.13)

<sup>290</sup> European Commission (2015): Commission opens in-depth investigation into Hungarian investment support for Paks II nuclear power plant, i.m.

<sup>291</sup> The press release states that a non-confidential version of the Commission's decision will become available once the relevant confidentiality issues reach a resolution.

<sup>292</sup> European Commission (2017): i.m.

<sup>293</sup> Ibid.

<sup>294</sup> Ibid.

<sup>295</sup> Ibid. These commitments include: - *To avoid overcompensation of the operator of Paks II, any potential profits earned by Paks II will either be used to pay back Hungary for its investment or to cover normal costs for the operation of Paks II. Profits cannot be used to reinvest in the construction or acquisition of additional generation capacity; To avoid market concentration, Paks II will be functionally and legally separated from the operator of the Paks nuclear power plant (the incumbent MVM Group) and any of its successors or other state-owned energy companies; To ensure market liquidity, Paks II will sell at least 30% of its total electricity output on the open power exchange. The rest of Paks II's total electricity output will be sold by Paks II on objective, transparent and non-discriminatory terms by way of auctions.* See Ibid.

Kingdom's subsidizing the new Hinkley Point C nuclear reactors.<sup>296</sup> After an in-depth investigation, the Commission approved the plan, as the UK government agreed to significant modifications in relation to the financing of the project which would avoid distortions of competition within the Single Market.<sup>297</sup>

Despite the European Commission having given its official approval for the Paks II project, some opposition to it still exists within quarters of the European Union. In particular Austria, which has a longstanding opposition to nuclear energy,<sup>298</sup> strongly denounced the European Commission's decision, with the then Vice Chancellor Reinhold Mitterlehner saying in response to the Commission's approval of the Paks II plan that "*Austria can't accept that the European Commission considers that subsidizing the construction of nuclear power plants is harmless*".<sup>299</sup> Furthermore, the then Chancellor Christian Kern shortly before his electoral defeat in October 2017 announced that Austria would indeed file a lawsuit against the Commission's approval of Paks II.<sup>300</sup> On January 24 2018 the recently elected Austrian government led by Chancellor

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<sup>296</sup> European Commission (Vestager Margrethe) (2016): Letter, Brussels, 6 July 2016, Ares(2016)3039407, 1, <https://g8fip1kp1yr33r3krz5b97d1-wpengine.netdna-ssl.com/wp-content/uploads/2016/11/VestagerLetterPaksIIStateAid.pdf> (Accessed 2018.01.13)

<sup>297</sup> European Commission (2014): State aid: Commission concludes modified UK measures for Hinkley Point nuclear power plant are compatible with EU rules, Press Release, Brussels, October 8 2014, [http://europa.eu/rapid/press-release\\_IP-14-1093\\_en.htm](http://europa.eu/rapid/press-release_IP-14-1093_en.htm) (Accessed 2018.01.13). In recent times, there has been work towards modifying Hungary and Russia's financing agreement in relation to Paks, which would entail the former only commencing the repayment of the loan only when the two new reactors actually start supplying power, this development being a result of a European Union review (see Budapest Business Journal (2019): *Hungary working to modify funding for Paks nuclear upgrade*, 28 January 2019, [https://bbj.hu/energy-environment/hungary-working-to-modify-funding-for-paks-nuclear-upgrade\\_160650](https://bbj.hu/energy-environment/hungary-working-to-modify-funding-for-paks-nuclear-upgrade_160650) (Accessed 2019.02.13) This modification requires the Hungarian parliament's approval (Reuters (2019): Hungary, Russia to modify financing for Paks nuclear plant expansion – minister, 25 January 2019, <https://www.reuters.com/article/hungary-nuclearpower-financing/hungary-russia-to-modify-financing-for-paks-nuclear-plant-expansion-minister-idUSL8N1ZP1SZ> (Accessed 2019.02.13)

<sup>298</sup> Austria filed a lawsuit in 2015 with the European Court of Justice in response to the European Commission's approval of the UK government's state aid for the Hinkley Point C nuclear plant. See World Nuclear News (2015): Austria files action against Hinkley Point project, 6 July 2015, <http://www.world-nuclear-news.org/NN-Austria-files-legal-action-against-Hinkley-Point-project-0607201502.html> (Accessed 2019.02.13) Subsequently, in July 2018 the General Court of the European Union rejected the lawsuit that was filed by Austria in relation to the matter, with the court stating that the European Commission was not in error when it accepted the United Kingdom's argument in relation to the issue that it was in the public interest to construct the plant (see World Nuclear News (2018): *Austrian case against Hinkley Point C aid rejected*, 12 July 2018, <http://www.world-nuclear-news.org/NN-Austrian-case-against-Hinkley-Point-C-aid-rejected-1207184.html> (Accessed 2019.02.13). Despite this development, Austria stated that it would still continue with its challenge to the Paks project. (See AULNER, Francois - CHEE, Foo Yun (2018): *EU court backs approval of UK Hinkley nuclear plant*, Reuters, 12 July 2018, <https://uk.reuters.com/article/uk-eu-nuclear-uk-austria/eu-court-backs-approval-of-uk-hinkley-nuclear-plant-idUKKBN1K20TB?il=0> (Accessed 2019.02.13)

<sup>299</sup> The Local (2017): Austria fumes at Hungary's Kremlin-backed nuclear plant, 7 March 2017, <https://www.thelocal.at/20170307/austria-fumes-at-hungary-kremlin-backed-nuclear-plant> (Accessed 2018.01.13)

<sup>300</sup> Phys.org (2017): Austria to sue over Hungary nuclear plant extension, 13 October 2017, <https://phys.org/news/2017-10-austria-sue-hungary-nuclear-expansion.html> (Accessed 2018.01.13)

Sebastian Kurz decided to sue the European Commission for its decision to allow the expansion of the Paks Nuclear Power Plant,<sup>301</sup> and officially lodged a complaint with the European Court of Justice on February 22.<sup>302</sup> Margrethe Vestager responded that it took such a decision by the Austrian government “*very seriously*” and that the Commission was prepared to defend its decision “*with the arguments that are in the decision*”.<sup>303</sup> Hungarian Foreign Minister Péter Szijjártó stated that the action of the Austrian government would have no effect on the construction schedule of the two new units at Paks.<sup>304</sup>

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Hungary’s dealings with Russia in the development of the Paks II project, show that despite certain disagreements and tensions between the European Union and the Russian Federation with regards to various issues, there are EU Member States that feel that it is in their own vital interest to pursue and deepen their relations with Russia in certain specific areas such as energy. The case of Paks II illustrates very clearly that with EU membership comes certain obligations and restrictions which may at times somewhat impede completely independent action when pursuing relations with third countries such as Russia. This may also be seen when it comes to the sanctions that have been imposed on Russia as a result of events in Ukraine, where EU Member States face certain restrictions when dealing with the former. In the case of Paks II, certain doubts and opposition with regards to the project’s compliance with EU law were able to be overcome. This example illustrates the relevance of both the intergovernmental and neofunctionalist points of view, that is, those perspectives which place an emphasis on both the important role of individual nation states in the integration process, and also that which places the greatest importance on the supranational structures and authorities that are created as part of that integration process. Here we see Hungary, an individual Member State pursuing a course it sees consistent with its own interests in a particular situation in the realm of energy. However, the supranational European Union structure inhibited

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<sup>301</sup> ZALAN, Eszter (2018): Austria sues Commission over Hungary’s nuclear plant, *EUobserver*, 25 January 2018, <https://euobserver.com/energy/140690> (Accessed 2018.02.01)

<sup>302</sup> Euractiv (2018): Austria sues over EU approval of Hungary nuclear plant, 23 February 2018, <https://www.euractiv.com/section/politics/news/austria-sues-over-eu-approval-of-hungary-nuclear-plant/>. (Accessed 2018.02.25)

<sup>303</sup> ZALAN, i.m.

<sup>304</sup> TASS Russian News Agency (2018): Construction of new units at Hungary’s Paks NPP to begin as scheduled – foreign minister, 24 January 2018, <http://tass.com/economy/986578> (Accessed 2018.02.01)

completely free action in this particular situation, and it was necessary to convince that supranational structure that this action was consistent with its norms and rules. Thus, it can be said that this is an example of the importance of both the individual nation states and supranational structure in the European integrative space.

## CHAPTER 3

### THE LEGAL FRAMEWORK OF THE EUROPEAN UNION'S RELATIONS WITH UKRAINE

In the following analysis of the the European Union's external relations with Ukraine, a similar structure shall be employed as in the case of Russia, which involves a survey of the major and most vital instruments that exist between the EU and Ukraine. Firstly there shall be an examination of Ukraine's Partnership and Cooperation Agreement with the European Union; this is followed by the Action Plan signed between the two in the context of the European Neighbourhood Policy; and lastly the Association Agreement signed between the two. It shall be seen, in particular with the signing of the last agreement, that Ukraine has committed itself to the course of deep and substantial integration with the European Union, and thus going beyond the level which Russia has sought to attain in this area. There shall also be an examination of Ukraine's attempts at approximating to the European Union's energy *acquis*, which has been substantial, also signifying an approach that differs markedly from that adopted by Russia with regards to the same issue. The adoption of the Association Agreement also presents certain opportunities for Ukraine in relation to its relationship with non-EU Member States. One such example is the country's relations with China, which, as shall be seen, have a possibility for intensification as a result of Ukraine now having achieved a more integrated relationship with the European Union. Additionally, there shall also be a brief survey of suggestions made in relation to the Association Agreement between the European Union and Ukraine being a possible model for the United Kingdom's relationship with the EU post-Brexit, and a case study in relation to certain aspects of Hungary's relations with Ukraine.

#### 3.1 The European Union-Ukraine Partnership and Cooperation Agreement

Ukraine attained its independence from the Soviet Union in 1991, and from that time Ukraine set out establishing bilateral relations with the European Community, with the latter recognizing Ukraine's sovereignty as a result of the referendum calling for independence from the Soviet

Union.<sup>305</sup> It quickly became the general consensus that Ukraine would pursue a policy of European integration.<sup>306</sup> On December 25 1990 the Verkhovna Rada of the USSR in its resolution „*On the implementation of the Declaration of State Sovereignty of Ukraine in the sphere of foreign relations*” stated that it was a goal of Ukrainian foreign policy „*to ensure direct participation of Ukraine in the general European process and European structures*”.<sup>307</sup> The 1993 Fundamental Guidelines in Ukrainian Foreign Policy<sup>308</sup> also stated that „*the prospective objective of Ukrainian foreign policy is Ukraine’s membership of the European Community...*”<sup>309</sup> This desire and vision is rooted in a number of factors, part of which relates to the feeling that Ukraine geographically, historically and culturally belongs to the broader European civilization, coupled with the view that European Union integration will reap economic and security benefits, the latter particularly relating to Ukraine’s complex geopolitical position.<sup>310</sup> Furthermore, the very concept of Ukrainian independence was viewed by many as being explicitly connected to the idea of a “*return to Europe*”.<sup>311</sup> However, it must be said that the degree of this commitment to pursuing integration with the European Union has differed from administration to administration, based on different policy orientation and priorities, with often a balancing, multivector approach being pursued so as to manage its geopolitical position and various differing interests, inclinations and orientations, in particular when it comes to the way in which it handles its relationship with the Russian

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<sup>305</sup> KUZMIN, Denys – MAKSYMENKO, Iryna (2012): Analysis of the EU – Ukraine Relations in the Context of the Association Agreement and Related Documents and the EU 2014-2020 Financial Perspective, Bridge: International Project co-financed by the European Commission, EuropeAid, 465, <http://www.iscomet.org/images/documents/Publikacije/ANALYSES%20OF%20EU%20%E2%80%93%20PARTNER%20COUNTRIES%20RELATIONS%20REFLECTIONS%20FROM%20BELARUS,%20MOLDOVA,%20RUSSIA%20AND%20UKRAINE.pdf> (Accessed 2019.02.15)

<sup>306</sup> KUZIO, Taras (1999): *Slavophiles versus Westernizers: Foreign Policy Orientations in Ukraine*. In SPILLMANN, Kurt R. - WENGER, Andreas, - MÜLLER, Derek eds.; *Between Russia and the West: Foreign and Security Policy of Independent Ukraine*. Bern, Peter Lang, 56.

<sup>307</sup> Quoted in PALAGNYUK, Yuliana (2013): Formation of State Policy of Ukraine towards European Integration. *Przegląd Politologiczny*, Issue 4, 251-252, <https://repozytorium.amu.edu.pl/bitstream/10593/10552/1/pp-4-2013-251-262.pdf> (Accessed 2019.02.15)

<sup>308</sup> This document was adopted by the Ukrainian Verhovna Rada on 2 July 1993. See Ministry of the Foreign Affairs of Ukraine, *History and Traditions of the foreign policy service of Ukraine*, <https://mfa.gov.ua/en/about-mfa/history> (Accessed 2019.02.17)

<sup>309</sup> Quoted in PALAGNYUK (2013): i.m., 252.

<sup>310</sup> WOLCZUK, Kataryna (2004): Integration without Europeanisation: Ukraine and its policy toward the European Union, *European University Institute Working Papers: Robert Schuman Centre for Advanced Studies*, No. 15, 6-7, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2344806](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2344806) (Accessed 2019.02.15)

<sup>311</sup> KUZIO, Taras (2002): European, Eastern Slavic, and Eurasian: National Identity, Transformation, and Ukrainian Foreign Policy. In MORONEY, Jennifer D.P - KUZIO, Taras - MOLCHANOV, Mikhail eds.: *Ukrainian Foreign and Security Policy: Theoretical and Comparative Perspectives*, Praeger: Westport, Connecticut, and London, 202.

Federation.<sup>312</sup> Yet, in general, and at least on an official level, it can be said that the declared aim of the independent Ukrainian state has been to pursue the path of European integration.<sup>313</sup>

Upon gaining independence Ukraine, as well as the other former Soviet states, inherited the previously mentioned Trade and Cooperation Agreement signed between the European Community and the Soviet Union in 1989.<sup>314</sup> The collapse of the USSR essentially led to the European Community being faced with a number of challenges to deal with, one of the most vital and urgent being the need to create a specific strategy of engagement with these neighbouring post-communist states.<sup>315</sup> As has already mentioned, Europe Agreements were signed with certain Central European states. In contrast, former Soviet Republics instead signed Partnership and Cooperation Agreements which were to act as the basis of the relationship,<sup>316</sup> with the European Union and Ukraine signing their PCA on June 16 1994, which was the first of its kind to be signed by a member state of the CIS.<sup>317</sup> The PCA only came into effect on March 1 1998, due to the need for the Parliaments of all 15 EU Member States having to approve it.<sup>318</sup> However, it is also generally believed that this delay in ratification was due to Ukraine at that time being a low priority for the European Union.<sup>319</sup>

The Agreement stated that it seeks to strengthen the “*links and to establish partnership and co-operation*” between the two entities.<sup>320</sup> More specifically, the aims of the PCA are articulated in Article 1, which include providing a framework for a political dialogue which will allow for the parties to develop a close political relationship; the promotion of trade, investment and economic relations of a harmonious nature between the two parties and to aid in sustainable development; to create a foundation for mutually advantageous cooperation in the economic, financial, social,

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<sup>312</sup> FREIRE, Maria Raquel (2008): The Russian Federation and the CIS. In KOLODZIEJ, Edward A. - KANET, Roger E. eds.: *From Superpower to Besieged Global Power: Restoring World Order After the Failure of the Bush Doctrine*. Athens and London: The University of Georgia Press, 163.

<sup>313</sup> WOLCZUK, Katarzyna (2004): *Ukraine's Policy towards the European Union: A Case of 'Declarative Europeanization'*, 2 [http://www.batory.org.pl/ftp/program/forum/eu\\_ukraine/ukraine\\_eu\\_policy.pdf](http://www.batory.org.pl/ftp/program/forum/eu_ukraine/ukraine_eu_policy.pdf) (Accessed 2019.02.15)

<sup>314</sup> PALAGNYUK (2013): i.m., 251.

<sup>315</sup> DELCOUR (2011): i.m., 25.

<sup>316</sup> HILLION (2006): i.m., 14.

<sup>317</sup> KUZMIN - MAKSYMENKO (2012): i.m., 465

<sup>318</sup> SCHNEIDER (2001): i.m. 68.

<sup>319</sup> PIONTEK, Eugeniusz (2006): *Ukraine*. In BLOCKMANS, Steven – LAZOWSKI, Adam (eds.), *The European Union and Its Neighbours*, T.M.C Asser Instituut, The Hague, and the authors, 502.

<sup>320</sup> Partnership and Co-operation Agreement Between the European Communities and their Member States, and Ukraine, L49, 19/02/1998, 4, <http://ec.europa.eu/world/agreements/downloadFile.do?fullText=yes&treatyTransId=659>, (Accessed 2017.11.30)

cultural, and civil scientific technology sectors; and to provide support to Ukraine in the country's attempts to strengthen democracy, and to undertake economic development, aiming to achieve a market economy.

Article 51 states that both Ukraine and the Community recognize that the development of economic relations between the two is predicated upon the former's approximating to the Community's legislation, and to be compatible with it.<sup>321</sup> There are various areas in which the PCA called for harmonisation with EU law. This included areas such as intellectual, industrial and commercial property rights (Articles 50), customs law, company law, banking law, company accounts and taxes, intellectual property, worker protection, financial services, rules on competition, public procurement, protection of health and life of humans, animals and plants, the environment, consumer protection, indirect taxation, technical rules and standards, nuclear laws and regulations, transport (Article 51) agriculture and the agro-industrial sector (Article 60), the environment (Article 63), money laundering (Article 68), social protection (Article 71), consumer protection (Article 75), customs (Article 76), and statistical cooperation (Article 77).

However, this commitment to embark upon legal approximation has been described as a kind of “(soft) commitment”.<sup>322</sup> Furthermore, it has been questioned as to what extent the PCA was a truly effective legal instrument in deepening relations between the European Union and Ukraine. For example, despite the statements calling for legal approximation, the EU did not have a clearly articulated goal and strategy in relation to non-candidate neighbors such as Ukraine.<sup>323</sup> The PCA itself lacked clarity with regards to the obligations that it contained, such as the extent to which they were binding, the consequences of their implementation or the deadlines set with regards to them.<sup>324</sup> Furthermore, such PCAs did not aim at providing an EU membership

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<sup>321</sup> It should be noted, however, that the voluntary harmonization of Ukrainian law with Community law began even before the PCA's coming into force. See MURAVYOV, Viktor (2006): Legal approximation: evidence from Ukraine, at workshop, The European Neighbourhood Policy: A Framework for Modernisation, European University Institute, 1-2 December 2006, 2, <https://www.eui.eu/Documents/DepartmentsCentres/Law/Professors/Cremona/TheEuropeanNeighbourhoodPolicy/PaperMuravyov.pdf> (Accessed 2019.02.15)

<sup>322</sup> PETROV Roman (2014): Legislative Approximation and application of EU law in Ukraine. In VAN ELSUWEGE, Peter, - PETROV, Roman eds.: *Legislative Approximation and Application of EU Law in the Eastern Neighbourhood of the European Union: Towards a Common Regulatory Space?* London and New York, Routledge, 137.

<sup>323</sup> VAN ELSUWEGE Peter - PETROV Roman (2014): Setting the scene: legislative approximation and application of EU law in the Eastern neighbourhood of the European Union. In VAN ELSUWEGE, Peter - PETROV, Roman eds.: *Legislative Approximation and Application of EU Law in the Eastern Neighbourhood of the European Union: Towards a Common Regulatory Space*, London, Routledge, 2-3.

<sup>324</sup> PIONTEK (2006): i.m. 509.

perspective for the signatory country, as evidenced by the omission of a reference in the PCAs preamble to future integration of Ukraine into the European Union.<sup>325</sup> This is despite the fact that there is a striking similarity between the abovementioned Europe Agreements and PCA in terms of approximation objectives.<sup>326</sup> Instead, the PCAs ultimately sought to foster cooperation between the signatories.<sup>327</sup> In addition, the Agreement's primary focus was the facilitation of trade by Ukraine's adoption of WTO norms and standards, with economic issues having pre-eminence throughout the document.<sup>328</sup> In addition, Ukraine was also accused of violating several of the binding provisions within the Agreement, including all the major ones relating to the trading of goods, which included freedom of transit, most-favoured-nation treatment, and the prohibiting of quantitative restrictions on imports.<sup>329</sup> It was claimed that the impression within the EU with regards to Ukraine's determination to implement the PCA was that it was "*at most hesitant and at times even ebbing*", and that the country was "*in breach of virtually all key provisions on trade in goods*".<sup>330</sup> With regards to the opinion on the other side, Ukrainians themselves considered that the restrictions on importing Ukrainian textile and steel products contradicted the concepts of partnership and fairness that the PCA claimed to uphold and support.<sup>331</sup>

### 3.2 Action Plans and Ukraine

As discussed above, the main instrument for achieving the goals of the ENP are Action Plans (AP), one of which was signed between the European Union and Ukraine in 2005.<sup>332</sup> As a result of the enlargement of 2004, Ukraine became one of the EU's most important neighbours to its East.<sup>333</sup> According to Ukraine's AP, this provided the opportunity for developing the EU and Ukraine's

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<sup>325</sup> PETROV, Roman (2002): The Partnership and Co-operation Agreements With the Newly Independent States. In OTT, Andrea - INGLIS, Kirstyn (eds.), *Handbook on European Enlargement*, T.M.C Asser Press, The Hague, 177.

<sup>326</sup> PIONTEK (2006): i.m., 508.

<sup>327</sup> PETROV (2002): i.m. 177.

<sup>328</sup> KUBICEK, Paul (2005): The European Union and democratization in Ukraine, *Communist and Post-Communist Studies* 38, 275.

<sup>329</sup> WOLCZUK (2004): i.m. 17.

<sup>330</sup> SCHNEIDER (2001): i.m., 71.

<sup>331</sup> KUBICEK (2005): i.m. 275.

<sup>332</sup> Joint Evaluation Report EU-Ukraine Action Plan, Brussels/Kyiv, March 2008, [http://www.eas.europa.eu/archives/docs/ukraine/docs/ukraine\\_eu\\_joint\\_evaluation\\_2008\\_en.pdf](http://www.eas.europa.eu/archives/docs/ukraine/docs/ukraine_eu_joint_evaluation_2008_en.pdf) (Accessed 2019.02.15)

<sup>333</sup> SASSE (2010): i.m, 183.

relationship in the direction of “*gradual economic integration and a deepening of political cooperation*”.<sup>334</sup>

The agreement was to cover a span of 3 years<sup>335</sup> and aimed to assist in the fulfilling of the provisions of the already existing 1994 Partner and Cooperation Agreement and to support the general objective of Ukraine’s integration into the EU’s structures.<sup>336</sup> However, the AP also set certain priorities that went beyond the PCA’s scope.<sup>337</sup> The AP is divided into three sections, the first part introducing the Agreement and outlining its major priorities and aims. The second section forms the main bulk of the Agreement, and lists 71 priorities corresponding to the abovementioned interests of the APs in general. The third and final section relates to the monitoring of the AP. The AP mentions that, despite all the priorities listed being important, the following points were given a particular emphasis: strengthening those institutions which guarantee both democracy and the rule of law; to ensure the democratic nature of the 2005 and 2006 presidential elections in Ukraine; safeguarding the principle of freedom of media and expression; the development of possibilities with regards to EU-Ukraine consultations in the area of crisis management; increasing cooperation in relation to disarmament and non-proliferation; strengthening cooperation in relation to regional security and the common neighbourhood; Ukraine’s accession to the World Trade Organization; over time removing non-tariff barriers and restrictions that inhibit bilateral trade and to bring into being necessary regulatory changes; the improvement of the climate for investments; implementation of tax reform; the establishment of a dialogue between the EU and Ukraine in relation to visa facilitation; Ukraine’s gradual approximation to the EU’s legislation, standards and norms; the encouragement of the dialogue in the areas of employment and best endeavours; and the complete implementation of Memorandum of Understanding on the closure of the Chernobyl nuclear power plant.<sup>338</sup>

In 2005 the Ukrainian government adopted a roadmap in order to assist in the implementation of this program,<sup>339</sup> which was renewed annually for the AP’s duration.<sup>340</sup> This

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<sup>334</sup> EU/Ukraine Action Plan (2005): Introduction, 1, <https://library.euneighbours.eu/content/eu-ukraine-action-plan-0> (Accessed 2019.02.17)

<sup>335</sup> Ibid, Priorities for Action, 3.

<sup>336</sup> Ibid, Introduction, 1.

<sup>337</sup> Ibid, Priorities for Action, 3.

<sup>338</sup> Ibid, 3.

<sup>339</sup> LUSHNYCKY, Andrej N. – RIABCHUK, Mykola (2009): *Ukraine on Its Meandering Path Between East and West*, Peter Lang AG, Bern, 48.

<sup>340</sup> WOLCZUK (2009): i.m. 200.

roadmap essentially acted as a governmental programme which would act as a blueprint for reform in Ukraine.<sup>341</sup> The Introduction of the AP states that the Action Plan's implementation will lead to a significant advancement in Ukraine approximating to the legislation, standards and norms of the European Union, though at the same time acknowledging that the European Neighbourhood Policy does not aim at the complete exportation of the *acquis* of the European Union to its partner states.<sup>342</sup> As stated above in the AP's priorities the goal at this stage was the "*gradual approximation*" of Ukrainian law to that of the EU. As one commentator has said, Ukraine's AP expresses "*intentions rather than explicit obligations*".<sup>343</sup> In this sense, it can be said to follow a similar model of "*soft commitment*" to approximating to EU standards as already set out in relation to the Partnership and Cooperation Agreement. However, as shall be seen, a substantive change took place in the relationship with the eventual signing of the Association Agreement negotiated between the two parties.

### 3.3 The European Union-Ukraine Association Agreement

In 2007 negotiations began in order to bring about an Association Agreement between the European Union and Ukraine.<sup>344</sup> However, the negotiation, signing and finally ultimate ratification of the Association Agreement between the European Union and Ukraine travelled down a very dramatic path. An important development in this story was the election of Viktor Yanukovich as President of Ukraine in 2010, who advocated the balancing of relations between both the Russian Federation and the West.<sup>345</sup> He himself had made it clear that though he planned to sign the Association Agreement with the European Union in 2013, at the same time he also wished to develop Ukraine's relations with the Eurasian Customs Union.<sup>346</sup> After months of negotiations

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<sup>341</sup> Ibid, 201.

<sup>342</sup> HERDINA (2007):, i.m., 502.

<sup>343</sup> MURAVYOV (2006): i.m, 5.

<sup>344</sup> European Commission: EU-Ukraine Association Agreement Guide to the Association Agreement, 1 [http://eeas.europa.eu/archives/docs/images/top\\_stories/140912\\_eu-ukraine-associatin-agreement-quick\\_guide.pdf](http://eeas.europa.eu/archives/docs/images/top_stories/140912_eu-ukraine-associatin-agreement-quick_guide.pdf), (Accessed 2018.01.30)

<sup>345</sup> PEISAKHIN, Leonid (2015): Euromaidan Revisited: Causes of Regime Change in Ukraine One Year On, *Kennan Cable*, Number 5, 2, <https://www.wilsoncenter.org/sites/default/files/5-kennan%20cable-Peisakhin.pdf>. (Accessed 2018.01.30)

<sup>346</sup> Euractiv: Ukraine wants trade agreements with EU and Russia, January 4 2013, <http://www.euractiv.com/section/europe-s-east/news/ukraine-wants-trade-agreements-with-eu-and-russia/> (Accessed 2018.01.30)

over various details,<sup>347</sup> finally Viktor Yanukovich decided not to sign the Association Agreement with the European Union at the Eastern Partnership's Vilnius summit in November 2013<sup>348</sup> and finally accepted a \$15 billion aid package from Russia, with a promise of a reduction of gas prices, which it was said would have aided the country in returning the economy to growth and in order to further modernize it.<sup>349</sup> In response to this announcement, there began a protest movement in Kyiv's Maidan Square which ultimately saw the ousting of Viktor Yanukovich, and the election of Petro Poroshenko as President of Ukraine on 25 May 2014.<sup>350</sup> This development may be described as the coming to power of a strongly pro-Western administration with what can almost certainly be called a clear and unambiguous Euro-Atlantic orientation. On 21 March 2014 the Agreement's political provisions were signed, the economic component following on 27 June 2014.<sup>351</sup> The whole Association Agreement had a provisional application from January 2016,<sup>352</sup> while waiting for all the EU Member States to take the necessary steps to ratify it.<sup>353</sup>

### **3.3.1 A “new generation” of Association Agreement**

This Association Agreement is one of the so-called “*new generation*” of Association Agreements, which is more extensive than what has gone before it, and has been defined by its “*comprehensiveness, complexity and conditionality.*”<sup>354</sup> Its comprehensiveness lies in the fact that

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<sup>347</sup> Deutsche Welle (2013): Ukraine scraps plan to sign historic pact with European Union, 21 November 2013, <http://www.dw.com/en/ukraine-scraps-plan-to-sign-historic-pact-with-european-union/a-17244405>, (Accessed 2017.10.30)

<sup>348</sup> SAFRANCHUK, Ivan (2016): Russia in a Reconnecting Eurasia: Foreign Economic and Security Interests, Center for Strategic and International Studies, Rhode Island, 19, [https://csis-prod.s3.amazonaws.com/s3fs-public/publication/160907\\_Safranchuk\\_RussiaReconnectingEurasia\\_Web.pdf](https://csis-prod.s3.amazonaws.com/s3fs-public/publication/160907_Safranchuk_RussiaReconnectingEurasia_Web.pdf) (Accessed 2017.10.30)

<sup>349</sup> WALKER, Shaun (2013): Vladimir Putin offers Ukraine financial incentives to stick with Russia. *The Guardian*, 18 December 2013, <https://www.theguardian.com/world/2013/dec/17/ukraine-russia-leaders-talks-kremlin-loan-deal>, (Accessed 2017.10.30)

<sup>350</sup> President of Ukraine: Biography – Petro Poroshenko, <https://www.president.gov.ua/en/president/petro-poroshenko>, (Accessed 2018.08.20)

<sup>351</sup> PETROV - VAN ELSUWEGE (2016): i.m. 7.

<sup>352</sup> European Commission: EU-Ukraine Association Agreement: „Quick Guide to the Association Agreement”, 1, [https://eeas.europa.eu/sites/eeas/files/071215\\_eu-ukraine\\_association\\_agreement.pdf](https://eeas.europa.eu/sites/eeas/files/071215_eu-ukraine_association_agreement.pdf), (Accessed 2017.12.01)

<sup>353</sup> TEFFER, Peter (2017): Netherlands ratifies EU-Ukraine treaty. *Euobserver*, 30 May 2017, <https://euobserver.com/foreign/138060>, (Accessed 2017.12.01)

<sup>354</sup> PETROV, Roman - VAN DER LOO, VAN ELSUWEGE, Peter, *The EU-Ukraine Association Agreement: A New Legal Instrument of Integration Without Membership?* (2016), *Kyiv-Mohyla Law and Politics Journal*, 1 (2015), 2, [https://www.researchgate.net/publication/303112803\\_The\\_EU-Ukraine\\_Association\\_Agreement\\_A\\_New\\_Legal\\_Instrument\\_of\\_Integration\\_Without\\_Membership](https://www.researchgate.net/publication/303112803_The_EU-Ukraine_Association_Agreement_A_New_Legal_Instrument_of_Integration_Without_Membership) (Accessed 2019.02.15)

it deals with all the various elements in the relationship between the European Union and Ukraine.<sup>355</sup> As to the Association Agreement's complexity, this is connected to its ambitious character, attempting to bring about the integration of Ukraine into the European Union's internal market via the creation of a Deep and Comprehensive Free Trade Agreement.<sup>356</sup> The conditionality element is observable in the Association Agreement's Preamble, which says that both Ukraine's political association and economic integration with the European Union is dependent upon the the Agreement's implementation, and Ukraine success in making sure that common values are respected, as well as in converging with the EU in the areas of politics, economics and law.<sup>357</sup> Furthermore, the Association Agreement explicitly mentions Ukraine's "*progressive approximation of its legislation to that of the Union*".<sup>358</sup> In these particulars it can be said that the Association Agreement goes beyond anything which has existed previously in terms of the extent of integration between the European Union and Ukraine, surpassing the abovementioned "*soft*" nature of the Partnership and Cooperation Agreement, and thus, in this sense created a depth of relations which also goes beyond that created by the EU-Russia Partnership and Cooperation Agreement.

As to the actual composition of the Association Agreement, it is structured in the following way: The Preamble, plus Seven Titles, these being: General Principles; Political Cooperation and Foreign and Security Policy; Justice Freedom and Security; Trade and Trade related matters (DCFTA); Economic and Sector Cooperation; Financial Cooperation with Anti-Fraud Provisions, also containing Institutional, General and Final Provisions. Its contents includes a total of 43 Annexes laying out EU legislation required to be taken over by a certain date in time, as well as Three Protocols.<sup>359</sup> The Preamble discusses the values and the ideological basis of the Agreement, and states that it recognizes "*that Ukraine as a European country shares a common history and common values with the Member States of the European Union (EU) and is committed to promoting those values*".<sup>360</sup> According to Article 1.2 of the Association Agreement, its aims are

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<sup>355</sup> Ibid, 3.

<sup>356</sup> Ibid.

<sup>357</sup> Ibid.

<sup>358</sup> Article 1(2)(d).

<sup>359</sup> European Commission (2016): EU-Ukraine Association Agreement „Guide to the Association Agreement”, i.m. 2.

<sup>360</sup> According to the Preamble, the values that the EU and Ukraine share are: "*respect for democratic principles, the rule of law, good governance, human rights and fundamental freedoms, including the rights of persons belonging to national minorities, non-discrimination of persons belonging to minorities and respect for diversity, human dignity*

the promotion of a gradual rapprochement between Ukraine and the European Union the basis of which is common values and special links, bringing Ukraine closer to the EU's policies, and for the country to participate with its programmes and agencies; to bring about a framework in order to increase political dialogue with regards to mutual interests; the promotion, strengthening and preservation of stability and peace on both an international and regional level, according to such international agreements as the United Nations Charter, the Helsinki Final Act of 1975 of the Conference on Security and Cooperation in Europe and the objectives of the Charter of Paris for a New Europe of 1990; supporting Ukraine's transition to a functioning market economy which includes the country approximating to the EU's legislation, bringing about the conditions leading to Ukraine's eventual integration into the European Union's Internal Market, including the creation of a Deep and Comprehensive Free Trade Area; increasing cooperation in the area of Justice, Freedom and Security, reinforcing such principles as rule of law, respect for fundamental freedoms and human rights; also, the Agreement makes for provision for increasing cooperation in other areas that Ukraine and the European Union have in common.<sup>361</sup>

Article 2 lists various human rights instruments, such as the Helsinki Final Act of 1975 of the Conference on Security and Cooperation in Europe and the Charter of Paris for a New Europe of 1990, and the UN Universal Declaration of Human Rights and the European Convention on Human Rights and Fundamental Freedoms as defining the concepts relating to democratic principles, fundamental freedoms and human rights which, along with the rule of law concept, are to form vital components of the Agreement, and are to act as a basis for both the signatories external and domestic policies. Additionally, other important values are respect for sovereignty and states' territorial integrity, independence, and opposing any proliferation in weapons of mass destruction.

Article 3 states that the EU and Ukraine recognise that their relationship is underpinned by the free market economy model, and that these relations are enhanced by such values as rule of law and good governance, combating against corruption, terrorism and trans-national organised crime, as well as the promoting of sustainable development and the multilateral principle. In

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*and commitment to the principles of a free market economy, which would facilitate the participation of Ukraine in European policies”.*

<sup>361</sup> Association Agreement between the European Union and its Member States, of the one part, and Ukraine, of the other part, L 161/3, 29/5/2014, *Official Journal of the European Union*, [https://trade.ec.europa.eu/doclib/docs/2016/november/tradoc\\_155103.pdf](https://trade.ec.europa.eu/doclib/docs/2016/november/tradoc_155103.pdf) (Accessed 2017.05.10)

relation to political dialogue and cooperation in the areas of foreign and security policy, Article 4 (1) sets out that political dialogue is to be strengthened and increased between the EU and Ukraine, which will aid in foreign and security matter convergence, leading to Ukraine being more deeply involved the broader European security area. In relation to the political dialogue between the parties, Article 4(2) elaborates on this, stating that it aims at the deepening of the political association between the parties, and aims at both a convergence and effectiveness in political and security policy. the promotion, via multilateralism, of stability and security in the international arena; strengthening between the European Union and Ukraine cooperation and dialogue relating to international security and crisis management, with a particular emphasis on global and regional threats and challenges; the fostering of cooperation in order to achieve in Europe stability, security and peace; among other principles, the strengthening of democracy and the rule of law, as well as the principles of state independence and sovereignty, as well as the integrity of states' borders.

As to matters of justice and judicial affairs, according to Article 14 the parties are place a special importance on strengthening rule of law and the reinforcing of institutions in administration, law enforcement as well as the administration of justice. The strengthening of the judiciary is to be a particular aim of cooperation, which includes focusing on its efficiency, impartiality and independence.<sup>362</sup>

In relation to trade matters, Article 25 states that there is to be the establishment between the parties of a free trade area over a period of 10 years at most, a period which begins from the time the Agreement enters into force. The Preamble of the Agreement states *“that such a Deep and Comprehensive Free Trade Area, linked to the broader process of legislative approximation, will contribute to further economic integration with the European Union Internal Market as envisaged in this Agreement”*. This involves an elimination of customs duties, fees and other charges on goods (Article 27), and the Agreement includes stipulations relating to such areas as trade

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<sup>362</sup> Article 24 further elaborates upon the issue of legal cooperation, stating that: *“1. The Parties agree to further develop judicial cooperation in civil and criminal matters, making full use of the relevant international and bilateral instruments and based on the principles of legal certainty and the right to a fair trial.; 2. The Parties agree to facilitate further EU-Ukraine judicial cooperation in civil matters on the basis of the applicable multilateral legal instruments, especially the Conventions of the Hague Conference on Private International Law in the field of international Legal Cooperation and Litigation as well as the Protection of Children; 3. As regards judicial cooperation in criminal matters, the Parties shall seek to enhance arrangements on mutual legal assistance and extradition. This would include, where appropriate, accession to, and implementation of, the relevant international instruments of the United Nations and the Council of Europe, as well as the Rome Statute of the International Criminal Court of 1998 as referred to in Article 8 of this Agreement, and closer cooperation with Eurojust”*

Remedies (Title IV, Chapter 2), technical Barriers to Trade (Title IV, Chapter 3), sanitary and phytosanitary measures, (Title IV, Chapter 4), customs and trade facilitation (Title IV, Chapter 5), establishment, trade in services, and electronic commerce (Title IV, Chapter 6), public procurement (Title IV, Chapter 8), intellectual property (Title IV, Chapter 9), competition (Title IV, Chapter 10), and energy (Title IV, Chapter 11), among other measures.

With regards to energy cooperation, according to Article 337(1) the European Union and Ukraine are to intensify and continue their energy cooperation, aiming to increase energy security, sustainability and competitiveness, including energy sector approximation.

As to the matter of financial cooperation, according to Article 453 Ukraine is to receive EU funding, with the aim of achieving the Association Agreement's objectives.

Finally, in the area of the institutional arrangements created by the Agreement, Article 460(1) states that the summit level shall be the highest level with regards to both political and policy dialogue, which are to be held once every year. These are to provide guidance for the Association Agreement and to provide a forum for the discussion for various issues of mutual interest.

As has been seen from the above, this is an agreement which goes beyond anything that had been seen previously in terms of legal instruments that existed between the European Union and Ukraine, and also between the former and the Russian Federation. This can be said to mark a major milestone in both the history of the EU-Ukraine relations, but also in relations between the European Union and third countries in general which are objects of the EU's external relations policy, being an agreement which seeks to strongly integrate the signatory third country with the European Union, while at the same time not promising that country an explicit membership perspective. The following comparative table has been created in order to better emphasise various salient features of the Partnership and Cooperation Agreements and the Association Agreement examined here, thus illustrating certain differences between the nature of the EU's relationship with both Russia and Ukraine:

### Similarities and differences between the PCAs and the Association Agreement

| EU – RUSSIA  | EU – UKRAINE   |  |
|--|--|--|
| PCA 1994   | PCA 1998   | Association Agreement (AA) 2014  |
| it establishes a political dialogue  | it establishes a political dialogue  | political dialogue is to be “ <i>further developed and strengthened</i> ” (it also extends to areas of foreign and security policy)  |
| though a stated aim was the eventual creation of a free trade area between the two entities, in reality it was rather a declaration of an intention with the most important economic aim being Russia’s future membership of the World Trade Organisation, having been granted most-favoured-nation status | instead of creating a free trade area (despite state intention as this being an eventual aim) the primary focus was the facilitation of trade by Ukraine’s adoption of WTO norms and standards and also granted most-favoured-nation status                              | it establishes a Deep and Comprehensive Free Trade Area (the establishment between the parties of a free trade area over a period of 10 years)   |
| approximation of legislation:<br><ul style="list-style-type: none"> <li>- it covers quite a broad area of economic law (company law, banking law, taxation etc.)</li> <li>- but there is no formal legal obligation to approximate “<i>(soft) commitment</i>”</li> </ul>                                   | approximation of legislation:<br><ul style="list-style-type: none"> <li>- it covers quite a broad area of economic law (company law, banking law, taxation etc.)</li> <li>- but there is no formal legal obligation to approximate “<i>(soft) commitment</i>”</li> </ul> | approximation of legislation:<br><ul style="list-style-type: none"> <li>- it covers an even broader area of economic law (beyond those covered by the PCA it also extends to areas like competition law)</li> <li>- progressive approximation of Ukraine’s legislation to that of the Union (<i>more than a soft commitment</i>)</li> <li>- <i>approximation also extends to non economic areas like justice and judicial affairs</i></li> </ul> |
| no EU membership perspective   | no EU membership perspective   | though not granting an explicit membership perspective, the AA still aims at the promotion of a gradual rapprochement between Ukraine and the European Union, leading to Ukraine’s eventual integration into the European Union’s Internal Market  |

### 3.3.2 Dutch ratification of the Association Agreement

It has been recounted that Ukraine's signing of the Association Agreement with the European Union was not without its dramatic aspects. The same can also be said to a certain point on the side of the European Union, with the Agreement's ultimate ratification by the European Union was not without its problematic aspects. In particular, the case of the Netherlands' ratification was particularly difficult. The ultimate coming into force of the Association Agreement experienced an obstacle due to a citizen initiated referendum that was organized in the Netherlands during the course of 2016.<sup>363</sup> The referendum question that was asked of Dutch citizens was whether or not they were in favour or against the act that was to approve the European Union-Ukraine Association Agreement. As to actual participation, 32.2 percent of eligible citizens voted, with the threshold being 30 percent, and from this number 61.1 percent voted against the Association Agreement's ratification.<sup>364</sup> It was said that this result brought about "*unprecedented situation*" where there was a fear that an EU agreement may not have been ratified due to a non-binding referendum in one of the Union's Member States.<sup>365</sup> As to the underlying causes of the referendum, it is believed that beyond opposition to the Association Agreement itself, a major motivating factor was a more general feeling of Euroscepticism,<sup>366</sup> and that the referendum acted as a kind of test of public views with regards to the European Union itself.<sup>367</sup> In fact, the opinion was expressed by certain sponsors of the referendum that Ukraine itself was not of importance to them, but rather to express opposition to the European Union.<sup>368</sup>

As mentioned in the introduction, neofunctionalism puts forward the concept of a kind of "*backlash*" which can occur as a reaction to the integration process. The citizen-sponsored

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<sup>363</sup> NIJEBOER, Arjen: The Dutch Consultative Referendum Law: An Overview, *Meer Democratie*, <https://www.meerdemocratie.nl/dutch-consultative-referendum-law-overview> (Accessed 2017.12.01)

<sup>364</sup> KROET, Cynthia (2016): Dutch reject EU-Ukraine deal, *Politico*, 4 June 2016, <http://www.politico.eu/article/low-turnout-as-dutch-reject-eu-ukraine-deal/> (Accessed 2017.11.15)

<sup>365</sup> VAN DER LOO, Guillaume: The Dutch Referendum on the EU-Ukraine Association Agreement: Legal options for navigating a tricky and awkward situation. *Centre for European Policy Studies Commentary*, 8 April 2016, <https://www.ceps.eu/ceps-publications/dutch-referendum-eu-ukraine-association-agreement-legal-options-navigating-tricky-and/> (Accessed 2018.01.04)

<sup>366</sup> The Guardian (2016): Dutch referendum voters overwhelmingly reject closer EU links to Ukraine, 7 April 2016, <https://www.theguardian.com/world/2016/apr/06/dutch-voters-reject-closer-eu-links-to-ukraine-in-referendum> (Accessed 2019.02.17)

<sup>367</sup> BBC News (2016): Netherlands rejects EU-Ukraine partnership deal, 7 April 2016, <https://www.bbc.com/news/world-europe-35976086> (Accessed 2019.02.17)

<sup>368</sup> DE JONG, Sijbren (2016): Why the Dutch referendum on Ukraine is a joke, *Euobserver*, 4 April 2016, <https://euobserver.com/opinion/132908> (Accessed 2019.02.17)

referendum held in the Netherlands in 2016, which was organized as a response to the Dutch government's then impending vote to ratify the Association Agreement between the European Union and Ukraine. As already mentioned, this development was strongly linked to a sense of Euroscepticism, and it could also arguably be said, though the event took place in the Netherlands, that no doubt this can be seen as part of similar broader feelings across the European Union, which also manifested in the vote for the United Kingdom to leave the European Union. This can then be described in the context of the postfunctional concept of “*backlash*” as a result of the process of European integration, in this case in relation to the intensification of ties between the EU and a third country, that is, Ukraine. This example shows how the internal domestic political climate of certain individual Member States, and negative responses to the deepening of integration, may through the utilization of certain political processes result in the impediment of European Union external relation policy and the goals that it is pursuing with certain third countries. The response of a significant proportion of the Dutch electorate to the prospect of their own government's ratification of the Association Agreement between the European Union and Ukraine can be seen within the context of this broader conceptual framework. As we saw, the Association Agreement was seen by many Dutch citizens through the prism of their broader dissatisfaction with the European Union, its policy course and integration processes.

As a result of the referendum, the European Council Conclusions on Ukraine came into being on the 15 December 2016, aiming to ease any issues and misapprehensions that Dutch voters may have had in relation to the Association Agreement.<sup>369</sup> The Conclusions state that the ratification of the Association Agreement is a crucial objective for the European Union, as the purpose of such agreements is to provide support to partner states in their attempt to become stable and prosperous democracies, and also acts a reflection of the importance that the EU places on the regional context, in both a strategic and geopolitical sense.<sup>370</sup> Yet is also states that after having taken careful notice of the Dutch referendum's outcome, it is necessary to address these concerns.<sup>371</sup>

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<sup>369</sup> European Council (2016): European Council Conclusions on Ukraine, Brussels, 15 December 2016, <https://www.consilium.europa.eu/media/24151/15-euco-conclusions-ukraine.pdf> (Accessed 2017.11.15) 1; BACZYNSKA, Gabriela - BARTUNEK, Robert-Jan (2016): *EU agrees Dutch demands on Ukraine deal to avoid 'present for Russia'*, Reuters, 15 December 2016, <https://www.reuters.com/article/us-ukraine-crisis-eu-rutte-idUSKBN14416I> (Accessed 2019.02.17)

<sup>370</sup> European Council (2016): European Council Conclusions on Ukraine, i.m.

<sup>371</sup> Ibid.

Consequently, the Conclusions says that though the Association Agreement aims to “*establish a close and lasting relationship*” between the European Union and Ukraine, it does not give Ukraine the status of a candidate country for membership of the EU, nor does it mean a commitment to giving Ukraine candidate status at a point in the future.<sup>372</sup> Additionally, the Agreement contains no obligation for the European Union or its various Member States to provide Ukraine with any collective security guarantees, or with other kinds of military assistance or aid.<sup>373</sup> Furthermore, it affirms that the Association Agreement does not give Ukrainians the right to work and reside freely within the European Union, nor does it confer the right to EU citizens to do the same with regards to Ukraine.<sup>374</sup> Also, it is affirmed that the Association Agreement does not influence Member States’ ability to determine the number of Ukainian citizens to be admitted into their countries seeking employment.<sup>375</sup> The Conclusions also say that Member States are not required to provide Ukraine with additional financial support, nor does it alter the right of the Member States to determine amount of nature of any bilateral financial support.<sup>376</sup>

Subsequently, the Dutch House of Representatives voted to ratify the Agreement in February 2017, followed by the Netherlands Senate on May 30,<sup>377</sup> with the law being published officially on June 14.<sup>378</sup> Subsequently, the Council of the European Union ratified the Association Agreement on July 11,<sup>379</sup> and on September 1 it came into full effect.<sup>380</sup>

The above events illustrate the way in which certain European Union Member States and their internal political situation may obstruct certain third countries from integrating into the European Union, in this case, in terms of being an associate country. However, it must be admitted that the Dutch referendum is also illustrative of problems that Ukraine may encounter in terms of

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<sup>372</sup> Ibid, Annex, A, 3.

<sup>373</sup> Ibid, Annex, B, 4.

<sup>374</sup> Ibid, Annex, C, 4.

<sup>375</sup> Ibid.

<sup>376</sup> Ibid, Annex, D, 4.

<sup>377</sup> The Ukrainian Weekly (2017): Dutch Senate backs European Union-Ukraine Association Agreement, June 2 2017, <http://www.ukrweekly.com/uw/wp/dutch-senate-backs-european-union-ukraine-association-agreement/> (Accessed 2017.11.15)

<sup>378</sup> Ukrinform (2017): EU-Ukraine Association: Netherlands fully completes ratification of agreement, 15 June 2017, <https://www.ukrinform.net/rubric-politics/2248195-euukraine-association-netherlands-fully-completes-ratification-of-agreement.html>, (Accessed 2017.11.15)

<sup>379</sup> European Council/Council of the European Union (2017): Ukraine: Council adopts EU-Ukraine association agreement, Press Release, 11/07/2017, <http://www.consilium.europa.eu/en/press/press-releases/2017/07/11-ukraine-association-agreement/> (Accessed 2017.11.11)

<sup>380</sup> European Commission (2017): EU-Ukraine Association Agreement fully enters into force, Press Release, 1 September 2017, [http://europa.eu/rapid/press-release\\_IP-17-3045\\_en.htm](http://europa.eu/rapid/press-release_IP-17-3045_en.htm), (Accessed 2017.11.11)

its desire to one day attain full membership of the European Union. As mentioned above, the Conclusions of the European Council explicitly state that the Association Agreement does not mean ultimately a European Union membership perspective. However, despite this, it has continued to be consistently affirmed that becoming a European Union Member State is a strategic goal of Ukraine.<sup>381</sup> The then Ukrainian President Peter Poroshenko had said that he sees the Association Agreement signed with the European Union, despite the fact that it has been affirmed that it does not affirm a membership perspective, as “*a roadmap for further fundamental changes that will bring Ukraine closer to the Copenhagen criteria for membership in the most prestigious union in the world.*”<sup>382</sup>

### **3.3.3 Visa liberalisation in relation to both Ukraine and Russia**

An example of the way in which third countries may intensify and deepen their relations with the European Union is through the easing of visa requirements for citizens of each other’s respective countries. According to Article 77(2) of the Treaty on the Functioning of the European Union, the European Union is to adopt a common policy with regards to visa and other types of short-stay residence permits.<sup>383</sup> What follows is a survey of the European Union’s visa regulations with Ukraine and Russia, which illustrates well the level and degree of integration attained respectively between them. An important incentive for Ukraine to undertake its various reforms as part of its European integration process was the goal of eventually attaining the right of travelling visa-free to the territory of the European Union.<sup>384</sup>

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<sup>381</sup> Interfax-Ukraine (2018): Poroshenko: Ukraine’s membership in EU and NATO not viable in 2018, but will happen eventually. *Kyiv Post*, 6 January 2018, <https://www.kyivpost.com/ukraine-politics/poroshenko-ukraines-membership-eu-nato-not-viable-2018-will-happen-eventually.html>, (Accessed 2018.07.07)

<sup>382</sup> Ibid. Furthermore, he has stated that “*During the Eastern Partnership Summit, I presented the outlines for further intermediate steps: an association with the Schengen zone, accession to the EU Customs Union, the EU Energy Union and the Single Digital Market. The sectoral integration will actually turn the country’s eastern borders into the EU borders before we de jure join the EU.*” See Ibid.

<sup>383</sup> Furthermore, Regulation 539/2001, Regulation 1683/95 and Regulation 810/2009 act as the legal basis of the EU’s visa policy. See VAN ELSUWEGE, Peter (ed.), *EU-Russia Visa Facilitation and Liberalization: State of Play and Prospects for the Future*, EU-Russia Civil Society Forum, September 2013, 13, <https://biblio.ugent.be/publication/4157305/file/4157306.pdf> (Accessed 2019.02.17)

<sup>384</sup> SASSE, Gwendolyn (2017): Ukrainians Travel Visa Free. *Carnegie Europe*, June 26 2017, <http://carnegieeurope.eu/strategieurope/71354>, (Accessed 2017.10.26). Article 19 of the Association Agreement between the European Union and Ukraine states that, “*The Parties shall take gradual steps towards a visa-free regime in due course, provided that the conditions for well-managed and secure mobility, set out in the two-phase Action Plan on Visa Liberalization presented at the EU-Ukraine Summit of 22 November 2010, are in place.*”

As to the background of this visa liberalisation, it must be said that Ukraine permitted EU citizens to cross its borders from 1 May 2005 without needing to obtain a visa to do so.<sup>385</sup> Later, in October 2008 The EU-Ukraine Visa Liberalisation Dialogue was created,<sup>386</sup> its aim being that Ukrainian citizens would eventually be able to travel visa-free to the European Union.<sup>387</sup> In 2010 the Visa Liberalisation Action Plan was adopted.<sup>388</sup> Progress reports were the mechanism by which the European Commission monitored the implementation of the Action Plan, in addition to meetings being held between Ukraine and the European Commission.<sup>389</sup> As a consequence of the positive nature of the sixth progress report, in December 2015 the European Commission wished to propose bringing to an end the requirement for visas for those Ukrainians who owned biometric passports.<sup>390</sup> The European Commission proposed in April 2016 that the Council of the European Union and the European Parliament grant visa-free travel for Ukrainians travelling to the Schengen zone,<sup>391</sup> which officially took place on June 11 2017.<sup>392</sup> Ukrainians can now travel (excepting the UK and Ireland) with biometric passports for up to 90 days to all the European Union's Member States.<sup>393</sup>

It is worth comparing Ukraine's visa-free relationship with the European Union in contrast and comparison with that which exists and has been proposed with regards to the Russian Federation. It must be said that during a certain period of time this was an idea which enjoyed a certain amount of broad political support from within both the European Union and Russia.<sup>394</sup> Furthermore, at times Russia has even considered the creation of a visa-free travel regime with the

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<sup>385</sup> EU-Ukraine Visa Dialogue: Action Plan on Visa Liberalisation, [www.kmu.gov.ua/document/244813932/EU-Ukraine-Action-Plan.pdf](http://www.kmu.gov.ua/document/244813932/EU-Ukraine-Action-Plan.pdf), (Accessed 2017.10.26)

<sup>386</sup> European Commission: Visa Liberalisation with Moldova, Ukraine and Georgia, Migration and Home Affairs, [https://ec.europa.eu/home-affairs/what-we-do/policies/international-affairs/eastern-partnership/visa-liberalisation-moldova-ukraine-and-georgia\\_en](https://ec.europa.eu/home-affairs/what-we-do/policies/international-affairs/eastern-partnership/visa-liberalisation-moldova-ukraine-and-georgia_en) (Accessed 2019.02.17)

<sup>387</sup> Ibid.

<sup>388</sup> Ibid.

<sup>389</sup> European Commission: Visa Liberalisation with Moldova, Ukraine and Georgia, i.m.

<sup>390</sup> European Commission (2015): Commission Progress Report: Ukraine meets criteria for visa liberalisation, Press Release, 18 December 2015, [http://europa.eu/rapid/press-release\\_IP-15-6367\\_en.htm](http://europa.eu/rapid/press-release_IP-15-6367_en.htm), (Accessed 2017.10.26)

<sup>391</sup> European Commission (2017): European Commission proposes visa-free travel for citizens of Ukraine, Press Release, 20 April 2016, [europa.eu/rapid/press-release\\_IP-16-1490\\_en.pdf](http://europa.eu/rapid/press-release_IP-16-1490_en.pdf), (Accessed 2017.10.26)

<sup>392</sup> European Union External Action (2017): Visa-Free Travel for Ukrainians comes into force, 11 June 2017, [https://eeas.europa.eu/headquarters/headquarters-homepage\\_en/27990/V\\_wisa\\_free%20travel%20for%20Ukrainians%20comes%20into%20force](https://eeas.europa.eu/headquarters/headquarters-homepage_en/27990/V_wisa_free%20travel%20for%20Ukrainians%20comes%20into%20force) (Accessed 2019.02.14).

<sup>393</sup> European Commission (2015): i.m.

<sup>394</sup> European Voice (2010): *Visa-free travel between Russia and the EU? Yes, but no yet*, Politico, 8 September 2010 (Updated 23 May 2014), <https://www.politico.eu/article/visa-free-travel-between-russia-and-the-eu-yes-but-not-yet/> (Accessed 2019.02.11)

European Union a priority.<sup>395</sup> For example, according to the Concept of the Foreign Policy of the Russian Federation, the abolition of short-term visas between the European Union and Russia possesses a special importance, and that this development would “*greatly facilitate genuine Russia-EU integration*”, with the visa regime in place being a barrier to this.<sup>396</sup> As to the European Union, though expressing support for the idea itself, there have been concerns with regards to such areas as crime and illegal immigration.<sup>397</sup>

In May 2003 during the EU-Russia Summit the two parties examined the possibility of eventually establishing a visa-free travel regime between them and in the May 2005 Road Map for the Common Space of Freedom, Security and Justice they committed to pursuing the dialogue relating to this topic.<sup>398</sup> Later, in 2007 the European Union and Russia signed the Agreement between the European Community and the Russian Federation on the facilitation of the issuance of visas to the citizens of the European Union and the Russian Federation.<sup>399</sup> According to Article 1 of the Agreement, “*The purpose of this Agreement is to facilitate, on the basis of reciprocity, the issuance of visas for an intended stay of no more than 90 days per period of 180 days to the citizens of the European Union and the Russian Federation*”. The Preamble of the Agreement acknowledges that enabling people-to-people contacts is a necessary element for the strengthening of ties in various areas, including in such fields as economic relations, and humanitarian, scientific and cultural issues.

In December 2011 the European Union actually agreed to the commencing of the negotiating process which would have had as its ultimate aim Russian citizens being able to travel to the territory of the European Union visa-free in the form of the Common Steps.<sup>400</sup> According to

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<sup>395</sup> Sputnik (2013): Russia Pushing for EU Visa-Free Travel Deal in January, 7 December 2013, <https://sputniknews.com/russia/20131207185311112-Russia-Pushing-for-EU-Visa-Free-Travel-Deal-in-January/> (Accessed 2019.02.11)

<sup>396</sup> The Ministry of Foreign Affairs of the Russian Federation (2013): Concept of the Foreign Policy of the Russian Federation, paragraph 58, 18 February 2013, [http://www.mid.ru/en/foreign\\_policy/official\\_documents/-/asset\\_publisher/CptICk6BZ29/content/id/122186](http://www.mid.ru/en/foreign_policy/official_documents/-/asset_publisher/CptICk6BZ29/content/id/122186) (Accessed 2019.02.11).

<sup>397</sup> Sputnik (2013): i.m.

<sup>398</sup> Common Steps Towards Short-Term Travel of Russian and EU Citizens (Russia-EU Visa Dialogue): [https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/international-affairs/russia/docs/common\\_steps\\_towards\\_visa\\_free\\_short\\_term\\_travel\\_en.pdf](https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/international-affairs/russia/docs/common_steps_towards_visa_free_short_term_travel_en.pdf) (Accessed 2019.02.13)

<sup>399</sup> OJ L 129, 17.5.2007, [https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22007A0517\(01\)](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22007A0517(01)) (Accessed 2019.02.11)

<sup>400</sup> VOGEL, Toby (2011): EU, Russia agrees steps towards visa-free travel, *Politico*, 15 December 2011 (Updated 23 May 2014), <https://www.politico.eu/article/eu-russia-agree-steps-towards-visa-free-travel/> (Accessed 2019.02.11); SCHMIDT-FELZMAN Anke (2014): Is the EU's failed relationship with Russia the member states' fault? *L'Europe en formation*, No. 374, Winter 2014, 46, <https://www.cairn.info/revue-l-europe-en-formation-2014-4-page-40.htm#> (Accessed 2019.02.17)

these, there is to be an implementation of measures with regards to document security and biometrics; illegal migration, including readmission; public order, security and judicial cooperation; and finally in the area of external relations.<sup>401</sup>

Russia had harboured hopes that it could complete an agreement on visa-free travel with the European Union before the beginning of the Sochi Winter Olympics in February 2014, however this became apparent in January of the same year that this would not occur.<sup>402</sup> Subsequently, a major obstacle which arose in relation to a realistic implementation of a visa-free travel regime between the European Union and Russian Federation was events in Crimea and East Ukraine and the former's imposition of sanctions against the latter and the subsequent response which ensued, as well as the suspension of negotiations in relation to the topic of a visa-free travel regime being implemented.<sup>403</sup>

The differences in the visa travel regime between the European Union and both Ukraine and Russia can be said to reflect the great difference between the two in relation to their relationships. One reflects a relationship which can be said to be more integrated, which is especially manifested in Ukraine's Association Agreement with the European Union, but it is also evident in such developments as Ukraine's new visa-free travel regime with the European Union, which, as already been stated, contains both practical and symbolic elements. The situation with regards to the European Union and Russia in this area can be said to somewhat reflect the level of integration between the two and the present state of relations that exists between them at the present moment.<sup>404</sup>

In summary, since gaining independence from the Soviet Union, Ukraine has, unlike the Russian Federation, claimed a kind of deep integration with and membership of the European Union as one of its major policy objectives. This process particularly intensified with the signing of the Association Agreement with the European Union. As a result of this development, Ukraine's

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<sup>401</sup> Common Steps Towards Short-Term Travel of Russia and EU Citizens, i.m., Blocks 1, 2, 3, 4.

<sup>402</sup> MAKINEN, Sirke - SMITH, Hanna - FORSBERG, Tuomas (2016): 'With a Little Help from my Friends: Russia's Modernisation and the Visa Regime with the European Union, *Europe-Asia Studies*, Vol. 68, No. 1, January 2016, 176, <https://www.tandfonline.com/doi/pdf/10.1080/09668136.2015.1123223> (Accessed 2019.02.23)

<sup>403</sup> TASS Russian News Agency (2019): *Russia, EU are past worst phase in their relations, says Russian diplomat*, 04 February 2019, <http://tass.com/politics/1043216>, (Accessed 2019.02.13)

<sup>404</sup> However, it should be noted that in 2017 Russians placed the highest number of applications for Schengen visas. See Schengen Visa Info (2018): *Russia tops chart with most Schengen visa applications in 2017*, 8 May 2018, <https://www.schengenvisainfo.com/news/russia-tops-chart-with-most-schengen-visa-applications-in-2017/> (Accessed 2019.02.13)

relationship with the European Union now differs dramatically from that of the latter's relationship with Russia, in that Russia's PCA does not establish the same "special" and "privileged" relationship with the European Union that Ukraine's Association Agreement does. This reflects the nature of the difference in the relations between the Russian Federation and the European Union, as opposed to Ukraine's, with the latter's being focused on a deep and comprehensive integration, even with a desire for eventual full membership.

### ***3.3.4 The European Union-Ukraine Association Agreement as a model: The case of Brexit***

As already mentioned, the Association Agreement signed between the European Union and Ukraine is considered a pioneering legal instrument in the former's dealings with third countries. However, it is also worth noting that in fact the Agreement has been proposed as a model for certain other situations as well. An interesting and some may say unexpected development relating to the Association Agreement is the suggestion that it could act as a model for European Union-United Kingdom relations after the latter ceases to be a Member State of the former.<sup>405</sup> In this case, the Association Agreement signed between the European Union and Ukraine, which was originally seen as an innovative legal instrument in the sense that it acted as a way to integrate, to a certain extent, neighbouring states without a full membership perspective, now is seen as also acting as a model for a specific state leaving the European Union. This curious development only increases the importance of this agreement, acting as an example for states wishing to maintain intimate and integrated relations with the European Union, while not achieving full member status.

The idea that the EU-Ukraine Association Agreement has relevance for the future framework of relations between the EU and UK has been suggested during the course of the debate and negotiations in the aftermath of the Brexit referendum.<sup>406</sup> The reason for this is that it is seen as having the potential to both maintain close economic ties with the European Union, while at the same time maintaining national sovereignty.<sup>407</sup> Additionally, it has been proposed that the benefits

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<sup>405</sup> OTT, Ursula F - GHAURI, Pervez N (2018): How a 'Ukraine-plus' Brexit deal could solve Theresa May's problems, *The Conversation*, 20 November 2018, <https://theconversation.com/how-a-ukraine-plus-brexit-deal-could-solve-theresa-mays-problems-107297> (Accessed 2019.02.11)

<sup>406</sup> Ibid.

<sup>407</sup> OPPENHEIM, Beth (2018): The Ukraine Model for Brexit: Is Dissociation Just Like Association?, *Centre for European Reform*, 27 February 2018, <https://www.cer.eu/insights/ukraine-model-brexit-dissociation-just-association>, (Accessed 2018.07.07)

to the UK of a similar agreement would bring about the end of the application of EU law in the country; that it would end the principle of free movement of people from the EU to the UK; that it would still allow the UK access to the EU's single market; that it would provide the UK with the ability to conclude trade agreements with other countries; and that the UK and EU would still be able to work together in relation to such issues as defence and security.<sup>408</sup> For example, the European Parliament passed a resolution stating that “*whereas the UK and the EU will remain close neighbours and will continue to have many interests in common; whereas such a close relationship in the form of an association agreement between the EU and the UK could be considered an appropriate framework for the future relationship by which these common interests can be protected and promoted, including a new trade relationship*” and that “*whereas the advantage of an association agreement for the future relationship is that it provides a flexible framework allowing for varying degrees of cooperation across a wide variety of policy areas; whereas that cooperation will require both parties to maintain high standards and their international commitments in a number of policy areas*”.<sup>409</sup>

On July 12 2018 the United Kingdom government published a White Paper which set out plans for a kind of association agreement similar in style to the one signed between the European Union and Ukraine.<sup>410</sup> This would include being part of a “*customs territory*” with the European Union, involving the participation in a single market for goods, while engaging with “*ongoing harmonisation*” with the rules of the EU.<sup>411</sup> However, this model of Brexit based on some kind of Ukraine-style Association Agreement provoked negative reactions from certain quarters in the United Kingdom, with the release of the White Paper proposing this measure triggering the resignation of two cabinet ministers.<sup>412</sup> Furthermore, there are those that have criticised this idea, saying that such agreements, with their emphasis upon approximation to the European Union's

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<sup>408</sup> OTT - GHOURI (2018): i.m.

<sup>409</sup> European Parliament (2018): *Motion for a Resolution*, 7.3.2018, European Parliament resolution on the framework of the future EU-UK relationship (2018/2573(RSP)), <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-%2F%2FEP%2F%2FTEXT%2BMOTION%2BB8-20180135%2B0%2BDOC%2BXML%2BV0%2F%2FEN&language=EN>, (Accessed 2018.08.08)

<sup>410</sup> FOX, Benjamin (2018): UK Brexit Paper backs Ukraine-style association pact. *Euractiv*, 12 July 2018, <https://www.euractiv.com/section/uk-europe/news/uk-brexid-paper-backs-ukraine-style-association-pact/>, (Accessed 2018.08.08)

<sup>411</sup> Ibid.

<sup>412</sup> PARKER, George – PICKARD, Jim (2018): Theresa May unveils plans for softer Brexit. *Financial Times*, 12 July 2018, <https://www.ft.com/content/702ac352-85bc-11e8-96dd-fa565ec55929>, (Accessed 2018.08.08)

norms and regulations, goes against the very *raison d'être* of Brexit and its narrative, which was to reclaim national sovereignty.<sup>413</sup>

At the present juncture, with regards to the United Kingdom's negotiations with the European Union as to what Brexit will actually look like in reality and practice, there is little clarity due to various issues that have arisen. However, the fact that the Association Agreement was proposed as a model for future relations, even if this does not actually transpire in the end, shows its innovative nature and its potential utility in the area of the European Union's external relations.

### ***3.3.5 Case study: Ukraine's Association Agreement with the European Union and its relations with China***

By the signing of the Association Agreement with the European Union in 2014, Ukraine committed itself to deepening its integration with the European Union. As has been seen, this involved both political and economic association, as well as creating a deep and comprehensive free trade area. However, despite this clear and unambiguous commitment to go down the path of and pursue European Union integration, at the same time, Ukraine since attaining independent statehood has also sought to expand its relations with various countries in its immediate region and beyond. Such a course of action is natural for all countries, and has a particular relevance for those states which inhabit the regions of Central and Eastern Europe, who find themselves in a crucial geographical and geopolitical location, and Ukraine is no exception to this. This attempt at pursuing a multivector policy while also being committed to European integration has manifested itself in different ways since the time that Ukraine attained independent statehood, one of which is the country's pursuit of its relations with the People's Republic of China, which also includes cooperation in the broader context of China's Belt and Road Initiative.<sup>414</sup> Ukraine has been

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<sup>413</sup> OPPENHEIM (2018): i.m.

<sup>414</sup> The Belt and Road Initiative, also known as the One Road, One Belt Initiative, can be said to have been launched with a speech that Chinese President Xi Jinping made at the Nazarbayev University in Astana, Kazakhshtan, on September 7 2013. At this event, President Xi said that "*To forge closer economic ties, deepen cooperation and expand development space in the Eurasian region, we should take an innovative approach and jointly build an economic belt along the Silk Road,*" Furthermore, President Xi stated that "*This will be a great undertaking, benefiting the people of all countries along the route. To turn this into a reality, we may start with work in individual areas and link them up over time to cover the whole region.*" See The State Council Information Office of the People's Republic of China (2017): President Xi's statements on the Belt and Road Initiative, 17 April 2017, <http://www.scio.gov.cn/31773/35507/35520/Document/1548585/1548585.htm> (Accessed 2019.04.07); WITTE, Michelle: Xi Jinping Calls for Regional Cooperation Via New Silk Road, *The Astana Times*, 11 September 2013,

described as a desirable destination for Chinese investment due to its similar Association Agreement and Deep and Comprehensive Free Trade Agreement with the European Union, having the potential to act as a vital transit country to the European Union, being located at the crossroads between East and West.<sup>415</sup> This illustrates how states that seek to integrate with the European Union as much as possible also may simultaneously engage and seek cooperation with non-EU member states in pursuit of their national interests. It is true that Ukraine's developing relationship with China is just one example in which Ukraine's Association Agreement with the European Union can make it a particularly attractive partner for various third countries. However, it is pertinent due to the fact that it very effectively illustrates the point, and furthermore, it is appropriate due to the importance of China's status in world affairs, something which will no doubt only continue with the passing of time. What follows is a survey of Ukraine-China relations, including certain key projects and plans that have been and are in the process of being worked on and developed, illustrating the extent of such relations, and how Ukraine's association with the European Union has affected its own external relations.

With regards to the basic legal framework which exists between Ukraine and China, it can be said that the modern relationship began on December 27 1991 when the People's Republic of China recognized Ukraine's independence, and diplomatic relations were established between the two countries on 4 January 1992.<sup>416</sup> The legal basis of the Ukrainian-Chinese relationship includes over 300 documents.<sup>417</sup> One of these is the 1992 Economic Cooperation Agreement between Ukraine and China, which regulates trade between the two countries.<sup>418</sup> Other key documents relating to economic relations include the 1992 agreement on scientific and technological cooperation and the 1993 agreement on encouragement and mutual protection of investments.<sup>419</sup> As things stand at the present time, China is Ukraine's third largest trade partner,

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<https://astanatimes.com/2013/09/xi-jinping-calls-for-regional-cooperation-via-new-silk-road/>, (Accessed 2019.04.07)

<sup>415</sup> Xinhua (2017): Belt and Road Initiative holds vast development opportunities for Ukraine: First Vice PM, 10 October 2017, [http://www.xinhuanet.com/english/2017-10/04/c\\_136658920.htm](http://www.xinhuanet.com/english/2017-10/04/c_136658920.htm) (Accessed 2019.02.17); MYKAL, Olena (2016): Why China Is Interested in Ukraine, *The Diplomat*, 10 March 2016, <https://thediplomat.com/2016/03/why-china-is-interested-in-ukraine/> (Accessed 2019.02.17)

<sup>416</sup> Embassy of Ukraine to the People's Republic of China: Political relations between Ukraine and China, <http://china.mfa.gov.ua/en/ukraine-cn/diplomacy> (Accessed 2019.02.17)

<sup>417</sup> Embassy of Ukraine to the People's Republic of China: Legal basis of Ukraine and China, <http://china.mfa.gov.ua/en/ukraine-cn/legal-acts> (Accessed 2019.02.17)

<sup>418</sup> Embassy of Ukraine to the People's Republic of China: Trade and economic relations between Ukraine and China, <http://china.mfa.gov.ua/en/ukraine-cn/trade> (Accessed 2019.02.17)

<sup>419</sup> Embassy of Ukraine to the People's Republic of China: Legal basis of Ukraine and China, i.m.

after the European Union and Russia and in terms of trade between the two countries, in 2017 it rose by 18 percent, reaching \$7.68 billion.<sup>420</sup> According to the Export Strategy of Ukraine, China is ranked second place in the TOP-20 list of promising markets for Ukrainian exports.<sup>421</sup>

Additionally, in more recent times other documents have been signed that establish the present framework of Ukraine-China relations.<sup>422</sup> These include the Joint Declaration on the Establishment and Development of Strategic Partnership Relations between Ukraine and the People's Republic of China, signed in June 2011; the Treaty on Friendship and Cooperation between Ukraine and the People's Republic of China, the Joint Declaration to further deepen the strategic partnership, and the Program of the development of strategic partnership between Ukraine and China in 2014-2018, all three of which were signed in 2013.<sup>423</sup>

An important development in the relationship was the establishment of the China-Ukraine Intergovernmental Commission on Cooperation, which was brought into being in 2011, the aim of which is to strengthen bilateral relations between the two countries.<sup>424</sup> It has become a central mechanism in planning and coordinating cooperation between Ukraine and China.<sup>425</sup> On December 5 2017 China and Ukraine during the third session of the China-Ukraine Intergovernmental Commission on Cooperation signed an action plan which aims to build the Silk Road Economic Belt and the 21<sup>st</sup>-century Maritime Silk Road.<sup>426</sup> On the same date, Ma Kai, vice-premier of China, announced that joint projects shall be undertaken by Ukraine and China that shall total \$7 billion.<sup>427</sup> These include, among others, the plan for Chinese companies to build a new metro line in the capital Kyiv worth \$2 billion and a \$500 million loan to be provided by the China Civil Engineering Construction Corporation in order to provide housing mortgages at an

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<sup>420</sup> Kyiv Post (2018): China becomes a key trade partner, investor in Ukraine, 12 January 2018, <https://www.kyivpost.com/business/china-becomes-key-trade-partner-investor-ukraine.html> (Accessed 2019.02.17)

<sup>421</sup> Ukrinform (2018): Trade turnover between Ukraine and China reached \$7.7 bln in 2017 – Kubiv, 7 August 2018, <https://www.ukrinform.net/rubric-economy/2513080-trade-turnover-between-ukraine-and-china-reached-77-bln-in-2017-kubiv.html> (Accessed 2019.02.17)

<sup>422</sup> Embassy of Ukraine to the People's Republic of China: Political relations between Ukraine and China, i.m.

<sup>423</sup> Embassy of Ukraine to the People's Republic of China: Legal basis of Ukraine and China, i.m.

<sup>424</sup> UNIAN Information Agency (2011): Ukraine and China created Intergovernmental commission on cooperation, 20 April 2011, <https://www.unian.info/politics/486088-ukraine-and-china-created-intergovernmental-commission-on-cooperation.html> (Accessed 2019.02.17)

<sup>425</sup> Xinhua (2017): China, Ukraine sign slew of agreements, including on Belt and Road, 5 December 2017, [http://www.xinhuanet.com/english/2017-12/05/c\\_136802960.htm](http://www.xinhuanet.com/english/2017-12/05/c_136802960.htm) (Accessed 2019.02.17)

<sup>426</sup> Ibid.

<sup>427</sup> Kyiv Post (2018): China becomes a key trade partner, investor in Ukraine, 12 January 2018, <https://www.kyivpost.com/business/china-becomes-key-trade-partner-investor-ukraine.html> (Accessed 2019.02.17)

affordable level, and the same corporation also plans to construct a passenger railway that would connect Kyiv with Boryspil International Airport, a project worth \$400 million.<sup>428</sup>

Ukraine's importance to the broader Belt and Road Initiative is linked to its potential as a vital transit country, being located at the crossroads between East and West.<sup>429</sup> This is magnified by Ukraine's Deep and Comprehensive Free Trade agreement with the European Union.<sup>430</sup> Vice - Premier Ma Kai has stated that in the context of the Belt and Road Initiative, China consider's Ukraine "as one of the logistics and industrial hubs on the way to the European Union".<sup>431</sup> The deputy prime minister of Ukraine, Gennady Zubko, also said that "The Silk Road is an investment artery that connects Central Asia, the largest producer of goods, with the rest of the world. Ukraine is the first European country on this path, and we must fully take the advantage of this position".<sup>432</sup> For example, Ukraine's geographic proximity to the European Union involves the possibility of attracting businesses from China interested in investing in the manufacturing sector, with the goal of ultimately exporting to the European Union.<sup>433</sup> Ukrainian leaders have also seen the Belt and Road Initiative as an opportunity for Ukraine to attract new investments, enter new markets and develop the country's infrastructure.<sup>434</sup> It has been estimated that the 21<sup>st</sup> Century Silk Road from China to Ukraine could measure 5, 471 kilometers, with one of its lines potentially going from China though to Kazakhstan, the Caspian Sea, Azerbaijan, Georgia, and then on to the Black Sea, finally reaching Ukraine's Chernomorsk port.<sup>435</sup> It is worth noting that the China Harbor Engineering Company won the tender for a dredging project at the Chernomorsk port, signing an agreement for the implementation of this project on April 6 2018.<sup>436</sup>

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<sup>428</sup> Ibid.

<sup>429</sup> Xinhua (2017): Belt and Road Initiative holds vast development opportunities for Ukraine, i.m.

<sup>430</sup> MYKAL (2016): i.m.

<sup>431</sup> Interfax-Ukraine (2017): Ukraine, China implementing some joint projects for \$7 bln, 5 December 2017, <http://en.interfax.com.ua/news/economic/467312.html> (Accessed 2019.02.17)

<sup>432</sup> Xinhua (2016): Spotlight: Ukraine seeks to join „16+1” mechanism for participation in China's Silk Road initiative, 8 November 2016, [http://www.xinhuanet.com/english/2016-11/08/c\\_135812518.htm](http://www.xinhuanet.com/english/2016-11/08/c_135812518.htm) (Accessed 2019.02.17)

<sup>433</sup> MYKAL (2016): i.m.

<sup>434</sup> Xinhua (2017): Belt and Road Initiative holds vast development opportunities for Ukraine, i.m.

<sup>435</sup> BUZAROV, Andrey (2018): Ukraine and China: Seeking Economic Opportunity within a Framework of Risk, *Wilson Center*, 21 February 2018, <https://www.wilsoncenter.org/blog-post/ukraine-and-china-seeking-economic-opportunity-within-framework-risk> (Accessed 2019.02.17)

<sup>436</sup> Xinhua (2018): Chinese company wins tender to upgrade Ukraine's Black Sea port, 14 March 2018, [http://www.xinhuanet.com/english/2018-03/14/c\\_137039281.htm](http://www.xinhuanet.com/english/2018-03/14/c_137039281.htm)(Accessed 2019.02.17); Xinhua (2018): Chinese company signs deal to upgrade Ukraine's Black Sea port, 7 April 2018, [http://www.xinhuanet.com/english/2018-04/07/c\\_137092619.htm](http://www.xinhuanet.com/english/2018-04/07/c_137092619.htm), (Accessed 2019.02.17)

Ukraine doubled its grain exports to China in the 2017-2018 marketing year, reaching over one million tons.<sup>437</sup> Ukraine has now become China's leading supplier of corn, in 2017 having overtaken the United States.<sup>438</sup> Ukraine has also sought to cooperate with neighbouring countries within the context of the Belt and Road Initiative. One example is its willingness to join the 16 + 1 platform, which acts as a forum to forge closer relations between China and various Central and Eastern European States<sup>439</sup> First Vice Speaker of the Ukrainian parliament, Iryna Gerashchenko, stated that "*It is very important for Ukraine to join the "16+1" format and become a full member of the Silk Road project*".<sup>440</sup> Another example of the possibility for cooperation with countries in its region within the framework of the Belt and Road Initiative relates to Georgia, which has also signed an Association Agreement with the European Union.<sup>441</sup> The two countries have expressed the view that they should jointly utilize their geographic and transport potential in order to make themselves vital links along the Belt and Road.<sup>442</sup> It has been said that the fact that Ukraine has a functioning free trade regime with the European Union and that Georgia signed a free trade deal with China in May 2017 aids in achieving such a goal.<sup>443</sup> It is also noteworthy that in March 2018 during the 11<sup>th</sup> Europe-Ukraine Forum in Poland one of the major topics discussed related to the Belt and Road Initiative.<sup>444</sup> At this event the Polish Infrastructure Minister Andrzej Adamczyk discussed the possibility of extending Poland's A4 highway to Ukraine, a highway which is also of importance to Belarus and Central Asian countries as well.<sup>445</sup>

As to any possible deepening of the trade relationship between Ukraine and China, it is interesting to consider the actions of two other countries which have similar Association Agreements with the European Union, which are Georgia and Moldova. As has already been stated, the former actually signed a free trade agreement with China in May 2017, coming into

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<sup>437</sup> Unian Information Agency (2018): Ukraine doubles grain exports to China, 20 July 2018, <https://www.kyivpost.com/ukraine-politics/unian-ukraine-doubles-grain-exports-to-china.html>, *Kyiv Post*, (Accessed 2019.02.17)

<sup>438</sup> Stratfor (2018): China's Belt and Road Initiative Finds Shaky Ground in Eastern Europe, 9 August 2018, <https://worldview.stratfor.com/article/chinas-belt-and-road-initiative-finds-shaky-ground-eastern-europe-0> (Accessed 2019.02.17)

<sup>439</sup> Xinhua (2016): i.m.

<sup>440</sup> Ibid.

<sup>441</sup> Xinhua (2017): Ukraine, Georgia to promote cooperation under Belt-Road Initiative, 21 November 2017, *Xinhuanet*, [http://www.xinhuanet.com/english/2017-11/27/c\\_136783248.htm](http://www.xinhuanet.com/english/2017-11/27/c_136783248.htm) (Accessed 2019.02.17)

<sup>442</sup> Ibid.

<sup>443</sup> Ibid.

<sup>444</sup> Xinhua (2018): Belt and Road Initiative discussed during Europe-Ukraine Forum, 14 March 2018, [http://www.xinhuanet.com/english/2018-03/14/c\\_137039309.htm](http://www.xinhuanet.com/english/2018-03/14/c_137039309.htm) (Accessed 2019.02.17)

<sup>445</sup> Ibid.

effect on 1 January 2018.<sup>446</sup> As for Moldova, on 28 December 2017 it signed a Memorandum of Understanding on Launching China-Moldova Free Trade Agreement Negotiations with China.<sup>447</sup> It has been supposed that Moldova, being located in Eastern Europe, by possibly signing a free trade agreement with China, could act as a kind of example for the broader region that the country inhabits.<sup>448</sup> It is interesting to consider whether Ukraine itself may decide to also sign such a deal with China in the future, similarly to Georgia and perhaps also Moldova. Indeed, in November 2018 officials from Ukraine and China commenced preliminary discussions on a possible free trade agreement between the two countries.<sup>449</sup>

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It can be said that Ukraine's desire to deepen its relations with China are a manifestation of the country's multivector foreign policy which it has on the whole pursued since attaining its independence. This is a policy which has been committed to European integration, which can be seen in particular by the country's signing the Association Agreement with the European Union, while at the same time attempting to cooperate and deepen relations with other countries and regions as well. Indeed, as has been seen, Ukraine's association with the European Union is seen favourably from the perspective of China. Due to its important geographical and geopolitical location, which includes its now close Association with it can be assumed that Ukraine and China will attempt to deepen and expand their relations.

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<sup>446</sup> KARELIDZE Tamara (2018): *China-Georgia FTA Takes Effect*, Emerging Europe, 3 January 2018, <https://emerging-europe.com/news/china-georgia-fta-takes-effect/>, (Accessed 2018.10.03)

<sup>447</sup> Ministry of Commerce People's Republic of China (2017): China and Moldova Officially Launch the FTA Negotiations, 29 December 2017, <http://english.mofcom.gov.cn/article/newsrelease/significantnews/201801/20180102694506.shtml> (Accessed 2018.10.03)

<sup>448</sup> ZHEN Liu (2017): Can a China-Moldova free-trade deal give Beijing a foothold in eastern Europe?, *South China Morning Post*, 29 December 2017, <https://www.scmp.com/news/china/diplomacy-defence/article/2126179/can-china-moldova-free-trade-deal-give-beijing-foothold> (Accessed 2018.10.03).

<sup>449</sup> LAURENSEN, Jack (2018): In Beijing, Ukraine and China begin talks on free trade agreement, *Kyiv Post*, 8 November 2018, <https://www.kyivpost.com/business/in-beijing-ukraine-and-china-begin-talks-on-free-trade-agreement.html> (Accessed 2019.02.04)

### **3.4 Ukraine and the Legal Approximation to the Energy *Acquis* of the European Union and New Developments with regards to Gas Importation**

As has already been seen, from the time that Ukraine gained its independence from the Soviet Union in 1991 Ukraine has, in general and to varying degrees, pursued a policy of European integration. It has also been seen that this is an orientation which has strengthened and intensified since the Euromaidan Revolution of 2014 which saw the coming to power of a unambiguously pro-Western government intent on European and Euroatlantic integration, which has led to policy changes and reforms in various areas, the greatest manifestation of this being the signing of the Association Agreement with the European Union. There are other examples of this as well, one of which relates to the area of energy. Here there shall be an examination of Ukraine's legal obligations arising from its membership of the Energy Community, specifically the need to approximate to the EU's energy *acquis*, as well as the degree to which these have been successfully fulfilled. As shall be seen, the Energy Community is a major mechanism of European Union external governance, able to spread its energy *acquis* beyond its own borders to neighbouring third countries. Additionally, there shall also be a survey of certain changes the country has made with regards to its gas importation practices in recent times, which have come about as a result of the quest to seek and utilize alternative sources of gas. In relation to Ukraine's attempts to approximate to EU norms and standards, it shall be shown that there have been successes, though in certain particulars it has also been described as being somewhat "*fragmented*".<sup>450</sup> As to Ukraine's gas importation regime, there have been real and definite changes, though this development has not been without complications and problematic aspects, in particular relating to questions of law with regards to reverse flows of gas. It shall be seen that, in general, Ukraine's approach to the European Union's energy *acquis* is approximation, attempting to align itself with its norms and standards in this area, which is its legal obligation to do. It shows that unlike the case of European Union-Russia energy relations, Ukraine has fully accepted the idea that it is to import the norms and standards of the European Union, and has attempted to change its legislation according.

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<sup>450</sup> POPOVYCH, Maksym: (2016): - Energy regulator in Ukraine is another fight for independence, *Kyiv Post*, 22 May 2016, <http://www.kyivpost.com/article/opinion/op-ed/max-popovych-energy-regulator-in-ukraine-is-another-fight-for-independence-414294.html>, (Accessed: 2016.09.01)

### 3.4.1 The Energy Community

Beyond the Member States of the European Union, the norms and regulations which comprise the energy *acquis* have also become binding upon third party states who have become signatories to the Energy Community Treaty. Thus, these countries are bound to implement the EU's energy *acquis*, among which is Ukraine. The major mechanism which the European Union has in order to extend its energy regime beyond its borders is the Energy Community, with the European Commission itself having stated that "*The Energy Community Treaty is the reference point for the majority of the EU's neighbours willing to be a part of the European energy system*".<sup>451</sup> The two essential driving forces behind its establishment are the energy security of the European Union and the desire to export its norms and rules relating to energy to neighbouring countries.<sup>452</sup> In the words of the Energy Community's Secretariat, "*The Energy Community's mission is to extend the EU internal energy market to South East Europe and beyond on the basis of a legally binding framework. The principal instrument to achieve this aim is the adoption of the EU's legislation, the so-called "acquis communautaire", in energy and related areas.*"<sup>453</sup>

As to the establishment of a common European energy policy, it was not until the late 1980s that real, substantial progress began to be made in this area.<sup>454</sup> This is somewhat surprising if we consider the vital status of energy to modern economies, the consequences of the increases of the price of oil in the 1970s, the existence of the Euratom and ESCS Treaties, and the fact that the Commission itself had stated for years that the integration of the energy market would be highly beneficial and lead to large savings.<sup>455</sup> The major obstacle to development with regards to this issue were the Member States themselves, who, due to their differing circumstances and peculiarities, tended to prefer national solutions.<sup>456</sup>

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<sup>451</sup> Communication from the Commission (2011): *On security of energy supply and international cooperation – „The EU Energy Policy: Engaging with Partners beyond Our Borders*", 7 September 2011, COM (2011), 6, <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0539:FIN:EN:PDF> (Accessed 2018.09.16)

<sup>452</sup> TALUS, Kim (2013): *EU Energy Law and Policy: A Critical Account*, Oxford, Oxford University Press, 245.

<sup>453</sup> Energy Community: *What We Do*, [https://www.energy-community.org/portal/page/portal/ENC\\_HOME/ENERGY\\_COMMUNITY/What\\_we\\_do](https://www.energy-community.org/portal/page/portal/ENC_HOME/ENERGY_COMMUNITY/What_we_do) (Accessed 2018.09.16)

<sup>454</sup> NUGENT, Neil (2010): *The Government and Politics of The European Union*, 7<sup>th</sup> edition, Basingstoke, Palgrave Macmillan, 343.

<sup>455</sup> Ibid.

<sup>456</sup> Ibid.

One major aim of the development of a coherent, independent and united European energy policy is in order to alleviate pressures arising due to overdependence upon any particular particular energy producer.<sup>457</sup> The EU relies on non-Member States to meet almost half of its energy needs, and in the case of oil the level of dependence reaches as high as 70 per cent.<sup>458</sup> Specifically, it has been Eastern and Central European states which have been particularly concerned with this matter, and the 2004 and 2007 enlargements had the impact of making this issue of even more vital importance.<sup>459</sup> In addition, the repeated interruptions in the delivery of Russian energy along the Ukrainian and Belarussian transit routes (in particular in 2006 and 2009), as well as the present conflict taking place in Ukraine, have given a strong encouragement to the European Union in the direction of actively seeking for various alternative sources of energy.<sup>460</sup>

As to the background and basic nature of the Energy Community, it came into force on 1 July 2006, initially being limited to the European Community and the countries of the West Balkans, the signatories being Albania, Bulgaria, Bosnia-Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia (now the Republic of North Macedonia), Montenegro, Romania, Serbia, and Kosovo.<sup>461</sup> Its main underlying thrust was that the EU would strengthen its supply security while the Balkan states involved would experience the benefits of a coherent policy in the energy area.<sup>462</sup> The Energy Community Treaty explicitly seeks to emulate the European Coal and Steel Community, for in the same way that the latter arose in a region that had just emerged from war and conflict, so the Energy Community is the first time that all the West Balkan states signed a legally binding treaty, which arose in the aftermath of the Balkan wars of the 1990s.<sup>463</sup> Former European Council President Herman Van Rompuy had himself said that, “*Europe was built as a*

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<sup>457</sup> BUCHAN (2015): i.m., 345.

<sup>458</sup> NUGENT, i.m. 343.

<sup>459</sup> BUCHAN (2015): i.m. 345.

<sup>460</sup> Ibid. See also SLOBODIAN, Nataliia (2016): Russia, Ukraine and European energy security, *New Eastern Europe*, May 26 2016, <http://www.neweasterneurope.eu/interviews/2007-russia-ukraine-and-europe-s-energy-security> (Accessed 2019.0216)

<sup>461</sup> VAN DER LOO, Guillaume (2016): *The EU-Ukraine Association Agreement and Deep and Comprehensive Free Trade Area: A New Legal Instrument for EU Integration without Membership*, Leiden and Boston, Brill Nijhoff, 348.

<sup>462</sup> MARHOLD, Anna (2016): EU Regulatory Private Law in the Energy Community: The Synergy between the CEER and the ECRB in Facilitating Customer Protection. In CREMONA, Marise - MICKLITZ, Hans W, *Private Law in the External Relations of the EU*, Oxford, Oxford University Press, 2016, 262.

<sup>463</sup> European Commission Press Release (2005): The EU and South East Europe sign a historic treaty to boost energy integration, Brussels, 25 October 2005, IP/05/1346 [http://europa.eu/rapid/press-release\\_IP-05-1346\\_en.htm](http://europa.eu/rapid/press-release_IP-05-1346_en.htm) (Accessed 2019.02.16)

*community for coal and steel. Sixty-four years later, and in new circumstances, it is clear we need to be moving towards an energy union”*.<sup>464</sup>

Eventually, the European Commission called for the ECT to move beyond the Balkans and to also cover European Neighbourhood Policy states,<sup>465</sup> and so Moldova joined in 2010, and Ukraine in 2011.<sup>466</sup> More recently, in October 2016 Georgia also signed the accession protocol in order to join the Energy Community, and is expected to become a member sometime this year.<sup>467</sup> The common interests of all parties with this action were described by the then European Commissioner for Energy, Günther Oettinger, who said that “*Ukraine will have access to a pan-European energy market, based on the principles of solidarity and transparency. For the Community, Ukraine is an important new member and security of supply further improved*”.<sup>468</sup> This statement reiterates the fact that the Energy Community facilitates the extending of the legal boundary of the EU beyond its political-institutional boundary with the aim of ensuring its security and stability, while third countries are also able to benefit from integrating into the the European Union’s energy system and order.

The Energy Community Treaty<sup>469</sup> states in its preamble that it seeks “*to establish among the Parties an integrated market in natural gas and electricity, based on common interest and solidarity*”. According to Title 1 Article 2 of the Treaty, it has among its aims the creation of a regulatory and market framework which is stable and able to attract investments in the areas of gas networks, the generation of power, and also transmission and distribution networks, which will enhance stability of energy supply; creating one regulatory space in relation to trade in Network Energy, and to increase the security of supply in this space; the improvement of the environment

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<sup>464</sup> ELLIS, Vicky (2014): EU countries agree to scrap reliance on Russian gas, *Energy Live News*, March 21 2014, <https://www.energylivenews.com/2014/03/21/eu-countries-agree-to-ditch-reliance-on-russia-gas/> (Accessed 2019.02.16)

<sup>465</sup> Communication from the Commission (2006): On Strengthening the European Neighbourhood Policy, Brussels, 4 December 2006, COM (2006) 726, 8, 3.4 <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52006DC0726>, (Accessed 2019.02.16)

<sup>466</sup> Energy Community: About Us: Parties, [https://www.energy-community.org/portal/page/portal/ENC\\_HOME/ENERGY\\_COMMUNITY/Stakeholders/Parties](https://www.energy-community.org/portal/page/portal/ENC_HOME/ENERGY_COMMUNITY/Stakeholders/Parties) (Accessed 2018.09.16)

<sup>467</sup> Energy Community (2016): Ministerial Council Approves Georgia’s Accession to the Energy Community, Adopts New Environmental Legislation, October 14 2016, [https://www.energy-community.org/portal/page/portal/ENC\\_HOME/NEWS/News\\_Details?p\\_new\\_id=13463](https://www.energy-community.org/portal/page/portal/ENC_HOME/NEWS/News_Details?p_new_id=13463) (Accessed 2019.02.16)

<sup>468</sup> European Commission Press Release (2010): Commission welcomes Ukraine in Energy Community, Brussels 24 September 2010, IP/10/1173 [http://europa.eu/rapid/press-release\\_IP-10-1173\\_en.htm](http://europa.eu/rapid/press-release_IP-10-1173_en.htm) (Accessed 2019.02.16)

<sup>469</sup> Officially: Treaty Establishing the Energy Community, signed on 25 October 2005, came into force on 1 July 2006, <http://ec.europa.eu/transparency/regdoc/rep/1/2005/EN/1-2005-435-EN-F1-1.Pdf> (Accessed 2019.02.16)

with regards to Network Energy, and the development of market competition in Network Energy on a larger geographical space. The Energy Community places a strong onus upon signatory countries, which can be seen in Article 6 of the ECT, which states that the parties are to take measures in order to ensure that they fulfil their obligations under the Treaty, and to aid in the Energy Community achieving its tasks. Furthermore, Article 6 goes on to say that signatory parties are to abstain from taking any action which may lead to the jeopardisation of the Treaty's objectives.

In terms of the Energy Community's institutional structure, the Treaty establishes the Ministerial Council, the Regulatory Board, the Permanent High Level Group, the Energy Community Secretariat, and the Fora. The Ministerial Council aims to ensure that the Treaty's objectives are attained, provides policy guidelines, takes various measures and adopts appropriate Procedural Acts.<sup>470</sup> The Ministerial Council consists of two representatives of the European Union and one from each Contracting Party.<sup>471</sup> The Permanent High Level Group work includes preparing the Ministerial Council's work and reporting to it with regards to the progress made towards the fulfilment of the Treaty's objectives.<sup>472</sup> It consists of two European Union representatives and one from each Contracting Party.<sup>473</sup> The Regulatory Board consists of one representative of each Contracting Party's energy regulator, and advises both the Ministerial Council and Permanent High Level Group in relation to rules, and makes recommendations with regards to cross-border disputes.<sup>474</sup> The Secretariat, which is based in Vienna, is the only institution acting on a permanent basis.<sup>475</sup> It is headed by a Director, and its responsibility is to administer the Energy Community's daily activities,<sup>476</sup> which include providing the Ministerial Council, the Permanent High Level Group, the Regulatory Board and the Fora with administrative support, and reviewing the implementation of Treaty obligations by its various signatories.<sup>477</sup> The Fora has the role of advising the Energy Community, and is composed of representatives from the various

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<sup>470</sup> Ibid, Article 47.

<sup>471</sup> Ibid, Article 48.

<sup>472</sup> Ibid, Article 53, (a) and (c).

<sup>473</sup> Ibid, Article 54.

<sup>474</sup> Article 58, (a) and (b).

<sup>475</sup> Energy Community, Secretariat, [https://www.energy-community.org/portal/page/portal/ENC\\_HOME/ENERGY\\_COMMUNITY/Institutions/Secretariat](https://www.energy-community.org/portal/page/portal/ENC_HOME/ENERGY_COMMUNITY/Institutions/Secretariat) (Accessed 2019.02.16)

<sup>476</sup> Ibid.

<sup>477</sup> Treaty Establishing the Energy Community, Article 67 (a) and (b).

interested stakeholders, which includes regulators, industry and industry related groups, and consumers.<sup>478</sup>

There have been criticisms of the Energy Community, among which has been that successful implementation of the energy *acquis* varies between different contracting states, thus providing a very “*mixed picture*”.<sup>479</sup> This has been coupled with issues relating to enforcement mechanisms, with the claim being made that existing ones are weak, and that so far no financial sanctions or binding penalties having been imposed for the breach of obligations.<sup>480</sup> In general, however, the Energy Community has been hailed as a success of EU external relations policy.<sup>481</sup> This, at least to a certain extent, may be admitted as it has managed to integrate states that are not full members of the European Union into a vital part of its legal order. In fact, it can be argued that the Energy Community is an example of the already mentioned EU external governance concept, or can also be described as a “*integration without membership*” model of relations, attempting to expand and move the legal boundary of the Union, in this case the energy sectoral *acquis* of the European Union to third countries such as Ukraine, while not simultaneously moving the political boundary of the Union through official enlargement, though still allowing them greater access and integration into the Internal Market of the EU.<sup>482</sup>

Below there shall be a survey and evaluation of Ukraine’s attempt to conform its energy regime in line with its obligations as a signatory of the Energy Community. This shall focus on three major areas: gas, electricity and the creation of an independent regulatory.

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<sup>478</sup> Ibid, Article 63.

<sup>479</sup> European Parliament (2015): Energy Community: Prospects and challenges, *European Parliamentary Research Service*, Briefing October 2015, 5, [http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/569011/EPRS\\_BRI\(2015\)569011\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/569011/EPRS_BRI(2015)569011_EN.pdf) (Accessed 2019.02.16)

<sup>480</sup> Ibid, 8.

<sup>481</sup> SCHWARZ, Oliver (2015): Exploring the Impact of the Energy Community: A True Pan-European Single Market or Difference Worlds of Compliance, ECPR General Conference Université de Montréal, Montreal, 26-29 August 2015, <https://ecpr.eu/Events/PaperDetails.aspx?PaperID=25993&EventID=94>, (Accessed 2019.02.16)

<sup>482</sup> PETROV, Roman (2014): Applying the European Union’s ‘energy *acquis*’ in eastern neighbouring countries: the cases of Ukraine and Moldova, *Oil, Gas and Energy Law Intelligence*, Vol. 12, Issue 2, April 2014, 1, [http://www.academia.edu/7183109/Applying\\_the\\_European\\_Unions\\_Energy\\_Acquis\\_in\\_Eastern\\_Neighbouring\\_Countries\\_The\\_Cases\\_of\\_Ukraine\\_and\\_Moldova](http://www.academia.edu/7183109/Applying_the_European_Unions_Energy_Acquis_in_Eastern_Neighbouring_Countries_The_Cases_of_Ukraine_and_Moldova) (Accessed 2019.02.16)

### 3.4.2 Gas

In relation to the area of gas and the objectives of the EU in this area Directive 2009/73/EC states that through the internal market in natural gas that consumers of the European Union will be provided with a real choice, and the achievement of gains in efficiency, more competitive prices, greater service standards and to aid both sustainability and the security of supply.<sup>483</sup> Ukraine is considered to be effectively reforming its gas sector in line with its Energy Community obligations, through the implementation of its Gas Sector Reform Implementation Plan, having been hailed as the first Contracting Party of the Energy Community to have developed a significant natural gas market regulatory framework.<sup>484</sup> It is also argued that this reform of the gas sector has the potential to increase Central and Eastern Europe's energy security, and thus Ukraine's domestic reforms in this area have an influence and importance beyond its own borders.<sup>485</sup>

In April 2015 the Ukrainian Rada passed the Law of Ukraine on the Natural Gas Market. The law was drafted by the Ukrainian government in close consultation with the Energy Community Secretariat, and Naftogaz, the Ukrainian state gas and oil company.<sup>486</sup> The legislation states that the law aims at implementing the Energy Community's energy *acquis* due to its obligations under the Treaty establishing the Energy Community, as well as the Association Agreement signed between Ukraine and the European Union.<sup>487</sup> In particular, it seeks to implement “*Directive 2009/73/EC concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC; Regulation (EC) 715/2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) 1775/2005; as well as Directive 2004/67/EC on measures to safeguard security of natural gas supply*”.<sup>488</sup>

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<sup>483</sup> Preamble (1), <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0094:0136:en:PDF> (Accessed 2019.02.12)

<sup>484</sup> Energy Community (2016): Energy Community Country Brief: Spotlight on Ukraine. Energy Community Country Brief. 9 March 2016 Issue 3, 1 (<http://enref.org/wp-content/uploads/2015/04/Final-Version-Ukraine-Country-Brief.pdf>), (Accessed 2019.02.19)

<sup>485</sup> Dixigroup (2016): Ukraine's Gas Sector Reform: A Future Win-Win for Ukraine and Europe. Ukrainian Think Tank Development Initiative, 1, [https://issuu.com/irf\\_ua/docs/dp-2016-36](https://issuu.com/irf_ua/docs/dp-2016-36) (Accessed 2019.02.19)

<sup>486</sup> RADCHENKO, Vitaliy (2016): Ukraine: Naftogaz Unbundling Plan Adopted, *Lexology*, 7 July 2016, <http://www.lexology.com/library/detail.aspx?g=230892a7-d324-4d08-89df-0055bef81b84> (Accessed 2016.09.10).

<sup>487</sup> Article 2.1,

[http://www.naftogaz.com/files/Information/Ukraine%20Natural%20Gas%20Market%20Law\\_engl.pdf](http://www.naftogaz.com/files/Information/Ukraine%20Natural%20Gas%20Market%20Law_engl.pdf) (Accessed 2019.02.12)

<sup>488</sup> *Ibid*

According to Article 23 Ukraine's Gas Law, entitled "*General requirements of unbundling and independence of a gas transmission system operator (unbundling mode OU)*", paragraph 1, the gas transmission system operator is to be a separate legal person "*not part of a vertically integrated undertaking*", and is not to carry out the production, distribution and supply of natural gas.

This legislation was praised by the Director of the Energy Community Secretariat, who said that "*Ukraine is well advanced in gas sector reform, having adopted the EU Third Energy Package compliant Law on Natural Gas Market which entered into force in October 2015*".<sup>489</sup> In general, its adoption was seen as a success which can act a model and be emulated in other attempts at approximation to EU law.<sup>490</sup> The adoption of this law was followed by the creation of secondary legislation, with the assistance of the Energy Community Secretariat.<sup>491</sup> However, all of the secondary legal regulations were not entirely adopted, and in the case of some of those that were, some of their provisions did not wholly comply with the Gas Market Law.<sup>492</sup>

A bill was approved on July 1 2016 by the Cabinet of Ministers of Ukraine which will split Naftogaz<sup>493</sup> of Ukraine according to the requirements of the EU's Third Energy Package,<sup>494</sup> as specified in the Ukrainian "*On the Natural Gas Market law*".<sup>495</sup> The resolution, named "*On unbundling of operations for transportation and storage (injection, withdrawal) of natural gas*"<sup>496</sup> was drafted by the Ukrainian government in conjunction with the Energy Community Secretariat.<sup>497</sup> The plan includes provision for the creation of two new entities: JSC Main Gas

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<sup>489</sup> Interfax-Ukraine News Agency (2016): Energy Community Secretariat hopes Ukraine's energy regulator will correct gas market regulations, 24 May 2016, <http://en.interfax.com.ua/news/economic/345478.html> (Accessed 2016.09.20)

<sup>490</sup> POPOVYCH, Maksym (2016): Ukraine's Gas Market: A thorny way to liberalisation. *New Eastern Europe*, 9 April 2016, <http://www.neweasterneurope.eu/articles-and-commentary/1562-ukraine-s-gas-market-a-thorny-way-to-liberalisation>, (Accessed 2016.09.28).

<sup>491</sup> Energy Community (2016): i.m, 1.

<sup>492</sup> Interfax-Ukraine (2016): Energy Community Secretariat hopes. i.m.

<sup>493</sup> In Ukraine it is Naftogaz, along with its subsidiaries, which carries out such tasks as gas production, storage, supply and transmission. See RADCHENKO, (2016): i.m.

<sup>494</sup> HAIGHT, Brent (2016) - Ukraine Government Authorizes Naftogaz Split, Gas Compression, 5 July 2016, Accessed: October 2. <http://gascompressionmagazine.com/2016/07/05/ukraine-government-authorizes-naftogaz-split/> (Accessed 2016.10.02).

<sup>495</sup> RADCHENKO (2016): i.m.

<sup>496</sup> NAFTOGAZ (2016): Ukraine's government approves Naftogaz unbundling plan, 4 July 2016, 9. <http://www.naftogaz.com/www/3/nakweben.nsf/0/471E4A2222A20B92C2257FE6003174D0?OpenDocument&year=2016&month=07&nt=News&> (Accessed 2016.09.09)

<sup>497</sup> RADCHENKO (2016): i.m.

Pipelines of Ukraine (MGU) and JSC Underground Gas Storage Facilities of Ukraine (UGSF).<sup>498</sup> These will both take over the assets of the Ukrainian transmission system operator (TSO), Ukrtransgaz.<sup>499</sup> The Ukrainian Cabinet of Ministers in February 2018 gave its approval to eventually transferring the assets of Ukrtransgaz to Main Gas Pipelines of Ukraine, a company created in November 2016 and which functions under the auspices of Energy and Coal Industry.<sup>500</sup> The European Commission has stated that the process of unbundling has needs to be completed by 1 January 2020.<sup>501</sup>

However, reform of the gas sector has not been wholly unproblematic. One notable example occurred in September 2016 when the Ukrainian government announced that the economy ministry would take over control of Ukrtransgaz, the subsidiary gas transportation operator of Naftogaz, a decision which would have placed both the generator/supplier and transmitter of gas under the control of the same ministry.<sup>502</sup> The Secretariat of the Energy Community stated in response that “*this unilateral move is not in line with the Resolution on Unbundling adopted by the government on July 1, nor was it consulted with the Secretariat*”.<sup>503</sup> Furthermore, it said that “*control by the same public body – the ministry of economic development and trade – over both transmission system operator and Naftogaz’ gas production and supply activities violates the unbundling provisions applicable under Energy Community law*”.<sup>504</sup> There was also a threat of a possible action to enforce Energy Community rules.<sup>505</sup> In addition, the country’s creditors warned that the move could put in jeopardy the disbursement of money connected to the country’s IMF

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<sup>498</sup> NAFTOGAZ. i.m.

<sup>499</sup> Ibid.

<sup>500</sup> SAHA, Sagatom - ZASLAVSKIY, Ilya (2018): Advancing Natural Gas Reform in Ukraine, Discussion Paper, Council on Foreign Relations, 12, <https://www.cfr.org/report/advancing-natural-gas-reform-ukraine> (Accessed 2019.05.16); VOYTIV, Mykola (2017): The Forthcoming Gas Network Under the Auspices of the EU, Vox Ukraine, 6 March 2017, <https://voxukraine.org/en/majbutnya-gazotransportna-sistema-en/> (Accessed 2019.05.16)

<sup>501</sup> GOTEV, Georgi (2018): EU and Ukraine in tug of war over Naftogaz unbundling, 19 July 2018, *Euractiv*, <https://www.euractiv.com/section/energy/news/eu-and-ukraine-in-tug-of-war-over-naftogaz-unbundling/> (Accessed 2019.05.16)

<sup>502</sup> OLEARCHYK, Roman (2016): Ukraine under fire over gas group revamp, *Financial Times*, 18 September 2016, <https://www.ft.com/content/89a349a4-7da2-11e6-8e50-8ec15fb462f4> (Accessed 2016.09.18).

<sup>503</sup> ZHUK, Alyona (2016): Economy Ministry puts seizing control over Ukrtransgaz on hold, *Kyiv Post*, 19 September 2016, <https://www.kyivpost.com/article/content/business/economy-ministry-puts-seizing-control-over-ukrtransgaz-on-hold-423225.html> (Accessed 2016.09.20)

<sup>504</sup> POWELL, William (2016): Bank, EC Condemn Ukraine Economy Ministry, *Natural Gas World*, 17 August 2016, <http://www.naturalgaseurope.com/bank-ec-condemn-ukraine-economy-ministry-31655> (Accessed 2016.10.05).

<sup>505</sup> EurActiv (2016): After striking murky gas deal, Ukraine bows to West, 26 September 2016, <https://www.euractiv.com/section/europe-s-east/news/after-striking-murky-gas-deal-ukraine-bows-to-west/> (Accessed 2016.10.15)

bailout package.<sup>506</sup> After a meeting between the Ukrainian Prime Minister, U.S Ambassador, and representatives from the World Bank, European Bank of Reconstruction and Development, as well as officials of Naftogaz and Ukrtransgaz, the Ukrainian government quickly cancelled its planned take over.<sup>507</sup>

### 3.4.3 Electricity

Upon obtaining independence in 1991, Ukraine inherited a highly developed electricity sector as well as high energy consumption levels from the USSR.<sup>508</sup> In the mid-1990s Ukraine was the first country that had been part of the Soviet Union that underwent extensive reforms in the electricity sector.<sup>509</sup> A key priority of the European Commission in relation to energy reform in Ukraine has been the introduction of a new model for the electricity market.<sup>510</sup> In particular, this means the reorganizing and dismantling of Ukrenergo, the country's state transmission company.<sup>511</sup> On 31 March 2016 the Ukrainian Parliament's energy committee recommended the approval of the Electricity Market Law draft.<sup>512</sup> The provisions conform to the requirements of the Energy Community Treaty and the European Union's Third Energy Package, with its overarching goal being the progressive liberalisation of Ukraine's electricity market.<sup>513</sup>

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<sup>506</sup> OLEARCHY (2016): i.m.

<sup>507</sup> VERBYANY, Volodymyr (2016): Ukraine Cancels Gas Pipeline Takeover After Lender Criticism, *Bloomberg*, 19 September 2016, <https://www.bloomberg.com/news/articles/2016-09-19/ukraine-suspends-gas-pipeline-takeover-after-lender-criticism> (Accessed 2016.10.03)

<sup>508</sup> LOVEI, Laslo (1998): Electricity Reform in Ukraine: The impact of weak governance and budget crises, *Public Policy for the Private Sector*, December 1998, Note No. 168, 2 [https://openknowledge.worldbank.org/bitstream/handle/10986/11508/multi\\_page.pdf?sequence=1&isAllowed=y](https://openknowledge.worldbank.org/bitstream/handle/10986/11508/multi_page.pdf?sequence=1&isAllowed=y) (Accessed 2016.10.03)

<sup>509</sup> PITTMAN, Russell (2016): Restructuring Ukraine's Electricity Sector: What Are We Trying to Accomplish, *VoxUkraine*, 7 February 2016, <http://voxukraine.org/2015/02/07/restructuring-ukraines-electricity-sector-what-are-we-trying-to-accomplish/> (Accessed 2016.10.03).

<sup>510</sup> Interfax-Ukraine (2016): European Commission hopes Ukraine reforms energy market soon, 3 June 2016, <http://en.interfax.com.ua/news/economic/347862.html> (Accessed 2016.09.30).

<sup>511</sup> EU Today (2016): Ukraine Reforms in the Electricity Sector, 25 May 2016, <http://eutoday.net/news/ukraine-reforms-in-the-electricity-sector> (Accessed 2016.09.30).

<sup>512</sup> Energy Community: Ukraine Electricity, [https://www.energy-community.org/portal/page/portal/ENC\\_HOME/AREAS\\_OF\\_WORK/Implementation/Ukraine/Electricity](https://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/Implementation/Ukraine/Electricity) (Accessed 2016.09.02).

<sup>513</sup> RADCHENKO, Vitaliy (2017): Ukraine: Electricity Market liberalised to meet the EU 3rd Energy Package requirements, *Lexology*, April 18 2017, <http://www.lexology.com/library/detail.aspx?g=8b4291f1-d65d-4f42-baa7-d6d187123b27> (Accessed 2019.02.10)

The full adoption of this law had been delayed for around two and a half years, even though by this time the secondary legislation necessary for the practical implementation of the law was already prepared.<sup>514</sup> The Energy Community had often criticized this lack of progress, specifically the delay in the unbundling of Ukrenergo and distribution network operators, and has stated categorically that present Ukrainian legislation is not in compliance with the EU's Third Energy Package.<sup>515</sup> The vacillating in the passing of the necessary legislation in order to reform the electricity market even provoked the intervention of the United States Ambassador to Ukraine, Geoffrey Pyatt, who stated that his government insisted that the electricity law should be adopted in the autumn of 2016.<sup>516</sup>

In response, Ukrainian Prime Minister Volodymyr Groysman sought to reassure interested parties that passing legislation in conformity with EU standards was a major aim of the government and that the process was moving forward, stating on June 30 2016 at the Ukrainian Energy Conference in Kyiv that work was underway with the various parties and factions of the Ukrainian parliament in order to bring this about, and that he was confident that the legislation will be approved.<sup>517</sup> Finally, on 13 April 2017, the Ukrainian Parliament approved the law, entitled Law of Ukraine "On Electricity Market",<sup>518</sup> and is to come into full effect in July 2019.<sup>519</sup> According to this law, Ukraine's electricity transmission system operator, Ukrenergo, is to be corporatized.<sup>520</sup>

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<sup>514</sup> Interfax-Ukraine (2016): Director of Energy Community: „In the area of energy efficiency Ukraine did almost nothing”, 25 May 2016, <http://en.interfax.com.ua/news/interview/345602.html> (Accessed 2016.10.15):

<sup>515</sup> Energy Community: Ukraine Electricity, i.m.

<sup>516</sup> Ukrinform (2016): U.S expects Ukraine to adopt legislation on electricity market next fall – Ambassador Pyatt. 30 June 2016, <http://www.ukrinform.net/rubric-economics/2042404-us-expects-ukraine-to-adopt-legislation-on-electricity-market-next-fall-ambassador-pyatt.html> (Accessed 2016.10.16)

<sup>517</sup> Kyiv Post (2016): Ukraine Energy Conference assures private investors ahead of planned privatization of energy companies, 2 June 2016, <http://www.kyivpost.com/article/content/ukraine-politics/ukraine-energy-conference-assures-private-investors-ahead-of-planned-privatization-of-energy-companies-417659.html>, (Accessed 2016)

<sup>518</sup> Ukrenergo: *New Electricity Market*, <https://ua.energy/new-electricity-market/> (Accessed 2016.10.16).

<sup>519</sup> Hqstep: Ukraine's Electricity Market Law (Law no 4493), <https://hqstep.eu/content/ukraines-electricity-market-law-law-no-4493> (Accessed 2019.05.16).

<sup>520</sup> Energy Community (2017): Will Ukraine's New Electricity Market Law Create Genuine Competition on the Market?, *European Community Connected*, Issue 2, October 2017, 2, [https://www.enercee.net/fileadmin/enercee/images-2017/Ukraine/Energy\\_Community\\_Connected\\_Issue\\_2.pdf](https://www.enercee.net/fileadmin/enercee/images-2017/Ukraine/Energy_Community_Connected_Issue_2.pdf) (Accessed 2019.05.16)

### 3.4.4 Independent Regulator

A major issue in Ukraine's complying with Energy Community standards relates to passing legislation establishing an independent energy regulator.<sup>521</sup> After much delay and criticism, on September 22 2016 the Ukrainian parliament passed the law to create an independent energy market regulator.<sup>522</sup> The legislation is titled Draft Law No 2966-d "On the National Commission for State Regulation of Energy and Public Utilities Sector"<sup>523</sup> and was written in consultation with the Energy Community Secretariat.<sup>524</sup> This was signed into law by the then President Petro Poroshenko on November 23 2016.<sup>525</sup> This independent commission will have the responsibility of setting power tariffs,<sup>526</sup> and shall be composed of two members nominated by the President, two members nominated by the Parliament, and one nominated by the Cabinet of Ministers.<sup>527</sup> It is hoped that the adoption of this legislation and it being successfully implemented will create a truly independent regulatory authority in line with European standards.<sup>528</sup> The passing of this legislation was critical for Ukraine, as the European Union directly tied it to receiving a 600-million-euro loan to the reforming of this area.<sup>529</sup>

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<sup>521</sup> Interfax-Ukraine (2016): Director of Energy Community, i.m.

<sup>522</sup> ZHUK Alyona (2016): Parliament passes long-awaited law on energy market regulator, *Kyiv Post*, 22 September 2016, <http://www.kyivpost.com/article/content/ukraine-politics/parliament-passes-long-awaited-law-on-energy-market-regulator-423486.html> (Accessed 2016.09.23)

<sup>523</sup> RADCHENKO, Vitaliy (2016): Law on Energy Regulator Finally Adopted, *Lexology*, <http://www.lexology.com/library/detail.aspx?g=d22ccbe5-3634-4d4c-94da-871a123eccdc4> (Accessed 2016.10.08)

<sup>524</sup> KUCHYNSKA, Olena (2016): New law in Ukraine establishes independent national energy regulator, *Kinstellar*, November 2016. (<http://www.kinstellar.com/insights/detail/425/new-law-in-ukraine-establishes-independent-national-energy-regulator>) (Accessed 2016.09.22)

<sup>525</sup> Ibid.

<sup>526</sup> ZINETS, Natalia – KALYMKOV, Alexei. (2016): Passing energy bills, Ukrainian MPs clear path for new EU loan, *Reuters*, 22 September 2016, <http://www.reuters.com/article/ukraine-energy-idUSL8N1BY2K3> (Accessed 2016.09.25)

<sup>527</sup> ZHUK, Alyona (2016): A Week in the Rada: What was done on Sept. 20-23. *Kyiv Post*, 23 September 2016, <https://www.kyivpost.com/article/content/ukraine-politics/a-week-in-the-rada-what-was-done-on-sept-20-23-423602.html> (Accessed 2016.9.26).

<sup>528</sup> DAVYDENKO, Igor – RABIJ, Myron B. – SYSOIEV, Maksym (2016): Law on Regulator entered into force, *Lexology*, 29 November 2016, <http://www.lexology.com/library/detail.aspx?g=6a4d1ee3-ee98-4c27-af7d-8b8c899c527b> (Accessed 2016.12.03)

<sup>529</sup> ZINETS – KALYMKOV: i.m.

### 3.4.5 Developments in Ukraine's gas importation practices

One of the changes that have taken place since the events of 2014 relate to the nature of Ukraine's gas importation regime. Ukraine has always been greatly dependent on Russian gas, and the conflict that has ensued from 2014 has led Ukraine to seek alternative sources as a way of safeguarding its energy security. This should also be seen in conjunction with efforts within the European Union to decrease energy dependence. For example, in March 2014 the then President of the European Council, Herman Van Rompuy, made the statement that „*Today we sent a clear signal that Europe is stepping up a gear to reduce energy dependency, especially with Russia: by reducing our energy demand, with more energy efficiency; by diversifying our supply routes to and within Europe and expanding energy sources, in particular renewables; by energy security on our border and security of supply for our neighbours*”.<sup>530</sup> Ukraine, though not an EU Member State, can be said to be identified with these stated goals of the European Union through its membership of the Energy Community, which seeks to integrate third countries in Eastern Europe and the West Balkans into the EU's energy system and structure. Indeed, Ukrainian Prime Minister Volodymyr Groysman and the EU Energy Commissioner Maros Sefcovic expressed their joint aim of gradually weaning Ukraine away from Russian gas.<sup>531</sup> It should also be noted that the United States has particularly supported this goal.<sup>532</sup>

In 2013 Ukraine received 95% of its gas imports from Russia, and in 2014 the figure stood at around 75%.<sup>533</sup> During the presidency of Viktor Yanukovych Ukraine received a discount on the gas that it purchased.<sup>534</sup> However, amidst the tensions that ensued between Ukraine and Russia, Gazprom in early 2014 raised the gas price for Ukraine by 44%, from \$268.50 per 1,000 cubic

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<sup>530</sup> ELLIS (2014): i.m.

<sup>531</sup> RETTMAN, Andrew (2016): EU to help Ukraine cut gas Russia dependence, *Euobserver*, 2 September 2016, <https://euobserver.com/energy/134892> (Accessed 2016.12.05)

<sup>532</sup> VARGAS, Luke (2016): Ukraine, while you were out, *Talk Media News*, 16 August 2016, <http://www.talkmedianews.com/world-news/2016/08/16/ukraine-while-you-were-out/> (Accessed 2016.09.20)

<sup>533</sup> SOCOR, Vladimir (2015): Ukraine Rapidly Dismantling Gazprom's Supply Monopoly, *The Jamestown Foundation*, 8 April 2015, <https://jamestown.org/program/ukraine-rapidly-dismantling-gazproms-supply-monopoly/> (Accessed 2016.10.03)

<sup>534</sup> TITCOMB, James (2014): Gazprom heaps pressure on Ukraine with gas price rise, *The Telegraph*, 1 April 2014, <http://www.telegraph.co.uk/finance/newsbysector/energy/oilandgas/10736145/gazprom-gas-ukraine.html>, (Accessed 2016.10.17)

meters to \$385.50, which amounted to a rise of 44 per cent.<sup>535</sup> This development increased the financial pressure felt by the Ukrainian government, which at the time was negotiating the terms of international bailout deals.<sup>536</sup> Gazprom said that this increase was necessary as Ukraine owed \$1.7 billion for gas purchases since the beginning of 2013.<sup>537</sup> Furthermore, from June through to October 2014 Russia completely stopped delivering gas to Ukraine.<sup>538</sup> Up until the time of writing, since November 2015 Ukraine has not directly purchased gas from Russia.<sup>539</sup>

In this context Ukraine has made attempts at lessening its dependence on Russian gas imports, one example of this being the utilization of gas reverse flows. An important country in this regard for Ukraine has been Slovakia, with an agreement signed in April 2014 between them for the delivery of gas from EU states via Slovakia.<sup>540</sup> In order to achieve this, Slovakia made the necessary adjustments to an old pipeline that was unused.<sup>541</sup> The gas delivered to Ukraine from Slovakia has been Russian in origin, having been originally delivered there via the Ukrainian pipeline.<sup>542</sup> This deal with Slovakia has been hailed as having aided Ukraine in getting “*rid of gas dependence on Russia*”.<sup>543</sup> From the second half of July 2016 the amount of gas being transported from Slovakia to Ukraine via reverse flow increased significantly.<sup>544</sup>

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<sup>535</sup> MAZNEVA, Elena (2014): Gazprom Raises Gas Export Price as Ukraine Looks for Cash, *Bloomberg*, 1 April 2014, <https://www.bloomberg.com/news/articles/2014-04-01/gazprom-raises-gas-export-price-as-ukraine-looks-for-cash> (Accessed 2016.10.03)

<sup>536</sup> Bloomberg (2014): Gazprom hikes up gas price by 44%, *Energy Voice*, 1 April 2014, <https://www.energyvoice.com/marketinfo/56559/gazprom-hikes-ukraine-gas-price-44/> (Accessed: 2016.10.05)

<sup>537</sup> Ibid.

<sup>538</sup> SOCOR (2015): i.m.

<sup>539</sup> Interfax (2018): Ukraine marks 1,000 days without Russian gas, *Kyiv Post*, 23 August 2018, <https://www.kyivpost.com/business/ukraine-marks-1000-days-without-russian-gas.html> (Accessed 2019.02.17)

<sup>540</sup> COLIN, Harrison – PRINCOVA, Zuzana (2015): A quiet gas revolution in Central and Eastern Europe, *Energy Post*, 29 October 2015, <http://www.energypost.eu/quiet-revolution-central-eastern-european-gas-market/>, (Accessed: 2016.10.01)

<sup>541</sup> Reuters (2014): Slovak gas pipeline seen ready to supply Ukraine from September, 19 May 2014, <http://af.reuters.com/article/idAFL6N0O53Y320140519> (Accessed 2016.12.01)

<sup>542</sup> BERSHIDSKY, Leonid (2016) How Ukraine Weaned Itself Off Russian Gas, *Bloomberg*, 12 January 2016, <https://www.bloomberg.com/view/articles/2016-01-12/how-ukraine-weaned-itself-off-russian-gas> (Accessed 2016.12.29)

<sup>543</sup> Ukraine Today (2016): Slovakia helps Ukraine to get rid of gas dependence on Russia – expert, 11 July 2016, <http://uatoday.tv/business/slovakia-helps-ukraine-to-get-rid-of-gas-dependence-on-russia-expert-693322.html> (Accessed 2016.09.18)

<sup>544</sup> The Slovak Spectator (2016): Volume of transported gas from Slovakia to Ukraine begins to grow, 5 August 2016, <http://spectator.sme.sk/c/20232149/volume-of-transported-gas-from-slovakia-to-ukraine-begins-to-grow.html> (Accessed 2016.09.18). For further details, see Ukrinform (2016): Ukraine increases volume of reverse gas flow from Poland, Slovakia. 29 July 2016, <http://www.ukrinform.net/rubric-economics/2058545-ukraine-increases-volume-of-reverse-gas-flow-from-poland-slovakia.html> (Accessed 2016.10.01); Ukraine Today (2016): Ukraine maximises gas import from Slovakia, 1 August 2016, <http://uatoday.tv/business/ukraine-maximises-gas-import-from-slovakia-707901.html> (Accessed 2016.10.02); Ukraine Today (2016). Slovakia wants to increase reverse gas supplies to

However, the issue of reverse flows of gas has had its problematic moments with regards to questions of law. For example, the Ukrainian government protested to the European Union in 2015 due to an agreement between Gazprom and Eustream which allows the former to inhibit reverse flows through one of the major pipelines that carries gas to European countries through Ukraine, specifically the one located at the Uzhgorod-Velke Kapusany transit points.<sup>545</sup> Ukraine claimed that the arrangement preventing the reverse flow is in violation of EU law,<sup>546</sup> in particular the anti-monopoly law and the 3rd Energy Package.<sup>547</sup> Prime Minister Arseny Yatsenyuk said that the agreement was obstructing Ukraine's efforts at lessening its dependence on Russian gas, and that with a full reverse flow from Slovakia Ukraine would eventually be able to obtain all of its gas imports from the EU.<sup>548</sup> Furthermore, there have been questions as to the legality of the reverse flows themselves, raised by the Russian state gas company Gazprom.<sup>549</sup> The company claimed that any such reverse flows would require its approval.<sup>550</sup> This also relates to reverse flows from Slovakia which would go through any one of the four pipelines that transport Russian gas via Ukraine to Slovakia.<sup>551</sup> In response, the European Commission has supported the practice, with a spokesperson for the European Commissioner for Energy stating that the reverse flows in this case were "*legal perfectly sound*".<sup>552</sup>

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Ukraine, 7 September 2016, <http://uatoday.tv/business/slovakia-wants-to-increase-reverse-gas-supplies-to-ukraine-741925.html> (Accessed: 2016.10.01)

<sup>545</sup> LIPTAKOVA, Jana. (2015): Ukraine complains to EU over Eustream, *The Slovak Spectator*, 25 June 2015, <http://spectator.sme.sk/c/20058396/ukraine-complains-to-eu-over-eustream.html> (Accessed 2016.09.26)

<sup>546</sup> REUTERS (2015): Slovakia rejects Ukraine complaint over gas flows, 4 June 2015, <http://af.reuters.com/article/energyOilNews/idAFL8N0ZA2CU20150624?pageNumber=1&virtualBrandChannel=> (Accessed 2016.09.20)

<sup>547</sup> BADIDA, Jozef (2015): Interview Andriy Kobolev, CEO Naftogaz : „Gazprom breaches EU law by blocking reverse flow to Ukraine”, *Energy Post*, March 4 2015, <http://energypost.eu/interview-andriy-kobolev-ceo-naftogaz-gazprom-breaching-eu-law-blocking-reverse-flow-ukraine/> (Accessed 26 September 2016)

<sup>548</sup> LIPTAKOVA (2015): i.m.

<sup>549</sup> Reuters (2014): Gazprom says “reverse flow” gas for Ukraine raises legal questions, April 5 2014, <http://www.reuters.com/article/ukraine-crisis-gazprom-idUSL5N0MX04O20140405> (Accessed 26 September 2016)

<sup>550</sup> Reuters (2014): Plans for EU gas flows to Ukraine could be blocked by Russia, April 7 2014, <http://www.reuters.com/article/ukraine-crisis-gas-idUSL6N0MZ29U20140407> (Accessed 26 September 2016)

<sup>551</sup> Ibid.

<sup>552</sup> EU Business (2014): Alternative gas flow to Ukraine ‘perfectly legal’ says EU, 17 June 2014, <http://www.eubusiness.com/news-eu/ukraine-russia-gas.woc> (Accessed 26 September 2016)

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The above analysis has shown that indeed there have been serious changes and developments in the area of Ukraine's energy policy, structure and practices. In the area of Ukraine's attempt to approximate to the EU's energy *acquis*, it has been seen that gas reform has been hailed as a great success, and the creation of an independent regulator, after a lack of progress and a great deal of criticism, has moved ahead, while the electricity sector's reform had experienced delays. In addition, the stopping of direct imports of gas from Russia for Ukraine's domestic consumption and the utilization of reverse flows from other neighbouring countries can be considered to be a significant change in Ukraine's energy culture, in spite of the legal issues that have been raised as a consequence. In its attempts to approximate to the European Union's standards and norms in the area of energy can be seen one important manifestation of the broader framework of Ukraine's European integration, which involves integrating into the greater EU regulatory framework and the strengthening and deepening of relations.

### **3.5 Case Study: Hungary and Certain Aspects of Ukraine's European Integration**

Earlier in this dissertation there was a case study relating to certain aspects of Hungary's energy relations with Russia. Here there shall now be a brief case study relating to very select components of Hungary's relations with Ukraine which have a certain relevance to the latter's relationship with the broader European Union. After a recounting of certain aspects of the historical background to the Hungary-Ukraine relationship, two areas connected to Hungary's relations to Ukraine's attempt to more deeply integrate with the European Union shall be briefly surveyed, specifically connected to visa-free travel for Ukrainian citizens to the European Union and the possibility of Ukrainians have greater access to EU labour markets in general, and how this may relate to Hungary specifically.

Parts of the territory of what is now the present-day Republic of Ukraine have had close connections to the early history of the Magyar tribes and to the history of the Hungarian state. One of the main points along the route of the Magyars final destination in the Carpathian Basin was Eteköz, in what is now Southern Ukraine, which they occupied in the latter part of the 8th century

AD.<sup>553</sup> The Hungarian Kingdom included the region known as Zakarpattia/Kárpátalja in Western Ukraine, which encompasses such cities as Berehove/Beregszász, Uzhhorod/Ungvár and Mukachevo/Munkács, which were part of the Hungarian state until the Treaty of Trianon. In medieval times there were important marital alliances between the Royal House of Árpád and that of Kyivan Rus. Of particular note was the marriage between the Hungarian King András I and Princess Anastasia, daughter of Yaroslav I the Wise of Kiev.<sup>554</sup> Beyond the territories that were part of the Hungarian Kingdom proper, other regions of Western Ukraine have had important historical ties to Hungary, specifically the region of Galicia, with its historical center Lviv, or, according to its Austro-Hungarian name, Lemberg. In 1189 King Béla III of Hungary occupied the territory of Galicia and declared himself King of Galicia and Lodomeria.<sup>555</sup> For a time in the early part of the 13th century the territory was ruled by Kálmán, son of the Hungarian King András II, who took the title of King of Galicia and Lodomeria.<sup>556</sup> It was these historical connections which in fact acted as the legal foundation for the Austro-Hungarian Empress Maria Theresa's incorporation of this territory into her empire after the partition of the Polish-Lithuanian Commonwealth in 1772, being based on the medieval claims of the Hungarian Crown.<sup>557</sup>

Since the fall of the Soviet Union, Hungary has supported Ukraine's statehood and the country's path of European integration. It is often stated that Hungary was one of the first countries to recognise Ukraine's independence from the Soviet Union, but in fact, there is evidence that Hungary was actually the first country in the world to grant this recognition.<sup>558</sup> Furthermore, Hungary was the first country to open an embassy in independent Ukraine and the Ukrainian embassy in Budapest was the country's first diplomatic entity established in a foreign country.<sup>559</sup> On 6 December 1991 the two countries signed a Treaty on Friendship and Cooperation.<sup>560</sup>

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<sup>553</sup> CARTLEDGE, Bryan (2006), *The Will to Survive: A History of Hungary*. London, Timewell Press, 4.

<sup>554</sup> RAFFENSPERGER, Christian (2012) *Reimagining Europe: Kievan Rus' in the Medieval World, 988-1146*. Cambridge, Massachusetts and London, England, Harvard University Press, 100.

<sup>555</sup> MAGOCSI Paul R. (2010): *A History of Ukraine: The Land and its Peoples* (Second Edition). Toronto, University of Toronto Press, 123; WILSON, Andrew (2005), *Ukraine's Orange Revolution*. Yale University Press, New Haven and London, 34.

<sup>556</sup> HOLLY, Karol (2007): Princess Salomea and Hungarian-Polish Relations in the Period 1214-1241, *Historický časopis*, 55, Supplement, 6, <http://www.historickyacasopis.sk/pdf/HCSupplement2007.pdf>, (Accessed 2018.08.10)

<sup>557</sup> WOLFF, Larry (2010): *The Idea of Galicia: History and Fantasy in Habsburg Political Culture*, Stanford, Stanford University Press, 39.

<sup>558</sup> FEDINEC, Csilla (2012): Ukraine's place in Europe and Two Decades of Hungarian-Ukrainian Relations, *Foreign Policy Review* 9(1), 74, [http://real.mtak.hu/12847/1/Fedinec\\_ForeignPolicyReview2013.pdf](http://real.mtak.hu/12847/1/Fedinec_ForeignPolicyReview2013.pdf), (Accessed 2018.08.25)

<sup>559</sup> Embassy of Ukraine in Hungary: Initiation of diplomatic relations with Hungary, <https://hungary.mfa.gov.ua/en/embassy/history> (Accessed 2018.08.25)

<sup>560</sup> FEDINEC (2012): i.m. 75.

Hungary's relations with Ukraine have included consistent support for the country's European aspirations and ultimate membership.<sup>561</sup> Furthermore, it has supported Ukraine in its desire to achieve visa-free travel with the European Union and in the area of the free trade agreement.<sup>562</sup> The general motivation for the deepening of relations with Ukraine and support for that state includes the fact that the country is a direct neighbor of Hungary, various security interests, and the fact Ukraine is home to a large Hungarian minority located mainly in the Western region of Zakarpattia/Kárpátalja.<sup>563</sup>

### ***3.5.1 Hungary and visa-free travel to the European Union for Ukrainian citizens***

As already discussed, the European Union officially waived visa requirements for citizens of Ukraine on June 11 2017. This can be considered as a major milestone in Ukraine's attempt to achieve a closer and more deeply integrated relationship with the European Union. Hungary was a major supporter of Ukraine being granted visa-free travel to the Member States of the European Union.<sup>564</sup> In fact, before the European Parliament had fully approved the granting of such travel rights to Ukrainian citizens, Hungary announced on 24 November 2017 that, despite resistance from certain EU countries, that it would grant D type visas free of charge to Ukrainian citizens.<sup>565</sup> D type visas grants the right to the holder to stay in a country longer than 90 days and to travel around the Schengen Area.<sup>566</sup> Hungarian Prime Minister Viktor Orbán had made the statement that *"After the three hard years that Ukraine has gone through in the name of European values, the EU has a moral obligation to grant visa-free access to Ukraine."*<sup>567</sup> The Prime Minister also requested of his Ukrainian counterpart that Hungarian citizens travelling to Ukraine be granted the same possibility.<sup>568</sup>

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<sup>561</sup> Cabinet Office of the Prime Minister (2016): Hungary support's Ukraine's EU membership, 25 November 2016, <http://www.miniszterelnok.hu/hungary-supports-ukraines-eu-membership/>, (Accessed 2018.06.25)

<sup>562</sup> Ibid.

<sup>563</sup> FEDINEC (2012): i.m. 74.

<sup>564</sup> Cabinet Office of the Prime Minister (2016): Hungary Supports Ukraine's EU Membership, 25 November 2016, <http://www.miniszterelnok.hu/hungary-supports-ukraines-eu-membership/>, (Accessed 2018.06.19)

<sup>565</sup> Y Axis News (2016): Hungary to grant long-stay visas freely to Ukraine, 26 November 2016 , <https://www.y-axis.com/news/hungary-grant-long-stay-visas-freely-ukraine/>, (Accessed 2018.06.19)

<sup>566</sup> Business Standard (2016): Hungary offers Ukrainians free long-stay visas, 24 November 2016, [https://www.business-standard.com/article/pti-stories/hungary-offers-ukrainians-free-long-stay-visas-116112401387\\_1.html](https://www.business-standard.com/article/pti-stories/hungary-offers-ukrainians-free-long-stay-visas-116112401387_1.html), (Accessed 2018.06.19)

<sup>567</sup> Ibid.

<sup>568</sup> Ibid.

### 3.5.2 *The employment of Ukrainian labour*

It cannot be denied that a major aspect of European integration is the right of citizens of Member States to move and work freely within the territory of the European Union. The Association Agreement signed between the European Union and Ukraine does not grant such a right to the citizens of the latter. However, it lists two provisions in particular relating to workers.<sup>569</sup> Though it must be pointed out that these provisions do not provide free access to the European Union labour market for Ukrainian citizens, and in fact, as there is no common European Union policy on labour migration, it is thus necessary for Ukraine to develop specific bilateral relationships with EU member states in relation to the issue of labour importation.<sup>570</sup> Due to various factors, an obvious destination for the importation of Ukrainian labour within the European Union are the Central and Eastern European Member States, particularly those that comprise the Visegrád Group. In relation to Hungary, it has been widely acknowledged that, with regards to certain sectors the country lacks the necessary labour to fill positions.<sup>571</sup> Though there are no plans for a large scale guest worker program, there has been some attempt to employ a limited number of

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<sup>569</sup> These are articles 17 and 18. According to Article 17. *1. Subject to the laws, conditions and procedures applicable in the Member States and the EU, treatment accorded to workers who are Ukrainian nationals and who are legally employed in the territory of a Member State shall be free of any discrimination based on nationality as regards working conditions, remuneration or dismissal, compared to the nationals of that Member State.*

*2. Ukraine shall, subject to the laws, conditions and procedures in Ukraine, accord the treatment referred to in paragraph 1 of this Article to workers who are nationals of a Member State and who are legally employed in its territory.*

Additionally, Article 18, entitled “Mobility of workers” states that:

*1. Taking into account the labour market situation in the Member States, subject to the legislation and in compliance with the rules in force in the Member States and the EU in the area of mobility of workers: (a) the existing facilities of access to employment for Ukrainian workers accorded by Member States under bilateral agreements should be preserved and, if possible, improved; (b) other Member States shall examine the possibility of concluding similar agreements.*

*2. The Association Council shall examine the granting of other more favourable provisions in additional areas, including facilities for access to professional training, in accordance with laws, conditions and procedures in force in the Member States and in the EU, and taking into account the labour market situation in the Member States and in the EU.*

<sup>570</sup> STABANOV, Roman D (2014): Prospects for Ukraine’s Integration Into the EU Labour Market in the Context of the Ukraine – EU Association Agreement, *Torun International Studies*, No. 1 (7), 60, <http://apcz.umk.pl/czasopisma/index.php/TSM/article/viewFile/6208/5664>, (Accessed 2018.06.19)

<sup>571</sup> DW (2018): Hungary critically needs labor that’s nowhere to be found, 5 May 2018, <https://www.dw.com/en/hungary-critically-needs-labor-thats-nowhere-to-be-found/a-43651003>, (Accessed 2018.06.19)

Ukrainians in certain areas, such the construction sector via an advertising campaign.<sup>572</sup> For the year 2019, Hungary actually raised the quota of work permits for non-EU citizens to 57, 000.<sup>573</sup> Hungarian law also allows the citizens of third-countries that neighbour Hungary, such as Ukraine, to be employed in certain professions without the need for a work permit.<sup>574</sup> Additionally, over time the Hungarian Ministry of Finance has significantly raised the number of such positions that may be filled by such citizens without the need for a work permit.<sup>575</sup> However, it has been acknowledged that in general Hungary has something of conservative policy towards its labour market and to seeking migrants from Ukraine on a somewhat larger scale, which to a certain extent contrasts with the approach of Poland or the Czech Republic, both of which have a relatively high number of Ukrainians working their respective countries.<sup>576</sup> It should also be noted that Hungary is attractive to Ukrainian citizens belonging to the Hungarian minority.<sup>577</sup>

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<sup>572</sup> SZAKACS, Gergely (2017): Hungary construction sector eyes Belarus, Ukraine, to tackle labour shortage, *Reuters*, 3 March 2017, <https://www.reuters.com/article/hungary-construction-belarus/hungary-construction-sector-eyes-belarus-ukraine-to-tackle-labour-shortage-idUSL5N1GG3RB>, (Accessed 2018.06.19)

<sup>573</sup> Budapest Business Journal (2019): Work permit quota for non-EU nationals set at 57, 000 in 2019, 15 February 2019, [https://bbj.hu/economy/work-permit-quota-for-non-eu-nationals-set-at-57000-in-2019\\_161597](https://bbj.hu/economy/work-permit-quota-for-non-eu-nationals-set-at-57000-in-2019_161597) (Accessed 2019.05.15)

<sup>574</sup> Budapest Business Journal (2019): Foreign Employees in Hungary: a Solution to Workforce Shortage?, 12 May 2019, [https://bbj.hu/inside-view/foreign-employees-in-hungary-a-solution-to-workforce-shortage\\_164776](https://bbj.hu/inside-view/foreign-employees-in-hungary-a-solution-to-workforce-shortage_164776) (Accessed 2019.05.15)

<sup>575</sup> Daily News Hungary (2019): Migrants without work permits coming from Serbia and Ukraine, 6 April 2019, <https://dailynewshungary.com/migrants-without-work-permits-coming-from-serbia-and-ukraine/> (Accessed 2019.05.15)

<sup>576</sup> SZAKACS, i.m.

<sup>577</sup> LENDEL, Myroslava (2016): Migration of Ukrainians to Central European Countries in the context of the Postmaidan internal and international crisis, *Public Policy and Administration*, Vol. 5, No. 4, 2016, 556, [https://www.mruni.eu/upload/iblock/f83/03\\_VPA\\_2016-15-4\\_LENDEL-Migration.pdf](https://www.mruni.eu/upload/iblock/f83/03_VPA_2016-15-4_LENDEL-Migration.pdf) (Accessed 2018.06.19)

## CHAPTER 4

### THE EUROPEAN UNION'S RESTRICTIVE MEASURES REGIME AGAINST RUSSIA

#### 4.1 Background to the Events in Crimea and the Donbass

A major outcome of events in Crimea and East Ukraine has been the imposition of a regime restrictive measures and sanctions on the Russian Federation by the European Union, which has been followed by counter-measures from the former. It cannot be denied that this has had a major impact on bilateral European Union-Russia relations, impacting many different facets of the relationship between the two, also on the level of the individual EU Member States. Thus, it is justified to examine this topic as it has a natural and necessary place along with the various legal and political agreements which exist between the two. The events that took place in Crimea and East Ukraine after the 2014 Euromaidan Revolution profoundly impacted relations between Russia and Ukraine, and Russia and the Euro-Atlantic community. For the first time since the wars in the former Yugoslavia in the 1990s, armed conflict was seen in the heart of the European continent. This development provoked various responses from different sectors of the international community, one of the most important of which were the sanctions that were placed on Russia by the European Union. Here there shall be a survey of the major features of the restrictive measures regime that was imposed and the specific areas of European Union-Russia relations that they impact. Additionally, there shall be an examination of the possibility for this sanction regime to be lifted eventually, including various conditions that have been put forward as necessary for this to occur, as well as the voices from various European Member States expressing the desire for this development to take place, as they see the sanctions placed on Russia as being detrimental to their own national interests.

The European Union, being an international actor in its own right, has attempted to formulate a policy in order to deal with the conflict in Ukraine, which has involved creating a regime of restrictive measures and sanctions. Naturally, as in other cases where the European Union exercises its role as an actor on the international stage, due to its own fundamental and intrinsic nature, the implementation of these measures has naturally involved an attempt at coordination and articulation of a common policy among its 28 Member States. One of the

European Union's external relations tools is the ability to impose sanctions on third countries.<sup>578</sup> Sanctions have been defined as being “*necessary and useful measures in situations where states contemplate or actually adopt policies which violate international obligations and endanger community values*”, and which “*must be capable of application and must carry some negative power, whether symbolic or real.*”<sup>579</sup>

In order to understand the events that occurred in Crimea in 2014, it is necessary to look at the peninsula's historical background. Crimea, including Sevastopol, is a region that has a very strong symbolic and geopolitical meaning for Russia. Crimea became a part of the Russian Empire in 1783 after the Tsarist forces defeat of the Ottoman Empire.<sup>580</sup> Later, with the creation of the Soviet Union, Crimea was a part of the Russian Soviet Federative Socialist Republic, however, in 1954 the region was reassigned to the Ukrainian Soviet Socialist Republic by Nikita Khrushchev.<sup>581</sup> With the dissolution of the Soviet Union and the independence of Ukraine, the Crimean peninsula remained a part of Ukraine, however this state of affairs was not without controversy, particularly due to the fact that the majority of the Crimean population is ethnic Russian.<sup>582</sup> As a result, certain sectors of Crimea's ethnic Russian population wished to assert sovereignty and to strengthen the peninsula's connections with Russia which caused tension with the central Ukrainian government.<sup>583</sup>

An important issue that needed to be dealt with when the Soviet Union came to an end and Ukraine and the Russian Federation came into being as independent entities was the division of the Soviet Black Sea Fleet located at Sevastopol, with both claiming it as their own.<sup>584</sup> In 1997 Russia and Ukraine signed the Partition Treaty on the Status and Conditions of the Black Sea Fleet,

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<sup>578</sup> The European Union's power to impose restrictive measures on third countries is contained in Article 215 TFEU . It states that: „*Where a decision, adopted in accordance with Chapter 2 of Title V of the Treaty on European Union, provides for the interruption or reduction, in part or completely, of economic and financial relations with one or more third countries, the Council, acting by a qualified majority on a joint proposal from the High Representative of the Union for Foreign Affairs and Security Policy and the Commission, shall adopt the necessary measures. It shall inform the European Parliament thereof*”.

<sup>579</sup> DOXEY, Margart (1983): International Sanctions in Theory and Practice, *Case Western Reserve Journal of International Law*, Volume 15, Issue 2, 273, 274, <https://scholarlycommons.law.case.edu/cgi/viewcontent.cgi?article=1806&context=jil>, (Accessed 2018.06.2)

<sup>580</sup> BBC News (2018): Crimea profile, 17 January 2018, <https://www.bbc.com/news/world-europe-18287223>, (Accessed 2018.06.2)

<sup>581</sup> Ibid.

<sup>582</sup> Ibid.

<sup>583</sup> Ibid.

<sup>584</sup> DW (2014): Bound by treaty: Russia, Ukraine and Crimea, 11 March 2014, <http://www.dw.com/en/bound-by-treaty-russia-ukraine-and-crimea/a-17487632>, (Accessed 2018.06.2)

which partitioned the Soviet Black Sea Fleet between Russia (receiving 81.7%) and Ukraine (receiving 18.3%), and gave the former the right to use the Port of Sevastopol for 20 years, that is, until 2017.<sup>585</sup> Later, the Memorandum on Security Assurances in connection with Ukraine's accession to the Treaty on the Non-Proliferation of Nuclear Weapons was signed, which came about as a result of Ukraine handing over the Soviet nuclear arsenal located on its territory, in which the Russian Federation, the United Kingdom and United States affirmed their commitment to Ukraine's independence and territorial integrity.<sup>586</sup> In 2010 the Agreement between Ukraine and Russia on the Black Sea Fleet in Ukraine, also known as the Kharkiv Accords, was signed, which concerned the extension of Russia's lease on the Black Sea fleet base in Sevastopol for another 25 years, from 2017 to 2042.<sup>587</sup>

Russia's interests with regards to Crimea relate to geopolitical, military and historical-cultural considerations. Most obviously, by having control over the Crimean Peninsula, Russia is able to continue to access Sevastopol's naval base, which hosts Russia's Black Sea Fleet.<sup>588</sup> However, another issue of importance to many in the Russian Federation is the symbolic-emotional connection to the Crimean peninsula. To understand this, one need look no further than President Vladimir Putin's statement in the aftermath of the referendum organized in Crimea:

*“Everything in Crimea speaks of our shared history and pride. This is the location of ancient Khersones, where Prince Vladimir was baptised. His spiritual feat of adopting Orthodoxy predetermined the overall basis of the culture, civilisation and human values that unite the peoples of Russia, Ukraine and Belarus. The graves of Russian soldiers whose bravery brought Crimea into the Russian empire are also in Crimea. This is also Sevastopol – a legendary city with an outstanding history, a fortress that serves as the birthplace of Russia's Black Sea Fleet. Crimea is Balaklava and Kerch, Malakhov Kurgan and Sapun Ridge. Each one of these places is dear to our hearts, symbolising Russian military glory and outstanding valour.”*<sup>589</sup>

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<sup>585</sup> BROWNLIE Ian - CRAWFORD James (2012): *Brownlie's Principles of Public International Law*, 8<sup>th</sup> Edition, Oxford, Oxford University Press, 431.

<sup>586</sup> Articles 1 and 2.

<sup>587</sup> CONNOLLY, Richard – COPSEY, Nathaniel (2013): *The Great Slump of 2008 and Ukraine's Integration with the European Union*. In FEKLYUNINA, Valentina – WHITE, Stephen eds.: *The International Economic Crisis and the Post-Soviet States*. London and New York, Routledge, 221.

<sup>588</sup> SCHWARTZ, Paul N (2014): *Crimea's Strategic Value for to Russia*, *Center for Strategic & International Studies*, 18 March 2014, <https://www.csis.org/blogs/post-soviet-post/crimeas-strategic-value-russia>, (Accessed 2018.06.2)

<sup>589</sup> President of Russia (2014): *Address by President of the Russian Federation*, 18 March 2014, <http://en.kremlin.ru/events/president/news/20603>, (Accessed 2018.06.5)

With the Euromaidan Revolution in Kiev, the ethnic Russian population grew fearful of their rights and cultural identity being put in jeopardy as a result of what many among them saw as an assertion of Ukrainian nationalism.<sup>590</sup> On 27 February 2014, forces described by the Russians as self-defense units created by local Crimean residents but which Ukraine claimed were in fact the actual Russian military took control of strategic locations throughout Crimea, including the parliament in Simferopol.<sup>591</sup> On 16 March a referendum was organized by Crimea's pro-Russian leadership, which claimed an 83% turnout and a 96% vote in favour of unification with the Russian Federation.<sup>592</sup> Subsequently, the Russian Federation passed the Federal Constitutional Law of the Russian Federation of March 21, 2015 NO. 6 – FKZ, “About acceptance to the Russian Federation of the Republic of Crimea and education as part of the Russian Federation new subjects – the Republic of Crimea and the federal city of Sevastopol” which recognized Crimea as a part of the Russian Federation in light of the results of the March 16 2014 referendum held in Crimea.<sup>593</sup> Later, on March 24, President Putin presented a proposal to the Russian Duma aiming to terminate the legal effect of the abovementioned agreements with regards to the status of Russia's Black Sea Fleet in Ukraine.<sup>594</sup> This proposal subsequently received unanimous support from the Duma.<sup>595</sup>

Additionally, the Donbass region in Eastern Ukraine, particularly the regions of Donetsk and Luhansk oblasts, has been the scene of armed conflict between Ukrainian government forces and separatists.<sup>596</sup> This began in 2014, and has led to the separatists taking control over parts of

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<sup>590</sup> DW (2014): Fear and suspicion in Crimea, 28 February 2014, <https://www.dw.com/en/fear-and-suspicion-in-crimea/a-17466075>, (Accessed 2018.06.5)

<sup>591</sup> MACIAS, Amanda (2015): A detailed look at how Russia annexed Crimea, *Business Insider*, 24 March 2015, <https://www.businessinsider.com/how-russia-took-crimea-2015-3>, (Accessed 2018.06.5) As to the identity of this task force, according to Russia this was composed of self-defense units created by local Crimean residents, while Ukraine claimed that these were in fact Russian forces. See ABC News, Ukrainian defence ministry says Russian forces have seized missile defence units in Crimea, 5 March 2014, <http://www.abc.net.au/news/2014-03-05/russia/5301724> (Accessed 2018.06.05).

<sup>592</sup> Euractiv (2014): Moscow wins Crimea 'referendum', West readies sanctions, 17 March 2014, <https://www.euractiv.com/section/global-europe/news/moscow-wins-crimea-referendum-west-readies-sanctions/>, (Accessed 2018.06.5)

<sup>593</sup> Art. 1, 2.(1) <http://cis-legislation.com/document.fwx?rgn=66256>, (Accessed 2018.06.5)

<sup>594</sup> TASS Russian News Agency (2014): State Duma approves denunciation of Russian-Ukrainian agreements on the Black-Sea Fleet, 31 March 2014, <http://tass.com/russia/725964>, (Accessed 2018.06.5)

<sup>595</sup> Ibid.

<sup>596</sup> RAPHELSON, Samantha (2018): 'Simmering Conflict' In Eastern Ukraine Remains at An Impasse, *NPR*, 10 January 2018, <https://www.npr.org/2018/01/10/577104670/simmering-conflict-in-eastern-ukraine-remains-at-an-impasse?t=1534591585641>, (Accessed 2018.06.5)

the Donbass region,<sup>597</sup> even having declared the independence of Donetsk and Luhansk.<sup>598</sup> Around 10, 000 people have been killed in armed conflict in this region, and around 1.7 million people have been forced to leave their homes.<sup>599</sup> Ukraine has claimed that Russia has backed the separatists with soldiers, weapons and other support, while the latter has consistently denied this.<sup>600</sup> In an effort to bring a resolution to the conflict, on 5 September 2014 in Minsk an agreement later known as Minsk-1 was signed under the auspices of the OSCE, which was also signed by the separatists in Donetsk and Luhansk.<sup>601</sup> Later, the second Minsk agreement was signed on 11 February 2015.<sup>602</sup> However, this has not led to a complete end of the conflict, which still continues up until the present time.

## 4.2 Reaction of the European Union

The European Union condemned Russia's actions in Crimea as an "*illegal annexation*".<sup>603</sup> The sanctions placed on Russia by the European Union can be said to be divided into two categories,

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<sup>597</sup> Al Jazeera (2018): Ukraine declares Russian 'occupation' in eastern region, 18 January 2018, <https://www.aljazeera.com/news/2018/01/ukraine-declares-russian-occupation-eastern-region-180118164950405.html>, (Accessed 2018.06.5)

<sup>598</sup> Al Jazeera (2014): Ukraine separatists declare independence, 12 May 2014, <https://www.aljazeera.com/news/europe/2014/05/ukraine-separatists-declare-independence-201451219375613219.html>, (Accessed 2018.06.5)

<sup>599</sup> Al Jazeera (2014): i.m.

<sup>600</sup> TOLER, Aric – HARING, Melinda (2017): How Putin funds and commands the war in Ukraine, 27 April 2017, Newsweek, <https://www.newsweek.com/how-putin-funds-and-commands-war-ukraine-589733>, (Accessed 2018.06.5)

<sup>601</sup> Euromaidan Press: Everything you wanted to know about the Minsk peace deal, but were afraid to ask, <http://euromaidanpress.com/minsk-agreements-faq/>, (Accessed 2018.06.5)

<sup>602</sup> Ibid. The 13 points of the latest form of the Minsk Agreement, in a summarized form (see European Parliament: Ukraine and the Minsk II agreement: On a frozen path to peace?, Briefing, January 2016, [http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/573951/EPRS\\_BRI\(2016\)573951\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/573951/EPRS_BRI(2016)573951_EN.pdf)) are:

1. Immediate, full bilateral ceasefire as of 15 February 00:00.
2. Withdrawal of all heavy weapons by both sides, to be completed within 14 days.
3. Effective monitoring regime for the ceasefire and withdrawal of heavy weapons by the OSCE.
4. Launch of dialogue on modalities of local elections in accordance with Ukrainian legislation.
5. Pardon and amnesty of figures involved in the conflict.
6. Release of all hostages and other illegally detained people, based on the 'all for all' principle.
7. Safe delivery of humanitarian aid to those in need, based on an international mechanism.
8. Restoration of full social and economic links with affected areas.
9. Full Ukrainian control over its border with Russia throughout the conflict zone.
10. Withdrawal of all foreign armed groups, weapons and mercenaries from Ukrainian territory.
11. Constitutional reform in Ukraine with decentralisation as a key element; a new constitution by the end of 2015.
12. Local elections in Donetsk and Luhansk regions to be held according to OSCE standards.
13. Intensifying of the work of the Trilateral Contact Group.

<sup>603</sup> European Council/Council of the European Union: EU restrictive measures in response to the crisis in Ukraine, <http://www.consilium.europa.eu/en/policies/sanctions/ukraine-crisis/>, (Accessed 2018.06.10)

which are restrictive measures in response to the events in Crimea, and those sanctions due to the conflict in the Donbass region in Eastern Ukraine.<sup>604</sup> The former consists mainly of financial and travel restrictions on national and business entities connected to Crimea's being incorporated into the Russian Federation.<sup>605</sup> The measures relating to the conflict in the Donbass are economic sanctions tied to the implementation of the Minsk Accords.<sup>606</sup>

Initially, in the early stages of the crisis, the Council released a statement saying that it condemned *"the clear violation of Ukraine's sovereignty and territorial integrity by acts of aggression by the Russian armed forces as well as the authorization given by the Federation Council of Russia on 1 March for the use of the Russian armed forces on the territory of Ukraine."*<sup>607</sup> The Member States of the European Union also cancelled their plans to participate in the G8 Summit in June, with EU High Representative for Foreign Affairs and Security Policy, Catherine Ashton, saying that there must be a peaceful resolution to the crisis in accordance with international law and called on Russia to withdraw its troops to the territory where they are permanently based in accordance with the agreement for the stationing of the Black Sea Fleet.<sup>608</sup> At this early stage, the Council warned that due to a lack of steps by Russia to de-escalate the situation, the EU would have to decide what consequences this would have for the EU-Russia bilateral relationship.<sup>609</sup>

In response to the referendum organized in Crimea, the Foreign Affairs Council issued a statement strongly condemning the action, making it clear that it did not recognize the outcome.<sup>610</sup> Council Decision 2014/145/CFSP of 17 March 2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine<sup>611</sup> was adopted, which originally named 21 individuals, with this progressively being

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<sup>604</sup> SOHN, Roman – GIC, Ariana (2018): Russia Sanctions: test of EU commitment to international law, *Euobserver*, 23 July 2018, <https://euobserver.com/opinion/142434>, (Accessed 2018.07.20)

<sup>605</sup> Ibid.

<sup>606</sup> Ibid.

<sup>607</sup> European Council/Council of the European Council (2014): Foreign Affairs Council, 03/03/2014, <http://www.consilium.europa.eu/en/meetings/fac/2014/03/03/>, (Accessed 2018.07.20)

<sup>608</sup> Ibid.

<sup>609</sup> Ibid.

<sup>610</sup> European Council/Council of the European Union (2014): Foreign Affairs Council, 17/03/2014, <http://www.consilium.europa.eu/en/meetings/fac/2014/03/17/>, (Accessed 2018.06.20)

<sup>611</sup> Council Decision 2014/145/CFSP of 17 March 2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine, *OJ L 78, 17.3.2014, p. 16–21*, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014D0145> (Accessed 2018.06.20)

extended to cover 161 individuals and 41 entities.<sup>612</sup> This involves the adoption of restrictive measures against these officials, including travel bans and the freezing of assets.<sup>613</sup> These had been extended in March 2018 until 15 September 2018, and later these were extended in September 2018 to last until 15 March 2019.<sup>614</sup>

Later, on 23 June the Council Regulation No 692/2014 was adopted.<sup>615</sup> These sanctions include the banning of the importation of goods which have their origin in either Crimea or Sevastopol if they do not possess Ukrainian certificates; the prohibiting of investing in the Crimean peninsula, which also stipulates that Europeans and companies based in the European Union are no longer allowed to buy in Crimea either real estate or entities, nor engage in the financing of Crimean companies, or the supplying of related services, nor made investments in the infrastructure projects in six sectors; the banning of the provision of tourist services in both Crimea and Sevastopol, which also affects European cruise ships, who are prohibited from calling in at Crimean ports (unless there is an emergency); a prohibition on exporting goods and technology for use in the transportation, telecommunications and energy sectors, and also for the purposes of exploring for gas, oil and mineral resources; and relating to the infrastructure of these sectors, there must be no provision of such things as technical assistance, construction, brokering or services relating to engineering.<sup>616</sup> These measures are to last, according to the latest extension, until 23 June 2019.<sup>617</sup>

As stated above, a certain set of economic sanctions have also been placed on Russia by the European Union as a result of the conflict in East Ukraine. These were first contained in the Council Decision 2014/512/CFSP and Council Regulation No 833/2014 of 31 July 2014 on

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<sup>612</sup> Council Decision 2014/145/CFSP of 17 March 2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine, Document 02014D0145-20171121, [https://eur-lex.europa.eu/eli/dec/2014/145\(1\)/2017-11-21](https://eur-lex.europa.eu/eli/dec/2014/145(1)/2017-11-21) (Accessed 2018.06.20)

<sup>613</sup> Ibid.

<sup>614</sup> European Council/Council of the European Union: EU restrictive measures in response to the crisis in Ukraine, <http://www.consilium.europa.eu/en/policies/sanctions/ukraine-crisis/>, (Accessed 2018.06.20)

<sup>615</sup> Council Regulation (EU) No 692/2014 of 23 June 2014 concerning restrictions on the import into the Union of goods originating in Crimea or Sevastopol, in response to the illegal annexation of Crimea and Sevastopol, *OJ L 183*, 24.6.2014, p. 9–14, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014R0692> (Accessed 2018.06.08).

<sup>616</sup> European Union News Room: EU sanctions against Russia over Ukraine, [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) (Accessed 2018.06.08)

<sup>617</sup> European Council/Council of the European Union: EU restrictive measures in response to the crisis in Ukraine, i.m.

restrictive measures in view of Russia's actions destabilising the situation in Ukraine,<sup>618</sup> which aims specifically at economic sectoral cooperation and exchanges with Russia (this was later modified in September 2014 with the Council Decision 2014/659/CFSP<sup>619</sup> and Council Regulation (EU) No 960/2014).<sup>620</sup> These restrictive measures are the limiting of certain Russian companies and banks to the European Union's primary and secondary capital markets; the imposition of an export and import ban on arms trading; the establishment of ban on exports for dual-use items for the purpose of military use or military end users in the Russian Federation; and to restrict Russia's access to certain technologies and services which could be utilized for the purpose of both oil production and exploration.<sup>621</sup> The economic sanctions are currently extended until 31 January 2019.<sup>622</sup> A critical element of these sets of sanctions is that, according to a decision taken by European Union leaders in March 2015, any future lifting is to be directly connected to Russia implementing the terms of the Minsk Accords.<sup>623</sup>

Another development in connection to events in East Ukraine relates to the elections held on November 11 2018 in the Donbass by separatist administrations, the results of which were not recognized by the European Union.<sup>624</sup> In response to this development individuals involved in the organization of the elections have also been sanctioned by the European Union.<sup>625</sup>

The imposition of sanctions as a tool available in the practice of European Union external relations can be said to be an example of neofunctionalism, with the handing over of nation states'

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<sup>618</sup> Council Regulation (EU) No 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, *OJ L 229, 31.7.2014, p. 1–11*, [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L\\_.2014.229.01.0001.01.ENG](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.229.01.0001.01.ENG) (Accessed 2018.06.20)

<sup>619</sup> Council Decision 2014/659/CFSP of 8 September 2014 amending Decision 2014/512/CFSP concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, *OJ L 271, 12.9.2014, p. 54–57*, <https://eur-lex.europa.eu/legal-content/GA/TXT/?uri=CELEX:32014D0659> (Accessed 2018.06.20)

<sup>620</sup> Council Regulation (EU) No 960/2014 of 8 September 2014 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, *OJ L 271, 12.9.2014, p. 3–7*, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014R0960> (Accessed 2018.06.20).

<sup>621</sup> European Council/Council of the European Union: EU restrictive measures in response to the crisis in Ukraine i.m.

<sup>622</sup> Ibid.

<sup>623</sup> European Union External Action (2017): EU restrictive measures in response to the crisis in Ukraine, 16 March 2017, [https://eeas.europa.eu/headquarters/headquartershomepage\\_en/8322/EU%20restrictive%20measures%20in%20response%20to%20the%20crisis%20in%20Ukraine](https://eeas.europa.eu/headquarters/headquartershomepage_en/8322/EU%20restrictive%20measures%20in%20response%20to%20the%20crisis%20in%20Ukraine); (Accessed 2018.06.20)

<sup>624</sup> Radio Free Europe/Radio Liberty (2018): *EU again condemns 'Elections' In Separatist-Held Parts of Ukraine*, 10 November 2018, <https://www.rferl.org/a/eu-again-condemns-elections-in-separatist-held-parts-of-ukraine/29593147.html> (Accessed 2018.11.19)

<sup>625</sup> JOZWIAK, Rikard (2018): EU Blacklists Nine People Over Ukraine Separatist Vote, Radio Free Europe/Radio Liberty, 10 December 2018, <https://www.rferl.org/a/eu-blacklists-nine-people-over-ukraine-separatist-vote/29647964.html>, (Accessed 2019.02.16)

powers to the supranational level.<sup>626</sup> However, at the same time, evidence of intergovernmentalism can also be seen, with it having been argued that despite the fact that on a supranational level the European Union has gained more power in this area, still the Member States also maintain a certain control over the procedure.<sup>627</sup> Additionally, for restrictive measures to be implemented, the European Council must adopt the decision unanimously.<sup>628</sup> Thus, the example of the European Union's restrictive measures against Russia can be said to support the idea of both the intergovernmental and neofunctionalist models being at work, as they involve Member States agreement to the sanctions, but at the same time these have continued to be maintained and successively renewed, despite the scepticism, which shall be examined below, that exists in many sectors of the European Union with regards to the restrictive measures regime.

### 4.3 Russia's Response

In response to the restrictive measures, Russia also implemented a range of measures of its own against the European Union, which included prohibiting the importing of certain kinds of agricultural products, raw materials and foodstuffs from Member States.<sup>629</sup> These were first brought into force by a presidential decree on 6 August 2014, and then were extended several times, the last occasion being in 2017, which prolonged these economic measures until the end of 2018.<sup>630</sup> Another development as a result of the European Union's sanctions against Russia is what has been termed the latter's "*pivot to Asia*", which refers to a country attempting something of a reorientation of its economy focusing on strengthening ties with Asian nations in order to compensate losses in European markets.<sup>631</sup> A particularly important aspect of this reorientation is

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<sup>626</sup> BARBOU DES COURIERES, Constance, (2017): Between Supranationalism and Inter-Governmentalism in the European Union's Foreign Policy: A Principle-Agent Approach of the Sanction Policy in the CFSP Framework, *Revista UNISCI/UNISCI Journal*, No 43, January 2017, 9, <https://www.ucm.es/data/cont/media/www/pag-91857/UNISCIDP43-1BARBOU.pdf> (Accessed 2019.02.17)

<sup>627</sup> Ibid.

<sup>628</sup> Ibid, 19; European Council/Council of the European Union: Adoption and review procedures for EU sanctions, <https://www.consilium.europa.eu/en/policies/sanctions/adoption-review-procedure/> (Accessed 2019.02.17)

<sup>629</sup> Decree of the President of the Russian Federation (2014): On the application of certain special economic measures to ensure the security of the Russian Federation, 6 August 2014, No. 560, Unofficial Translation, [https://ec.europa.eu/food/sites/food/files/safety/docs/ia\\_eu-russia\\_ru-eu-import-ban\\_20140806\\_unoff-trans-en.pdf](https://ec.europa.eu/food/sites/food/files/safety/docs/ia_eu-russia_ru-eu-import-ban_20140806_unoff-trans-en.pdf), (Accessed 2018.06.20)

<sup>630</sup> President of Russia (2017): Executive Order on extending special economic measures to ensure Russia's security, 30 June 2017, <http://en.kremlin.ru/acts/news/54912>, (Accessed 2018.06.22)

<sup>631</sup> The Economist (2016): Russia's pivot to Asia, 26 November 2016, <https://www.economist.com/asia/2016/11/26/russias-pivot-to-asia>, (Accessed 2018.06.22)

the strengthening of relations with China. One observable manifestation of this has been a certain trade reorientation away from the European Union towards China.<sup>632</sup> In 2015 China and Russia agreed that they would bring about a harmonisation of the Belt and Road Initiative and the Eurasian Economic Union,<sup>633</sup> and later in May 2018 China and the Eurasian Economic Union (which shall be explored in the last chapter of the dissertation) signed a free trade agreement.<sup>634</sup> It was acknowledged that the member states of the EAEU have an interest in entering the Asian market due to its importance in the global economic system.<sup>635</sup> Furthermore, Russian President Vladimir Putin has stated in relation to China's One Belt, One Road Initiative that "*We find it a useful, important and promising initiative. This initiative is developing both with our efforts on building the Eurasian economic union...*"<sup>636</sup>

#### **4.4 The Court of Justice of the European Union and the European Union's Restrictive Measures Regime**

The implementation of the abovementioned restrictive measures has been challenged by various Russian entities and individuals that have been targeted and affected by them. This has led to cases coming before the Court of Justice of the European Union, both at the level of the European Court of Justice and the General Court of the European Union. These shall be examined here, and it shall be seen that these have caused this particular institution of the European Union to further involve itself in the articulation of the nature and scope of the European Union's external action and relations with third countries.

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<sup>632</sup> HAVLIK, Peter (2018): Trade reorientation in Russia: will China replace the EU?, *The Vienna Institute for International Economic Relations*, 10 July 2018, <https://wiiw.ac.at/trade-reorientation-in-russia-will-china-replace-the-eu--n-327.html> (Accessed 2019.04.13)

<sup>633</sup> PAIKIN, Zachary (2019): Russia's pivot to the east: Where does it leave the EU?, *European Council on Foreign Relations*, 21 February 2019, [https://www.ecfr.eu/article/commentary\\_russias\\_pivot\\_to\\_the\\_east\\_where\\_does\\_it\\_leave\\_the\\_eu](https://www.ecfr.eu/article/commentary_russias_pivot_to_the_east_where_does_it_leave_the_eu) (Accessed 2019.04.13)

<sup>634</sup> SHIRA, Dezan & Associates (2018): China to Sign Free Trade Agreement with Eurasian Economic Union on May 17, *China Briefing*, 15 May 2018, <https://www.china-briefing.com/news/china-sign-free-trade-agreement-eurasian-economic-union-may-17/> (Accessed 2019.04.02)

<sup>635</sup> Eurasian Economic Commission (2018): Agreement signed on trade and economic cooperation between EAEU and PRC, 17 May 2018, <http://www.eurasiancommission.org/en/nae/news/Pages/17-05-2018-5.aspx> (Accessed 2019.04.02)

<sup>636</sup> Sputnik News (2018): Russia Considers China's 'One Belt, One Road' Initiative Important, Promising, 6 June 2018, <https://sputniknews.com/asia/201806061065142987-russia-china-one-belt-one-road/> (Accessed 2019.04.02)

The Court of Justice of the European Union's jurisdiction in relation to the European Union's external relations is found in the treaties. According to Article 24(1) of the TEU, with regards to the common foreign and security policy, *"The Court of Justice of the European Union shall not have jurisdiction with respect to these provisions, with the exception of its jurisdiction to monitor compliance with Article 40 of this Treaty and to review the legality of certain decisions as provided for by the second paragraph of Article 275 of the Treaty on the Functioning of the European Union"*. Article 275 of the TFEU states that *„The Court of Justice of the European Union shall not have jurisdiction with respect to the provisions relating to the common foreign and security policy nor with respect to acts adopted on the basis of those provisions. However, the Court shall have jurisdiction to monitor compliance with Article 40 of the Treaty on European Union and to rule on proceedings, brought in accordance with the conditions laid down in the fourth paragraph of Article 263 of this Treaty, reviewing the legality of decisions providing for restrictive measures against natural or legal persons adopted by the Council on the basis of Chapter 2 of Title V of the Treaty on European Union."*<sup>637</sup>

A major case which has come before the European Court of Justice in relation to the European Union's restrictive measures regime against Russia is C-72/15 involving Rosneft.<sup>638</sup> Rosneft is Russia's biggest gas and oil company,<sup>639</sup> and JSC Rosneftgaz, which is owned by the Russian state, has a majority ownership of the company.<sup>640</sup> According to Decision 2014/512 and Regulation No 833/2014,<sup>641</sup> Rosneft is also subject to certain aspects of the restrictive measures regime implemented by the European Union.<sup>642</sup> Rosneft challenged the validity of these measures, bringing an action to the General Court of the European Union on 9 October 2014 and on 20 November 2014 launched a judicial review application to the High Court of Justice (England

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<sup>637</sup> Article 40 of the TEU states that *„The implementation of the common foreign and security policy shall not affect the application of the procedures and the extent of the powers of the institutions laid down by the Treaties for the exercise of the Union competences referred to in Articles 3 to 6 of the Treaty on the Functioning of the European Union. Similarly, the implementation of the policies listed in those Articles shall not affect the application of the procedures and the extent of the powers of the institutions laid down by the Treaties for the exercise of the Union competences under this Chapter"*.

<sup>638</sup> Case C-72/15, PJSC Rosneft Oil Company v Her Majesty's Treasury and Others, Judgement of the Court, ECLI:EU:C:2017:236, 28 March 2017, paragraph 31, <http://curia.europa.eu/juris/document/document.jsf?text=&docid=189262&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=7819495> (Accessed 2019.04.02)

<sup>639</sup> Rosneft: Rosneft at a glance, [https://www.rosneft.com/about/Rosneft\\_today/](https://www.rosneft.com/about/Rosneft_today/) (Accessed 2019.02.04)

<sup>640</sup> Rosneft: Shareholder structure, [https://www.rosneft.com/Investors/Equity/Shareholder\\_structure/](https://www.rosneft.com/Investors/Equity/Shareholder_structure/) (Accessed 2019.02.04)

<sup>641</sup> Rosneft is mentioned in Annex III.

<sup>642</sup> Case C-72/15, i.m., paragraph 31.

and Wales), Queen's Bench Division (Divisional Court).<sup>643</sup> With regards to the latter action, Rosneft claimed that the Council's restrictive measures and the accompanying national measures required to implement them were not valid.<sup>644</sup>

The High Court of Justice (England and Wales) made a request for a preliminary ruling to the European Court of Justice, and in fact, one of the matters raised by the High Court of Justice was whether in such a case the European Court of Justice has the ability to provide a preliminary ruling according to Article 267 of the TFEU.<sup>645</sup> In fact, there has been some uncertainty as to whether the European Court of Justice has the jurisdiction to determine in a preliminary ruling the validity of such sanctions.<sup>646</sup> The UK, Czech Republic, Estonia, France, and Poland and the Council had also argued that it is not within the jurisdiction of the Court to provide a preliminary ruling on the validity of Decision 2014/512.<sup>647</sup> The European Court of Justice ruled that it indeed did possess the jurisdiction to provide preliminary rulings in such a situation relating to the CFSP, in relation to Decision 2014/512, so long as the ruling relates to either monitoring whether the decision complies with Article 40 TEU, or the review of whether restrictive measures placed on natural or legal persons are legal.<sup>648</sup>

Beyond this issue, the High Court of Justice also asked whether the relevant measures of Regulation No 833/2014 and Decision 2014/52 were valid.<sup>649</sup> These place restrictions on certain kinds of financial transactions, as well as on the exporting of various technologies and goods of a sensitive nature.<sup>650</sup> Additionally, restrictions are placed on various Russian entities accessing the capital market, and prohibiting service provision necessary for certain kinds of oil transactions.<sup>651</sup> The European Court of Justice found that in fact the restrictive measures implemented by the European Union are valid.<sup>652</sup> Rosneft had employed the argument, among others, that the measures

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<sup>643</sup> Ibid, paragraph 32.

<sup>644</sup> Ibid.

<sup>645</sup> Paragraph 38(1).

<sup>646</sup> JOHANSEN, Stian Øby (2017): Judicial control of EU foreign policy: the ECJ judgment in Rosneft, *EU Law Analysis*, 29 March 2017, <http://eulawanalysis.blogspot.com/2017/03/judicial-control-of-eu-foreign-policy.html> (Accessed 2019.04.16)

<sup>647</sup> Case C-72/15, i.m., Paragraph 58.

<sup>648</sup> Ibid, Paragraph 81.

<sup>649</sup> Ibid, Paragraph 38(2)(a).

<sup>650</sup> Judgment in Case C-72/15 *The Queen, on the application of PJSC Rosneft Oil Company, formerly OJSC Rosneft Oil Company v Her Majesty's Treasury, Secretary of State for Business, Innovation and Skills and The Financial Conduct Authority* Press Release No 34/17, Luxembourg, 28 March 2017, <https://curia.europa.eu/jcms/upload/docs/application/pdf/2017-03/cp170034en.pdf> (Accessed 2019.04.18)

<sup>651</sup> Ibid.

<sup>652</sup> C-72/15, i.m., Paragraph 197(2).

were in contravention of certain provisions of the EU-Russia Partnership and Cooperation Agreement,<sup>653</sup> and also in relation to that fact that Member States are obligated to enforce penalties so as to ensure that Decision 2014/52 and Regulation No 833/2014 are implemented, it was argued that these lack clarity with regards to their various provisions, which thus goes against both the principles of legal certainty and *nulla poena sine lege certa*.<sup>654</sup>

The Court rejected these arguments. With regards to Rosneft's argument that the measures contradicted the Partnership and Cooperation Agreement, the Court stated that according to Article 99(1)(d) of that agreement, no party is prevented from implementing measures which it deems necessary to protect its own security, in particular during times of military conflict or tension in the international arena.<sup>655</sup> It was also emphasized by the Court that in relation to the issue of whether the adoption of the restrictive measures was a necessity for safeguarding the European Union's fundamental security interests, that indeed the Council of the European Union has a broad discretion with regards to political, economic and social choices.<sup>656</sup> In relation to the other argument raised the Court stated that the principles of legal certainty and *nulla poena sine lege certa* does not prohibit a Member State from the imposition of criminal penalties in the case of an infringement of the relevant provisions, even before the Court of Justice of the European Union has had the possibility to clarify the scope of the provisions of Regulation 833/2014 and the associated criminal penalties.<sup>657</sup>

In addition, other cases have come before the Court of Justice of the European Union, specifically the General Court of the European Union. One of these was the judgment of the General Court in Case T-262/15, Dmitrii Konstantinovich Kiselev v Council of the European Union. The case involved Dmitrii Konstantinovich Kiselev, who was included on the list of those

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<sup>653</sup> It should also be noted that in the Case C-265/03, Judgment of the Court (Grand Chamber) of 12 April 2005, Igor Simutenkov v Ministerio de Educación y Cultura and Real Federación Española de Fútbol, European Court Reports 2005 I-02579, Paragraph 29 <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A62003CJ0265> (Accessed 2019.05.31), where it was ruled that Article 23(1) of EU-Russia Partnership and Cooperation Agreement (this states that “*Subject to the laws, conditions and procedures applicable in each Member State, the Community and its Member States shall ensure that the treatment accorded to Russian nationals, legally employed in the territory of a Member State shall be free from any discrimination based on nationality, as regards working conditions, remuneration or dismissal, as compared to its own nationals*”) has direct effect, thus allowing individuals to whom it is applicable to be able to rely on it Member States' courts.

<sup>654</sup> C-72/15, i.m., Paragraph 35.

<sup>655</sup> Ibid, Paragraph 111.

<sup>656</sup> Ibid, Paragraph 113.

<sup>657</sup> Ibid, Paragraph 197(2).

individuals subject to restrictive measures by the European Union.<sup>658</sup> Kiselev is a Russian journalist, who is also head of Rossiya Segodnya, a state-owned news agency.<sup>659</sup> The reason why measures were placed on him by the Council was due to his role in Rossiya Segodnya and as a result of the statements that he made in his capacity as a journalist, with the Council considering him a „a central figure of the Russian government propaganda supporting the deployment of Russian forces in Ukraine”.<sup>660</sup> In response to the measures, one of the major foundations of Kiselev’s argument, as in the *Rosneft* case, that the restrictive measures placed on him contravened EU-Partnership and Cooperation Agreement, specifically the prohibition that it places on restricting the free movement of capital between the European Union and the Russian Federation.<sup>661</sup> The Court found, as in the *Rosneft* case, that according to Article 99(1)(d) of the Partnership and Cooperation Agreement the European Union had the right to institute its restrictive measures, in this case including against Kiselev.<sup>662</sup>

Another important aspect of Kiselev’s argument was that sanctions violated the right to freedom of expression contained in Article 11 of the Charter of Fundamental Rights of the European Union and Article 10 of the Convention for the Protection of Human Rights and Fundamental Freedoms.<sup>663</sup> The Court ruled that the Council was justified in having considered that the applicant had engaged in propaganda activities in support of Russia’s actions in Ukraine, and that the restrictive measures placed on him were not „disproportionate restriction of his right to freedom of expression”.<sup>664</sup>

Later, on 13 September 2018 the General Court handed down judgements in the cases of T-715/14 *Rosneft and Others v Council*, T-732/14 *Sberbank of Russia v Council*, T-734/14 *VTB Bank v Council*, T-735/14 *Gazprom Neft v Council*, T-737/14 *Vnesheconombank v Council*, T-

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<sup>658</sup> Case T-262/15, Judgment of the General Court (Ninth Chamber) of 15 June 2017 *Dmitrii Konstantinovich Kiselev v Council of the European Union*, <http://curia.europa.eu/juris/document/document.jsf?jsessionid=5C8E2B41EB99446D9091444138137687?text=&docid=191802&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=27398> (Accessed 2019.05.24)

<sup>659</sup> MIADZVETSKAYA, Yuliya (2018): *How to draw a line between journalism and propaganda in the information wars era? Case note on the Judgment of the General Court of 15 June 2017 in Case T-262/15 Dimitri Konstantinovich Kiselev v Council of the European Union*, College of Europe, Department of European Legal Studies, Case Notes 02/2018, <https://www.coleurope.eu/fr/research-paper/how-draw-line-between-journalism-and-propaganda-information-wars-era> (Accessed 2019.05.24)

<sup>660</sup> Case T-262/15, i.m, Paragraphs 44, 45.

<sup>661</sup> *Ibid*, Paragraphs 26, 28.

<sup>662</sup> *Ibid*, Paragraph 34.

<sup>663</sup> *Ibid*, Paragraph 54.

<sup>664</sup> *Ibid*, Paragraphs 111, 112.

739/14 PSC Prominvestbank v Council, T-798/14 DenizBank v Council, and T-799/14 Gazprom Neft v Council. All these cases involved Russian banks, oil and gas companies who had restrictive measures placed on them by the Council, and the Court upheld the measures that were adopted by the Council.<sup>665</sup> The Court affirmed, as in the *Rosneft* case, that it has the authority to determine the legality of the contested restrictive measures.<sup>666</sup> These cases also addressed the abovementioned issue of the European Union-Russia Partnership and Cooperation Agreement, and quoted the above analysed *Rosneft* judgment, saying that this case has already settled the question as to whether or not the relevant restrictive measures are compatible with the Partnership and Cooperation Agreement.<sup>667</sup> The General Court also made reference to the earlier discussed Article 21 TEU in relation to this case, saying that the restrictive measures aim to “*increase the costs of Russia’s action*” in Ukraine and the promotion of a “*peaceful settlement of the crisis*”.<sup>668</sup> The Court ruled that such an aim is in line with an objective is consistent with the objectives contained in Article 21 TEU, which include maintenance of both international security and peace.<sup>669</sup>

The cases discussed above illustrate the importance of the institution of the Court of Justice of the European Union in relation to the development and articulation of the European Union’s external relations policies and actions. They are also of interest from the point of view that the conflict between Russia and Ukraine and its subsequent repercussions for the European Union have, in addition to various political, security and economic ramifications, also played a role in helping to articulate and confirm the powers of the Court of Justice of the European Union with regards to the EU’s external relations dimension. For example, it has been observed that a particularly important element of the *Rosneft* case, is that it provides clarification in relation to the Court of Justice of the European Union’s jurisdiction with regards to the Common Foreign and Security Policy of the European Union, and that it is an integral component of the legal order of

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<sup>665</sup> Court of Justice of the European Union (2018): General Court of the European Union PRESS RELEASE No 132/18 Luxembourg, 13 September 2018 Judgments in Cases T-715/14 Rosneft and Others v Council, T-732/14 Sberbank of Russia v Council, T-734/14 VTB Bank v Council, T-735/14 Gazprom Neft v Council, T-737/14 Vnesheconombank v Council, T-739/14 PSC Prominvestbank v Council, T-798/14 DenizBank v Council, and T-799/14 Gazprom Neft v Council, <https://curia.europa.eu/jcms/upload/docs/application/pdf/2018-09/cp180132en.pdf> (Accessed 2019.04.20)

<sup>666</sup> Ibid, 1.

<sup>667</sup> Ibid.

<sup>668</sup> Ibid.

<sup>669</sup> Ibid.

the European Union.<sup>670</sup> Furthermore, the cases have allowed the Court to provide clarification with regards to the character of the EU-Russia Partnership and Cooperation Agreement, an agreement which still provides the basis of the legal relationship between the European Union and Russia.

#### 4.5 Possibility of Lifting the Sanctions

It is undeniable that relations between the European Union and the Russian Federation have been greatly strained as a result of events in Ukraine and subsequent actions that have been taken in response to this, including substantial economic loss for both sides, including a decrease in interaction and an increase in the costs of doing business.<sup>671</sup> Russian President Vladimir Putin said on a state visit to Austria in June 2018 in relation to the sanctions that "*These actions are harmful for everyone, both for those who initiate them and for those against whom they are directed*" and that "*Everybody has an interest in getting the sanctions lifted, us too*".<sup>672</sup> Certain voices from within the European Union have also voiced the opinion that there should be a lifting of the sanctions. For example, Hungarian Foreign Minister Péter Szijjártó stated in January 2017 that as a result of sanctions placed on Russia by the European Union, Hungary had lost around 6.5 billion USD over the previous 3 years.<sup>673</sup> Greece had also expressed a similar opinion in the past, when the then recently elected SYRIZA government delayed its consent to the prolonging of EU sanctions against separatists in Eastern Ukraine,<sup>674</sup> though in the end, it agreed with the other 27

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<sup>670</sup> VAN ELSUWEGE, Peter (2017): Judicial Review of the EU's Common Foreign and Security Policy: Lessons from the Rosneft case, *Verfassungsblog*, 6 April 2017, <https://verfassungsblog.de/judicial-review-of-the-eus-common-foreign-and-security-policy-lessons-from-the-rosneft-case/> (Accessed 2019.04.05)

<sup>671</sup> TIMOFEEV, Ivan (2014): 'From Lisbon to Vladivostok' at risk, *Russia Direct*, December 11 2014, <http://www.russia-direct.org/opinion/lisbon-vladivostok-risk>, (Accessed 2017.08.2)

<sup>672</sup> BBC News (2018): Vladimir Putin: Western sanctions 'harmful for everyone', 5 June 2018, <https://www.bbc.com/news/world-europe-44364429>, (Accessed 2018.06.22)

<sup>673</sup> Ministry of Foreign Affairs and Trade (2017): Hungary lost USD 6.5 billion due to sanctions against Russia, January 24 2017, Website of the Hungarian Government, <http://www.kormany.hu/en/ministry-of-foreign-affairs-and-trade/news/hungary-lost-usd-6-5-billion-due-to-sanctions-against-russia>, (Accessed 2018.06.22) He also expressed the opinion that the political or economic goals of the sanctions have not been successful, with Russia having not been brought to "its knees economically" and furthermore, that it has brought harm to the economies of the European Union Member States, all while little progress has been made in relation to the Minsk agreement. (REID, David – CUTMORE, Geoff (2017): Sanctions on Russia don't work, says Hungary's foreign minister, 4 October 2017, *CNBC*, <https://www.cnbc.com/2017/10/04/russian-sanctions-dont-work-says-hungary.html>, (Accessed 2018.06.22))

<sup>674</sup> TRAYNOR, Ian (2015): Greece delays EU agreement on Russia sanctions, *The Guardian*, <https://www.theguardian.com/world/2015/jan/29/greece-delays-eu-agreement-russia-sanctions>, (Accessed 2018.06.22)

Member States and voted in favour of the sanctions.<sup>675</sup> Italy's then newly appointed Prime Minister, Giuseppe Conte on 5 June 2018, called for sanctions placed on Russia to be reviewed,<sup>676</sup> saying that his government would advocate “*an opening towards Russia*”.<sup>677</sup> There have also been vocal sectors from German political and economic life that have questioned the continuation of the sanctions.<sup>678</sup> In February 2018 the then German Foreign Minister Sigmar Gabriel said that it was “*not realistic*” that there be no sanctions relief before the full implementation of the Minsk Accords.<sup>679</sup> Though he acknowledged that this opinion went against the official line, which holds that the full implementation of the Minsk accords are required in order for the sanctions to be lifted.<sup>680</sup>

However, it can be said that up until this point of time, despite voices of discontent with regards to the maintenance of sanctions against Russia, no Member State has pushed this issue to the point of causing major tension or conflict within the European Union. Despite such opinions be expressed by important figures such as Sigmar Gabriel from within Germany, Chancellor Angela Merkel has reiterated that the European Union will lift sanctions only in the case that the conditions of the Minsk Accords are fulfilled.<sup>681</sup> Furthermore, despite the above statements, countries such as Italy, Hungary, and Greece have not opposed the various extensions of the European Union sanctions, and thus, in practice, European Union unity on this matter has been maintained.<sup>682</sup>

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<sup>675</sup> HIGGINS, Andrew (2015): Greece Steps Back Into Line With European Union Policy on Russia Sanctions *The New York Times*, January 29 2015 , <https://www.nytimes.com/2015/01/30/world/europe/european-union-russia-sanctions-greece.html>, (Accessed 2018.06.22)

<sup>676</sup> Euractiv (2018): New Italian Prime Minister takes aim at migrants, austerity, in maiden speech, 6 June 2018, <https://www.euractiv.com/section/elections/news/new-italian-prime-minister-takes-aim-at-migrants-austerity-in-maiden-speech/>, (Accessed 2018.06.22)

<sup>677</sup> Ukrinform (2018): Italian Prime Minister stands for review of sanctions against Russia, 6 June 2018, <https://www.ukrinform.net/rubric-politics/2474595-italian-prime-minister-stands-for-review-of-sanctions-against-russia.html>, (Accessed 2018.06.22)

<sup>678</sup> GODLEWSKI, Andrzej (2017): Germany is fed up with sanctions against Russia, *Central European Financial Observer*, 15 November 2017, <https://financialobserver.eu/cse-and-cis/russia/germany-is-fed-up-with-sanctions-against-russia/>, (Accessed 2018.06.22)

<sup>679</sup> SHALAL, Andrea (2018): Ukraine progress should soften sanctions on Russia – Germany's Gabriel, 17 February 2018, *Reuters*, <https://uk.reuters.com/article/uk-germany-security-ukraine-crisis-gabri/ukraine-progress-should-soften-sanctions-on-russia-germanys-gabriel-idUKKCN1G10AB>, (Accessed 2018.06.22)

<sup>680</sup> Ibid.

<sup>681</sup> KROET, Cynthia (2017): Merkel: EU will lift Russia sanctions when Minsk accords implemented, *Politico*, 5 February 2017, <https://www.politico.eu/article/merkel-eu-will-lift-russia-sanctions-when-minsk-accords-implemented/>, (Accessed 2018.06.25)

<sup>682</sup> RETTMAN, Andrew (2018): Lone Italy fails to stop Russia sanctions, *Euobserver*, 29 June 2018, <https://euobserver.com/foreign/142236>, (Accessed 2018.06.25)

It can be said that it is difficult to predict the ultimate duration of the restrictive measures placed on the Russian Federation by the European Union due to the various complex factors relating to the relevant issues. In any case, the adoption by the European Union of restrictive measures as a result of events in Crimea and East Ukraine against the Russian Federation is a notable and striking example of the utilization of certain tools of external relations policy available to it in relation to its dealings with third countries. As has been seen, there has been scepticism from various European Union Member States with regards to the restrictive measures and calls for the easing or lifting of the sanctions, as they feel that they are detrimental to their various interests. However, despite this very real scepticism, the EU has continued to present a united front in both the initial placing of the restrictive measures regime, and also in the continuation and renewal of these sanctions.

## CHAPTER 5

### THE EURASIAN ECONOMIC UNION, THE EUROPEAN UNION AND UKRAINE

#### 5.1 Overview of the Eurasian Economic Union's Formation

With the collapse of the Soviet Union, a single, deeply integrated economic, political and institutional legal space was separated into 16 different states.<sup>683</sup> Prior to the creation of the Eurasian Economic Union there had been various attempts at forming international organizations in order to reintegrate this post-Soviet space, the first being the Commonwealth of Independent States (CIS).<sup>684</sup> The CIS, though helping to maintain certain links between former Soviet territories, through such mechanisms as the mobility of labour and visa-free travel, was unable to put forward a clear project for an integrated political and economic community.<sup>685</sup> It is generally acknowledged that the modern thrust towards Eurasian<sup>686</sup> integration began with a speech made in 1994 by Kazakh President Nursultan Nazarbayev at the Lomonosov Moscow State University.<sup>687</sup> Following this, in 1995 the Russian Federation, Belarus and Kazakhstan signed an Agreement on the Customs Union, the aim of which was to remove trading barriers and encourage the economic integration of these states.<sup>688</sup>

Later came the Eurasian Economic Community, formed in 2000 by Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan, the aim of which was promote the creation of a single economic space and customs union among these signatory states.<sup>689</sup> Next, the Eurasian Customs Union was formed in 2010, its original members being Belarus, Kazakhstan and Russia,

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<sup>683</sup> ATLIGAN, Canan - BAUMANN, Gabriele - BRAKEL, Alexander - CRAWFORD, Claudia - DEVCIC, Jakov - HELMS, Amos (2014): The Eurasian Union: An Integration Project Under the Microscope, *Konrad Adenauer Stiftung International Reports*, 2/2014, 8, [http://www.kas.de/wf/doc/kas\\_36785-544-2-30.pdf?140207134233](http://www.kas.de/wf/doc/kas_36785-544-2-30.pdf?140207134233), (Accessed 2017.08.08)

<sup>684</sup> Ibid.

<sup>685</sup> SAKWA (2015): i.m.

<sup>686</sup> The term “*Eurasia*” itself is open to different interpretations and definitions, based on different geopolitical preconceptions. Speaking in terms of purely physical geography, it may be defined as the landmass between the Atlantic and the Pacific oceans. In terms of geopolitics, it usually refers to the lands of the former Soviet Union, excluding the three Baltic states. See LIIK, Kadri (2014): Introduction: Russia's pivot to (Eur)asia. In Russia's Pivot to Eurasia, *European Council on Foreign Relations*, May 2014, 6, [http://www.ecfr.eu/page/-/ECFR103\\_RUSSIA\\_COLLECTION\\_290514\\_AW.pdf](http://www.ecfr.eu/page/-/ECFR103_RUSSIA_COLLECTION_290514_AW.pdf) (Accessed 2017.08.08)

<sup>687</sup> Eurasian Economic Commission (2015): Eurasian Economic Integration: Facts and Figures,6, [http://www.eurasiancommission.org/en/Documents/broshura26\\_ENGL\\_2014.pdf](http://www.eurasiancommission.org/en/Documents/broshura26_ENGL_2014.pdf) (Accessed 2017.08.08)

<sup>688</sup> Ibid.

<sup>689</sup> VOUSINAS, Georgios L (2014): Eurasian Economic Community: Towards Integration. Economic Challenges and Geostrategic Aspects. *Modern Economy*, (5), 951. <http://dx.doi.org/10.4236/me.2014.59088>, (Accessed 2017.08.08)

with it at the time being seen as the foundation stone for a future “*Eurasian Union*”.<sup>690</sup> After, the Single Economic Space or Eurasian Economic space came into being in 2012.<sup>691</sup>

It is undeniable that Russia has provided the main impetus behind attempts to reintegrate the post-Soviet area.<sup>692</sup> Russian President Vladimir Putin himself has described the collapse of the Soviet Union as “*the biggest geopolitical catastrophe of the century*”.<sup>693</sup> In 2011, President Putin published an article in *Izvestia* where he set out his vision for a Eurasian Union. Drawing explicitly from the example of the European Union, he stated that “*It took Europe 40 years to move from the European Coal and Steel Community to the full European Union. The establishment of the Customs Union and the Common Economic Space is proceeding at a much faster pace because we could draw on the experience of the EU and other regional associations. We see their strengths and weaknesses. And this is our obvious advantage since it means we are in a position to avoid mistakes and unnecessary bureaucratic superstructures.*”<sup>694</sup> Furthermore, drawing again from the example of the EU, he stated that, “*In fact, we are adapting the experience of the Schengen Agreement that benefits Europeans as well as everyone who comes to work, study, or holiday in the EU*”.<sup>695</sup> Furthermore, in Putin’s stated vision of Eurasian Union, the creation of such a union is seen as a stepping stone for a greater integration project with the European Union, “*...take the two largest associations on our continent – the European Union and the Eurasian Union currently under construction. In building cooperation on the principles of free trade rules and compatible regulation systems they are in a position to disseminate these principles, including through third parties and regional institutions, all the way from the Atlantic to the Pacific Oceans. They will thus create an area that will be economically harmonised, but that still will remain diverse when*

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<sup>690</sup> DREYER, Iana - POPESCU Nicu (2014): The Eurasian Customs Union: The economics and the politics, *European Union Institute for Security Studies: Brief Issue*, 1, [http://www.iss.europa.eu/uploads/media/Brief\\_11\\_Eurasian\\_Union.pdf](http://www.iss.europa.eu/uploads/media/Brief_11_Eurasian_Union.pdf), (Accessed 2017.08.08)

<sup>691</sup> DRAGNEVA, Rilka – WOLCZUK, Kataryna (2017): *The Eurasian Economic Union: Deals, Rules and the Exercise of Power*, Chatham House, 4, <https://www.chathamhouse.org/sites/files/chathamhouse/publications/research/2017-05-02-eurasian-economic-union-dragneva-wolczuk.pdf>, (Accessed 2017.09.10)

<sup>692</sup> KEMBAYEV, Zhenis (2016): The Court of the Eurasian Economic Union: An Adequate Body for Facilitating Eurasian Integration? *Review of Central and Eastern European Law* 41, 343 .

<sup>693</sup> BIGG, Claire (2005) Was Soviet Collapse Last Century’s Worst Geopolitical Catastrophe? *RadioFreeEurope Radio Liberty*, April 29 2005, <http://www.rferl.org/a/1058688.html>, (Accessed 2017.09.10)

<sup>694</sup> PUTIN, Vladimir (2011): A new integration project for Eurasia: The future in the making, *Izvestia*, October 4 2011, [http://www.europarl.europa.eu/meetdocs/2009\\_2014/documents/dru/dv/dru\\_2013\\_0320\\_06\\_/dru\\_2013\\_0320\\_06\\_en.pdf](http://www.europarl.europa.eu/meetdocs/2009_2014/documents/dru/dv/dru_2013_0320_06_/dru_2013_0320_06_en.pdf), (Accessed 2017.09.10)

<sup>695</sup> PUTIN (2011): i.m.

*it comes to specific mechanisms and management solutions.*”<sup>696</sup> In fact, President Putin has argued that by joining the Eurasian Union, states would actually be aided in their broader push towards European integration, having said that “*Soon the Customs Union, and later the Eurasian Union, will join the dialogue with the EU. As a result, apart from bringing direct economic benefits, accession to the Eurasian Union will also help countries integrate into Europe sooner and from a stronger position.*”<sup>697</sup>

On May 29 2014 the Treaty on the Eurasian Economic Union was signed in Kazakhstan, and on January 1 2015 it came into force.<sup>698</sup> With the the signing of the Treaty, President Putin said that “*Today we are creating a powerful, attractive center of economic development, a big regional market that unites more than 170 million people.*”<sup>699</sup> The member states of the Eurasian Economic Union now include the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, and the Russian Federation.<sup>700</sup>

## 5.2 Main Objectives and Principles

The Preamble of the Treaty on the Eurasian Economic Union sets out the guiding principles of the organization. It states that it is guided by such principles as states, unconditional respect for constitutional rights and human freedoms, respect for the history, culture and traditions of different peoples while at the same time seeking to deepen cooperation and solidarity between them.<sup>701</sup> According to the Treaty, the deepening of Eurasian integration serve the interests of signatory states, aiming to bring about balanced development and economic progress.<sup>702</sup> Additionally, it

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<sup>696</sup> Ibid.

<sup>697</sup> Ibid.

<sup>698</sup> DRAGNEVA – WOLCZUK (2017): i.m. 4.

<sup>699</sup> MACFARQUHAR, Neil (2014): *Russia and 2 Neighbors Form Economic Union That Has a Ukraine-Size Hole*, The New York Times, May 29 2014, [https://www.nytimes.com/2014/05/30/world/europe/putin-signs-economic-alliance-with-presidents-of-kazakhstan-and-belarus.html?\\_r=1](https://www.nytimes.com/2014/05/30/world/europe/putin-signs-economic-alliance-with-presidents-of-kazakhstan-and-belarus.html?_r=1), (Accessed 2017.09.10)

<sup>700</sup> Eurasian Economic Union: *General Information*, <http://www.eaeunion.org/?lang=en#about> (Accessed 2017.10.10) Previously there had been debate about Tajikistan joining the organization, with discussion with regards to the Eurasian Economic Union’s enlargement focusing upon this country in particular. However, no real concrete steps were taken in this direction, and in fact, now it has been proposed that the country rather be granted „observer” status to the organization. See PUTZ, Catherine (2018): *Tajikistan Still Considering Engagement With the Eurasian Economic Union*, The Diplomat, 23 April 2018, <https://thediplomat.com/2018/04/tajikistan-still-considering-engagement-with-the-eurasian-economic-union/> (Accessed 2018.08.22)

<sup>701</sup> Treaty on the Eurasian Economic Union (Courtesy Translation), [http://www.un.org/en/ga/sixth/70/docs/treaty\\_on\\_eeu.pdf](http://www.un.org/en/ga/sixth/70/docs/treaty_on_eeu.pdf) (Accessed 2017.06.06)

<sup>702</sup> Ibid.

recognises and takes into account the World Trade Organisation's rules, principles and regulations,<sup>703</sup> as well as the United Nations Charter's principles and objectives, as well as universally recognised international law regulations and principles.<sup>704</sup> According to Part 1, Section 1, Article 1.1-2 of the Treaty, the signatory parties ensure the “*free movement of goods, services, capital and labour within its borders*” and that “*The Union shall be an international organisation of regional economic integration and shall have international legal personality*”.<sup>705</sup>

### 5.3 Institutional Structure

Section III, Article 8 of the Treaty sets out Bodies of the Union, which include the Supreme Eurasian Economic Council, the Eurasian Intergovernmental Council, the Eurasian Economic Commission and the Court of the Eurasian Economic Union. With regards to the Supreme Council, according to Article 10.1-2 of the Treaty it is the Eurasian Economic Union's supreme Body, and is made up of the heads of the various Member States. The Supreme Council has the responsibility to deal with the Union's main issues with regards to its activities, and to define its strategy, prospects and direction in relation to the development of integration, and is to take decisions which seek to achieve the Union's objectives. According to Article 13.2, the Supreme Council's decisions and dispositions are to be adopted based on the principle of consensus. This principle is said to be an acknowledgement of the sensibilities of certain member states, who wish to safeguard their national sovereignty.<sup>706</sup> This concern even extends to the choice of the name Eurasian Economic Union, which reflects the conception of the organization according to certain member states. Kazakhstan's first deputy prime minister and chief negotiator Bakytzhan Sagintayev stated that “*We are not creating a political organization; we are forming a purely economic union (...) It is*

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<sup>703</sup> Ibid.

<sup>704</sup> Ibid.

<sup>705</sup> With regards to the Customs Union formed by the EAEU member states, Section VI sets out its “Principles of Functioning”. Article 25 states that: *1. Within the Customs Union of the Member States: 1) an internal market for goods shall be in place; 2) the Common Customs Tariff of the Eurasian Economic Union and other common measures regulating foreign trade with third parties shall be applied; 3) a common trade regime shall be applied to relations with third parties; 4) Common customs regulations shall be applied; 5) free movement of goods between the territories of the Member States shall be ensured without the use of customs declarations and state control (transport, sanitary, veterinary-sanitary, phytosanitary quarantine), except as provided for by this Treaty.*

<sup>706</sup> VICARI, Madalina (2016): The Eurasian Economic Union- approaching the economic integration in the post-Soviet space by EU-emulated elements, *Papers in Political Economy*, <https://interventionseconomiques.revues.org/2823>, (Accessed 2017.06.19)

*a pragmatic means to get benefits. We don't meddle into what Russia is doing politically, and they cannot tell us what foreign policy to pursue.*"<sup>707</sup>

According to the Treaty, in the case of conflict between the various above mentioned institutions, the Supreme Economic Council decisions prevail over those of the Intergovernmental Council and Economic Commission, while the Intergovernmental Council's decisions prevail over those of the Economic Commission.<sup>708</sup> The Commission has the objectives of enabling "*the functioning and development of the Union, as well as to develop proposals in the sphere of economic integration within the Union.*"<sup>709</sup> Though there is a resemblance between the European Union and European Economic Union's institutional structure, there is a difference between them in terms of their roles and importance with relation to decision-making and governance. As shall be seen in the next section, it can thus be argued that the Eurasian Economic Union rather resembles the intergovernmental model of governance rather more than the supranational model, the latter being a major defining characteristic of the European Union.

With regards to the Court of the Union, Article 19.1 declares that "*The Court of the Union shall be a permanent judicial Body of the Union*". It aims to ensure the "*uniform application by the Member States and Bodies of the Union of the Treaty, international treaties within the Union, international treaties of the Union with a third party and decisions of the Bodies of the Union*".

As to the language used by the Organization, Article 110.1 of the Treaty sets out that Russia is the working language of the Bodies of the Eurasian Economic Union and Article 110.2 states that the various international treaties within the Eurasian Economic Union itself and the binding decisions of the Commission are to be adopted in the Russian language.

#### **5.4 Nature of Eurasian integration**

It is worth highlighting several important characteristics of Eurasian integration. It has been acknowledged that the region covered by the EAEU has specific unique features that distinguish it from the European Union and its experience of integration. For example, Eurasian integration is occurring in a region which, in the fairly recent past, had been part of one united centralized

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<sup>707</sup> MACFARQUHAR (2014): i.m.

<sup>708</sup> Article 6.4.

<sup>709</sup> Annex 1, Article 1.1.

state.<sup>710</sup> As a result, these states inherited important relationships among themselves when attaining independence in such areas as the economy and infrastructure, sharing similar institutions, a common cultural heritage and the use of the Russian language.<sup>711</sup> This last fact is acknowledged in a provision in the Treaty on Eurasian Economic Union, which provides that Russian is the working language of the organization's institutions.<sup>712</sup> All this is an important distinction from the history of the post-war European integration process, which involved states possessing, with varying degrees, traditions of independent statehood, and which had not belonged to a common, modern, centralized state or a common language community.

As has already been mentioned, over time there have been various models proposed seeking to explain regional integration projects (in particular with regards to the European Union), one of which is the intergovernmental model.<sup>713</sup> Despite the fact that the Eurasian Economic Union possesses such supranational bodies as the Eurasian Economic Commission, the intergovernmental model seems the most apt to describe the development and structure of the Eurasian Economic Union. As already stated, this model emphasises the importance of national governments in the integration process, and attributes less importance to the role of supranational organisations.<sup>714</sup> Evidence of this can be seen in the fact that the Supreme Eurasian Economic Council retains control over the direction of EAEU policy and development, and that it adopts decisions through a process of consensus, which are binding though only as far as they are in harmony with the respective national laws of the states, and thus don't take priority over national law.<sup>715</sup> Furthermore, if conflicts arise, the Supreme Council's decisions have priority over both the Commission and the Intergovernmental Council.<sup>716</sup> Thus, it can be said that integration takes place rather at the highest governmental levels, rather than through the Commission.<sup>717</sup> However, this must also be partially qualified by the fact that by virtue of its very existence, including the

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<sup>710</sup> VINOKUROV, Evgeny (2018): *Introduction to the Eurasian Economic Union*, Palgrave Macmillan, Cham, 2018, 147.

<sup>711</sup> Ibid, 149.

<sup>712</sup> Article 110(1)

<sup>713</sup> POLLACK, Mark. A (2015): „Theorizing EU Policy-Making”, In WALLACE, Helen - POLLACK, Mark. A - YOUNG, Alasdair R. (eds.): *Policy-Making in the European Union*, Oxford, Oxford University Press, 14, 16.

<sup>714</sup> Ibid, 16.

<sup>715</sup> VINOKUROV (2018): i.m. 52.

<sup>716</sup> Ibid.

<sup>717</sup> JAROSIEWICZ, Aleksandra - FISCHER, Ewa (2015): The Eurasian Economic Union – more political, less economic, 20 January 2015, *OSW*, <https://www.osw.waw.pl/en/publikacje/osw-commentary/2015-01-20/eurasian-economic-union-more-political-less-economic> (Accessed 2018.08.10)

abovementioned institutions that have also been put into place, that a very real supranational structure of some kind has been put into place and is in fact developing, having been given certain powers and competences. Furthermore, as seen by the statements of the Russian president, it has been explicitly acknowledged that the model of the European Union provides a major part of the inspiration for the Eurasian Economic Union model. Thus, it may in fact be argued that the creation and promotion of this integration project in the Eurasian space is in fact, to a certain extent, an example of the European Union institutional and economic model spreading beyond its own borders, acting as a prototype for integration projects in other parts of the world. However, as has already been discussed above, this is not to imply that the supranational institutions of the Eurasian Economic Union have a similarly strong and definitive role as those of the European Union.

## **5.5 Ukraine and the Eurasian Economic Union**

### ***5.5.1 ‘Competing integration models’ – Ukraine between Europe and Russia***

It can be said that the Eastern Partnership, with its program of signing Association Agreements with post-Soviet states, which aims at integrating and tie third countries more closely to the European Union, can act as an alternative to engaging with and joining the Eurasian integration project its most recent incarnation being the Eurasian Economic Union. An inevitable issue which arises in relation to the states caught between these two integration projects is whether it is in fact possible to successfully balance between them, in the sense of somehow participating or engaging with both to varying degrees and to a certain extent. There have been different points of view as to how states who are the subjects of competition between these two large integration projects could and should engage with both of them.

An attempt at pursuing a kind of multidimensional policy foreign policy has manifested itself in different ways since the time that Ukraine attained independence. For example, the 1990 Declaration of State Sovereignty of Ukraine proclaimed that Ukraine would be “*a permanently neutral state*”,<sup>718</sup> and later the 1993 foreign policy document adopted by the Ukrainian parliament advocated the principle that the country have a multidimensional foreign policy.<sup>719</sup> This at times has involved developing connections to and, to a limited extent, participation in regional

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<sup>718</sup> Article IX, [http://static.rada.gov.ua/site/postanova\\_eng/Declaration\\_of\\_State\\_Sovereignty\\_of\\_Ukraine\\_rev1.htm](http://static.rada.gov.ua/site/postanova_eng/Declaration_of_State_Sovereignty_of_Ukraine_rev1.htm)

<sup>719</sup> LYUBASHENKO (2012): i.m. 90.

integration processes and projects in the post-Soviet space. For example, Ukraine was also one of the founders of the Commonwealth of Independent States (CIS) in 1991, however it did not become a full member of this organization as it did not subsequently agree to sign the CIS Charter, and instead affirmed in the abovementioned 1993 foreign policy document its desire for European integration.<sup>720</sup> However, it still participated in the organization's activities, such as sending observers and voting representatives to CIS institutions, participated in summits, and even led the CIS Council of the Heads of State on two occasions (2003 and 2014).<sup>721</sup> Yet Ukraine can be said to have attempted to limit its participation in the CIS to issues of a bilateral economic nature, opposing attempts to turn the organisation into a federation or confederation.<sup>722</sup> This is illustrated by the fact that Ukraine did not take part in the CIS Inter-Parliamentary Assembly which had been agreed on in March 1992, nor did it participate in the Economic Court of the CIS which was created some months later.<sup>723</sup>

In May 1993 the CIS issued a declaration which aimed to establish an economic union and subsequently signed an Economic Union Treaty in September of that same year which sought to bring into being a free trade area, which would have both reduced internal tariffs and created a system of common external tariffs, as well as a payments and settlements system.<sup>724</sup> Ukraine signed the joint declaration and even participated in the drafting of the framework treaty, committing itself to this union, though finally it agreed to only be an associated member.<sup>725</sup> However, in the end this project did not come to fruition, with the agreement signed between this union's founding member states failing to be ratified by most of the CIS member countries.<sup>726</sup> Later, in January 1995 a Customs Union was established by Belarus, Kazakhstan and Russia,

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<sup>720</sup> FESENKO, Vladimir (2015): Ukraine: Between Europe and Eurasia. In DUTKIEWICZ, Piotr - SAKWA, Richard eds: *Eurasian Integration – The View from Within*, Routledge, London and New York, 2015, 136.

<sup>721</sup> MOLCHANOV, Mikhail A. (2015): *Eurasian Regionalisms and Russian Foreign Policy*, Ashgate: Surrey and Burlington, 139.

<sup>722</sup> KUZIO (1999): i.m. 56.

<sup>723</sup> DRAGNEVA – WOLCZUK (2016): i.m. 683.

<sup>724</sup> ZHALIMBETOVA, Roza - GLEASON, Gregory (2001): Eurasian Economic Community (EEC) Comes Into Being, *CACI Analyst*, 6/20/2001, <https://www.cacianalyst.org/publications/analytical-articles/item/7113-analytical-articles-caci-analyst-2001-6-20-art-7113.html?tmpl=component&print=1> (Accessed 2018.08.10)

<sup>725</sup> DRAGNEVA – WOLCZUK (2016): i.m. 684.

<sup>726</sup> Ibid.

which was joined by Kyrgyzstan in 1996 and Tajikistan in 1999.<sup>727</sup> Ukraine chose not to join due to a fear that such a move would compromise the country's sovereignty.<sup>728</sup>

In 2002 Ukraine attained observer status to the Eurasian Economic Community,<sup>729</sup> which, as mentioned above, came into being in 2000. In September 2004 Ukrainian President Leonid Kuchma signed, along with Russia, Belarus and Kazakhstan, various agreements which were seen as laying the foundation for the creation of a Single Economic Space (SES).<sup>730</sup> However, their views as to what the SES would entail were at odds, with Russia aiming at the creation of a customs union and single currency, whereas Ukraine rather preferred the creation of a free trade zone, which would have been a looser form of integration than a customs union, and did not support the idea of a monetary union, which would have posed problems for Ukraine's European integration.<sup>731</sup>

The coming to power of Viktor Yushchenko in 2005 in the wake of the Orange Revolution saw a strongly pro-Western policy being pursued by Ukraine, and during his tenure Ukraine began negotiating the details of a future Association Agreement and Deep and Comprehensive Free Trade Area (DCFTA).<sup>732</sup> Later, as already discussed earlier, Viktor Yanukovich pursued a policy of balancing between Russia and the West, and after not signing the Association Agreement with the European Union was ousted as a result of the Euromaidan Revolution. In response to this development, President Putin eventually signed Federal Law on Suspension by the Russian Federation of the Agreement on the Free Trade Zone with Regard to Ukraine which suspended from January 1 2016 the Agreement on the Free Trade Zone signed on October 18 2011 between Russia and Ukraine.<sup>733</sup> A statement was made which said that this law came into being due to the *“coming into effect as of January 1, 2016, of the trade and economic section of the Association Agreement between Ukraine and the European Union without any legally binding agreement that*

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<sup>727</sup> BORODIN, Konstantin - STROKOV, Anton (2015): The Customs Union in the CIS, *Journal of Economic Integration*, Volume 30, Number 2, June 2015, 339, [https://www.e-jei.org/upload/JEI\\_30\\_2\\_334\\_358\\_2013600073.pdf](https://www.e-jei.org/upload/JEI_30_2_334_358_2013600073.pdf) (Accessed 2019.02.17)

<sup>728</sup> BRZEZINSKI, Zbigniew - SULLIVAN, Page (1997): *Russia and the Commonwealth of Independent States: Documents, Data, and Analysis*, M.E. Sharpe: London and New York, 1997, x.

<sup>729</sup> ZADOROZHNI, Oleksandr (2016): *International Law in the Relations of Ukraine and the Russian Federation*, K.I.S: Kyiv, 130.

<sup>730</sup> HANCOCK, Kahtleen J. (2009): *Regional Integration: Choosing Plutocracy*, Palgrave Macmillan: New York, 131.

<sup>731</sup> Ibid, 131-132.

<sup>732</sup> DRAGNEVA – WOLCZUK (2016): i.m., 689.

<sup>733</sup> President of Russia (2015): Law on suspending free trade agreement with Ukraine, December 30 2015, <http://en.kremlin.ru/events/president/news/51131> (Accessed 2017.10.30)

would meet Russia's interests. This fundamentally changed the circumstances that were of special significance to Russia at the time the Free Trade Zone Agreement was signed".<sup>734</sup>

### 5.5.2. Balancing the integration projects

There have been different points of view as to how Ukraine could have and should handle and engage with the different integration projects that it has found itself having to choose from.

1. According to Article 39 of the Association Agreement signed between the European Union and Ukraine, the AA does not preclude maintaining or establishing free trade areas, customs unions or arrangements relating to frontier trade so long as these do not have the effect of altering the Association Agreement's arrangements. According to this, then, some may argue that, theoretically, Ukraine could have adapted the terms and conditions of the Association Agreement to Eurasian Customs Union.<sup>735</sup> However, in reality, it was not possible to reconcile the two different trade regimes represented by the EU and ECU,<sup>736</sup> due to the significant differences between the two regimes that could not be solved as simply as by employing some form of terminology adaptation.<sup>737</sup> The then European Commission President, Jose Manuel Barroso, even made a statement in relation to this very issue, having said that *"Agreements on the establishment of a deep and comprehensive free trade area between the EU and Ukraine contain obligations that need to be fulfilled...Our positions were clearly defined... One country cannot at the same time be a member of a customs union and be in a deep common free-trade area with the European Union. This is not possible..."*<sup>738</sup>

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<sup>734</sup> Ibid.

<sup>735</sup> BROSE, Colin (2016): *Serbia Maneuvers Between the EU and EEU*, The Jamestown Foundation, November 11 2016, <https://jamestown.org/serbia-maneuvers-eu-eeu/>, (Accessed 2017.09.10)

<sup>736</sup> Ibid.

<sup>737</sup> SUSHKO, Oleksandr (2013): A Fork in the Road? Ukraine between EU Association and the Eurasian Customs Union, *PONARS Eurasia, Policy Memo 293*, September 2013, [http://www.ponarseurasia.org/memo/fork-road-ukraine-between-eu-association-and-urasian-customs-union#\\_ftn9](http://www.ponarseurasia.org/memo/fork-road-ukraine-between-eu-association-and-urasian-customs-union#_ftn9), (Accessed 2018.01.4)

<sup>738</sup> Ukrainform (2013): Barroso reminds Ukraine that Customs Union and free trade with EU are incompatible, 25 February 2013, [https://www.ukrinform.net/rubric-economy/1461921-barroso\\_reminds\\_ukraine\\_that\\_customs\\_union\\_and\\_free\\_trade\\_with\\_eu\\_are\\_incompatible\\_299321.html](https://www.ukrinform.net/rubric-economy/1461921-barroso_reminds_ukraine_that_customs_union_and_free_trade_with_eu_are_incompatible_299321.html), (Accessed 2018.01.4)

2. However, there have been those that have attempted to find some arrangement or solution to balance these various factors, perhaps adopting what some might describe as a more nuanced approach. For example, Johannes Hahn, European Commissioner for European Neighbourhood Policy and Enlargement Policy made the statement, with regards to a study<sup>739</sup> exploring Ukraine's relations with both Russia and the European Union that *“The study rightly recognises that integration [for Ukraine] with Russia and EU are not in principle mutually exclusive. The study goes on to suggest that at least partial restoration of links with Russia, and the so-called Eurasian Economic Union will be important to Ukraine's economic recovery, and that Ukraine should diversify its export markets and develop trade relations in many directions...Ukraine already has preferential trade relations with the members of the Eurasian economic union within the framework of the Community of Independent States free trade area. These are perfectly compatible with the Deep and Comprehensive Free Trade Area, and there is no reason why they should not be maintained. So the EU-Ukraine bilateral DCFTA does not impose a false choice on Kyiv. Those who say so are wrong or may have their own agenda,...”*<sup>740</sup>

There have been those that have attempted to find some arrangement or solution to balance the various competing factors that can be said to exist in those states bordering between the European and Eurasian integration projects.<sup>741</sup> In fact, it has been argued that the only way to truly reconcile these differences and tensions is in the context of a broader agreement between the European Union and the Eurasian Economic Union, which would establish a common free trade area from *“Lisbon to Vladivostok”*.<sup>742</sup> The obvious reason for this is that it is not possible to abolish tariffs with the European Union under the terms of the AA/DCFTA while maintaining them against the same organization, as is the case with the Eurasian Economic Union.<sup>743</sup> It has been suggested that trilateral negotiations in this area would be the ultimate solution to the dilemma of having to choose between regional integration projects.<sup>744</sup> Various models have been proposed as to what

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<sup>739</sup> ADAROV, Amat - ASTROV, Vasily - HAVLIK, Peter - HUNYA, Gábor - LANDESMANN, Michael - PODKAMINER, Leon (2015): How to Stabilise the Economy of Ukraine, Background Study, *The Vienna Institute for International Economic Studies*, 15 April 2015, <https://wiiw.ac.at/how-to-stabilise-the-economy-of-ukraine-dlp-3562.pdf> (Accessed 2019.02.24)

<sup>740</sup> GOTEV, Georgi (2015): EU Pushing Ukraine towards trilateral free trade, with Russia, Euractiv, April 15 2015, <http://www.euractiv.com/section/economy-jobs/news/eu-pushing-ukraine-towards-trilateral-free-trade-with-russia/>, (Accessed 2017.08.2)

<sup>741</sup> Ibid.

<sup>742</sup> ADAROV Amat et. al (2015): i.m. 46.

<sup>743</sup> Ibid.

<sup>744</sup> Ibid.

legal form an agreement solidifying such cooperation would take, with one commentator having described it in terms of being a possible “*mega deal*”.<sup>745</sup> Proposals have included a comprehensive economic and trade agreement or a deep and comprehensive free trade agreement.<sup>746</sup> If any such development were to take place, it is more likely that the former would be the model adopted, as a DCFTA usually requires conformity to the laws and regulations of the European Union, which is a prospect that in certain areas would likely not be attractive to the member states of the EAEU.<sup>747</sup> This appears to be very unlikely at this present moment in time due to the complex state of relations between Russia and the European Union.<sup>748</sup> Of course, it goes without saying that one of the primary sources of these tensions relates to Ukraine, and the events that have taken place there since 2014.

However, despite the tensions and conflicts in recent years, the idea of a common great integrated space is still attractive to certain leaders. For example, in 2016 President Putin stated that “*Along with our Chinese colleagues, we are planning to start official talks on the formation of comprehensive trade and economic partnership in Eurasia with the participation of the European Union states and China.*” He went on to add that “*I expect that this will become one of the first steps toward the formation of a major Eurasian partnership, [...] the “greater Eurasia”.*”<sup>749</sup> Important voices from within the European Union have also continued to express support for such a project. German Chancellor Angela Merkel has also said that “*I hope that Russia would increasingly develop ties with the European economic area, finally resulting in a common economic area from Lisbon to Vladivostok.*”<sup>750</sup> European Commission President Jean-Claude Juncker had also said “*I have always found the idea of an integrated trade area linking Lisbon to Vladivostok to be an important and valuable objective.*”<sup>751</sup> Also, in October 2017 in Verona the

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<sup>745</sup> VINOKUROV, Evgeny (2014): A Mega Deal Amid A Relationship Crisis, *Russia in Global Affairs*, 18 December 2014, <http://eng.globalaffairs.ru/number/A-Mega-Deal-Amid-a-Relationship-Crisis-17221> (Accessed 2018.08.21)

<sup>746</sup> VINOKUROV, Evgeny *et. al.* (2016): *Challenges and Opportunities of Economic Integration within a Wider European and Eurasian Space*, IIASA Synthesis Report 2016, October 2016, 15, <http://pure.iiasa.ac.at/id/eprint/13982/1/18-01-17%20Final%20Eurasian%20project%20report.pdf> (Accessed 2018.08.21)

<sup>747</sup> The one signed between the European Union and Canada has been suggested a model. See *Ibid.*

<sup>748</sup> *Ibid.*

<sup>749</sup> ELIA, Danilo (2016): The Greater Eurasia, Putin’s idea of Europe after Brexit, *Eastwest*, June 29 2016, <http://eastwest.eu/en/opinions/riding-the-russian-rollercoaster/the-greater-eurasia-putin-s-idea-of-europe-after-brex-it>, (Accessed 2017.08.2)

<sup>750</sup> Sputnik News (2016): From Lisbon to Vladivostok: Merkel Seeks Free Trade Zone Between Russia, EU, 5 June 2016, <https://sputniknews.com/politics/201606051040810928-merkel-eu-russia-cooperation/>, (Accessed 2017.08.2)

<sup>751</sup> The Baltic Course (2015): Lithuanian MFA: Juncker’s words on EU-Russia ties his personal opinion, not EU’s, 20 November 2015, [http://www.baltic-course.com/eng/baltic\\_states/?doc=113180](http://www.baltic-course.com/eng/baltic_states/?doc=113180), (Accessed 2017.08.2)

Eurasian Economic Forum was held, which brought together various politicians and business leaders from Russia, Italy and around the world,<sup>752</sup> which sought to discuss, according to President Putin, “*prospects for cooperation between the leading integration associations, namely the European Union and the Eurasian Economic Union.*”<sup>753</sup> And recently Kazakhstan’s deputy foreign minister Roman Vassilenko has also made the statement that “*The long-term goal of regional interaction between the EAEU and the EU is to create a single economic space from the Atlantic to the Pacific Ocean – a free trade area*” and that “*Greater cooperation between the EAEU and the EU will allow for the entire region’s potential to be fully realised, including Central Asia*”.<sup>754</sup>

Ukraine has found it extremely difficult to pursue a multi-vector policy with regards to the two neighbouring integration projects on its borders. Since gaining independence it had attempted to do this with varying degrees of intensity at different stages of its existence. However, the differing rules and requirements of the respective European and Eurasian projects have made it difficult to achieve this in practice, and with the signing of the Association Agreement with the European Union in 2014, the country has made an unambiguous and firm choice in the direction of European integration. It can be said that in the long term, for countries who may wish to pursue a multi-vector and multidimensional policy with the regards to the EU and EAEU, the only viable solution may be the EU as a whole actually coming to a comprehensive understanding and agreement with the EAEU. In the present environment this does not seem very likely due to the tense and complex state of relations that exist at the present time. However, as seen above, there are those from within both the EU and EAEU who maintain a desire for a broader and expanded integrative space that would go beyond the borders of their own organizations.

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<sup>752</sup> Russian News Agency TASS (2017): Verona opens 10<sup>th</sup> Eurasian Economic Forum, October 19 2017, <http://tass.com/economy/971433>, (Accessed 2017.08.2)

<sup>753</sup> Belarusian Telegraph Agency (2018): Putin: Eurasian forum in Verona enjoys well-deserved international prestige, *Belarus News*, 19 October 2018, <http://eng.belta.by/politics/view/putin-urasian-forum-in-verona-enjoys-well-deserved-international-prestige-106033-2017/>, (Accessed 2017.08.2)

<sup>754</sup> GOTEV, Georgi (2019): Kazakhstan advocates closer ties between EU and Eurasian Economic Union, Euractiv, 17 January 2019, <https://www.euractiv.com/section/central-asia/news/kazakhstan-advocates-closer-ties-between-eu-and-urasian-economic-union/> (Accessed 2019.03.22)

## CONCLUSIONS

This dissertation has attempted to explore and examine various aspects of the European Union's external relations with the Russian Federation and Ukraine, with a particular focus on its legal aspects. By employing a comparative analysis, with a particular focus upon the Partnership and Cooperation Agreements, and Association Agreement, as well as certain other relevant instruments, it has been seen that there are significant differences in the nature of these relations, one of the primary being that Russia does not seek a deeper integration with the European Union in the same way that Ukraine does, with the latter since attaining independence (though with varying degrees of intensity) having sought to draw as closely as possible to the European Union, even desiring to one day achieve full membership. As has been seen, in recent times relations between the European Union and Russia, and Ukraine and Russia, have deteriorated, having experienced various difficulties and tensions due to such factors as the Euromaidan Revolution and the subsequent events which followed, which include developments in Crimea and Eastern Ukraine.

As to the future of the European Union's external relations with Russia and Ukraine, time will tell as to how their contours and characteristics will change and develop in the future. In relation to Russia, despite various calls for the lifting of sanctions against Russia and the questioning of their utility, and a desire among certain quarters within the European Union for a resetting of relations and rapprochement, it appears that the restrictive measures regime placed on Russia by the EU will continue into at least the near future, if not beyond. It is likely that there will continue to be voices in the European Union that will persist in calling for the lifting of the sanctions and restrictive measures. It is undeniable that these measures are a major issue in relations between the EU and Russia and, as has been seen in this dissertation, it can be said that it is difficult to predict their ultimate duration due to the various complex factors involved in the relationship. In any case, the adoption by the European Union of restrictive measures as a result of events in Crimea and East Ukraine against the Russian Federation is a notable and striking example of the utilization of certain tools of external relations policy available to it in relation to its dealings with third countries.

In relation to Ukraine, the country has unambiguously moved forward along the path of European integration, particularly with the signing of the Association Agreement. It can be

expected that this process will continue and gain strength with time and the Ukrainians have also clearly articulated their desire to achieve the status of a full European Union Member State. However, the fact that the country has not been given an explicit membership perspective, coupled together with the general enlargement fatigue which exists in the European Union (as evidenced by the referendum in the Netherlands) does not bode well for such a prospect, at least in the near future. In particular, it can be said that the impending Brexit, which was explicitly linked to issues relating to large scale migration from fellow European Union citizens particularly from the region of Central and Eastern Europe, will no doubt create a degree of caution in any future enlargements. Already important voices from within the European Union have expressed concern again future enlargement into the West Balkan region, despite the fact that these states, within the context of the Stabilisation and Association Agreements, have been giving explicit membership perspectives for the future in relation to eventual full membership of the European Union.<sup>755</sup> In that case, it is undeniable that such an attitude will also have an effect on any possible membership aspirations that Ukraine might have. What is certain, however, is that balancing the various factors outlined in this work, and articulating a viable and realistic long-term strategy for dealing with both of these vital neighbours on its borders will continue to be among the greatest and most crucial challenges of European Union external relations policy.

Though we may speak of the European Union's external relations with third countries such as Russia and Ukraine, it must be remembered that the EU is still composed at this time of 28 sovereign states, often with different aims and perceived national interests, with their own specific characteristics and background. This has often had a direct bearing on the articulation of European Union external relations policy, and furthermore, these individual Member States still continue to conduct independent policies in various areas which can also be influenced by domestic considerations as well. Here, this has been well illustrated in the case of the Netherlands and the referendum that took place there in 2016, which ultimately led to the European Union as a whole having to respond to this development. It is obvious that when a country wishes to pull closer to the European Union and integrate more deeply with it, both in terms of the kind of Association Agreements signed by Ukraine, or within the broader context of enlargement policy itself with the

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<sup>755</sup> HOPKINS, Valerie (2019): France and Germany pour cold water on Balkans hopes for immediate EU accession, *Financial Times*, 29 April 2019, <https://www.ft.com/content/0c8e1402-6a9f-11e9-80c7-60ee53e6681d> (Accessed 2019.05.30)

explicit aim and perspective of accession, that the concerns and even internal political situations of European Union Member States will necessarily have to be addressed.

It is inevitable due to the present realities that the European Union's relations with both the Russian Federation and Ukraine will in some way have to take into account the issue of energy, in particular the transportation and deliver of natural gas. As has been seen, there have been and are various gas pipeline projects which have rarely been without contentious issues attached to them, in particular relating to the European Union's legal regulatory framework and the way in which this would affect and influence these pipelines operation on the territory of the EU. Also, the fact that Ukraine has and continues to play an important role as a gas transit territory is an important factor to be taken into account with regards to this topic. As seen in this dissertation, any alternative pipeline that is able to deliver natural gas from Russia to the Member States of the European Union which would decrease Ukraine's role as a gas transit country is of great concern to that country, as seen in particular with the issue of the Nord Stream 2 pipeline project at the present time. Additionally, it has been seen that Ukraine and Russia differ markedly in their attitude to the reception of the European Union's energy *acquis*, with the former committing itself to approximating itself to its norms and standards, while the Russian Federation does not adhere to such a model of relations.

With regards to Hungary's position both as a European Union Member State and as a country which is a neighbour to Ukraine and which also has certain important links to the Russian Federation, in particular with regards to energy, it has been seen that, like all the other Member States of the European Union, it has national interests which it pursues. This can be observed with regards to energy relations with Russia and certain matters in relation to Ukraine. These are examples of how individual Member States can continue to pursue independent foreign policies with third countries, while these foreign policies still interrelate with, influence and are influenced by the broader European integration process, structures, regulations and laws. In relation to Hungary's energy relations with the Russian Federation, the specific example looked at here was nuclear energy and the Paks II project. This is an important example in that it shows that despite the tensions that exist at the moment, manifested in such things as the restrictive measures that have been imposed, certain European Union Member States such as Hungary have pursued relations with Russia in certain sectors when they have deemed it in their interests to do so. However, as was seen, certain issues were raised by the European Commission with regards to the

matter, which also illustrates the way in which the broader European Union regulatory regime can also directly impact and at times even impede the extent and degree of relations that can be pursued by EU Member States and third countries.

As to the Eurasian Economic Union, it is a regional integration project which in certain ways mirrors the European Union, and, as seen in this work, claims a certain inspiration from the European integration project. This can be seen in part by certain similarities when it comes to the institutional structure and aspects of its economic integration. It is undeniable that a certain amount of competition has taken place in parts of Europe to attract certain countries to both the European Union and Eurasian Economic Union integration projects, in particular Ukraine. As has been seen, in certain cases there has been some attempt or at least propositions with regards to how to balance the two integration projects in various ways. Such balancing raises certain legal complexities, which would inhibit certain propositions for a kind of simultaneous integration with both the European and Eurasian integration projects. It is likely that the only viable and effective way for a certain country attempting to balance both of these would be both of these regional organizations coming to an agreement between them, creating, on some level, a large and expansive integrated space. However, due to the present dynamics of relations, this does not appear as a realistic development in at least the near future.

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