

OSCE Network of Think Tanks and Academic Institutions
Report »OSCE Confidence Building in the Economic and
Environmental Dimension: Current Opportunities and Constraints«

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Short summary

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The current confrontation between Russia and the West will be with us for some time. The sides have mutually exclusive demands for ending the stand-off. In other crises of long duration, including the protracted conflicts, confidence-building measures have been used to make sides feel more secure, establish a track record of negotiation and problem solving, and develop a cadre of people familiar with one another.

The report explores the use of **confidence-building measures (CBMs) in the economic and environmental dimension (EED)**. Although the current confrontation has some economic aspects in its expression, it is entirely political in its origins. Despite heightening security and human-dimension tensions over the last decade, economic relations between the sides went relatively unpoliticized until the Ukraine crisis of 2013-2014. Therefore, the report looks to the second dimension to see whether there are confidence-building measures that can be applied in the current confrontation.

In the current climate and with the benefit of past experience, we can think about three different types of CBMs in the EED.

First are the direct and mutual actions taken by the Sides to reduce tensions and thereby increase confidence. This may involve, for example, **regulatory transparency and harmonisation**, as has been seen in the case of the extension of the DCFTA to include the Transnistrian region of the Republic of Moldova or the Comprehensive and Enhanced Partnership Agreement between the EU and Armenia.

Second, we can think of cooperation between the Sides to **achieve a common goal** or deal with a common challenge, such as climate change or the abuse of social media by transnational terrorist networks.

Third, the Sides could work together to **assist third parties** who would not normally cooperate because of a lack of trust or because of unresolved problems between them. Examples of successful practice here include addressing environmental challenges across hostile borders, such as the joint efforts of Georgia, Russia, and Abkhazia in combating the Box Tree Moth and the Brown Marmorated Stink Bug, or the traditionally good cooperation between Moldova and Transnistria on water management regarding the River Nistru/Dniestr.

Considering these examples of different types of CBMs in the EED, what potential options are there for future measures? Here the report proposes three concrete areas of activity:

First, internet and more generally **ICT governance** as part of improving economic and trade infrastructure which in turn could lead to enhanced economic connectivity and could have confidence-building effects.

Second, there are clear needs and opportunities in the area of **multilateral water management**, for example in relation to the Araxes/Arax/Aras River and involving Turkey, Armenia, and Azerbaijan, as well as Iran.

Third and crucially, there is the issue of potential **cooperation between the European Union (EU) and the Eurasian Economic Union (EEU)** and the need for more flexibility for the so-called "states in-between".

A dialogue between the EU and the EEU has a twofold potential.

First, it can provide a **de-politicised possibility for Russia-West rapprochement** - one of the few existing avenues in the context of the current deadlock.

Second, it can promote **flexibility and advantages for the states "in-between"** the two economic blocks. These states would profit from increased connectivity between the EU and the EEU, having the possibility to trade both with the EU and Russia rather than having to choose which "camp" to join. For example, trade patterns of Ukraine before the Maidan events demonstrate the importance of both trade directions. In fact, Ukraine's manoeuvring between the EU and the EEU was one proximate cause of the current confrontation between Russia and the West.

The case of Armenia is exemplary for the feasibility of increased EU-EEU connectivity. At the Eastern Partnership summit on 24 November 2017 Armenia signed a Comprehensive and Enhanced Partnership Agreement (CEPA) with the EU. CEPA is less ambitious than an Association Agreement and does not provide access to the EU Free Trade Zone, but it includes a set of substantial generalised tariff preferences, including elimination of tariffs on 66% of product lines. Most importantly, CEPA is compatible with the membership in the EEU, and the fact that Russia did not object to the conclusion of CEPA signifies some flexibility on the part of Russia. Flexibility of both Russia and the EU is further demonstrated by the handling of rules of origin, which had long been a sticking point (under CEPA exporters from Armenia can self-certify the origin of goods). A similar flexibility is reflected in EU's willingness to extend the application of its DCFTA with Moldova to Transnistria.

The OSCE could be a neutral platform for the EU-EEU dialogue given its authoritative convening power and agenda-setting facility. The dialogue can focus in the short term on the harmonisation of standards and rules. In the medium term, it can address increased connectivity, an issue promoted by the consecutive Swiss, Serbian, German and Austrian OSCE chairmanships, and in the long term a free trade zone and a common security space as envisaged in the 2010 OSCE Astana Declaration.